INTEGRATING ORGANISATIONAL AND INDIVIDUAL LEVEL PERFORMANCE
MANAGEMENT SYSTEMS WITHIN THE INDONESIAN PUBLIC SECTOR

RUDY MAHANI HARAHAP

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ABSTRACT

This PhD study aims to contribute to the literature on integrated performance management systems (PMSs) development. By examining comprehensively the elements of organisational and individual level PMSs and the linkages between the elements that make up those PMSs, this study responds to the call for management accounting research to pay more attention to management control aspects *beyond* accounting measures (Otley, 1999, 2001, 2008, 2016). To examine the elements and integration of PMSs, this study conducted a critical realist-based explanatory case study in a single, large government organisation in Indonesia. The design of the study and the data analysis drew on Ferreira and Otley's (2009) PMSs theoretical framework. Data were captured from electronic and printed document archives, online written interviews with participants across the Indonesian public sector, and face-to-face interviews with organisational personnel at different hierarchical levels and within different functional areas of the case study organisation. The data from these various sources were triangulated and analysed thematically.

There are several key contributions of this study. First, it reveals the process, outcomes, challenges, and benefits of integrating organisational and individual level PMSs in the studied organisation. These findings are a contribution because management accounting scholars have suggested a need to examine PMSs comprehensively and consider the integrated nature of PMSs, yet existing literature largely focuses on a single element of PMSs, such as organisational level performance evaluation. Moreover, these prior studies fail to consider the other PMS elements that surround the element being examined and tend not to consider the issue of how PMSs are integrated across hierarchical levels of the organisation. Also, these previous studies provide limited insight into how PMSs may end up being loosely coupled rather than integrated (Berry, Coad, Harris, Otley, & Stringer, 2009; Ferreira & Otley, 2009; Otley, 2008, 2016). The findings of this study show that the case organisation attempted to integrate its organisational and individual level PMSs by using technical and social mechanisms, formal and informal control systems, and management accounting (MA) and human resources management (HRM) control approaches. Yet, instead of achieving a single, well-integrated and coordinated PMS, the integration effort led to dual, loosely coupled PMSs. The key

challenges that impeded the integration effort were that the two PMSs were managed by different taskforces, the studied organisation faced conflicting regulatory requirements, and there was inadequate support from information technology. Although the integration effort resulted in loosely coupled PMSs, the studied organisation gained several benefits from the integration process that in the long run may help the organisation and its members to achieve the organisational vision, missions, and key success factors.

Second, this study shows the interconnections between MA and human resource management (HRM) control approaches. MA scholars have called for the cross-fertilisation of these approaches, but few researchers have examined empirically how these approaches might be combined (Chenhall, 2012; Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999; Stringer, 2007). This study contributes to this research gap by revealing how the studied organisation used a combination of MA and HRM control approaches to integrate organisational and individual level PMSs. It used the MA control approach of cascading key performance measures and targets from the organisational level down to individuals, as recommended in the balanced scorecard approach (Kaplan & Norton, 1996b, 2001b). The aim of this MA control approach was to align individuals' goals with organisational goals via an integrated approach to PMSs. The organisation also used the HRM control approach of assessing the behaviour of individuals against stated organisational values and evaluating the competency of individuals with the aim of strengthening organisational capacity (Hazucha, Hezlett, & Schneider, 1993; Silzer & Church, 2009).

Third, this study provides further insight into Ferreira and Otley's (2009) PMSs framework by exploring empirically two of its dimensions, i.e. culture and contextual factors. An explicit focus on these two dimensions is a contribution because previous studies largely focus on national culture and give little attention to its relationship with organisational culture. Also, previous studies do not always consider how contextual factors, such as political influences, may shape PMSs in the public sector of developing countries (Berry et al., 2009; Henri, 2006b; Merchant & Otley, 2007; Otley, 2016; Van Helden & Uddin, 2016). The findings of this study reveal a complex relationship between culture and PMSs integration. The organisational culture (Cameron & Quinn, 2011; Henri, 2006b) of the studied organisation, as shaped by the national culture (Hofstede, 2007; Rhodes, Walsh, & Lok, 2008; Wihantoro, Lowe, Cooper, & Manochin, 2015) of its employees, affected the integration of the organisational and individual level PMSs. Conversely, the integration of organisational and individual level PMSs also affected the

organisational culture by reducing the influence of the employees' national culture on organisational culture. In regard to how contextual factors shape PMSs, this study's findings show that political factors directly influenced the organisational level PMS and indirectly influenced the integration of organisational and individual level PMSs. Further, the complex design of the organisational structure, which was not entirely controlled by the studied organisation, led to complexities in the integration of organisational and individual level PMSs. These complexities contributed to a lack of coherence between the organisational level key performance measures and targets and individual level key performance measures and targets.

Finally, this study suggests that while organisations may face challenges in fully integrating organisational and individual level PMSs, which may instead end up as loosely coupled PMSs, the PMSs integration process can still provide benefits to organisations and their employees. Future studies could usefully investigate the integration of organisational and individual level PMSs in different contexts, address some limitations of this study, and further explore the impact of culture and contextual factors on PMSs integration. Further research may also draw on the findings of this study to help organisations and their management to do the following: align different or conflicted organisational and individual interests; inform the MA literature by drawing on HRM theory and research on individual level PMSs; address the gap between PMSs theory and practice; and allow MA researchers to make a stronger contribution to performance management practice.

ATTESTATION OF AUTHORSHIP

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Rudy M. Harahap

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

ABBREVIATIONS

ACC	Anti-Corruption Commission
APBN	*Anggaran Pendapatan dan Belanja Negara* (Indonesian Annual National Budget)
AUT	Auckland University of Technology
BSC	Balanced Scorecard
CR	Critical Realist
FTARC	Financial Transaction Analysis and Reporting Centre
HR	Human Resource
HRM	Human Resource Management
IPFS	Individual Performance Final Score
IT	Information Technology
KPI	Key Performance Indicator
KPM	Key Performance Measure
KSF	Key Success Factor
LOC	Levers of Control
MA	Management Accounting
MKO	*Manajer Kinerja Organisasi* (Organisational Performance Management Taskforce)
MKP	*Manajer Kinerja Pegawai* (Individual Performance Management Taskforce)
MMKO	*Mitra Manajer Kinerja Organisasi* (Sub Organisational Performance Management Taskforce)
NFP	Not-for-Profit
NGO	Non-Governmental Organisation
NPA	National Personnel Agency
NPM	New Public Management
NZ	New Zealand
PBRF	Performance Based Research Funding
PGPS	*Pintar Goblok Pendapatan Sama* (a colloquialism for 'stupid or smart, your income level would be the same')

PMS	Performance Management System
REF	Research Excellence Framework
RPE	Relative Performance Evaluation
SAKIP	*Sistem Akuntabilitas Kinerja Instansi Pemerintah* (Indonesian Government Organisation's Performance Accountability System)
SIKKA	*Sistem Informasi Kepegawaian, Keuangan, dan Aktiva* (Personnel, Finance, and Asset Information System)
SMART	Strategic Measurement and Reporting Technique
SWOT	Strength, Weakness, Opportunity, and Threat
UK	United Kingdom
US	United States of America
WIB	Indonesia West Regional Time
WIT	Indonesia East Regional Time
WITA	Indonesia Central Regional Time

Chapter 1

INTRODUCTION

This chapter presents the background and rationale for this study, the research aims and questions, the theoretical framework and methodology, and the intended contributions of this research. It then outlines the structure of this thesis.

1.1 Background and Rationale for the Study

It has been argued that management accounting research needs to focus more on management control aspects *beyond* accounting measures (Otley, 2001). This need could be addressed by comprehensively examining the elements of PMSs and the linkages between these elements (Ferreira & Otley, 2009; Otley, 1999, 2001). Furthermore, it has been suggested that management accounting (MA) researchers need to learn from other disciplines, such as human resources management (HRM) (Chenhall, 2012; Chenhall & Langfield-Smith, 2007). This learning may reveal the interconnections between MA and HRM control approaches and how they could be cross-fertilised (Chenhall, 2012; Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999; Stringer, 2007).

Yet, MA studies tend to focus on one element of organisational PMSs at a time, such as organisational level performance evaluation, rather than considering other PMS elements, such as individual level rewards, and the interconnections between the elements of PMSs (Ferreira & Otley, 2009; Otley, 1999, 2008, 2016). This tendency has resulted in a lack of attention to the effects that poorly integrated PMSs may have in practice (Otley, 2016). Therefore, MA scholars have suggested focusing more on PMSs integration, particularly on the integration of PMSs across hierarchies in an organisation (de Haas & Kleingeld, 1999; Kaplan & Norton, 1996b, 2001b). However, few MA studies have examined the integration of organisational and individual level PMSs explicitly. Most research in this area is conceptual and offers normative suggestions as to how integrated PMSs could be achieved (e.g. Cross & Lynch, 1988; Kaplan & Norton, 1992, 1996a, 2001a; Neely, Adams, & Crowe, 2001). As a result, there is a lack of empirical insights into this issue: little is known about how the integration of

organisational and individual level PMSs is operationalised in practice. The MA literature thus remains relatively silent on the challenges and benefits that PMSs integration offers.

Some MA research suggests turning to HRM research to help integrate individual and organisational level PMSs (Chenhall & Langfield-Smith, 2007; de Haas & Kleingeld, 1999; Otley, 1999). HRM scholars have developed perspectives regarding the contribution of individual level performance, an important component of integrated PMSs, to organisational level outcomes (e.g. DeNisi & Pritchard, 2006; DeNisi & Smith, 2014; Jackson, Schuler, & Jiang, 2014). These scholars suggest ways in which individual performance can be leveraged to enhance organisational performance (e.g. DeNisi & Pritchard, 2006; DeNisi & Smith, 2014). However, HRM scholars still struggle to find empirical evidence showing the precise mechanisms whereby individual level and organisational level performance are linked (DeNisi & Murphy, 2017; DeNisi & Smith, 2014). Moreover, in practice MA and HRM control approaches in an organisation often work independently (Brudan, 2010; Mansor & Tayib, 2013).

In sum, existing literature on the integration of organisational and individual level PMSs does not incorporate all elements of PMSs. This thesis aims to address this gap by exploring the integration of organisational and individual level PMSs by investigating all the elements of Ferreira and Otley's (2009) PMSs framework in a comprehensive case study of a large government organisation in Indonesia.

A further limitation of prior PMSs research is that it has tended to focus primarily on private or public sector organisations in developed countries. Much less consideration has been given to organisations, particularly those in the public sector, in developing countries (Hopper & Bui, 2015; Mimba, Van Helden, & Tillema, 2007; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). While public sector organisations in developing countries typically adopt PMSs ideas from developed countries (Koike, 2013; Van Helden & Uddin, 2016), there has been no explicit examination of whether these ideas offer an appropriate integration of organisational and individual level PMSs to serve public sector needs in developing country contexts, or how PMSs integration might need to be adapted for this purpose.

In sum, this study is motivated by calls to take a holistic view of the elements of organisational and individual level PMSs and the linkages between these elements, and to explore the interconnections between MA and HRM control approaches that can be employed to achieve integrated PMSs. Its aim is to comprehensively examine the

integration of organisational and individual level PMSs in order to understand how that integration can be improved in the context of a public sector organisation in a developing country.

1.2 Research Aims and Questions

This study contributes to the literature on integrated PMSs development by drawing on both the MA and HRM literatures and Ferreira and Otley's (2009) PMSs theoretical framework to inform an in-depth organisational case study. Specifically, this study explores the extent to which the organisational and individual level PMSs are integrated, the processes involved in the PMSs integration effort, the challenges and benefits of integrating PMSs, and how PMS integration might be improved.

The research questions of this study are:

- How do the study participants perceive the operation and integration of organisational and individual level PMSs in the studied organisation?
- What are the challenges and benefits in developing integrated organisational and individual level PMSs?
- How could the development of integrated organisational and individual level PMSs be improved?

In this thesis, the findings related to the first research question will be presented and explored in Chapters 5 and 6, while those related to the second and third research questions will be explored in Chapter 7.

The three research questions were underpinned by guiding sub-questions, as follows:

Organisational level PMS:

- How have people in the studied organisation developed an organisational level PMS to support the achievement of organisational goals?
- How does the organisational level PMS operate in the studied organisation?
- Who in the organisation is managing organisational level performance and how is it being managed?

Individual level PMS:

- How have people in the studied organisation designed an individual level PMS to support the achievement of individual and organisational goals?

- How does the individual level PMS operate in the studied organisation?
- Who in the organisation is managing individual level performance and how is it being managed?

The integration of organisational and individual level PMSs:

- How have people in the studied organisation gone about integrating the individual and organisational level PMSs?
- What are their perceived challenges and benefits in integrating the organisational and organisational level PMSs?
- What are perceived to be the most important factors in integrating organisational and organisational level PMSs?
- How could the integration of organisational and individual level PMSs be improved?

The research questions and guiding sub-questions are answered by capturing the perspectives of participants from different hierarchical levels and functional areas in a single, large government organisation in Indonesia. The theoretical framework, research methodology and methods, and intended contributions of this study are outlined next.

1.3 Outline of the Theoretical Framework

Ferreira and Otley's (2009) PMSs framework is the theoretical framework employed in this study. This framework comprises three sets of dimensions that need to be considered when investigating PMSs in an organisation. The first set comprises eight core dimensions that make up a whole PMS in an organisation: vision and mission; key success factors; organisation structure; strategies and plans; key performance measures; target setting; performance evaluation; and rewards systems. The second set contains four supporting dimensions that permeate the whole PMS and its core dimensions: information flows, systems and networks; PMSs use; PMSs change; and strength and coherence. The third set of dimensions comprises contingent variables that shape the overall PMS but lie outside the organisation's control, i.e. culture and contextual factors.

This framework is employed because of its usefulness in examining the elements of PMSs (Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Collier, 2005; George, Siti-Nabiha, Jalaludin, & Abdalla, 2016; Silva & Ferreira, 2010; Stringer, 2007; Van Helden & Reichard, 2016). Also, it provides an appropriate theoretical lens for examining PMSs use, PMSs change, and the influence that external factors may have on

PMS development and use (Agyemang & Broadbent, 2015; Broadbent & Laughlin, 2009; Conrad & Guven-Uslu, 2012; Strauß & Zecher, 2013).

Furthermore, this framework is appropriate for investigating public sector organisations, which is the context for this study (Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Broadbent & Laughlin, 2007; Conrad & Guven-Uslu, 2012; Silva & Ferreira, 2010; Yap & Ferreira, 2011). The framework also recognises the socially constructed nature of PMSs (Otley, 2016) and thus is compatible with the critical realist perspective adopted for the study. Finally, this theoretical framework fits with the case study approach adopted for this study since its creators call for case study research to examine the robustness and adequacy of their theoretical framework (Ferreira & Otley, 2009) and other scholars have demonstrated the applicability of this framework for case study research (e.g. George et al., 2016; Yap & Ferreira, 2011).

1.4   Outline of Methodology and Methods

The qualitative approach of this thesis draws on an explanatory case study (Wynn & Williams, 2012) to examine the integration of organisational and individual level PMSs in a single, large public sector organisation (Henk Ter Bogt & Van Helden, 2014). It follows the critical realist perspective (Jayne, 2010; Modell, 2009, 2015, 2016), which acknowledges both the ontological reality of MA practices and the epistemological limitations to observing that reality (see Chapter 3). The critical realist perspective is appropriate for this study because the integration of organisational and individual level PMSs is a problematic and complex reality that has to be understood subjectively. The case study approach provides a means of allowing the researcher to understand problematic and complex MA practices and PMSs comprehensively (Ferreira & Otley, 2009; Otley, 2016; Otley & Berry, 1998; Scapens, 1990).

Multiple data collection methods are implemented. Principally, data are collected using electronic and printed document archives, online written interviews, and face-to-face interviews. These methods are appropriate for case study research because they allow the researcher to triangulate various sources of data (Braun & Clarke, 2006; Scapens, 1990). Furthermore, online data collection helps to minimise research cost and time spent in the field (James & Busher, 2006; Tella, 2015; Wood, Kowalczuk, Elwyn, Mitchell, & Gallacher, 2011).

The data analysis follows the procedure outlined by Creswell (2013), which includes data preparation, data classification, and data presentation. Specifically, thematic

data analysis is used to analyse the themes and codes produced from the data sets (Creswell, 2013; Yin, 2010). Moreover, concept-driven and data-driven coding approaches are used to code data (Braun & Clarke, 2006; Brinkmann, 2013). Furthermore, the data are analysed iteratively at every stage of data gathering, and they are triangulated to assure data credibility and rigorous analysis (Creswell, 2013; Sandelowski, 2000; Stake, 2005).

1.5 Intended Contributions

The findings of this study are intended to contribute to the literature on integrated PMSs development by comprehensively examining how the various dimensions of PMSs are involved in integrating organisational and individual level PMSs. Also, examining the elements of PMSs and their linkages will help to reveal the interconnections between MA and HRM control approaches (Chenhall, 2012; Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999) and identify areas where these two bodies of literature can be usefully cross-fertilised and developed to provide further insight into integrated PMSs development (Chenhall & Langfield-Smith, 2007).

This study also aims to contribute to the literature on public sector PMSs in developing countries by suggesting how the integration of organisational and individual level PMSs might best be achieved in the public sector of developing countries, both in theory and in practice (Ohemeng, 2010; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Theoretically, researchers need to consider the effects that external pressures, culture, contextual political factors, and complex public sector organisational structures may have when investigating PMSs integration in this context. In practice, public sector policymakers and key officials need to consider various control systems, integrating mechanisms and control approaches when integrating PMSs. They also need to anticipate and minimise conflicting regulatory requirements, become aware of the potential benefits of integrated PMSs, and use more controls strategically to improve organisational and individual level performance in the public sector organisations of developing countries.

1.6 Thesis Outline

The remaining chapters of this thesis are structured as follows.

Chapter 2: Literature Review. This chapter reviews the literature on various concepts and dimensions of PMSs. In particular, this chapter defines the concepts that are relevant for this study, reviews previous studies of PMSs, and explores previous research related to the specific context of public sector PMSs in developing countries.

Chapter 3: Theoretical Framework. This chapter highlights Ferreira and Otley's (2009) framework as the theoretical framework of this study. It traces how this framework was developed, how it has been used in the performance management and control literature, and highlights subsequent developments in the framework since it was published in 2009. It ends by explaining how the framework will be used and developed in this study.

Chapter 4: Research Methodology, Methods, and Context. This chapter explores the philosophical position of the researcher, the research perspective for this study, and the data collection and analysis methods. In this chapter, the research background and context for this study are also presented.

Chapter 5: The Organisational Level PMS. This chapter presents and explores the findings regarding the organisational level PMS in the case study organisation. In doing so, it contributes to answering the first research question. Together with the findings presented in Chapter 6, the findings from Chapter 5 form the basis for understanding the integration of organisational and individual level PMSs, which is detailed in Chapter 7.

Chapter 6: The Individual Level PMS. This chapter presents and explores the findings regarding the individual level PMS in the case study organisation. Together with Chapter 5, it addresses the first research question on how the study participants perceive the operation and integration of organisational and individual level PMSs in the studied organisation.

Chapter 7: The Integration of Organisational and Individual Level PMSs and the Role of Culture and Contextual Factors. This chapter presents and explores the efforts, outcomes, benefits, and challenges of integrating organisational and individual level PMSs in the case study organisation. In doing so, it addresses the second and third research questions. It also highlights and reveals the important roles of culture and contextual factors in this organisation's PMSs integration.

Chapter 8: Discussion and Conclusion. This final chapter discusses the key findings and contributions of this study. It then explores the research implications, the limitations of this study, and potential areas for future research. This chapter closes with concluding remarks.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

As introduced in Chapter 1, the aim of this PhD study is to contribute to the literature on performance management systems (PMSs), particularly the literature on integrated PMSs development in MA. Specifically, integrated PMSs will be explored by (1) examining a range of existing PMSs in existing MA and HRM research and (2) identifying areas where these two bodies of literature can be usefully cross-fertilised and further developed to provide further insight into integrated PMSs. The purpose of this chapter is to review the literature relevant to this PhD study.

Otley (2001, 2008) points out that MA researchers have given much attention to accounting measures, but less to the management control aspect. For this reason, he calls on MA researchers to bring back management control as a core focus of MA research. He argues that an emphasis on PMSs has the potential to restore management control as the central focus of MA (Otley, 1999, 2001, 2008). This research topic may also connect MA research with the real issues of MA practice (Ferreira & Otley, 2009; Otley, 1999, 2001, 2008, 2016).

In the MA literature, PMSs are an emerging theme (Chenhall & Langfield-Smith, 2007; Franco-Santos, Lucianetti, & Bourne, 2012; Salterio, 2015). However, this theme is also seen in other disciplines that have developed their own PMSs models and approaches (Chenhall & Langfield-Smith, 2007; Otley, 1999; Stringer, 2007). Therefore, MA research could be extended by incorporating knowledge from these other disciplines, particularly HRM due to its focus on performance at the individual level (Chenhall, 2012; Chenhall & Langfield-Smith, 2007).

The various aspects of PMSs will be examined and expanded upon in this chapter. This chapter defines the concepts that are relevant for this study, reviews previous studies of PMSs and reviews research related to the specific context of public sector PMSs in developing countries, which is the context for the case study examined in this thesis.

2.2   PMSs Research

2.2.1   Concepts

PMSs and their related concepts may have different meanings because this research topic has been explored by various disciplines. Therefore, this section clarifies some concepts that are particularly relevant to this PhD study: performance measurement, performance management, and performance management systems.

2.2.1.1   Performance Measurement

Performance measurement is a process whereby past performance is measured. Its purpose is to quantify the efficiency and effectiveness of organisational and individual actions, and to hold managers accountable for outcomes (Neely, Gregory, & Platts, 1995; Otley, 1994). It involves the use of performance measures or metrics (Neely et al., 1995) which are developed to reflect the multiple perspectives of organisational stakeholders, such as shareholders, customers, employees, and other internal and external parties (Lebas, 1995; Otley, 2001, 2008). Performance measurement also involves considering performance from multiple perspectives. For example, performance can be viewed from the perspectives of outputs, inputs, or the conversion of inputs to outputs. The balanced scorecard (BSC) (Kaplan & Norton, 1992) illustrates these perspectives with learning and growth reflecting input, internal process representing input conversion, and customer and financial representing output (Otley, 2001).

2.2.1.2   Performance Management

Performance management extends the concept of performance measurement to include the management of performance as well its measurement (Lebas, 1995; Melnyk, Bititci, Platts, Tobias, & Andersen, 2014; Otley, 1999, 2001; Pidd, 2012). This concept enables organisations and individuals to plan for future outcomes, not just the tracking of past achievements. Because 'performance measurement' and 'performance management' cannot be separated, this concept has also been labelled as 'performance measurement and management' (e.g. Bourne, Melnyk, Bititci, Platts, & Andersen, 2014; Franco-Santos et al., 2012; Kaplan & Norton, 2001b)

2.2.1.3   Performance Management Systems (PMSs)

PMSs extend performance management to include organisational activities or processes used to formulate, communicate, and control organisational strategy and the achievement of organisational objectives. These activities can be formal, such as formal controls through rules and regulations, or informal, such as informal controls through informal communications between managers, frequent interaction between subordinates

and superiors, and social controls (Chenhall, 2003; Collier, 2005; Ditillo, 2004; Ferreira & Otley, 2009; Malmi & Brown, 2008; Tucker & Thorne, 2013). Social controls include shared values and goals that are largely cultural or ideological (Chenhall & Langfield-Smith, 2003; Collier, 2005).

PMSs also help organisational members think strategically (Chenhall & Langfield-Smith, 2007; Kaplan, 2001; Kaplan & Norton, 2001a; Rangone, 1997; Tuomela, 2005). For example, these systems encourage managers to design processes that align individuals' behaviour and actions with organisational strategies and goals. Moreover, these systems may facilitate organisational learning (Ferreira & Otley, 2009; Gosselin & Mundy, 2011; Henri, 2006b; Kaplan, 2001). For example, interactive use of PMSs may enable organisational members to question an organisation's intended strategies, thereby producing emergent strategies that allow adaptation to environmental uncertainty (Gosselin & Mundy, 2011).

In general, there has been a proliferation of PMS approaches (Chenhall & Langfield-Smith, 2007) because of the interest of many disciplines in this topic (Chenhall & Langfield-Smith, 2007; Franco-Santos et al., 2012). These disciplines include MA (e.g. Chenhall, 2005; Kaplan & Norton, 1992), strategic management or general management (e.g. Atkinson, Waterhouse, & Wells, 1997; Govindarajan & Gupta, 1985), operations management (e.g. Bourne, Mills, Wilcox, Neely, & Platts, 2000; Neely et al., 1995), marketing (e.g. Jain & Singh, 2002; Reichheld & Sasser Jr, 1990) and human resource management (e.g. Borman, 1997; Hazucha et al., 1993).

To date, however, there is no consensus on the definition of PMSs (Choong, 2014). In many disciplines, PMSs may be described as systems, frameworks, models, or techniques (Srimai, Wright, & Radford, 2013). In MA, an important view of PMSs is offered by Ferreira and Otley (2009) in their 'PMSs' framework. They define PMSs as systems comprised of formal and informal controls, activities, systems, processes, or networks in an organisation – all integrated to plan for and manage performance. These activities are used to elicit objectives at different hierarchical levels, manage and control the performance achievement of these objectives, and facilitate organisational learning and changes. This view of PMSs indicates a need to emphasize a holistic approach to PMSs by considering all the elements of the system as opposed to considering individual parts (Otley, 2012, p. 260). Ferreira and Otley's (2009) approach also signals an appreciation of the changes in MA research in recent years; this research is now more

about PMSs in place of MA and management control (Bromwich & Scapens, 2016; Otley, 2016).

The Ferreira and Otley (2009) PMSs framework is used in this study because it was intentionally developed to help researchers study PMSs comprehensively. Also, it provides a view of performance management that is integrated with strategy formulation and control. Moreover, it indicates informal controls that may operate together with formal controls in an organisation. It is also a good fit with the case study research design implemented in this thesis because this framework needs empirical evidence to examine its adequacy and vigour in any particular organisation (Ferreira & Otley, 2009; Otley, 2016). Furthermore, it specifically incorporates the organisational and individual levels of an organisation which makes it a good match to the research questions being examined. These two levels of PMSs are reviewed further in the following sections.

2.2.2 Organisational Level PMSs

2.2.2.1 Definition

Organisational level PMSs are concerned with defining, controlling, and managing the achievement of organisational outcomes and the means used to achieve outcomes (Broadbent & Laughlin, 2009). In the MA literature, this phrase is used interchangeably with integrated performance measurement systems (e.g. Berry et al., 2009; Giovannoni & Maraghini, 2013; Nanni, Dixon, & Vollmann, 1992), strategic performance measurement systems (e.g. Chenhall, 2005; Cooper & Ezzamel, 2016; Ittner, Larcker, & Meyer, 2003; Tuomela, 2005), strategic measurement and management systems (e.g. Nørreklit, 2003), comprehensive performance measurement systems (e.g. Hall, 2008), and contemporary performance measurement systems (e.g. Franco-Santos et al., 2012; Gong & Ferreira, 2014; Hall, 2011). In an organisation, these systems can operate at different hierarchical levels, such as the corporate, business or support unit, and district levels (de Haas & Kleingeld, 1999; Kraus & Lind, 2010).

Organisational level PMSs have an integrating role which means they may connect various organisational control systems in an organisation. For example, a PMS can connect the BSC with performance evaluation and reward systems (Berry et al., 2009; Ferreira & Otley, 2009; Otley, 1999). They may also streamline organisational unit and individual actions with organisational strategies via integrating different control activities in an organisation (Giovannoni & Maraghini, 2013). Moreover, they inform decision making in organisations (Chenhall, 2005; Franco-Santos et al., 2012; Speckbacher, Bischof, & Pfeiffer, 2003). Commonly, decision making at a strategic level needs

information about financial and non-financial performance measures created at different organisational levels and functions (Giovannoni & Maraghini, 2013). Specifically, an organisational PMS supports strategic decision making, influences organisational behaviours, facilitates strategic learning, and creates strategic alignment in an organisation (Chenhall, 2005; Otley, 2007; Srimai et al., 2013). Furthermore, scholars suggest they can help organisations be more responsive to their environment and stakeholders' needs (Kaplan & Norton, 1996b; Otley, 1999).

2.2.2.2 Models

Models of organisational level PMSs fall into one of two groups (Berry et al., 2009; Srimai et al., 2013). The first group includes models that guide research on integrated PMSs. These models provide broad frameworks for studying the design, operation, and use of PMSs in organisations (Collier, 2005; Srimai et al., 2013). Three examples of this group are presented in Table 2.1. The table provides a description of the models as well as relevant empirical findings and limitations.

The first model is the levers of control (LOC) framework (Simons, 1995), which is concerned with diagnostic and interactive uses of controls, such as comparing actual performance against its targets and formal communication between superiors and subordinates (Collier, 2005; Ferreira & Otley, 2009; Mundy, 2010). However, its focus is at the top management level and reflects formal controls only (Collier, 2005; Ferreira & Otley, 2009; Stringer, 2007). The second model is the performance management framework (Otley, 1999). It is useful for examining and structuring PMSs (Silva & Ferreira, 2010; Stringer, 2007; Tuomela, 2005; Van Helden & Reichard, 2016), but it does not address explicitly informal controls in an organisation (Ferreira & Otley, 2009; Stringer, 2007). The third model is the PMSs framework. It provides a clear conceptualisation of PMSs and views control systems holistically in that it considers various controls in an organisation (Broadbent & Laughlin, 2009; Collier, 2005; Tuomela, 2005; Vieira, O'Dwyer, & Schneider, 2017). Unfortunately, it does not reflect culture that may affect the operation of PMSs and does not explicitly consider informal controls (Collier, 2005; Tessier & Otley, 2012a).

Table 2.1
Models for Guiding Research on PMSs

Models	Overview and previous findings	Limitations
'Levers of control' framework (Simons, 1995)	• Categorises four levers of control: diagnostic controls, interactive controls, boundary, and beliefs control systems • Presents a wide range of controls and is helpful to view various controls in an organisation (Bisbe & Otley, 2004; Collier, 2005; Henri, 2006a; Mundy, 2010; Widener, 2007) • The four levers of control are interdependent and complement each other, but the full benefits are shown when used interactively and diagnostically (Widener, 2007). • The interactive use of controls promotes the controlling and enabling roles of PMSs (Mundy, 2010)	• Little attention is given to informal controls such as socialisation and culture (Collier, 2005) • Neglects the use of PMSs at lower hierarchical levels (Ferreira & Otley, 2009)
'Performance management' framework (Otley, 1999)	• Develops five key areas of performance management: objectives, strategies and plans, target setting, rewards, and information flows. • Is meaningful to highlight key aspects of performance management (Silva & Ferreira, 2010) • Can be used together with other frameworks to enrich the interpretations and insights of PMSs (Tuomela, 2005)	• Does not clearly consider vision and mission, focuses on diagnostic control systems, underplays interactions between formal and informal controls, and ignores control system changes and development (Ferreira & Otley, 2009) • Fails to address the interconnections between performance management aspects (Stringer, 2007)
'PMSs' framework (Ferreira & Otley, 2009)	• Builds twelve dimensions of PMSs: vision and mission, key success factors, organisation structure, strategies and plans, key performance measures, target setting, performance evaluation, reward systems • Offers a rational instrument to investigate PMSs, has a broad perspective of controls, and recognises the importance of PMSs use, changes, and strength and coherence (Collier, 2005; Henri, 2006b; Tuomela, 2005) • Provides a clear conceptual understanding of PMSs that may facilitate in-depth and critical evaluations of PMSs (Broadbent & Laughlin, 2009; Vieira et al., 2017)	• Excludes culture and less attention is given to social or informal controls (Collier, 2005; Tessier & Otley, 2012a).

The second group comprises models for practice or those that guide managers trying to design and implement PMSs. These models are also known as integrative strategic performance measurement systems (Chenhall, 2005). They generally provide a comprehensive view of measuring and managing performance across organisational domains and functions (Berry et al., 2009; Chenhall & Langfield-Smith, 2007; Ferreira & Otley, 2009). They also provide mechanisms to transform organisational strategies into coherent sets of performance measures (Chenhall, 2005). Examples of these models include the strategic measurement and reporting technique (SMART) (Cross & Lynch, 1988), the performance prism (Neely et al., 2001), and the balanced scorecard (BSC) (Kaplan & Norton, 1992, 1996a, 2001a). Of these models, the BSC is the most popular in practice and widely referenced (Albertsen & Lueg, 2014; Chenhall, 2008; Neely, Kennerley, & Adams, 2007). Empirical findings for these practitioner models are summarised in Appendix A. Most of the research has been conducted for the BSC as can be seen in the appendix.

In summary, findings for the BSC indicate that use of BSC measures improves organisational performance and provides opportunities to develop, communicate, and implement organisational strategies (Hoque & James, 2000; Malina & Selto, 2001; Speckbacher et al., 2003). However, the research also shows that most top level managers pay little attention to the non-financial measures that the BSC explicitly includes. Despite a nod to the BSC, performance evaluations still rely largely on financial measures. Very few organisations implement BSC at the individual level and many organisations face difficulty integrating their BSC with other control systems in the organisations (Albertsen & Lueg, 2014; Banker, Chang, & Pizzini, 2004; Cohanier, 2014; Ittner et al., 2003; Lipe & Salterio, 2000; Speckbacher et al., 2003). In the public sector, the BSC is considered useful for enhancing accountability, satisfying legislative requirements, and gaining legitimacy, but not for internal decision-making purposes (Hoque & Adams, 2011; Lilian Chan, 2004; Poister & Streib, 1999). Furthermore, little is known of the role of the BSC in the public sector organisations of developing countries (Hoque, 2014).

2.2.2.3 Links to Individual Level PMSs

MA scholars acknowledge that, to date, the links between organisational and individual level PMSs are underdeveloped despite the importance of these linkages (Otley, 1999; Stringer, 2007). Stated differently, little is known about how and if there are connections between these elements of PMSs. In general, there are two suggestions to further develop this important linkage. First, scholars suggest explicitly linking the two

levels via the 'personal scorecard' or individual performance matrix that can be tied to objectives and strategies at the organisational level (Atkinson, 1998; Kaplan & Norton, 1996b, p. 80; 2001b). This personal scorecard may include individual performance measures and targets that are connected to corporate and unit objectives, performance measures, and targets. This scorecard may also be used as the basis for calculating rewards to motivate individuals to align their actions with organisational goals and achieving organisational objectives. Second, scholars suggest drawing on research from HRM because this discipline has developed individual level PMS approaches (Chenhall, 2012; Chenhall & Langfield-Smith, 2007). Learning from the HRM discipline may also reveal the interconnections between the MA and HRM fields (Otley, 1999). Therefore, the next section explores the development of PMSs in the HRM field.

2.2.3 Individual Level PMSs

This section draws predominantly from the HRM literature that has addressed individual level PMSs. This section will review definitions and descriptions of individual level PMSs as well as existing research on individual level PMSs.

2.2.3.1 Definition and Description

Individual level PMSs are systems that include a range of processes and activities to improve individual job performance. The prevailing assumption of these systems is that improved individual performance contributes to enhanced organisational performance (DeNisi & Murphy, 2017).

These PMSs are also known as employee performance management systems (K. Becker, Antuar, & Everett, 2011; Decramer, Smolders, & Vanderstraeten, 2013; DeNisi & Murphy, 2017; Dewettinck & Van Dijk, 2012) or employee performance management and evaluation (McKenna, Richardson, & Manroop, 2011). These systems:

> Begin with individual performance appraisal as a jumping-off point, and then focus on improving individual performance in a way that is consistent with strategic goals and with the ultimate goal of improving firm performance (DeNisi & Murphy, 2017, p. 1).

Typically, the components of these PMSs comprise the following: a number of performance standards, methods to measure and evaluate the achievement of these standards, tools to improve performance, and feedback processes (Dewettinck & Van Dijk, 2012).

HRM scholars have identified potential benefits associated with individual level PMSs, which include facilitating ongoing feedback and coaching of employees (e.g.

Budworth & Mann, 2011; Rosen et al., 2011), aligning the interests of management and stakeholders (e.g. Barkema & Gomez-Mejia, 1998), and improving business effectiveness (e.g. DeNisi & Smith, 2014; Jackson et al., 2014; McKenna et al., 2011). In addition, these systems allow an effective employment relationship of superiors and subordinates and may enable the HRM function to play a strategic role in an organisation (Beatty & Schneier, 1997; K. Becker et al., 2011; Gates & Langevin, 2010; Kerssens-Van Drongelen & Fisscher, 2003).

2.2.3.2 HRM Research to Date

Traditionally, HRM research has been concerned with performance appraisal systems (Budworth & Mann, 2011; DeNisi & Smith, 2014; Gruman & Saks, 2011; Spence & Keeping, 2011). However, more recently the HRM literature has suggested a need to expand the perspective of HRM research beyond performance appraisal systems to include performance planning, goal setting, and performance review, in order to improve both individual and organisational performance (Aguinis, 2009; DeNisi & Smith, 2014). It has been argued that linking HRM practices to performance through measuring performance at individual, group, unit, and corporate levels could benefit employee performance as well as organisational performance (Jiang, Lepak, Hu, & Baer, 2012). However, the interest of HRM research in individual level PMSs is a very recent phenomenon (DeNisi & Murphy, 2017; DeNisi & Smith, 2014).

Previous HRM studies pertinent to individual level PMSs fall into three broad research themes (DeNisi & Murphy, 2017). These themes are (1) how to improve performance management processes, which approach performance appraisal as part of a broader set of HR activities (e.g. DeNisi & Smith, 2014); (2) how to improve individual performance and what factors motivate individual performance (e.g. DeNisi & Pritchard, 2006; Pritchard, Jones, Roth, Stuebing, & Ekeberg, 1988); and (3) what combinations of HR practices can improve organisational performance and why some practices work and others do not (e.g. Jackson et al., 2014).

Scholars have developed models of individual level PMSs and three will be briefly reviewed here. First, there is the 360-degree performance appraisal (e.g. Borman, 1997; DeNisi & Pritchard, 2006; Hazucha et al., 1993). The 360-degree performance appraisal model suggests the assessment of an employee based on the perspective of other employees who work closely with this employee (Borman, 1997). This approach is an effective way to get insight about employee performance that can be used further for feedback development, promotion, remuneration, and administrative decisions. The

second model is the three dimensions of input-process-result (e.g. K. Becker et al., 2011; Shields, 2007). This model emphasises the measurement of employee performance on three variables: (1) knowledge, skills and abilities, or inputs; (2) the activities and behaviours in which these inputs are transformed, or processes; and (3) the outcomes of these work behaviours, or results (K. Becker et al., 2011). The third model is the performance-competency or performance-potential model (e.g. Chugh & Bhatnagar, 2006; Silzer & Church, 2009). This model promotes metrics to identify key employees in an organisation that need additional development opportunities, coaching, and support (Silzer & Church, 2009).

Also, HRM scholars have developed models to conjecture how individual level performance can be leveraged to improve organisational level performance (e.g. DeNisi & Pritchard, 2006; DeNisi & Smith, 2014). Ideas from this research include integrating performance appraisal systems with other human resource (HR) practices in an organisation and aligning this integration with organisational strategic goals to generate a climate of performance. Afterward, utilising this performance climate to transform employees' general knowledge, skills, and attitude (KSAs) into particular KSAs that are needed by an organisation to improve organisational level performance (DeNisi & Smith, 2014). Yet, there is little empirical evidence that documents mechanisms whereby improved individual level performance catalyses organisational level performance (DeNisi & Murphy, 2017; DeNisi & Smith, 2014).

2.3 PMSs in the Public Sector of Developing Countries

The literature on PMSs in the public sector of developing countries is reviewed here because the case study falls into this context. In this context, PMSs are often referred to as performance accountability systems (Koike, 2013), performance-based accountability systems (Tan, 2014), or performance accountability management systems. PMSs research in this context is still neglected by MA researchers (Hopper & Bui, 2015; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). This research also has a shortage of evidence (Mimba et al., 2007; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Furthermore, this research is challenging because it is difficult to collect reliable data (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). As such, this PhD answers the call for more PMSs research in this context and takes a qualitative approach which is also recommended (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). The relevant literature is reviewed in the following subsections.

2.3.1 Definition and Description

The introduction of PMSs in the public sector of developing countries is largely triggered by top level decision making of political leaders and senior level officials, assisted by donors and other international governmental organisations (IGOs) (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). In this context, PMSs are introduced to develop performance plans and controls as part of the adoption of private sector-based management styles, inspired by New Public Management (NPM) ideas (Jurnali & Siti-Nabiha, 2015; Koike, 2013; Van Helden & Uddin, 2016).

The aims of PMSs in this context are to change the behaviour of government employees, improve organisational performance, and provide better services to citizens and other stakeholders. Potential benefits of PMS have been conjectured in this context but not corroborated by empirical research. For example, they may improve accountability and minimise corruption (e.g. Mimba et al., 2007; Nath & Sharma, 2014; Tillema, Mimba, & Van Helden, 2010; Van Helden & Uddin, 2016). Furthermore, they may facilitate organisational strategic planning and inform decision-making (e.g. Mimba et al., 2007; Mimba, van Helden, & Tillema, 2013; Tillema et al., 2010)

2.3.2 Models

The literature shows that practitioners have adjusted and implemented models from developed countries for this context. One example is in the Philippines. The civil service commission in this country promotes a PMS-office performance evaluation system that links employee performance with organisational vision, missions, and goals. This system is concerned with performance evaluation of groups of employees. Another example comes from Thailand, where government organisations implement four-year performance plans using the BSC and performance agreements (Koike, 2013; Sutheewasinnon, Hoque, & Nyamori, 2016). This agreement is a commitment signed by the head of a government office and an office director to achieve organisational objectives.

There is also existing literature on Indonesia, the context of the present research. Research shows that government organisations implement a performance accountability system and the BSC (e.g. Jurnali & Siti-Nabiha, 2015; Koike, 2013). Public sector organisations produce five-year strategic plans, sign performance agreements, report their five-year and annual performance results, and some of them design their key performance measures and targets based on the four perspectives of the BSC.

2.3.3 Implications of Context for PMSs in the Public Sector of Developing Countries

Van Helden and Uddin (2016) point out that MA scholars need to closely examine the adoption of private sector-based MA approaches (such as PMSs) from developed countries within the public sector of developing countries. The main reason is because developing countries do not have the same characteristics as developed countries. In contrast, they are characterised by poor human capacities, lack of democratic institutions, lack of technical or professional capacities, and lack of sufficient capital markets (Mimba et al., 2013; Nyamori & Gekara, 2016; Van Helden & Ouda, 2016). MA practices in these countries are also affected by complex social, cultural, political, economic, and historical factors (Van Helden & Uddin, 2016). This context has given some implications for PMSs of the public sector of developing countries.

2.3.3.1 Lack of Successful Implementation

Several studies have shown that PMSs in the public sector of developing countries are still struggling to achieve their purpose and there is doubt about their current success (Nath & Sharma, 2014; Sulle, 2014; Tan, 2014; Van Helden & Uddin, 2016). For example, in Indonesia, China, and Fiji, PMSs are often used symbolically to fulfil regulatory requirements, instead of to inform internal decision-making which is their intended purpose in private sector, developed country contexts (Akbar, Pilcher, & Perrin, 2012; Mimba et al., 2013; Nath & Sharma, 2014). In Indonesia, many local government managers juggle and manipulate their performance reports to serve conflicting requirements from different stakeholders (Mimba et al., 2007, 2013; Van Helden & Uddin, 2016).

2.3.3.2 Lack of Attention to the Integration of Organisational and Individual Level PMS

In this context, researchers have examined individual performance appraisal systems (e.g. Bawole, Hossain, Domfeh, Bukari, & Sanyare, 2013; Saibou, 2011; Waxin & Bateman, 2009), but there has been a lack of attention to the integration of these systems with organisational level PMSs. Largely, previous studies in this context have focused on the connection between input and output measures, the design of outcome measures, and the integration of strategic performance measures with annual budgeting systems (Akbar et al., 2012; Jurnali & Siti-Nabiha, 2015; Koike, 2013; Mimba et al., 2013; Tillema et al., 2010). For example, Mimba et al. (2013) found a missing link between input measures and output measures in four district bureaus in Indonesia.

Further, Koike (2013) found that the outcome measures used by Indonesian public sector organisations are mainly designed to serve the interests of the government organisations rather than the interests of citizens. Moreover, Jurnali and Siti-Nabiha (2015) found that the strategic performance measures of several local governments in Indonesia were not linked with their annual budgeting systems, because employees lacked the skills to incorporate these links and also faced conflicting political pressures from different stakeholders.

2.3.3.3 Reward and Performance Decoupled

In this context, rewards are unlikely to be based on organisational or individual performance. Instead, they are typically based on seniority and are available to a small number of people (Kaselis, 2013; Kealesitse, O'Mahony, Lloyd-Walker, & Polonsky, 2013; Mansor & Tayib, 2013; Ohemeng, 2009; Shafie, 1996; Sulle, 2014; Tan, 2014; Zakaria et al., 2011). Also, promotion as a reward is not clearly an outcome of individual or organisational performance (de Waal, 2007; Mansor & Tayib, 2013; Ohemeng, 2009; Saibou, 2011; Tan, 2014; Waxin & Bateman, 2009; Yeganeh & Su, 2008). For example, in Ghana promotion is still based on seniority, and not individual performance (Ohemeng, 2009). In Malaysia and Lithuania, employees are not rewarded based on their performance results (Mansor & Tayib, 2013; Zakaria et al., 2011). Similarly, Botswana has difficulty linking performance-based reward schemes with organisational performance (Kaselis, 2013; Kealesitse et al., 2013).

2.3.3.4 Limitations of Existing Research

Research in public sector contexts in developing countries has some limitations. First, there is a lack of knowledge regarding how PMSs operate and the mechanisms driving them because directly investigating the operation of PMSs in implementing agencies has been difficult (Nyamori & Gekara, 2016; Ohemeng, 2009; Sutheewasinnon et al., 2016; Tan, 2014). Second, we know little about PMSs in central government agencies given that most research examines local government agencies (e.g. Akbar, Pilcher, & Perrin, 2015; Bawole et al., 2013; Mimba et al., 2013). For example, previous studies have investigated PMSs in Ghana and Indonesia (e.g. Akbar et al., 2015; Bawole et al., 2013; Mimba et al., 2013), but these studies were limited to interviewing officials in local governments. Third, there is also a lack of information about the role hierarchy plays in PMSs because previous studies failed to gather the perspectives of public officials from different hierarchical levels in implementing agencies (e.g. Nyamori & Gekara,

2016; Sutheewasinnon et al., 2016). These studies largely collected evidence from middle to low level employees (e.g. Nyamori & Gekara, 2016).

Very importantly, existing research is not sufficiently informed by theories or conceptual frameworks (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Van Helden and Uddin (2016) say that almost 50% of published papers do not use any explicit theory or use only a pragmatic theorisation. For example, Sulle (2014) have examined the use of PMSs in the Tanzanian public sector, but he does not mention any theory or conceptual framework. A possible reason is that the authors and intended audiences of these papers are practitioners and consultants (Van Helden & Uddin, 2016).

2.3.4 Contribution of this PhD Study

This PhD study explores the integration of organisational and individual level PMSs. The review of existing research shows the need for this exploration. Moreover, this exploration can lead to better understanding of the interconnections between the MA and HRM fields, and such an interdisciplinary approach is called for in the literature (Chenhall, 2012; Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999).

This study also explores the context of the public sector of a developing country. This context is different from the private sector in a developed country. As a result, PMSs built in developed countries may not be suitable in this context. They may need fundamental modification to be implemented in this different context (Tillema et al., 2010; Van Helden & Uddin, 2016). Therefore, exploring this context can help to reflect the integration of organisational and individual level PMSs that may work well in the public sector of developing countries (Ho & Im, 2015; Ohemeng, 2010; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016).

2.4 Chapter Summary

The literature shows a transformation in scholars' thinking and focus over time. They have moved from considering performance measurement to performance management, and subsequently from performance management to PMSs. Importantly, PMSs assume an integration of individual and organisational level systems. This transformation is clear in the MA literature and yet, little is known about how the organisational and individual levels are actually integrated to create a holistic PMSs. Previous studies have examined the integration of discrete parts of organisational and individual level PMSs but systematic examination of how all levels, processes, and systems operate together is lacking. A similar lack of integration is seen in the HRM

literature. In particular, there is a lack of knowledge regarding how individual level performance and organisational level performance are related.

In the context of the public sector of developing countries, questions remain unanswered about the success of PMSs implementation. Moreover, PMSs built in developed countries may not automatically be suitable in this context because they have different contextual factors and capacity constraints. Furthermore, public sector organisations in this context need PMSs based on their specific contexts. In brief, since the integration of organisational and individual level PMSs is under-researched and an important issue, this study will examine this issue in a large central government organisation of a developing country. The next chapter reviews the Ferreira and Otley (2009) PMSs framework, which is the theoretical framework of this study.

Chapter 3

THEORETICAL FRAMEWORK

3.1 Introduction

To understand the integration of organisational and individual level PMSs, this study draws on Ferreira and Otley's (2009) PMSs framework as its theoretical framework. This framework is designed to guide researchers in investigating the complexity and dynamics of PMSs' design, operation, and use (e.g. Bititci, Garengo, Dorfler, & Nudurupati, 2012; Kaplan & Norton, 1996b; Otley, 1999). Such an approach can help in examining PMSs in the public sector because these organisations may be affected by complex social, political, and cultural factors (Almquist, Grossi, Van Helden, & Reichard, 2013; Modell, 2012; Van Helden & Uddin, 2016; Verbeeten, 2008). Public sector organisations may also be subjected to sudden changes from external pressures (Otley, 2016). Thus, to examine PMSs practice in public sector organisations, researchers need a holistic or comprehensive view (Arnaboldi, Lapsley, & Steccolini, 2015; Conrad & Guven-Uslu, 2011; Lapsley & Wright, 2004).

The framework is, furthermore, appropriate for the context of this study (i.e. the public sector) because some researchers have used the framework to study PMSs in public sector and non-governmental organisations (e.g. Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Broadbent & Laughlin, 2007; Conrad & Guven-Uslu, 2012; Silva & Ferreira, 2010; Yap & Ferreira, 2011). Indeed, its creators argue that this framework can help researchers investigating PMSs both in profit-oriented and non-profit-oriented organisations (Ferreira & Otley, 2009, p. 277). The use of Ferreira and Otley's (2009) framework is also compatible with the critical realist (CR) perspective adopted for this study, since the framework recognises the socially constructed nature of PMSs in organisations and the importance of this nature in a comprehensive understanding of PMSs' design, operation, and use (Otley, 2016).

The use of this framework also fits with the case study approach adopted for this research, since its creators call for case study research to examine the robustness and adequacy of the framework (Ferreira & Otley, 2009, p. 276). Some scholars have since demonstrated the applicability of the framework for case study research (e.g. George et al., 2016; Yap & Ferreira, 2011).

23

This chapter will describe Ferreira and Otley's (2009) framework, how it was developed, how it has been used in the performance management and management control literature[1], and the subsequent development of the framework. It will end by explaining how the framework will be used and developed in this study.

3.2 Ferreira and Otley's Framework

3.2.1 Description

Ferreira and Otley (2009) use the term 'performance management system' to describe how performance is managed and controlled in organisations. They define a performance management system as:

> […] the evolving formal and informal mechanisms, processes, systems, and networks used by organisations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organisational learning and change (p. 264).

A performance management system (PMS) therefore comprises not only formal control systems, but also other informal control systems, mechanisms, processes, and networks in an organisation. Ferreira and Otley (2009) say PMSs play a role in supporting the broad scope of strategic process activities (strategy formation and strategy implementation) and ongoing management. When used to evaluate organisational strategies through dialogue between managers and subordinates (two-way or interactively), they argue PMSs may facilitate continuous learning and change at both individual and organisational levels. The strategic use of PMSs also supports the creation of emergent strategies (Ferreira & Otley, 2009).

Ferreira and Otley (2009, p. 264) suggest a "performance management systems (PMSs) framework" for carrying out PMSs research. This framework comprises twelve key questions, each related to a dimension of organisations' PMSs, and two additional dimensions (i.e. culture and contextual factors) to be considered by researchers[2]. The

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[1] Ferreira and Otley (2009) argue management control systems are part of performance management systems. They (2009, p. 264) therefore suggest that the notion of performance management systems may bring "a holistic approach to the management and control of organisational performance… [and] all aspects of organisational control, including those included under the heading of management control systems."

[2] In this thesis, the term 'dimension' will be used to refer to the twelve questions and the two broad 'contingent variables' identified in Ferreira and Otley's (2009) framework, while the term 'element' will be used to refer to subsystems of PMSs or various control systems practiced in organisations, such as planning systems, balanced scorecard systems, or compensation systems.

interactions between the twelve questions/dimensions and two additional dimensions are shown in Figure 3.1.
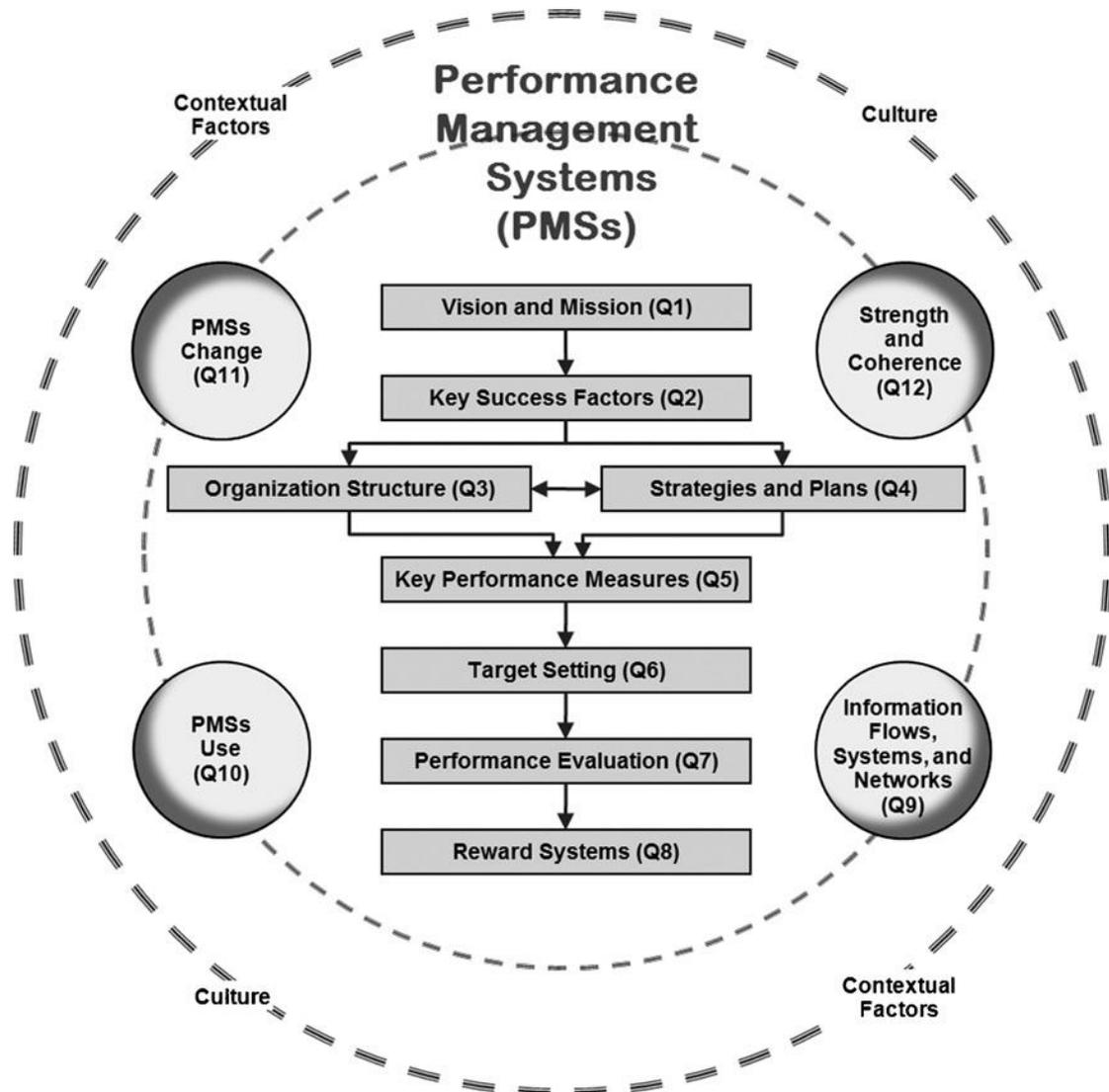
Figure 3.1. Ferreira and Otley's PMSs framework. Reprinted from "The design and use of performance management systems: An extended framework for analysis.", Ferreira & Otley (2009), Management Accounting Research, 20(4), p.263-282. Copyright 2009 by Elsevier Ltd. Reprinted with Permision.

As shown in Figure 3.1, Ferreira and Otley (2009) suggest three groups of dimensions (or three "levels of analysis"; p. 277) that are important to understand when analysing PMSs in organisations (see George et al., 2016 that highlight the three levels of analysis). The first group comprises eight dimensions that are considered the core dimensions (i.e. vision and mission, key success factors, organisation structure, strategies and plans, key performance measures, target setting, performance evaluation and rewards systems). These core dimensions form a whole PMS in an organisation. The second group comprises the four supporting dimensions of the organisational PMS (i.e. information flows, systems and networks; PMSs use; PMSs change; and strength and coherence). These supporting dimensions pervade the whole PMS. The third group, which Ferreira

and Otley (2009, p. 267) locate outside their framework as "contingent variables", includes culture and contextual factors, which may shape the overall PMSs, but are out of the organisation's control. These two additional dimensions are not explicitly discussed in the framework. The eight core dimensions and four supporting dimensions that constitute Ferreira and Otley's PMSs framework are outlined below.

3.2.1.1 Core Dimensions

The eight core dimensions of Ferreira and Otley's (2009) PMSs framework are described in Appendix B. This appendix also identifies issues potentially encountered for each dimension when conducting empirical research.

Ferreira and Otley (2009) note that the dimension of *vision and mission* expresses the broader view of organisational purposes and objectives and also organisational values. Vision and mission are translated into *key success factors* (KSFs). To achieve the organisational KSFs, purposes, and objectives, *organisational structures* are formed to specify jobs and roles of organisational members. Moreover, *strategies and plans* are designed to direct the actions of managers towards realising organisational KSFs, purposes, and objectives. To measure the success of KSFs, purposes, and objectives, *key performance measures* (KPMs) are identified at different hierarchical levels. After identifying KPMs, *performance targets* are set. Based on the KPMs and performance targets, performance results are *evaluated* at different hierarchical levels (i.e. individual, group and organisational levels). These performance evaluation processes may be primarily objective, subjective or mixed and varying degrees of importance might be placed on formal and informal evaluation activities. Financial and non-financial *rewards* (or penalties) are then enacted in light of the results of this performance evaluation.

3.2.1.2 Supporting Dimensions

The supporting dimensions of Ferreira and Otley's (2009) framework are presented as the last four dimensions in Appendix B. The appendix describes each supporting dimension that pervades the whole PMS and also identifies some issues raised by Ferreira and Otley (2009) that should be considered by researchers in understanding the whole PMS in an organisation.

As shown in Appendix B, *information flows* are related to feedback and feed-forward flows that link the core dimensions of PMSs. The links are supported by information systems/technology and networks in organisations. Whilst the use of PMSs in an organisation is essential, Ferreira and Otley (2009) say that the concept of PMSs

use has not been well developed, although they note that the literature explores how organisational participants' use of PMSs may be rigid or flexible (Hopwood, 1972), diagnostic or interactive (or both) (Simons, 1995), and transactional or relational (Broadbent & Laughlin, 2007). Ferreira and Otley (2009) suggest that the most significant contribution is the concept of diagnostic and interactive PMSs use. Diagnostic use aligns with the use of feedback to monitor variances, which may create single-loop learning, while interactive use aligns with a feed-forward information flow that challenges the intended strategies and may create double-loop learning (Argyris, 1977). They also suggest that the concepts of transactional and relational uses may characterise the overall use of PMSs at the organisational level. Furthermore, since an organisation and its environment changes, PMSs in an organisation may *change* over time, either proactively or reactively. To anticipate performance management and control failures, organisations need *strong and coherent linkages* between the core dimensions of PMSs (Ferreira & Otley, 2009, p. 267).

Ferreira and Otley (2009) suggest that culture and contextual factors are not part of their framework. However, whilst arguing that culture and contextual factors are not fully controlled by an organisation, Ferreira and Otley (2009) accept that they may shape the overall PMSs in an organisation, noting that the configuration of PMSs might be different, and more or less effective, in different cultures and contexts. Thus, they advocate empirical research to further investigate the impact of culture and contextual factors on PMSs. They also indicate that the cultural dimension in their framework relates to organisational culture. However, there could be a link between organisational culture and national culture (e.g. Chenhall, 2003; Demartini, 2013; Efferin & Hopper, 2007; Li & Tang, 2009). Therefore, this study includes a 'national cultural' dimension by studying Indonesia and 'contextual and organisational culture' dimensions by studying a public sector organisation. It will be useful for this study to examine these dimensions more closely than Ferreira and Otley's (2009) framework currently allows.

Having outlined the twelve questions/dimensions and two 'external' dimensions identified in Ferreira and Otley's (2009) PMSs framework, it is important to now consider the genesis of this framework and the issues it was attempting to address regarding prior frameworks proposed for performance management research.

3.2.2 Development of the Ferreira and Otley (2009) Framework

The framework was developed to address the limitations of prior PMSs frameworks. A useful way to identify these limitations is to consider the framework that

is the immediate precursor to Ferreira and Otley's framework, i.e. Otley's (1999) framework.

3.2.2.1 Otley's (1999) Framework

Based on inductive reasoning, Otley (1999) developed a 'performance management framework'. This framework was developed to help researchers analyse the design of PMSs from a managerial perspective. In that framework, Otley identified five key areas that should be considered in managing organisational performance:

- Organisational key objectives and the evaluation of the objectives;
- Strategies and plans, processes and activities to implement the strategies and plans, and the assessment and measurement of the processes and activities;
- Level of performance (targets) and target setting processes;
- Rewards or penalties for managers and employees; and
- Learning from performance information flows (feedback and feed-forward information).

Otley's (1999) intention in developing the framework was to bring a comprehensive view to MA research. Otley (1999, p. 364) said that MA research should look "beyond the *measurement* of performance to the *management* of performance" (emphasis in original). He observed that MA studies mostly used economic theories and thus the extant performance management frameworks gave little attention to internal control processes and gave little guidance to the design of PMSs. The extant performance management frameworks were mostly concerned with financial performance. He said this could restrict MA researchers and prevent them from seeing the broad picture of an overall organisation's PMS.

3.2.2.2 Changes Introduced in Ferreira and Otley's Framework (2009)

Ferreira and Otley (2009) extended Otley's (1999) framework, thereby developing a comprehensive 'performance management systems framework'. Table 3.1 shows they expanded five key areas to twelve that focused not only on PMSs design, but also on PMSs use. They incorporated Simons' levers of control (1995). Simons (1995) proposed four levers of control that could be used strategically by top level management: a belief (or positive control) system, a boundary (or negative control) system, a diagnostic control system, and an interactive control system. Ferreira and Otley (2009) integrated Simons' four levers of control within the dimensions of KPMs and rewards, i.e. diagnostic and interactive uses of KPMs and positive and negative controls of rewards (or penalties).

They also adopted the belief and boundary control systems implicitly in the dimensions of vision and mission, key success factors, strategies and plans, and organisational structure (p. 277).

Table 3.1

A Comparison between Ferreira and Otley's (2009) Framework and Otley's (1999) Framework

Ferreira and Otley's (2009) framework	Otley's (1999) framework
Core dimensions	
1. Vision and mission	
2. Key success factors (KSFs)	1. Key objectives
3. Organisational structure	
4. Strategies and plans	2. Strategies and plans
5. Key performance measures (KPMs)	2. Assessment and measurement of strategies and plans
	3. Evaluation of key objectives' achievement
6. Target setting	3. Level of performance to be achieved
7. Performance evaluation	
8. Reward systems	4. Rewards
Supporting dimensions:	
9. Information flows, systems, and networks	5. Information flows
10. PMSs use	
11. PMSs change	
12. Strength and coherence	

Adapted and summarised from Otley (1999) and Ferreira and Otley (2005, 2009)

Ferreira and Otley (2009) claim their framework offers three advantages over other frameworks for understanding PMSs. First, it offers a more comprehensive and integrated approach to studying PMSs, as called for by Chenhall (2003) and Malmi and Brown (2008). Second, it considers explicitly the interdependency between the elements of PMSs and between different control systems in an organisation, as raised by Abernethy and Brownell (1997). Third, it explicitly incorporates an assessment of lower levels of the organisational hierarchy that complements the top management view offered by Simons' levers of control model (1995). Their framework can therefore be used to understand PMSs from various perspectives at different hierarchical levels (Ferreira & Otley, 2009). As they say:

> [W]e would also expect considerable differences between practices at different hierarchical levels, and for all these practices to be changing and evolving over time (p. 276).

Their framework has also been utilised in MA research, as discussed next.

3.2.3 Utilisation of the Framework in Existing Research

To understand PMS practices in the field, a number of studies have utilised Ferreira and Otley's (2009) framework. Several of them have used all the dimensions of the framework (e.g. Abdel-Kader & Wadongo, 2011; Collier, 2005; Conrad & Guven-Uslu, 2012; George et al., 2016; Yap & Ferreira, 2011). Collier (2005), for example, used

the full framework to investigate the relationship between formal accounting-based control systems and informal control systems in an entrepreneurial organisation. Abdel-Kader and Wadongo (2011) and Yap and Ferreira (2011) used the full framework to examine PMSs in non-government organisations (NGOs). Combining it with Dillard, Rigsby, & Goodman's (2004) institutional change framework, Conrad and Guven-Uslu (2012) used the full framework to examine the impact of annual performance ratings on hospital trusts in the UK. More recently, combining it with institutional theory (DiMaggio & Powell, 1983) and a sustainability integration framework (Gond, Grubnic, Herzig, & Moon, 2012), George et al. (2016) used the full framework to examine the enablers of and barriers to the integration of sustainability management systems and PMSs in an oil company.

Other studies have used a reduced number of dimensions or modified the framework (e.g. Adler, 2011; Broadbent & Laughlin, 2007; Laughlin & Broadbent, 2013). Adler (2011) used a modified framework to understand PMSs in companies that work in a highly competitive environment (i.e. confrontation strategy firms). He modified the framework to focus on organisational structure, organisational culture, operating systems and procedures, and also employee selection, training, and development. Broadbent and Laughlin (2007) also used a modified framework to understand PMSs change over time in the UK. They modified Ferreira and Otley's (2009) framework to explicitly consider the underlying factors that may affect PMSs use.

Scholars have also noted that linkages between elements of PMSs have not been sufficiently explored (Albertsen & Lueg, 2014; Otley, 2016; Stringer, 2007). For example, Stringer (2007) points to the fact that there are logical linkages between targets and performance evaluation and rewards, but little research has been done on these linkages. Likewise, few studies investigated the link between reward systems and KPMs or key performance indicators (KPIs) in balanced scorecard-based PMSs (Albertsen & Lueg, 2014).

3.2.3.1 *Strength and Coherence Under-researched*

Importantly for this thesis, Otley (2016) has noted that, whilst performance management studies have examined various systems in organisations (such as balanced scorecard systems and compensation systems), little has been done to examine the dimension of strength and coherence. Table 3.2, for example, shows that in the extant key studies only three studies have looked at the strength and coherence dimension of

Ferreira and Otley's framework (e.g. Abdel-Kader & Wadongo, 2011; George et al., 2016; Yap & Ferreira, 2011).

Table 3.2

Studies Exploring the Ferreira and Otley (2009) Framework and the Studied Dimensions

Studies and dimensions	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12	CC	Findings
Yap and Ferreira (2011)	√	√	√	√	√	√	√	√	√	√	√	√	√	Useful to explore PMS practices in NGOs.
Abdel-Kader and Wadongo (2011)	√	√	√	√	√	√	√	√	√	√	√	√		Organisational structure in the framework should be considered as a contextual factor.
Conrad and Guven-Uslu (2012)	√	√	√	√	√	√	√	√						PMSs do not follow the logical process as set out in the framework.
Agyemang and Broadbent (2015)	√	√		√			√	√						Provides more holistic view.
George et al. (2016)								√	√	√	√	√		Useful to structure empirical information.

Note. D1 = Organisational vision and mission; D2 = key success factors (KSFs); D3 = organisational structure; D4 = strategies and plans; D5 = key performance measures (KPMs); D6 = target setting; D7 = performance evaluation; D8 = reward systems; D9 = Information flows, systems, and networks; D10 = PMSs use; D11 = PMSs change; D12 = Strength and coherence; CC: Culture and contextual factors

These three studies, furthermore, have not achieved the overall picture of how strong and coherent the studied PMSs were, as Ferreira and Otley advocate. In particular, these three studies have not critically analysed the strength and coherence of the overall PMSs as suggested by Ferreira and Otley (2009). Instead, these studies mostly used the framework to *describe* the link between some core dimensions of PMSs. For example, Yap and Ferreira (2011) only explained that the framework helped them to illustrate the link between organisational strategy and organisational vision and mission.

These three studies, moreover, also did not provide an overview of the overall PMSs as suggested by Otley (2016) as a key component of determining strength and coherence. George et al. (2016), for example, have used the framework to inform the change of coherence between the elements in management control systems and the elements in sustainability control systems. Whilst they say that there was "better coherence" between the elements in management control systems and also the elements in sustainability control systems, it was not clear about the strength and coherence between the elements in management control systems, the elements in sustainability control systems, and between the elements of management control systems and the elements of sustainability control systems (see George et al., 2016, p. 205 and 207). This

was because they did not provide a sufficient overview of the overall management control systems and sustainability control systems that existed in the organisation as suggested by Otley (2016) (before and after the change).

In addition, Adler (2011), Malmi and Brown (2008), and Sandelin (2008) observe that while there might be accounting-based control systems (such as BSC-based systems) and non-accounting based control systems (such as HRM systems) existing in an organisation, little is known about the linkages between accounting-based control systems and non-accounting based control systems. Ferreira and Otley (2009) argue that linking the elements of these systems is important to maintain strong and coherent PMSs. Therefore, whilst it has been recognised that the dimension should be considered in the studies of PMSs, it is clear that the most challenging dimension and one of the most neglected supporting dimensions in the prior literature is the dimension of strength and coherence (Ferreira & Otley, 2009; Otley, 2016; Stringer, 2007).

3.2.3.2 The Use of the Framework in Public Sector Studies

Relevant for this study, there is some research that applies Ferreira and Otley's framework in the public sector, drawing on some of the dimensions in the framework (Broadbent & Laughlin, 2007; Conrad & Guven-Uslu, 2012; Silva & Ferreira, 2010). However, Van Helden and Reichard (2016) found that extant studies predominantly reflect a US context so there is insufficient evidence from other national contexts. This suggests that 'national culture' is largely ignored in prior public sector PMS research. Since national culture goes beyond Ferreira and Otley's dimension of 'organisational culture', this suggests that the extant studies have not considered national culture as a contextual dimension of PMSs. Moreover, there is lack of understanding of PMSs from the perspectives of participants at different organisational levels in the public sector so we are still unable to compare the design and use of PMSs from the perspectives of various organisational participants (Van Helden & Reichard, 2016).

In using Ferreira and Otley's (2009) PMSs framework, several of these researchers have commented on some of its strengths and limitations. These will be discussed next.

3.2.4 Strengths and Limitations of the Framework

3.2.4.1 Strengths of the Framework

A number of MA scholars have expressed positive views about the potential of Ferreira and Otley's (2009) framework (e.g. Adler, 2011; Broadbent & Laughlin, 2009;

George et al., 2016; Strauß & Zecher, 2013; Stringer, 2007; Van Helden & Reichard, 2016; Wadongo & Abdel-Kader, 2014). For instance, they say that the framework represents considerable progress in conceptualising PMSs and can be useful in understanding PMSs use and PMSs change in an organisation (Broadbent & Laughlin, 2009; Strauß & Zecher, 2013). The framework can also address the vague and debatable notion of 'performance management systems' so that it is easily understood by practitioners (Adler, 2011).

Researchers who have used the framework as the lens of their empirical research have identified several strengths of Ferreira and Otley's (2009) PMSs framework. First, the framework helps to examine the comprehensiveness of PMSs (Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Collier, 2005; George et al., 2016; Van Helden & Reichard, 2016). Several scholars, for example, found that the framework provided a comprehensive view, with the possibility to explore more deeply certain dimensions of the framework (Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Yap & Ferreira, 2011). Collier (2005) and George et al. (2016) found that the framework was useful to structure empirical information gathered from a case study.

Second, the framework is helpful in understanding the change in the overall PMSs at different organisational levels and contexts (Abdel-Kader & Wadongo, 2011; Broadbent & Laughlin, 2007; Collier, 2005; Conrad & Guven-Uslu, 2012; Yap & Ferreira, 2011). Broadbent and Laughlin (2007), for example, found that the framework was useful to show how the use of PMSs in the UK from 1982 to 1997 changed from relational to transactional use. Abdel-Kader and Wadongo (2011) found that the framework was helpful to show how PMSs in Kenyan NGOs changed from a not-for-profit performance concept to a private sector performance concept. Yap and Ferreira (2011) found that the framework helped to show the evolutionary change of PMSs in an Australian NGO was triggered by a number of events. They argued that the framework was useful in understanding the change because it enabled the collection of a broad scope of data (Yap & Ferreira, 2011).

Third, the framework is useful to help in understanding how the interplay of two external factors (i.e. external regulatory systems and internal organisational systems) may affect the overall PMSs and may change how performance information is used in an organisation (Agyemang & Broadbent, 2015; Conrad & Guven-Uslu, 2012). For example, Agyemang and Broadbent (2015) show that the interplay between external regulatory systems and internal organisational systems has changed the way performance

information is used in UK educational service organisations. Conrad and Guven-Uslu (2012) also show the framework is helpful in understanding the role of external factors (i.e. imposed performance management regulations) in changing how performance information is used in UK health service organisations.

Finally, scholars outside the field of MA have shown interest in Ferreira and Otley's (2009) PMSs framework (e.g. W. B. Liu, Meng, Mingers, Tang, & Wang, 2012; Nuti, Vola, Bonini, & Vainieri, 2016; Schläfke, Silvi, & Möller, 2012; Yadav, Sushil, & Sagar, 2014). In the HRM field, for example, Nuti et al. (2016) say that it is consistent with a performance-related HRM framework. In operations management, some scholars say it could be helpful in designing a strategic PMS and in developing a business performance analytics framework (W. B. Liu et al., 2012; Schläfke et al., 2012). In the general management field, Yadav et al. (2014, p. 100) say it highlights a holistic view of the key elements of PMSs and "the importance of considering the contextual forces" on PMSs.

3.2.4.2 Limitations of the Framework

Some limitations of the Ferreira and Otley (2009) framework have also been identified (Adler, 2011; Broadbent & Laughlin, 2009; Collier, 2005; Conrad & Guven-Uslu, 2012; George et al., 2016; Sandelin, 2008; Strauß & Zecher, 2013; Tessier & Otley, 2012a). First, not all the dimensions of the framework are relevant to smaller organisations (Collier, 2005). In a small entrepreneurship organisation, for example, Collier (2005) found that the key success factors and strategies and plans were not clearly stated, the organisation structure was flexible, formal performance measurement was not clearly shown, performance evaluation was largely individual by the entrepreneur, and financial and non-financial rewards not clearly linked to performance evaluation.

Second, the way PMSs operate in practice may not fully follow the logical thinking of the framework (Conrad & Guven-Uslu, 2012). In the UK health public service organisations, for example, Conrad and Guven-Uslu (2012) found that the design of the PMSs did not fully follow the logical process as suggested by the framework. They argued that it was because the UK public service organisations "were not given the luxury of choosing their strategy, setting objectives, developing appropriate performance measures and linking their achievement to rewards" (Conrad & Guven-Uslu, 2012, p. 247).

Third, whilst informal and non-accounting control systems may affect individuals in aligning their goals to organisational goals (Chenhall, 2003; Chenhall & Moers, 2015;

Collier, 2005), the framework does not substantially acknowledge informal and subtle controls and gives little attention to non-accounting control systems (Adler, 2011; Sandelin, 2008; Strauß & Zecher, 2013; Tessier & Otley, 2012a). For example, whilst a close connection has been noted between HRM systems and strategy implementation (e.g. B. E. Becker & Huselid, 2006), the framework gives less discussion to employee selection, training, and development (Adler, 2011). Thus, Adler (2011) argues that the framework still cannot move from accounting-based control systems as its central attention.

Fourth, the framework does not explicitly discuss how to analyse the "underlying reasons" for the overall PMSs (Broadbent & Laughlin, 2007, 2009; Conrad & Guven-Uslu, 2012). In UK and New Zealand universities, for example, these underlying reasons may include the intervention from external regulatory bodies through the UK Research Excellence Framework (REF) and the New Zealand Performance Based Research Funding (PBRF) Exercise (Agyemang & Broadbent, 2015; Edgar & Geare, 2010). The framework only explains the underlying reasons as "culture and context" that may influence the nature of the overall PMSs (Broadbent & Laughlin, 2009, p. 284; Conrad & Guven-Uslu, 2012). The claim is in line with other research which says that the framework does not discuss explicitly the contextual factors that may affect the overall PMSs in an organisation (George et al., 2016; Strauß & Zecher, 2013).

Ferreira and Otley have themselves reflected on many of these limitations. Some of their thoughts and suggestions since 2009 are outlined next.

3.2.5 Ferreira and Otley's Thoughts on the Framework since 2009

Ferreira and Otley (2009, p. 277) say their framework is "open to extension". Thus, they have continued to write about their PMSs framework since its publication in 2009. Indeed, Otley (2016) says the framework is not a finished work, but a starting point for further examination and development. Therefore, he reflects on three crucial things that could be useful to progress performance management research.

First, Otley (2016) says the most useful progress in performance management research is to give an overview of the overall PMSs and the elements of PMSs in an organisation. This can help to capture the totality of overall PMSs (Otley, 2016). Otley (2016) observes that extant studies mostly select only a particular element, component, or subsystem in an organisation (such as a budget system, balanced scorecard system, or compensation system) without providing information related to other elements,

components, or subsystems that surrounded a PMS (Otley, 2012, 2016). To provide an overview of the overall PMSs, Otley suggests referring to "systems" instead of a 'system' because many PMS elements, components, or subsystems in an organisation are not well-coordinated and integrated (Otley, 2012; 2016, p. 53)[3].

Second, supporting the work of Chenhall (2003) and Malmi and Brown (2008), Otley (2016) echoes that only some elements of PMSs in an organisation constitute formal and accounting-based control systems. There are other informal and non-accounting control systems in an organisation. He therefore suggests examining the linkages between accounting-based control systems and non-accounting control systems that may complement or substitute accounting-based control systems, such as personnel or compensation systems. He also advises exploring more deeply Simons' (1995) belief and boundary control systems to understand the interaction between formal and informal control systems in an organisation (see also Tessier & Otley, 2012a). Otley (2016) also argues that elements of the overall PMSs in organisations are mostly developed by different people at different times and as a result the overall PMSs may appear loosely-coupled. He suggests these loosely-coupled PMSs should be examined to determine whether they are intentional or accidental (Otley, 2016).

Third, Otley (2016) notes that the overall PMSs in an organisation may change rapidly to adapt to changes in the organisation and its environment. Otley (2016, p. 54) argues "no sector is immune to changes happening far away." He says that changes can happen suddenly and unpredictably, even in the public sector, due to the peculiarity of public policy. This may affect how a PMS is used in an organisation over time. Thus, using Otley and Ferreira's (2009) framework, some studies have examined changes in PMSs in organisations (e.g. Abdel-Kader & Wadongo, 2011; Agyemang & Broadbent, 2015; Conrad & Guven-Uslu, 2012; Yap & Ferreira, 2011). Yet, little is known about the change dynamics and the reasons for, and outcomes of, PMSs change (Otley, 2016; Stringer, 2007). This becomes the reason for Otley (2016, p. 45) to stress the need of more "studies that follow these changes".

Also, Otley (2016) suggests further exploration of the change dynamics pertinent to the overall PMSs. He argues that the complexity, interaction of the elements, and the

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[3] Referring to his earlier work (Otley, 1980) and Malmi and Brown (2008), Otley (2016) suggests the term 'systems' (or a 'package of systems') may describe "a set of pieces that were put together without ensuring that they were fully coordinated" (Otley, 2016, p. 53). Chenhall and Moers (2015, p. 3) also argue that this term indicates that multiple systems exist and interact in an organisation collectively.

way in which organisational members use PMSs should be examined (Otley, 2016). He says that this examination will give an understanding of appropriate PMSs design in different contexts. In examining PMSs change, he also suggests acknowledging the type of environment in which PMSs operate (Otley, 2016). The contexts (both internal and internal) and the link between these contexts and the overall PMSs should be shown (Otley, 2016).

3.3   The Application of the Framework in this Study

This study intends to use the notion of overall PMSs in understanding the integration of organisational and individual level PMSs in the case study organisation (Ferreira & Otley, 2009; Otley, 2016). This choice was made because PMSs in the case study organisation might not be well-coordinated and integrated, and most likely will be loosely-coupled (Otley, 2016).

The framework has five key advantages when used as a conceptual framework in this study. First, the core dimensions of the framework primarily help to provide an overview of the overall PMSs which researchers claim is important for understanding the structure of PMSs (Ferreira & Otley, 2009). Second, the framework highlights the dimension of strength and coherence as an important, but under-researched dimension. I will use this dimension to gain insight into the integration between the organisational and individual level PMSs in the case study organisation. Third, the framework contains the dimension of *change* and I explored this dimension to understand the overall PMSs change. Fourth, the framework encourages researchers to explore *contextual* dimensions to improve understanding of PMSs in the unique context of this study – a public sector organisation in a developing country. Fifth, the framework also includes culture and contextual dimensions that enable an investigation of how *organisational culture* and *national culture* may shape the overall PMSs. Each of these five advantages is now discussed in more detail.

3.3.1 Providing an Overview of the Overall PMSs

Ferreira and Otley's (2009) framework may be useful in providing an overview of the overall PMSs in an organisation (Otley, 2016). Therefore, this thesis will first provide an overview of the elements of organisational and individual level PMSs in the case study organisation. This overview helps to answer the first research question: how do the participants perceive the operation and integration of organisational and individual level PMSs in the case study organisation?

As suggested by Otley (2016), this thesis uses Ferreira and Otley's framework to provide an overview of what is perceived as:

- The elements of organisational level PMS, and
- The elements of individual level PMS.

The overview of the elements of organisational level PMS is explored by considering all the core dimensions of Ferreira and Otley's framework from the perspective of the organisation. Specifically, I will examine the following: organisational vision and mission, organisational key success factors, organisational structure, organisational strategy and plans, organisational key performance measures, organisational target setting, organisational performance evaluation, and organisational rewards. The elements of individual level PMS will be obtained by considering dimensions 5 through 8 (see Figure 3.1) from the individual employee's perspective. These elements include: employee key performance measures, employee target setting, employee performance evaluation, and employee rewards.

Support for dimensions 5 through 8 being considered for individual level PMSs comes from the existing literature. Ferreira and Otley (2009) suggest these four dimensions are shown at individual levels. Stringer (2007) and Chenhall (2003) also say that performance evaluation and rewards are mostly the domain of employee management, while Kaplan and Norton (1996b) suggest a personal scorecard may contain these four elements. Moreover, HRM scholars suggest that an individual level PMS is designed principally to improve the alignment of employee performance (i.e. behaviour and results) with organisational objectives (e.g. Aguinis, 2009; DeNisi & Smith, 2014). Therefore, employees need clear and specific individual goals and targets (Aguinis, Joo, & Gottfredson, 2011; Shields, 2007). These goals and targets are used for assessing individual performance and also for rewarding (or penalising).

The overview of the overall organisational and individual level PMSs will also help to provide a basis or platform for examining how strong and coherent the links between elements of organisational and individual level PMSs are, as the primary focus of this study, as outlined next.

3.3.2 Revealing the Strength and Coherence of PMSs

The primary aim of this thesis is to examine the dimension of *strength and coherence* in Ferreira and Otley's (2009) PMSs framework in the case study organisation. This dimension is the most challenging dimension because there are no deterministic rules

of strength and coherence (Ferreira & Otley, 2009). In the public sector, strength and coherence of the links between dimensions of PMSs are also identified as one of the potential shortcomings in PMS practice because of the lack of vertical controls from upper organisational levels to lower organisational levels (Silva & Ferreira, 2010). This dimension will help to reveal the extent to which the elements of the overall PMSs are integrated in the case study organisation, particularly in understanding the strength and coherence:

- Among elements of organisational level PMSs;
- Among elements of individual level PMSs; and
- Between the elements of organisational level PMSs and the elements of individual level PMSs.

This dimension focuses on how strong and coherent the links between the elements of the overall PMSs are as discussed by Ferreira and Otley (2009). Thus, these dimensions demonstrate whether the elements of the overall PMSs match or complement each other in achieving organisational objectives (Jakobsen, Nørreklit, & Mitchell, 2010; Nørreklit, 2000). Moreover, strength and coherence exist when managers and employees are provided with sufficient resources (means) to reach goals (ends) (Nørreklit, 2000). Thus, strong and coherent PMSs appear when there are strong connections between the elements of overall PMSs. Lack of strength and coherence of the overall PMSs may contribute to inability of managers and employees to reach goals (Nørreklit, 2000).

The dimension of strength and coherence is also largely concerned with the "integration of the systems as a whole" and has consequences for the wholeness of PMS (Ferreira & Otley, 2009; Jazayeri & Scapens, 2008, p. 51). Strong and coherent PMSs occur when there is a high level or close integration between the elements of the overall PMSs (George et al., 2016; Gond et al., 2012). Thus, strong and coherent PMSs in the case study organisation need a high level or close integration of organisational and individual level PMSs. Strong and coherent PMSs would exist in the case study organisation when the elements of organisational and individual level PMSs are well-integrated. Strong and coherent PMSs also need consistency (free from contradictions) (Nørreklit, 2000). In contrast to integration, consistency mostly refers to "the individual elements within the (performance measurement) system" (Jazayeri & Scapens, 2008, p. 51). For instance, to reach strong and coherent PMSs, there should be consistency between the stated strategy and the undertaken strategy (Giovannoni & Maraghini, 2013; Li & Tang, 2009). Consistency is also shown from the cascading down upper level key

performance measures to lower level key performance measures, the alignment of lower level key performance measures to upper level key performance measures, and the 'roll up' of business units' key performance measures to corporate scorecards (Bedford, Malmi, & Sandelin, 2016; Kaplan, 2012; Salterio, 2012). Therefore, both integration and consistency contribute to attaining strong and coherent PMSs. However, integration is wider than consistency. Therefore, this thesis will commonly adopt the notion of integration to examine the dimension of strength and coherence of overall PMSs in the case study organisation. Lack of integration may inhibit the ability of the case study organisation to achieve strong and coherent organisational and individual level PMSs.

This dimension helps to answer the second research question: what are the challenges and benefits in integrating organisational and individual level PMSs? In particular, I will examine how tightly or loosely elements are coupled in the case study organisation as suggested by Otley (2016). In sum, I explore this dimension in terms of how much integration there is between the overall elements of the organisational and individual level PMSs. Specifically, a focus on this dimension enables me to investigate four things which are elaborated in the following subsections: linking between elements of the overall organisational and individual level PMSs, tensions and conflict between the elements, the role of information flows in promoting or inhibiting linkages, and the extent to which the elements at lower organisational levels link back to the elements at higher levels.

3.3.2.1 Linkages between Elements

The extent to which the overall organisational and individual level PMSs are well-integrated is a crucial part of understanding and improving PMS practice. PMSs can lack integration because different PMSs are developed and implemented by different groups of people, in different parts of an organisation, and at different times (Ferreira & Otley, 2009). Thus, the elements of the overall PMSs in an organisation can end up loosely-coupled, incoherent, and ill-coordinated (Ferreira & Otley, 2009; Otley, 2016). Loosely-coupled PMSs can happen accidentally or intentionally (Otley, 2016). Moreover, when the elements of the overall PMSs are not well-integrated, the means used by organisational members to reach organisational objectives may not be appropriate and thus performance control failure may occur (Ferreira & Otley, 2009; Jakobsen et al., 2010; Nørreklit, 2000). Thus, the concept of strength and coherence is useful for exploring whether the elements of the overall organisational and individual level PMSs

are well-integrated and fit with each other and, when not well-integrated, whether that may be intended or accidental.

3.3.2.2 Tension and Conflict between Elements

PMSs can become incoherent and contradictory, perhaps resulting in tension and/or conflict between the elements of PMSs. This incoherence and contradiction can result from adding features or systems without removing old features or systems (Ferreira & Otley, 2009; Otley, 2016). Typically, rather than fully removing old features or systems, organisations tend to leave them there, but discontinue their use (Otley, 2016). However, alternative mechanisms (such as direct, informal intervention from an owner, or social interaction between organisational members) may minimise the conflict between the elements of PMSs and create stronger and more coherent PMSs (Giovannoni & Maraghini, 2013). Furthermore, conflict between the controlling and enabling uses of PMSs may create dynamic tensions in an organisation. For example, Mundy (2010) found that, if well-balanced, controlling and enabling uses of PMSs can create dynamic tensions that benefit organisations (see also Tessier & Otley, 2012a). Attention to Ferreira and Otley's (2009) dimension of 'strength and coherence' is thus helpful in exploring the tension and conflict between the elements of organisational and individual level PMSs and in understanding whether such dynamic tensions are well-balanced.

3.3.2.3 Information Flows between Elements

Information flows are important in keeping the elements of overall organisational and individual level PMSs well-integrated and working together (Ferreira & Otley, 2009). To link the elements of overall PMSs, the required means (resources and capacities) to reach ends (ultimate performance goals) should be assessed continuously through dialogue and negotiation between various hierarchical levels (Bourguignon, Malleret, & Nørreklit, 2004; Jakobsen et al., 2010; Nørreklit, 2000). Information flows facilitating such dialogue and negotiation may play a substantial role in linking the elements of overall PMSs (Ferreira & Otley, 2009). Information flows may enable organisations to diagnostically correct actions (feedback information flows) or interactively learn from experiences (feed-forward information flows) (Argyris, 1977; Ferreira & Otley, 2009; Simons, 1995). Information flows may also bridge the gap between intended and emergent strategies (Rodrigue, Magnan, & Boulianne, 2013). Paying attention to the dimension of strength and coherence thus helps to explore information flows that may promote or inhibit the linkages between the elements of organisational and individual level PMSs in the case study organisation.

3.3.2.4 Linkages of Lower to Upper Level Elements

Modifications to the elements of overall PMSs that are made at one organisational level may not automatically be made at other organisational levels (Ferreira & Otley, 2009). Thus, there could be a mismatch between the elements at lower organisational levels and the elements at higher organisational levels (Ferreira & Otley, 2009). Therefore, there is a need to examine whether the elements at the individual level PMS link back to the organisational level PMS, whether lower level KPMs link back to higher level KPMs, whether the KPMs link back to organisational strategies, and whether the organisational strategies link back to organisational key success factors, purposes and objectives. Examining the dimension of strength and coherence thus helps to reveal how the elements of the individual level (or lower level) PMS link back to the elements of the organisational level (or higher level) PMS.

3.3.3 Understanding Change in PMSs

The overall PMSs dynamically change, whether proactively or reactively (Ferreira & Otley, 2009). The overall PMSs may change because the elements of overall PMSs are developed or modified by different people at different times and in an ill-coordinated way (Ferreira & Otley, 2009; Otley, 2016). The changes may also occur because of the need to adapt to changes in an organisation and its environment (Otley, 2016). The changes of the overall PMSs may involve the modification of performance management infrastructures, such as the addition, removal, or modification of KPMs; or changing the evaluation techniques used.   There can also be changes in the way performance management information is used. Because of changes, the strength and coherence between the elements of overall PMSs may also change (Ferreira & Otley, 2009; Otley & Soin, 2014).

Thus, following the suggestions of Ferreira and Otley (2009) and Otley (2016), this thesis aims to understand the change dynamics of the overall PMSs, particularly changes in the strength and coherence of the elements of organisational and individual level PMSs in the case study organisation. This understanding will help to answer the third research question for this thesis: how could the development of integrated organisational and individual level PMSs be improved? This study explores: the change dynamics of the organisational and individual level PMSs; changes in how the overall PMSs are used in the case study organisation; and changes in the overall PMSs in the studied public sector organisation. These three topics are discussed in the following sections.

3.3.3.1 Change Dynamics of the Organisational and Individual Level PMSs

Because PMSs dynamically change, Ferreira and Otley (2009) suggest the reasons for, and outcomes of, changes need to be understood. Tessier and Otley (2012b) suggest that changes in PMSs may be triggered by internal goals and purposes or by conflict between different values, ideas, or events. Such changes have implications for the strength and coherence of overall PMSs since they may enhance, or reduce, the integration of the elements of overall PMSs. These changes also have implications for the economic position and behaviour of organisations and their individual members. Exploring the change dynamics of the organisational and individual level PMSs is, therefore, useful for understanding the reasons for overall PMSs changes. This exploration also helps in understanding the impacts of the change on the organisation and employees in the case study organisation.

3.3.3.2 Change in the Use of PMSs

The way organisational members use PMSs may also change (Ferreira & Otley, 2009). PMSs use may change from diagnostic use to more interactive use or from developmental use to more judgemental use (Speklé & Verbeeten, 2014; Henk Ter Bogt & Scapens, 2012). Speklé and Verbeeten (2014), for instance, found that PMSs used more interactively, as a double-loop learning mechanism, could enhance organisational performance, but diagnostic use (for incentive) had no substantial consequence for performance. Henk Ter Bogt and Scapens (2012) argue that greater use of quantitative performance measures to assess individuals for judgemental purposes rather than for developmental purposes may encourage employees to play safe and, in the long term, can damage creativity and innovation in organisations. Moreover, more use of PMSs for external purposes (for instance, as a substantial prerequisite to get additional funds from funders) instead of internal decision making may cause dysfunctional consequences to organisations, such as more gaming both by organisations and individuals (Agyemang & Broadbent, 2015; Boland & Fowler, 2000). Understanding PMS change is, therefore, useful for understanding changes in the way the overall PMS is used and the consequences of these change for the case study organisation.

3.3.3.3 Changes in Public Sector PMSs

In the public sector, changes to PMSs have become a key reform issue as part of New Public Management (NPM), which is an effort to make public service more efficient, accountable and "business like" by using private sector performance management techniques (Arnaboldi & Azzone, 2010; Van Helden & Uddin, 2016). Mostly, these

changes are triggered and formalised by government regulations (Conrad & Guven-Uslu, 2012; Martin, Nutley, Downe, & Grace, 2016; Verbeeten & Speklé, 2015). Thus, following the suggestions of Ferreira and Otley (2009) and Otley (2016), the changes of the overall PMSs in the case study public sector organisation are explored.

3.3.4 Reflecting on Context: Public Sector of Developing Countries

As discussed earlier, whilst the functionality of overall PMSs is influenced by contextual dimensions (Ferreira & Otley, 2009; Otley, 1994, 1999, 2016), Ferreira and Otley (2009) position "contextual factors" as outside their PMSs framework. They say context is left unexplored because this dimension is "largely outside the control of the organisation" (Ferreira & Otley, 2009, p. 277). However, Ferreira and Otley (2009) and Otley (2016) signal the opportunity for scholars to examine this dimension in order to seek the appropriate design of PMSs within different contexts. Specifically, they say that understanding the organisation's context is important in considering how the functionality of PMSs is achieved and, potentially, can be improved (Ferreira & Otley, 2009, p. 276). It should be noted that a normative position is not taken on the mechanisms that should be used in any specific context; this is regarded as a matter for empirical research that can study the consequences of different control configurations in different contexts.

Thus, why context is vital in this study, and how the context is different, are discussed next.

3.3.4.1 *The Importance of Context*

In MA studies, understanding organisational context can give insights into how MA is practiced in a particular context (Messner, 2016). Recently, HRM scholars have also argued that it is critical to appreciate the context in which performance management operates (e.g. DeNisi & Murphy, 2017). In public-sector performance management studies, understanding context is crucial (Conrad & Guven-Uslu, 2012; Martin et al., 2016; Talbot, 2010; Van Helden & Reichard, 2013). Conrad and Guven-Uslu (2012, p. 246), for example, argue that "it is essential to consider the context within which PMSs are developed and operate". Scholars in MA also have suggested that researchers should be open to the specific context of the public sector in developing countries (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). For example, public sector organisations in these countries may have different historical and political contexts and researchers should "refrain from the idea that Western-centric MA practices might easily be copied" to these countries (Van Helden & Uddin, 2016, p. 17).

Scholars who have examined Ferreira and Otley's framework also suggest examining the framework "in a public sector setting to contrast the similarities and differences' with the extant studies (Yap & Ferreira, 2011, p. 29). Examining Ferreira and Otley's framework in the context of the public sector in a developing country thus may also give more perspectives on the similarities and differences of PMSs in this context compared to other contexts, such as NGOs, the private sector, and the public sector of developed countries. This examination will also clarify the mixed results of the extant studies related to the dimension of organisational structure in Ferreira and Otley's framework (Abdel-Kader & Wadongo, 2011; Yap & Ferreira, 2011). In a large NGO, Yap and Ferreira (2011) noted that "[n]o issues were found in its application in a NFP setting to a NGO" (Yap & Ferreira, 2011, p. 28). However, Abdel-Kader and Wadongo (2011) found that, because of the unique scope and definition of NGOs in Kenya, the dimension of organisational structure in the framework should be considered as the contextual dimension instead as an element of a PMS. Therefore, it will be important to take into consideration the context for this study – a public sector organisation in a developing country.

3.3.4.2 Distinctive Context of the Public Sector in a Developing Country

There are three reasons why the context of the public sector in a developing country might be different from the public sector in a developed country. First, MA practices in the public sector of a developing country are conditioned by a complex local environment (Ashraf & Uddin, 2016; Goddard, Assad, Issa, Malagila, & Mkasiwa, 2016; Kuruppu et al., 2016; Nyamori & Gekara, 2016; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Therefore, many accounting problems in these countries are caused by this complex local environment (such as the volatile socio-economic and socio-political environment), instead of technical factors (Hopper, Tsamenyi, Uddin, & Wickramasinghe, 2009; Van Helden & Uddin, 2016). For example, MA practices in Sri Lanka, Bangladesh, and China have been captured by the political parties in power (Van Helden & Uddin, 2016). Moreover, public sector MA practices in developing countries are the result of a complex interplay between the NPM-like reforms promoted by international donor institutions, the likelihood these reforms are cultivated within the public sector organisational values, and the capabilities of public sector organisations in implementing these reforms (Van Helden & Ouda, 2016). Because of this complexity, the use of PMSs in these countries is still seen as a symptom of "symbolic rather than functional use of performance information" (Mimba et al., 2013, p. 15). Therefore, rather

than necessarily advocating Western-centric accounting tools, performance management studies in these countries need to recognise the complexity of local context and consider localised accounting tools (Van Helden & Uddin, 2016).

Second, in public sector organisations in developing countries, PMSs are mostly used to serve external accountability purposes (Mimba et al., 2007, 2013; Van Helden & Uddin, 2016). Public sector organisations in these countries most likely have to provide a variety of performance reports to external entities, such as international donor institutions, central government regulatory bodies, and politicians (Mimba et al., 2013). However, due to conflicting pressures from external entities, government organisations may prioritise formal requirements, such as the format of reports and the due date, over the quality of the reports (Mimba et al., 2013). Thus, public sector managers in these countries have to engage in "juggling behaviour" to serve multiple external entities and thus PMSs are still not able to help public sector organisations achieve better performance results in these countries (Mimba et al., 2013, p. 15; Van Helden & Uddin, 2016). PMSs' operations in these countries are also mostly seen as a way of gaining legitimacy from external entities rather than as internal management controls (Goddard et al., 2016; Mimba et al., 2007; Van Helden & Uddin, 2016).

Third, public sector organisations in developing countries have to face over- and intensive-regulation (Hopper et al., 2009; Mimba et al., 2013; Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Therefore, the main concern of public sector MA practices in these countries is to maintain compliance with regulations instead of performance improvement (Akbar et al., 2015; Goddard et al., 2016; Van Helden & Uddin, 2016). Given the substantial role of these regulations in shaping PMSs in the public sector of developing countries, performance management studies need to consider the interplay between external regulatory systems and internal organisational systems (Agyemang & Broadbent, 2015; Laughlin & Broadbent, 2013)[4]. External regulatory systems act as performance management mechanisms that may be imposed on public sector organisations by external government bodies, while internal organisational systems include performance management mechanisms that are internally developed by a public sector organisation (Laughlin & Broadbent, 2013). There might be different interests (or

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[4] Talbot (2010) sees these external regulatory systems as 'performance regimes' that may intervene in public sector organisations via: publishing performance rank or 'league tables'; enforcing the laws; allocating funds; and controlling human resources. These performance regimes may shape, or (perhaps) be shaped by, public sector organisations.

rationalities) between external regulatory systems and internal organisational systems and therefore there could be tensions and conflict between these systems (Agyemang & Broadbent, 2015; Talbot, 2010). These tensions and conflicts may create contradictory behaviours amongst individuals in public sector organisations. For example, when the demand of external regulatory systems is not in line with the organisational interest (or rationality), individuals in a public sector organisation "might resist or appear to comply whilst finding ways to prevent any real intrusion into the organisational activity" (Laughlin & Broadbent, 2013, p. 7).

Therefore, exploring the interplay between external regulatory systems and internal organisational systems is useful in understanding how the interplay may shape, or be shaped by, the organisational and individual level PMSs and how the overall PMSs may work better in this context.

3.3.5 Culture

As discussed before, whilst they do not give specific explanation, Ferreira and Otley (2009, p. 276) advocate the exploration of culture and say "the study and understanding of the operation of the control system benefits from the consideration of the impact of culture" (Ferreira & Otley, 2009, p. 276). Moreover, few studies have explored the culture dimension of Ferreira and Otley's framework (cf. George et al., 2016; Yap & Ferreira, 2011). Otley (2012, p. 248) notes that managers may "adjust" their performance reports if reporting bad performance is culturally not acceptable. HRM scholars have also said that giving anyone bad performance scores or negative feedback may not be acceptable in a particular culture (e.g. DeNisi & Murphy, 2017).

This thesis will consider the role of culture. Culture is the collection of "patterned and interrelated traditions, which are transmitted over time and space by non-biological mechanisms based on man's uniquely developed linguistic and non-linguistic symbolizing capabilities" (Chenhall, 2003, p. 152). Culture can be articulated in inherent traits, such as belief, law, values, morals, custom, and habits (e.g. Chenhall, 2003; Henri, 2006b). Culture is also part of a belief control system (Simons, 1995). As briefly explained earlier, given the context of this study, both national and organisational culture are considered.

3.3.5.1 National Culture

National cultures are part of the mental state that individuals acquire in the beginning of life. They usually influence individuals' basic values in the first ten years of

their lives while in the family, in the living environment, and in school (Hofstede, Hofstede, & Minkov, 2010). These national cultures have been categorised into four dimensions (Hofstede, 1980) that can be seen as continuums between:

- High vs. low power distance
- Individualism vs. collectivism
- Masculinity vs. femininity
- Strong vs. weak uncertainty avoidance

Individuals within high power distance national cultures (in contrast to low power distance cultures) usually accept an unequal distribution of power. Those within individualistic national cultures (in contrast to collectivist cultures) are more likely to place self-interest above the group-interest. Individuals within more masculine national cultures (in contrast to feminine cultures) usually place high value on the personal qualities of assertiveness, competitiveness, ambition and material success. Finally, individuals within strong uncertainty avoidance national cultures (in contrast to weak uncertainty avoidance cultures) tend to prefer to avoid uncertainty and rely on clear rules and structures (Hofstede, 1984).

Hofstede et al. (2010) further extended Hofstede's (1980) cultural dimensions by adding two further dimensions:

- Long term vs. short term orientation
- Indulgence vs. restraint

Individuals with a long term orientated national culture (in contrast to a short term orientated culture) are usually more focused on the future, while an indulgent national culture (in contrast to a restrained culture) is more likely to grant individuals the freedom to gratify their natural human desires to enjoying life and have fun, rather than supressing that gratification.

While the recent addition of these two further dimensions of national culture has the potential to offer a more nuanced appreciation of the effects of national culture, few accounting studies have considered them. Indeed, the majority of accounting studies select only a subset of these cultural dimensions to examine, based on their research topic (see Khlif, 2016). Since the original four dimensions (Hofstede, 1980) are most frequently considered in accounting research that has considered national culture, they are drawn on in this study to maximise the comparability of the findings to those of previous accounting

studies. However, future studies could usefully investigate whether Hofstede et al.'s (2010) two additional dimensions add further insight into cultural effects on accounting and performance management practices.

A weakness of Ferreira and Otley's (2009) framework is that the authors are not clear about the difference between national and organisational culture and they also provide less explanation of how national culture, through organisational (or corporate) culture, may shape the overall PMSs (Collier, 2005; Otley, 2016; Wadongo & Abdel-Kader, 2014). Consequently, aspects of national culture have not been looked at much using their framework. This study will respond to this gap by examining national culture. It may be that the national culture of Indonesia affects organisations based in that country, particularly public sector organisations, and thus may play a role in shaping the overall PMSs.

Limited attention has also been given to national culture in prior studies. For example, Yap and Ferreira (2011) and George et al. (2016) only briefly describe the cultural context for their studies, without substantially considering how national culture may shape PMSs. In contrast, Li and Tang (2009) found that an organisation whose members shared a collectivist national culture could reinforce the participation of employees to promote continuous performance improvement. Further, it has been noted that in the public sector of developing countries, an 'ideal' PMS may not work well because questioning a public-sector leader's decisions or giving feedback to a leader is culturally unacceptable (Wihantoro et al., 2015).

Some MA scholars also argue there could be a link between national culture and organisational culture (e.g. Chenhall, 2003; Demartini, 2013; Efferin & Hopper, 2007; Li & Tang, 2009). Almost similar with HRM scholars (e.g. DeNisi & Murphy, 2017), for instance, Demartini (2013) signals that organisational culture may be affected by national culture. Efferin and Hopper (2007) also indicate that Chinese Indonesian ethnic culture may affect organisational and employees' values in the design and use of PMSs. Yet, a strong organisational culture may also dominate national culture in an organisation (Chenhall, 2003). HRM scholars have also argued that a strong organisational culture can better produce a consensus about what is important and what should be measured in an organisation's PMSs (e.g. DeNisi & Smith, 2014).

Thus, it is important to be sensitive to national culture when examining the overall PMSs in the case study organisation, particularly as a public sector organisation in a developing country.

3.3.5.2 *Organisational Culture*

Whilst Ferreira and Otley (2009) point out the need to investigate more how organisational culture influences PMSs, they give less explanation about organisational culture. Organisational culture is not the same as national culture (Hofstede et al., 2010). Organisational culture can be defined as the shared values that interact with PMSs to produce behaviour norms (Henri, 2006a, 2006b). Organisational cultures are usually acquired when an individual enters a work organisation, whether young or not so young (Hofstede et al, 2010). These organisational cultures mostly consist of an organisation's practices that may shape individuals. Therefore, organisational culture is more superficial than national culture (Hofstede et al., 2010) in the sense that it is more recently acquired and lies 'on the surface', being less deeply embedded in the individual than national culture. As a consequence, organisational culture is also more readily observable to the researcher than is national culture.

Cameron and Quinn (2011) suggest four quadrants of organisational culture. They develop these quadrants based on the competing value dimensions of flexibility/control (vertical) and internal/external focuses (horizontal) and therefore suggest four quadrants of organisational culture, i.e. hierarchical (control quadrant), clan (collaborate quadrant), market (compete quadrant), and adhocracy (create quadrant). Organisations in the quadrant of hierarchical usually have a formalised and structured location to work, concern with stability and efficiency, and mostly have standardised procedures and multiple hierarchical levels. In the market quadrant, organisations emphasise market mechanisms, competition, and monetary exchange. The bottom line in these organisations is results, market niches, targets, and securing customers. Organisations in the clan quadrant, usually prioritise participation, employee involvement, cohesion, and shared values and goals. They accomplish goals through group collaboration rather than through individuals. Organisations in this quadrant treat customers as partners and empower employees to participate, commit, and be loyal. Organisations in the adhocracy quadrant usually motivate employees to have creativity, entrepreneurship, a future orientation, and imagination. Organisations in this quadrant mostly work on an ad hoc basis, and employees tend to work in ad hoc task forces or committees.

Ferreira and Otley (2009) advise reflecting more on the interaction between organisational culture and the overall PMSs. They say organisational culture may impact the overall PMSs design but may not be directly controlled by an organisation. However, there is still lack of evidence of MA research in the area of organisational culture (Chenhall, 2003; Henri, 2006b). HRM scholars have also said whilst there might be a variety of organisational cultures within countries, there is still limited research on organisational culture (e.g. DeNisi & Murphy, 2017; DeNisi & Smith, 2014). Because organisational culture may impact the design of the overall PMSs, Otley (2016) identifies organisational culture as an important area for further research. He indicates that organisational culture may influence the choices and behaviour of organisational members. He also argues that organisational culture can be managed to some extent via training regimes to change the behaviour of key employees (Otley, 2016). Organisations that operate in a highly competitive environment also may perform well in a collaborative and collective organisational culture (Adler, 2011). Moreover, a PMS may be more effective when it fits with the organisational culture (Melnyk et al., 2014).

Therefore, for this study, understanding organisational culture is useful for being sensitive to how the culture shared amongst participants in the case study organisation interacts and combines with national culture to shape the overall PMSs.

3.4 Chapter Summary

This chapter has outlined Ferreira and Otley's (2009) PMSs framework as the theoretical framework of this study. It has explained the rationale for selecting this framework, and how the framework will be utilised as the lens for this study. The use of this framework in this study is not directed at theory testing; rather it aims to provide an overview of organisational and individual level PMSs, reveal how the integration of organisational and individual level PMSs is a phenomenon, explore the change dynamics of the overall PMSs, and how context and culture may shape, or be shaped by, the overall PMSs. Ferreira and Otley's (2009) PMSs framework helps to reveal how organisational participants perceive the operation and integration of organisational and individual level PMSs and the challenges and benefits of integrating organisational and individual level PMSs. Understanding the change dynamics of the overall PMSs also helps to generate ideas and possibilities for how the development of integrated organisational and individual level PMSs could be improved in the future, so as to contribute to the MA and performance management literature and practice. Hence, its use will help in addressing

the research questions underpinning this study. The next chapter explores the research methodology, methods, and context of this study.

Chapter 4

RESEARCH METHODOLOGY, METHODS, AND CONTEXT

As discussed in Chapter 1, this study aims to contribute to the literature on integrated PMSs, in particular by examining the integration of organisational and individual level PMSs. Specifically, the research questions underpinning this study focus on (1) the operation and integration of organisational and individual level PMSs, (2) the challenges and benefits of integrating organisational and individual level PMSs, and (3) opportunities to improve the integration of organisational and individual level PMSs.

The research design and process have been developed to answer these questions. Since this study attempts to get deep understanding and insights of a MA practice as well as to suggest how the practice can be improved, it employs qualitative engaged scholarship research (Henk Ter Bogt & Van Helden, 2014; Van de Ven, 2011). Specifically, this study is a critical realist-based explanatory case study (Wynn & Williams, 2012) that adopts a critical realist perspective (Jayne, 2010; Modell, 2009, 2015, 2016). Following Ashraf & Uddin (2015, 2016), who also combine a critical realist perspective with another theoretical framework, this study combines critical realism with Ferreira & Otley's (2009) theoretical framework on PMSs. A critical realist perspective is an appropriate perspective to use in conjunction with Ferreira and Otley's (2009) framework because it recognises the socially constructed nature of reality (Modell, 2016).

This chapter is divided into two parts: (1) the methodology and methods and (2) the research background and context. The first part explores the philosophical stance underpinning this study, the research perspective adopted, the data collection methods, and the data analysis methods. The second part outlines the context in which the research methods were applied by outlining the Indonesian governmental system, the country's public sector performance management reforms, the performance management systems that exist in the Indonesian public sector, and the case study organisation.

4.1 Methodology and Methods

4.1.1 Philosophical Stance

There are three fundamental philosophical questions for researchers that need to be considered:

- "What types of things are taken to exist and what is their mode of existence (ontology)?"
- "How and from where should we gain valid knowledge (epistemology)?"
- "What do we value and consider good (axiology)?" (Mingers, 2003, p. 1304)

The philosophical stance of this study can be characterised according to these philosophical questions. First, ontologically this study views the integration of organisational and individual level PMSs as a material and social reality that exists 'out there' (Fleetwood, 2004; Mingers, 2014; Talbot, 2010; Van de Ven, 2011). The integration processes and outcomes are material realities because they can be observed physically in organisations. The integration is a social reality since PMSs depend on human activities and is a work process of humans (Talbot, 2010).

Second, epistemologically this study takes the view that the integration of organisational and individual level PMSs must be understood subjectively, interdisciplinarily, and acknowledging the different voices of the participants. It is understood subjectively because PMSs are a social phenomenon, they are problematic and complex, and the researcher cannot have free access to any absolute and objective reality (Arnaboldi et al., 2015; Otley, 2008). PMSs must be understood interdisciplinarily because they receive the attention of various disciplines such as MA and HRM (Chenhall, 2012; Chenhall & Langfield-Smith, 2007; de Haas & Kleingeld, 1999; Otley, 1999, 2008) and, integrating the unique perspectives of different disciplines, can leverage a creative understanding of the phenomena (Van de Ven & Johnson, 2006). It is important to acknowledge different voices because organisational knowledge of PMSs is not entirely located at the top level (Abernethy, Horne, Lillis, Malina, & Selto, 2005). Also, different people may be affected by MA practices (Alawattage, Hopper, & Wickramasinghe, 2007; Hopper & Bui, 2015; Van Helden & Ouda, 2016), and research needs to give more voices to less powerful groups, such as government employees (Van Helden & Ouda, 2016).

Third, as engaged scholarship research, this study takes the position that research should be relevant to practice. This view has been shared by a number of MA scholars (Parker, 2012; Henk Ter Bogt & Van Helden, 2014; Van Helden & Northcott, 2010).

Van de Ven (2011) also suggests that research can affect and improve practice. More specifically, this study takes the view that public sector organisations of developing countries should have their own PMSs based on their specific contexts (Van Helden & Ouda, 2016; Van Helden & Uddin, 2016). Van Helden and Uddin (2016) and Van Helden and Ouda (2016) also suggest that there is no one-size-fits-all solution and Western recipes cannot automatically be applied to developing countries. Hence, engaged scholarship research is worthwhile in ensuring that the findings will be relevant and informative in developing country contexts.

To summarise, this PhD study takes the philosophical position that the integration of organisational and individual level PMSs is a material and social reality that should be understood subjectively and interdisciplinarily from the perspectives of different people in an organisation. It also takes the position that knowledge from this study has the potential to improve PMSs integration practice in the public sector of developing countries within their own specific contexts.

4.1.2 Research Perspective

This study adopts critical realism as the research perspective (Bhaskar & Danermark, 2006; Mingers, 2006a). This section will explain the critical realist perspective, the compatibility of this study with this perspective, and the research design.

4.1.2.1 Critical Realist Perspective

As Mingers (2014, 2015) notes, the key features of the critical realist (CR) perspective are that it is:

- Critical of taking a naïve realist view,
- Interdisciplinary,
- Multimethod, and
- Committed to ethics and morals (Mingers, 2015, p. 320).

The term critical in this perspective signifies a rejection of absolute and objective claims of 'truth'. Specifically, critical realism acknowledges that an ontological 'reality' exists, but also recognises the epistemological limitations to observing this reality. Moreover, it takes an interdisciplinary approach that acknowledges the complexity of reality and the need to deal with this complexity (Mingers, 2015). Furthermore, it favours multimethod research approaches, by combining empirical data analysis and interpretive analysis (Jayne, 2010; Maxwell, 2012; Mingers, 2006b; Wynn & Williams, 2012). Last, critical realism is committed to examining the ethical and moral dimensions of research,

since research is value-laden not value-free (Mingers, 2014). As a result, CR researchers should recognise that practices can work to the detriment of individuals as well as broader communities and, if they find mechanisms that sustain damaging practices, they need to commit to removing these mechanisms and whenever possible change the mindset of the society that sustains these practices (Mingers, 2015).

The CR perspective draws on a realist ontology and contructivist epistemology (Maxwell, 2012; Modell, 2014). Hence, critical realists (CRs) argue the existence of a reality that is distinct from the knowledge of human beings. This reality is the *intransitive* domain of knowledge that exists independent of our understanding. As shown in Figure 4.1, ontologically CRs claim three stratified levels of reality, which are the real, the actual, and the empirical (Bhaskar, 1997, 2008; Mingers, 2006a; Modell, 2014; Roslender, 2016).
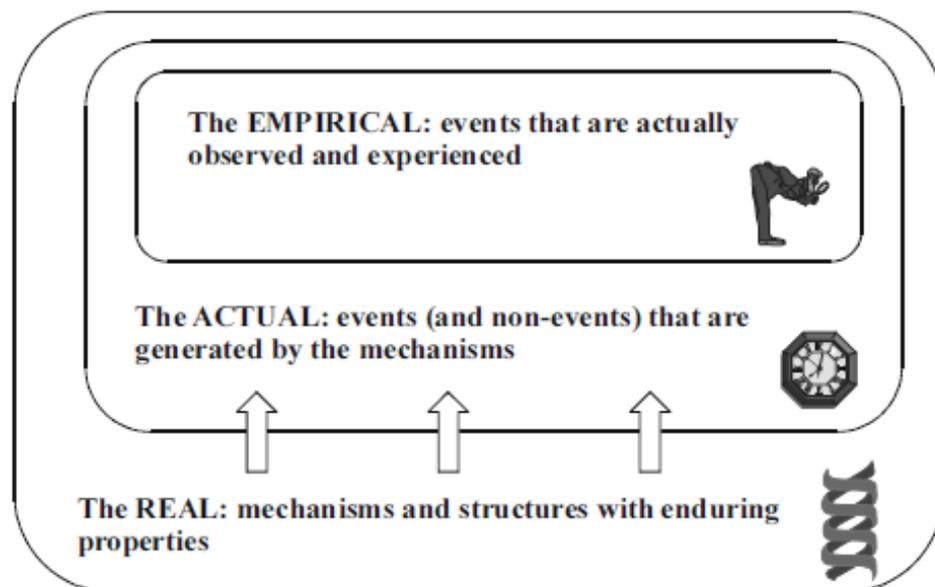
Figure 4.1. The domains of the empirical, the actual, and the real. Reprinted from "A Critique of Statistical Modelling in Management Science from a Critical Realist Perspective: Its Role within Multimethodology", Mingers, J., 2006, Journal of the Operational Research Society, 57(2), p.202-219. Copyright © 2006 by Operational Research Society Ltd. Reprinted with permission.

The domain of 'the real' contains the whole of reality, including mechanisms and structures, events, and experiences. However, the existence of mechanisms in the domain of the real does not automatically generate *events* in the domain of the real. Rather, the events (or non-events) occur in the domain of 'the actual'. This is because the actual occurrence of events (or non-events) depends on the engagement of human beings with particular mechanisms and the contribution of these mechanisms to activate generative mechanisms (Modell, 2016). For example, accounting practices embedded in public sector social structures have a generative mechanism to enable (or constrain) change

events in public sector organisations. However, the actual occurrence of this change event depends on other mechanisms, such as the imposition of accounting policies and government employees' engagement with the accounting policies that may lead to their acceptance or resistance.

Moreover, actual events are not directly observable or experienced by researchers or individuals. Rather, the observation and experience of these events is limited to the domain of 'the empirical'. For example, researchers and public sector employees have their own empirical experiences and observations of public sector change, which are limited based on their capacity to reflect and may vary in how they reflect the change event. Furthermore, CRs differentiate between *intransitive* and *transitive* dimensions of knowledge. The intransitive dimension is the mechanisms or structures that may exist as the referent of knowledge whether we are aware of it or not, while the transitive dimension is the observed or experienced events that may become knowledge (Mingers, 2015). Therefore, while individuals, as well as researchers, experience the events in the domain of the empirical, CRs argue that researchers should not reduce their understanding of MA practices to only observable or experienced events, but instead need to understand the generative mechanisms or motors that cause these events (Modell, 2014; Roslender, 2016).

Moreover, since researchers are the observers of the intransitive dimension, epistemologically CRs maintain that the production of knowledge is the work of humans that occurs at the transitive domain (Maxwell, 2012; Mingers, 2014; Roslender, 2016). Thus, they deny there is any objective or absolute knowledge in the world. Instead, they argue that our understanding of observable events is incomplete because we cannot fully understand the generative mechanisms that constitute the observable events. Thus, CRs accept that our knowledge is incomplete, partial, and fallible or imperfect (Maxwell, 2012; Roslender, 2016). Moreover, since researchers are human beings, CRs maintain that researchers have the capacity for reflexivity and therefore need to critically reflect on whose points of view and interests are served by the practices they are studying (Archer, 2007; Modell, 2016; Van de Ven & Johnson, 2006).

4.1.2.2 *The Compatibility of the Critical Realist Perspective with This Study*

The CR perspective is gaining momentum in the field of business and management research (Tsang & Kai-Man, 1999). In MA, this perspective has provided new insights into cost-efficiency in UK universities (Brown & Brignall, 2007), the institutionalisation of governance and budgetary policies in public sector organisations

(Mutiganda, 2013), the regressive results of cost management reform (Ashraf & Uddin, 2016), MA control change (Stergiou, Ashraf, & Uddin, 2013), and public sector outsourcing of decision-making (Jayne, 2010). Hence, this perspective has been demonstrated to offer insights into fields, contexts and topics relevant to this study.

There are also three further reasons why CR is an appropriate perspective for this study. First, this study views the integration of organisational and individual level PMSs as a problematic and complex reality that needs to be understood subjectively. This view is compatible with the CR perspective since this perspective adopts an ontological position that there is a reality or real world 'out there' that exists whether we understand or are aware of it or not, yet epistemologically our understanding about this reality is partial and subjectively constructed from our own standpoint (Modell, 2009, 2016).

Second, this study argues that explaining the generative mechanisms that triggered the integration of organisational and individual level PMS is necessary to generate knowledge beyond the observable events. Explaining these mechanisms can help to explain the motors that enable or inhibit PMSs integration, as well as protect less powerful groups (Ashraf & Uddin, 2015) that might be affected by the integration, such as government employees. This view is in line with the CR perspective since critical realism advocates understanding MA practices beyond the observable events so as to be critical and/or emancipatory (Modell, 2014, 2016; Mutiganda, 2013; Roslender, 2016).

Third, this study employs a multimethod approach since multimethod approaches can help to bring more confident results that help the researcher to obtain richer data on, in this case, PMSs integration. This study also draws on Ferreira & Otley's (2009) framework as its theoretical perspective. This approach is compatible with critical realism's positioning as pragmatic, open to multimethod, and theoretically neutral, meaning it can be used in conjunction with any relevant theory (Jayne, 2010; Maxwell, 2012; Mingers, 2006b; Wynn & Williams, 2012).

In sum, the CR perspective is suitable for this study since its ontology and epistemology is in line with this study. It suggests a need to understand PMSs beyond the observable events, and it can be used in conjunction with any research methods and relevant theories.

4.1.2.3 The Researcher's Role and Potential Bias

The position of the researcher affects the research design (Clough & Nutbrown, 2012). Since the researcher was a government official before conducting this PhD study,

as a critical realist researcher he accepts the subjectivity or potential bias he may have in interpreting the collected data due to his past work experience. Moreover, this subjectivity could be sharpened by the participants, who were largely government employees. These participants might have a vested interest in challenging or resisting the extant management accounting practices. However, since critical realist accounting research has emancipatory potential (Modell, 2016), it is also possible that a researcher might raise issues that reflect the perspective of less powerful groups, such as the government employees in the studied organisation (see Van Helden & Ouda, 2016). Indeed, Hopper and Bui (2015) argue that researchers need to give greater voice to people or social groups that are affected by public sector accounting reform.

In this case study, government employees are the people who are substantially affected by public sector accounting reforms. These reforms are imposed by politicians and policy makers using business-like managerial tools that may impinge on the working life of government employees (Ashraf & Uddin, 2016; Bezes et al., 2012; Van Helden & Uddin, 2016). Recognising the range of voices and interests that need to inform this study, the researcher strove to incorporate these differing perspectives in his research design and data collection. He also made every effort to set aside his own preconceptions from his past experience as a government official and be open to the differing voices of his study participants, while also remaining reflexive about his own potential researcher bias.

4.1.2.4 Research Design

This study applies the outlined CR perspective to a single, explanatory case study (c.f. Bygstad, 2010; Wynn & Williams, 2012; Zachariadis, Scott, & Barrett, 2013). Case study research can help to understand complex MA and control practices (Otley & Berry, 1998; Scapens, 1990) and to gain a comprehensive picture of PMSs (Ferreira & Otley, 2009; Otley, 2016). Focusing on a single organisation enables researchers to capture deep and rich data (Scapens, 1990). An explanatory case study helps to understand the reasons behind MA and control practices (Scapens, 1990). In this study, this research design is used to understand the generative mechanisms or motors that triggered the integration of organisational and individual level PMSs and how these mechanisms contributed to the integration processes and outcomes.

In this study, a large government organisation was purposively selected as a case study organisation (Thompson, 2012; Vogt, Gardner, & Haeffele, 2012; Yin, 2010). Selecting a large organisation can give a large amount of, and the most relevant, data for learning (Stake, 2005; Yin, 2010). Moreover, it can provide better knowledge on how the

elements of PMSs are related to each other (Malmi & Brown, 2008). Also, it can help in enhancing PMSs knowledge because sophisticated PMSs are more likely to be operated in large organisations (Evans & Tucker, 2015; Kruis, Speklé, & Widener, 2016). In addition, most PMSs developed by scholars such as Kaplan and Norton are mainly suitable for large organisations (Albertsen & Lueg, 2014).
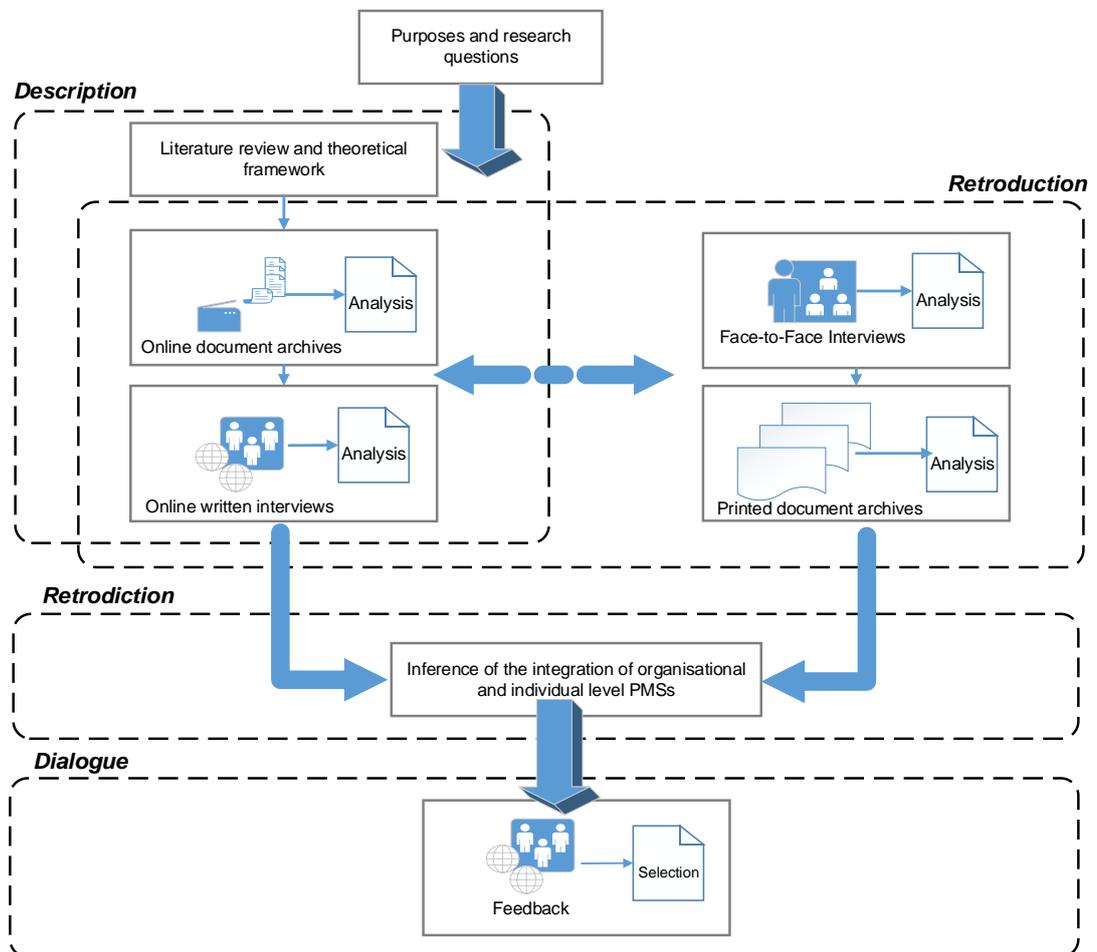
Figure 4.2. Research design for this study. Adapted with permission from "Methodological Implications of Critical Realism for Mixed-Methods Research", by Zachariadis, M., et al., 2013, *Management information systems,* 37(3), p.855-879. Copyright © 2013 by Regents of the University of Minnesota.

The research design for this study was adapted from Zachariadis et al.'s (2013) research design by also drawing on Modell (2016). Zachariadis et al. (2013) suggest three CR research phases: depreciation or appreciation; retroductive analysis; and assessment or elimination. Modell (2016) on the other hand suggests the combination of retroduction with a retrodiction phase that includes dialogue or dissemination. In other words, retroduction starts from inductively observing empirical events and then relies on the extant theory to deductively produce possible explanations through the retrodiction process (Modell, 2016). In essence, Modell's (2016) retrodiction is similar with

Zachariadis et al.'s (2013) process of assessment or elimination. Specifically, retroduction is "the process of working 'backwards' from empirically observable events and developing conjectures based on extant theory", while retrodiction is "the process of examining empirically how causal powers affect each other and generate particular events" (Modell, 2016, pp. 10-11).

As shown in Figure 4.2, this combined attention to Zachariadis et al.'s (2013) and Modell's (2016) advice on CR research design meant that this study followed four phases:

(1) Description or appreciation of the literature, theoretical framework, and PMSs integration practice

(2) Retroduction or working backwards, iteratively

(3) Retrodiction or assessment of possible generative mechanisms

(4) Dialogue or dissemination with selected participants and scholars

For this study, as is the norm, interactions between the four phases were not linear, but were iterative and recursive, back and forth (Braun & Clarke, 2006; Sayer, 2004). For example, this study started with description and then moved to retroduction, and then returned again to description after data were analysed retroductively. All of these phases are explored next.

4.1.2.4.1 Phase One: Description

Based on the research purposes and questions, in this first 'description' phase this study reviewed the literature and Ferreira & Otley's (2009) framework to enhance the researcher's understanding related to PMSs integration. Ferreira & Otley (2009) suggest that researchers need to examine holistically the overall PMS in an organisation. Therefore, this phase selected the case study organisation and developed an overview of PMSs integration based on electronic document archives and written online interviews. This phase helped the researcher to gain a general overview (Bowen, 2009) of the PMSs integration practice in Indonesia. It also provided a foundation for the researcher to analyse and understand the details of the integration in the studied organisation, appreciate the research context, and identify the potential challenges and benefits that existed in regard to the PMSs integration. Furthermore, the data collected in the description phase helped the researcher to refine the interview questions to be used in the fieldwork.

4.1.2.4.2 Phase Two: Retroduction

Ferreira & Otley (2009) suggest gaining an understanding of how the overall PMS has evolved into the current practice and why a particular PMS works in a specific context. Thus, in this second 'retroduction' phase, the researcher worked backwards from the empirical, observable data and explored the mechanisms that might trigger the integration of organisational and individual level PMSs. This helped the researcher to gain more understanding of these mechanisms and develop possible mechanisms.

In this phase, the researcher also collected data in the field from face-to-face interviews and from printed organisational and individual documents, such as the organisation's internal circulars and individual performance records (see Appendix C). These data were then analysed iteratively alongside electronic documents and written online interview data already collected in the first phase. This process enhanced the exploration and description of challenges and benefits of PMSs integration by combining data from different sources in the organisation.

This retroduction phase enabled the researcher to gain different perspectives on the integration from within the case study organisation. In brief, the researcher learned the general or common challenges and benefits of the PMSs integration from the data sets of document archives, written online interviews, and face-to-face interviews. From these data sets, the researcher drew on Ferreira & Otley's (2009) framework to make sense of the collected data. The potential mechanisms that governed the integration of organisational and individual level PMSs were then considered.

4.1.2.4.3 Phase Three: Retrodiction

In this third 'retrodiction' research phase, the plausible or potential mechanisms that triggered the integration of organisational and individual level PMSs were inferred. The collected data from the first and second phases, which related to the studied organisation, were triangulated to identify the plausible mechanisms that triggered the PMSs integration through combining findings from the data sets. Triangulating these multiple sources helped to answer the research questions and identified the mechanisms that were likely to have triggered the integration of organisational and individual level PMSs. In this phase, potential ways to improve the current situation were also considered.

4.1.2.4.4 Phase Four: Dialogue

Finally, in this 'dialogue' phase, the researcher conducted follow-up online written interviews with selected participants to enrich the analysis of the data. These interviews were a dialogue with those participants (Modell, 2016) who were affected by

the PMSs integration so could give alternative explanations and reflections on how particular generative mechanisms could be counteracted by other mechanisms. In addition, the researcher also disseminated initial research findings in conferences as a dialogue mechanism with academics to enhance the researcher's understanding of the PMS integration (Van de Ven, 2007). When received, comments were recorded to update the initial research findings, engender other ideas, and consider the limitations of this study (Zachariadis et al., 2013).

The links between the research phases and the sources of data are summarised in **Error! Reference source not found.**.

Table 4.1
Research Design

Research phases	Research Processes	Sources of data
Description	Application and refinement of theoretical perspective to enhance the understanding of the PMSs integration. Data gathering to gain an overall understanding of the integration of organisational and individual level PMSs, and to identify the challenges and benefits perceived to exist in regard to current PMSs integration practices.	Literature review Theoretical framework Electronic document archives Written online interviews
Retroduction	Application of inference to explain the potential alternative mechanism that gave rise to the issues and challenges of the integration.	Literature review Theoretical framework Electronic and printed document archives Written online and face-to-face interviews
Retrodiction	Identifying the mechanisms that gave rise to the challenges and benefits of the integration, identifying the plausible mechanisms, and considering how the current situation could be improved.	Literature review Theoretical framework Electronic and printed document archives Written online and face-to-face interviews
Dialogue	Generating awareness through disseminating preliminary findings and eliciting feedback.	Literature review Theoretical framework Follow-up written online interviews Academic conferences

4.1.3 Data Collection Methods

Data for this study were collected intermittently from June 2015 to June 2017. In the field, data were collected in April 2016. This data collection process was approved by the AUT Ethics Committee on 9 June 2015 (reference number 15/186) as shown in Appendix D. AUT research ethics guidelines were therefore applied in this study.

Specifically, to ensure the willingness of participants to participate, this research assured confidentiality of their identity and organisation in the research information sheet. The researcher also asked the participants to sign consent forms before being interviewed. He also disclosed his identity as a PhD researcher and his previous position as an official in a (different) Indonesian government organisation. In the information sheet, the researcher also shared the research purposes and how the findings would be published.

This study used multiple data collection methods. These methods are advocated for case study research (Scapens, 1990) because they allow researchers to obtain more reliable data via triangulating data from multiple sources (Braun & Clarke, 2006). In particular, this study collected data using both internet-based and conventional, face-to-face approaches. The internet-based data collection included reviewing electronic document archives and conducting online written interviews, as outlined later in this chapter. Combining internet-based and conventional data collection can minimise the cost and time spent in the field (James & Busher, 2006; Tella, 2015; Wood et al., 2011). Also, the internet provides an opportunity for researchers to engage more with different participants across geographical locations (Bowleg, Fielding, Maxwell, & Molina-Azorin, 2016). In this study, it enabled the researcher to interview participants in Indonesia from New Zealand. In addition, online written interviews minimised the cost and time spent in this study because participants answered the questions directly in text and thus these interviews did not need a transcription process (Tella, 2015).

In accounting studies, researchers have used the internet to examine several topics, including accounting journal quality and paradigms (e.g. Lowe & Locke, 2005); web-based accounting reports and disclosures (e.g. Ashbaugh, Johnstone, & Warfield, 1999; Debreceny & Gray, 2001; Lymer, 1999; Xiao, Yang, & Chow, 2004); online accounting teaching (e.g. Fajardo, 2014; Morgan, 2015; Woolley, 2015); and methodological aspects associated with online research instruments (e.g., Bryant, Hunton, & Stone, 2004; Meyer Alexander, Blay, Hurtt, & Baylor, 2006).

As summarised in Table 4.2, data were collected in three stages. First, the researcher collected data using electronic document archives and online written interviews via the internet. Second, he conducted face-to-face interviews, and analysed printed document obtained in the field. Third, several participants were interviewed in follow-up online written interviews. In addition, the researcher presented initial findings at academic conferences to gather feedback from an academic perspective to enhance his reflections on the research findings.

Table 4.2
Data Collection Stages and Methods

Stages and Methods		Collected data
First stage: Online Data		
Electronic document archives	: -	General government documents
Written online interviews	: -	24 interview records
Second stage: Fieldwork		
Face-to-face interviews	: -	27 interview records
Document archives	: -	Organisational documents
	-	Individual documents
Third stage: Follow-up		
Written online interviews	: -	6 interview records
	-	Additional documents
	-	3 presentations

4.1.3.1 Online Data Collection

In this stage, electronic document archives were reviewed and online written interviews were conducted.

4.1.3.1.1 Online Document Archives

An analysis of available government electronic document archives was initiated in June 2015. This analysis was designed to help the researcher gain a general knowledge (Bowen, 2009) of PMSs integration practices in Indonesia and of the research context, before formally interviewing participants. This strategy was necessary because the public sector officials who participated in this study might expect the researcher to have general and contextual knowledge before interviewing them (Barron, Diprose, & Smith, 2004; Jiwani & Krawchenko, 2014; Trueb, 2014).

During his review of online document archives, the researcher accessed electronic government documents from various websites, blogs, and online social media. They were related to laws, regulations, policies, and guidelines at the national level that guided the imposition of PMSs in the Indonesian public sector. As shown in Appendix C, these documents were dated from 1974 to 2016. In total, 20 electronic documents were collected. These documents were mostly accessible on the internet because public sector organisations in Indonesia are required to ensure the openness of public information (*Law, 14/2008*).

4.1.3.1.2 Online Written Interviews

Online written interviews were conducted in February-March 2016. This data collection method was designed to help the researcher select the case study organisation

and gather prior knowledge from some participants before entering the field. This method was likely suitable for the participants since government officials in Indonesia are mostly internet-literate. Indeed, Indonesia is one of the twenty countries in the world with the highest internet usage, with around 50 million internet users or 21.7 % of the population (Internet World Stats, 2013).

Participants were selected based on whether they had recently, or in the past, been involved with organisational level PMS or individual level PMS either as users, administrators, or developers. Thus, they were purposively selected (Thompson, 2012; Vogt et al., 2012; Yin, 2010). Interviewed participants were also asked to refer other government officials that had experiences with PMSs as long as the referred participants approved beforehand. Therefore, this study also used the snowball sampling technique (Thompson, 2012). This technique can help in recruiting participants that are hard to find (Vogt et al., 2012).

Participants in these interviews were recruited using the Qualtrics system, which is an online system that serves research needs such as messaging and data repository systems (Brandon, Long, Loraas, Mueller-Phillips, & Vansant, 2014). Initially, the contact details of potential participants were identified from the contact lists accessible on government websites. Some government officials with whom the researcher had previous connections were also contacted via email and internet messaging services such as WhatsApp and Facebook. After these contact details were identified, as shown in Appendix E, invitation letters were sent by email generated by the Qualtrics system to the potential participants. When they received these emails, these potential participants could click a link to connect to the Qualtrics website to read further information related to this research, such as the research information sheet and planned interview questions, as shown in Appendix E.

As shown in Appendix F, if the potential participants agreed to participate, they were asked to fill-in a consent form on the Qualtrics website or send the scanned consent forms by email. Also, they were asked to indicate their position in the organisation and whether they had previous involvement with PMSs. This information was used to help the researcher in determining whether they fulfilled the criteria as a research participant.

From 28 February 2016 to 19 March 2016, the researcher invited 78 potential participants. Reminders of these invitations were also sent three times after invitations were issued. Of the 78 potential participants, 32 (41%) agreed to participate. Furthermore,

of these 32 agreed participants, 24 participants (69%) submitted their consent forms directly on the Qualtrics system, while 8 participants (31%) sent their scanned consent forms via email.

The researcher then read the information on these 32 agreed participants and determined whether they met the criteria to participate. All of them fulfilled the criteria because they had experience with PMSs in their organisation. The researcher then interviewed them one-by-one based on their preferred schedule. These interviews were conducted using near synchronous and asynchronous communication channels (Schiek & Ullrich, 2017). Specifically, several of the interviews were conducted via real-time (live) text chats with the participants using WhatsApp, Facebook messenger, and Google messenger. These were conducted both at night and during the day in New Zealand because the researcher was in New Zealand and the participants lived in three different regional time zones across Indonesia: Indonesia West Regional Time (WIB), Indonesia Central Regional Time (WITA), and Indonesia East Regional Time (WIT). The time difference between the researcher and the interviewees could be four, five, or six hours. Thus, these interviews were near synchronous. However, for other interviews using the same messenger services there could be a delay between the researcher sending the interview questions and receiving the replies. In these interviews, participants did not directly reply to the questions on the same day. Sometimes, in one day, there could be several replies from them. Thus, these interviews were asynchronous.

The interviews were semi-structured in nature (Brinkmann, 2013; Qu & Dumay, 2011). Initially, the planned interview questions were developed from Ferreira & Otley's (2009) framework and the researcher sent three sets of interview questions to participants at different times. The first set of questions related to the organisational level PMS. The second set of questions related to the individual level PMS, and the third set related to the integration of the organisational and individual level PMSs. The first and second sets of questions were primarily designed to gather evidence to answer the first research question, while the third set of questions was mainly focused on answering the second and third research questions (see section 1.2 for the research questions).

During interviews, the participants were given time to reflect and clarify the questions (Schiek & Ullrich, 2017). They also had time to access and consult with additional resources in their offices before sending replies. This approach helped participants to recall their experiences to past events retrospectively. Furthermore, to improve data reliability the researcher also sought clarification on some replies where

necessary. This clarification was achieved through paraphrasing the replies and then sending these phrases back to interviewees for confirmation.

At this stage, the interviewees were from 13 different public sector organisations in Indonesia since the main aims of these interviews were to help the researcher to select the case study organisation and gain prior knowledge of PMSs integration practice in Indonesia before entering the field. The aim of the interviews was to conduct at least 10 to 15 of online written interviews. Of the 32 agreed participants, 24 participants were interviewed, so the target number of online written interviews was exceeded. Of these 24 participants, 18 worked in eight central government organisations, while six worked in five local government organisations. Furthermore, of these 24 participants, two people discontinued the interviews because they unexpectedly had tasks to do. This experience is consistent with Schiek and Ullrich (2017) who suggest that participants may discontinue written online interviews because they have unplanned meetings.

Although participants were given an opportunity to use either the Indonesian or English language and the research information sheet contained both of these languages, the interviews were conducted mainly in the Indonesian language. Furthermore, while the researcher could not see their faces and demeanour, in general participants seemed enthusiastic to reply and thus helped the researcher to gain prior knowledge of PMSs integration practices. Most of these participants were also willing to take a critical approach to describing their organisations' PMSs by relating both the positive and negative sides of existing practices.

In these interviews, eight participants indicated that their organisations attempted to integrate organisational and individual level PMSs. Of these eight participants, seven participants worked in a single large central government organisation, while one participant worked in a small local government organisation. The large central government organisation had around 37,000 employees, while the local government organisation had around 5,000 employees (*the National Bureau Statistics, 2015*). This large central government organisation was selected as the case study organisation.

As shown in Appendix G, the replies from the seven participants were received within two to four days. One of the participants of these interviews became one of the key informants of this study and this informant was involved in the follow-up online written interviews. As well as replying to the interview questions, some of these participants also sent electronic documents to the researcher. In these cases, the researcher asked the

participants to sign document consent forms (see Appendix H). The collected documents comprised organisational and employee documents related to performance management, such as organisational guidelines and performance plans and reports. These documents helped the researcher to gain prior knowledge of the case study organisation's practices so that he could use his time and research budget efficiently in the field.

4.1.3.2 Fieldwork Data Collection

In the field, the researcher conducted face-to-face interviews and collected data from printed document archives.

4.1.3.2.1 Face-to-Face Interviews

Face-to-face interviews were conducted in the field in April 2016. These interviews were designed to understand the experiences and perspectives of participants related to organisational and individual level PMSs and their integration. Participants in these interviews were initially identified by asking the written online interviewees who worked in the case study organisation to refer other officials as potential participants for this study. Initially, they referred 17 potential participants. As for the online written interviewees, the researcher invited these 17 potential participants by using the Qualtrics system. These invitations were made from 6 March to 14 March 2016 and contained information similar to the invitations for the online written interviews. Of these 17 potential participants, six participants (35%) agreed to participate.

During the fieldwork, the researcher recruited additional participants. Some of these were referred by the six agreed participants. Fortunately, the researcher communicated with one of the key informants (Schensul, 2008) who helped to introduce the researcher to other key officials in the studied organisation. He was a low level official, but his position in the planning unit and his informal network enabled him to influence other officials in the organisation to open their doors to the researcher. Moreover, the relationship between the researcher and this key informant became closer over time and the informant eagerly sent additional organisational documents when needed. Without his support, the researcher might have experienced difficulty in approaching people in the studied organisation. This experience is in line with Needleman and Needleman (1996) who suggest that a qualitative researcher can get rich and sensitive data from a small number of key informants who have strategic roles in the studied organisation. However, to maintain data quality and minimise bias, it was the researcher who ultimately decided which officials should be interviewed.

As shown in Appendix G, the researcher conducted 26 face-to-face interviews in the studied organisation. He also interviewed people who worked outside of the organisation to understand the research context. These external interviewees included a parliament member who supervised the organisation, a member of the Civil Service Commission who was involved in recruiting the top-level management of the organisation, and a senior level official in the Ministry of State Apparatus Empowerment and Bureaucratic Reform, which is responsible for improving public services. The member of the Civil Service Commission was referred by one of the participants in the organisation, while the two other external participants were approached by the researcher since the researcher had had a connection with them in the past.

All the face-to-face interviews were recorded, and the researcher asked the participants to sign consent forms before being interviewed. During the interviews, the researcher also took written notes and did not rigidly follow the planned interview questions but modified them based on the roles of the interviewees. For example, several interviewees were mainly asked questions related to the organisational level PMS, while others were questioned more about the individual level PMS, depending on their roles and experience. However, all of them were asked about the integration of organisational and individual level PMSs. Compared to the written online interviews, these face-to-face interviews were more in-depth to elicit the participants' perspectives on integration processes and outcomes. Therefore, the format of these interviews was in-depth and semi-structured (Brinkmann, 2013; Hennink, 2013). The researcher interviewed the participants to examine what happened with the organisational level PMS, the individual level PMS, and then the integration of these two PMSs. Furthermore, the researcher elicited their perspectives related to the challenges and benefits of the PMSs integration.

In the interviews, the researcher also anticipated cultural aspects that may affect the conduct of the interviews. For example, to respect the Indonesian hierarchical culture (Hofstede, 2007), the researcher used the proper salutations for greeting participants. Instead of using the word of 'you' or *anda* in the Indonesian language, the researcher used more acceptable salutations, such as *bapak* (sir) or *ibu* (madam), and *mas* (brother) or *mba* (sister) based on the hierarchical levels and ages of the interviewees. The researcher mainly used the salutations of *bapak* and *ibu* for senior level officials, while *mas* or *mba* were used for lower levels.

Moreover, in anticipating the high context culture of Indonesians (Suyatno, Armstrong, & Thomas, 2015; Usunier & Roulin, 2010), the researcher repeatedly used

general questions before asking the central questions. For example, the researcher asked general questions about the process of designing KPMs before finally asking whether the interviewees perceived the designed KPMs as realistic. For one interviewee, the researcher did not directly ask his perspective on the KPMs because this participant had been involved in designing KPMs. Instead long, general questions were used to minimise the possibility that the participant thought the researcher was challenging his previous work.

Where appropriate, potential participants were advised in advance that they had been referred by another participant. This strategy minimised the resistance of participants towards being interviewed in the field. Moreover, it helped to improve the quality of the information provided by the participants because they were well-prepared before being interviewed. In addition, the researcher could select participants who were likely to have good knowledge of the organisation's PMSs integration practices.

In the end, 33 participants were interviewed in the studied organisation (see Table 4.3), of which six (18%) were involved via online written interviews and 27 (82%) via face-to-face interviews.

Table 4.3
Participants in Online and Face-to-Face Interviews

Methods	Participants	Percentage
Written online interviews	6	18%
Face-to-face interviews	27	82%
Total	33	100%

In qualitative research there is no specific number of participants that should be interviewed. Rather, the aim is to reach data saturation (Curtis & Curtis, 2011). For this study, it was felt that saturation was achieved at 33 participants since little new data emerged from the last few interviews. This final number of interviews is consistent with Mason (2010), who found that on average PhD studies interviewed 30 participants.

The participants came from different hierarchies in the studied organisation, from lower to top levels. Collecting different voices from different levels is essential in understanding public sector MA practices in developing countries (Van Helden & Ouda, 2016). These participants also worked in various functions in the studied organisation. To protect their identity, in this study their departments or functions were broadly classified as support and core units, where 'support units' included areas such as finance, HRM, and general administration and 'core units' including areas such as customer services and operations. Participants' roles in regard to the organisation's PMSs were diverse and

ranged from having designed PMSs used in the organisation, through to having used PMSs as managers, or merely having been evaluated via the PMSs.

The face-to-face interviews took one-half to two hours. When being interviewed, some of the interviewees clarified their answers by reading their official documents or consulting with their subordinates and peers. These activities helped to maintain the reliability of the interview data. Most of these interviews were conducted in the office building of the participants. Four participants asked for the interviews to be conducted outside their office building; those interviews were carried out in cafés. During the interviews, some participants also asked the researcher to have lunch with them inside or outside of their office building. Furthermore, there was a participant who asked the researcher to pray together because it was the time for praying. Two participants in these face-to-face interviews became key informants for this study and were involved in the follow-up online written interviews.

4.1.3.2.2 Document Archives

During the fieldwork, the researcher received electronic and printed documents from interviewees. As shown in Appendix C, at least 26 documents were collected. Broadly, these documents were confidential documents that related to internal guidelines, organisational strategic plans, and organisational annual performance reports. Further confidential documents related to employee reports were also received from some participants, such as individual performance plans and individual performance assessment reports.

4.1.3.3 Follow-up Data Collection

After document archives were reviewed and interviews were conducted, the resultant data were analysed to produce possible explanations related to the integration of organisational and individual level PMSs. During this time, the researcher also conducted follow-up online written interviews to help in interpreting the data. Three key participants from the previous online written and face-to-face interviewees were contacted again using internet messaging services. These participants were selected purposively because they were highly interested in the research topic while being interviewed and they demonstrated a detailed understanding of PMSs in the organisation. Furthermore, four additional participants were also recruited in the follow-up online written interviews because previous interviewees referred them and felt they could provide additional information to clarify the collected data.

In these interviews, the researcher also used exhibits and diagrams to clarify the analysed data (Back, 2008) and ensure the data reliability. For example, via internet messaging services the researcher projected exhibits related to the strategy maps and organisational structure of organisational units. These exhibits were drafted by the researcher based on Excel sheets provided in previous interviews. These exhibits were needed to clarify the researcher's understanding of the full organisational structure and strategy because only the top-level strategy maps and organisational structures were published on the internet.

In these interviews, the researcher also accessed additional documents on the internet and asked participants for further relevant documents via internet instant messaging, when needed. As shown in Appendix C, at least 15 documents were collected in the follow-up data collection stage. For example, the researcher asked two participants to send additional documents related to their subordinates' individual performance plans and reports. These documents helped the researcher to analyse the consistency between the performance plans and reports of managers and the performance plans and reports of subordinates.

After the initial findings were produced the researcher gathered feedback from scholars related to these initial findings in three academic conferences:

- The AUT Postgraduate Research Symposium, Auckland University of Technology, 18 August 2016
- The 19th Annual Waikato Management School Student Research Conference, University of Waikato, 17 October 2016
- The New Zealand Management Accounting Conference Doctoral Colloquium, University of Auckland, 23 November 2016

This feedback was constructive for the researcher because it provided outsider perspectives and promoted reflexivity, as advocated in critical realist studies (Archer, 2007). This external perspective could balance the internal perspective collected in the studied organisation (Jönsson & Lukka, 2007; Kakkuri-Knuuttila, Lukka, & Kuorikoski, 2008; Lukka & Modell, 2010).

4.1.4 Data Analysis Methods

In this study, the data analysis procedure followed the three steps outlined by Creswell (2013): data preparation, data classification, and data presentation. Data were also analysed iteratively (Creswell, 2013; Sandelowski, 2000; Stake, 2005). For example,

during interviews the researcher analysed the data and probed the data by asking again the paraphrased previous questions to assure data credibility. An outline of these data analysis methods is provided next.

4.1.4.1 Data Preparation

In this step, a Xerox scanning machine was used to transfer printed documents into electronic documents, and an NVivo 11 transcription feature was used to transcribe the voice interview records. First, all the collected data were compiled, which included electronic and printed documents, the text of online written interviews, and the transcriptions of recorded, face-to-face interviews. Next, the printed documents were scanned and transferred into an electronic pdf format via using the Xerox scanner machine. In this way, all the collected data were compiled in an electronic format.

Second, these files were stored on the researcher's computer. They were also backed up on the cloud server Microsoft OneDrive using the AUT licence, and on AUT's local server machine. These interview files were labelled based on the initial of the interviewees to protect the identity of participants, while document files were labelled based on the name of the document, year, and number, as is common practice for Indonesian government documents.

Third, the text of the online written interviews was directly translated, while the face-to-face interviews were transcribed and then translated. All of the transcription and translation activities were conducted by the researcher alone to protect the confidentiality of participants. This strategy also helped the researcher to gain a comprehensive understanding of the data (Braun & Clarke, 2006). Likewise, this strategy could maintain the accuracy of the transcription and translation because the researcher was a government official who understands well the 'language' of government officials in Indonesia. Ashraf and Uddin (2016, p. 9) note that this language can be an "unwritten code". Furthermore, the researcher had sufficient skills in both Indonesian and English because his mother tongue is Indonesian and he had attended several English proficiency training courses while in Indonesia and New Zealand.

The transcription process utilised NVivo's transcribe feature through uploading the interview records into NVivo, listening to the voices in the interviews, and typing the heard voices into text in the NVivo's file format. This feature was advantageous because it enabled the researcher to adjust precisely the position of voice records. This facility

helped the researcher to check again the texts that needed clarification, mainly when this thesis was reviewed by the supervisors.

When necessary, both oral and non-oral utterances by interviewees (such as laughs, exclamations and deliberate pauses) were transcribed (Brinkmann, 2013). In carrying out the translations, rather than first transcribing the Indonesian language voice records into Indonesian language transcripts and then translating them to English language transcripts, the researcher transcribed Indonesian language voices in the interviews directly into the English language transcripts. This strategy might help to maintain the consistency of the interview data (Oishi, 2003; Ricci, 2010).

Transcription and translation activities took rather more time than planned because some of the interviewees used not only Indonesian and English languages, but also the Javanese language, which dominates public sector organisations in Indonesia (Wihantoro et al., 2015). Therefore, before the interview data were analysed, the researcher clarified some terms that were used by some interviewees (Brinkmann, 2013). Furthermore, several interviewees used terms that are culturally appropriate in Indonesia. For example, instead using the term *atasan* (superior), several participants used the term *bapak* (father), and instead using the term *anak buah* (subordinate), they used the term *anak-anak* (children).

4.1.4.2 Data Classification

Thematic analysis was used to analyse the data (Braun & Clarke, 2006). This analysis method is suitable for the critical realist perspective adopted in this study and can be used in conjunction with various theoretical frameworks (Braun & Clarke, 2006). It has also been employed in previous MA studies (e.g. Adams, Muir, & Hoque, 2014; Choong, 2013; Hoque, 2014). In this step, data were analysed separately *within* the data sets (Braun & Clarke, 2006) obtained from the interviews and documents. Then, the researcher read and reread the data several times. Next, relevant texts were highlighted, and data were categorised into themes. In particular, the researcher identified the repeated patterns across the data sets that characterised something meaningful and relevant to the research questions (Braun & Clarke, 2006).

These themes were the results of codes produced from minimising the data and assigning new labels to data fragments (Creswell, 2013; Yin, 2010). These codes were developed based on concept-driven and data-driven thematic analysis (Braun & Clarke, 2006; Brinkmann, 2013). Specifically, concept-driven codes were identified based on the

dimensions of Ferreira & Otley's (2009) framework to answer the first research question, while the data-driven codes were used predominantly to answer the second and third research questions.

In identifying key themes, this study also adopted semantic and latent thematic analysis (Braun & Clarke, 2006). In this case, the researcher not only focussed exclusively on the explicit or semantic meanings of the texts, but also inferred things behind the surface meanings. Specifically, he interpreted the reasons or underlying ideas behind the semantic meanings. The common themes that were mentioned within each piece of data were also compared using breadth and depth techniques (Van de Ven, 2007). In these techniques, the similarities and differences in the themes were compared to help the researcher consolidate the data (Creswell, 2013; Sandelowski, 2000; Stake, 2005).

To improve the accuracy of the data analysis, the researcher also triangulated various themes that were produced from electronic- and paper-based techniques. Using the electronic-based technique, the themes were produced through first uploading the data sets to NVivo. Then, the researcher identified and analysed the possible codes and themes using the NVivo's searching facility and manually tagged the extracted texts. Using NVivo, the researcher also produced some thematic maps (Braun & Clarke, 2006) to examine the relationships between manually tagged codes and NVivo-based searched themes, as illustrated in Appendix I

Using the paper-based technique, the researcher printed the data sets, underlined the extract texts that were relevant to the research questions using coloured pens, and paraphrased these relevant texts into notes or memos (Creswell, 2013; Flick, 2006; Yin, 2010). These notes were written on the right side of the selected paragraphs. In these notes, the researcher wrote the ideas, fundamental concepts, or phrases that were inferred from the paragraphs (Creswell, 2013). When there was a unique idea that was in line with Ferreira & Otley's (2009) ideas, these notes were then coded. These codes were written at the end of each page, such as 'informal control' or 'formal control'. Then, similar codes were regrouped into potential themes, which were written at the end of the printed papers.

After this paper-based technique was completed, the correspondence between the themes in the electronic- and paper-based techniques was identified. Furthermore, these themes were rechecked with the researcher's handwritten notes from the field. This comparison helped the researcher to integrate data in a meaningful way, thoroughly analyse the data, and identify the key themes.

The researcher also used post-it notes in identifying codes and themes. These themes were pasted on the wall of his office. When analysing data using electronic- or paper-based techniques, the researcher continuously reflected based on these notes. These notes were also periodically updated based on the growth of the codes and themes. In addition, the researcher also developed codes and themes based on the literature and notes were written on the post-it notes. These notes were useful when the researcher was writing this thesis.

To minimise possible bias and to maintain data quality, data from multiple sources were triangulated, particularly *within* the interviews and documents and *between* the interviews and documents (Stake, 2010). For example, the researcher compared the organisational missions as stated on the official website with the other documents. This triangulation helped the researcher to examine the consistency among the documents. Another example occurred when a senior level official mentioned political influence from parliament members; the researcher triangulated this interview data with a parliament member and other participants. This strategy helped the researcher to highlight the differences or similarities in the interview data.

4.1.4.3 Data Presentation

The data were presented in tables and diagrams. These diagrams were sketched using visual maps from the data sets (Hieronymi, 2013). These visual maps helped the researcher to integrate his knowledge and establish the relationships between the concepts of the integration developed from the data (Van de Ven, 2007). These visual maps were also used to trace the integration of organisational and individual level PMSs in the thesis, as shown in Chapter 8. Specifically, they were useful to conceptualise Ferreira & Otley's (2009) notion of loosely coupled PMSs and to summarise a holistic understanding of the PMSs integration in relatively little space.

From this analysis, the key findings of this study are presented in Chapters 5, 6, and 7.

4.1.5 Summary of Methodology and Methods

This study is engaged scholarship research that employed a critical realist perspective and an explanatory case study approach. This ontological perspective claims there is a reality 'out there", but our understanding of this reality is subjectively constructed from the researcher's own standpoint.

This study was conducted using multiple research methods. Data were collected using electronic document archives, online written interviews, face-to-face interviews, printed document archives, and follow-up online written interviews. The collected data was then analysed in three phases using thematic analysis and visual maps.

4.2   Research Background and Context

Previously, the research methodology and methods have been explored. As discussed, this study examined the organisational and individual level PMSs in a single, large government organisation in Indonesia. The next section contextualises the public sector in Indonesia and provides the research context. This helps in understanding the background and context of this study.

The structure of this section is as follows. First, the Indonesian governmental system is explored. Next, the performance management reforms in Indonesia are discussed. Then, general PMSs practices in the Indonesian public sector are outlined. Finally, this section briefly describes the case study organisation.

4.2.1   The Indonesian Governmental System

Indonesia is a developing country (The International Statistical Institute, 2014). The people of Indonesia are a collectivist society (Efferin & Hopper, 2007) and they are more collectivist than people in other Asian countries such as India, Japan, Iran and Arab countries (Hofstede, 2007). Indonesian people also have a higher power distance culture than people in Japan, Pakistan, Taiwan, and Iran (Hofstede, 2007). Managers in Indonesia use less formal controls, more informal communication, and a stronger focus on group performance compared to managers in Malaysia and Thailand (Vance, McClaine, Boje, & Stage, 1992).

The governmental system of Indonesia adopts a presidential system. This means that the President of the Republic of Indonesia is the head of the state as well as the head of the executive. In leading the executive, the president is assisted by ministers who are directly appointed by the president. Some of them are members of the political parties, but some are independent of the political parties. However, in contrast to a parliamentary system, a minister in Indonesia is not a member of parliament. Therefore, they are not directly involved in parliamentary political debate. On the other hand, members of the parliament are nominated from the membership of political parties and are elected by the people directly.

Furthermore, in Indonesia the term 'government' is largely used to indicate the executive, while the term 'legislature' is used to indicate the parliament. Therefore, bills for national laws are produced by the government and the parliament together. However, the debates over these bills take place in the parliament and thus are conducted by parliament members. After being approved, bills are formally signed by the president as the head of the state and then become national laws. The president, as the head of the executive, thus executes these laws through releasing government regulations, presidential regulations, and executive directions. Each minister then assists the president to implement the laws through releasing ministerial regulations, policies, and guidelines. These ministerial regulations, policies, and guidelines are then imposed on all departments, directorate generals, and government agencies that are under the supervision of a minister; they may also be imposed on other government agencies that are not directly under the supervision of the minister.

Indonesia is also in transition towards a less powerful presidency with a more powerful parliament and a multiparty system (Hosen, 2012). Compared to when Indonesia was under the dictatorship of Suharto, parliament members now have more formal authority to influence government organisations and their employees. This influence could be achieved via the budgeting approval process because annually government organisations have to ask for formal budget approval from the parliament. When submitting their budgets, government organisations also have to indicate their performance targets. Periodically, they also must report their performance achievement to the parliament in parliamentary hearing meetings through their ministers.

To summarise, on one side, public sector organisations in Indonesia are supervised and controlled by a minister, but on the other hand, they can also be influenced by the parliament.

4.2.2 Performance Management Reforms

Indonesia is in the process of improving public service quality through New Public Management reforms (Farfán-Vallespín, 2012; McLeod & Harun, 2014). Therefore, this country has the potential to offer "a broad lens" for understanding performance management reforms or changes in developing countries (Brinkerhoff & Wetterberg, 2013, p. 440). These reforms are the impetus for changing public sector organisations and their employees, so they can perform better, be more responsive to public service recipients, and minimise inefficient practices (*the State Apparatus Empowerment and Bureaucratic Reform Ministerial Regulation, 11/2015*).

The nature of reforms in Indonesia is slightly different to reforms in other developing countries (Koike, 2013). Instead using the notion of 'public sector reforms', this country uses the notion of 'bureaucratic reforms' or administrative reforms (Ziegenhain, 2015). The idea was to change the government administrative system from a 'very bureaucratic system' to a 'less bureaucratic system' and to transform government entities and their employees from a 'rule-based bureaucracy' to a 'performance-based bureaucracy' (*the State Apparatus Empowerment and Bureaucratic Reform Ministerial Regulation, 11/2015*). The objectives were to minimise corruption and create good governance, to improve public services quality, and to improve performance accountability (*the Presidential Regulation, 5/2010*). Therefore, to reach these objectives, performance management systems were introduced in Indonesia's public sector organisations.

4.2.3 Performance Management Systems

Performance management systems are a tool to improve performance accountability in Indonesia through creating incentives to change the behaviour of elected and career government employees (Eckardt, 2008). Since 1999, based on *the Presidential Directive 7/1999*, all government organisations in Indonesia have been required to implement performance management systems. These systems are regulated, and the regulations are imposed by regulatory bodies (explained below). Essentially, these performance management systems are divided into an 'organisational level' PMS intended to direct and monitor the overall performance of a public sector organisation in meeting their stated goals and targets, and an individual level PMS intended to direct and monitor the behaviour and activities of individual employees in a public sector organisation.

4.2.3.1 Organisational Level PMS

Compared to the individual level PMS, the organisational level PMS received greater attention in the 'Reform Order Era' when the President of Indonesia, B.J. Habibie, took over power from President Suharto. More specifically, in 1999 Habibie released a directive that required all government organisations to prepare and submit organisational performance accountability reports (*the Presidential Directive 7/1999*). This directive was popularly known in government organisations as 'the government organisation performance accountability system' or SAKIP.

This organisational level PMS included a cyclical process of strategic planning, performance planning, performance measurement, and performance reporting. In

particular, government organisations were required to produce their five-year and annual strategies and plans, key performance measures, and performance reports. While these performance reports were annually evaluated by the State Apparatus Empowerment and Bureaucratic Reform Ministry (*the State Apparatus Empowerment and Bureaucratic Reform Ministerial Regulation 13/2010*), previous studies found that in some government organisations these reports were largely produced to fulfil regulations rather than to assist internal management and decision making (Akbar et al., 2012, 2015; Mimba et al., 2013).

Some regulatory bodies were involved in the design and imposition of the organisational level PMS, such as the Ministry of National Planning, the Ministry of Finance, and the Ministry of State Apparatus Empowerment and Bureaucratic Reform. This organisational level PMS was implemented by each government organisation in Indonesia to manage its organisational performance (McLeod & Harun, 2014). A 'wide' national-based PMS that centrally managed performance of all government organisations did not yet exist.

4.2.3.2 Individual Level PMSs

In the past, the individual level PMS used in the Indonesian public sector was known as the 'individual performance appraisal system'. This system was introduced in 1979 in the President Suharto era (*Government Regulation 10/1979*). In this system, employees were appraised annually focusing on the alignment of their behaviour with the national ideology that was specified in the National Constitution (Turner, Imbaruddin, & Sutiyono, 2009). Employees were assessed by two assessors, a superior and the superior's supervisor. The assessment results were used formally for promotion, demotion, or job rotation.

Subsequently, in 2011, to better manage government employees' performance, President Susilo Bambang Yudhoyono released a new individual performance appraisal system (*Presidential Regulation 46/2011*). Based on this regulation, since 2014 every government employee has been required to have an annual individual performance plan. However, this system is still controlled nationally as part of government personnel administration system (Turner et al., 2009), which is imposed by the National Personnel Agency.

4.2.3.3 The Integration of Organisational and Individual Level PMSs

The organisational and individual level PMSs for the Indonesian public sector were controlled by different agencies because they were imposed by different regimes.

The individual level PMS was imposed by the governmental personnel regime (*Law 8/1974*), while the organisational level PMS was imposed by the governmental financial regime (*Law 17/2003*). At the national level, the President did not have a reform programme to integrate these two PMSs. However, a few public sector organisations voluntarily attempted to integrate these two PMSs for their own organisations. Moreover, while not required to by the government, a few public sector organisations, including the case study organisation, also implemented their organisational PMSs based on the cascading approach of the balanced scorecard, which had been introduced to these organisations by Indonesian and international consultants, academics and donor agencies.

In summary, Indonesian public sector organisations essentially have two PMSs that operate simultaneously at different levels and are overseen by different government agencies. Some government organisations have attempted to integrate their organisational and individual level PMSs via cascading organisational performance measures to individual performance measures BSC-style. However, this approach is competing with the individual level PMS imposed by the National Personnel Agency. This situation, where two PMSs operate in a public sector organisation simultaneously, makes the Indonesian public sector a rich context for examining the challenges and benefits of integrating PMSs.

4.2.4 The Case Study Organisation

In this chapter, the case study organisation is discussed briefly. Further explanation about this organisation will be presented in Chapters 5, 6 and 7 because Ferreira & Otley's (2009) framework (outlined in Chapter 3) is also employed to understand the contextual factors present in the organisation.

4.2.4.1 Structure

Government organisations in Indonesia are classified into central government organisations and local government organisations. Local government organisations include provincial and district or city governments. Table 4.4 presents a 2017 breakdown of government organisations in Indonesia.

Table 4.4
Government Organisations in Indonesia

Organisations	Number	Percentage
Central government organisations	163	24%
Local government organisations	525	76%
Total	688	100%

Note. Adapted from the Ministry of State Apparatus Empowerment and Bureaucratic Reform Website, 2017.

The studied organisation was a central government organisation, the directorate general under a ministry in Indonesia (the pseudonym used for the relevant ministry here is the Alpha Ministry). Led by a powerful minister, this organisation was known as the champion of public sector reforms in Indonesia because it underwent a lot of reform innovations. Among them was a strategic initiative in 2011 to integrate its individual and organisational level PMSs. Therefore, this organisation provides an ideal context for examining the integration of organisational and individual level PMSs in the public sector of a developing country.

The studied organisation had a head office in Jakarta and around 400 regional and branch offices across 34 provinces of Indonesia. In the head office, this organisation had four hierarchical levels, while in regional and branch offices it had two or three hierarchical levels. These organisational hierarchies are classified into echelons 1, 2, 3, and 4. The design and modification of these organisational hierarchies were tightly controlled by the national laws, so the organisational structure was not at the discretion of the organisation's managers.

Details of the organisational structure and hierarchy will be discussed when presenting this study's findings in Chapter 5.

4.2.4.2 The Employees

Government employees in Indonesia can be categorised into central government and local government employees. Most of them are career-based civil servants; therefore, they usually do not have any political affiliation with political parties. However, at some senior levels they could be politically elected. For example, the Director General of Culture of the Ministry of Education was put into this role as a result of an independent selection process supervised by a selection committee and was appointed by the president through releasing a formal presidential decree. Table 4.5 provides 2015 figures for government employees in Indonesia.

Table 4.5
Government Employees in Indonesia

Government employees	Number	Percentage
Central government employees	909,426	20%
Local government employees	3,545,877	80%
Total	4,455,303	100%

Note. Adapted from the Indonesian Publication Statistics, 2015

The studied organisation had around 37,981 employees as of 31 December 2015 (*the Organisational Annual Performance Report, 2015*). This number represented 54% of all the government employees in the overarching Alpha Ministry. Compared to

government employees in Indonesia, this number was around 4% of central government employees and 1% of (central and local) government employees in Indonesia. Hence, the studied organisation was significant in terms of its employee numbers and, hence, how it used a PMS to manage those employees.

Generally, employees in the studied organisation were classified into managerial and non-managerial employees. Managerial positions were typically located within the hierarchy of senior, middle and low echelons. Typically, a senior level manager would be in echelon 1 or 2, a middle level manager in echelon 3, and a low-level manager in echelon 4. Non-managerial positions also had senior, middle, and junior levels. However, these employees did not lead any unit and largely worked as professional technicians.

Each employee received payment based on their salary rank. These salary ranks were set based on the hierarchy of employees and were managed centrally by the National Personnel Agency. Therefore, every promotion of an employee to a higher salary rank in the studied organisation needed formal approval from this agency. As a result, employees were, in essence, controlled by this agency as well as by their manager within the organisation. Hence, the studied organisation's employees were impacted by two PMSs – one at the organisational level imposed by the Alpha Ministry, and one at the individual level imposed by the National Personnel Agency.

4.2.5 Summary of Research Background and Context

This study is based on a case study of a large central government organisation in Indonesia. This organisation was supervised by the Alpha Ministry. In an effort to improve its performance and that of its employees, this organisation had separate organisational and individual level PMSs. This study traces its efforts to integrate these two PMSs and the outcomes achieved. But first, each of these separate PMSs was analysed holistically by drawing on Ferreira and Otley's (2009) performance measurement framework. The findings of this analysis are presented in the next three chapters.

Chapter 5

THE ORGANISATIONAL LEVEL PMS

5.1 Introduction

The findings of this thesis will be divided into three chapters. Chapter 5 will report results regarding the organisational level PMS. Chapter 6 will present findings for the individual level PMS. Chapter 7 will explore the integration of organisational and individual level PMSs. Chapter 7 will also include findings on context and culture factors. Chapters 5 and 6 address the first research question (how the participants perceive the operation and integration of organisational and individual level PMSs in the case study organisation). Chapter 7 answers the second and third research questions, which are about (1) the challenges and benefits in integrating organisational and individual level PMSs and (2) how the integration of organisational and individual level PMSs could be improved.

The reason to divide the findings into three chapters is the complexity of PMSs in the case study organisation. This organisation's organisational level PMS and individual level PMS were managed by two different 'taskforces' at separate hierarchical levels. There was also complexity due to the organisation attempting to integrate organisational and individual level PMSs.

Using the eight 'core' dimensions of Ferreira and Otley's (2009) framework, the aim of this chapter is to present a comprehensive overview of the organisational level PMS. This overview is important because Ferreira and Otley (2009) advise researchers to get an overview of the structure and operation of PMSs in an organisation and then use this knowledge as the basis for further exploration, in this case regarding how the integration of organisational level PMS with individual level PMS is approached.

5.2 Dimensions of the Organisational Level PMS

5.2.1 Vision and Mission

The dimension of vision and mission is part of Ferreira and Otley's (2009) framework. Ferreira and Otley (2009) suggested that the vision sets out the desired future

state and the direction of an organisation, while the mission outlines what is needed to maintain the support and loyalty of external and internal stakeholders, so the organisation can reach its vision. The mission also reflects the orientation of the organisation in responding to the expectations of multiple stakeholders (Chenhall, 2003; El-Namaki, 1992; Ferreira & Otley, 2009; Johnson, Scholes, & Whittington, 2007).

This dimension is also part of an organisation's belief control systems (Simons, 1995) and embodies organisational purposes and values (Collins & Porras, 1996; Ferreira & Otley, 2009). As such, this dimension communicates organisational purposes and values to influence organisational members' behaviour (Ferreira & Otley, 2009).

Ferreira and Otley (2009) argue this dimension is vital as a mechanism to bring organisational purposes and values to the attention of organisational members. However, they note the possibility that an organisation may not have a clear and consistent vision and mission. Moreover, where an organisation does have a clear vision and mission, these may not be articulated explicitly in organisational statements, but communicated in less formal ways. Furthermore, there could be inconsistencies in and tensions regarding how organisational values are prioritised and perceived in different parts of the organisation.

5.2.1.1 Process for Setting the Vision and Mission

The studied organisation initiated its formal vision and missions in 2000 (*the Director General Decree, 443/2000*). The vision and missions were revised in 2008, 2012, and 2015. The activities to revise the organisational vision and missions were part of the activities to design organisational strategic plans (*Renstra*). In revising the vision and missions, a 'strategic planning taskforce' was established. Led by the organisation transformation sub-directorate, this taskforce was composed of representatives from 14 head office units and 31 regional offices, known as 'the strategic planning liaison officers (LO)'. This taskforce worked collaboratively to draft the revised organisational vision and missions using conventional and electronic communication channels (*the official performance bulletin*, *10/2011*). After the revised vision and missions were written, they were presented and discussed in executive meetings. Subsequently, the revised vision and missions finally had formal approval from top level management. For example, the current vision and missions were formalised by the *Director General Decree 95/2015*, while the previous vision and missions were formalised by the *Director General Decree 334/2012*.

The organisational vision (*visi*) and missions (*misi*) were formulated from internal documents (previous performance reports and analyses) and also other external documents (regulations), such as the Indonesia national development vision (law 17/2007), the vision and missions of the president (*Presidential Regulation 2/2015*), the vision and missions of the Alpha Ministry (*Ministerial Decree 466/2015*), and the nine government prioritised development agendas (*Presidential Regulation 2/2015*). The Organisational Strategic Plan 2015-2019 outlined this approach:

> After considering performance achievement, existing problems, and challenges, [and] paying attention to the [Indonesia] national development vision 2005-2025, the government vision and missions 2014-2019, the Alpha Ministry's vision and missions 2015-2019, and also to support the Nine Prioritised [Government] Development Agendas (*Nawa Cita*), then the vision and missions [of the organisation] in 2015-2019 are … (*the Organisational Strategic Plan 2015-2019*).

In contrast, the organisational values (*nilai-nilai*) were adopted solely from the ministry. The Organisational Strategic Plan 2015-2019, for example, revealed the adoption of the ministry's values as the organisational values:

> The Alpha Minister has released the Alpha Ministry Decree Number [312/2011] date 12 September 2011 related to the Values of Alpha Ministry …. The accomplishment of the [organisational] objectives is implemented through various strategies that encompass strategic initiatives and programmes that reflect the values (*menjunjung*) of the Alpha Ministry … (*the Organisational Strategic Plan 2015-2019*).

It is interesting to note that adopting values set by the ministry was a relatively recent change for the organisation. Up until 2011, the organisation had its own organisational values. Since 2011, however, all organisations under the supervision of the Alpha Ministry were required to have unified values. An extract of *the Alpha Ministerial Decree 312/2011* clearly expressed the imposition of the ministry's values on all organisations under the Alpha Ministry:

> In creating Alpha Ministry as the best government institution, qualified, prestige, trusted, respected, and admired, [it is] necessary to unify the values that existed and dispersed in each [organisation under] the Alpha Ministry (*the Ministerial Decree 312/2011*).

5.2.1.2 The Vision and Mission

Formally, the studied organisation communicated its vision, four missions, and five organisational values in official documents and on its website. The official website stated the organisational vision was "to be the best organisation in collecting state revenue

to ensure state sovereignty and autonomy (*the official website, n.d.*)", while the organisation's four missions were:

> (1) Collecting revenue based on high voluntary compliance and equal law enforcement; (2) Modernised information technology that facilitates the easy fulfilment of levy[5] obligation; (3) Employees that have integrity, competence and professionalism; and (4) Competitive compensation based on performance management (*the official website, n.d.*).

The missions implicitly show how the organisation communicates with stakeholders. For example, the first and second missions communicate with external stakeholders, i.e. the president, minister, parliament members, citizens, and customers or levy payers. The third and fourth missions communicate with internal stakeholders, i.e. employees. Interestingly, however, there were slightly different vision and missions communicated in the official documents and on the website. The different vision and missions are compared in Table 5.1.

Table 5.1 shows the different vision and missions that were formalised in five official documents and on the website. These differences might exist because the source documents and website were prepared by different units in the organisation and also because of changes over time. For example, there were nuanced differences in the vision statements regarding whether the organisation sought to be the best organisation in 'collecting revenue' (as stated in the *Organisational Strategic Plan 2015-2019* and on the official website) or the best organisation in 'administration' (as specified in the *Organisational Annual Performance Report 2015* and the *Blueprint 2014-2025*). Furthermore, there were slight differences in reported missions that reflected whether the organisation was communicating with external or internal stakeholders. For example, in the *Organisational Strategic Plan 2015-2019* and on the official website, two of the stated missions were heavily oriented to employees, but in the other official documents (the *Annual Organisational Activity and Budget Plan 2015*, *Blueprint 2014 – 2025*, and *Annual Organisational Performance Report 2015*) the missions were mostly oriented to external stakeholders, with only one mission oriented to employees. These differences indicate that the organisation did not have a consistent vision and mission (Ferreira & Otley, 2009). Furthermore, instead of adopting a less formal approach (Ferreira & Otley, 2009), the organisation communicated its vision and missions in a formal manner.

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[5] The nature of this levy is not specified in this thesis to disguise the identity of the organisation

Table 5.1

The Comparison of Formal Vision and Missions in the Organisational Official Documents

Vison and Missions	Strategic Plan 2015-2019 and official website	Annual Activity and Budget Plan 2015	Blueprint 2014-2025	Annual Performance Report 2015	Notes
Vision	To be the best organisation in collecting state revenue to ensure assure state sovereignty and autonomy	Not shown	To be a trusted levy administration institution that treats all levy payers fairly and delivers excellent service through technology	To become the best state levy administrator to ensure state sovereignty and autonomy	Different vision between 'collecting revenue' and 'administration'
Missions	Collecting revenue based on a high voluntarily compliance and equal law enforcement	Improving the social welfare of Indonesian people through collecting revenue and enforcing equal law to all levy payers	Collecting revenues and enforcing the law equally to all levy payers	Collecting revenues and enforcing the law fairly	External stakeholder-oriented
	Modernised information technology that facilitates the easy fulfilment of levy obligation	Improving the social welfare of Indonesian people through giving the easiness for levy payers to comply	Making it easy for levy payers to comply	Make it easy for levy payers to comply	External stakeholder – oriented (levy payers)
		Improving the social welfare of Indonesian people through always being at the forefront of the relevant technology	Staying at the forefront of relevant technology	Stay at the forefront of relevant technology	External stakeholder – oriented (levy payers)
	Employees that have integrity, competence and professionalism	Improving the social welfare of Indonesian people through recruiting and developing the best-in-class talent	Attracting and developing best-in-class talent	Attracting and developing top talents	Internal stakeholder-oriented (employees)
	Competitive compensation based on performance management				Internal stakeholder-oriented (employees)

Note. The studied organisation did not have its own blueprint and annual budget. Its blueprint and annual budget were part of the ministry's blue print and the ministry's annual budget.

Regarding values, there were five organisational values: integrity (*integritas*), professionalism (*profesionalisme*), synergy (*sinergi*), service (*pelayanan*), and excellence (*kesempurnaan*). For example, the Organisational Strategic Plan 2015-2019 detailed the organisational values as:

> (1) Integrity (thinking, talking, behaving, and acting appropriately and righteously according to code of conduct and moral principles); (2) Professionalism (working thoroughly and accurately based on the best competencies with full responsibility and high commitment); (3) Synergy (building and ensuring productive internal cooperation and harmonious partnership with stakeholders, to produce useful and high quality work); (4) Service (providing services wholeheartedly, transparently, quickly, accurately, and safely to meet stakeholders' satisfaction) and (5) Excellence (performing continuous improvement in every aspect in order to become and give the best) (*the Organisational Strategic Plan 2015-2019*).

Other official documents repeated these values. For example, organisational values were also shown in the *Organisational Annual Performance Report 2015*, the official website, and performance management operational guidelines. There were also examples of how these values inspired the development of some 'competitive' services in the organisation. For example, the official website noted that the organisation produced 16 competitive services. One example was the one-day timeline for levy payer registration services, which was based on the organisational values (*the official website, 2012*). These values were also the foundation for modernising the organisation (*the official performance bulletin, 16/2013*). This appears to indicate the crucial influence of values on organisational members' behaviour in attempting to achieve organisational purposes. For example, a senior level official, who was responsible for reforming the organisation and changing the behaviour of organisational members, mentioned how important these values were to him:

> The maturity of an organisation is also reflected in how its values are being adopted as the life values of the people who live inside [the organisation ….] [These values are] what I always bring [to my subordinates] and [what I] trust. Why? This is Indonesia. Indonesian people, deep inside them, have spiritualism. Even our great-grandmothers, who had never known religions, believed … in the balance of the universe. As a value, the balance of the universe may not be destroyed. There is also the philosophy that the laws come from God's law. God's law [comes] from the universe law. The balance. Fairness is a balance. Unavoidably, I have to bring these values [to my subordinates]. Including being fair to levy payers … Why? Because God put me here, and also you there, for a reason (*senior level official #4*).

A member of the organisational level performance management taskforce also referred to these values when interviewed, saying "we have five values: Integrity, services, synergy, professional, and excellence (*low level official #6*)." Moreover, the behaviour and performance of each individual in the studied organisation was observed and assessed based on these values, which will be explained further in the next chapter.

5.2.2 Key Success Factors

The Ferreira and Otley (2009) framework also includes the dimension of key success factors (KSFs). They suggest this dimension is "a codification of the vision and mission in more concrete terms and in a more compressed timeframe" (Ferreira & Otley, 2009, p. 269). This codification includes competencies, capabilities, tasks, or attributes that are considered as critical necessities to the overall success of an organisation (Ferreira & Otley, 2009). These factors are perceived as critical by managers and thus are essential to be identified, monitored and reported periodically in the organisation (Ferreira & Otley, 2009; Rangone, 1997; Rockart, 1979).

5.2.2.1 Process for Setting Key Success Factors

Evidence revealed that KSFs in the organisation were designed by the strategic planning taskforce after gathering the perspectives of senior level officials. An official who was responsible for leading the taskforce expressed this process:

> In the beginning, we asked many senior level officials [in the organisation], mainly our directors [in the head office]. From this, […] we considered the [critical factors] (*mid-level official #8*)

The taskforce also identified the KSFs based on two key directives (*amanah*) from the Alpha Ministry as detailed in the Alpha Ministry Strategic Plan 2015-2019. These two key directions were the 'optimisation of state revenue' and 'levy administration reform'. The directions were known in the organisation as the organisational 'policy objectives (*arah kebijakan*)' (*the Organisational Strategic Plan 2015-2019*). The Organisational Strategic Plan 2015-2019 outlined these policy objectives:

> The objectives that are intended to be achieved by the [organisation] as […] directed (*diamanatkan*) in the Alpha Ministry Strategic Plan Year 2015-2019 are the 'optimisation of state revenue' and 'levy administrative reform' (*the Organisational Strategic Plan 2015-2019*).

Inspired by these policy objectives, the taskforce designed the KSFs. These KSFs were internally acknowledged as the 'destination statement' of the organisation (*the Organisational Strategic Plan 2015-2019*). This destination statement explained four

factors that were critical in assessing in more detail whether the organisation successfully achieved its vision and missions within a five-year timeframe.

These KSFs were later used by a taskforce as the basis for designing the organisational strategies and key performance measures. An official who was responsible for preparing organisational activity plans and performance reports noted that "the organisational KSFs were [used] when defining [strategies and key performance measures] … (*mid-level official #9*)."

5.2.2.2 The Key Success Factors

The organisational KSFs were (1) the levy ratio, (2) the amount of collected levy revenue, (3) the number of electronic levy returns filed, and (4) the number of registered levy payers (*the Organisational Strategic Plan 2015-2019*). Table 5.2 shows the four KSFs as highlighted in the Organisational Strategic Plan 2015-2019 and annual performance reports.

Table 5.2
The Organisational KSFs and Targets

KSFs	2015	2016	2017	2018	2019
Levy ratio	13.2%	14.2%	14.6%	15.2%	16%
Collected levy revenue	1,294 trillion	1,512 trillion	1,737 trillion	2,007 trillion	2,329 trillion
Electronic levy returns (e-filing)	2 million	7 million	14 million	18 million	24 million
Registered levy payers	32 million	36 million	40 million	42 million	44 million

Note. Adapted from the Organisational Strategic Plan 2015-2019 and Annual Performance Reports, 2015 and 2016

The KSFs were seen as very important for the organisation. Thus they were monitored every day using a centralised information system and reported every month from a branch office to a regional office and then to the head office. These KSFs were also reported in the Alpha Ministry's official records. For example, the target achievement of the levy ratio and the amount of collected levy revenue was reported in the Alpha Ministry's annual performance reports. Along with the number of electronic levy returns and the number of registered levy payers, the amount of collected levy revenue was also reported in the organisational annual performance reports.

Table 5.3 shows the amount of collected levy revenue reported in the Alpha Ministry annual performance reports and the organisational annual performance reports in 2015 and 2016. Since it was monitored and communicated by both the organisation and the Alpha Ministry, the amount of collected levy revenue was seen as the most critical

KSF among the four KSFs. This KSF was also formulated as the ultimate outcome of the organisation. The official responsible for designing the organisational strategic plans expressed this, saying:

> […] as an inherent risk we thought that whatever the [organisation] did, we would not be seen as successful if there were not a levy revenue indicator. Therefore, it is kind of our ultimate goal. At any cost, it has to be achieved (*mid-level official #8*).

Table 5.3
The Achievement of Organisational KSF's Targets

KSFs	2015	2016	Reported in the organisational annual performance reports	Reported in the Alpha Ministry's annual performance reports
Levy ratio	13.16%	10.25%	No	Yes
Collected levy revenue	1,061 trillion	1,106 trillion	Yes	Yes
Electronic levy returns (e-filing)	2.8 million	8.4 million	Yes	No
Registered levy payers	30.0 million	32.8 million	Yes	No

Note. Adapted from the Alpha Ministry's and the Organisational Annual Performance Reports, 2015 and 2016

The amount of collected levy revenue was also the central focus of key stakeholders, such as the president and parliament members. A senior level official in the core unit reiterated this central attention, saying:

> The president and parliament members … only asked one [thing]: the [amount of collected] revenue ... (*senior level official #1*).

This KSF was also periodically circulated and reported in the newspapers and on the internet monthly (*the official website, n.d.*). For example, when searched using Google on 1 May 2017 with the keywords of "*penerimaan pungutan 2015* (levy revenue 2015)", there were around 16,700 results. This number increased to around 22,700 results when the key words were "*penerimaan pungutan 2016* (levy revenue 2016)".

Furthermore, with an endorsement from the budget committee in the parliament office, the government also rewarded the organisation based on this KSF. This incentive will be discussed further in regard to the dimension of reward systems in this chapter.

The dimension of KSFs in the organisation implies that the amount of collected revenue was the most essential KSF for the overall success of the organisation. Consistent with Ferreira and Otley (2009), this revenue KSF was not stated formally as the most critical KSF in the official organisational documents, but the organisation brought this KSF successfully to the central attention of the organisational members. This KSF was

also perceived as the most important thing in achieving the organisational vision and mission (Ferreira & Otley, 2009). Furthermore, this KSF predominantly shaped the organisational KPMs, which will be explored later in this chapter.

5.2.3 Organisation Structure

Organisation structure is also a dimension of the Ferreira and Otley (2009) framework. Ferreira and Otley (2009, p. 269) suggest this dimension is "formed as [a] means of establishing formally the specification of individual roles and tasks to be carried out". This dimension may be in the forms of decentralised/centralised, differentiated/standardised, and formal/informal (Ferreira & Otley, 2009; Johnson et al., 2007).

Organisation structure may have three elements: the 'structures' of the organisation themselves, the processes of the structures, and the relationships between the structures (Ferreira & Otley, 2009; Johnson et al., 2007). Ferreira and Otley (2009) identify that the structures of an organisation can be functional, multidivisional, matrix, team-based, and project based. The processes in an organisational structure can include planning, supervision, and reporting. The relationships of the structures could involve internal and external relationships. The internal relationship is a connection of an organisational structure with other organisational structures in an organisation, while the external relationship is an interaction of an organisational structure with other structures outside of the organisation.

Since they rely on and influence each other, or are mutually interdependent, Ferreira and Otley (2009, p. 269) note there is a "relationship between organisation structure and strategy, but this appears to be bi-directional".

5.2.3.1 Process for Setting Organisation Structure

In contrast to the PMS design conditions anticipated by Ferreira and Otley (2009), the studied organisation was not able to determine its own structure. It could only propose possible structures to the Alpha Minister via the secretary general of the Alpha Ministry (*the Organisational Strategic Plan 2015-2019*). The Alpha minister then selected the structure he or she deemed appropriate. Revisions to organisational structures were conducted periodically together with the proposed structures from other organisations that were under the supervision of the Alpha minister (*the Organisational Annual Performance Report 2015*).

Before the structure was finalised, it also needed formal approval from an external minister, namely the Minister of State Apparatus Empowerment and Bureaucracy Reform. The process to change organisational structures, in general, was strictly guided by regulation:

> The change of the structures of the organisations is decided by each minister after having written approval from the minister who is responsible for state apparatus empowerment (*the Presidential Regulation 7/2015*).

The design of the organisational structure thus was not fully under the control of the organisation because external government entities played a large part in determining it. This constraint was seen as a factor that inhibited the organisation, as declared in the Organisational Strategic Plan 2015-2019:

> Internally, the regulations related to government employees and organisations … have constrained the flexibility of [the organisation] to cope with the environmental changes and external challenges …. [The organisation thus] has not dynamically designed its organisational structure because [it] has to get approval from several organisations outside the [organisation] … (*the Organisational Strategic Plan 2015-2019*).

A mid-level official also raised this issue, saying:

> In general, it is hard [to change organisational structure] …. That is one of the complexities…. We need to adjust our organisational structure to the strategies … (*mid-level official #9*).

The approval of a new structure took a long time. There was, for example, a new structure proposal in February 2015 to add a call centre managerial position, but it was not yet approved on 31 December 2016. This delay was reported in the organisational annual performance report:

> A [new structure] proposal has been submitted to the Alpha Ministry with a letter S6/2015 date 26 February 2015 related to the progress of organisational structure improvement of the call centre, [but] it has not been fulfilled [by the Alpha minister] (*the Organisational Annual Performance Report 2016*).

Because of this inability to change the organisational structure in a timely fashion, the organisation proposed the changes to the national levy laws so the organisation in the future had more autonomy and could be directly under the president rather than dependent on the Alpha Ministry. This proposal was detailed in the organisational strategic plan under the section titled 'regulatory framework':

> With the existence of strategic challenges …, thus the levy administration effectiveness … needs the conditions … to strengthen the levy authority with autonomy in human resources, budgets, and organisational structure…. In achieving the organisational strategic objectives and goals, [it is] recommended five proposals of [national] legislative bills…. The urgencies of the [legislative bills] were … to advance the power and the organisational structure of the levy authority … (*the Organisational Strategic Plan 2015-2019*).

Due to the lack of flexibility to redesign the organisational structure, the organisation added other layers to its structure through creating various taskforces. These taskforces could be set up by the organisation without approval from the Alpha Ministry. For example, there was a taskforce for 'the preparation of annual organisational performance reports'. The organisation also released some internal guidelines on how to set up taskforces in the organisation. For example, there was a guideline on how to set up taskforces for providing services of levy amnesty (*the director general circulation, 30/2016*).

5.2.3.2 The Organisation Structure

The structure imposed by the Alpha minister established three levels in the organisational structure: (1) head office (*kantor pusat*), (2) regional offices (*kantor wilayah*), and (3) branch offices (*kantor pelayanan*) (Appendix J). As shown in Appendix J, the head office comprised 14 core units (the directorates) and one supporting unit (the secretariat). The head office also had an expert staff unit and a data processing centre. In each regional office and branch office, there were a different number of divisions and sections, decided based on the potential revenues, the size of the offices, and other factors (*the official website and Ministerial Regulations, 206/2014 and 234/2015*).

The head office and each regional office of the studied organisation had senior-, mid-, and low-level officials, while each branch office had mid- and low-level officials. The head office was led by a director general and other senior level officials (*direktur* and *sekretaris*), a regional office was led by a senior level official (*kakanwil*) and mid-level officials, and a branch office was led by a mid-level official (*kakap*) and low-level officials.

The director general was appointed directly by the president. Senior level officials were chosen by the Alpha minister. Mid-and low-level officials were decided by the director general after reviewing some potential candidates put forward by an 'organisational competency assessment committee'.

Besides these ministry-imposed structures, the director general also created some taskforces. In the organisation, for example, there were 60 taskforces in 2012 and 36 taskforces in 2013 (*the Assessment Report of Taskforces' Effectiveness 2013*). The purposes of these taskforces were, for example, to prepare organisational strategic plans, to monitor and supervise individual performance, to prepare annual organisational reports, to assess office-benchmarking tournaments, and to decide rewards for non-managerial employees (*the Assessment Report of Taskforces' Effectiveness 2013*). Each taskforce was composed of 11 to 238 members. The biggest taskforce membership was a taskforce to migrate electronic data (238 members), while the smallest one, was a taskforce to manage organisational fixed assets (11 members). The individual taskforces spent between 13 million rupiahs to 1,284 million rupiahs (around $NZ 1,300 to $NZ 128,400) each year.

The Alpha Ministry also created its own taskforces to reform the organisation. For example, there was a taskforce on levy reform (*The Alpha Ministerial Decree 885/2016*). This taskforce had a structure of (1) steering team, (2) advisory team, (3) observation team, and (4) implementation team. The implementation team had three working groups: (a) organisation and human resources, (b) information technology and business process, and (c) regulations. Members of this taskforce were from the internal and external organisation.

Because these taskforces also had their own structures, some employees could have two or more positions or roles, one for fulfilling a role in the ministry assigned structure and one for occupying a part in the organisation created structure. These duplicating roles made performance management relationships complex in the organisation. For example, senior level official #1 was also a member of the information technology and business process working group, while mid-level official #9 was also a member of the organisation and human resources group. Two staff members (low-level official #8 and low-level official #9*),* one of whom worked in the core unit and the other worked in the supporting unit, also mentioned the duplication of their positions:

> […] my position [in the ministry-imposed structure] is the head of data and information, [but I also] handle the role of organisational performance management ..., as an organisational performance manager. This role is to prepare the performance [plans] of the office as an organisation (*low level official #8*).

> There is no specific position for managing [performance in this unit]. Then, [in this unit], there is a person in charge [of managing

performance]. For example, I am responsible as a person in charge [in this unit] (*low level official #9*).

These statements were also supported by another official in the core unit when commenting on the operation of performance management systems in his unit:

> There is one [performance manager] in this [unit], [but] his formal position is the head of internal compliance (*mid-level official #6*).

Because there were ministry-imposed structures and organisation-created structures, the real activities of employees could be different from the job descriptions specified in the ministry-imposed structures. This was elaborated on by an official when saying that the formal title of his position might not represent what he was doing every day. His daily activities, for example, were mostly to do a taskforce's jobs rather than his formal position as specified in the ministry-imposed structure:

> Ideally, the job descriptions follow the strategy. However, to change [the ministry-imposed structures], it should be through [the Ministry of State Service Apparatus Empowerment and Bureaucratic Reform]. Sometimes, because I needed to do strategic jobs, I did not do my jobs in the job descriptions [of the ministry-imposed structure]. So, my formal managerial position [based on the ministry-imposed structure] is only a name. However, daily I am doing [jobs in a taskforce] (*low level official #11*)

It has been suggested that organisation structures are designed to formally specify the roles and tasks of individuals (Chenhall, 2003; Ferreira & Otley, 2009). However, the complexity of structures in the studied organisation implies that the roles and tasks of individuals were not fully specified in the formal ministry-imposed structures, but they might be specified in the organisation-created structures. Furthermore, one might conclude that given the complexity of the studied organisation's structures, there would be multiple performance reporting relationships in the organisation. Therefore, individual performance plans in the organisation might not only be designed for the jobs that were specified in the imposed-ministry structures, but also for the jobs in the organisation-created structures. For any individual, there could be a conflict between the multiple positions they were assigned. All these difficulties would have challenging consequences for the individual level PMS, as explored further in the next chapter.

5.2.4 Strategies and Plans

The Ferreira and Otley (2009) framework includes the dimension of strategies and plans. Ferreira and Otley (2009, p. 270) suggest this dimension is the actions that are selected by an organisation "to develop [its] strengths that match [with] its KSFs…." The

aim of this development is to achieve organisational objectives over the long term. This dimension thus is concerned with the means used to reach organisational goals or means-to-ends relationships.

Ferreira and Otley (2009) also suggest this dimension has a connection with how strategies are devised and communicated in an organisation. The formulation of strategies may involve a bottom-up approach rather than fully a top-down approach (Ferreira & Otley, 2009). Furthermore, the involvement of lower echelons in a bottom-up approach when formulating strategies may result in better understanding of the intended strategies, the acceptance of the strategy, and better organisational alignment (Ferreira & Otley, 2009).

Furthermore, communicating the intended strategies to organisational members is essential (Ferreira & Otley, 2009). Failure to communicate the strategies and plans may create a situation where organisation members have a lack of direction and a lack of understanding of how they can contribute to the overall organisational strategy.

5.2.4.1 Process for Setting Strategies and Plans

The organisation had five-year strategies, annual strategies, and ad-hoc strategies. The five-year strategies were also called medium-term strategies. The five-year strategies and annual strategies in the organisation were known as 'strategic objectives'.

The creation of five-year strategies was required by the Alpha Ministry. The organisation was imposed to have its own strategic objectives within one month after the release of the Alpha Ministry Strategic Plan 2015-2019 (*The Alpha Ministerial Decree 466/2015*).

The five-year strategies were also produced by the strategic planning taskforce that designed the organisational vision and mission. This taskforce created the strategies after collecting inputs from senior level officials. A mid-level official described the process:

> In the beginning, we interviewed many senior level officials, mainly our directors [in the head office]. From the interviews, we prepared a document that would be executed five-yearly. Inside this paper, we described some perspectives. We referred to the balanced scorecard. The ultimate goals of the organisation were to achieve the optimal levy revenue. Besides that, the compliance of levy payers. Because without sufficient compliance, it is impossible to get the revenue (*mid-level official #8*).

The taskforce also referred to the organisational vision and missions when designing the strategies, as required by an Alpha minister decree that stated "a strategy is used and selected to reach the organisational vision and mission based on the identification of [organisational] condition and issues (*The Alpha Ministerial Decree 759/2010*)". Besides the organisational vision and missions, this taskforce also cited the organisational policy objectives (*arah kebijakan*) decided by the director general (*mid-level official #8*).

These policy objectives were the emphases of the organisation in five years, which were: levy payer education in 2015; law enforcement in 2015; internal reconciliation in 2017; synergy with other government organisations, associations, and other parties in 2018; and the sustainability of the state budget in 2019. This organisation was challenged to provide sufficient funds to the state budget so that the government could minimise loans as the source of the state budget.

The taskforce also reviewed the organisational structure and job descriptions of the organisation to make clear its main jobs and responsibilities. Finally, they brought the drafted strategies to senior level official meetings, so the top-management could give approval to the designed strategies. Interestingly, in these meetings, senior level officials were also asked to give a commitment to the strategy. This was reported in the organisational annual performance report:

> On 25-26 May 2015, the executive meeting [was conducted] with one of the agenda was the signing of the commitment of the implementation to the [Organisational] Strategic Plan 2015 – 2019 by the director general and the entire [senior level] officials (*the Organisational Annual Performance Report 2015*).

As guided by the Alpha Ministry, the organisation could choose one of two approaches when formulating the strategies: (1) strength-weakness-opportunity-threat (SWOT) analysis or (2) a balanced scorecard approach (*The Alpha Ministerial Decree 759/2010*). While the organisation's planning documents showed no evidence of any attempt to use SWOT analysis to inform strategy formulation, the organisation did adopt a balanced scorecard approach. This adoption was declared when the organisation explained why no strategic initiative was provided in the stakeholder perspective of the Organisational Strategic Plan 2015-2019:

> Based on the balanced scorecard theory (*sic*), the strategic objectives within the Stakeholder Perspective are the outcomes of one or more strategic initiatives that are conducted in the Internal Process

> Perspective and the Learning and Growth Perspective, [and] thus there is no strategic initiative [within the Stakeholder Perspective] (*the Organisational Strategic Plan 2015-2019*)

A senior level official also commented on the adoption of the balanced scorecard in the organisation, saying:

> From 2009 to 2011, we massively introduced the strategy focused organisation …. We added a concept that aligned the organisation with the strategies that had the power to drive…, to improve…, [our] performance in the future. This was based on the book by Kaplan and Norton (*senior level official #3*).

These findings suggest that in addition to becoming diffused within large private sector organisations of developed countries (e.g. Kraus & Lind, 2010; Speckbacher et al., 2003), the balanced scorecard was also being used in this large public sector organisation in a developing country. Furthermore, these findings may help to give insights on how public sector organisations in developing countries go about adopting a balanced scorecard approach (Hoque, 2014).

After being approved in senior level official meetings, the five-year strategies were communicated to relevant stakeholders. These strategies were also circulated in a digital book so that organisational members could access the intended strategies.

This suggests that although the organisation used the balanced scorecard approach, the five-year strategies were designed collectively involving various hierarchies instead of being formulated by senior level officials alone (Ferreira & Otley, 2009). These findings show that the taskforce played a substantial role in designing these strategies. Although strategies were finally decided by senior level officials, the voices of other organisational members were also considered via the taskforce.

In contrast to the five-year strategies, the annual strategies in the organisation were designed and implemented at different organisational levels. These strategies were later used to design key performance measures at different organisational levels. The key performance measures at these lower organisational levels were used to design individual key performance measures, as discussed further in the next chapter.

The annual top level strategies were designed by a different taskforce in the organisation, namely the 'organisational performance management taskforce', led by the organisation and procedure sub-directorate. The leader of the working group was called the 'organisational performance manager'.

Every year this taskforce had national meetings to design the annual top level strategies using strategy maps (Kaplan & Norton, 2004a). In the organisation, these meetings were called 'conventions'. These meetings played a substantial role in defining annual strategies. A mid-level official voiced the essential functions of these meeting, saying:

> We did [conventions] through meetings together. The dialogue process was in the meetings…. Thus, it is possible [to design annual top-level strategies] because of the conventions (*mid-level official #9*).

There were also meetings with the senior level officials to discuss the annual top-level strategies. In these meetings, the drafted strategies produced by the taskforce were presented and reviewed with senior level officials. Mid-level official #9 again noted:

> [Strategy formulation] is still hierarchical. It means that at the national level [the strategy] was changed [by the taskforce], [then] the senior level officials approved, and then [the strategy] was moved down to regional level and then to branch level …. The strategies were [discussed in] the meetings of senior level officials. [It is] at the [senior level official meetings] for the strategic planning [decision] (*mid-level official #9*).

These strategies were also brought to the executive meetings attended by the Alpha minister or Alpha vice-minister to get more support. For example, there were at least two sessions in 2015 to discuss the strategies that were attended by the Alpha minister or Alpha vice-minister. This was reported in the organisational annual performance report:

> On 5 January 2015, the executive meeting was held in the head office, Jakarta with the agenda of levy revenue 2015's strategy. The Alpha minister was present to give direction to the organisational board …. On 14-16 January 2015, the vice minister of Alpha, as the acting director general, led the organisational board retreat 2015 with the agenda of levy revenue collection's strategy. The event was held at the Yogyakarta Regional Office (*the Organisational Annual Performance Report 2015*).

The presence of the Alpha minister or Alpha vice-minister in these meetings indicates the influence of the Alpha Ministry in designing annual organisational strategies.

Finally, after several meetings, the top level annual strategies were approved by the director general, distributed to lower organisational levels, and used by these lower organisational levels for designing their own annual strategies. The annual strategies of lower organisational levels, however, were expected to be cascaded from the annual

strategies of upper organisational levels and top level annual strategies. Therefore, while there were multilevel strategies, the organisation could maintain the alignment of lower-level annual strategies with the upper-level annual strategies and the top-level annual strategies.

The alignment of annual strategies at these lower organisational levels with the upper organisational levels and the top level was also arranged by the organisational performance taskforce because the members of this taskforce came from different organisational levels (*the Director General Circular, 223/2012*). This alignment was realised through periodic meetings. These meetings enabled a dialogue between members of the performance management taskforce at the lower organisational level with members of the performance management taskforce at the upper organisational level.

Furthermore, besides the five-year strategies and the annual strategies, the organisation also had ad-hoc strategies. These strategies were released by the director general after reviewing the drafts from one of the core units. These strategies were designed for a particular purpose when necessary, such as a strategy for a levy audit. These strategies were mostly issued as a technical guideline for executing the five-year strategies and annual strategies.

5.2.4.2 The Strategies and Plans

For the five-year strategies of 2015-2019, the organisation formulated 11 strategic objectives (*sasaran strategis*). These objectives were also broken down into 18 strategic initiatives (*inisiatif strategis*). Objectives and initiatives were designed so that the outcomes of the organisational actions could be more measurable. Appendix K displays the five-year strategic objectives and initiatives in the organisation.

The five-year strategies, however, might not fully reflect the 'critical few processes' of the organisation (Kaplan & Norton, 2004a). This issue was raised by a mid-level official:

> Sometimes …, we wanted that every function should exist [in the strategic objectives]. All functions wanted to be thought of as important... Actually, we have a strategic plan. In the strategic plan, it has been defined what to do for this year, for example…. Thus, it is a possibility that in a particular year we consider a function is not necessary…. [However, all the functions] were important … (*mid-level official #9*).

This indicates that instead to achieve the ultimate outcome of levy revenue, the five-year strategies were mostly designed as a list of roles of each unit in the head office. Therefore, there is a possibility that some of these strategies might not directly contribute to the achievement of the ultimate organisational outcome.

The indication that design strategies were mostly a list of the roles of units in the head offices was also shown in the formulated strategic objectives and initiatives. Appendix K demonstrates that the organisation detailed those units that were responsible for each of the strategic objectives and initiatives with the legend of the star (*). These strategic objectives and initiatives, however, also gave roles to all units in the head office that mostly represented the job activities of the units. This was clearly exposed when all of the units were linked to one or more strategic objectives and initiatives. These links could give a pseudo-impression that all the units were important in achieving the ultimate organisational outcome. This also implies that the organisation tended to keep all of its units in the head office and felt their roles were important in the strategic objectives and initiatives rather than attempting to decide a few critical actions that could greatly achieve the ultimate outcome.

Table 5.4
The Annual Organisational Strategic Objectives

Perspectives	Annual strategic objectives 2015	Annual strategic objectives 2016
Stakeholders Customers	1. Optimum levy revenue 2. Public services delivery 3. High level of levy payers' compliance	1. Optimum levy revenue 2. Public services delivery 3. High level of levy payers' compliance
Internal business process	4. Excellent service 5. Improvement of dissemination effectiveness 6. Improvement on public relation effectiveness 7. Improvement on extensification 8. Improvement on levy payers' supervision 9. Improvement on audit effectiveness 10. Improvement on law enforcement effectiveness 11. Improvement on data reliability 12. Competitive human resources	4. Excellent service 5. Improvement of levy dissemination effectiveness 6. Improvement on public relation effectiveness 7. Improvement on levy extensification 8. Improvement on levy payers' supervision 9. Improvement on levy audit effectiveness 10. Improvement on investigation and collection effectiveness 11. Improvement on quality control 12. Improvement on data reliability 13. Competitive human resources
Learning and growth	13. Reliable organisation and transformation 14. Integrated management information system 15. Optimum budget management	14. Reliable organisation 15. Reliable information system management 16. Optimum budget management

Note. Adapted from the Organisational Strategic Plan 2015-2016 and the official website. Compared to the five-year strategic objectives, the organisation added four new strategic objectives in 2015 and five new strategic objectives in 2016.

In contrast to the five-year strategies, in the annual strategies, there were 15 to 16 strategic objectives at the top level of the organisation. Table 5.4 shows the annual top-level strategies in 2015 and 2016. There were 15 strategic objectives in 2015 and 16 strategic objectives in 2016. At lower organisational levels, there were 9 to 11 strategic objectives. For example, in a directorate of the head office, there were 9 strategic objectives.

In the annual organisational strategies, while the organisation did not change the strategic initiatives, it changed some strategic objectives of the five-year strategies. For example, in the 2015 annual strategies, the organisation added four strategic objectives, while in the 2016 annual strategies it added five strategic objectives. For example, the new strategic objectives in 2015 were 'improvement on public relation effectiveness', 'competitive human resources', 'integrated management information system', and 'optimum budget management'. It was reported that the changes were because of improvement processes of the strategies in the organisation (*the Annual Organisational Performance Plan 2016*).

Besides the five-year and annual strategies, the organisation also had some ad-hoc strategies. The organisation had ad-hoc levy audit strategies (in 2015 and 2017) and levy compliance strategies (in 2015 and 2016). For example, the director general circulated the five ad-hoc strategies related to the levy audit in 2015 were (1) a cooperation with other parties, (2) a joint audit with another organisation, (3) an audit cooperation with other government organisations, (4) an audit cooperation with a mining agency, and (5) pushing access to bank account (*the Director General Circular 9/2015*).

The continuous modification of the five-year strategies in the annual organisational strategies signals that the organisation operated a flexible PMS that could adapt to its environmental uncertainty. This organisation annually reflected on its five-year strategies and dynamically changed the intended strategies so that it could achieve the ultimate outcome (Simons, 1995). The ability to adapt to its environmental uncertainty was also shaped by the ad-hoc strategies.

5.2.5 Key Performance Measures

Ferreira and Otley's (2009) framework includes the dimension of key performance measures (KPMs) or key performance indicators (KPIs). This dimension involves keeping track of and reporting "financial or non-financial measures (metrics) used at different levels in organisations" (Ferreira & Otley, 2009, p. 271). Such measures

are used to evaluate whether the organisation has fulfilled the expectations of its different stakeholders. These measures are also used to assess the accomplishment of organisational objectives, KSFs, and strategies at various levels in an organisation. Ferreira and Otley (2009) therefore say the key issue of this dimension is whether organisational KPMs are derived from organisational objectives, KSFs, and strategies. They also suggest exploring KPMs that are actually used, the number of KPMs, and the alignment of KPMs. Furthermore, areas that KPMs are unavailable or limited ought to be examined.

5.2.5.1 Process for Setting Key Performance Measures

The organisation had five-year KPMs and annual KPMs. The five-year KPMs were created to follow a 2014 recommendation from the inspectorate general of the Alpha Ministry that the organisation has its five-year KPMs in its strategic plans (*the Organisational Strategic Plan 2015-2019*). Therefore, since 2015, the organisation has had five-year KPMs.

The five-year KPMs were formulated by the strategic planning taskforce at the same time as designing the strategic objectives. As explained previously, the members of the working group came from various organisational levels. They worked as a team to formulate the five-year KPMs. To design these KPMs, the taskforce also worked intensively with mid-level officials in each directorate of the head office who were able to translate the ideas of senior level officials into KPMs. This process was explained by the mid-level official who led the taskforce:

> Technically, we had focus group discussions with the mid-level officials within each directorate. We [also] interviewed each of the directors. However, when we were finalising, we went to the mid-level officials. The discussions were mostly with the mid-level officials… Because there were so many ideas from the directorates…, from the directors…., so the translation [into KPMs] was through having discussion with their mid level officials (*mid-level official #8*).

After the taskforce had discussed the KPMs with the mid-level staff members of the head office, the taskforce set up discussion forums. The participants in the forums were invited from each regional office and branch office. These participants were mostly low-level to mid-level officials. This was again explained by mid-level official #8:

> When we had finalised [the designed strategies] with the directorates, we set-up forums that invited the head of technical support of each regional office. We also invited some heads of the branch that we thought had the competency to present the organisational assessment.

We invited the heads of technical support together with their subordinates who were responsible for target setting. We also invited the heads of revenue collection and the audit people. [We invited all the people who also] designed KPMs for [their] regional offices and branch offices (*mid-level official #8*).

In the discussion forums, officials at the lower organisational levels could challenge the proposed KPMs. However, mostly, they argued for having easier KPMs. Mid-level official #8 made this point:

The indicators were mostly discussed in the head office…. However, when the representatives from regional offices and branch offices came together, there were tough discussions. They actually wanted the easy and comfortable measurement. A measurement that was rational for their mind (*mid-level official #8*).

This indicates that the taskforce tried to propose KPMs that would provide better measures about the organisational success. However, they conflicted with the interests of regional offices and branch offices.

This could give a consequence that not all of the designed KPMs might contribute substantially in achieving the organisational ultimate outcome. This consequence was also raised by mid-level official #8, saying:

My perspective is, what we did in organisation could be better when we could find perfect KPMs. But, it did not happen. For example, we assessed that we had achieved the [organisational] KPMs. However, in reality, we had not achieved the goals of the organisation … [because] were not brave enough to decide 'bloody' KPMs. For example, to achieve the revenue target, it was not only related to [measure] a 'levy payer formal compliance' …, but it should also to [measure] a 'levy payer material compliance' … (*mid-level official #8*).

After debating with the regional and branch' officials, the final decision was made at formal, senior level meetings, where the drafted KPMs were presented for approval. Mid-level official #8 explained:

Finally, like or not like, we had to [decide]. The head office should have a decision... Although the discussion sometimes was very intense, yelling, it had to be decided…. Then … we brought the strategic plan and the measurement to a full meeting. [When under the leadership of previous director general] I could bring all the directors to the director general's meeting room. We set a specific session to discuss all [KPMs] in several days (*mid-level official #8*).

In contrast to the five-year KPMs, the annual KPMs were designed every year by the organisational performance management taskforce. As explained previously, the

members of the taskforce were recruited from various organisational levels. The structures of the taskforce were as follows:

- At the top level: the organisational performance management taskforce (*manajer kinerja organisasi*), internally known as MKOs

- At lower levels: the sub organisational performance management taskforce (*mitra manajer kinerja organisasi*), internally known as MMKOs

- While the organisational performance management taskforce at the top level was led by the 'organisational performance manager', each taskforce at lower organisational levels was led by a 'sub organisational performance manager'. In general, these taskforces were recognised as a united and single taskforce in the organisation, and members of this taskforce were called 'organisational performance managers'.

There was still a link between the strategic planning taskforce and the organisational performance management taskforce. The organisational performance management taskforce followed up the work of the strategic planning taskforce. This linkage was explained by mid-level official #8:

> My unit role was [to lead the strategic planning taskforce) only to prepare the strategic plan and the [five-year] KPMs. Then we had a discussion together with [the unit that led the organisational performance management taskforce]. Then, after that, [the process] was continued by [the unit that led the organisational performance management taskforce] (*mid-level official #8*).

The organisational performance management taskforce formulated the annual KPMs based on the five-year KPMs, the previous annual KPMs, and the annual ministry KPMs. In designing these KPMs, members of the taskforce had dialogical formal meetings. These meetings were between members of the taskforce at the upper and lower organisational levels. For example, a member of the taskforce at the head office explained the meetings:

> We … have meetings. There were inputs at the meetings. For example, [my] directorate is concerned with 'levy material compliance'. In the meetings, thus we invited people from the field... We invited people from regional offices... We invited people from branch offices... Also, our individuals in the head office who supervise. We thus sit together to decide. The KPMs were discussed in each group discussion. At these groups, the KPMs were formulated. Moreover, they would be presentation at the full meetings… [The results of the meetings], for example, in the past there was only one indicator, now there are two

indicators [related to the concern of my directorate]. After the meetings, then it became a [director general] decree (*low-level official #11*).

These statements suggest that the organisation mixed top-down and bottom-up approaches in designing its KPMs. Although people in the head office had authority to decide the organisational KPMs, they talked with the people at lower organisational levels first. This also indicates that a dialogical approach was also used to ensure that different organisational levels took ownership of organisational KPMs.

A member of the taskforce also mentioned the frequent meetings of the taskforce:

> … the MKOs met with the MMKOs regularly. They met before the executive board meetings, during the executive board meetings, and after the executive board meetings. Thus, you can imagine how many times they met in a year (*low-level official #10*).

A mid-level official in the core unit of the head office also echoed the approach when designing the annual KPMs, saying:

> It was prepared by a team. Then, it would be discussed by the directors and then brought to the [organisational performance manager taskforce] …. We have our indicators' proposal. For example, the downtime indicator was from us. We would see the capacity of our infrastructure. Then we decided one percent [for the downtime]. We could negotiate the name of the indicators with the [organisational performance manager taskforce]. The initiative of the indicator's name was from us. However, usually, there were corrections from the [organisational performance manager taskforce]. For example, we would be asked to add the indicator…. It means that all [decided KPMs were] still put through a discussion process (*mid-level official #3*)

The meetings to design the annual KPMs were popularly called a 'refinement' process. The organisational annual performance report stated the benefit of this process: "The refinement of KPMs was conducted so performance measurement [in the organisation] could be better from year to year (*the Organisational Annual Performance Report 2016*)."

Besides designing the annual KPMs, the taskforce also played substantial roles in maintaining the quality of organisational KPMs. This was explained by a low-level official, saying:

> We also have a review. Every organisational performance manager at the head office or organisational units should do a review. This review will ensure the quality of KPMs and targets. Always, in our recommendation, we said 'The quality of KPMs should be increased, the targets should be challenging.' (*low-level official #7*).

The organisation followed an Alpha minister decree when reviewing the quality of KPMs (*The Alpha Ministerial Decree 467/2014*). High-quality KPMs were mostly those KPMs that were outcome-based, and those KPMs that could not be directly controlled by the organisation.

Although the organisation had an 'individual performance management taskforce' or MKP, the organisational performance management taskforce also played a substantial role to align individual KPMs with organisational KPMs. This will be explained further in the next chapter.

5.2.5.2 Key Performance Measures

There were 16 five-year KPMs in the organisation as shown in Table 5.5. Similar to the five-year strategies, these KPMs existed at the top level of the organisation only. Moreover, the organisation did not explicitly categorise these five-year KPMs into the four perspectives of the balanced scorecard. It was only stated that the ultimate organisational outcome was the result of strategic initiatives of the 'internal business process' and 'learning and growth' perspectives (*the organisational strategic planning 2015-2019*).

Table 5.5
The Five-Year Organisational KPMs

Perspectives	Five-year KPMs
Stakeholders Customers	1. Levy revenue realisation (percentage)[6]
	2. Service user satisfaction (index)
	3. Levy payers' formal compliance level (percentage)
Internal business process	4. Levy return filing through e-filing (total)
	5. Effectiveness level of levy dissemination (percentage)
	6. Effectiveness level of public relation (percentage)
	7. New levy payers from extensification which pay levies (percentage)
	8. Followed-up levy returns after persuaded (percentage)
	9. Audit coverage ratio (percentage)
	10. Effectiveness levy audit level (percentage)
	11. Successful implementation of joint audit (percentage)
	12. Investigation findings declared complete by the attorney (percentage)
	13. On-time annual levy returns processing (percentage)
	14. Identified external data (percentage)
Learning and growth	15. Officials who reach job competency standards (percentage)
	16. Organisational health index (index)

Note. Adapted from the Organisational Strategic Plan 2015-2019

In contrast to five-year KPMs, annual KPMs were specified at different organisational levels. For example, Table 5.6 shows that, at the top level of the organisation, there were 22 annual KPMs in 2015 and 2016. These KPMs were

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[6] 'Levy revenue realisation' indicated the level of achievement in collecting levy revenue. The achievement was measured as a percentage.

categorised into the four perspectives of the balanced scorecard. At lower organisational levels, an organisational unit could have between 12 to 20 KPMs. For example, in 2016 a directorate in the head office had 12 annual KPMs (Appendix L). The annual KPMs at these lower organisational levels were essential in the organisation because they were related to individual KPMs. This will be examined further in the next chapter.

Some of these KPMs were also similar to the organisational KSFs, such as 'levy revenue realisation', 'levy return filing through e-filing', and 'new levy payers from extensification which pay levies', which were 'collected levy revenue', 'electronic levy returns', and 'registered levy payers'. This similarity existed because the organisation was required by the Alpha Ministry to design organisational KSFs that were based on the KPMs of the Alpha Ministry. As discussed previously, these KSFs were also monitored closely by the Alpha Ministry.Some of the top level KPMs were cascaded to lower organisational levels in the organisation. For example, the top level KPM of 'electronic levy returns' was cascaded down to all regional offices. Senior level official #1 noted:

> [The electronic levy return indicator] would be moved down to the division, regional offices, and also branch offices (*senior-official #1*).

Therefore, all regional and branch offices would have this KPM as their annual KPM. This kind of KPM was called a 'cascading' or mandatory KPM. Besides these mandatory KPMs, lower organisational levels could also add their own KPMs. These KPMs were known as 'non-cascading' KPMs. For example, in 2016, as shown in Appendix L, a directorate of the head office had three cascading-KPMs (coded 'CP') and nine non-cascading KPMs (coded 'N').

Table 5.6
The Annual Organisational KPMs

Perspectives	Annual KPMs 2015	Annual KPMs 2016
Stakeholders	1. Levy revenue realisation (percentage)	1. Levy revenue realisation (percentage)
Customers	2. (Ministry) service user satisfaction (index)	2. Service user satisfaction (index)
	3. Organisational service user satisfaction (level)	3. Levy payers' formal compliance level (percentage)
	4. Levy payers' formal compliance level (percentage)	
Internal business process	5. Levy return filing through e-filing (total)	4. Levy return filing through e-filing (total)
	6. Effectiveness level of levy dissemination (percentage)	5. Effectiveness level of levy dissemination (percentage)
	7. Effectiveness level of public relation (percentage)	6. Effectiveness level of public relation (percentage)
	8. New levy payers from extensification which pay levies (percentage)	7. New levy payers from extensification which pay levies (percentage)
	9. Followed-up levy returns after persuaded (percentage)	8. Followed-up levy returns after persuaded (percentage)
	10. Audit coverage ratio (percentage)	9. Audit coverage ratio (percentage)
	11. Effectiveness level of levy audit (percentage)	10. Effectiveness level of levy audit (percentage)
	12. Successful implementation of joint audit (percentage)	11. Successful implementation of joint audit (percentage)
	13. Investigation findings declared complete by the attorney (percentage)	12. Investigation findings declared complete by the attorney (percentage)
	14. Levy arrears collection (percentage)	13. Levy arrears collection (percentage)
	15. *Gijzeling* (hostage) proposals (total)	14. *Gijzeling* (hostage) proposals (total)
	16. On-time annual levy returns processing (percentage)	15. Followed-up external audit recommendations (percentage)
	17. Identified external data (percentage)	16. Identified external data (percentage)
		17. Deviation of government cash revenue projection (percentage)
Learning and growth	18. Officials who reach job competency standards (percentage)	18. Officials who reach job competency standards (percentage)
	19. Organisational health (index)	19. Organisational transformation initiatives implementation (percentage)
	20. Organisational transformation initiatives implementation (percentage)	20. Completed information system module development (percentage)
	21. Completed information system module development (percentage)	21. Information technology downtime level (percentage)
	22. Budget absorption and spending output (percentage)	22. Budget absorption and spending output (percentage)

Note. Adapted from *the official website*. Compared to the five-year KPMs, the organisation added 4 new KPMs in 2015, and added four and modified two KPMs in 2016.

Although lower organisational levels could add their own KPMs, the maximum

numbers of KPMs were restricted by a ministry guideline (*The Alpha Ministerial Decree*

467/2014). At the top level of the organisation, the maximum number was 25 KPMs, while the maximum at lower organisational levels was 20 KPMs. Yet, a low-level official and a mid-level official involved with the KPMs' design felt there were still too many KPMs in the organisation, saying:

> There are many KPMs here. The biggest KPM is whether [the revenue is] achieved or not. For example, there are 12 or 18 KPMs [here] (*low-level official #11*).

> The problem is that [now] we have too many KPMs. [This organisational unit], for example, has more than 20 KPMs … (*mid-level official #9*).

In line with prior studies (e.g. Northcott & Taulapapa, 2012; Nudurupati, Bititci, Kumar, & Chan, 2011), these statements suggest that restricting the number of KPMs to 20 – 30 measures, as suggested by Kaplan and Norton (2004a), is still a challenge in the studied organisation.

To maintain the alignment of KPMs between upper and lower organisational levels, the strategy map, balanced scorecard, and strategic initiative sheets were attached to performance contracts (*kontrak kinerja*) between organisational units at different levels (Appendix L). The contents of the contract were articulated clearly by a senior level official:

> So, we signed a performance contract. In the front [of the contract] there was a strategy map and KPMs … there were also strategic initiatives. These strategic initiatives support the achievement of the top level strategies (*senior-level official #3*).

The director general did not sign all the performance contracts. Thus, he also did not sign off the multi-level balanced scorecard and strategy maps in the organisation. Performance contracts were signed between the official of an upper level unit and the official of a lower level unit. Thus, in the organisation, there were contracts between:

- The director general and the minister, for the top level KPMs and strategy maps;
- A director and the director general or a regional manager and the director general, for the directorate level and regional level KPMs and strategy maps; and
- A branch manager with a regional manager, for the branch level KPMs and strategy maps.

An example of the contract between a director and the director general is shown in Appendix L. Appendix L also demonstrates that the contract was also signed between the organisational performance manager and the director. This was because the organisational performance manager was responsible for ensuring that the lower level KPMs were aligned with the upper level KPMs.

Annually, to improve the ownership of performance contracts, there were formal ceremonies and rituals [*pertemuan dan upacara*] for signing the contracts in the organisation. In these ceremonies, those who signed the contract had to read and declare their commitment to the contract first. There were also rituals to appreciate the existence of God during the ceremonies. These officials were sworn to do their best as stated in the performance contracts in the name of God (*the official performance bulletin 24/2015*).

The ceremonies and rituals indicate that the organisation considered performance contracts as a commitment to God as well as stakeholders. These ceremonies and rituals also signalled that to reinforce the ownership of performance contracts, the organisation did not only use a formal approach of 'reward and penalty', but also optimised the religious beliefs of organisational members. It seems that introducing performance contracts as accountability to God might improve the effectiveness of implementing performance contracts at different organisational levels.

To give signals that performance contacts were very vital, the Alpha minister also physically attended some of these ceremonies. This was reported in the organisational annual performance report:

> The National Executive Meeting and the signing of Performance Contracts of [the senior level officials] between the [director general of [the organisation] and the entire [senior level officials] was held at the [head office], Jakarta. The [Alpha minister] was [also] present…. (*the Organisational Annual Performance Report 2015*).

These findings provide evidence that the use of ceremonies and rituals may help to enhance the ownership of PMSs in an organisation (Hofstede, 1981; Malmi & Brown, 2008; Ouchi, 1979). These findings also suggest that the organisation modified its five-year KPMs continuously via a dialogue between members of the organisational performance management taskforce. This taskforce played a substantial role to change these five-year KPMs and could produce annual KPMs that were clearly articulated by lower organisational levels in the organisation. While there were conflicts of interest between top level and lower organisational levels, this taskforce could produce annual KPMs that harmonised these different interests. However, because these KPMs provided

accommodation to various interests in the organisation, some of these KPMs might not directly indicate the primary organisational performance measures.

5.2.6 Target Setting

In Ferreira and Otley's (2009) framework, the dimension of target setting covers the required performance targets, how performance targets were set, and how challenging (or demanding) the performance targets are. Ferreira and Otley (2009, p. 271) advise "the process of target setting (e.g. imposition, consultation, participation) may be as important as the outcome (e.g. perceived target difficulty)" of the process. They, therefore, argue target setting is a critical issue in PMSs. However, there could be a tension between what is chosen and what is thought as feasible in an organisation (Ferreira & Otley, 2009).

In addition, Ferreira and Otley (2009, p. 271) claim 'aggressive target setting' may not produce high performance in a situation that needs cooperation between organisational units in an organisation. Moreover, aggressive target setting could require more time for agreement because of managers who are reluctant to make deals.

5.2.6.1 Process of Target Setting

The organisation designed its performance targets through a combination of participation and imposition (Ferreira & Otley, 2009). As for KPMs, there were both five-year and annual performance targets in the organisation. The five-year performance targets were also designed by the strategic planning taskforce. In setting these targets, this taskforce firstly worked with the liaison officers in each directorate of the head office. They defined these targets in collaboration with some officials in these directorates. After that, the targets were brought to national meetings. In these meetings, group discussions of targets were conducted. Each group discussed a specific target and then groups were brought for a panel discussion. The results of the national meetings were finally discussed in the head office. A mid-level official explained the process:

> The process was through [setting up] commissions. For example, to discuss the collection and audit, revenue, controlling, and so on. After finished from each commission, then we brought [the targets] to a panel discussion. To synchronise. It was one week. The time was not enough. When we brought back home, we thought, sometimes it had not been firm yet. When in the office, we invited again [peers] from the directorates. That was what we did… (*mid-level official #8*).

In general, the taskforce usually designed the target numbers based on previous results. They tried to make the targets more challenging. However, there was a resistance

to this challenge. Mostly, other officials rejected the idea. This was noted by the mid-level official #8, saying:

> For the target number, we usually based it on the past year's numbers. Theoretically, we may not stay in the same number as before. For example, when in the past the target was 75%, later it should not be at this number anymore. Exactly, we would ask to raise the number. That what in the organisational performance management tried to push 'Why last year this figure, and this year that number again?' However, that was also a tough discussion (*mid-level official #8*).

These statements show that people in the taskforce tried to introduce more challenging or 'aggressive' performance targets (Ferreira & Otley, 2009) to motivate organisational units to improve their performance. Unfortunately, this idea was not accepted well by other organisational members because the inability to achieve a target could be seen as a total failure by the organisation and its organisational units. Therefore, there could be a possibility that some performance targets were selected somewhat to minimise the resistance from the other organisational members. This was supported with the achievement of the organisation in recent years. This organisation achieved in average almost 100% of its performance targets in 2013, 2014, 2015, and 2016 (*the Organisational Annual Performance Report 2016*).

After the taskforce, these targets were brought to senior level formal meetings for approval. Targets then were communicated in the organisational strategic plan (*the Organisational Strategic Plan 2015-2019*).

In contrast to five-year performance targets, the annual performance targets were designed by the organisational performance management taskforce. Every year, this taskforce also gathered in a national convention to design the annual organisational performance targets. Officials from the regional offices would be invited to discuss the targets. Each of them brought their own formulas related to the target setting. For example, officials in a regional office brought a formula of the potential levy revenue of its region that was calculated based on the regional economic growth, the number of levy payers, and household consumption (*mid-level official #9*). However, officials in the head office also had their own formula. Then, the formulas of the head office and regional offices were debated in the conventions. The estimated variance between the targets and the actual numbers was also decided as a performance indicator of a directorate in the head office. A mid-level official described this process:

> There was a kind of yearly convention for heads of technical support and consultants who handled the targets in each regional office…, to come and talk. I brought the formula to calculate the targets, they also brought [their own formulas], and then we talked [to select the optimal formulas], but [we] did not select the [best formulas]. In practice, at the end of the year, it would be known, from 31 regional offices how many of them achieved the targets. When many units reached the targets, it means the selected formulas represented the reality better (*mid-level official #9*).

While the other performance targets were decided by the organisation through a participation process, the revenue target was mostly imposed by the government, as noted by a mid-level official:

> [There is a target with] a characteristic [of] top-down. Let's say, for example, the indicator of levy revenue. The parliament decided the target number. It must be reflected at all of the levy offices…. Ideally, the levy revenue target is based on the potential from every [levy office]. However, it has been a policy … to see the need of the government ... For some reasons, the government wants this…, that…, and so on [for public infrastructure development] ... (*mid-level official #9*).

5.2.6.2 The Performance Targets

The organisation had five-year performance targets for 2015-2019. Table 5.7 demonstrates that some of the targets were also detailed from year to year. Some of these targets were only designed for 2015, such as the targets of levy dissemination effectiveness, public relation effectiveness, and organisational health index. Other targets were only detailed in years 2015 and 2019. For example, the levy revenue target was only detailed 100% in 2015 and 100% in 2019, without detailing the targets for 2016, 2017, and 2018. It might be because the organisation assumed that the amount of levy revenue target was not under its control, but under the control of the government. Thus, this organisation set the target in a percentage with an implication that at a minimum it had to achieve 100% from whatsoever the amount of levy revenue target was decided by the government.

There was also a duplication in the presentation of performance targets in the organisational strategic plan. For example, although the targets of levy revenue and electronic levy returns were detailed in the five-year performance targets, they were also explained as the KSFs (destination statement) (*the Organisational Strategic Plan 2015-2019*). This might be because these targets were critical for measuring the success of the organisation, so they were repeated in the organisational strategic plan. Some of the measurement units were also different in the targets. For example, in the destination

statement, the revenue target was an absolute number, while in the five-year performance targets the measurement unit was in percentages (*the Organisational Strategic Plan 2015-2019*). This might be because the destination statement was cascaded from the Alpha Ministry's strategic plan, while the five-year performance targets were internally designed.

Table 5.7

The Five-Year Organisational Targets

KPMs	2015	2016	2017	2018	2019
1. Levy revenue realisation (percentage)	100%				100%
2. Service user satisfaction (index)	72				73.66
3. Levy payers' formal compliance level (percentage)	70%				80%
4. Levy return filing through e-filing (total)	2 million	7 million	14 million	18 million	24 million
5. Effectiveness level of levy dissemination (percentage)	72				
6. Effectiveness level of public relation (percentage)	72				
7. New levy payers from extensification which pay levies (percentage)	100%	100%	100%	100%	100%
8. Followed-up levy returns after persuaded (percentage)	100%	100%	100%	100%	100%
9. Audit coverage ratio (percentage)	100%	100%	100%	100%	100%
10. Effectiveness levy audit level (percentage)	87%				
11. Successful implementation of joint audit (percentage)	72%				
12. Investigation findings declared complete by the attorney (percentage)	42%	50%	50%	50%	50%
13. On-time annual levy returns processing (percentage)	85%				
14. Identified external data (percentage)	25%				
15. Officials who reach job competency standards (percentage)	82%	50%	84%	85%	86%
16. Organisational health index	72				

Note. Adapted from the Organisational Strategic Plan 2015-2019

Every year, the organisation also had its annual performance targets. Table 5.8 shows the annual performance targets in 2015 and 2016. However, when compared to the five-year performance targets, there were some changes. For example, there were new targets in 2015, such as the targets of hostage proposals (31 levy payers), organisational transformation initiatives (85%), information system development (100%), and budget absorption (95%). There were also changes to the target from an absolute number to a percentage, such as the target of levy arrears collection (20 T). In 2016, some targets were also removed such as the service user satisfaction. This might be because the organisation only had one indicator in 2016, while there were two indicators of user satisfaction in 2015.

Table 5.8

The Organisational Annual Performance Targets

KPM	Target 2015	KPM	Target 2016
1. Levy revenue realisation (percentage)	100%	1. Levy revenue realisation (percentage)	100%
2. (Ministry) service user satisfaction (index)	3.91	2. Service user satisfaction (index)	3.93
3. Organisational service user satisfaction (level)	72	3. Levy payers' formal compliance level (percentage)	72.50%
4. Levy payers' formal compliance level (percentage)	70%	4. Levy return filing through e-filing (total)	7,000,000
5. Levy return filing through e-filing (total)	2,000,000	5. Effectiveness level of levy dissemination (percentage)	73
6. Effectiveness level of levy dissemination (percentage)	72	6. Effectiveness level of public relation (percentage)	73
7. Effectiveness level of public relation (percentage)	72	7. New levy payers from extensification which pay levies (percentage)	100%
8. New levy payers from extensification which pay levies (percentage)	100%	8. Followed-up levy returns after persuaded (percentage)	100%
9. Followed-up levy returns after persuaded (percentage)	100%	9. Audit coverage ratio (percentage)	100%
10. Audit coverage ratio (percentage)	100%	10. Effectiveness level of levy audit (percentage)	88%
11. Effectiveness level of levy audit (percentage)	87%	11. Successful implementation of joint audit (percentage)	88.20%
12. Successful implementation of joint audit (percentage)	72%	12. Investigation findings declared complete by the attorney (percentage)	50%
13. Investigation findings declared complete by the attorney (percentage)	42%	13. Levy arrears collection (percentage)	30%
14. Levy arrears collection (percentage)	20 T	14. *Gijzeling* (hostage) proposals (total)	33
15. *Gijzeling* (hostage) proposals (total)	31	15. Followed-up external audit recommendations (percentage)	49%
16. Ontime annual levy returns processing (percentage)	85%	16. Identified external data (percentage)	30%
17. Identified external data (percentage)	25%	17. Deviation of government cash revenue projection (percentage)	5%
18. Officials who reach job competency standards (percentage)	82%	18. Officials who reach job competency standards (percentage)	83%
19. Organisational health index	72	19. Organisational transformation initiatives implementation (percentage)	87%
20. Organisational transformation initiatives implementation (percentage)	85%	20. Completed information system module development (percentage)	100%
21. Completed information system module development (percentage)	100%	21. Information technology downtime level (percentage)	1%
22. Budget absorption and spending output (percentage)	95%	22. Budget absorption and spending output (percentage)	95%

Note. Adapted from the Organisational Annual Performance Report 2015 and 2016

As for the annual KPMs, the annual performance targets existed at both the top and lower organisational levels. These targets were also part of the annual performance contracts between upper and lower organisational levels. For example, Appendix L shows

that, at the top level of the organisation, annual performance targets were set for a director by the director general. The presence of these annual targets at lower organisational levels was related to individual performance targets, which will be discussed in the next chapter.

In general, the organisation achieved its performance targets. It was reported in 2015 the organisational performance score was 95.77%, while in 2016 it was 100.97% (*the Organisational Annual Performance Report 2016*). However, while other performance targets were mostly achieved, the revenue target was not. This target was felt to be too high, or 'aggressive' (Ferreira & Otley, 2009, p. 271), since this target was directly imposed by the newly elected president. This target was decided without fully considering the previous years' collected revenue or the national economic growth. For example, the actual collected revenue in 2015 was 1,060 trillion rupiahs (around NZ$ 106 billion), and the national economic growth was 5 percent (with inflation around 5-6 percent). However, the imposed revenue target in 2016 was 1,360 trillion rupiahs or around NZ$136 billion (an increase of 28 percent).

Like KPMs, the organisation also used dialogue across organisational levels, or a participative target setting process (Ferreira & Otley, 2009) to set performance targets. Again, members of the organisational performance management taskforce played substantial roles in facilitating the dialogue. However, not all performance targets were challenging because of resistance from some organisational members. The organisation only had a difficult target of collected revenue as the ultimate outcome because this target was directly imposed by the government. There is also a possibility some of the performance targets were not directly related to the achievement of the ultimate target. This will be explored in the next section.

5.2.7 Performance Evaluation

In Ferreira and Otley's (2009, p. 272) framework, the dimension of performance evaluation comprises "both formal performance evaluation activities and informal indications of what is felt to be important". This dimension is the processes of performance evaluation that might be formal or informal. The evaluation may be also objective or subjective. This dimension is not only concerned with individual performance evaluations, but also with evaluations of groups (e.g. teams, units, or divisions) and an organisation as a whole. However, in this chapter, the focus will be on performance evaluation at the organisational level.

Ferreira and Otley (2009) note there is a rise of 'relative performance evaluations' of organisations. Within these evaluation systems, instead of its 'absolute performance', an organisation is evaluated based on its 'relative performance' and then compared to other organisations.

5.2.7.1 Process of Performance Evaluation

In evaluating organisational performance, the organisation followed a guideline from the Alpha Ministry (*the Alpha Ministerial Decree 467/2014*). The organisational performance score (*nilai kinerja organisasi*) was calculated from the actual organisational performance results that were weighted subjectively against performance targets based on the four perspectives of the balanced scorecard. In assessing the organisational performance score, the controllability and validity of KPMs were also used to weight scores for each KPM. The controllability was weighted based on whether the organisation had high, moderate, or low control over the selected KPMs. For example, when a KPM was highly controllable by the organisation, then the weight was 20%, while the weight of a low controllable KPM was 50%. Low controllable KPMs had higher weight because the organisation was imposed by the Alpha Ministry to have more challenging KPMs (*the Alpha Ministerial Decree 467/2014*). The validity was weighted based on whether the selected KPMs were an outcome-based measure, within the range of an outcome-based measure and an activity-based measure, or an activity-based measure.

Formal performance evaluations in the organisation were mostly conducted periodically in board and executive meetings. These evaluations were also led by the Alpha minister. For example, it was reported in the organisational annual performance report:

> On 2 April 2015, the executive met at the head office in Jakarta. The agenda was to evaluate the levy revenue collected in the first quarter 2015… On 27 August 2015, a limited board meeting was held at the head office in Jakarta. This meeting was led by the [Alpha minister] with the agenda to evaluate the levy revenue collected in 2015 … (*the Organisational Annual Performance Report 2015*)

Data presented in the meetings were collected from the evaluations of the organisational units. However, some of the performance data such as 'service user satisfaction index' and 'organisational health index' were calculated by the Alpha Ministry (*mid-level official #8*). The Alpha Ministry directly surveyed the levy payers and employees to produce the indexes.

The evaluations could be conducted on a monthly, quarterly, and yearly basis. The results of the assessment were brought to the senior-level official meetings. A senior-level official and a mid-level official explained:

> We had a regular meeting at least one time in three months to manage [organisational] performance [with the Alpha minister] (*senior-level official #2*).

> The achievement of top-level's KPMs will be presented at the executive meeting of senior level officials (*mid-level official #1*)

Besides these formal evaluations, 'relative performance evaluations' (Northcott & Llewellyn, 2003) were also prevalent in the organisation. These evaluations were a complement to the formal performance evaluations. In these evaluations, the organisational performance was assessed relative to other organisations under the Alpha Ministry in the 'office benchmarking tournaments' [*kantor pelayanan percontohan*]. The objective of these tournaments was to improve the public service quality of the organisation through improving the quality of its branches.

An Alpha minister decree mentioned these tournaments were:

> … an effort to empower human resources in the Alpha Ministry through mind set, culture set, and performance management … so public service quality, particularly in the branch offices, could be improved, in line with the needs of citizens (*The Alpha Ministerial Decree 65/2014*).

In these tournaments, first the branches of the organisation were assessed by each tournament assessment taskforce in regional offices. Then, each regional office selected and nominated one of its branches to compete at the head office level. Therefore, there would be around 31 branches competing at the head office level. At this point, a tournament assessment taskforce in the head office assessed these nominated branches. From these 31 branches, three branches would be selected to compete at the level of the Alpha Ministry on behalf of the organisation. They competed with other branches of the other organisations in the Alpha Ministry (*the Director General Decree 161/2015*).

5.2.7.2 The Performance Evaluation

Overall, the organisation could achieve its performance targets within the four perspectives of the balanced scorecard in the last two years. The performance scores were 95.77% in 2015 and 100.97% in 2016. These scores were computed based on the weight of balanced scorecard perspectives, which were 25% for stakeholder perspective, 15% for customer perspective, 30% for internal business perspective, and 30% for learning

and growth perspective (*the Organisational Annual Performance Report 2016*). Within these years, there were: 1 KPM in the stakeholder perspective, 2 to 3 KPMs in the customer perspective, 13 to 14 KPMs in the internal business perspective, and 5 KPMs in learning and growth perspective.

The organisation could reach more than 100% for almost all the targets in 2015 and 2016, except for 'levy payer formal compliance' and 'new levy payers that pay levies from extensive activities'. However, the ultimate organisational outcomes of levy revenue targets could not be achieved, which were 81.97% in 2015, and 81.60% in 2016. This became a sensitive issue in the board meetings at the Alpha Ministry's level because the minister always asked why the other performance targets were mostly achieved, but the ultimate outcome still could not be reached, as expressed by a low-level official:

> Although some of the targets are [achieved], but the levy revenue cannot be achieved, then it should be [seen as fail or almost fail]... It should be like that… The main objective is the levy revenue [target] can be achieved. However, there is something wrong here … That is why sometimes I heard in the board meetings of the Alpha Ministry, it was asked, 'Why all [performance targets] are [achieved], but the levy revenue [target] cannot be achieved?' (*low level official #11*)

The failure to reach the revenue target in 2015 put pressure on a newly appointed director general. There was a rumour that the Alpha minister, almost every week, came to the director general's office to informally evaluate the revenue achievement. He asked the director general what more actions should be taken so the revenue target could be achieved. A member of the civil service commission that nominated the director general shared this story:

> There was also a lot of pressure on the director general. Because [the Alpha minister] is an impatient person, [he] came almost every day to the [organisation]. The [director general] was also called by the minister. It would be three times a week. [The minister] asked 'What else that can be done so the collected levy revenue can be improved?' (*the member of civil service commission*).

The director general experienced stress because of this pressure. Finally, he resigned from his position in December 2015. He had held his post for only around nine months. A mid- level official mentioned: "His duration was [so] short. Not even one year. February to November (*mid-level official #8*)." It was also the first time in the country that a top-level official resigned from his position because his organisation could not reach a performance target (*the member of civil service commission*).

In contrast to these formal and informal evaluations, the organisation had relative performance evaluations (Dye, 1992; Northcott & Llewellyn, 2003). For example, in 2014 this organisation sent three of its branch offices to participate in the office benchmarking tournaments to represent the organisation at the level of Alpha Ministry. The three branches were nominated from 311 branches in the organisation (*the official website, 2014*).

The tournament assessment taskforces at the level of the organisation and the Alpha Ministry evaluated the branch offices under the following criteria: (1) actualisation of organisational vision and mission, (2) actualisation of the organisational values, (3) compliance with organisational procedures, (4) competency of human resources, 5) innovation of the office, (6) follow-up of the complaint, and (7) availability and usage of physical infrastructure (*The Alpha Ministerial Decree 65/2014*).

Evidence of performance evaluations in the organisation reveals a strong involvement of the Alpha Ministry in the formal, informal, and relative performance evaluations of the organisation. Because it was decided directly by the government, the Alpha minister closely evaluated the revenue target formally and informally. However, the involvement did not directly affect the achievement of the target. Instead of giving motivation, this involvement put additional pressure on the organisation. On the other hand, the Alpha Ministry also shaped the organisation using relative performance evaluations. The aim of these evaluations was to improve the quality of public services of the organisation rather than directly to increase the ultimate outcome. Therefore, the Alpha Ministry combined various approaches in evaluating the organisational performance. Taken together, these findings enhance our understanding of how relative performance evaluations are practised in a public sector organisation in a developing country, since previous studies have largely focused on public sector organisations in developed countries (e.g. Johansson & Siverbo, 2009; Northcott & Llewellyn, 2005).

5.2.8 Reward Systems

The dimension of reward systems is the last of the eight core dimensions of Ferreira and Otley's (2009) framework. Ferreira and Otley (2009) suggest rewards may be financial (extrinsic) and non-financial (intrinsic). Rewarding organisational performance may encourage ownership culture, shared values, and the achievement of organisational objectives (Costello, 1994; Ferreira & Otley, 2009). Ferreira and Otley (2009, p. 273) suggest such organisational or 'group reward practices' are based on 'collective achievement'. Organisational reward practices comprise rewards or penalties

that will be gained or suffered by the organisation when achieving or not achieving organisational performance targets or other assessed aspects collectively.

5.2.8.1 Process of Reward Systems

The organisation was the champion in innovating performance-based rewards. However, performance financial rewards or incentives in the organisation were still directly imposed by the government. Therefore, the organisation had to follow government rules related to rewards and budgeting.

Before 2015, performance financial rewards to organisational members were given entirely based on individual performance, calculated from the grade level of employees (*Presidential Regulation 156/2014*). Therefore, at that time, there was no direct relationship between organisational performance and individual financial rewards. However, since 2015, individual financial rewards were provided collectively based on the achievement of organisational performance, particularly the achievement of the organisation to the levy revenue target. In the organisation, these financial rewards were called a 'performance incentive (*insentif kinerja*)'.

In this new reward system, the organisation could receive additional budget from the government for paying a bonus to its employees only if it achieved the annual levy revenue target (*Presidential Regulation 37/2015*). The reason to change the reward system was that the government considered levy revenue had a strategic position to support the national budget. The government also intended to improve the performance of employees in the organisation (*Presidential Regulation 37/2015*).

To calculate these group-based financial rewards (Ferreira & Otley, 2009), every year the organisation computed the achievement of its performance based on the imposed annual levy revenue target (a single measure). Based on this achievement, this organisation estimated the needed budget for paying a bonus in the next year. Then, this budget would be proposed to the government and the parliament, so it could be allocated in the next year's national budget (APBN). After the budget was allocated in the national budget, then the state treasury distributed the bonus to the organisation and finally to its employees (*the official website, 2015*).

Besides these group-based financial rewards, the organisation also practised group-based 'relative performance rewards' (Connelly, Tihanyi, Crook, & Gangloff, 2013). These rewards were in the way of financial and non-financial rewards that were designed "to stimulate and motivate in kind of rewards [as] a strategic way to push the

efforts of adjustment and improvement of public service quality" (*the Alpha Ministerial Decree 65/2014*).

These rewards were given to the organisation and its offices that had won office-benchmarking tournaments at the level of Alpha Ministry after being assessed by the tournament assessment taskforce. The distribution of relative non-financial rewards was directly given by the Alpha minister in a ceremony to celebrate the national 'Money Day' on 30 October every year (*the Alpha Ministerial Decree 65/2014*). In contrast to relative non-financial rewards, although it was informally practised, the distribution of relative financial rewards was not formally guided in the official documents, and there was no formal ceremony to distribute these financial rewards (*mid-level official #10*).

5.2.8.2 The Reward Systems

In the group-based financial rewards, the organisation could receive 100% additional government funds (from a based rate) in the next year as a financial incentive when the total levy revenue target in the previous year was achieved by at least 95%. However, when the achievement was between 80 and 90%, the allocated budget would be reduced to 80% (a reduction of 20%) as a penalty to the organisation. Table 5.9 shows the calculation of the financial rewards.

Table 5.9
The Calculation of Organisational Financial Rewards

Realisation	Incentive
> 95%	100%
90 – 95%	90%
80 – 90%	80%
70 – 80%	70%
< 70%	50%

Note. Adapted from the Presidential Regulation 37/2015

The group-based financial rewards were explained by a senior-level official:

> *Oh*, the incentive is not based directly on individuals. However, based on our [organisational performance] achievement. When [the organisational performance] is good, then all will be good. The branch offices are also like that. When a branch gets a good score, then all the individuals will also get a good rating. All in the office will have the same point… Let's say I got target 1,360 trillion rupiahs. Then my achievement is 80% in the head office…. It also happens when we see the branch offices. However, [the incentive policy is] not implemented until the individuals. Only until the organisational level (*senior level official #1*).

In 2015 and 2016, the organisation could not achieve its levy revenue target. Therefore, in the subsequent year (2016 and 2017) the organisation suffered a penalty.

The organisation only received allocated budget for financial incentive of 80% from the government. The penalty was felt deeply by a mid-level official who said:

> Nationally our achievement was only 85 percent [in 2015]. There was 2 percent [of the shortfall]. We had never been in that position. One of the reasons was that our levy revenue target was too high. Thus, there was a punishment…, we failed… (*mid-level official #9*)

However, because of the efforts to implement levy amnesty, the organisation also received additional budget in 2016 (*the Organisational Annual Performance Report 2016*). The organisation also received extra budget for improving its information technology infrastructure in 2016. A mid-level official mentioned this, saying: "We have been given a lot of budget from last year [for information technology infrastructure development] (*mid-level official #8*)." In 2015, the Alpha minister also stated in front of the parliament that the organisation would receive additional budget for recruiting new employees, building new offices, and supervising corporate levy payers (*a national media, 2015*).

The organisation also had group-based relative performance rewards. These relative performance rewards were composed of group-based financial rewards and non-financial rewards. For example, in 2014 the organisation had financial performance rewards for covering travelling costs of three branch offices that were selected to represent the organisation to compete in a tournament at the level of the Alpha Ministry (*the official website, 2014*). A mid-level official whose office was selected as part of these three offices in 2016 also mentioned that a winner of a tournament usually could receive additional budget to cover the office's operational expenses (*mid-level official #10*).

Besides these financial-based relative performance rewards, there were also non-financial relative performance rewards in the organisation. These rewards were experienced in the office benchmarking tournaments, office innovation contests, or revenue achievement competitions. The winners received rewards in the kind of trophies, certificates, or plaques from the Alpha Ministry or other external entities. These non-financial relative performance rewards could motivate the organisation and its organisational units to improve their performance because some of the awards were given directly by the Alpha minister in a ceremony. Therefore, these awards could improve the pride of the organisation and its organisational units. For example, it was reported in the organisational annual performance report that:

> … the [Alpha minister] was present to give an award certificate to the operational units that successfully met the revenue target 2014 (*the Organisational Annual Performance Report 2015*).

Some of these group-based non-financial awards were also reported in the organisational annual performance reports under the section of 'other performance'. For example, in 2015 it was reported that the Demak Branch Office won a Public Service Innovation Award from the Ministry of State Apparatus Empowerment and Bureaucratic Reform, the Makassar Branch Office won the Best Public Service Office award within the Alpha Ministry, and the head office won Third Place in the Competition of Gender Mainstreaming Implementation within the Alpha Ministry. In 2016, it was reported that the head office won the Best Contact Centre Award from the Indonesia Contact Centre Association and the Most Prestigious Service Quality Gold Award from the Magazine of Service Excellence.

These findings contribute to the management accounting literature in regard to the practice of offering rewards (Malmi & Brown, 2008; Stringer, 2007; Van Helden & Reichard, 2016). In particular, the finding that group-based, non-financial rewards were more appreciated in the organisation suggests that group-based, *non-financial* rewards may be more motivating for people in public sector organisations of developing countries than group-based *financial* rewards. These findings also inform our understanding related to group-based relative performance rewards since previous studies largely focused on individual-based relative performance rewards (e.g. Dye, 1992; X. K. Liu & Leitch, 2013; Newman & Tafkov, 2014).

In addition, because the revenue target was thought to be too high or unrealistic, the organisation had anticipated that most likely it could not achieve the target. By showing in the annual performance reports that it had received various non-financial rewards, the organisation tried to present a positive image to the public and to develop the pride of its organisational members. This shows the existence of a "no-bad news" culture in the organisation (Arnaboldi et al., 2015, p. 14). For organisational members, these non-financial rewards may restore the motivation of the organisation and its units to improve organisational performance after being pressured with an aggressive revenue target.

5.2.9 Reflection on the Organisational Level PMS

Consistent with previous studies (e.g. Collier, 2005; Conrad & Guven-Uslu, 2012), the organisational level PMS did not fully follow the logical process of the Ferreira

and Otley (2009) framework. At the organisational level, the results suggest particular weaknesses in regard to the dimension of organisation structure. This was because this dimension was not totally under the control of the organisation. Furthermore, the key organisational outcome of 'collected levy revenue' was not achieved successfully because the targets were felt to be too high. These targets were politically imposed by the new president, as the external institution of the organisation.

The findings of this study also reveal some issues in the design and operation of the organisational level PMS. First, the organisation did not have a consistent formal vision and mission. Second, while the organisation had four KSFs, it focused on one KSF, i.e. collected levy revenue. Third, employees in the organisation sometimes engaged in work activities that differed from their formal job descriptions. Fourth, related to the dimension of strategies and plans, the findings reveal that:

- instead of strategy being formulated by senior level officials as suggested by Kaplan (2012), the organisation formulated its strategies collectively involving various hierarchies,
- the formulated strategies might not directly reflect the most critical actions of the organisation, and
- some of these strategies might not directly contribute to the achievement of key organisational outcomes.

Fifth, the organisational KPMs also might not directly indicate the primary organisational performance measures and some of the organisational performance targets were designed to accommodate the needs of organisational members instead of achieving the key organisational outcome. Finally, the organisation had formal, informal, and relative performance evaluations, and it practiced group-based financial rewards and group-based financial and non-financial relative performance rewards.

Together, these reflections suggest that some aspects of the organisational level PMS of the studied organisation deviated from the normative model suggested by Ferreira and Otley's (2009) theoretical framework. However, the key focus of this study is to examine how this, perhaps imperfect, organisational level PMS was integrated with the individual level PMS, outlined in the next chapter.

5.3 Chapter Summary

This chapter has provided an overview of the overall organisational level PMS that employed the eight core dimensions of the Ferreira and Otley (2009) framework. The links of the organisational level PMS with individual level PMS was also indicated, such as in the dimensions of KPMs, target setting, performance evaluation, and reward systems. These dimensions will be examined further at the individual level PMS in the next chapter. Despite some departures as outlined in the preceding 'reflection' section, most of the eight dimensions of this framework were evident in the organisational level PMS. In particular, strong matches to Ferreira and Otley's (2009) framework could be seen in regard to the vision and mission, key success factors, strategies and plans, KPMs, target setting, performance evaluation, and rewards dimensions of the PMS. The organisation continuously operated these dimensions and constantly improved the design of these dimensions over time. The taskforces and dialogical meetings also played substantial roles in the organisational level PMS. The organisation also enhanced the ownership of organisational KPMs through ceremonies and rituals. This suggests that the organisational level PMS in the organisation not only concentrated on performance measurement (*ex-post*) but also on performance planning (*ex-ante*).

The next chapter will discuss the four core dimensions of individual level PMS in the organisation.

Chapter 6

THE INDIVIDUAL LEVEL PMS

6.1 Introduction

After examining organisational level PMS in Chapter 5, this chapter will report findings regarding individual level PMS in the studied organisation. This chapter complements Chapter 5 by addressing the first research question on how the participants perceived the operation and integration of organisational and individual level PMSs in the studied organisation.

Consistent with Chapter 5, this chapter also employs the PMSs framework (Ferreira & Otley, 2009). The creators argue that this framework is applicable at different hierarchical levels in organisations and the full use of the framework is when researchers utilise it at various hierarchical levels. They consider there could be different practices at these different hierarchical levels (Ferreira & Otley, 2009).

In particular, this chapter will cover dimensions five through eight of the PMSs framework, namely KPMs, target setting, performance evaluation, and reward systems. This PhD study focuses on these four dimensions because Chapter 5 indicated that the organisational level PMS in the studied organisation was cascaded down to the individual level beginning with dimension five of the framework. The cascading began with individual KPMs being designed from organisational KPMs (dimension five). Once individual KPMs were designed, individual performance targets were set (dimension six), the achievement of performance targets were evaluated (dimension seven), and finally individual reward systems were implemented (dimension eight).

Ferreira and Otley (2009) indicate these four dimensions are interrelated at the individual level. For example, they argue that KPMs are used to drive the behaviour of individuals in organisations. Furthermore, based on these KPMs, individual performance targets are set. Finally, these targets are used for evaluating and rewarding these individuals.

6.2 Dimensions of Individual Level PMS

6.2.1 Key Performance Measures (KPMs)

Ferreira and Otley (2009) suggest that KPMs may focus the attention of individuals on the organisational strategic objectives. This dimension is also related to how managers use KPMs to motivate their subordinates. Managers may use KPMs interactively or diagnostically. For example, senior managers may use KPMs interactively to motivate debate, to facilitate involvement, and to face strategic uncertainty (Ferreira & Otley, 2009). They may use KPMs diagnostically to evaluate individual performance.

Therefore, it is important to understand individual KPMs and the alignment of these KPMs with superior KPMs and organisational KPMs. Furthermore, because there could be an omission of KPMs, Ferreira and Otley (2009, p. 271) suggest attention should be given to "measures that are *actually* in use and also areas where measures are *absent* or limited in scope (emphasis in original)."

6.2.1.1 Process of Key Performance Measures

The dimension of individual KPMs was complex in the studied organisation because two approaches were required. The first was to fulfil the requirements of the Alpha Ministry, while the second approach was to fulfil the requirements of the National Personnel Agency (NPA). Table 6.1 summarises the differences between these two approaches.

Table 6.1
The Differences between the Reported 'KPMs and Activity Measures' to the Alpha Ministry and the Reported 'Activity Measures' to the NPA

Description	Reported to the Alpha Ministry	Reported to the NPA
Legal foundations	The Alpha Ministerial Decree 467/2014	The Government Regulation 46/2011 and the NPA Head Regulation 1/2013
Contents	KPMs and activity measures	Activity measures
Paper forms	Individual performance contracts, individual balanced scorecards, and individual work plans	Individual work plans
Basis of creation	superior and organisational KPMs	Mostly job descriptions
Usage	Performance management policy of the Alpha Ministry (such as performance rewards and others)	Paperwork requirement of salary rank promotion to the NPA

Note. Adapted from the Director 10 Circular 5/2015 and the Directorate General Secretary Circular 81/2015

As shown in Table 6.1, employees had to report 'individual KPMs' and 'individual activity measures' to the Alpha Ministry. The purpose of these KPMs was for

helping the Alpha Ministry to decide performance management policies, such as the reward policy related to the studied organisation (*the Director 10 Circular 5/2015*). For reporting these KPMs, employees used paper forms of 'individual performance contracts' and 'individual balanced scorecards'. The contents of these KPMs were mostly outcome- or output-based measures. These KPMs were also standardised in an Excel format. For example, Table 6.2 shows seven KPMs for an individual in data processing. These KPMs referred to two organisational strategic objectives. However, individuals in this position could also have KPMs that were not directly linked to organisational strategic objectives. For example, Table 6.2 shows this KPM was 'the percentage of on-time reporting of organisational performance scores'. The information system that captured data/information of these KPMs was a centralised system managed by the Alpha Ministry (e-performance).

Table 6.2
A Template of KPMs

Strategic Objectives	Key Performance Indicators (KPMs)
1. Improvement of data reliability	The percentage completion of on-time annual levy returns
	The percentage of on-time recording of monthly levy returns
	The percentage complementation of recording evidence
	The percentage of data and or evidence that is forwarded
	The percentage of follow-up to requested data
2 Competitive human resources	The percentage of on-time individual performance management
3. The implementation of non-strategic objectives	The percentage of on-time reporting of organisational performance scores

Note. Adapted from interview and a participant personal file.

As briefly introduced in Chapter 5, some individuals in the studied organisation had multiple jobs. For example, low-level official #11 not only had job activities as specified in the Alpha Ministry-imposed structure, but also had job activities in a task force. However, the Alpha Ministry only allowed these individuals to have KPMs that were designed from the job descriptions as specified in the Alpha Ministry-imposed structure; they were not allowed to add job activities as specified in a task force as their KPMs (*The Alpha Ministerial Decree 467/2014*). Low-level official #11 pointed out:

> Ideally, my additional jobs are added. For example, I am holding the risk management [task force]. The activity to produce the strategy of risk management [ideally] should be part of [my individual KPMs] (*low-level official #11*).

This statement indicates that the process to design individual KPMs in the studied organisation might have inhibited employees to express their actual activities. This could give a consequence that the selected KPMs might not solely represent the actual activities

of individuals. Therefore, one might conclude that assessing individuals in the studied organisation only based on their KPMs was not quite suitable.

The activity measures that were reported to the Alpha Ministry could be described as the translation of the individual KPMs. The Alpha Ministry also asked employees in the studied organisation to report activity measures because of a need to harmonise with the requirements of new regulations (*the Government Regulation 46/2011* and *the NPA Head Regulation 1/2013)*. To report these activity measures, employees used a paper form of 'annual work plans'. The Alpha Ministry required the number of items in these activity measures be equal to the number of items in the individual KPMs. Furthermore, to create these activity measures, the Alpha Ministry required employees just to change the wording of their KPMs from 'noun words' to 'activity words'. For instance, a KPM of 'number of electronic levy returns' would be changed to an activity measure of 'fulfilling the number of electronic levy returns" (*the Alpha Ministerial Circular 47/2014*).

This evidence indicates that the Alpha Ministry directed employees in the studied organisation to focus only on the individual KPMs instead of the activity measures required by the new regulations. The Alpha Ministry's harmonisation of their KPMs with the new regulations was thus very superficial, in fact they paid attention mostly to the individual KPMs.

To report KPMs and activity measures to the Alpha Ministry, there were different processes for two groups within the studied organisation. The first group comprised individuals that led organisational units. They were mostly mid- and senior-level officials. This group was facilitated by members of the 'organisational performance management task force' (*the Directorate General Secretary Circular 84/2015*). This task force also facilitated the design of organisational KPMs and its structures were reported in Chapter 5.

The second group comprised those who did not lead organisational units. They were predominantly non-managerial employees, and low-level officials. For this group, members of the 'individual performance management task force' controlled the process to design and report the KPMs and activity measures (*the Directorate General Secretary Circular 84/2015*). Members of this task force came from different organisational levels. In general, all members of this force were called 'individual performance managers'. Most members of this task force were also the personnel of HRM functions in each organisational level. Therefore, besides being involved with designing and reporting

KPMs and activity measures, members of this task force were also responsible for routine HRM functions.

Table 6.1 also shows that the NPA specifically required individuals in the studied organisation to report 'individual activity measures'. These activity measures are best described as the planned activities of individuals within a year. The NPA used these activity measures to approve the 'basic salary rank' promotion of individuals (*the Director 10 Circular 5/2015*). In reporting these activity measures, employees used a paper form of 'annual work plans'. Contrary to the reported activity measures to the Alpha Ministry, the contents of these activity measures were more flexible and not standardised. The information system that captured this information was called SIKKA, a centralised system managed by the studied organisation. Alignment of these activity measures with the organisational KPMs were not always required. Employees could choose to design these activity measures based on their job descriptions or their KPMs. An internal circular stated:

> … the design of the activity measures to be reported to [the NPA] by each individual in the organisation is based on the job descriptions or [as] a detail of the individual KPMs … (*the Director 10 Circular 5/2015*).

Furthermore, as reported in Chapter 5, some individuals in the studied organisation could have multiple roles. However, how to design the activity measures to be reported to the NPA was not strictly specified. Moreover, different from the reported activity measures to the Alpha Ministry, only members of the individual performance management task force were involved in facilitating and controlling the design of these activity measures. These members were also mostly personnel in HRM functions. An internal circular stated:

> … this is to clarify that … the superiors are responsible for assuring their subordinates enter the data [of the activity measures to the NPA] …, to give approval …, [and the personnel in HRM functions] of each unit have to monitor … and assure every employee in his/her unit has entered the data … (*the Director 10 Circular 5/2015*).

This statement suggests that the personnel in the HRM functions had additional jobs to do. Besides facilitating and controlling the process of designing KPMs and activity measures to the Alpha Ministry and handling their routine jobs in HRM functions, they were also involved in monitoring the process of designing activity measures to the NPA for all individuals in the studied organisation.

Internal circulars in the studied organisation continuously reinforced the two approaches (*the Director 10 Circular 5/2015*, *the Directorate General Secretary Circular 81/2015*, *the Director General Circular 85/2015*, and *the Director General Circular 59/2016*). All levels of management and all employees in the organisation were required to implement these two approaches. An internal circular stated:

> The legal foundations of individual performance [management] are the Government Regulation 46/2011 and the NPA Head Regulation 1/2013 … [and] the Alpha minister 467/2014 … Therefore …, it is considered necessary to clarify … that (1) as part of the government, all individuals in this organisation have to implement [the Presidential Regulation 46/2011 and the NPA Head Regulation 1/2013] and (2) as part of the Alpha Ministry, all individuals in this organisation are also responsible for implementing The Alpha Ministerial Decree 467/2014 … (*the Director 10 Circular 643/2014*).

This implies that management in the studied organisation was powerless to reject the imposition of the two approaches and having these two approaches with two different views of activity measures created a dilemma for them. As the subordinate of the Alpha Ministry, they had to follow the Alpha Ministry's approach. However, as part of the government employees, they had to execute the NPA's approach.

6.2.1.2 The Key Performance Measures

Evidence reveals that for all individuals who led organisational units, the reported KPMs to the Alpha Ministry were identical to the reported activity measures to the NPA. For example, Table 6.3 shows the work plan for senior-level official #1. He had 12 reported KPMs to the Alpha Ministry. He also had 12 reported activity measures to the NPA, which were identical to those reported to the Alpha Ministry. Table 6.3 also demonstrates that senior-level official #1 only changed the wording from 'noun words' in the reported KPMs to 'activity words' in the reported activity measures.

It seems likely that these individuals had little chance to report different KPMs and activity measures because their reported KPMs and activity measures were very closely aligned with their organisational unit's KPMs. In addition, the organisational performance management task force substantially limited what individuals could report. For example, senior-level official #1 and mid-level official #3 mentioned:

> The organisational performance management task force decided what individual KPMs matched with the organisational strategic objectives. [They] are [in fact] the people who manage individual performance (*senior level official #1*).

There was a process of alignment by the [organisational performance management task force]. They really checked one by one [the individual KPMs and activity measures] … They validated the individual KPMs (*mid-level official #3*).

Table 6.3
The Comparison of the Reported KPMs to the Alpha Ministry and the Reported Activity Measures to the NPA for an Individual in the First Group

No.	Reported KPMs to the Alpha Ministry	Reported activity measures to the NPA
1.	Number of electronic levy returns	Fulfilling levy returns using electronic systems
2.	Number of users that use portal application	Fulfilling the target number of users that use portal application
3.	System downtime level	Managing system downtime level
4.	Service application downtime level	Managing service application downtime level
5.	Percentage of completed application implementation	Completing the application implementation
6.	Percentage of followed-up complaints	Following up complaints
7.	Percentage of processed annual levy returns within timeline	Attaining on-time processed annual returns
8.	Percentage of synchronisation failure of electronic levy returns	Managing the synchronisation failure of electronic levy returns
9.	Percentage of employees fulfilling training hours	Reaching employees that fulfilled training hours
10.	Percentage of completed risk mitigation	Implementing risk mitigation
11.	Percentage of audit findings being followed up	Following up audit findings
12.	Percentage of qualified budget implementation	Attaining budget implementation quality

Note. Adapted from an interview and a participant personal document.

In contrast, for individuals who did not lead organisational units, the KPMs reported to the Alpha Ministry were different from the reported activity measures to the NPA. For example, Table 6.4 demonstrates that low-level official #8 had five reported KPMs to the Alpha Ministry, but he had 22 reported activity measures to the NPA.

The difference might be because these individuals were allowed to design the activity measures themselves. Furthermore, the individual performance management task force did not fully control the reported KPMs and activity measures of these individuals because they were too busy with their other routine jobs, such as doing administrative work. Senior-level official #3 responsible for the individual performance management task force voiced:

Honestly, [our lack of involvement] was because we are overburdened with administrative matters. So, our time was very little for strategic [such as KPMs] (*senior-level official #3*).

Moreover, it seems that individuals in this group used both information systems, which were the e-performance and the SIKKA. These individuals perceived using the SIKKA gave them more flexibility to express their planned activities in their annual work plans. For example, low-level official #8 explained:

The reported activity measures [to the NPA] as stated in the annual work plans came from the job descriptions [of our positions] … Those reported KPMs [to the Alpha Ministry] were only for supporting organisational KPMs. Thus, the reported activity measures [to the NPA] contained all of the employees' activities. The reported KPMs [to the Alpha Ministry] only contained things that were strategic … The key ones (*low-level official #8*).

Table 6.4

Comparison of the KPMs Reported to the Alpha Ministry and the Activity Measures Reported to the NPA for an Individual in the Second Group

No.	KPMs Reported to the Alpha Ministry	Activity Measures Reported to the NPA
1.	Percentage of completed records	Doing compilation of the levy potential and realisation
2.	Percentage of followed up records	Managing and distributing levy evidence
3.	Percentage of responded requests	Supporting data availability
4.	Percentage of educated and supervised subordinates	Doing education and supervision to subordinates.
5.	Percentage of reported organisational performance scores within timeline	Managing the preparation of performance achievement reports of K-3
6.		Doing data recording, processing, editing, and retrieving
7.		Doing levy administration
8.		Doing hardware maintenance supports
9.		Collecting and processing data, identifying problems, and solving problems
10.		Doing data maintenance, data backup, and data transfer
11.		Doing data and information presentation
12.		Doing identification and monitoring of the data and information on the internet
13.		Following-up levy cooperation
14.		Doing official assignment to employees
15.		Doing help and technical support of data download and upload
16.		Managing performance contract draft of K-3
17.		Coordinating and reviewing performance contracts of K4 and K-5
18.		Doing monitoring and evaluation to performance management implementation
19.		Doing the calculation of employee performance score of echelon 3, echelon 4, functional, and non-managerial employees
20.		Coordinating the socialisation and dissemination of balanced scorecard
21.		Coordinating the documentation of organisational performance management
22.		Managing the preparation of performance contracts and performance reports of the office

Note. Adapted from interview and a participant personal document.

Because employees had to implement two approaches to designing KPMs and activity measures, the creation of individual KPMs in the organisation tended only to fulfil formal legal requirements. Senior-level official #4 pointed out:

> There is also inconsistency. For salary rank promotion, [the NPA's activity measures] were used ... Thus, the activity to design [the KPMs] is just to implement formal [legal] compliance. (*senior-level official #4*)

However, although KPMs were designed as a formal way to fulfil legal requirements, evidence reveals that the introduction of individual KPMs also changed the behaviour of some individuals. For example, low-level officials felt that at least subsequently they knew what to do in the office. They also observed a change in behaviour of their subordinates. In the past, many of their subordinates did not have sufficient knowledge of what to do in their roles. Now they knew better what to do. For example, low-level official #5 said:

> At least, now in the beginning of the year, we have a direction for what we are going to do. Although, [the KPMs] did not [fully] represent our [actual] jobs for a year, at least when an individual went to his/her office, he/she would not be lost. He/she would think: 'What I am going to do here.' He/she would have information: 'These are what we are going to do for one year or one semester.' At least, we now have initial information, these are my jobs for one year ... (*low-level official #5*).

However, this behaviour change also became an issue in the studied organisation. Because some individuals paid more attention to jobs that were formalised as KPMs, some senior-level officials had difficulty directing their subordinates doing other jobs that were not formalised as KPMs. For example, senior-level official #1 pointed out:

> With individual KPMs ... maybe there is a misperception at lower levels that jobs depend on KPMs. If there was a KPM, then they tried to achieve it. [However], [other] jobs without a KPM did not come to their attention. Ideally, KPMs are only for the key ones. Not all jobs are the key ones ... (*senior-level official #1*).

This gives the impression that the introduction of individual KPMs was paradoxical in the studied organisation. In one situation, employees had better knowledge on what to do in contributing to the achievement of organisational strategic objectives. However, these KPMs also inhibited the flexibility of senior level officials to assign other jobs to their subordinates that might also be crucial for attaining organisational strategic objectives.

6.2.2 Target Setting

As previously stated, the dimension of target setting is the process of establishing performance targets (Ferreira & Otley, 2009). Because organisations need to adapt to environmental changes, these targets need to be improved continuously.

With respect to individuals, targets can affect individuals. Targets are thus used for communicating what is expected of individuals and for evaluating and rewarding them. However, a too high or aggressive target may not be directly associated with higher performance (Ferreira & Otley, 2009). Therefore, an organisation needs to set challenging but appropriate targets for individuals in the organisation.

6.2.2.1 Process of Target Setting

Similar to KPMs, there were two different approaches for target setting. First, there was one approach for setting targets for the Alpha Ministry. Individuals were divided into two groups for the Alpha Ministry. The first group were individuals that led an organisational unit (*the Director 10 Circular 5/2015*). Their targets were mostly set by members of the organisational performance management task force. This task force also controlled the alignment of these targets with the organisational targets. The targets of these individuals were also required to be the same as their unit's targets.

The second group comprised individuals that did not lead an organisational unit (*the Director 10 Circular 5/2015*). Their targets were mostly set by each individual in conjunction with his/her superiors. Targets were derived from their job descriptions. Low-level official #1 illustrated:

> To my knowledge and experience, the process and mechanism [of target setting] conducted at the moment is to prioritise a dialogue communication between superiors and subordinates ... (*low level official #1*)

In setting these targets, two task forces were involved. The organisational performance management task force ensured there was alignment of these targets with the unit's targets, while the individual performance management task force played roles in reminding individuals to enter target data.

The second approach involved target setting for the NPA and here there was no distinction made between individuals who did or did not lead an organisational unit. All individuals set their targets in conjunction with their superiors. These targets were set from the job descriptions or the unit's targets. In setting these targets for all of these individuals, the individual performance management task force assisted in entering target data, while personnel in HRM functions assisted in reporting targets to the NPA.

In contrast to prior studies that mainly observed target setting processes at the organisational-level (e.g. Abdel-Kader & Wadongo, 2011; Yap & Ferreira, 2011), these findings highlight how the target setting process occurs at the individual level.

6.2.2.2 The Target Setting

Employees set between four and 22 performance targets to achieve annually, depending on their position. For example, low-level official #11 had four targets, low-level official #8 had five targets, mid-level official #9 had 22 targets, and senior-level official #1 had 12 targets. An example of a target can be seen for senior-level official #1 whose target was 7 million electronic levy returns per year.

Evidence reveals that the reported targets were different for individuals who led organisational units compared to those who did not. Those in charge of units had similar targets set for the Alpha Ministry and the NPA. For example, Table 6.5 demonstrates that senior-level official #1 reported 12 similar targets to the Alpha Ministry and the NPA.

Table 6.5

The Targets Reported to the Alpha Ministry and the NPA for an Individual in the First Group

No.	Reported targets
1.	7 million electronic levy returns
2.	85% of users use portal application
3.	1% of system downtime level
4.	1% of application downtime level
5.	100% of the application is implemented
6.	98% complaints are followed up
7.	90% of annual returns are processed on time
8.	2% of synchronisation failure of electronic levy returns
9.	55% of employees reach training hours
10.	75% of risks are mitigated
11.	100% of audit findings are followed up
12.	95% of budgets are realised

Note. Adapted from interview and a participant personal document.

Individuals who were not in charge of units were set different targets for the Alpha Ministry and the NPA. For example, Appendix M shows that low-level official #8 was set five reported targets for the Alpha Ministry, but was set 22 reported targets for the NPA.

Different targets likely came about because these individuals set their reported targets to the Alpha Ministry from the unit's targets but set their reported targets to the NPA from their job descriptions. For example, Appendix N shows that low-level official #8 had 22 reported targets to the NPA and all but one came from his job descriptions. The exception was 'doing education and supervision to subordinates in five meetings'.

Another possibility is that these individuals set their targets themselves, without much influence from the individual performance management task force. Low-level official #7 and mid-level official #5 mentioned that this taskforce reminded individuals and their superior to enter target data into the information system as opposed to indicating what targets to enter.

This evidence indicates that although the NPA gave flexibility to set the appropriate targets for individuals in the studied organisation, the target setting of individuals who led organisational units was rigidly controlled in the studied organisation. In other words, both flexible and rigid uses of controls were evident in the organisation (Hopwood, 1972). Controlling the targets of these individuals thus seems a mechanism to align the individual and organisational level in the studied organisation.

6.2.3 Performance Evaluation

The dimension of performance evaluation compares targets with the actual results. In an organisation, this dimension operates at different levels; however, performance evaluation is more observable at the individual level (Ferreira & Otley, 2009). For individuals, their performance targets are compared to actual results to determine the progress of individuals in achieving their targets.

Performance evaluations can be formal or informal. Formal evaluations are overseen by an organisation's HRM function and are typically formalised or institutionalised in the organisation (Ferreira & Otley, 2009). In contrast, informal evaluations are often conducted by senior managers to give the signal to their subordinates what areas are important (Ferreira & Otley, 2009). Ferreira and Otley (2009) reveal that besides formal and informal evaluations, relative performance evaluations (RPEs) have received increasing attention from MA scholars (e.g. Dye, 1992; Hansen, Otley, & Wim, 2003; Northcott & Llewellyn, 2003, 2005). These evaluations assess the performance of an individual relative to other individuals. While they have the potential to address gaps in formal evaluations, there is insufficient evidence of the use and effectiveness of these evaluations at lower levels of management (Ferreira & Otley, 2009).

In addition, performance evaluations could be objective, subjective, or between these two extremes (Ferreira & Otley, 2009). Objective evaluations are usually unambiguous because they are quantitative and use pre-specified measures and targets as well as pre-set weights for each measure (Ferreira & Otley, 2009; Van Rinsum & Verbeeten, 2012). They could work well when the relationship of inputs and outputs is

clear, performance is under the control of the individual being evaluated, and evaluation practices are accepted in an organisation (Ferreira & Otley, 2009). In contrast, subjective evaluations are often qualitative, flow from evaluators' perceptions, and usually are not known by the individuals being evaluated. The use of these subjective evaluations may create favouritism and uncertainty of the evaluation criteria (Ferreira & Otley, 2009).

6.2.3.1 Process of Performance Evaluation

Two processes were implemented at the individual level of the studied organisation: an individual performance evaluation and a competency score assessment. Each process is described in the following subsections.

6.2.3.1.1 Individual performance evaluation

This process leads to an IPFS or 'individual performance final score' (see Table 6.6). It was conducted annually and reflected two components. The first component was an 'individual scorecard' that was equivalent to Kaplan & Norton's (1996b) personal scorecard (see Table 6.6). This component was evaluated based on data in the organisational information systems and personal records, such as an employee's weekly logbooks.

Table 6.6
The Processes of Formal Evaluation in the Studied Organisation

Processes	Components	Aspects	Data sources	Involved parties
Individual performance evaluation	Individual scorecard	Target achievement	Organisational and individual performance records	Superiors Organisational performance management task force Individual performance management task force
	Behaviour	6 observed behaviour	A superior, 2 peers, 2 subordinates	Individual performance task force
Competency assessment	Competency	3 competency levels	Independent assessors	Personnel in HRM functions

Note. Adapted from interviews and document archives.

As introduced in the dimension of KPMs, items for individual scorecards were developed for each employee based on organisational strategic objectives and each business unit's goals. Each of these items then was weighted based on its importance relative to organisational strategic objectives. For example, an individual scorecard could have four items directly linked to organisational strategic objectives and four items not directly linked (*The Alpha Ministerial Decree 467/2014*). The directly linked items would have a higher weighting for the IPFS than the other items.

The weightings were required by the Alpha Ministry and were a mechanism for aligning individual personal scorecards with the organisation's strategic objectives

(*senior-level official #3*). This mechanism was imposed by the Alpha Ministry as a strategic control tool. An Alpha minister decree described how the IPFS and weightings would be used:

> …as a 'strategic control tool' for management at all levels from the head office to operational offices ... (*The Alpha Ministerial Decree 467/2014*).

The second component was a behavioural assessment (see Table 6.6). It reflected the assessment of an individual's behaviour by five other people in the organisation and was akin to 360-degree feedback (DeNisi & Pritchard, 2006). Assessors included the person's superior, two peers, and two subordinates. The two peers and two subordinates were proposed by the assessed individuals. Specifically, the individuals were rated on six aspects and 13 behaviour indicators as shown in Table 6.7. The six aspects were imposed by the NPA (*the Presidential Regulation 46/2011*, *the NPA Head Regulation 1/2013),* while the 13 behaviour indicators were imposed by the Alpha Ministry *(The Alpha Ministerial Decree 467/2014*). The six assessment aspects tended to represent national values such as mutual 'cooperation' (Wihantoro et al., 2015). The 13 behaviour indicators represented values of the organisation as imposed by the Alpha Ministry. These values included 'excellence', for example. This evidence suggests that an individual's performance was, in part, based on the extent to which his or her achievements aligned with national values and organisational values.

Table 6.7
The NPA's Behaviour Aspects and the Alpha Ministry's Behaviour Indicators

The NPA's behaviour aspects	The Alpha Ministry's behaviour indicators
1. Services oriented	1. Stakeholder orientation
	2. Quality improvement
2. Integrity	3. Integrity
3. Commitment	4. Commitment
4. Discipline	5. Policy, process and procedures
5. Cooperation	6. Teamwork and collaboration
	7. Drive for result
6. Leadership	8. Leadership
	9. Relationship building
	10. Visioning
	11. Managing change
	12. Problem solving analysis
	13. Empowering others

Note. Adapted from The Alpha Ministerial Decree 467/2014

Behaviour data were collected by members of the individual performance management task force. Low-level official #7 and mid-level official #5 mentioned:

> The role of the individual performance management task force … was in behaviour assessments, such as reminding others: '*Hey…*, let's fill in the behaviour scores.' (*low-level official #7*).

> The individual performance management task force mostly focused on the behaviour ... (*mid-level official #5*).

The overall IPFS combined the results of individual's personal scorecards with the behaviour component scores but did so differently for two separate audiences. For the Alpha Ministry, the personal scorecard component was weighted 70%, and the behaviour component score was 30%. For the NPA, the weightings were 60% for the personal scorecard component and 40% for the behaviour component score. The Alpha Ministry thus intended to direct employees to be more results-oriented and adopted more objective performance evaluations compared to the NPA. Several interviewees verified this conclusion:

> The behaviour score is combined with the individual scorecard result … Let's say the total of my performance result score was 92. After combining with my behaviour assessment score [of 90.86], my total score is 91.54. This total score is my [IPFS]. That is the simple way to explain … (*senior-level official #2*).

> We were evaluated based on the strategic objectives as shown in the individual KPMs that were combined with the behaviour. From the beginning, in the Alpha minister's guideline [of the year 2011], there were two performance components that were assessed. The performance [was evaluated] based on the KPM's assessment … and the behaviour assessment ... (*mid-level official #5*).

> We used to have the composition of 70% performance achievement and 30% behaviour assessment. When the Presidential Regulation 46/2011 came, we also used the composition of 60% individual scorecard and 40% behaviour assessment ... Therefore, we use both of them. For the NPA, we use the [weightings of] 60% and 40%, but for the Alpha Ministry, we use the [weightings of] 70% and 30% (*low-level official #6*).

6.2.3.1.2 Competency assessment

The second process used for performance evaluation at the individual level was a competency assessment (see Table 6.6). The objective was to assess an individual's competency for managerial jobs in the organisation. This process thus was not carried out for all individuals but was done for managerial employees and employees being promoted to managerial positions. Their competency was evaluated by independent consultants arranged through the Alpha Ministry and the organisation (*the official website, 2011*).

The competency assessment was conducted based on the three aspects of 'thinking', 'working', and 'relating' (*The Alpha Ministerial Decree 348/2011*). Table 6.8 demonstrates these three aspects that were detailed into 35 competency indicators. For each of these competency indicators, an employee would be scored '1' for 'entry level',

'2' for 'effective level', '3' for 'mastery level', or '4' for 'expert level'. From these 35 competency indicators, the maximum competency score would be 140 points.

Table 6.8
The Competency Aspects and Indicators

Aspects:	'Thinking'	'Working'	'Relating'
Indicators:	Visioning, Innovation, In-Depth Problem Solving and Analysis, Decisive Judgement, Championing Change, Adapting to Change, Courage of Convictions, Business Acumen	Planning and Organizing, Driving for Results, Delivering Results, Quality Focus, Continuous Improvement, Policies, Processes and Procedures, Safety, Stakeholder Focus, Stakeholder Service, Integrity, Resilience, Continuous Learning	Team Work and Collaboration, Influencing and Persuading, Managing Others, Team Leadership, Coaching and Developing Other, Motivating Others, Organisational Savvy, Relationship Management, Negotiation, Conflict Management, Interpersonal Communication, Written Communication, Presentation Skill, Meeting Leadership, Meeting Contribution

Note. Adapted from The Alpha Ministerial Decree 348/2011.

Individuals were required to reach a 'job competency standard'. For example, Table 6.9 demonstrates 12 competencies that should be reached by an individual at a mid-level managerial position (*The Alpha Ministerial Decree 348/2011*). For each of these 12 competencies, the Alpha Ministry specified the minimum level score that should be demonstrated by this individual. For a mid-level official, the expected minimum score was 29 points.

Table 6.9
Competency Level of a Mid-Level Official

No.	Competency	Level
1.	Innovation	2
2.	In-Depth Problem Solving and Analysis	3
3.	Decisive Judgement	2
4.	Courage of Convictions	2
5.	Planning and Organizing	2
6.	Driving for Results	3
7.	Continuous Improvement	3
8.	Stakeholder Focus	2
9.	Integrity	3
10.	Managing Others	3
11.	Relationship Management	2
12.	Meeting Leadership	2
	Total	29

Note. Adapted from The Alpha Ministerial Decree 348/2011.

6.2.3.1.3 Conclusions about Process

This evidence suggests that employees in the studied organisation were evaluated based on their past performance and behaviour as shown in their IPFSs and also their competency in managerial jobs. Furthermore, evidence reflects two different approaches to individual performance evaluation. The use of the individual scorecard indicates a MA approach, while the use of behaviour and competency assessments indicates an HRM control approach. Given two of the three approaches reflect an HRM control approach, one might conclude that the HRM control approach played a greater role in assessing employees in the organisation than MA. These findings help to understand how individual level PMS may operate from the perspective of HRM (Chenhall, 2012; Chenhall & Langfield-Smith, 2007).

Table 6.8 also shows that several parties were involved in the formal performance evaluations. The superiors signed evaluation results of the IPFSs in the first process, thereby formally approving them. Members of the individual performance management task force coordinated the calculation of IPFSs, printed the documents of IPFSs, and filed these documents (*the Director 10 Circular 81/2015*).

6.2.3.2 The Performance Evaluation

Almost ninety percent of employees received IPFSs of 'excellent' in the studied organisation. For example, low-level official #8 and senior-level official #2 got IPFSs of 93.69 and 91.54, respectively (see Appendix O on how to calculate an IPFS). Senior-level official #2 shared:

> *Yeah* … from the reports, almost 90% of employees were excellent (*senior-level official #2*).

However, the competency assessment scores showed a greater range and variability than did IPFSs. The difference between IPFSs and competency scores was particularly noticeable at the level of senior officials. Table 6.10 demonstrates that in 2016, around 89.26% of managerial employees achieved the required competency levels. The lowest achievement was within the senior-level officials, which was 84.78%.

Table 6.10
The Competency Level Achievement of Managerial Employees

Officials	Number of employees	Competency standard is achieved	Percentage of achievement
Senior-levels	46	39	84.78
Mid-levels	602	554	92.03
Low-levels	3,774	3,354	88.87
Total	4,422	3,947	89.26

Note. Adapted from the Organisational Annual Performance Report 2016.

Senior-level official #2 revealed:

> After the competency had been measured, there were many senior level officials who did not achieve the competency levels. What does this mean? It means that based on the individual competency levels they are not 'compatible' with their positions as senior-level officials … Strangely, based on the IPFS data, all of them performed well ... There is not a match between their individual competency scores and their individual performance scores … These performance scores did not reflect their performance, but their subordinates' performance (*senior-level official #2*).

This statement indicates that the performance results of senior level officials could have been the result of subordinates' accomplishments instead of the senior level official's competency. The difference between IPFSs and competency scores could also be due to the involvement of an outside party in the competency assessment.

The organisation's HRM function concluded that the IPFSs were not able to provide information that could differentiate employees' performance. This conclusion is described by senior-level official #3:

> I have the IPFSS. We have these scores as the individual performance management task force. We found a fact that when compared to the competency … the IPFSs were questionable … In reality, we found the fact that the competency scores are more able to 'differentiate employees' when compared to the IPFSs. … that there is something wrong in the performance management system that we have not touched yet (*senior-level official #3*).

Further evidence suggests that the inability of IPFSs to differentiate employee performance could be because employees completed IPFSs to comply with bureaucratic requirements, thereby giving lenient scores to other individuals. Several interviews raised this issue:

> There was a trend that, because employees have knowledge that there is a consequence, they gave all employees high scores ... We became permissive ... (*senior-level official #2*).

> Finally, all the performance evaluation tools … in reality, I think, are only a way to fulfil obligations. Not a true way of reporting [employee] performance (*senior-level official #4*).

> An employee was reluctant to give below the minimum score for IPFSs. They felt guilty … for giving others a score below 76 (*mid-level official #4*).

Also, there may have been resistance from some senior level officials. They did not totally agree with the formal performance evaluations of IPFSs because the evaluation

system was imposed by the Alpha Ministry. Thus, there is a possibility that IPFSs did not wholly reflect the real performance of employees. For example, senior-level official #4 criticised:

> For me, I say … the concept of formal evaluations of IPFSs basically is not workable ...This system was imposed by the Alpha minister. It was adopted by the leadership: 'We use the balanced scorecard!' … Then the minister called the consultants to implement the balanced scorecard. I think it is ... a misconception of the balanced scorecard ... that we should measure non-quantifiable things ... If I am measured by the number of people that I serve, the number of people that I serve is out of my control! I cannot control … because whoever comes to me has to be served anyway. Thus, many things that are not measurable now are measured ... (*senior-level official #4*).

Senior-level official #1 also offered a similar statement. He expressed his resistance by ignoring the system and defined the formal evaluations of the IPFSs as a traditional way to evaluate employee performance. He said:

> This formal evaluation system I think is a traditional way. In marketing, maybe we call it '1.0', reward and punishment! I think it is very traditional ... Reward and punishment can create intimidation. Employees only work when we control them ... That is why I don't care much for this system. I asked my private secretary to fill in the forms (*senior-level official #*1).

Another possibility is that blending a personal scorecard that is more objective with a behaviour assessment that is more subjective created ambiguity in the performance evaluations. Ferreira and Otley (2009) suggest mixing a balanced scorecard evaluation with a subjective evaluation may create uncertainty regarding evaluation criteria. This sentiment is echoed in the following quote:

> … our big homework is to make a fair behaviour assessment … How we can make a fair behaviour assessment for each other ... It is still a long journey. When we talk about performance it is quantitative and the data validity can be verified. For example, the levy revenue target. It has been clear, and employees cannot cheat with the number. However, for the behaviour assessment, it is still hard …, difficult ... And we have not found the best solution for this (*mid-level official #4*).

Evidence also reveals that employees were concerned more with the deadline for submitting data than with the substance of formal evaluations. This was because a computer network issue delayed the data entry process, which was postponed several times. Mid-level official #8 said:

> Now the discussion is not about the substance, such as the quality of the indicators, anymore. It is now about whether the due date to enter

the data will be extended. And it has been extended several times. It was because the capacity of the computer network of the Alpha Ministry was not sufficient. When the due date arrived, many employees had not filled in the data. What could they do? Inevitably, they had to wait. Then the due dates were extended again ... It became a repeated story ... (*mid-level official #8*).

On the contrary, rather than using the formal evaluations of IPFSs, some senior-level officials introduced their own 'informal evaluations'. For example, rather than just using the available formal data, senior-level official #1 talked informally with his subordinates to evaluate their performance results. This approach gave him a better understanding related to the actual performance of his subordinates, and he called this approach 'leadership with heart':

> An important thing for me is how the children [*referring to his subordinates*] work. Mostly I talked to them, directly monitored them. Thus, a chemistry happened. My leadership is a 'leadership with heart'. Now we change to '2.0', where in a marketing concept a 'customer is the king'. What I think that we need is the concept of 'care'. We need to care for our friends [*referring to mid-level officials that he supervises*]. I don't know how to measure it. However, we work together with heart, caring when they are sick. I think it could be more effective (*senior-level official #1*).

This statement indicates that senior-level official #1 referred to his subordinates as his 'children'. He also treated other managerial employees under his supervision as his 'friends'. The use of this informal evaluation was also expressed by senior-level official #4:

> When you talk to my subordinates, more or less, it is my leadership factor that motivates them ... They felt something like: 'Sir, I felt ashamed for you' When I asked why, they said: 'The ultimate outcome has not been achieved.' I told them: 'Do not care too much. Have you done your homework? I just want to talk about your homework.' ... Approaching such this would create a comfortable environment for working. The subordinates then wanted to achieve. They had a dignity ... I never run after them ... I told them: 'I will do my job. You have to do your jobs. Let's work together. Forget about the ultimate outcome. There are other factors that affect the ultimate outcome ..., such as the levy payers, economy, social factors, political factors.... that we could not control... (*senior-level official #4*).

Although senior level officials did not put much value in IPFSs, evidence suggests that the introduction of the behaviour component might have changed the behaviour of some senior-level officials. The following quote points out that senior-level officials had to behave well in front of their subordinates because they were assessed by subordinates

and peers. As such, lower-level employees were able to influence the behaviour of senior officials.

> Because we implement the 360-degree behaviour assessment, where every person is assessed by peers, superior, or subordinates, there is a certain awareness that is built through this activity that everyone will be watched and assessed by the superiors, 'sides', or 'bottoms'. These are the new values that we inject. Thus, senior level officials can't behave however they like anymore. As a leader, we should behave as a leader ... because our subordinates assess … and our sides also assess us ... as the peers … whether we have a synergy ... Whether we are a good team player. All will be assessed ... (*senior-level official #3*).

To complement formal and informal performance evaluations, the organisation also used relative performance evaluations. This kind of evaluation involved rating employees relative to each other. The studied organisation used tournaments and a group of assessors to implement such evaluations. For example, periodically the best employees were selected via tournaments or contests in the 'employee performance award programme' (*Organisational Annual Performance Report 2014*). There were around 4,860 employees who enthusiastically took part in the tournaments each year (*the Director 10 Circular 284/2017*). The organisation also provided a substantial budget for these tournaments. The allocated annual budget from the head office to all regional offices was around 5 billion rupiahs (NZ$ 500 thousand) (*the Director 10 Circular 284/2017*). Senior-level official #1 and low-level official #8 noted:

> We have information technology contests. I asked my employees to set up teams. Then we would evaluate their innovations (*senior-level official #1*).

> From monthly evaluations …, individuals would be evaluated based on their individual scorecards and behaviour scores… [Then], there were the best employees of the month … (*low-level official #8*).

The aim of these tournaments was to recognize employees that performed well and to motivate improved performance. The organisational annual performance report stated:

> The Employee Performance Award programme is a form of appreciation for employees who perform well and [this programme] is expected to strengthen employees' motivation to carrying out their tasks and responsibilities … (*the Organisational Annual Performance Report 2015*).

All told, the evidence regarding performance evaluation suggests formal, informal, and relative performance evaluations existed in the organisation. The formal

evaluation was shown in the IPFSs, the informal evaluation by some mechanisms used senior-level officials, and the relative performance evaluation was reflected in employee tournaments.

Evaluations also reflect objective and subjective criteria. More objective performance evaluation was indicated in the IPFSs, more subjective evaluation was shown in the behaviour assessment, competency assessment, senior-level official informal evaluation, and relative performance evaluations. These findings give insights on how subjective performance evaluation is practised within an individual (rather than organisational) level PMS, which is less well examined in management accounting research (Chenhall, 2012; Chenhall & Langfield-Smith, 2007; Stringer, 2007).

6.2.4 Reward Systems

Reward systems involve acknowledging positive outcomes of performance evaluation. Organisations often design both short and long-term financial rewards (Ferreira & Otley, 2009). Short-term financial rewards are generally bonuses and salary increases (Ferreira & Otley, 2009). In contrast, long-term rewards are a "long term progression and promotion" to higher levels which involves a permanent increase in salary (Ferreira & Otley, 2009, p. 273). Moreover, employees may also receive non-financial rewards. These rewards involve informal praise, appreciation, or recognition from senior managers that can greatly affect subordinates' behaviour (Ferreira & Otley, 2009).

Rewards are also a form of control to hold individuals accountable for their actions and results (Merchant & Otley, 2007). To this end, rewards can be withheld and be perceived as penalties by employees who fail to achieve performance targets (Ferreira & Otley, 2009; Merchant & Otley, 2007).

6.2.4.1 Process of Reward Systems

There were three different kinds of rewards in the studied organisation and therefore three different processes to consider. First, there were monthly incentive payments. These payments are consistent with what Ferreira and Otley (2009) label as short-term financial rewards. They were calculated by the administrative support function in each organisational unit and were computed for each person in the unit. They were based on the organisation's collective achievement relative to the annual national levy revenue target and the hierarchical level of an employee. The higher the level, the greater the monthly incentive payments. These incentive payments were paid to individuals on a

monthly basis in the following year. For example, senior-level official #2 received monthly incentive payments of 56,780,000.00 rupiahs (around NZ$ 5,780) (*the Presidential Regulation 37/2015*). He explained:

> Our incentive payments are calculated based on the job level … This level is also connected with the [basic] salary payments. I am paid based on this level ... (*senior-level official #2*).

Second, the organisation had long-term financial rewards. These rewards were tied to promotions. Specifically, individuals were awarded higher salary and monthly incentive payments when promoted. For example, senior-level official #2 described how he would receive higher salary and monthly incentive payments if promoted to a higher hierarchical level:

> If I am promoted to a higher level, my salary and incentive payments could also be increased ... (*senior-level official* #2).

Any promotion was based on the competency assessment scores and other subjective factors, such as the recommendation from the superiors, not the IPFSs. It was because the Alpha Ministry did not impose the use of IPFSs as the primary basis to promote employees in the organisation (*The Alpha Ministerial Decree 467/2014*). Low-level official #11 illustrated the promotion process:

> For example, the requirements for promotions to mid-level managerial positions were based on 'salary rank', current hierarchy level, and so on. These requirements did not mention the [IPFSs] … (*low-level official #11*).

Third, the organisation had non-financial rewards available through participating in tournaments. These rewards thus are equivalent to 'tournament rewards' mentioned in the literature (e.g. Connelly et al., 2013; Kelly & Presslee, 2017). They acknowledged superior performance in tournaments through certificates and trophies. An internal circular stated the aim of these tournament rewards:

> Tournaments are conducted to provide rewards to employees based on their performance, to nurture performance culture in the organisation, and to develop performance- and competency-based HRM system … (*the Director 10 Circular 284/2017*).

There were also non-financial rewards of 'courtesy meetings' with the leaders, overseas training, and the presidential medals in the organisation (*The Alpha Ministerial Decree 7/2016*). These rewards were given based on various reasons, such as IPFSs, tenure as a government official, and other criteria.

6.2.4.2 The Reward Systems

In 2016, the monthly incentive payments of mid- and senior-level officials were penalised by a deduction in their monthly incentive payments because the organisation did not achieve its overall revenue target in 2015. For example, the monthly incentive payments of senior-level official #2 were reduced from 56,780,000 rupiahs (around NZ$ 5,780) to 45,425,000 rupiahs (around NZ$4,543).

Only mid- and senior-level officials were penalised because the monthly incentive payments for mid- and senior-level officials were high so to reduce these rates would not seriously damage their morale. Moreover, mid- and senior-level officials were a smaller group than low-level officials and non-managerial employees, estimated at 2% of all employees (*the Organisational Annual Performance Report 2014*). Thus, fewer employees would be affected by cuts in incentive payments. The director general lobbied the president and the Alpha minister so the penalty was not imposed on low-level officials and non-managerial employees to avoid potentially damaging the morale of the majority of employees. Mid-level official #8 shared the story:

> A lot of rumours… *Yah…*, the children (*referring to low level officials and non-managerial employees)* were smart. They calculated that their incentives could be reduced … even lower than before the new incentive scheme was introduced. But when the penalty was imposed, they were not included. The director general 'met' with the president and the Alpha minister so these employees were excluded from the penalty. Thus, the incentive reduction only happened at mid- and senior-level officials (*mid-level official #8*).

Employees of the studied organisation were realising long-term financial rewards through promotion which can be seen in the following statistics covering 2015-2016:

- 14 to 25 employees were promoted to senior level managerial positions;
- 61 to 111 employees were promoted to mid-level managerial positions, and
- 969 to 999 employees were promoted to low level managerial positions (*the official website, n.d.*).

Senior-level official #4 mentioned these promotions were effectuated by the HRM function and thus these employees were most likely promoted because of their competency scores instead of their IPFSs:

> Promotions were based on HRM system … In fact, HRM people did not see IPFSs when employees were promoted ...When promoting, they used competency scores … (*senior-level official #4*).

As revealed previously in the dimension of performance evaluation, the HRM function did not use IPFSs because these scores could not differentiate employee performance.

Non-financial rewards were used extensively to acknowledge individual performance. For example, 64 and 97 employees in units were awarded as the best employees of the year for particular skills revealed through tournaments in 2013 and 2014 respectively (*the Organisational Annual Performance Report 2013 and 2014*). These awards were conveyed in formal ceremonies attended by the director general and the Alpha minister, and these employees were selected based on the recommendations of their superiors, the IPFSs, and the results of tournaments.

Furthermore, six employees received 'silver' and 'bronze' medals through participation in a contest in 2016 (*the Organisational Annual Performance Report 2016*). They were assessed by independent juries. Also, 98 and 134 employees received overseas training in 2013 and 2014 respectively (*the Organisational Annual Performance Report 2013 and 2014*). These employees were likely selected based on their IPFSs. Mid-level official #9 said:

> IPFSs are one of the factors for giving rewards and punishment. The nature of these rewards can be overseas training, decided based on these IPFSs *(mid-level official #9).*

Every year, three employees were also selected and granted presidential medals of 'gold', 'bronze', and 'silver'. These were announced at a ceremony to celebrate 'Financial Day of the Republic of Indonesia' on 30 October. These employees were selected based on their IPFSs and how long they had worked as a government official (*The Alpha Ministerial Decree 7/2016, the official website, 2013*).

This evidence suggests that to motivate employees to achieve their performance targets and align their goals with those of the organisation, the organisation blended financial and non-financial rewards. In line with the literature (Hope & Fraser, 2003), the financial rewards were not based solely on the achievement of performance targets. Rather, they were based on the combination of collective achievement of the national levy revenue target, individual competency scores, and other subjective factors. Generally, they were not based on IPFSs. In contrast, after being mixed with other subjective criteria, IPFSs were used for granting non-financial rewards, which were less tangible. It seems that IPFSs were more acceptable for less tangible rewards because these rewards could evade potential conflicts among employees in the organisation. Taken together, in

contrast to previous studies (e.g. Jurnali & Siti-Nabiha, 2015; Kealesitse et al., 2013), these findings show the link between performance evaluation and reward systems (Ferreira & Otley, 2009; Otley, 1999; Stringer, 2007) in a public sector organisation in a developing country.

6.2.5 Reflection on the Individual Level PMS

The results presented in this chapter suggest that the individual level KPMs and targets might not directly represent the actual activities of employees. Thus, it may not be appropriate to assess employees based solely on their achievement of KPMs and targets. Furthermore, although the introduction of individuals KPMs and targets gave employees better knowledge of organisational goals, these KPMs and targets inhibited senior level officials from assigning other jobs to their subordinates.

The findings related to the individual level PMS also indicate a tension between formal and informal control activities in the organisation (Evans & Tucker, 2015). Both flexible and rigid uses of controls were shown in the organisation to align individuals' goals with organisational goals. However, to improve individuals' performance and influence their actions, the organisation relied more on formal procedures of individual KPM design, target setting, and performance evaluations of IPFSs. Yet, the competency assessments, informal performance evaluations, and relative performance evaluations were also heavily relied on by the organisation.

Furthermore, short-term rewards, long-term financial rewards, and non-financial rewards were also operated in the organisation. However, it was surprising that rewards were not exclusively based on the formal evaluations of IPFSs, but also as the results of the competency assessments, informal performance evaluations, and other subjective performance evaluations. In brief, evidence shows the studied organisation using both MA (Kaplan & Norton, 1996b, 2001b) and HRM control (e.g. Borman, 1997; Chugh & Bhatnagar, 2006; DeNisi & Pritchard, 2006; Hazucha et al., 1993; Silzer & Church, 2009) approaches to assess and improve individual performance. However, HRM control approaches had a greater influence on individual actions as evidenced by the change of the behaviour of some senior level officials because their behaviour was assessed by subordinates and peers.

6.3 Chapter Summary

This chapter has examined the individual level PMS dimensions from the Ferreira and Otley (2009) framework in the studied organisation. The specific dimensions

considered were numbers five to eight, i.e. KPMs, target setting, performance evaluation, and reward systems. The findings showed substantial evidence that the studied organisation implemented all four of these dimensions. However, while the organisation had relatively straightforward processes for its performance evaluation and reward systems, the processes to design and implement individual KPMs and targets were complex and appear to have been used essentially as compliance mechanisms to fulfil regulatory requirements.

The next chapter will explore the integration of individual and organisational level PMSs in the studied organisation, as well as culture and contextual aspects that affected integration.

Chapter 7

THE INTEGRATION OF ORGANISATIONAL AND INDIVIDUAL LEVEL PMSS AND THE ROLE OF CULTURE AND CONTEXTUAL FACTORS

7.1 Introduction

Chapters 5 and 6 analysed the organisational and the individual level PMSs in the studied organisation. The findings of this chapter primarily address the second and third research questions, which relate to the challenges and benefits when integrating organisational and individual level PMSs. It also discusses how the integration could be improved.

The dimension of 'strength and coherence' (dimension 12) of the Ferreira and Otley (2009) framework indicates a need to understand the development of integrated PMSs in an organisation. In particular, Ferreira and Otley (2009) suggest critically analysing the strength and coherence of the links between the elements of PMSs in an organisation. In addition, the dimensions of 'information flows, systems, and networks' (dimension 9), 'PMSs use' (dimension 10), and 'PMS change' (dimension 11) are also related to the development of integrated PMSs (Ferreira & Otley, 2009). They are related because they have a role in connecting the elements of PMSs. Furthermore, organisational members may use PMSs to review or validate the intended strategies and then produce new and modified strategies. Moreover, the links between the elements of PMSs may change over time.

Therefore, first, this chapter reports the findings related to the efforts, outcomes, benefits, and challenges in the development of integrated organisational and individual level PMSs in the studied organisation. Understanding the development of integrated PMSs and its outcomes will give some sense of how PMSs emerge into current practice in an organisation (Ferreira & Otley, 2009). Specifically, exploring the challenges in integrating PMSs will help to understand what can be done to improve integration (Giovannoni & Maraghini, 2013). Second, this chapter explores the role of culture and

contextual factors in the development of integrated organisational and individual level PMSs. Ferreira and Otley (2009) suggest that the study of PMSs can get more benefit when considering culture and contextual factors because they may help to examine the appropriate design of PMSs in different contexts.

Each of the following sections will be divided into two parts. The first part discusses the efforts, outcomes, benefits, and challenges experienced by people within the studied organisation as they attempted to integrate the organisational and individual level PMSs. The second part reviews the role of culture and contextual factors in the integration process.

7.2   The Integration of Organisational and Individual Level PMSs

7.2.1   Efforts towards Integration

In the studied organisation, the efforts to integrate organisational and individual level PMSs included three key elements.

7.2.1.1 New Individual Level PMS

The organisation introduced a new individual level PMS to compensate for, or balance, an old national individual appraisal system. Organisational managers felt that the old national system introduced in 1979 was too subjective to be useful as a basis for assessing individual performance. As commonly practised in Indonesian government organisations (Turner et al., 2009), this old national system was used subjectively to assess individuals. Specifically, to evaluate government employees the old system used criteria like loyalty to the state ideology, productivity, responsibility, compliance, honesty, cooperation, initiative, and leadership (*the Government Regulation, 10/1979*). Employees at the time were promoted mainly based on how long they had served in the organisation. Moreover, individual performance evaluation was not tied to organisational performance evaluation but was perceived as a bureaucratic exercise as described by an interviewee:

> In the past, we appraised individuals separately from the organisation. Thus, there was no connection with the organisational performance. It was felt like: 'Just do this individual appraisal as a routine.' The appraisal results were only used for the administrative requirements of salary rank promotions … Furthermore, in the past, employees were assessed based on whatever they liked. I remember when my boss told us: 'Hi, just assess … by yourself. How many are you in the group? Three? Just make different scores, one point between you. Just choose among all of you who will get the highest score.' Those were the past story of individual appraisals ... (*senior-level official #3*).

The new individual level PMS was introduced in 2010 in the post-Suharto era. This system basically was imposed by an Alpha Ministry official who had formal authority to supervise the studied organisation. In this individual level PMS, employees were assessed based on their behaviour and performance results, as two interviewees noted:

> The year 2010 was a pilot project to implement performance management for some individuals … This individual level performance management system was implemented when the Alpha minister was Mr. AM … an ex-chief executive officer of Bank M [the biggest state national bank in Indonesia] (*low-level official #6*).

> It is true that, for organisations, it is actually about designing organisational KPMs ... However, how about the measurement of individuals? … Now individuals are assessed from their behaviour and individual performance results ... (*senior-level official #2*).

The role of the Alpha Ministry in influencing the development of PMSs in the organisation will be examined further in section 7.3.

7.2.1.2 KPM and Target Alignment

The new individual level PMS, in 2011 was connected with the existing organisational level PMS by aligning the KPMs and targets used at these two levels. The connection was complex because it also linked the individual KPMs and targets of different individual hierarchies. To manage this complexity, the organisation connected the KPMs and targets of these two levels by designing the organisational units' KPMs and targets in its directorate, regional, and branch/operational offices. The organisation had around 15 directorate units in the head office, 32 regional offices, and 574 branch/operational offices, across the country (*the Organisational Annual Performance Report, 2013*). Therefore, multilevel PMSs (de Haas & Kleingeld, 1999) were operated in the organisation. In principle, the organisational KPMs and targets were managed in multilevel BSCs, while the individual KPMs and targets were managed in multilevel individual scorecards. As discussed in Chapters 5 and 6, these multilevel BSCs were linked as illustrated in Figure 7.1.

Specifically, the figure shows that the organisation had a top level or corporate BSC (Kraus & Lind, 2010) that contained top level KPMs and targets. This top level BSC by design became the individual scorecard of the director general as the highest ranking manager in the organisation. This top level BSC was then cascaded down to the directorate/regional office BSCs, which contained the KPMs and targets for the directorate/regional offices. These directorate/regional office BSCs became the

individual scorecards of the directorate/regional office heads. These individual scorecards then were cascaded down to managerial and non-managerial employees in the directorate/regional offices. Next, the directorate/regional office BSCs were cascaded down to branch/operational offices' BSCs. As in the directorate/regional office level, these BSCs then formed the individual scorecards for the branch/operational office heads. These individual scorecards hence were cascaded to managerial and non-managerial employees in the branch/operational offices.
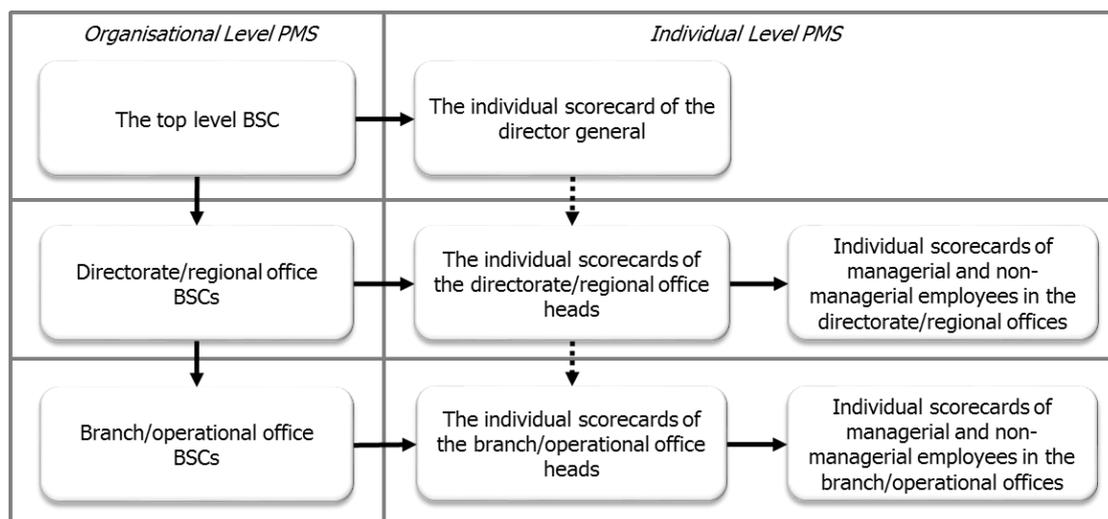
Figure 7.1 The linkages of organisational and individual level PMSs in the organisation. Solid line arrows indicate clear linkages, while dashed line arrows indicate potential linkages. Modified from the presentational material of The Alpha Ministerial Decree 467/2014.

As also has been briefly introduced in Chapter 6, Figure 7.1 suggests a close connection between the individual KPMs and targets of the director general with the top level organisational KPMs and targets. Furthermore, there also might be close links between the individual KPMs and targets of the directorate/regional office heads and the directorate/regional office KPMs and targets, and between the individual KPMs and targets of the branch/operational office heads and the branch/operational office KPMs and targets. Moreover, there might be explicit linkages between the organisational KPMs and targets for different organisational hierarchies as well as potential linkages between the individual KPMs and targets for different individual ranks. Also, there could be linkages between the KPMs and targets for managerial and non-managerial employees inside the directorate, regional, branch, and operational offices and the KPMs and targets for their organisational units. However, because of time lags between designing KPMs and targets for individual employees and designing the top level organisational KPMs and targets, individuals' KPMs and targets might not be entirely coherent with the top level organisational KPMs and targets. For example, low-level official #8 had five individual KPMs and targets that were not cascaded from the top level organisational

KPMs and targets. These KPMs and targets were totally different from the organisational KPMs and targets. This evidence supports Ferreira and Otley's (2009, p. 275) ideas related to dimension 11 of their model (PMSs change) that there could be incoherent linkages between the elements of PMSs across different hierarchical levels in an organisation because of the different timing of designing PMSs across these levels.

Technically, the connections between organisational and individual level KPMs and targets were guided by an Alpha ministerial decree:

> After the top level's strategic objectives and KPMs have been developed, they are cascaded … to lower organisational units and employees. Thus, these top level's strategic objectives and KPMs can be executed by all parties in the organisation … Subordinates also need to design their KPMs that support the KPMs of their superiors … (*The Alpha Ministerial Decree 454/2011*).

Interviewees explained how they saw this working within the organisation:

> We tried to link our organisational performance management with the HRM concept of individual performance management (*senior-level official #2*).

> Because I have a strategy map, my organisational unit's performance becomes my individual performance. For employees that are below my hierarchical level, such as low level officials and non-managerial employees … they have their own individual performance that reflects the organisational unit's performance. In fact, individual performance targets are cascaded from the performance targets of this organisational unit (*middle-level official #9*).

These statements suggest that the development of integrated organisational and individual level PMSs was not purely based on the MA concept of a cascading BSC. It also adopted HRM concepts related to individual performance management, seemingly combining the results-based and resources-based approaches suggested in the HRM literature (Shields, 2007) to integrate organisational and individual level PMSs. The results-based approach is indicated by measuring individuals based on their performance results cascaded from the organisational performance results, while the resources-based approach is shown by assessing individuals based on their behaviours. In the organisation, this strategy was also known as blending the approaches of 'strategic score assessment' and 'behaviour score assessment' (*middle-level official #5*).

Furthermore, as explained in Chapter 6, employees were not only evaluated based on their individual scorecards cascaded from the organisational BSC, but also based on their behaviours and competencies. This evidence clearly supports Ferreira and Otley's

(2009) ideas regarding dimension 9 of their framework (information flows, systems, and networks) that PMSs in an organisation may comprise both accounting control approaches and non-accounting control approaches.

These findings also contribute to understanding how to link organisational KPMs and targets with individual KPMs and targets. While Ferreira and Otley (2009) indicate KPMs and targets may operate at different levels in an organisation and suggest evaluating performance at the levels of individual, group and organisation, they do not explicitly explore how to link the KPMs and targets of organisational and individual levels. Present findings show how the studied organisation accomplished this linking through designing organisational unit KPMs and targets. Moreover, these results give more insight into the process of cascading top level KPMs and targets down to the individual level in an organisation. Previous studies have indicated the possibility of cascading organisational KPMs and targets to organisational units and then to individuals (e.g. Agostino & Arnaboldi, 2012; Cheng, Luckett, & Mahama, 2007; Speckbacher et al., 2003), but they do not explicitly explain the cascading process. The process revealed for the studied organisation was cascading KPMs and targets from top level to lower hierarchical levels as shown in Figure 7.1 but with flexibility to add KPMs and targets suitable to a particular position. In addition, these findings explain in more detail the potential linkages between individual scorecards for non-managerial employees and the organisational BSC, since these previous studies have focused primarily on managerial levels only.

Furthermore, in contrast to a previous study (Kaplan & Norton, 1996b), this study provides evidence that individuals in an organisation might have individual KPMs and targets that are not cascaded from the top level. As briefly discussed in Chapter 5, in the studied organisation these KPMs and targets were known as 'non-cascading' or non-mandatory KPMs and targets. For example, senior-level official #1 had nine non-cascading KPMs and targets. This suggests that the organisation gave more flexibility for individuals in the organisation to design their KPMs and targets. Moreover, because the organisational unit KPMs and targets became the individual KPMs and targets of managers who led the organisational units, some individuals had more than five KPMs and targets. For example, senior-level official #1 had twelve individual KPMs and targets. This finding is different from the number of individual KPMs that were found in a previous study: Kaplan and Norton (1996b) found that individuals had five KPMs, while this study found more than five individual KPMs.

7.2.1.3 Performance Management Taskforces

Organisational performance management taskforces were a key integrating mechanism for the studied organisation. For this reason, this section begins with a further description of the taskforces and then discusses how they functioned to integrate organisational and individual level PMSs.

As briefly discussed in Chapter 5, these taskforces were established at different hierarchies in the organisation to coordinate the connections of organisational and individual level PMSs in each organisational unit and ultimately in the organisation as a whole. Formally, these taskforces had similar jobs that mainly manage organisational performance (*The Alpha Ministerial Decree, 467/2014*). Overall there was one taskforce in the head office and 32 taskforces in regional offices, which worked very closely as a network in the organisation (*the official bulletin, 18/2013*). The taskforce in the head office was responsible for managing the overall organisational performance, while the taskforce in each regional office (unit) was responsible for managing that unit's performance. In the head office, members of the taskforce were selected annually by the director general from all 15 directorates or functions in the head office. In 2016, there were 38 members of the head office taskforce. Its activities were led by a mid-level official in the organisation who was responsible for monitoring the overall organisational performance. Members of this taskforce also worked collaboratively with the organisational performance management taskforce of the Alpha Ministry established to manage the overall performance of the ministry. For regional task forces, members were selected by the regional manager. They came from different functions or divisions in each regional office. In general, they were led by a mid-level official who was responsible for data management in the regional office. Each regional taskforce also was supported by teams established in branch/operational offices, which were known as associates of organisational performance management taskforces (*the official bulletin, 27/2016*). An interviewee explained:

> Because our organisation uses BSC, our individual performance achievement has to be connected with organisational achievement …
> In every organisation unit, there is an organisational performance management taskforce. In fact, I was always involved in their meetings although I was not a member of the taskforces … That is why the organisational level performance management is always linked with the individual level performance management (*senior-level official #5*).

While members of the organisational performance management taskforces mainly came from within the organisation, they also communicated with external institutions.

Periodically, some of their members were sent to external training institutions in Indonesia and overseas to learn about BSC theory. A mid-level official who was a member of an organisational performance management taskforce noted:

> Since we had agreed on the BSC measurement tool, then we started to learn what it is … how to measure …what the BSC is... We made an organisational unit that studied what the BSC is. There should be people who focused on the management aspect ... There should be people who thought how we could distribute the BSC to all stakeholders … There should be people who persuaded other people that the BSC is helpful …, why …, and so on ... To make this happen, we trained people … Every year there were 8 or 10 people who were trained overseas ... (*mid-level official #9*).

In the beginning, the Alpha Ministry also recruited consultants to assist the taskforces in promoting the organisational BSC. When the individual level PMS was introduced, members of the organisational performance management taskforce at the level of Alpha Ministry modified the BSC by themselves (*the official bulletin, 21/2014*). This external influence of the Alpha Ministry will be explained further in section 7.3.

To integrate organisational and individual level PMSs, these taskforces ran regular meetings to link organisational and individual KPMs and targets between different hierarchies in each organisational unit and across the organisation as a whole. Since the organisation had many regional and branch/operational offices across the country, these taskforces also had national meetings attended by around 105 employees as the representatives of various organisational units (*the organisational annual budget, 2016*). In these meetings, members of the taskforces facilitated dialogue between managers from different organisational functions and hierarchies, as well as between subordinates and superiors. The purpose of the dialogue was to negotiate the KPMs and targets between different functions and hierarchies. In this dialogue, the taskforces had a role to assure the interests of different functions and hierarchies in the organisation were balanced and harmonised. Two interviewees noted the important role of the performance measurement taskforces:

> Individuals gave inputs to the organisational performance management taskforces in their units. Then, these taskforces talked with the taskforces in the upper and top levels ... Their meetings were input to the modification of organisational KPMs. These taskforces also asked regional offices whether they had inputs or not.... (*low-level official #8*).

> In the past, employees [middle level managers] were those 'who managed' …, now employees are those 'who *are* managed' by the organisational performance management taskforces ... I am in fact an

> employee who is individually managed by the organisational performance management taskforces … They had national meetings (*mid-level official #9*).

As explained in Chapter 6, these taskforces also had additional roles of facilitating and controlling the design of individual KPMs and targets, as well as ensuring the alignment of these individual KPMs and targets with organisational KPMs and targets. Additionally, as explained in Chapter 5, these taskforces reviewed the formulated five-year organisational strategies and then, at the beginning of the year, created annual organisational strategies. The taskforces used these annual strategies as the basis for designing organisational annual KPMs and targets, which then would be used as the basis for designing annual individual KPMs and targets. These taskforces also assured the quality of organisational KPMs and targets, reported organisational annual performance results, and compelled organisational units to improve their performance through introducing challenging annual KPMs and targets.

Moreover, these taskforces played a role in controlling the linkages between individual performance results and organisational performance results by ensuring that when individuals were generally reported as having underperformed, the overall organisation was also reported to have underperformed. An interviewee said:

> In every [organisational unit], there is a performance taskforce. These taskforces monitored and summarised performance results ... When individual performance results were [reported as being] bad, then the organisational performance unit's results would also be [reported as being] bad. Thus, the top-level performance results would also be [reported as being] bad (*senior-level official #1*).

These results suggest that the organisational performance management taskforces played a substantial role in integrating the organisational and individual level PMSs. They achieved this by not only running meetings and facilitating dialogue, but also by controlling the linkage between the evaluations of organisational performance results and individual performance results.

7.2.1.4 Summary of the Integration Efforts

These results help to answer the research question on how the integration of organisational and individual level PMSs developed. The evidence suggests that the organisation integrated the organisational and individual level PMSs through technically connecting the core elements of the PMSs used at these two levels, which were KPMs and targets. Furthermore, the organisation utilised the organisational performance management taskforces and their activities to shape the connections through

communicating the elements of PMSs at the organisational level to individual level, collecting feedback from the individuals related to these elements, and communicating this feedback to the organisational level to improve the elements. Moreover, it used the taskforces and their activities as a control mechanism to observe and monitor whether the organisation had the right strategies in place (Tessier & Otley, 2012a). In addition, the organisation used the taskforces to control the linkage of the performance evaluations at the organisational and individual levels. Taken together, this gives the idea that the organisation used the PMSs interactively to plan and evaluate organisational and individual performance. In summary, the organisation utilised technical and social approaches to integrate organisational and individual level PMSs. The technical approach was revealed in the introduction of a new individual level PMS and connecting KPMs and targets between organisational and individual levels. A technical approach is also seen in the connections made between organisational and individual performance results. The social approach was evident in the utilisation of organisational performance management taskforces to facilitate the implementation of the technical approach. Evidence suggests that the social approach played a crucial role in complementing the technical approach.

These efforts reflect Ferreira and Otley's (2009) idea that PMS practices in an organisation may change and evolve over time. They also provide support for Ferreira and Otley's (2009) conjecture that the lack of use of one control system, here the old national individual appraisal system, can be compensated for by using an alternative control system, here the new individual level PMS. Further, the studied organisation used a variety of control mechanisms to integrate its organisational and individual level PMSs, combining formal, technical mechanisms with more subtle social or informal mechanisms (Collier, 2005; Ferreira & Otley, 2009).

7.2.2 Outcomes of the Integration Efforts

The interview evidence revealed several outcomes of the organisation's efforts to integrate its individual and organisational level PMSs. For example, individual KPMs and targets reflect organisational KPMs and targets. Evidence indicates that the organisational KPMs and targets are now cascaded down to individual KPMs and targets. Employees may only design their KPMs and targets after the organisational KPMs and targets are designed. Two interviewees mentioned this outcome:

> The integration [of organisational and individual level performance management] can work now because it was connected through the

cascading mechanism of KPMs and targets from the top level to the bottom level (*low-level official #3*).

The organisational and individual level performance management feel integrated because individual KPMs and targets may only be designed after the design of organisational KPMs and targets … They are moved down from top to bottom through cascading ... (*mid-level official #1*).

Next, individual rewards and promotions are tied to organisational performance results. Employees are now assessed based on organisational performance results that are cascaded down to, and included as part of, individual performance results (*The Alpha Ministerial Decree 241/2015*). These individual performance results also have consequences for the promotion of employees. As briefly explained in Chapter 6, individual performance rewards are now also closely connected with the achievement of the ultimate organisational outcome. Two interviewees said:

Employees are now assessed based on the achievement of their KPMs and targets that are cascaded from organisational KPMs and targets ... We have performance remuneration. Our scores in individual performance results will influence our performance remuneration ... Also, when our individual performance scores are 'not good', our salary ranks may not be promoted ... (*low-level official #5*).

Now individual performance scores are derived 25% from organisational performance scores [for non-managerial employees]. These individual performance scores become the basis for grading these employees (*mid-level official #4*).

Furthermore, the organisation has several new and modified strategies. For example, as reported in Chapter 5, in 2015 the organisation introduced four new strategies related to better public relations, competitive pay for employees, integrated management information systems, and optimised budget management. These new strategies were added to the five-year intended strategies. Furthermore, in 2016 the organisation modified their strategy of "better law enforcement" to two related strategies of 'better investigation and collection activities' and 'better quality control'. These new and modified strategies were produced based on feedback from meetings at different organisational hierarchies, which was discussed further in the national meetings of organisational performance management taskforces, as noted by two interviewees:

There was also feedback to organisational strategies ... Organisational strategies were not changed every year, but they could change after two years … The inputs of the changes were from the national meetings … (*mid-level official #9*)

Yes, there were modified strategies ... In year 2016 there was a change. For example, in the past there was only one strategic objective for a

particular strategy, now there are two objectives. After discussion in the meetings, then they were formalised in a decree (*low-level official #11*).

This evidence also supports Ferreira and Otley's (2009) ideas in dimension 10 of their framework (PMSs use) that new or modified strategies may arise when an organisation uses control systems strategically to review the intended strategies through open discussions between managerial and non-managerial employees. Ferreira and Otley (2009, p. 275) introduce this concept as the use of PMSs for "strategic validity control" to complement the "interactive use of controls".

The results also suggest that the organisational communication is improved. The communication network now assists the flow of information between organisational and individual level PMSs in the organisation. This supports Ferreira and Otley's (2009) ideas in dimension 9 of their framework (information flows, systems, and networks) that a network may play a key role in disseminating information in an organisation. The evidence from this study indicates that the taskforces communicated organisational strategies, KPMs and targets from the organisational level PMS to the individual level PMS and, in reverse, communicated feedback from the individual level PMS to the organisational level PMS. However, in contrast to Ferreira and Otley's (2009) ideas, these taskforces and activities were not purely an informal network. Rather, they were a formal network because they were formally established and their activities were arranged systematically. Moreover, their roles were not only to disseminate information as suggested by Ferreira and Otley (2009), but also to enforce the connections between organisational and individual level PMSs. In addition, the existence of the taskforces indicates that the organisation used an adhocracy structure (Mintzberg, 1980) to tackle the hierarchical communication gap in the organisation because these taskforces were established temporarily each year rather than permanently as part of the formal organisation structure. This adhocracy structure acted as an alternative communication channel to gather feedback from lower hierarchies and communicated the feedback to higher hierarchies, which was not sufficiently explored in a previous study (Wihantoro et al., 2015), particularly regarding how an organisation might deal with a hierarchical communication gap.

These findings also demonstrate the usefulness of the Ferreira and Otley (2009) framework as a research tool to gain knowledge about PMSs at a particular point in time and how they evolve into their current form. Specifically, the framework guided this study to see the integration of organisational and individual level PMSs not only in terms of the

technical connections between the core elements of PMSs, but also in regard to its historical development and the consequences of the development, as indicated in dimension 11 (PMSs change) of Ferreira and Otley (2009) framework. This historical aspect might have been overlooked if Ferreira and Otley's framework had not been used to guide this study.

Finally, in regard to the outcomes of the PMSs integration effort, it seems that the integration of organisational and individual level PMSs was partially achieved. The organisation did achieve better links between KPMs and targets for organisational and individual levels, and the performance results of these two levels were also partially connected. Furthermore, there was a more obvious link between the achievement of organisational ultimate outcome and individual performance rewards. However, these two PMSs remained loosely coupled and worked independently. This finding suggests that while the organisational performance management taskforces played a substantial role in linking the two levels, the formal authority to manage the individual level PMS remained with individual performance management taskforces. There was little evidence that these two taskforces talked to each other and coordinated the development of integrated organisational and individual level PMSs. This view is acknowledged by an interviewee who led an individual performance management taskforce (*senior-level official #3*) and another who was a member of an organisational performance management taskforce (*low-level official #10*):

> The activities of organisational performance management taskforces are more intense... They arranged meetings with their members from various organisational units. I am only responsible at the level of the individual, which is concerned with the behaviour assessment … and so on. So, I have little engagement with organisational performance management taskforces ... (*senior-level official #3*).

> An arms-length relationship between organisational performance management taskforces and individual performance management taskforces should exist. However, the meeting frequency of individual performance management taskforces was not as much as organisational performance management taskforces. Furthermore, members of the organisational performance management taskforces were mostly selected from various functions, while members of the individual performance management taskforces were mainly recruited from administrative persons, the HRM function ... Thus, for individual performance management taskforces, individual level performance management is just a routine job ... That is why organisational performance management taskforces and individual performance management taskforces have never talked to each other much... (*low-level official #10*).

These findings confirm the expectations of dimension 12 (strength and coherence) of the Ferreira and Otley (2009) framework, and as further conceptualised by Otley (2016), that the operation of PMSs in an organisation is likely not well-coordinated so PMSs may appear as loose-coupled systems or packages instead of well-integrated and coordinated systems. This evidence also supports Ferreira and Otley's (2009) ideas that the ill-coordinated organisational and individual level PMSs might result because the organisational and individual level PMSs are managed by different entities.

The benefits and challenges of this PMSs integration are examined next.

7.2.3 Benefits of the Integration

The findings of this study suggest some benefits from the integration of organisational and individual level PMSs in the case organisation. For instance, participants reported they now had a better knowledge of their organisational goals. In the past, they did not pay sufficient attention to organisational goals. An interviewee said:

> In the past, we never saw a clear relationship: 'What was my contribution to the organisation?' We just had a feeling that indeed there was … When we worked … we thought that the contribution should be there … In the past, we worked disconnected [from the organisational goals] … (*mid-level official #5*).

Because now their KPMs and targets were cascaded from the organisational KPMs and targets, and these KPMs and targets were developed from the organisational goals, they needed to understand the organisational goals well. They also now had better knowledge related to how they should contribute to the organisation. Two officials said:

> Now there is a change … Employees have to understand organisational goals … There is a balance … Now employees do not only consider their individual performance but also their organisational performance (*mid-level official #4*).

> What has been done … is to change the paradigm … that we should understand our contribution to the organisation. … The main change of paradigm is in fact that individual performance can be linked to organisational performance ... This is a strategic value of the integration (*mid-level official #5*).

This evidence indicates that the development of integrated organisational and individual level PMSs has given a strategic value to the organisation. As explained previously, the integration created a space for individuals to review the five-year organisational intended strategies, identity inadequate strategies, and change a strategy into another (Ferreira & Otley, 2009). For example, in the five-year organisational strategies, the intended strategies were largely focused to achieving organisational

ultimate outcome. Because there were open discussions in the organisation across organisational hierarchies facilitated by the organisational performance management taskforces, the organisation then added the five-year organisational intended strategies to include the strategy of competitive human resources, which was to recruit human resources from the private sector with equal or better payment compared to private sector. Moreover, as explained in Chapter 6, the organisation also developed its own assessment centre to assess its employees and develop their competencies, so they could achieve the ultimate organisational ultimate.

Moreover, evidence indicates individual performance assessments became more objective than in the old national individual appraisal system, which was subjective. The more objective assessment was possible because superiors had to give scores to their subordinates based on the individual performance data that was now recorded in the organisational information systems. In the past, employees were only assessed based on their behaviours, which was the subjective assessment of superiors. An interviewee said:

> Superiors can't give scores in the individual performance evaluation reports of subordinates with whatever they like. They can't give high or low scores only based on their subjective judgement … It should be based on the data of individual performance results. That is where I see the good progress … (*low-level official #5*).

Low-level official #5 added that because some of their performance results were calculated from the organisational performance results, employees could not easily manipulate their performance results. In the past, employee appraisal results could be easily manipulated because individuals were purely assessed based on their behaviour such as loyalty and honesty instead of the results they achieved. Now, the behaviour scores were combined with individual performance scores, some of which were cascaded from organisational performance scores. Hence, employees would have to manipulate the organisational performance scores first if they intended to manipulate their individual performance scores, which was hard:

> Individual performance results could not easily be manipulated because they represented the organisational performance results ... Because they were cascaded from organisational performance results, we can't lie. The scores of the organisation became our individual scores (*low-level official #5*).

In addition, the development of integrated organisational and individual level PMSs changed the leadership style of some senior level officials to be more egalitarian because their behaviours were assessed by their subordinates and peers. In the past, senior

level officials were very powerful because they assessed their subordinates and senior level officials were only assessed by their superiors, who were the Alpha minister and the director general. As briefly explored in Chapter 6, since their behaviour was now also assessed by their subordinates and their peers, they needed to communicate well with their subordinates and peers and behave better towards them. They also had to be more attentive to the voices of their subordinates to avoid getting poor behaviour scores. Two interviewees said:

> From the organisational side, there was a change. For example, the leadership. The leaders heard us more … They opened a dialogue with employees ... The voice of employees is heard now ... (*mid-level official #5*).

> The authoritarian people have not existed anymore in this organisation because superiors are also assessed by their subordinates and peers … (*senior-level official #6*).

The role of this cultural aspect in the development of integrated organisational and individual level PMSs will be explored further in section 7.3.

Lastly, the integration of the PMSs also initiated the changing role of the HRM function from personnel administration to be more strategic. In the past, the HRM function main activities were to serve the administration of employees, such as producing employee promotion formal letters. Now, it started to have some activities that could improve individual and organisational performance. For example, this function sought employees who matched with the job positions, improved the competency of employees, and replaced employees who were not matched with their positions. These activities helped the organisation to direct more than 39,000 of its employees so they could reach the organisational ultimate outcome and give better services to levy payers (*the Organisational Annual Performance Report 2016*). For example, as explored previously, this function assessed and improved the competency of employees, so the percentage of responded calls in the organisation's call centre increased to 91.02 percent in 2015 from 90.29 percent in 2014 (*the Organisational Annual Performance Report 2016*). The organisation also received various awards as explored in Chapter 5. Several interviewees also noted:

> The development of integrated organisational and individual level performance management was very fast … It then changed the HRM function to be more strategic … (*mid-level official #5*).

> Indeed, the HRM function will become a strategic human capital next year … We are going to divide the HRM function into two: operational and strategic human capital services (*senior-level official #3*).

These statements suggest that the development of integrated organisational and individual level PMSs changed further the HRM function. The integration triggered the HRM function to work more closely with employees and the organisation. They now needed not only to focus on serving the administration of employees or acting as a HR 'record-keeping office' (DeNisi, Wilson, & Biteman, 2014, p. 220), but also on improving organisational and individual performance. Furthermore, the HRM function would further change to management of strategic human capital. This role would help the organisation treat employees as the investment capital of the organisation through recruiting more competent employees from the market and developing the competency of existing employees (Snell & Dean, 1992). An interviewee added:

> [The HRM function] will become the 'human capital function' and the 'employee administration services function'. It will be started in 2017 … (*senior-level official #2*)

In summary, the development of integrated organisational and individual level PMSs has provided some benefits to the organisation as well as to individuals. The results suggest that the organisation received benefits from reliable individual performance data, more egalitarian leadership style of senior level officials, and a more strategic role for the HRM function. Individuals benefited from better understanding organisational goals and receiving more objective assessments. These findings may suggest that having more egalitarian senior level officials and a better understanding of organisational goals at lower levels of the organisation were the most important outcomes for this organisation. These two benefits could help the organisation and its members to achieve the organisational vision, missions, and key success factors. These findings also support Ferreira and Otley's (2009) ideas in dimension 9 of their framework (information flows, systems, and networks) that when the elements of a PMS are connected, the value of the PMS is greater. These results also support the HRM literature (DeNisi, 2000) that suggests when organisational and individual level PMSs are linked they may influence each other and give more benefits to organisations and employees.

7.2.4 Challenges of Integration

In integrating organisational and individual level PMSs, there were some challenges in the organisation. The main challenges were conflicting regulatory requirements and lack of information technology (IT) capability.

7.2.4.1 Conflicting Regulatory Requirements

There were conflicting regulatory requirements between the Alpha Ministry, which imposed the integration of organisational and individual level PMSs, and the NPA, which imposed a new national individual appraisal system. As briefly discussed in Chapter 6, the Alpha Ministry required employees to produce their annual activity plans based on organisational KPMs, while the NPA required employees to produce their annual activity plans based on their job descriptions. The NPA rejected the Alpha Ministry' ideas of deriving employee activity plans from organisational KPMs and targets because cascading their plans from job descriptions would be easier:

> From my informal talk with the NPA, they wanted to make [the development of employee activity plans] easier. If [the development] is based on job descriptions, all employees would have them … On the other side, [if based on organisational KPMs and targets] … not all government organisations have organisational KPMs and targets … (*senior-level official #3*).

> The systems from the Alpha Ministry and the NPA are not on the same platform ... They do not communicate with each other. The hardest thing is how we combine them … Now, when they are working, employees have to think about the new individual appraisal system from the NPA, but they also have to think about performance management systems from the Alpha Ministry …. (*senior-level official #4*).

In response to the challenge of conflicting regulatory requirements, the top-level management partially decoupled the new individual appraisal system from the development of integrated organisational and individual level PMSs. This was achieved by requiring employees to produce dual performance plans and reports that were submitted separately to the Alpha Ministry and the NPA. Several interviewees noted this:

> There is a repetition … The challenge is why we need to fill in this document and those documents. We see there are two systems that have to be operated by us (*low-level official #8*).

> What is different, as I said, is the new individual assessment system imposed by the NPA ... It is disconnected totally … because this system is not directly linked to organisational success. It is possible that in the new individual assessment system all of our individual performance results are good, but our organisational performance results are not good … (*mid-level official #9*).

> Thus the NPA's system was implemented just to comply ... Honestly, this new individual appraisal system is used only for a formality. It is useless … When we talked with the NPA, they argued that all government employees must follow the rules. They didn't care whether we had advanced systems or not …. However, we tried to ensure that

the NPA's system wouldn't disrupt employees ... Thus … reports are produced for both ... (*mid-level official #4*).

In contrast to Ferreira and Otley (2009), this evidence demonstrates that the loose coupling of the new individual appraisal system with the development of integrated and organisational level PMSs was intended instead of accidental. The loose coupling was not because different systems were developed by different units and people within the organisation without proper coordination, but it was a deliberate strategy to manage the conflicting regulations imposed by the Alpha Ministry and the NPA.

7.2.4.2 Information Technology Capability

In the studied organisation there was a lack of IT capability to support the development of integrated organisational and individual level PMSs. The information systems that supported the operation of organisational and individual level PMSs were not successfully united into a single information system. As a result, there was inefficiency in operating the organisational and individual level PMSs. For example, employees had to enter performance data into two information systems. Several interviewees commented on this challenge:

> The calculation of organisational performance results for quarterly evaluations has to be done through re-entering the KPMs and targets and their achievement. … Ideally, re-entering could be avoided using information technology (*mid-level official #1*).

> We have two information systems here … We serve both of them … I am just thinking why there are two systems. I think there can be one system. It is not workable because there are two systems … The cost is expensive for me now. I have to operate two systems. I have to enter data into the first system, and also the second system ... (*low-level official #11*).

> In fact, the integration of organisational and individual level performance management needs a strong glue …. I think reliable information technology is needed, at the individual level performance management and also the organisational level performance management (*low-level official #3*).

These challenges and frustrations, resulting from inadequate IT capability, reflect Ferreira and Otley's (2009) observation in dimension 9 of their framework (information flows, systems, and networks) that IT may play a substantive role in linking various elements of PMSs in an organisation. They argue that IT in organisations has become a reliable platform for the operation of financial accounting systems, but its robustness to support the operation of PMSs that contain non-financial information is still in doubt (Ferreira & Otley, 2009).

In contrast to previous studies (Mimba et al., 2013; Nyamori & Gekara, 2016; Van Helden & Ouda, 2016), the lack of IT capability in the studied organisation was not due to a lack of financial resources. In fact, as briefly discussed in Chapter 5, the organisation received a large budget for IT development from the government (*mid-level official #8*). However, it had to follow rigid procurement regulations as a compliance mechanism because in the past some members of the organisation's procurement teams had deviated from the regulations and were prosecuted for corruption in the criminal courts. Therefore, the existing procurement teams in the organisation were afraid to procure IT without strictly following the regulations. As a result, some IT procurements were delayed and cancelled because they could not be executed within the budget year. Two interviewees said:

> We were not brave enough to use the budget for IT procurement (*mid-level official #8*).

> For example, to reduce corruption, we set up the Anti-Corruption Commission (ACC), the Financial Transaction Analysis and Reporting Centre (FTARC), the Ombudsman, and so on. In developed countries, it is possible that the FTARC is good. In a developed country, it is a possibility that the ACC is good. However, when we bring all of them together, then it becomes chaos … (*senior-level official #1*).

These findings add to the existing literature, which suggests that tensions between different performance dimensions and the need for creativity are challenges of integrating PMSs (Giovannoni & Maraghini, 2013). Specifically, they indicate that conflicting regulatory requirements and a lack of IT capability can also present challenges. These findings help to answer the research question related to the challenges in the development of integrated organisational and individual level PMSs.

7.2.5 Summary of the Integration

The results of this study suggest that in developing integrated organisational and individual level PMSs, the organisation connected some of the core elements of its two, co-existing PMSs. This was indicated by the cascading of organisational KPMs and targets to individuals, the assessment of individual performance results based on some of the organisational performance results, the identification of some organisational performance results via the aggregation of individual performance results, and the connection of individual rewards with the organisational ultimate outcome.

Furthermore, the integration did not only utilise a technical approach of linking some of the core elements of PMSs. It also utilised a social approach, i.e. organisational

performance management taskforces and their activities, as a communication network to shape the technical approach, which is explored in dimension 9 (information flows, systems, and networks) of the Ferreira and Otley (2009) framework. As a consequence, the organisation used PMSs interactively to plan and evaluate organisational and individual performance. It also used the taskforces and their activities strategically to review the five-year organisational strategies and produce new and modified strategies, as expected in dimension 10 (PMSs use) of Ferreira and Otley's (2009) framework.

Finally, the results presented show the usefulness of dimensions 9, 10, 11 and 12 of Ferreira and Otley (2009) framework for understanding PMS practice. In particular, the evidence related to dimension 12 (strength and coherence) supports the findings of Ferreira and Otley (2009) and Giovannoni and Maraghini (2013) that integrating PMSs is challenging. In particular, challenges arose largely from the conflicting regulatory requirements and lack of IT capability. However, the organisation was partially successful in integrating organisational and individual level PMSs. This was demonstrated by the outcomes of the integration and some benefits experienced by the organisation and its members. These results point towards the consequences of PMSs change as indicated in dimension 11 of the Ferreira and Otley (2009) framework. The evidence suggests that PMSs in the organisation changed over time from disconnected organisational and individual level PMSs to better connected organisational and individual level PMSs.

However, the integration of organisational and individual level PMSs largely focused on the links of KPMs and targets instead of integrating the organisational and individual level PMSs into a single PMS. There is also no clear evidence that the total performance scores from the organisational BSC directly affected individual performance rewards. Moreover, instead of forming a single, well-integrated and coordinated PMS, the organisational and individual level PMSs still existed independently as loosely coupled systems that were managed by different taskforces, with a lack of communication between these two taskforces. In addition, culture and other contextual factors also played roles in the development of integrated organisational and individual level PMSs in the organisation, as explored in the next section.

7.3 Culture and Contextual Factors

As described previously, the outcomes of efforts to integrate the organisational and individual level PMSs in the studied organisation produced both benefits and

challenges. At the time of data collection, the organisation had retained the organisational and individual level PMSs as two different PMSs that worked as a set of loosely coupled PMSs or packages. Evidence suggests that these loosely coupled PMSs were not only a result of ill-coordinated development of organisational and individual level PMSs in the organisation, but were also due to culture and contextual factors. Therefore, this section will explore how culture and contextual factors shaped the development of integrated organisational and individual level PMSs.

7.3.1 Culture and PMSs Integration

This section considers both national and organisational cultures and their effects on the PMSs integration. Of course, these two levels of culture are interrelated, but they are separated here based on the context in which the study participants discussed them.

7.3.1.1 National Culture

The research evidence indicates that aspects of the Indonesian culture might have inhibited the PMSs integration process. For example, interview evidence suggests that employees often attempted to seek 'loopholes' related to the selection of KPMs and targets and searched for ways to gain benefits from these loopholes. Evidence suggests that a search for loopholes and the flexibility it might give employees is typical in Indonesian culture, as shown in a quote below. One such loophole was the flexibility employees had to add non-cascaded or non-mandatory KPMs and targets to their individual performance plans to compensate for their failures in achieving cascaded or mandatory KPMs and targets. This loophole could help them to manipulate their performance evaluation reports, as noted by two interviewees:

> When a new system is introduced, Indonesian people tend to find ways of manipulating the new system rather than learning how to appreciate its benefits … This is the problem of introducing KPMs in this organisation … When employees have knowledge related to the limitations [of the new system], they will list them ... and they will take benefits from these loopholes … (*senior-level official #1*).

> Employees could play 'games' with their KPMs and targets ... For example, when they saw that the cascaded KPMs and targets were difficult to achieve, they played tricky games through adding more KPMs and targets that were not cascaded from the organisational KPMs and targets … (*low-level official #6*).

These findings suggest that employees deliberately manipulated the flexible use of PMSs in the organisation, as explored in dimension 10 (PMSs use) of the Ferreira and Otley (2009) framework. They did so largely for their own interests rather than for the

organisation. This evidence also points towards "gaming behaviour" (Van Helden, Johnsen, & Vakkuri, 2012, p. 167) in regard to performance results in the organisation, as explored in dimension 7 (performance evaluation) of Ferreira and Otley's (2009) framework. This gaming behaviour is endemic in the Indonesian culture and is characterised by opportunistic behaviour in exploiting the loopholes of rules or legal systems for personal interest (Mehmet, 1994; Yogi & Kathie, 2016). In this way, aspects of the employees' Indonesian culture are likely to challenge the development of integrated organisational and individual level PMSs in the organisation.

Second, the organisation imposed the use of 'traffic light colours' of green colour to report satisfactory organisational performance results and red and yellow colours to report sub-standard organisational performance results. The research evidence shows that employees tended to manipulate performance data so that the organisational performance results appeared largely in the green 'traffic light colour' and avoided using the red and yellow colours to report sub-standard organisational performance results. There are two possible explanations for this avoidance. The first is that employees, as members of a collectivist culture, were uncomfortable identifying non-normative behaviour or performance to minimise conflict between members of the society (Hofstede, 2007; Rhodes et al., 2008; Wihantoro et al., 2015). Second, these two colours are suggested to have negative connotations within Indonesian culture. For example, research suggests red is felt to be showy and to symbolise anger, while yellow is perceived as too loud and indicates sadness (Saito, 1996; Warner & Miller, 2015). In contrast, green connotes peacefulness, softness and calm (Saito, 1996). As a consequence, because performance results were mainly reported as satisfactory or 'green', there was insufficient debate about unsatisfactory performance results in the organisation. One interviewee noted:

> The BSC is not compatible with our culture ... Our culture is not comfortable with the traffic light colours as suggested by the BSC, which are green is good, yellow is not so good, and red is bad ... As a result, all people would choose the green colour … Because many performance results are reported as green, then there is no debate anymore and there is no reason for the debate... Our people find various ways to make all performance results green [through data manipulation]. It doesn't make sense ... Ideally, the three colours of red, yellow and green are a normal thing ... [But] we don't have a culture of seeing them as a normal thing … (*low-level official #10*).

These findings suggest that the BSC idea (Kaplan & Norton, 2004b) of using the three traffic light colours to signal the status of performance achievement might not work in the studied organisation because of the employees' Indonesian culture. This evidence

is in agreement with previous studies that suggest people of different cultures might have different preferences for colours (e.g. Madden, Hewett, & Roth, 2000; Philbrick, 1976; Trueman, 1979). This evidence points to the importance of understanding colour culture in regard to PMSs, which has not been clearly explored in the Ferreira and Otley (2009) framework and previous MA studies (e.g. Giovannoni & Maraghini, 2013; Jazayeri & Scapens, 2008; Kaplan & Norton, 2004b). Previous studies mainly focused on the use of these three colours to indicate traffic signals instead of the cultural aspect of these colours.

Third, employees resisted giving objective scores when assessing the behaviours or attitudes of their superiors. Interview evidence suggests that they resisted because assessing their superiors objectively went against Indonesian hierarchical or collectivist culture. Furthermore, Indonesians have a high power-distance culture (Hofstede, 2007; Hofstede et al., 2010). High-power distance reflects a large gap between superiors and subordinates. Culturally speaking, superiors should only be assessed by their superiors or by higher level ranks. There was also a sense among interviewees that subordinates were not brave enough to assess their superiors objectively because of this culture. Two interviewees said:

> Yes, we are very hierarchical … (*mid-level official #7*)

> The 360-degree behaviour assessment is actually about how employees measure other employees. It is not easy because it needs cultural changes … on how subordinates have the courage to assess superiors ... Maybe that is one thing that we need to improve (*mid-level official #5*).

These statements suggest that the hierarchical Indonesian culture and high power-distance might have inhibited employees' ability to assess their superiors objectively. In particular, the national culture might have affected the performance evaluation of superiors by their subordinates in the organisation. This issue is not explicitly explored in dimension 7 (performance evaluation) of the Ferreira and Otley (2009) framework, which largely focuses on the top down evaluation of subordinates by superiors. Furthermore, these findings contribute to understanding the inter-relationship between PMSs 'design' and 'use' and whether they are aligned (Ferreira & Otley, 2009). The evidence suggests that although the organisation had designed a performance evaluation system that was intended to allow subordinates to assess their superiors objectively, its 'use' was not fully consistent with its 'design'. Thus, there may be a lack of coherence between PMSs design and use in the organisation (Ferreira & Otley, 2009).

Together, these results support the expectation that national culture might impact PMSs operation in an organisation (Berry et al., 2009; Ferreira & Otley, 2009). These results are also in line with previous studies (Mimba et al., 2013; Turner et al., 2009; Wihantoro et al., 2015) that suggest national culture might impact PMSs in the public sector of developing countries.

7.3.1.2 *Organisational Culture*

A previous study suggests that the "patterns of behaviour" in an organisation may reflect organisational culture (Henri, 2006b, p. 79) and organisational culture may be shaped by national culture (Demartini, 2013; DeNisi & Murphy, 2017; Efferin & Hopper, 2007). As noted previously, the results of this study indicate that employees avoided reporting poor performance results transparently using yellow and red colours. This evidence points towards the existence of a 'no bad news' organisational culture for the studied organisation (Arnaboldi et al., 2015, p. 14). This evidence suggests that the national culture might shape the "public sector organisational culture" of the studied organisation (Greasley, Watson, & Patel, 2009, p. 384). This finding contributes to understanding the different aspects of culture in an organisation that may impact PMSs, but which are not sufficiently explored in the literature (Merchant & Otley, 2007).

The results also suggest that national and organisational culture (Cameron & Quinn, 2011; Hofstede et al., 2010), in particular the public sector culture, could impact the development of integrated organisational and individual level PMSs. The research evidence suggests that performance results reported at the organisational level might not directly reflect performance results at the individual level because, based on an organisational culture that is shaped by national culture, reporting sub-standard organisational performance results was not acceptable. In other words, employees could manipulate individual performance results before they were aggregated and used to report organisational performance results, thus impeding the integration of individual and organisational level PMSs. Looking at this evidence from another angle, it is interesting to note that the organisation also used the development of integrated organisational and individual level PMSs to change the old organisational culture and promote a new organisational culture that was adopted from the Alpha Ministry culture. Specifically, the organisation used the development of integrated organisational and individual level PMSs as a formal mechanism to introduce new organisational values, based on a market- or results-oriented culture (Cameron & Quinn, 2011). An organisational annual performance report stated:

> This is the organisation's commitment to encourage a performance-based working culture in the HR management system. This commitment is expected to encourage employees' motivation in conducting their tasks and responsibilities (*the Organisational Annual Performance Report 2014*).

The studied organisation did three key things in an effort to introduce a new organisational culture: implement bottom-up assessment, create more severe rules, and set clearer rewards and sanctions.

7.3.1.2.1 Implementing Bottom-Up Assessment

Imposed by an Alpha minister (*The Alpha Ministerial Decree 464/2011*), the organisation used the 360-degree assessment method to change the hierarchical culture of employees through enabling subordinates to assess their superiors. As previously discussed, this approach somewhat changed the culture of senior-level officials, so they could be more egalitarian. Two interviewees noted:

> Individual performance final scores are introduced to develop new organisational values ... that superiors can be assessed by subordinates … We assess each other ... (*senior-level official #3*).

> The hardest thing was the departure from the communal-based culture to a more measurable or individual [-based] culture … so each individual performance can be monitored … [This individualistic approach] should not be seen in a negative way … (*mid-level official #5*).

These findings suggest that, imposed by an Alpha minister, the management tried to use the development of integrated organisational and individual level PMSs to change the organisational culture. In particular, they attempted to change the organisational culture from a "collective culture" to an "individualistic culture" (Merchant, Chow, & Wu, 1995, p. 622), which is a "performance-based culture" (Kaplan & Norton, 2001a, p. 102). Furthermore, it seems that the organisation used performance evaluation systems, as explored in dimension 7 (performance evaluation) of the Ferreira and Otley (2009) framework, and organisational values, as explored in dimension 1 (vision and mission) of the Ferreira and Otley (2009) framework, to change the organisation culture so employees were more accountable for their performance.

7.3.1.2.2 Creating More Severe Rules

As introduced previously, the organisation also created more severe rules to change the culture of employees and introduce new organisational culture. These rules were considered as a 'stick' that it was believed could change the behaviour of employees and in the long term could help the organisation to achieve its mission. These severe rules

were imposed to complement the dialogue and personal interactions within the organisation. Two interviewees noted:

> One of the most difficult things is ultimately how to make rules that can force employees to change their culture. If the change is only through discussions, their culture won't change … When they are only persuaded to change, they won't. We should use strong rules … Using a 'stick' first, then they will feel it ... All government organisations should be aware that to achieve their missions, they have 'to give' a stick to employees first … With a stick, it will be hard in the beginning. [But] without it, there will be no cultural change … (*mid-level official #4*)

> We end up with a confidence that cultural changes have to be forced. In the short term, employees will feel that they are being forced. But, in the long-term, it becomes a habit. Thus, at the end, they will engage with performance management systems. It has to be like that to change the culture of Indonesian people … (*mid-level official #5*).

The organisation implemented a new Alpha minister decree to punish employees who played 'games' with their performance results. As briefly discussed in Chapter 6, information from individual performance scores was previously unable to differentiate the performance of employees because some employees might have manipulated their performance results. The new rule required the organisational performance management taskforces to re-evaluate individual performance results through reviewing individual KPMs and targets in the organisation and reducing the scores of those who played games with their performance results. This was clearly stated in an Alpha minister decree:

> Employee performance final scores did not objectively provide information that could be used to differentiate the performance of employees … Therefore, employee performance final scores have to be assessed again based on the evaluation of the quality of individual KPMs and targets … (*The Alpha Ministerial Decree 234/2016*)

Interviewees also said:

> We have a new rule … to control employees who have a 'gaming' element, such as through adding inadequate KPMs and targets so they appear as performers ... This new rule states that employee performance final scores should be evaluated again based on the quality of KPMs and targets ... When the quality of KPMs and targets is low, the final scores will be reduced. When the quality of KPMs and targets is high, then the final scores can be equal to the previous scores or better ... (*low-level official #7*)

> When we are only expecting cultural changes through saying: 'Hi all, let's make good KPMs' …, it won't work. Cultural changes must be imposed … Therefore, now if employees only select 'easy' KPMs, they

will get 'normal' scores. If they want to get a better score, they have to change their KPMs into challenging KPMs … (*mid-level official #4*).

These findings indicate that management in the organisation used the development of integrated organisational and individual level PMSs as negative and positive controls, as explored in dimension 8 (reward systems) of the Ferreira and Otley (2009) framework. These controls changed the organisational culture, so the organisation could achieve its mission, as explored in dimension 1 (vision and mission) of the Ferreira and Otley (2009) framework. This evidence suggests that the organisational performance management taskforces played an important role in reviewing and adjusting the performance scores of employees who played games with their KPMs and targets, and in maintaining the performance scores of employees who did not.

In addition, the organisation's managers reinstalled more objective and quantitative KPMs and targets, such as levy revenue. Moreover, as explained in Chapter 6, employees were also required to have more challenging KPMs and targets. The organisation considered that a lenient previous policy that removed objective and quantitative KPMs and targets and replaced them with subjective and qualitative KPMs and targets had opened an opportunity for employees to manipulate their performance results. It was believed that reinstalling more objective and quantitative KPMs and targets as well as imposing more challenging KPMs and targets could change the culture of employees and introduce new organisational culture. As an interviewee noted:

> For us …when the imposition of the 'levy revenue indicator' was removed at lower hierarchies … there was a regressive change of culture. At the time, employees only produced 'levy dissemination letters'. They sent these letters to levy payers without paying attention to the benefits for levy revenue ... That is why we imposed again the levy revenue indicator … Now when employees produce a levy dissemination letter, they must anticipate how much it will affect the levy revenue … (*low-level official #6*).

This evidence indicates that the organisation moved from a flexible use to a more rigid use (Hopwood, 1972) of PMSs, as explored in dimension 10 (PMSs use) of the Ferreira and Otley (2009) framework. They did this to change the organisational culture, and finally to achieve the levy revenue target as the organisation's ultimate outcome, as explored in dimension 2 (key success factors) of the Ferreira and Otley (2009) framework. This finding contributes to knowledge related to how styles of PMSs use relate to organisational culture. Ferreira and Otley (2009) acknowledge that the relational and transactional uses of PMSs, as suggested by Broadbent and Laughlin (2009), might represent the cultural elements of PMSs at the organisational level, but they also suggest

the concept of PMSs use has not been sufficiently developed in the literature. The findings of this study help to develop the concept of PMSs use regarding culture by revealing flexible and rigid uses of PMSs.

7.3.1.2.3 Setting Clearer Rewards and Sanctions

The organisation set up clearer reward systems for employees who performed well. In the past, rewards were given to employees based only on their ranks and time served. There were no clear rewards for those who performed well, or sanctions for those who did not. Whether they performed well or not, employees would receive the same income level, known in the organisation and nationally as PGPS (*pintar goblok, pendapatan sama*) as a colloquialism for 'stupid or smart, your income level would be the same'. As a result, in the past many high performers felt discouraged. Now employees are rewarded based on their performance results. Furthermore, employees who do not perform well could be punished, or their competencies could be improved through additional trainings. Two interviewees noted:

> The employees' culture, which was in the past 'PGPS' [stupid or smart, the income level would be the same] had to be terminated … Therefore, we started to 'differentiate' employees, in the positive meaning … into 'good' and 'bad'. For good employees, there should be more rewards compared to the bad ones. These bad employees, at a certain level, should have a punishment. However, there should also be an improvement for these bad employees, so they become good employees (*mid-level official #9*).

> There should be a clear reward and punishment ... We are now better off compared with the other government organisations … The systems of rewards and punishments are clearer (*mid-level official #4*).

Again, these statements point to the use of positive and negative controls, as explored in dimension 8 (reward systems) of the Ferreira and Otley (2009) framework, to change the organisational culture. On one hand, employees were given rewards if they performed well, and on the other hand they would receive punishments if they failed to achieve performance targets. Rewards could be financial and non-financial rewards and punishments could be via a delay in salary or grade level promotions. However, the organisation also used the HRM approach to improve the capacity of employees who did not perform well (DeNisi & Smith, 2014). Hence, the organisation also used the PMSs to "manage poor performers" (Pulakos, Hanson, Arad, & Moye, 2015, p. 59).

Taken together, the development of integrated organisational and individual level PMSs appears to have transformed the organisational culture from a flexible or organic-

dominated control culture to a rigid or mechanistic-dominated control culture (Chenhall, 2003; Henri, 2006b). This evidence contributes to knowledge related to the relationship of organisational culture and PMSs, which has not been sufficiently studied in the literature because previous studies focusing on national culture (Berry et al., 2009; Henri, 2006b; Otley, 2016) often give little consideration to its relationship with organisational culture (Merchant & Otley, 2007). In contrast to Ferreira and Otley (2009), who see organisational culture as a contingent factor that influences the development of integrated organisational and individual level PMSs, the findings of this study suggest a reverse relationship. That is, this study indicates that the development of integrated organisational and individual level PMSs also might have impacted the organisational culture in the studied organisation.

Overall, the relationship between culture and the development of integrated organisational and individual level PMSs was not a simplistic one, because each impacted on the other. In particular, the national culture of employees that shaped the organisational culture and the wider public sector culture, impacted the development of integrated organisational and individual level PMSs, and the development of integrated organisational and individual level PMSs also impacted the organisational culture. This was unexpected because Ferreira and Otley (2009) simply see organisational culture as a contingent factor that may impact PMSs, but are silent on how national culture may impact organisational culture and PMSs, and how PMSs may impact organisational culture. Furthermore, the results of this study support Merchant and Otley's (2007) ideas related to a need in distinguishing different aspects of cultures in an organisation that remain unexplored in the literature.

7.3.2 Contextual Factors and PMSs Integration

The development of integrated organisational and individual level PMSs was a strategic initiative in the organisation (*the Organisational Strategic Plan 2012-2014*). However, the evidence from this study suggests that this development was triggered or influenced by four key contextual factors including pressures from the Alpha Ministry, presidential regulation, political factors, and complexity of organisational structure.

7.3.2.1 *Pressures from the Alpha Ministry*

As briefly noted previously and in Chapters 5 and 6, external pressures from the Alpha Ministry were an important contextual factor in shaping the PMSs integration in the studied organisation. Indeed, the members of the organisational performance management taskforce at the level of the Alpha Ministry played a substantial role in

promoting the development of integrated PMSs after they benchmarked the studied organisation's practices against those of a bank where an Alpha minister had worked previously (*the official performance bulletin, 6/2010*). The development of integrated PMSs was also assisted by consultants recruited by the Alpha Ministry. Furthermore, the Alpha Ministry invited some members of the organisational performance management taskforces and senior level officials in the organisation to attend workshops given by consultants from the Palladium Group, which was established by Robert Kaplan and David Norton, the developers of the BSC (*the official performance bulletin, 21/2014*). Interviewees noted:

> When initiated in 2011, the performance management systems were very strict because the guideline was formulated by consultants. However, after being modified by people in the Alpha Ministry in 2014, these PMSs have been adapted to the local context, such as how to cascade quantitative targets to lower hierarchies … (*low-level official #10*).

> These PMSs were imposed to all organisations under the supervision of the Alpha Ministry. They were adopted by the leadership: 'We use the BSC!' Then the Alpha minister called consultants to implement the BSC … (*senior-level official #4*).

> Yeah, these performance management systems have been decided by the boss [the Alpha minister]. We just execute them the best we can. Although there are, of course, some weaknesses. However, in principle we agree we have to implement them because, at the end, it is for measuring our performance … (*senior-level official #1*).

These findings reveal that the Alpha Ministry exerted pressures on the development of integrated organisational and individual level PMSs in the studied organisation by employing its taskforce to promote the development of integrated organisational and individual level PMSs, recruiting consultants and setting up workshops. This finding provides empirical evidence the influence of a contextual factor on PMSs integration as noted, but not elaborated empirically by Ferreira and Otley (2009).

7.3.2.2 Presidential Regulation

After being elected in 2014, the President of Indonesia also reinforced the PMSs integration by releasing a new presidential regulation in 2015 (*the Presidential Regulation 37/2015*). This regulation explicitly linked performance rewards of individuals in the organisation with the levy revenue achieved as the ultimate outcome of the organisation:

> Recognising the vital role of this organisation, the government continues to provide support to this organisation by setting up various policies to encourage the improvement of organisational performance. One of them was the issuance of Presidential Regulation 37/2015 regarding performance-based incentive of this organisation that became the basis for the provision of competitive compensation for employees. This regulation did not only set the amount of performance incentives per month received by employees, but also regulated the consequences of cuts in performance incentives per month or provision of additional performance benefits in the next fiscal year based on the achievement of levy revenue performance for the current year. With these policies, employees were driven to improve their performance in levy collection to support the state revenue … (*the Organisational Annual Performance Report 2015*).

In regard to this new regulation, an interviewee noted:

> Every year in the past we were always able to achieve 80% of the levy revenue targets. This became the basis of the presidential regulation. When the revenue target is achieved within a particular percentage, then the incentive to us will be given in a particular number ... The Presidential Regulation 37/2015 had to be accepted by us ... (*mid-level official #8*).

Taken together, these findings are consistent with previous studies (e.g. Akbar et al., 2015; Hopper et al., 2009; Mimba et al., 2013; Van Helden & Uddin, 2016) that suggest external influences may substantially influence MA practices in the public sector of developing countries. Specifically, the development of integrated PMSs was shaped by government regulation (Adler, 2018) or external regulatory systems (Agyemang & Broadbent, 2015), which was the presidential regulation. Furthermore, the evidence from this study suggests that external pressures may not only influence local government organisations as found in previous studies (e.g. Akbar et al., 2015; Mimba et al., 2013) but also central government organisations.

7.3.2.3 *Political Factors*

Besides the cultural factor discussed previously, previous research in the public sector of developing countries suggests that political factors may influence MA practices in public sector organisations (Alawattage et al., 2007; Hopper et al., 2009; Van Helden & Uddin, 2016). Evidence from this study indicates that political factors, such as intervention from politicians, influenced the organisational level PMS, but also indirectly influenced the development of integrated organisational and individual level PMSs. Political factors influenced the organisational level PMS because in addition to its accountability to the President of Indonesia through the Alpha minister (*Presidential Regulation 7/2015*), the organisation was also accountable to the Indonesian parliament.

It was supervised by a commission in parliament, called Commission XI[7]. For example, the top-level management of the organisation periodically presented the achievement of the levy revenue target, the organisation's ultimate outcome, in parliamentary hearings. The official website reported:

> The organisation conducted a work meeting with the Commission XI of the Parliament. The meeting was in the meeting room of the Commission XI and attended by senior level officials of the organisation and members of the Commission XI. It was led by the vice chairman of the Commission XI … In the meeting, the director general presented the strategies to achieve the levy revenue target in 2015 … The meeting then was continued with detailed questions from members of the Commission XI … (*the official website, 2015*).

Furthermore, the research evidence suggests that parliament members could informally intervene in the promotion of employees in the organisation, but there was no clear evidence that they were directly involved with the development of integrated organisational and individual level PMSs. At most, parliament members paid attention to the individual performance of the director general. The potential informal intervention of parliament members in individuals' promotions was raised by a senior level official:

> The political penetration of parliament in a career system has been deeper. When we talk about performance management systems, there are two things: to improve the productivity of employees for the organisation's benefit and to motivate employees to work better. One of the incentives for employees is not only related to financial reward, but also being promoted to higher positions. Now we are facing a situation where the promotion is to some extent also influenced by political relationships with parliament members … (*senior-level official #4*).

When being interviewed, a parliament member clarified:

> For individual performance ... we do not assess individuals … We assess the organisation. The relationship of individual performance and organisational performance is not within our supervision. Our supervision is largely of the organisational achievement ... Furthermore, a director general and lower hierarchies are a state civil apparatus. Thus, our supervision of them is indirect. At a maximum possibility, we only supervise the individual performance of the director general … through how well he prepared the parliamentary hearing materials and … how well he managed his organisation … For example, when there was a failure in achieving the levy revenue target

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[7] To supervise government ministries and agencies, parliamentary meetings and parliament members were grouped into eleven commissions (*the Parliamentary Decree 3/2014-2015*). These commissions were named Commission I to Commission XI. Each of them was responsible for supervising several government ministries and agencies. Commission XI supervised 12 entities, including the studied organisation and the Alpha Ministry.

> we, of course, asked him why the organisation did not achieve it ... (*a parliament member*).

These statements were also confirmed by three interviewees:

> We have never experienced much intervention [by parliament members]. However, if our activities are directly related to [the revenue target], such as levy audit and levy socialisation activities, these activities are challenged [by parliament members]. For example, they required, 'Do not only focus on corporate income levy - [you] should also focus on personal income levy.' (*senior level official #1*)."

> We have a technocratic process in performance management systems. Thus… the influence of politics is low … When we changed KPMs, so far it was not because of political pressures … (*low-level official #7*).

> The target number of levy revenue was [decided] based on [internal] dialogue … Although for us the target was too high, it was not because of political factors. The target was produced from a technocratic process (*low-level official #11*).

This evidence is inconsistent with previous studies that suggest MA practices are influenced by political factors in the public sector of developing countries (Alawattage et al., 2007; Hopper et al., 2009; Van Helden & Uddin, 2016). In the studied organisation, the development of integrated organisational and individual level PMSs was not substantially influenced by parliament members.

7.3.2.4 Complexity of Organisational Structure

The complexity of organisational hierarchy and structures affected the development of integrated organisational and individual level PMSs in the organisation. As reported previously, multiple organisational levels existed in the organisation. As discussed in Chapter 5 (and see Appendix J), each organisational level in the organisation had its own organisational structure. Therefore, each of these structures had its own PMS, as shown in Figure 7.1. These PMSs were then structured into *The Alpha Ministerial Decree (467/2014)*:

- Level one: The directorate general PMS
- Level two: The directorate/regional office PMSs
- Level three: The branch office PMSs

As a result, instead of appearing as a single, integrated PMS, multilevel PMSs (de Haas & Kleingeld, 1999) were present in the organisation. Thus, the development of integrated PMSs in the organisation was not only related to the integration of organisational and individual level PMSs as a whole, but also to the integration of

organisational and individual level PMSs at each organisational level or unit. This provides evidence related to the impact of the organisational structure on the design and use of PMSs (Ferreira & Otley, 2009) and adds to our understanding of contextual factors that may impact PMSs in the public sector of developing countries, which have not been explicitly explored in Ferreira and Otley's (2009) framework.

7.4 Chapter Summary

This chapter has explored the findings related to the development of integrated organisation and individual level PMSs in the studied organisation. In particular, this chapter has revealed the efforts, outcomes and benefits involved in integrating organisational and individual level PMSs. Moreover, the challenges of the integration have also been discussed. Furthermore, the roles of culture and contextual factors in the integration were also considered.

Taken together, the results of this study support Ferreira and Otley (2009) and Giovannoni and Maraghini (2013), who note that integrating PMSs is challenging. In particular, the challenges arose largely from conflicting regulatory requirements and a lack of IT capability. Despite these challenges the organisation was partially successful in integrating organisational and individual level PMSs. However, instead of a single, well-integrated PMS, the organisation's organisational and individual level PMSs co-existed as a set of loosely coupled PMSs.

The Indonesian national culture shaped the organisational culture and its wider public sector culture, and also impacted the development of integrated organisational and individual level PMSs. Yet, the findings of this study suggest that the national culture hindered the development of integrated organisational and individual level PMSs. Because of their collectivist culture and the fact that they did not like yellow and red colours, employees tried to maximise their personal benefits via manipulating performance reports and resisted conducting objective assessments of their superiors. Interestingly however, the organisation also used the development of integrated organisational and individual level PMSs to change the old organisational culture and introduce new organisational culture. This was evident in the implementation of bottom up assessments of superiors by subordinates, more severe rules, and setting up clearer rewards and sanctions. Taken together, these results suggest that the relationship between organisational culture and integrated organisational and individual level PMSs was not a simple one because each may impact the other.

Furthermore, external factors were shown to influence the development of integrated organisational and individual level PMSs. The findings suggest that instead of being triggered internally, the development of integrated organisational and individual level PMSs was the result of external pressures from of the Alpha Ministry and it was reinforced by the President of Indonesia. However, political actors were not obviously involved in the development of integrated organisational and individual level PMSs but were shown in the organisational level PMS. Moreover, the multiple organisational levels that existed in the organisation made the development of integrated organisational and individual level PMSs more complex.

Chapter 8

DISCUSSION AND CONCLUSION

8.1 Introduction

As outlined in Chapter 1, the aim of this study was to contribute to the literature on the development of integrated PMSs. Specifically, this PhD study examined the integration of organisational and individual level PMSs via comprehensively exploring the elements of PMSs involved in the PMSs integration. Examining all of these elements comprehensively is important in order to reveal the connections between the elements of PMSs (Otley, 1994, 1999, 2016; Stringer, 2007). Furthermore, revealing these connections helps to conceptualise an organisation's overall PMS and its elements, how this PMS changes or develops, and the outcomes of its development (Ferreira & Otley, 2009; Otley, 2016).

As also outlined in Chapter 1, the research questions guiding this study were:

- How do the study participants perceive the operation and integration of organisational and individual level PMSs in the studied organisation?
- What are the challenges and benefits in developing integrated organisational and individual level PMSs?
- How could the development of integrated organisational and individual level PMSs be improved?

As explained in Chapter 3, these research questions were addressed via a critical realist-based explanatory case study of a single, large public sector organisation in Indonesia. Data related to the case study organisation were collected using electronic and printed document archives, online written interviews, and face-to-face interviews.

The design of the study and analysis of the data drew on Ferreira and Otley's (2009) theoretical framework, which identifies twelve key dimensions that researchers need to consider in any holistic examination of PMSs: vision and mission; key success factors; organisation structure; strategies and plans; key performance measures (KPMs); target setting; performance evaluation; reward systems; information flows, systems, and networks; PMSs use; PMSs change; and the strength and coherence of PMSs. This

framework also acknowledges culture and contextual factors that shape PMSs, although they are not explicitly explored by Ferreira and Otley (2009).

In the next section, key findings and contributions are discussed. Subsequently, this chapter explores the research implications, both theoretical and practical, and the limitations of this study. Finally, concluding remarks are presented.

8.2 Key Findings and Contributions

In this chapter, some key terms are used to differentiate various aspects of performance management and controls. Specifically, the term 'control systems' is used when referring to formal and/or informal controls (Evans & Tucker, 2015; Ferreira & Otley, 2009). The term 'integrating mechanisms' is used when differentiating between technical and social mechanisms for integrating PMSs (Giovannoni & Maraghini, 2013). Finally, the term 'control approaches' is used when distinguishing between accounting and HRM-based controls (Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999; Stringer, 2007).

The key findings and contributions of this study relate to the degree to which organisational and individual level PMSs are integrated, the conceptualisation of PMSs as loosely coupled PMSs, mechanisms to integrate organisational and individual level PMSs, the linkages between MA and HRM control approaches to PMSs integration, the relationship between organisational culture and PMSs, the influence of contextual political factors on PMSs integration, and the influence of organisational structure on integrated PMSs design. All of these are discussed next.

8.2.1 The Organisational and Individual Level PMSs

In regard to the first research question, the findings reveal that the study participants perceived the operation of organisational and individual level PMSs in the studied organisation as two separate but loosely coupled PMSs. The organisational level PMS primarily involved formal control systems (Evans & Tucker, 2015; Ferreira & Otley, 2009), such as the imposition of rules from the Alpha Ministry. At this level, seven of Ferreira & Otley's (2009) core dimensions were clearly in evidence, i.e. vision and mission, key success factors, strategies and plans, KPMs, target setting, performance evaluation, and reward systems. Yet, one dimension – organisation structure – was much weaker since the organisation could not fully control the design of its organisational structure, which was dictated by the Alpha Ministry.

The individual level PMS involved both formal and informal control systems (Evans & Tucker, 2015; Ferreira & Otley, 2009), such as the reinforcement of the Alpha Ministry's rules by the top-level managers and the use of informal evaluation by superiors and senior-level officials to assess subordinates' performance. At this individual level, four core dimensions of Ferreira & Otley's (2009) framework were clearly in evidence, i.e. KPMs, target setting, performance evaluation, and reward systems. In particular, the top-level managers reinforced the Alpha Ministry's rules to ensure that organisational employees designed their individual KPMs and targets annually, were assessed based on the target achievement, behaviour and competencies, and were rewarded financially and non-financially. Informally, employees were also evaluated by their superiors and senior level officials, and received rewards based on both formal and informal evaluations. Yet, the other four core dimensions of Ferreira & Otley's (2009) framework were weak. Indeed, they were evident at the organisational level, but were not formally measured at the individual level. This study thus contributes to the literature on PMSs integration by showing how an organisation tried to manage both organisational and individual performance. In particular, it provides insights into how various elements and control systems shaped the organisational and individual level PMSs in the organisation through revealing the core dimensions of Ferreira & Otley's (2009) framework at these two levels. In this way, this study responds to the call for MA research to pay more attention to management control aspects *beyond* accounting measures (Otley, 1999, 2001, 2016). In particular, this study contributes to a research agenda that considers the integrated nature of performance management and controls and analyses the elements of PMSs comprehensively (see for example: Berry et al., 2009; Ferreira & Otley, 2009; Otley, 2016).

Moreover, findings from Chapters 5 and 6 also show the connections between some core dimensions of Ferreira & Otley's (2009) framework, such as those between individual performance evaluations and reward systems. The literature calls for exploration of these connections, especially the connections between accounting and HRM-based control approaches in an organisation (Otley, 1994, 1999; Stringer, 2007). Revealing such connections is essential in minimising the negative consequences of financial incentive schemes in practice (Otley, 1999). Furthermore, it helps to provide reliable evidence on the link between performance evaluation and reward systems and to conceptualise an overall PMS and its elements (Otley, 2016; Stringer, 2007).

This study also clearly shows that informal control systems were not only evident in an entrepreneurial organisation, as found in a previous study (Collier, 2005), but also in a public sector organisation. This form of control included personnel controls (Abernethy & Brownell, 1997) that took the form of informal talks between superiors and their subordinates to evaluate performance results, which were used by senior level officials to motivate their subordinates. It also included cultural or personal controls (Chenhall, 2003; Malmi & Brown, 2008) such as a shared understanding that poor performance results should not be highlighted and superiors' treatment of their subordinates as their children and other managers as their friends.

Moreover, there were annual rituals and ceremonies (O'Grady & Akroyd, 2016) involved in signing organisational and individual performance plan contracts, and rewarding organisational units and employees who performed well. These rituals and ceremonies were reported on the internet and via press releases to newspapers. These findings provide further evidence related to the links between formal and informal control systems in organisations and corroborate Collier's (2005) and Ferreira & Otley's (2009) ideas that an organisation's PMSs may contain both formal and informal control systems that are important to explore. They also differ from Simons' (1995) suggestion that control systems are mainly formal in nature (see Chenhall, 2003; Ferreira & Otley, 2009). In addition, these findings support the substantial role of cultural control that may balance formal control systems in an organisation (Malmi & Brown, 2008; Merchant & Otley, 2007).

Overall, this study suggests that Ferreira & Otley's (2009) framework is useful for systematically analysing both organisational and individual level PMSs and their key elements. By looking at all the elements of PMSs, as Ferreira & Otley (2009) suggest, this study was able to explore how PMSs operate in the studied organisation and to determine the extent to which the organisational and individual level PMSs are integrated. It shows that, at an individual level, PMS may comprise KPMs, target setting, performance evaluation, and reward systems that may or may not be well-integrated with equivalent elements of the organisational level PMS. This is a useful contribution because, to date, Ferreira & Otley's (2009) framework has been used predominantly to investigate only organisational level PMSs (e.g. Abdel-Kader & Wadongo, 2011; Collier, 2005; Conrad & Guven-Uslu, 2012; George et al., 2016; Yap & Ferreira, 2011), with individual level PMSs being comparatively neglected and the integration of these two levels of PMS under-explored.

8.2.2 The Conceptualisation of PMSs as Loosely Coupled

In regard to the second research question, the results of this study reveal that the organisation faced a number of challenges in integrating organisational and individual level PMSs. The key issue was that these two PMSs were managed by different taskforces or actors (Ferreira & Otley, 2009; Otley, 2016), i.e. organisational performance management and individual performance management taskforces. Further, although the PMSs integration was partially successful, the studied organisation ended up with a set of loosely coupled PMSs instead of a single, well-integrated and coordinated PMS. In particular, the integration of organisational and individual level PMSs in the organisation focused on linking the KPMs and targets between the two PMSs without sufficiently linking the performance evaluations and rewards between the two levels.

Furthermore, results of this study show that the loosely coupled nature of the PMSs was reinforced by the key challenge of conflicting regulatory requirements. Because of these conflicting regulatory requirements, top level managers in the organisation disconnected the use of the new individual appraisal system imposed by the National Personnel Agency from the integration of organisational and individual level PMSs imposed by the Alpha Ministry. This strategy supported the integration of the existing organisational and individual level PMSs yet, as might be expected, resulted in the symbolic use of the new individual appraisal system and resulted in the loose coupling of performance evaluation between organisational and individual levels. In addition, the loosely coupled nature of the PMSs was exacerbated by a key challenge of lack of information technology capability. The findings showed that the organisation failed to procure a single, integrated information system because of the rigid government procurement requirements. This led to inefficiency in the way the PMSs operated, since employees had to enter similar performance data into two information systems. In contributing to answering the third research question for this study, these findings imply that minimising conflicting regulatory requirements and promoting flexible government procurement requirements could likely lead to the improvement of PMSs integration.

In sum, this study contributes to the PMS literature by providing empirical evidence on the conceptualisation of PMSs operating at different levels in an organisation as loosely coupled PMSs or packages of controls (Ferreira & Otley, 2009; Otley, 2016). This evidence also adds to our knowledge of impediments to PMSs integration. Specifically, the findings demonstrate that the loosely coupled nature of the PMSs was not entirely an accidental result of ill-coordinated development between various actors in

the organisation (Ferreira & Otley, 2009; Otley, 2016), but instead was a deliberate strategy by the management to achieve compromise in the face of conflicting regulatory requirements and a lack of information technology capability. Adding to a previous study that found conflicting regulatory requirements may produce juggling behaviour by government managers (Mimba et al., 2013), this study shows that conflicting regulatory requirements may impede the integration of organisational and individual level PMSs. In addition, the findings confirm the substantial role information technology may have in linking various elements of PMSs in an organisation (Ferreira & Otley, 2009).

8.2.3 Mechanisms to Integrate Organisational and Individual Level PMSs

In regard to the third research question, this study has examined the mechanisms used to integrate organisational and individual level PMSs in the studied organisation. The results show that the studied organisation attempted to integrate organisational and individual level PMSs through both technical and social integrating mechanisms. The use of the technical integrating mechanism could be seen in the Alpha Ministry's rules that imposed the integration of organisational and individual level PMSs, which connected the KPMs and targets between the two levels. This imposition was also reinforced by various circulars released by the top management of the organisation to employees across all hierarchical levels.

In contrast, the social integrating mechanism was the utilisation of organisational performance management taskforces and their activities as a communication network (Ferreira & Otley, 2009) that helped to operationalise the formal, hierarchical communications within the organisation. This study found that these taskforces were established at different organisational levels as an adhocracy coordination structure (Mintzberg, 1980) to complement the technical integrating mechanism, with their members being recruited from managerial and non-managerial employees. These taskforces facilitated and organised meetings between various functions and hierarchies, communicated top level KPMs and targets to organisational units and individuals, and then communicated feedback from individuals and organisational units to the top level. In doing so, they helped to improve the coherence of some elements in the organisational and individual level PMSs.

In addition to cultural factors, other contextual factors also shaped the integration of organisational and individual level PMSs. In particular, external political pressures from the Alpha Ministry, as shaped by presidential regulation, triggered the integration of the case organisation's PMSs. Hence, the findings of this study suggest that, instead of

being purely initiated by people internal to the organisation, the integration of organisational and individual level PMSs was promoted by officials in the Alpha Ministry. Moreover, parliament members exerted indirect political influence over the integration of organisational and organisational level PMSs.

Taken together, these findings provide empirical evidence of the process and outcomes of integrating organisational and individual level PMSs. This contribution responds to previous studies that suggest a need to examine the mechanisms of PMSs development (Ferreira & Otley, 2009; Otley, 2016), the link between MA and HRM control approaches (Chenhall, 2003; Otley, 1999; Stringer, 2007), and the connection between individual performance scorecards and organisational objectives and strategies (Atkinson, 1998; Kaplan & Norton, 1996b, 2001b).

More specifically, the findings confirm the substantial role of social integrating mechanisms in integrating PMSs (Giovannoni & Maraghini, 2013). Yet, in contrast to Giovannoni and Maraghini's (2013) finding that inter-functional work groups helped to integrate various performance measures and targets in a BSC, this study shows that taskforces and their activities were doing more than integrating performance measures and targets within a single PMS; they helped to link various elements between organisational and individual level PMSs. In addition, rather than being recruited from different functions only, as found by Giovannoni and Maraghini (2013), members of the taskforces came from both different functions and different hierarchical levels in the organisation. This evidence provides insight that integrating PMSs might need not only the perspectives of different functions, but also the perspectives of different hierarchies. Likewise, instead of being used in a medium-sized organisation as found by Giovannoni and Maraghini (2013), the mechanisms were used here in a large public sector organisation. This evidence shows that these mechanisms may help PMSs integration in organisations of various sizes in both the public and private sectors.

Also, the findings of this study support the critical role of contextual factors in influencing and triggering PMSs development in the public sector organisations of developing countries (e.g. Akbar et al., 2015; Mimba et al., 2013; Van Helden & Uddin, 2016). Contextual factors should, therefore, be considered in future studies of PMSs integration. Instead of focusing mainly on the internal management, future studies need to investigate the roles of various external actors and entities that trigger the integration of organisational and individual level PMSs in the public sector organisations of developing countries.

8.2.4 The Linkage between MA and HRM

This study also illustrates the linkage between MA and HRM-based control approaches to PMSs. This linkage has been suggested in past research (Chenhall, 2012; Chenhall & Langfield-Smith, 2007) but is rarely explored empirically. In contrast to previous MA studies that suggest full use of the MA control approach of the BSC (Kaplan & Norton, 1996b, 2001b), the integration of organisational and individual level PMSs in the studied organisation was achieved by blending MA control approaches that tend to appear in the MA literature, with an HRM control approach. Specifically, the integration of organisational and individual level PMSs utilised the MA control approach of the BSC (Kaplan & Norton, 1996b, 2001b) and a reliance on quantitative performance targets (Otley, 2016, p. 49) via cascading organisational KPMs and quantitative targets to individuals, and cascading organisational performance results down to 'individual performance scores'. These individual performance scores were mixed with the HRM approach of conducting individual behaviour and competency assessments. Via these assessments, individual performance scores were merged with 'individual behaviour scores' that resulted from assessments of employees' work behaviour by their superiors, peers, and subordinates, or a 360-degree assessment method (e.g. Borman, 1997; DeNisi & Pritchard, 2006; Hazucha et al., 1993), which then produced 'individual performance final scores'. As a final step, these final scores were compared with 'individual competency assessment scores', which resulted from assessing employees' competency and capacity to contribute to organisational performance (e.g. Chugh & Bhatnagar, 2006; Silzer & Church, 2009). The organisation combined these MA and HRM approaches because the aim of the PMSs integration was not only to improve organisational performance, which tends to be the focus of MA, but also to improve the performance of individuals, which is the goal of HRM practices.

This study thus contributes to the PMSs literature by showing the interconnection and cross-fertilisation of MA and HRM control approaches (Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999; Stringer, 2007). It offers insights for future MA research on how HRM approaches, such as the 360-degree assessment method (Chenhall, 2003, 2012), might be combined with MA control approaches to help align individual and organisational goals and influence individuals' behaviour. Specifically, in contrast to previous studies that suggest MA and HRM control approaches tend to work independently in practice (Brudan, 2010; Mansor & Tayib, 2013) and theory (Chenhall & Langfield-Smith, 2007; Shields, 2007), this study indicates that, while MA and HRM

control approaches may work independently for particular purposes, both approaches have a potential role in linking the key elements of organisational and individual level PMSs. Indeed, the findings of this study suggest that MA control approaches such as the BSC can help to align individual KPMs and targets with organisational KPMs and targets, while HRM control approaches may complement MA control approaches by influencing employees so their behaviour aligns with organisational values and their competency enhances the organisational capacity. In sum, this evidence shows that together accounting and non-accounting control approaches (Ferreira & Otley, 2009; Malmi & Brown, 2008), in this case HRM control approaches, shape the integration of organisational and individual level PMSs.

8.2.5 The Relationship between Organisational Culture and PMSs

The relationship between organisational culture and PMSs proved to be complex in the studied organisation. The findings demonstrate that organisational culture influenced the integration of organisational and individual level PMSs in the organisation. In particular, organisational culture, which was shaped by the national culture, appeared to inhibit the operation of the individual level PMS. In this case, opportunistic behaviour and the collectivistic, high power distance and hierarchical (Hofstede, 1981) national culture of employees led to the exploitation of loopholes in the PMSs; manipulation of performance results; and resistance to objectively assessing the behaviour of superiors, mainly senior level officials. On the other hand, the findings of this study also suggest that the achievement of PMSs integration influenced the organisational culture and, hence, acted to mitigate some of the adverse effects that national culture had on the PMSs' operation. In other words, the organisation used the PMSs integration to change the collectivistic, hierarchical culture of employees towards a more individualistic, market-oriented, performance-based culture.

The finding that the organisational culture, as shaped by national culture, affected the operation of the *individual* level PMS offers an extension to prior MA literature, which notes that organisational culture affects *organisational* level PMS operation (Ferreira & Otley, 2009; Henri, 2006b). The findings also signal that organisational culture may hinder PMSs use in public sector organisations. Specifically, in a high power-distance, hierarchical culture, PMSs may be used largely for regular, formal monitoring of the performance achievement of units and individuals rather than for strategic decision making. Furthermore, the findings of this study support the view that organisational

culture in public sector organisations can be changed (Pollitt & Dan, 2013), in this case by changing how PMSs operate and integrating organisational and individual level PMSs.

The findings also suggest that national culture influences PMSs. This contributes to the MA literature because, to date, existing research does not sufficiently examine the impact of national culture on PMSs and gives little attention to developing countries (see for discussion: Martyn, Sweeney, & Curtis, 2016; Otley, 2016; Tucker & Thorne, 2013). Future research could also examine whether national culture also substantially impacts PMSs in other countries, and the extent to which the effects of national culture on PMSs are mediated by organisational culture (Otley, 2016).

8.2.6 The Influence of Contextual Political Factors on PMSs Integration

In this study, it was found that contextual political factors indirectly influenced the integration of organisational and individual level PMSs in the studied organisation. In particular, parliament members were interested in the achievement of the organisational key success factor 'target revenue' and were involved in allocating the rewards budget. Yet, they paid little attention to the link between individual performance results and organisational performance. In addition, the Alpha Minister substantially influenced the integration of organisational and individual level PMSs through imposing various rules.

This study adds to previous research that points to the influence of political factors on PMSs in public sector organisations of developing countries (Alawattage et al., 2007; Hopper et al., 2009; Van Helden & Uddin, 2016) by illustrating how governmental systems may condition or influence how contextual political factors shape PMSs. These findings also imply that a lack of political debate on PMSs may hinder the progress of PMSs development in public sector organisations. As such, the findings of this study corroborate other research that suggests a need to improve the awareness of the role of political actors in enhancing PMSs in public sector organisations (Van Dooren, 2011; Van Dooren & Thijs, 2010).

8.2.7 The Influence of Organisational Structure on Integrated PMSs Design

Finally, the results of this study suggest that organisational structure can influence the design of integrated organisational and individual level PMSs. In particular, the findings of this study show that the existence of complex organisational structure and multiple layers of hierarchy (de Haas & Kleingeld, 1999) in the studied organisation produced a complex design of integrated organisational and individual level PMSs. Yet,

the complex organisational structure was not designed by the organisation; rather, it was controlled externally by the Alpha Ministry. As a consequence, while the organisational and individual level PMSs remained loosely coupled, the organisation designed the KPMs and targets of its organisational units first as a means of linking the KPMs and targets at the organisational and individual levels. In brief, the design of integrated organisational and individual level PMSs could not be simplified because it needed additional layers to link the elements of organisational and individual level PMSs.

This finding helps to clarify the conflicting results of previous studies related to the relationship between organisational structure and PMSs design (Abdel-Kader & Wadongo, 2011; Ferreira & Otley, 2009; Yap & Ferreira, 2011). In particular, two previous studies found that organisational structure is the core element of PMSs (Ferreira & Otley, 2009; Yap & Ferreira, 2011), while another study found that organisational structure is a contextual factor for PMSs (Abdel-Kader & Wadongo, 2011). This study supports the suggestion that organisational structure may be considered as a contextual factor that impacts PMSs design (Abdel-Kader & Wadongo, 2011). It is better viewed as a contextual factor because the complexity of a public sector organisation's structure is likely to be controlled by factors external to the organisation, rather than being within the control of organisational managers.

8.3 Implications and Limitations

The results of this study have some implications and limitations. The implications for the research literature and practice are considered next.

8.3.1 Implications for the Wider Literature

8.3.1.1 Challenges and Benefits of Integrating PMSs

In regard to the second research question and the wider literature, in particular the MA literature, the findings of this study suggest scholars need to move beyond investigating the integration of performance measures into a single PMS (e.g. Chenhall, 2005, 2008; Giovannoni & Maraghini, 2013; Nanni et al., 1992) towards a more holistic examination of how various elements of a PMS are connected and how multiple PMSs are integrated within an organisation (Otley, 1994, 1999, 2016; Stringer, 2007). This study shows that, although such integration can face practical challenges such as conflicting regulatory requirements, it may give additional benefits to organisations and their members. In this study, such benefits included the organisation's senior level officials becoming more egalitarian in their approach to evaluating performance, which

may enable PMSs to encourage team cooperation and, thus, improve organisational performance (Hood, 2012); and employees having a better knowledge of organisational goals, which may influence the behaviour of employees to become better aligned with organisational values and goals.

8.3.1.2 Social Integrating Mechanisms

This study has illustrated how social integrating mechanisms such as taskforces and their activities can be important in integrating PMSs. Such social integrating mechanisms complement the technical mechanisms for integrating PMSs, such as rules, which largely focus on integrating the different elements of PMSs (e.g. KPMs and targets) across different hierarchical levels in the organisation. Since this study examined only the Indonesian public sector context, and prior literature has offered little exploration of the notion of social integrating mechanisms (see Giovannoni and Maraghini, 2013 for an exception), future studies could usefully examine these social integrating mechanisms in different contexts, such as large, private organisations, and further conceptualise these mechanisms.

8.3.1.3 Usefulness of Ferreira and Otley's (2009) PMSs Framework

This study has shown that Ferreira and Otley's (2009) PMSs framework is useful for comprehensively investigating the existence of formal and informal control systems, and technical and social integrating mechanisms, to understand the 'big picture' of integrated PMSs in an organisation (including public sector organisations). This framework has also inspired this study to further explore the potential linkages between MA and HRM control approaches, and to examine culture and contextual factors. In particular, this framework can be used to help qualitative researchers to gain a holistic view (Sara & Robert, 2004) in understanding PMSs in an organisation comprehensively (Otley, 2012). Furthermore, it is helpful to take a holistic view of PMSs as suggested by this framework, instead of using a largely context-free theoretical approach such as agency theory (Adler, 2018; Ferreira & Otley, 2009; Otley, 2008, 2016).

8.3.2 Implications for Practice

It is crucial that MA research provides insights that have a practical impact (Otley, 2016). Hence, a brief reflection follows on the implications of this study's findings for PMS practice.

8.3.2.1 Policymakers

This study shows that the integration of organisational and individual level PMSs was triggered by the Alpha minister, who was one of the key public sector policymakers, supported by key officials of the Alpha Ministry. The findings of this study suggest that, in integrating organisational and individual level PMSs, public sector policymakers and key officials need to consider various formal and informal control systems, technical and social integrating mechanisms, and MA and HRM control approaches. Combining these different control systems, integrating mechanisms, and control approaches may give an opportunity to improve PMSs integration rather than focusing only on a standalone control system, mechanism, or control approach. Moreover, they need to anticipate and minimise conflicting regulatory requirements, and to enhance the capacity of information technology so the integration of organisational and individual level PMSs can be improved. This discussion contributes to answering the third research question by illustrating how the use of control systems, integrating mechanisms and control approaches could be improved to better support the integration of organisational and individual level PMSs.

8.3.2.2 PMSs in the Public Sector in Developing Countries

This study has shown that integrated PMSs that link organisational and individual level PMSs may play a role in changing the organisational culture in public sector organisations in developing countries. Therefore, politicians, policymakers and public sector managers should be aware with the potential benefits of integrating organisational and individual level PMSs and collaborate to develop policies that encourage and promote integrated PMSs as a tool that policy makers could use to change organisational culture. Furthermore, because rigid government procurement requirements inhibited the procurement of information systems to support PMSs integration in the studied organisation, politicians, policymakers and public sector managers need to change how they use controls. Instead of imposing heavy controls as a compliance mechanism or negative control (Ferreira & Otley, 2009; Simons, 1995; Tessier & Otley, 2012a), they need to use controls as an enabler or positive control of public sector reforms in order to support the integration of multiple PMSs. Therefore, controls can have a strategic role (Ferreira & Otley, 2009; Simons, 1995) in public sector organisations. In addition, because international donor agencies play a substantial role in promoting performance management reforms in developing countries (Van Helden & Ouda, 2016), they may also develop a programme that can promote the strategic use of controls in the public sector

organisations of developing countries. This discussion contributes to answering the third research question for this study by pointing to a means by which the integration of organisational and individual level PMSs could be improved.

8.3.3 Limitations of the Study

As for all research, this study has some limitations. First, the findings may not be generalisable beyond a large, public sector organisation in a developing country, although they could provide insights for other organisations that face similar PMSs integration issues, such as large, private sector organisations. For example, multinational corporations that operate in developing countries need to consider the influence of culture when integrating organisational and individual level PMSs in their subsidiaries. Second, this study did not consider the linkages between the integrated organisational and individual level PMSs and other PMSs such as budgets and risk management systems. It also did not examine the 'horizontal integration' of PMSs across various departments within a large organisation, since the focus of this study was to investigate the integration of organisational and individual level PMSs, which is insufficiently explored in Ferreira and Otley's (2009) framework. Third, this study looked at only two notions of culture, i.e. national and organisational culture. Since they are closely related and impact on each other, separating them is not unproblematic, but did reflect the language used by the study participants and was necessary for analysis purposes. Fourth, this study asked participants to recall past events, so was retrospective in its design. However, interviewees were given sufficient time to reflect and recall, especially in online written interviews (Schiek & Ullrich, 2017). Also, the researcher thoroughly reflected on the data obtained from each interview and triangulated it with data from other interviews, from publicly available official documents such as regulations, guidelines, circulars and bulletins, and from several confidential records of individual performance plans and performance assessment reports (c.f. Flick, 2006; Gray, 2009; Stake, 2010, 2005; Willis, 2007).

8.4 Concluding Remarks

The aim of this study was to contribute to the literature on integrated PMSs development. This aim was achieved by investigating the integration of organisational and individual level PMSs in a single, large government organisation in Indonesia. In particular, this study examined comprehensively the elements of organisational and individual level PMSs and the connections between those elements. The elements were empirically observed from capturing the perspectives of people across different functions

and hierarchies in the studied organisation, as well as from analysing electronic and printed documents.

Drawing on Ferreira and Otley's (2009) framework, this study provides several contributions. First, it offers insights into the process, outcomes, and challenges of integrating organisational and individual level PMSs. This study found that the studied organisation attempted to integrate organisational and individual level PMSs by linking four dimensions of Ferreira and Otley's (2009) framework (KPMs, target setting, performance evaluation, and reward systems). This technical integrating mechanism was complemented with the social integrating mechanism of utilising performance taskforces and their activities. The studied organisation also used formal and informal control systems, as well as MA and HRM control approaches, to integrate its organisational and individual level PMSs. Culture and contextual factors also shaped the integration of organisational and individual level PMSs. Yet, instead of achieving a single, well-integrated and coordinated PMS, this study found that the integration led to loosely coupled PMSs, in part because the two PMSs were managed by different taskforces, i.e. organisational performance management and individual performance management taskforces. In addition, the studied organisation faced the challenges of conflicting regulatory requirements, and rigid government procurement requirements that led to inadequate information technology being available to support a fully integrated PMS. While the organisation's efforts to integrate its organisational and individual level PMSs ultimately resulted in loosely coupled PMSs, the studied organisation gained several benefits from the integration process that could improve organisational and individual performance.

Second, this study opens the black box of the interconnections between MA and HRM-based control approaches (Chenhall, 2012; Chenhall & Langfield-Smith, 1998, 2007; Otley, 1999; Stringer, 2007). Via investigating various elements of organisational and individual level PMSs, this study found that the studied organisation not only used MA control approaches to integrate its organisational and individual level PMSs, but also drew on HRM control approaches. The studied organisation used MA control approaches to align individual goals with organisational goals that were quantitatively targeted. It used HRM control approaches to direct the behaviour and competency of individuals, so they aligned with organisational values and enriched organisational capacity.

Third, this study contributes to enhancing Ferreira and Otley's (2009) framework by exploring the relationships of culture and PMSs integration. By examining the

integration of organisational and individual level PMSs, this study found complex relationships between culture and PMSs integration. Indeed, as Ferreira and Otley (2009) suggest, the organisational culture, shaped by the national culture of employees, affected the integration of organisational and individual level PMSs in the studied organisation, in this case mainly by impacting the individual level PMS. However, the integration of organisational and individual level PMSs also impacted the organisational culture. It was shown that the studied organisation used the integration of organisational and individual level PMSs to change the organisational culture so that it was less influenced by the national culture of employees.

Fourth, this study also contributes to enhancing Ferreira and Otley's (2009) framework by showing the impact of contextual political factors and organisational structure on the integration of organisational and individual level PMSs. This study found that contextual political factors directly influenced organisational level PMS and indirectly influenced the integration of organisational and individual level PMSs. This is an important contribution to theory because although Ferreira and Otley (2009) suggest that their framework can be used in the public sector context, they have not themselves considered contextual political factors. In addition, this study found that the complex organisational structure of the studied organisation led to a complex design of integrated organisational and individual level PMSs. Therefore, this study suggests that instead of forming an element of PMSs, the organisation structure might be better viewed as a contextual factor that can impact the design of integrated PMSs.

As a final observation, while organisations may face various challenges in integrating organisational and individual level PMSs, which may end up of being loosely coupled, this study has shown that efforts to integrate organisational and individual level PMSs can bring benefits to organisations and their employees. This suggests that future studies may usefully investigate the integration of organisational and individual level PMSs in different contexts and, hence, address some limitations of this study. Future studies also need to consider culture and contextual factors when investigating the integration of organisational and individual level PMSs in different contexts.

The findings of this study suggest that investigating further the integration of organisational and individual level PMSs may help organisations and their management to align different or conflicted organisational and individual interests. Future studies can also attempt, as this study has done, to inform the MA literature by drawing on HRM theory and research on individual level PMSs. Such studies may help to address the gap

between PMS theory and practice and better allow MA researchers to contribute to practice.

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APPENDICES

Appendix A:
Previous PMSs studies

Author(s)	Purpose	Scope	Theories	Methods	Main findings
Albertsen and Lueg (2014)	Studies of BSC and compensation	117 empirical studies of leading journals from 1992 to 2012	BSC	Literature review	Insufficient evidence related to link of the BSC with compensation and the BSC is still viewed as a measurement system rather than a management system
Banker et al. (2004)	The link of evaluations with strategically linked performance measures	480 students	BSC	Experimental	Performance evaluations are influenced by strategically linked measures rather than non-linked measures and evaluators rely on common financial measures instead of unique non-financial measures.
Cohanier (2014)	Consistency of literature with the field	An international retailer in North America	No specific theory	A case study	Financial measures remain dominant and non-financial measures are often decoupled from key performance measures at the highest level of management
Hoque (2014)	Studies of the balanced scorecard	114 published articles in 25 accounting journals from 1992 to 2012	BSC	Literature review	Many organisations face a difficulty to integrate their BSC with other control systems in their organisations and some of them have a tendency to use many measures that may result in measuring the wrong things.
Hoque and Adams (2011)	The use of BSC in government departments	Australian government departments	BSC	Quantitative	BSC is used largely to satisfy legislative requirements
Hoque and James (2000)	The relationship between organisational size, product life-cycle stage, BSC usage, and organisational performance	66 Australian manufacturing companies	Contingency perspective	Quantitative	Firms that have a better market position are associated with greater use of BSC
Ittner et al. (2003)	The weight of different types of performance measures in a subjective BSC bonus plan	A financial services firm	Economic and psychological-based theories	Mixed methods	Subjectivity in the scorecard plan allowed superiors to change the composition of bonus payment by placing more weight to financial measures

Author(s)	Purpose	Scope	Theories	Methods	Main findings
Kraus and Lind (2010)	The corporate BSC and its impact on corporate control of business units	15 Swedish multinational companies	Corporate BSC	Case studies	BSC had a little impact at the corporate level, and the corporate level mainly used financial measures to control business units
Lilian Chan (2004)	The adoption of BSC in municipal governments	Municipal governments in the USA and Canada	BSC	Quantitative	Municipal governments rarely use non-financial measures of innovation and change to manage their organisations.
Lipe and Salterio (2000)	Judgemental effects of common and unique performance measures	58 students	BSC	Experiment	Performance evaluations are affected by common financial measures, such as return on sales
Malina and Selto (2001)	The effectiveness of non-financial measures	A private company	BSC and communication theory	A case study	BSC is an effective tool for developing, communicating, and implementing strategy
Poister and Streib (1999)	Performance measurement in municipal governments	Municipal governments in the USA	No specific theory	Quantitative	Few municipal governments use performance measures for management and decision processes
Speckbacher et al. (2003)	The usage of BSC	174 companies in Germany, Austria, and Switzerland	BSC	Quantitative	Of 40 companies, only one implemented BSC at the individual level

Appendix B:
The Dimensions of Ferreira and Otley's (2009) PMSs Framework

Dimensions	Described dimensions	Potential Issues
Core dimensions:		
Organisational vision and mission	The articulation of organisational values and purposes in vision and mission	There could be different perceived values and purposes (p. 268)
Key success factors (KSFs)	Key success factors (KSFs) in timescales	KSFs are those perceived important by managers rather an objective external view There could be non-substantial KSFs (p. 269)
Organisational structure	Jobs and roles of individuals within the organisational structure	There is a relationship of organisational structure and strategy Organisational structure could enable or limit performance (p. 269)
Strategies and plans	The actions of management to achieve KSFs, purposes, and objectives and the nature of communication strategies	There could be vague actions, unclear alignment of organisational strategies and business unit strategies, lack of understanding of participants, and different approaches of strategies and plans development (p. 270)
Key performance measures (KPMs)	Strategic, operational, and individual level key performance indicators (KPIs); key metrics used at different levels	KPIs not linked with objectives, KSFs, and strategies; misalignment of strategic KPIs to operational and individual levels; and disappearance of actual KPIs used, and the too many KPIs (p. 271)
Target setting	Process of setting performance targets, how to set targets, and how challenging the targets?	There could be tensions between what is desired and what is thought feasible (whether ambiguous or not) (p. 271).
Performance evaluation	Evaluation activities at individual levels and organisational levels; can be subjective, objective, or both	The evaluation could be seen as a routine of formal evaluation activities (p. 272).
Reward systems	A process conducted after evaluation to decide rewards (or penalties); rewards can be extrinsic or intrinsic and given at individual or collective level	Not all rewards (penalties) affect performance (p. 273)
Supporting dimensions:		
Information flows, systems, and networks	Feedback or feed forward flows to link elements and information systems/technology and networks to support PMSs operation	There could be issues of the interrelationships between systems in the organisation and between accounting and non-accounting PMSs (p. 274)
PMSs use	Characteristics and different uses of PM systems at different hierarchical levels in the types of flexible or rigid, diagnostic or interactive or both, and transactional or relational	There could be effects from the different types of use (p. 274).

PMSs change	The change dynamics and the interrelationships of different elements over time in response to organisational and environmental change	There could be causes and consequences of change and the appearance of incoherent between elements because the issue of lags (p. 275)
Strength and coherence	Interaction, togetherness, and the fitness of the elements of PM systems	There could be tensions and conflict between elements, loosely-coupled systems (intended or accident), and issues of the link back of KPIs to strategies, strategies to KSFs and overall purposes and objectives (p. 275)

Note. Summarised from Ferreira and Otley (2009)

Appendix C:
Collected Documents

No.	Documents	Identities	Types	
			Electronic	Printed
	First stage data collection			
1.	Personnel administration principles	Law, 8/74	√	-
2.	State servant apparatus administration	Law, 5/2014	√	-
3.	Government employee job assessment	Government Regulation, 10/1979	√	-
4.	Government employee productivity assessment	Government Regulation, 46/2011	√	-
5.	Organisational performance accountability reports	Presidential Directive, 7/1999	√	-
6.	Public sector reform strategies	Presidential Regulation, 5/2010).	√	-
7.	National mid-term development plan	Presidential Regulation, 2/2015	√	-
8.	The organisation of ministries	Presidential Regulation, 7/2015	√	-
9.	Performance incentives of the directorate general	Presidential Regulation, 37/2015	√	-
10.	The performance evaluation of government organisations	The State Apparatus Empowerment and Bureaucratic Reform Ministerial Regulation, 13/2010	√	-
11.	Objectives of public sector reforms	The State Apparatus Empowerment and Bureaucratic Reform Ministerial Regulation, 11/2015	√	-
12.	Technical guideline of government employee productivity assessment	National Personnel Agency Head Regulation, 46/2011	√	-
13.	Performance management in the Alpha Ministry	The Alpha Ministerial Decree, 454/2011	√	-
14.	Performance management in the Alpha Ministry	The Alpha Ministerial Decree, 467/2014	√	-
15.	The organisation and working procedure of the Directorate General	The Alpha Ministerial Decree, 206/2014	√	-
16.	Strategic plan of the Alpha Ministry year 2015 - 2019	The Alpha Ministerial Decree, 466/2015	√	-
17.	The Alpha Ministry's annual performance reports	Year 2015 to 2016	√	-

No.	Documents	Identities	Types	
			Electronic	Printed
18.	Official performance bulletins	Editions 1/2009 to 28/2016	√	-
19.	Organisational strategic plan 2012-2014	The Director General Decree, 334/2012	√	-
20.	Performance management in the directorate general	The Directorate 10 Circular, 23/2012	√	-
	Second stage data collection			
1.	Presentation material	The Alpha Ministerial Decree 454/2011	√	-
2.	Strategic plan 2015-2019	The Director General Decree, 95/2015	√	-
3.	Organisational annual performance reports	Year 2013 to 2016	√	-
4.	The general guideline of employee performance plans	The Director General Circular, 5639/2014	√	-
5.	The instruction to give hand signature individual performance plans and performance contras of 2015 in the directorate general	The Director General Circular, 85/2015	√	-
6.	The hand signature of individual performance contracts in the directorate general	The Director General Circular, 59/2016	√	-
7.	Individual performance evaluations and scores of 2014	The Directorate General Secretary Circular, 81/2015	√	-
8.	The guideline for the preparation of individual performance contracts in the directorate general in 2015	The Directorate General Secretary Circular, 84/2015	√	-
9.	The monitoring of organisational performance achievement in the directorate general	The Directorate General Secretary Circular, 209/2015	√	-
10.	The revision of key performance indicators and performance contracts of 2015	The Directorate General Secretary Circular, 368/2015	√	-
11.	The preparation of complementary performance contracts and the distribution of key performance measures	The Directorate General Secretary Circular, 387/2015	√	-
12.	The monitoring of organisational performance achievement in the directorate general	The Directorate General Secretary Circular, 903/2015	√	-
13.	The preparation of organisational annual performance reports of 2015 and performance allocation of 2016	The Directorate General Secretary Circular, 17/2016	√	-
14.	The guideline of the preparation of performance contracts of 2016	The Directorate General Secretary Circular, 58/2016	√	-
15.	The clarification of employee performance evaluation in the directorate general	The Directorate 10 Circular, 643/2014	√	-
16.	The use of information system in the employee performance	The Directorate 10 Circular, 5/2015	√	-

No.	Documents	Identities	Types	
			Electronic	Printed
	evaluation in the directorate general			
17.	Performance evaluation for employees who are in the rotation	The Directorate 10 Circular, 83/2015	√	-
18.	The clarification of employee performance evaluation	The Directorate 10 Circular, 155/2015	√	-
19.	The clarification of individual performance evaluation in the directorate general	The Directorate 10 Circular, 253/2015	√	-
20.	Performance evaluation for employees who are in the rotation	The Directorate 10 Circular, 325/2015	√	-
21.	The circular letter of the Alpha minister related to performance management semester 1 of 2015	The Directorate 10 Circular, 526/2015	√	-
22.	The clarification of performance management semester 1 of 2015	The Directorate 10 Circular, 528/2015	√	-
23.	The distribution of key performance measures of 2016	The Directorate General Secretary Circular, 56/2016	√	-
24.	Performance targets of organisational units of 2016	The Directorate General Secretary Circular, 57/2016	√	-
25.	Annual individual performance plans		√	√
26.	Annual individual performance assessment reports		√	√
	Third stage data collection			
1.	The values of the Alpha Ministry	The Alpha Ministerial Decree, 312/2011	√	-
2.	The organisation and working procedure of the Alpha Ministry	The Alpha Ministerial Decree, 234/2015	√	-
3.	The blue print of organisational transformation program of the Alpha Ministry 2014-2025	The Alpha Ministerial Decree, 36/2014	√	-
4.	The competency standards of middle level officials in the Alpha Ministry	The Alpha Ministerial Decree, 348/2011	√	-
5.	Individual competency assessment reports in the Alpha Ministry	The Alpha Ministerial Decree, 38/2014	√	-
6.	Guideline for office competitions in the Alpha Ministry	The Alpha Ministerial Decree, 128/2013	√	-
7.	The guideline for office competition in the Alpha Ministry	The Alpha Ministerial Decree, 65/2014	√	-
8.	The guideline of office competition in the directorate general	The Director General Decree, 127/2014	√	-
9.	The guideline of office competition in the regional offices	The Director General Decree, 161/2015	√	
10.	Employee performance tournaments in the directorate general	The Directorate 10 Circular, 284/2017	√	-

No.	Documents	Identities	Types	
			Electronic	Printed
11.	Reform team of the directorate general	The Alpha Ministerial Decree, 885/2016	√	-
12.	Guideline of evaluating employee performance scores based of the quality of performance contracts in the Alpha Ministry	The Alpha Ministerial Decree, 234/2016	√	-
13.	The guideline of reporting, monitoring, and the evaluation of competitive products of the directorate general	The Director General Circular, 51/2015	√	-
14.	Additional annual individual performance plans		√	-
15.	Additional Annual individual performance assessment reports		√	-

Appendix D:
Ethics Application Approval

AUT UNIVERSITY | **AUTEC SECRETARIAT**

9 June 2015

Deryl Northcott
Faculty of Business and Law

Dear Deryl

Ethics Application: 15/186 Integrating organisational and employee performance accountability management systems with the Indonesian Public Sector.

Thank you for submitting your application for ethical review to the Auckland University of Technology Ethics Committee (AUTEC). I am pleased to confirm that your ethics application has been approved for three years until 6 June 2018.

AUTEC would like to commend you on the thoroughness of your application.

As part of the ethics approval process, you are required to submit the following to AUTEC:

- A brief annual progress report using form EA2, which is available online through http://www.aut.ac.nz/researchethics. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 6 June 2018;

- A brief report on the status of the project using form EA3, which is available online through http://www.aut.ac.nz/researchethics. This report is to be submitted either when the approval expires on 6 June 2018 or on completion of the project;

It is a condition of approval that AUTEC is notified of any adverse events or if the research does not commence. AUTEC approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

AUTEC grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to obtain this.

To enable us to provide you with efficient service, we ask that you use the application number and study title in all correspondence with us. If you have any enquiries about this application, or anything else, please do contact us at ethics@aut.ac.nz.

All the very best with your research,

Kate O'Connor
Executive Secretary
Auckland University of Technology Ethics Committee

Cc: Rudy Harahap rudy.harahap@aut.ac.nz

Appendix E:
Invitation Letter, Information Sheet, Planned Interview Questions

a. Invitation Letter

Project Title:	Integrating Organisational and Employee Performance Management Systems within the Indonesian Public Sector
Project Supervisor:	Prof. Deryl Northcott
Primary Researcher:	Rudy M. Harahap

Dear,

My name is Rudy M. Harahap and I am currently completing my PhD in Accounting at the Auckland University of Technology (AUT), Auckland, New Zealand. I was also a government employee in Indonesia. I was Head of a Planning Preparation Division and Head of an Information Systems Development Division at the Finance and Development Supervisory Agency (BPKP) before commencing my PhD. The title of my PhD research is "Integrating Organisational and Employee Performance Management Systems (PMSs) within the Indonesian Public Sector".

The objective of this research is to understand the issues and challenges of integrating employee and organisational level PMSs. Specifically, this study will examine: (i) the extent to which the PMSs are integrated, (ii) the perceived and potential benefits of PMSs integration and (iii) the challenges it presents.

Given you are a government employee, your thoughts and experiences would be very helpful for this research. However, your participation in this research is voluntary. Your name and your organisation will not be identified in the research report. Also, your identity will be kept confidential and will not be made available to anyone else.

The nature of this research will ensure that you are not exposed to any risk/harm or discomfort as a result of your participation.

I am now recruiting the participants and scheduling the interview. If you are interested in participating in a interview, please click the link below, fill-in the online form and give your consent. This will take you around 5 minutes to complete.

$[l://SurveyLink?d=OnlineForm]

Or copy and paste the URL below into your internet browser:

$[l://SurveyURL]

Otherwise, you may also contact me by email, telephone, or WhatsApp, to get the hardcopy form.

 IF YOU HAVE ALREADY COMPLETED THE FORM BEFORE, PLEASE DISREGARD THIS MESSAGE.

Many thanks for your participation!

Kind regards,

Rudy M. Harahap, PhD (Candidate)

Faculty of Business and Law, Auckland University of Technology, Auckland, New Zealand

Mobile/WA: +64 22 1099661 (New Zealand)

+62 8129101061 (Indonesia)

Email: rudy.harahap@aut.ac.nz

b. Information Sheet

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1. An Invitation

Greetings,

My name is Rudy M. Harahap and I am currently completing my PhD in Accounting at the Auckland University of Technology (AUT), Auckland, New Zealand. I was also a government employee in Indonesia. I was Head of a Planning Preparation Division and Head of an Information Systems Development Division at the Finance and Development Supervisory Agency (BPKP) before commencing my PhD. The title of my PhD research is "Integrating Organisational and Employee Performance Management Systems in the Indonesian Public Sector".

This research is part of my PhD studies at the Auckland University of Technology (AUT), Auckland, New Zealand. As the Primary Researcher, I would like to invite you to take part in this research.

Please note that your participation is entirely voluntary (up to you). Your participation in this research is not as the representative of your organisation, therefore your views will not be considered as your organisation's position.

2. What is the purpose of this research?

This research will examine the issue of PMSs integration. Specifically, the study will examine: (i) the extent to which the organisational and employee level PMSs are integrated, (ii) the perceived and potential benefits of PMSs integration and (iii) the challenges it presents. It is hoped this study will also inform practitioners' efforts to improve performance management in the public sector of developing countries.

The findings of this study will be used to enhance the consideration of integrated PMS in the academic literature by (i) reflecting on the range of existing integrated PMS frameworks and (ii) identifying areas where they can be usefully cross-fertilised and further developed.

3. How was I identified and why am I being invited to participate in this research?

I am inviting government employees who have been involved with employee level PMSs and/or organisational level PMSs to take part in an interview. You have been identified based on information I got from your public profile on the Internet, or because your name was referred to me by other participants or by a contact in your organisation. If you were referred to me by another participant or contact, this person has already obtained your permission to be contacted with this invitation.

4. What will happen in this research?

The online written interviews will be held some time during February-March 2016 and face-to-face interviews in April 2016 in Jakarta, Indonesia. The interviews will be based on the questions in the attached Interview Guide.

During the interview, I will ask for your views on what issues and challenges exist in regard to integrating organisational and employee level PMS.

5. What are the potential discomforts and risks of participating in this study?

I do not anticipate that the interview will cause you any discomfort or risk. The level and depth of information you provide is up to you. I will not press you to discuss any issues you are not comfortable with.

6. How will these discomforts and risks be alleviated?

If you feel uncomfortable at any stage, I will ensure that you are able to take a break and/or end the online interview if you wish. You are also free to refuse to answer any question.

7. What are the benefits?

You as well as your organisation and stakeholders could get some benefit from this study. You could benefit from having better performance management systems (PMSs) in your organisation. Your organisation could use the findings of this study to ensure that employee performance goals are aligned with organisational performance goals and to minimise

administrative cost and process redundancy in your organisation. Stakeholders such as citizens could benefit from better performance management in public services.

This study could also inform practitioners' efforts to improve performance management in the public sector of developing countries such as Indonesia.

8. How will my privacy be protected?

Your identity in the interview and any personal information revealed will be kept confidential. Final transcripts produced for analysis and reporting documents will not contain participant names.

As a government employee, some of you might have known each other before or have on-going working relationships, therefore I want to ensure that everyone has the same understanding of the level of confidentiality that I can promise.

You have the right not to answer any questions or to withdraw from the interview at any time and to require that data arising from your participation are not used in this research, provided that this right is exercised within four weeks of the completion of your participation in this research.

If you choose to withdraw, you are asked to complete the "Withdrawal of Consent Form" or to notify the Primary Researcher by email that you wish to withdraw your consent for your data to be used in this research.

9. What are the costs of participating in this research?

The cost of participating is your time – about 30 to 45 minutes in online interview or 45 to 90 minutes in face-to-face interview. The interview process could be handled in a single interview or be continued in a second interview. This will depend on your preferences and availability. If you are not comfortable or are not able to continue the interview for any reason, the interview could be continued the next time you are available.

10. What opportunity do I have to consider this invitation?

You have two weeks to consider this invitation before I need to finalise the interview schedule.

11. How do I agree to participate in this research?

Before I schedule the interview, you need to complete the consent letter in an electronic form through clicking the link provided after you read this Information Sheet and Interview Guide. Alternatively, you can contact the Primary Researcher to receive the hardcopy form.

12. Will I receive feedback on the results of this research?

When this research is finished, the full thesis report will be available on the AUT University website. A summary of key findings will be available to all interested parties and the public.

If you wish to receive a copy of the research summary, please make sure you tick this preference on the form.

13. What do I do if I have concerns about this research?

Any concerns regarding the nature of this research should be notified in the first instance to the Primary Researcher. If you are not satisfied with the response from the Primary Researcher, you should notify the Research Supervisor.

If you have any complaints or queries that the Primary Researcher and/or the Research Supervisor have not been able to answer to your satisfaction regarding the conduct of the research, you should contact the Executive Secretary of the AUT Ethics Committee (AUTEC) Kate O'Connor, email: ethics@aut.ac.nz.

14. Whom do I contact for further information about this research?

Primary Researcher: Rudy M. Harahap, rudy.harahap@aut.ac.nz, Phone +64 9 921 9999 ext 5338

Research Supervisor: Prof. Deryl Northcott, deryl.northcott@aut.ac.nz, Phone +64 9 921 9999 ext 5850

c. Planned Interview Questions

Project Title:	Integrating Organisational and Employee Performance Management Systems within the Indonesian Public Sector
Project Supervisor:	Prof. Deryl Northcott
Primary Researcher:	Rudy M. Harahap

During an interview, the Primary Researcher will ask the participants some questions related to the performance management systems (PMS) and practices in their organisations based on this Interview Guide. However, not all of these questions will be asked to the participants. Only the relevant questions will be asked, based on the participant's position in their organisation or how they answered the earlier questions. At the end of interview, if agreed by a participant and approved by the referred participants beforehand, the Primary Researcher will ask the participant to suggest other participants who may have experience of a performance management system.

1. Introduction

1.1. Government organisation

1.1.1. Please tell me where you work now. Do you work in a central office or branch office of your organisation? If it is in a central office of your organisation, do you work at a division/department of secretariat general or a division/department of non-secretariat general?

1.1.2. What is your current position in your division/department? How long have you been working in this division/department?

1.1.3. Could you explain more the main activities of your division/department? Could you tell me what is your main role in this division/department?

1.2 Involvement with performance management systems

1.2.1. Have you been involved with the employee level performance management system or the organisational level performance management system in your organisation (or both)?

1.2.2. Could you tell me whether your involvement with the system(s) is mainly as an employee, or also as a person who manages the system(s)? Could you explain more your involvement with the employee level performance management system and/or the organisational level performance management system in your division/department?

2. Main Questions

2.1. Organisational level system:

2.1.1. Could you tell me the main performance targets for your division/department?

2.1.2. Do you think that these performance targets have answered the needs of citizens and other stakeholders (such as parliamentary members and cabinet ministers)?

2.1.3. Do you think these performance targets have been linked to (or have considered) the main employee level performance targets in your division/department?

2.1.4. Could you describe the process or mechanism of organisational performance management (planning, implementation, reporting and evaluation) in your division/department?

2.1.5. What is the unit/section that manages organisational performance in your division/department? Could you explain more the role of this unit/section in improving division/department performance?

2.2. Employee level System:

2.2.1. Do you have personal performance targets as an employee? If yes, could you describe what your main, personal performance targets are?

2.2.2. Do you think these individual performance targets have been linked to (or have considered) the main performance targets of your division/department? If yes, could you explain more how they are linked?

2.2.3. Do you think these individual performance targets have also answered the needs of citizens and other stakeholders (such as parliamentary members and cabinet ministers)?

2.2.4. Could you describe the process or mechanism of employee performance management (planning, implementation, reporting, and evaluation) in your division/department?

2.2.5. What is the unit/section that manages employee performance in your organisation? Could you explain more the role of this unit/section in improving employee performance?

3. Additional Questions

3.1. Could you tell me how the integration of both the organisational level performance management system and the employee level performance accountability system works in your division/department?

3.2. Do you think there is a lack or challenge of integration between these systems? If yes, do you think the lack or challenge of integration could influence the performance of employees as well as the division/department? Could you tell me, if relevant, what are the consequences of the lack or challenge of integration between these systems?

3.3. In your opinion, how could both of these performance management systems be (better) integrated?

3.4. What do you think are the most important issues or factors in integrating both of these performance management systems in your organisation?

3.5. What do you think are the most important issues or factors in the employee level performance management system that should be linked to (or considered by) the organisational level performance management system so both individual employees and your division/department can meet their performance targets?

All of the questions could be in English or in the Indonesian language. The participants could answer the questions in English or in the Indonesian language.

Appendix F:
Interview Consent Form

Project Title:	Integrating Organisational and Employee Performance Management Systems within the Indonesian Public Sector
Project Supervisor:	Prof. Deryl Northcott
Primary Researcher:	Rudy M. Harahap

☐ I have read and understood the information provided about this research project in the Information Sheet

☐ I have had an opportunity to ask questions and to have them answered.

☐ I understand that a record of the online interview will be kept by the Primary Researcher.

☐ I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.

☐ If I withdraw, I understand that all relevant information including tapes and transcripts, or parts thereof, will be destroyed.

☐ I agree to take part in this research.

☐ I wish to receive a copy of the report from the research (please tick one):

Yes ☐ No ☐

Participant Name: ....

Participant's Signature: ....

Participant's Contact Details (if appropriate):

....

....

Date: ....

Note. The Participant should retain a copy of this form.

Appendix G:
Interviewees

No	Participants	Functions[1]	Hierarchies	Periods	Locations	Online	Duration[2]	Face-to-Face	Duration	Follow-Up	Duration[2]
	First stage interviews										
1	Mid level official #1	Core	Mid level	February 2016	Internet	√	2 days	-		-	
2	Low level official #1	Core	Low level	March 2016 – May 2017	Internet	√	4 days	-		√	4 days
3	Low level official #2	Core	Low level	February 2016	Internet	√	4 days	-		-	
4	Low level official #3	Core	Low level	February 2016	Internet	√	3 days	-		-	
5	Non-managerial official # 1	Core	Non-managerial	February – March 2016	Internet	√	3 days	-		-	
6	Non-managerial official # 2	Support	Non-managerial	February – March 2016	Internet	√	3 days	-		-	
7	Low level official # 4	Core	Low level	February 2016	Internet	√	3 days	-		-	
	Second stage interviews										
8	Low level official # 5	Support	Low level	April 2016	Coffee Shop	-		√	01:02	-	
9	Mid level official # 2	Support	Mid level	April 2016	Office	-		√	00:49	-	
10	Senior level official # 1	Core	Senior level	April 2016	Office	-		√	01:30	-	
11	Mid level official # 3	Core	Mid level	April 2016	Office	-		√	30:01	-	
12	Low level official # 6	Support	Low level	April 2016	Office	-		√	01:02	-	
13	Low level official # 7	Support	Low level	April 2016	Office	-		√	01:20	-	
14	Mid level official # 4	Support	Mid level	April 2016	Office	-		√	01:05	-	
15	Mid level official # 5	Core	Mid level	April 2016	Office	-		√	30:00	-	
16	Mid level official # 6	Core	Mid level	April 2016	Office	-		√	01:00	-	
17	Non-managerial official # 3	Core	Non-managerial	April 2016	Office	-		√	00:32	-	
18	Mid level official # 7	Core	Mid level	April 2016	Office	-		√	00:57	-	
19	Low level official # 8	Core	Low level	April 2016	Office	-		√	01:38	-	

No	Participants	Functions[1]	Hierarchies	Periods	Locations	Online	Duration[2]	Face-to-Face	Duration	Follow-Up	Duration[2]
20	Low level official # 9	Core	Low level	April 2016	Office	-		√	01:22	-	
21	Senior level official # 3	Core	Senior level	April 2016	Office	-		√	01:09	-	
22	Mid level official # 8	Core	Mid level	April 2016	Office	-		√	01:36	-	
23	Low level official # 10	Support	Low level	April 2016	Office	-		√	01:58	√	4 days
24	Senior level official # 4	Support	Senior level	April 2016	Office	-		√	01:06	-	
25	Senior level official # 5	Core	Senior level	April 2016	Coffee shop	-		√	02:03	-	
26	Low level official # 11	Core	Low level	April 2016	Office	-		√	01:39	-	
27	Low level official # 12	Core	Low level	April 2016	Office	-		√	01:26	-	
28	Mid level official # 9	Core	Mid level	April - June 2016	Office, Internet	-		√	01:18	√	4 days
29	Senior level official # 6	Core	Senior level	April 2016	Office	-		√	00:51	-	
30	Senior level official # 7	Support	Senior level	April 2016	Office	-		√	02:00	-	
31	Parliament member	-	-	April 2016	Coffee shop	-		√	01:18	-	
32	Civil service commission member	-	-	April 2016	Office	-		√	01:56	-	
33	Senior level official of Ministry State Apparatus Empowerment and Bureaucratic Reform	-	-	April 2016	Coffee shop	-		√	01:06	-	

Follow-up online written interviews

No	Participants	Functions[1]	Hierarchies	Periods	Locations	Online	Duration[2]	Face-to-Face	Duration	Follow-Up	Duration[2]
34	Low level official # 13	Core	Low level	January 2017	Internet	-		-		√	2 days
35	Mid level official # 10	Core	Mid level	January – June 2017	Internet	-		-		√	6 days
36	Mid level official # 11	Core	Mid level	March – June 2017	Internet	-		-		√	4 days
37	Non-managerial official # 4	Core	Non-managerial	January 2017	Internet	-		-		√	2 days

Notes:
1. 'Core' functions are those that customer supports and operation, while 'support' functions are finance, HRM, and general affairs.
2. The number of days indicates over how many days the online written interviews were conducted. In one day, there could more than one reply.

Appendix H:
Document Consent Form

Project Title:	Integrating Organisational and Employee Performance Management Systems within the Indonesian Public Sector
Project Supervisor:	Prof. Deryl Northcott
Primary Researcher:	Rudy M. Harahap

1. As a senior manager in ……………………………………………………………, a division/department of …………………………………………………………..………….…………….., I hereby grant permission to the Primary Researcher, Rudy M. Harahap, to have access to the organisational documents listed below.

2. I understand that the Primary Researcher, Rudy M. Harahap, will treat these documents as confidential and will not reveal, in any reports he produces from his research, any information from these documents that could be sensitive or could identify this organisation (unless I provide further permission in writing to this effect).

3. I understand that the Primary Researcher, Rudy M. Harahap, will not keep copies of, or make known or available to any third parties, the contents of these documents or any information he receives as a result of his analysis of these documents.

4. Documents provided

………

………

………

Signature: ....

Name: ....

Position: ....

Date: ....

Contact Details: ....

....

Email: ....

Phone: ....

Appendix I:
A Map of Manually Tagged Codes and NVivo Searched Themes
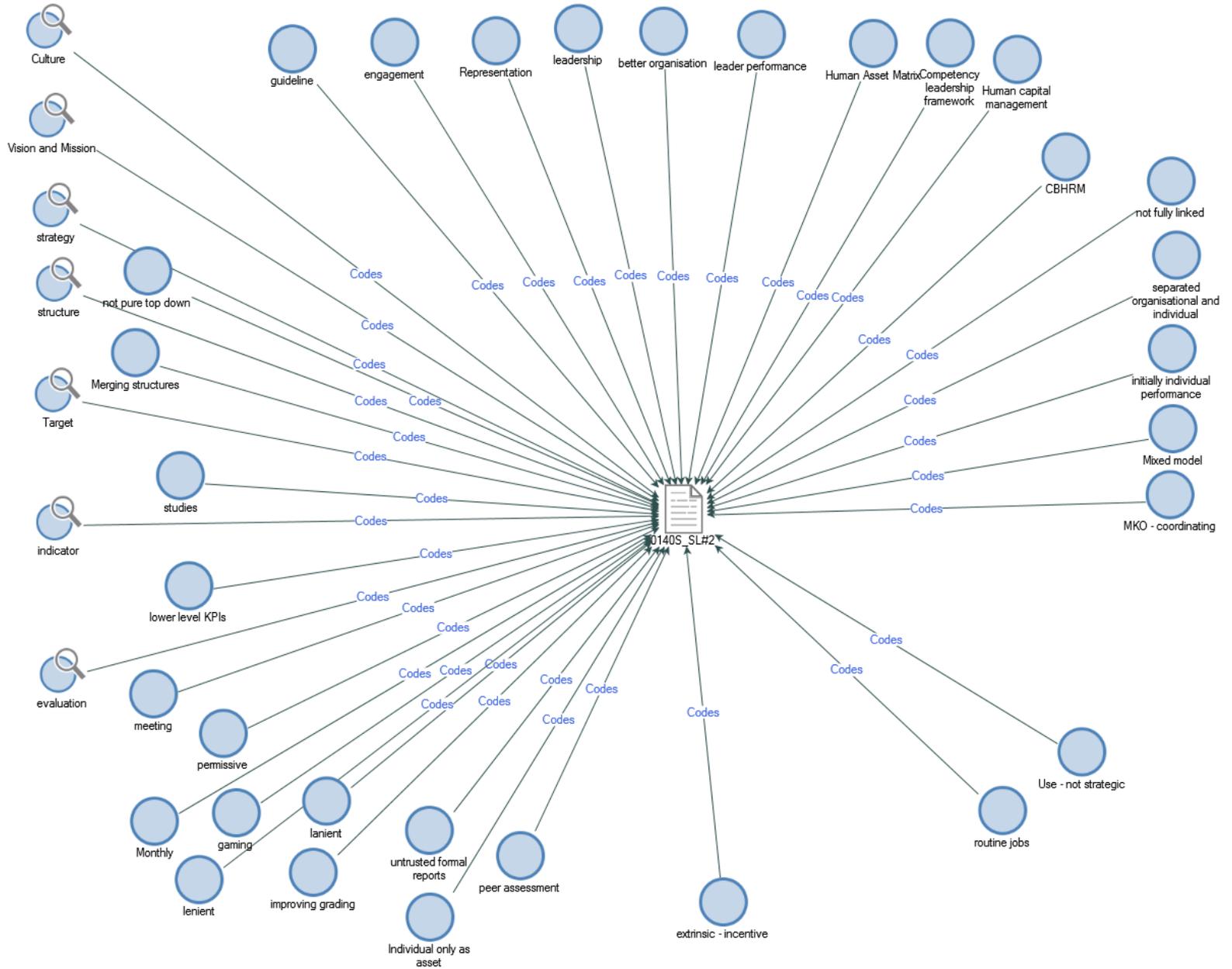
Appendix J:
The Organisational Structure

a. The head office organisational structure
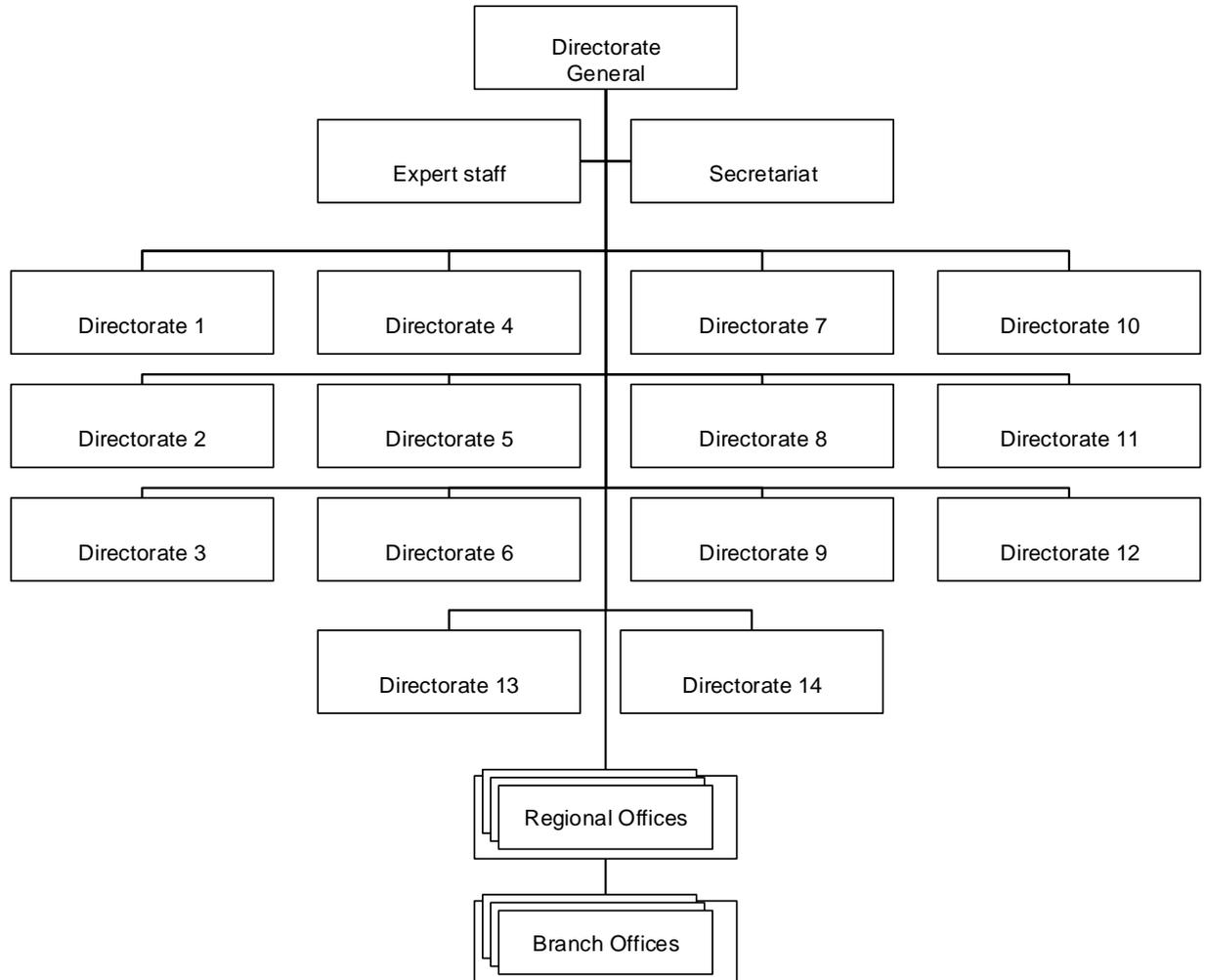
b.   A directorate organisational structure

```
                        ┌──────────────────────┐
                        │      Directorate     │
                        └──────────┬───────────┘
                                   │      ┌──────────────────┐
                                   ├──────│   Supporting      │
                                   │      │   Sub-division    │
                                   │      └──────────────────┘
            ┌──────────────────────┼──────────────────────┐
   ┌────────────────┐     ┌────────────────┐     ┌────────────────┐
   │ Sub-directorate │     │ Sub-directorate │     │ Sub-directorate │
   │        1        │     │        2        │     │        3        │
   └────────┬────────┘     └────────┬────────┘     └────────┬────────┘
            │                       │                       │
   ┌────────────────┐     ┌────────────────┐     ┌────────────────┐
   │   Section 1     │     │   Section 1     │     │   Section 1     │
   └────────────────┘     └────────────────┘     └────────────────┘
   ┌────────────────┐     ┌────────────────┐     ┌────────────────┐
   │   Section 2     │     │   Section 2     │     │   Section 2     │
   └────────────────┘     └────────────────┘     └────────────────┘
   ┌────────────────┐     ┌────────────────┐     ┌────────────────┐
   │   Section 3     │     │   Section 3     │     │   Section 3     │
   └────────────────┘     └────────────────┘     └────────────────┘
   ┌────────────────┐                            ┌────────────────┐
   │   Section 4     │                            │   Section 4     │
   └────────────────┘                            └────────────────┘
```
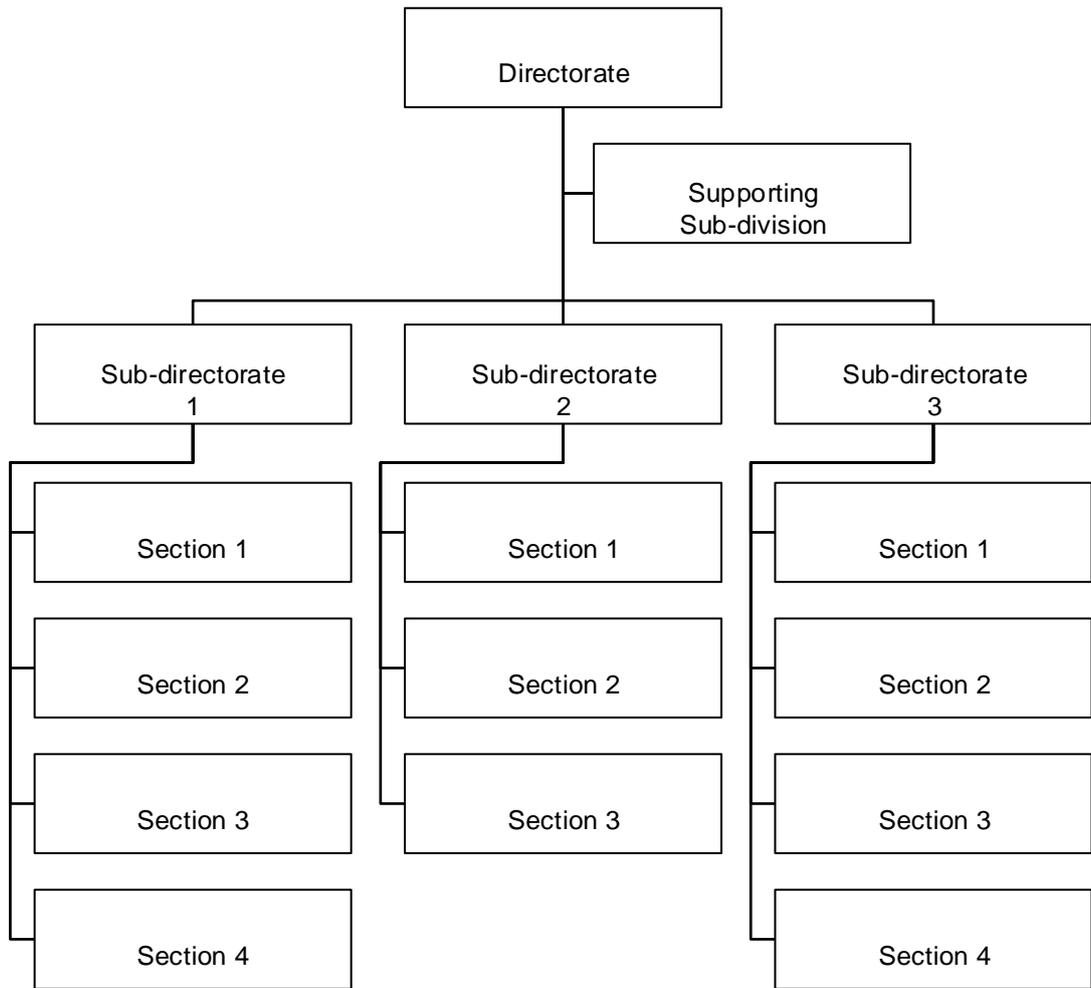
c.   A regional office organisational structure
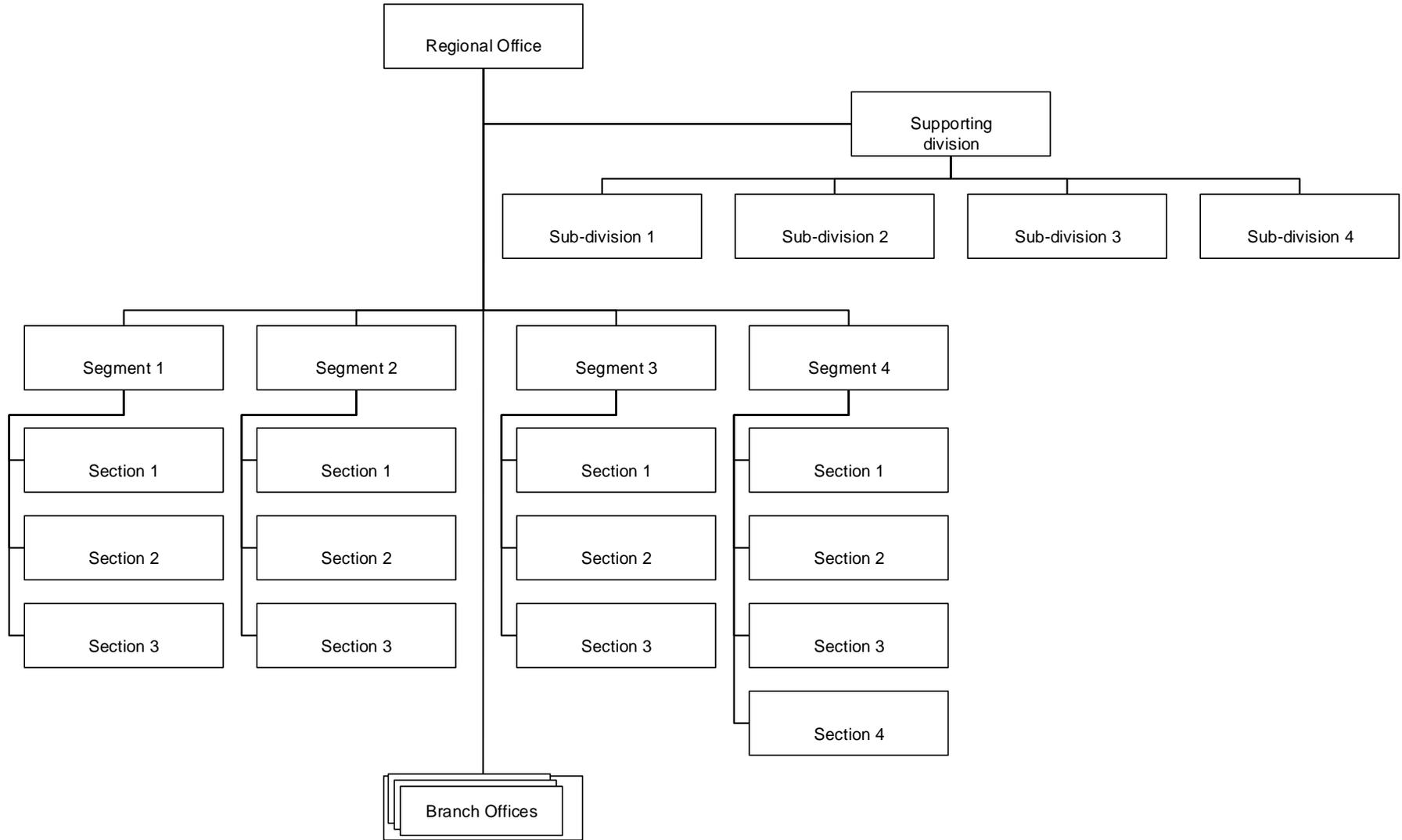
d.   A branch office organisational structure
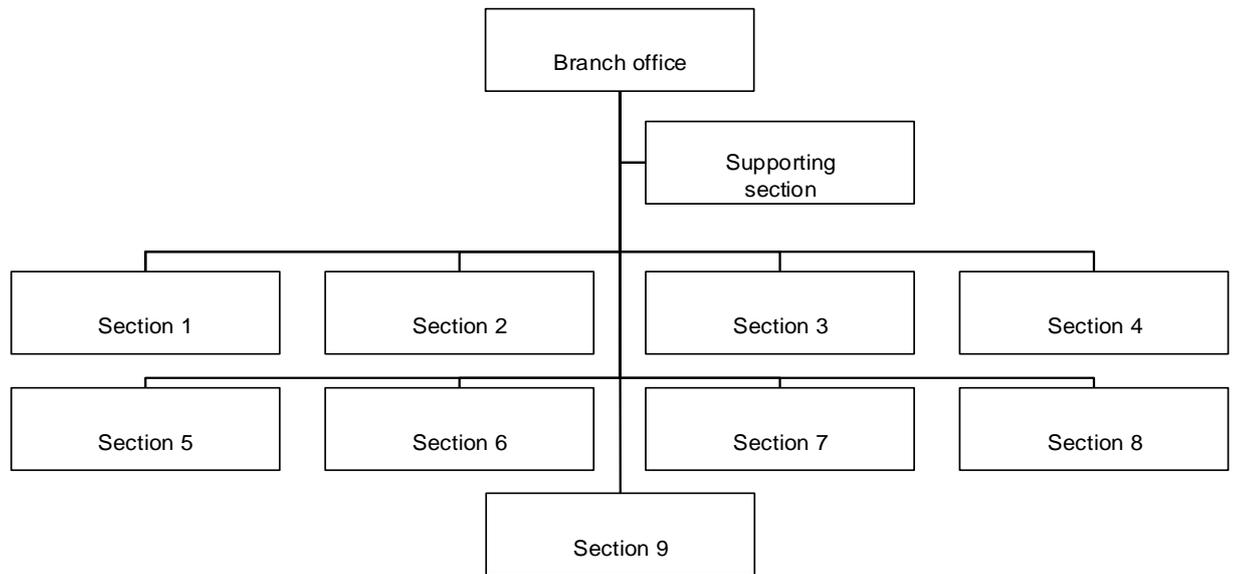
Note. Adapted from *the official website and ministerial regulations 2016/2014 and 234/2015.* The names of the units in each organisational structure have been coded to indicate the organisational structures and managerial positions in the organisation. The number of units in each regional office and branch office may differ. The number of units in a branch office is greater than in a regional office because a branch office directly interacts with and serves the levy payers. The role of a regional office is mostly to coordinate branch offices within a region.

Appendix K:
Five-Year Organisational Strategic Objectives, Strategic Initiatives, and Units in Charge of the Strategic Initiatives

Perspectives	Strategic objectives	Strategic initiatives	Units in charge
Stakeholders	1. Optimum levy revenue		
Customers	2. Delivery of public service		
	3. High level of levy payers' compliance		
Internal business process	4. Excellent services	1. Levy payers Migration to e-Filing	Directorate 9*, Directorate 11, Directorate 12, Directorate 8
		2. Drastically improving the call centre capacity	Directorate 8*, Directorate 12, Directorate 11
		3. Expansion of the website functionality	Directorate 8*, Directorate 9, Directorate 11
	5. Improvement on levy dissemination and public relation effectiveness	4. Launching the integrated communication strategic	Directorate 8*, Directorate 14, Directorate 3, Directorate 10
	6. Improvement on levy extensification	5. Reaching the informal economic through end-to-end approach	Directorate 5*
		6. Refinement of the levy payers extensification	Directorate 5*, Directorate 9. Directorate 11, Directorate 6, Directorate 12, Secretariat
	7. Improvement on levy payers' supervision	7. Improving the segmentation and levy payers' coverage model	Secretariat*, Directorate 10, Directorate 12, Directorate 11, Directorate 9
		8. Improving the VAT administration system	Directorate 1*, Directorate 12, Directorate 11, Directorate 9, Directorate 6
		9. Preparing the levy payers compliance risk management model	Directorate 6*, Secretariat, Directorate 12, Directorate 9, Directorate 3, Directorate 11, Directorate 5, Directorate 7
		10. Improving the intensification of levy collection	Directorate 6*, Directorate 1, Directorate 9. Directorate 11, Directorate 5, Directorate 12, Directorate 2, Directorate 3, Secretariat, Directorate 8, Directorate 7
	8. Improvement on levy audit effectiveness	11. Improving the levy audit effectiveness	Directorate 3*, Directorate 11, Directorate 9, Secretariat, Directorate 10
	9. Improvement on law enforcement effectiveness	12. Ensuring the quality and consistency of law enforcement	Directorate 3*, Directorate 7, Directorate 14, Directorate 1, Directorate 2, Directorate 9, Directorate 11

Perspectives	Strategic objectives	Strategic initiatives	Units in charge
		13. Improving the collection effectiveness	Directorate 3*, Directorate 11, Directorate 12
		14. Selective law enforcement to give deterrent effect to levy payers (accounts blocking, abroad travelling prevention, *gijzeling*, and investigation)	Directorate 14*, Directorate 8, Directorate 3, Directorate 1, Directorate 2
	10. Improvement on data reliability	16. Systematically involving a third party for data collection, law enforcement, and levy payers outreach	Directorate 8*, Directorate 1, Directorate 12, Directorate 11, Directorate 9, Directorate 3, Directorate 14, Directorate 5
		17. Improving the Levy Office	Directorate 9*, Secretariat, Directorate 12, Directorate 8, Directorate 11, Directorate 10, Directorate 1, Directorate 2
		18. Selectively extending the reach of Data Processing Centre and increasing the data acquisition capability	Data Centre*, Directorate 9, Directorate 11, Directorate 12
Learning and growth	11. Reliable organisation and transformation	19. Organisational strengthening	Secretariat*, Directorate 12, Directorate 11

Note. Adapted from the Organisational Strategic Plan 2015-2019. Directorate 4 and Directorate 13 were not assigned as a unit in charge in the Organisational Strategic Plan 2015-2019 because these units were set up in December 2015. The legend (*) indicates the leading unit.

PERFORMANCE CONTRACT
NUMBER: …
THE DIRECTOR OF ….
THE DIRECTOR GENERAL OF …
THE ALPHA MINISTRY
YEAR 2016

Statement of Commitment

In doing the position as the Director of …, I will:
1. Do my functions and jobs with a full commitment to provide the performance targets as attached to this Performance Contract.
2. Agree to be evaluated anytime related to my performance contract.
3. Accept whatever the consequences related to my performance achievement based on the regulations.

The Strategy Map
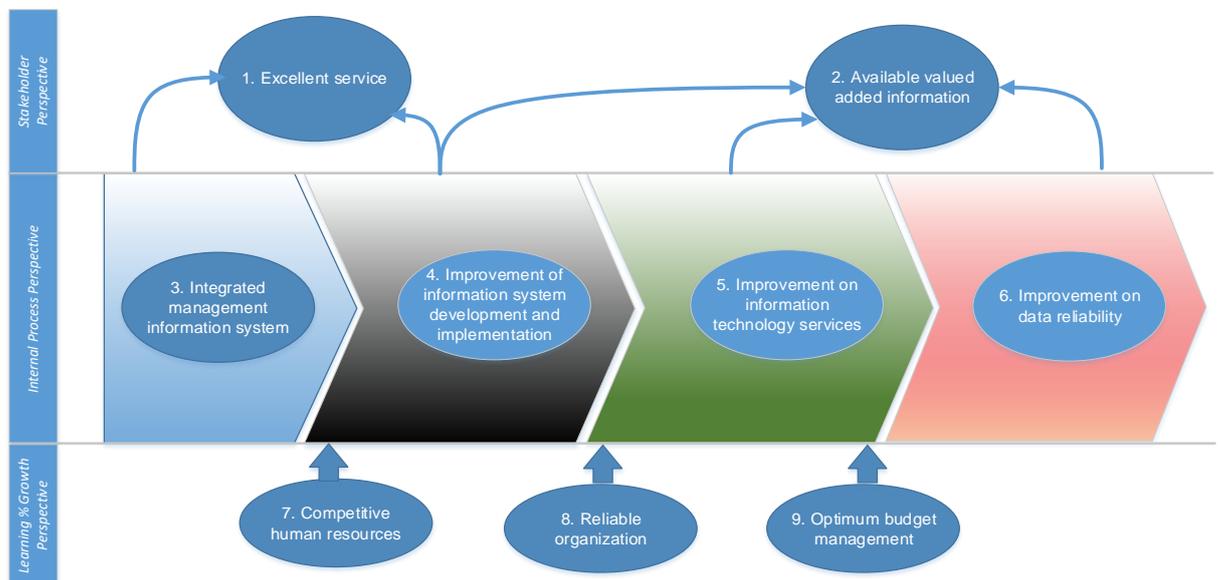
PERFORMANCE CONTRACT YEAR 2016
THE DIRECTOR OF ....
THE DIRECTORATE GENERAL OF ....
THE ALPHA MINISTRY

No.	Program/activity objectives		Performance Indicator	Targets
1.	Excellence service	1a-CP	Number of electronic levy returns	7 million
2	Availability of valued added information	2a-N	Number of users that uses portal application	85%
3.	Integrated management information system	3a-CP	System downtime level	1%
		3b-N	Service application downtime level	1%
4.	Improvement of information system development and implementation	4a-N	Percentage of the completion of application implementation	100%
5.	Improvement on information technology services	5a-N	Percentage of followed-up complaint	98%
6.	Improvement on data reliability	6a-N	Percentage of on-time processed annual returns	90%
		6b-N	Percentage of synchronous failure of electronic levy returns	2%
7.	Competitive human resources	7a-N	Percentage of employees that fulfil training hours	55%
8.	Reliable organisation	8a-N	Percentage of completed risk mitigation	75%
		8b-N	Percentage of audit findings being followed-up	100%
9.	Optimum budget management	9a-CP	Percentage of budget implementation quality	95%

Activity   **Budget**
Empowerment, monitoring, technical   IDR 237,178,023,000
support in levy information,
communication, and technology

Malang, 22 January 2016
The Director General,   The Director,

Name   Name

DETAILS OF PERFORMANCE TARGETS
THE DIRECTOR OF…
THE DIRECTORATE GENERAL OF …
THE ALPHA MINISTRY YEAR 2016

No	KPM	Targets						
		Q1	Q2	Mid-Y	Q3	Till Q3	Q4	Y
1.	Excellence service							
la-CP	Number of electronic levy returns	6,250,000	6,500,000	6,500,000	6,750,000	6,750,000	7,000,000	7,000,000
2.	Availability of valued added information							
2a-N	Number of users that uses portal application	85%	85%	85%	85%	85%	85%	85%
3.	Integrated management information system							
3a-CP	System downtime level	1%	1%	1%	1%	1%	1%	1%
3b-N	Service application downtime level	1%	1%	1%	1%	1%	1%	1%
4.	Improvement of information system development and implementation							
4a-N	Percentage of the completion of application implementation						100%	100%
5.	Improvement on information technology services							
5a-N	Percentage of followed-up complaint	98%	98%	98%	98%	98%	98%	98%
6.	Improvement on data reliability							
6a-N	Percentage of on-time processed annual returns	90%	90%	90%	90%	90%	90%	90%
6b-N	Percentage of synchronous failure of electronic levy returns	2%	2%	2%	2%	2%	2%	2%
7.	Competitive human resources							
7a-N	Percentage of employees that fulfil training hours	12.5%	25%	25%	37.5%	37.5%	55%	55%
8.	Reliable organisation							
8a-N	Percentage of completed risk mitigation	-	75%	75%	-	75%	75%	75%
8b-N	Percentage of audit findings being followed-up	-	50%	50%	-	50%	100%	100%

No	KPM	Targets					
		Q1	Q2	Mid-Y	Q3	Till Q3	Q4
9.	Optimum budget management						
9a-CP	Percentage of budget implementation quality	11%	30%	30%	46%	46%	95%

Malang, 22 January 2016
The Director of …,

Name

**THE STRATEGIC INITIATIVES
OF THE DIRECTOR ...
THE DIRECTORATE GENERAL OF ...
THE ALPHA MINISTRY YEAR 2016**

No.	Key Performance Measures	Strategic Initiatives	Output/Outcome	Periods	Responsible unit
1	Number of electronic levy returns	Following-up regulation 41/2015	Generate digital code in mass for levy payers who do not have digital code	Jan-Feb 2016	The division of operational services
			Sending short message for appreciation the use of digital code	March-April 2016	The division of operational services

Malang, 22 January 2016
The Director of …,

Name

THE MANUAL SHEET OF KEY PERFORMANCE MEASURES

Hereby is decided the manual of Key Performance Measures of the Director of …. for the period of Performance Contract Year 2016, that includes:

1. Number of electronic levy returns;
2. Number of users that uses portal application;
3. System downtime level;
4. Service application downtime level;
5. Percentage of the completion of application implementation;
6. Percentage of followed-up complaint;
7. Percentage of on-time processed annual returns;
8. Percentage of synchronous failure of electronic levy returns;
9. Percentage of employees that fulfil training hours;
10. Percentage of completed risk mitigation;
11. Percentage of audit findings being followed-up; and
12. Percentage of budget implementation quality

The Organisational Performance Manager,	Malang, 22 January 2016 The Director of…,
Name	Name

Appendix M:
Comparison of the Targets Reported to the Alpha Ministry and Targets Reported to the NPA for
an Individual in the Second Group

No.	Reported targets to the Alpha Ministry	Reported targets to the NPA
1.	100 percent of records are completed	Compiling levy potential and realisation four times
2.	100 percent of records are followed-up	Managing and distributing levy of 168 types of evidence
3.	100 percent of information requests are responded to	Supporting 7 types of data availability
4.	100 percent of subordinates are educated and supervised	Doing education and supervision to subordinates in 5 meetings.
5.	100 percent of reports are completed within the timeline	Managing the preparation of 4 performance achievement reports of K-3
6.		Doing 7 types of data recording, processing, editing, and retrieving
7.		Doing 130 forms of levy administration
8.		Doing hardware maintenance supports 300 times
9.		Collecting and processing data, identifying problems, and solving 186 problems
10.		Doing data maintenance, data backup, and data transfer of 12 files
11.		Doing data and information presentation in 11 menus
12.		Doing identification and monitoring of one type data and information on the internet
13.		Following-up of one type levy cooperation
14.		Doing official assignment to employees 341 times
15.		Doing 7 types of data download and upload technical supports
16.		Managing one performance contract draft of K-3
17.		Coordinating and reviewing 126 performance contracts of K4 and K-5
18.		Doing monitoring and evaluation of 132 forms for performance management implementation
19.		Doing the calculation of 130 employee performance scores of echelon 3, echelon 4, functional, and non-managerial employees
20.		Coordinating 2 times socialisation and dissemination of balanced scorecard
21.		Coordinating 4 documentations of organisational performance management
22.		Managing one preparation of performance contracts and performance report of the office

Note. Adapted from interview data and a participant's personal document.

Appendix N:
Comparison of Targets Reported to the NPA and the Job Description for an Individual in the Second Group

No.	Reported targets to the NPA	Job description
1.	Compiling levy potential and realisation four times	Doing compilation of the estimated potential and realisation of levy revenue based on the potential and economic growth of levy payers
2.	Managing and distributing levy of 168 types of evidence	Managing and distributing levy evidence
3.	Supporting 7 types of data availability	Doing data and information availability support, loan, and data distribution.
4.	Doing education and supervision to subordinates in 5 meetings.	Not Attended
5.	Managing the preparation of 4 performance achievement reports of K-3	Preparing the draft of organisational performance achievement reports of K-3.
6.	Doing 7 types of data recording, processing, editing, and retrieving	Collecting, processing data and information, identifying issues, and implementing problem solving related to the maintenance of hardware, software, application, peripheral, and network.
7.	Doing 130 forms of levy administration	Doing administration of levy revenue and the concept of revenue sharing with local government.
8.	Doing hardware maintenance supports 300 times	Doing database maintenance activities, data backup, data transfer, and data recovery.
9.	Collecting and processing data, identifying problems, and solving 186 problems	Doing recording, processing, correcting, and usage of levy data based on computerised or manual and also doing data protection
10.	Doing data maintenance, data backup, and data transfer of 12 files	Doing maintenance supports of hardware, software, application, peripheral, and network
11.	Doing data and information presentation in 11 menus	Doing data and information presentation
12.	Doing identification and monitoring of one type data and information on the internet	Doing identification and monitoring of data and information on the internet.
13.	Following-up of one type levy cooperation	Following-up the implementation of levy cooperation with the levy association for supporting data and information collection
14.	Doing official assignment to employees 341 times	Doing management of assignment process
15.	Doing 7 types of data download and upload technical supports	Doing technical supports for download and upload when audit and supervision are conducted.
16.	Managing one performance contract draft of K-3	Preparing the performance contract of K-3
17.	Coordinating and reviewing 126 performance contracts of K4 and K-5	Coordinating the preparation and reviewing the draft of performance contracts of K-4 and K-5
18.	Doing monitoring and evaluation of 132 forms for performance management implementation	Doing monitoring and evaluation to performance management implementation
19.	Doing the calculation of 130 employee performance scores of echelon 3, echelon	Doing the calculation of employee performance score of echelon 3, echelon

No.	Reported targets to the NPA	Job description
	4, functional, and non-managerial employees	4, functional employees, and non-managerial employees.
20.	Coordinating 2 times socialisation and dissemination of balanced scorecard	Guiding the implementation of socialisation and dissemination of balanced scorecard.
21.	Coordinating 4 documentations of organisational performance management	Guiding the documentation of organisational performance management
22.	Managing one preparation of performance contracts and performance reports of the office	Preparing the draft of performance contracts and organisational performance reports.

Note. Adapted from interview data and a participant's personal document.

Appendix O:
The Individual Performance Final Score

Name   :
ID   :
Year   :   2015

	ITEMS TO BE ASSESSED				Total
	a. Performance Achievement Score		92 X 60%		55.2
b. Working Behaviour	1. Service Oriented	96.00	Excellent		
	2. Integrity	98.67	Excellent		
	3. Commitment	96.00	Excellent		
	4. Discipline	95.56	Excellent		
	5. Cooperation	95.56	Excellent		
	6. Leadership	95.53	Excellent		
	Total	577.32			
	Average	96.22	Excellent		
	Working Behaviour score	96.22 X 40%			38.49
Final Performance Score					93.69 (Excellent)

December 2015

The superior,

The individual,

(Name)
ID ....

(Name)
ID ....

Note. Adapted from an interview and a participant document. The scores of working behaviour were collected from the assessment of other employees to an employee (360-degree assessment), while the performance achievement score was collected from the individual records.