“Examining the moderating role of institutional leadership in the relationship between institutional pressures and the use of performance measurement systems: Evidence from local government in Yogyakarta, Indonesia”

AUTHORS	Anthonius H. Citra Wijaya Rusdi Akbar

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Anthonius H. Citra Wijaya (Indonesia), **Rusdi Akbar** (Indonesia)

EXAMINING THE MODERATING ROLE OF INSTITUTIONAL LEADERSHIP IN THE RELATIONSHIP BETWEEN INSTITUTIONAL PRESSURES AND THE USE OF PERFORMANCE MEASUREMENT SYSTEMS: EVIDENCE FROM LOCAL GOVERNMENT IN YOGYAKARTA, INDONESIA

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Anthonius H. Citra Wijaya, M.Sc., Doctoral Student in Accounting, Faculty of Economics and Business, Universitas Gadjah Mada [Gadjah Mada University]; Lecturer, Faculty of Economics and Business, Universitas Cenderawasih [Cenderawasih University], Indonesia. (Corresponding author)

Rusdi Akbar, Ph.D., Accounting Lecturer, Faculty of Economics and Business, Universitas Gadjah Mada [Gadjah Mada University], Indonesia.

Abstract

Institutional leadership represents an important internal capacity for institutionalizing performance measurement systems within local government, particularly in contexts where external forces such as institutional isomorphism shape organizational behavior. This study examines the moderating role of institutional leadership in the relationship between institutional pressures (coercive, mimetic, and normative) and the use of performance measurement systems. Survey data were collected from 77 senior officials responsible for implementing and using performance measurement systems across all government agencies in the Special Region of Yogyakarta, Indonesia, in 2022. The data were analyzed using partial least squares structural equation modeling (PLS-SEM). The results indicate that institutional leadership significantly moderates the relationship between coercive pressure and performance measurement systems use (path coefficient = −0.194, p = 0.037), suggesting a negative moderating effect that weakens coercive influence. However, no significant moderating effects were found for mimetic pressure (−0.121, p = 0.138) or normative pressure (0.008, p = 0.138). Institutional leadership also does not exert a direct effect on the use of performance measurement systems (0.019, p = 0.433). Regarding direct effects, coercive and mimetic pressures positively influence performance measurement systems use (0.394 and 0.310, respectively; $p < 0.05$), while normative pressure is not significant (0.017, p = 0.440). These findings suggest that institutional leadership functions more effectively as a contingent moderating mechanism than as an independent driver in shaping organizational responses to institutional pressures.

Keywords leadership, institutional, isomorphism, performance, government

JEL Classification H83, H11, H70, D02

INTRODUCTION

Public management reform in Indonesia, inspired by the principles of New Public Management (NPM), has promoted the adoption of performance measurement systems (PMS) in local governments for more than two decades. Despite this prolonged reform agenda, the implementation of PMS in many local governments remains largely symbolic and procedural. In practice, PMS adoption is often driven more by regulatory mandates from the central government than by an internally grounded commitment to enhancing organizational effectiveness and efficiency (Ahyaruddin et al., 2023; Febriyanti et al.,

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2024; Salomo & Rahmayanti, 2023). This phenomenon can be explained through the lens of institutional theory, particularly the mechanisms of isomorphism, which include coercive, mimetic, and normative pressures (DiMaggio & Powell, 1983). Such pressures encourage public organizations to adopt performance measurement practices to secure external legitimacy. However, these practices frequently lack substantive integration into strategic decision-making processes. Efforts to strengthen organizational capacity, such as improvements in human resource quality, have not been sufficient to offset the predominance of these external forces (Wulaningrum et al., 2020). As a result, without a robust internal capacity to interpret, filter, and direct institutional pressures, the implementation of PMS in local governments risks remaining ceremonial, thereby undermining the broader objectives of public management reform.

Previous studies have highlighted leadership as one of the more strategic internal factors in responding to institutional pressures in the public sector (Alnuaimi et al., 2022; Ohemeng & Kamga, 2019). In developing countries, including Indonesia, leadership plays an important role (Nurullah et al., 2026; Pudjono et al., 2025). In particular, institutional leadership is defined as active efforts to promote, protect, and adapt institutional values to the external environment (Jung & Choi, 2011; Washington et al., 2008) and is considered crucial to institutionalizing performance measurement systems (Nkurunziza et al., 2019). Although leadership has long been recognized as influential in public performance management (Poister, 2010), empirical evidence examining institutional leadership specifically as a moderating variable in the relationship between different forms of institutional isomorphic pressures, coercive, mimetic, and normative, and the substantive use of PMS remains limited. This gap is particularly evident at the local government level in Indonesia. Addressing this gap is important because, without a clearer understanding of how institutional leadership may weaken, strengthen, or mediate the effects of external pressures, public management reform efforts are likely to continue encountering persistent challenges, including the formalistic adoption of PMS with limited impact on organizational performance.

1. LITERATURE REVIEW AND HYPOTHESES

Within the broader trajectory of public management reform in Indonesia, the use of performance measurement systems (PMS) in local governments remains suboptimal. In many cases, implementation remains largely symbolic and procedural, driven primarily by regulatory mandates from the central government rather than by internally motivated performance improvement initiatives (Pudjono et al., 2025). However, the Special Region of Yogyakarta Province presents an interesting case. Over the past eight years, it has consistently achieved the highest level of performance accountability among Indonesia's 38 provinces and 514 districts and municipalities (Menpan.go.id, 2024; Statistics, 2025). This condition illustrates how internal factors, such as leadership, can offset external pressures, due to the special status granted by Law Number 13 of 2012, which establishes that the position of governor is for life and is influenced by feudal culture (Salomo & Rahmayanti, 2023). This phenomenon shows the potential of leadership as a central element in institutionalizing PMS use and in mediating alignment between external regulatory demands and internal organizational objectives, thereby fostering more substantive system utilization.

A comprehensive understanding of PMS's objectives and functions is critical to advancing effective public management reform. In public organizations, PMS is designed not only to fulfill accountability requirements but also to rebuild public trust, particularly within highly regulated environments (Cavalluzzo & Ittner, 2004). Its purposes extend from system design to implementation and include multiple roles, such as aligning employee incentives, enhancing operational efficiency, and facilitating organizational learning (Speklé & Verbeeten, 2014; Van Elten et al., 2021). Beyond technical efficiency, PMS also reflects broader cultural norms and social expectations, thereby contributing to organizational legitimacy, consistent with the institutional pillars framework adopted in this study (Scott, 2014; Vakkuri, 2022). However, without strong internal commitment and support, PMS initiatives often fail to generate meaningful strategic impact, underscoring the importance of examining leadership's role in strengthening substantive system use.

Leadership in public organizations is widely regarded as critical in navigating both internal complexities and external institutional demands. It serves as an internal organizational resource that safeguards core values, maintains integrity, and ensures institutional continuity while preventing deviation from established norms (Bartunek et al., 2019; Kusumasari et al., 2019). In processes of institutional change and isomorphic adaptation, leaders play a significant role (Barrett et al., 2019). Institutional pressures frequently generate ambiguity and uncertainty, conditions that require strong leadership to provide direction and coherence (Jung & Choi, 2011). Empirical studies further suggest that leaders can resist detrimental isomorphic pressures, particularly when they conflict with existing norms or organizational values (Ikegami et al., 2017). Therefore, leadership is likely to be a pivotal factor in enhancing the substantive use of PMS in Indonesian local governments.

To understand the interaction between leadership and external pressure in the adoption of PMS, institutional theory provides a fundamental analytical framework. Institutional theory explains that public organizations adopt practices to gain external legitimacy, not merely internal efficiency (DiMaggio & Powell, 1983). Institutionalization thus reflects organizations' efforts to conform to prevailing social and regulatory expectations, where legitimacy becomes essential for survival (Scott, 2014). The concept of institutional isomorphism explains how organizations become increasingly similar as a result of external pressures that encourage the adoption of standardized practices, including PMS in local government contexts. Three forms of isomorphism, coercive, mimetic, and normative, are particularly influential and have been shown to affect PMS use directly (Alsharari, 2020; George et al., 2020). This theoretical foundation provides the basis for examining whether institutional leadership moderates the relationship between these isomorphic pressures and PMS use.

Coercive pressure arises primarily from formal external forces. Political directives and legal regulations are typical mechanisms that compel organizations to adopt specific practices (DiMaggio & Powell, 1983). In the context of PMS within public organizations, such pressure often originates from higher levels of government that promote and monitor implementation through formal regulatory frameworks (Alsharari, 2020). In Indonesia, for instance, local governments are required to implement PMS to comply with central government mandates and to maintain institutional legitimacy (Pudjono et al., 2025). Because these requirements are often mandatory, organizations may adopt PMS primarily to avoid sanctions, even when implementation remains largely symbolic (Ahyaruddin et al., 2023). Therefore, coercive pressure is hypothesized to have a direct positive influence on PMS use. Furthermore, the potential moderating role of institutional leadership warrants empirical examination to determine whether it attenuates or amplifies the effects of such pressure.

Mimetic isomorphism occurs when organizations replicate practices perceived as successful in other entities, particularly under conditions of uncertainty. Such imitation is most prominent during periods of innovation or when new practices are being introduced (Tuttle & Dillard, 2007). In public-sector contexts, mimetic pressure encourages organizations to adopt performance measurement systems by emulating peer institutions regarded as legitimate or high-performing, thereby enhancing their credibility and public trust (Alsharari, 2020). Practitioners frequently look to comparable organizations for guidance in evaluation and learning processes, especially when internal expertise or knowledge is limited (George et al., 2020; Wulaningrum et al., 2020). This form of pressure is reinforced by broader cultural expectations and the desire to avoid scrutiny regarding organizational practices (Alsharari, 2020). In this study, mimetic pressure is hypothesized to have a direct positive influence on PMS use. At the same time, institutional leadership may moderate this relationship by channeling imitation toward more substantive and strategically meaningful implementation rather than superficial replication.

Normative isomorphism, by contrast, comes from processes of professionalization. Organizational decisions and practices are shaped by shared norms, values, and cognitive frameworks developed within professional communities (Ansmann & Seyfried, 2022). This type of pressure typically emerges through formal education, professional training, seminars, and engagement with universities or professional associations (Alsharari, 2020;

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De Lancer Julnes & Holzer, 2001). In the context of PMS, normative pressure promotes shifts in managerial mindsets, encouraging greater autonomy, professional standards, and cognitive legitimacy in performance management practices (Tran & Nguyen, 2020). However, within Indonesian public organizations, normative pressure may be less dominant than coercive and mimetic forms, given the strong dependence on hierarchical regulatory frameworks (Wulaningrum et al., 2020). Nevertheless, normative pressure is expected to influence PMS use directly, making it important to examine whether institutional leadership moderates its impact.

Integrating institutional theory with the concept of leadership offers a meaningful theoretical advance in understanding public-sector organizational dynamics. Selznick's conception of institutional leadership has significantly shaped the development of institutional theory (Hirsch & Lounsbury, 1997; Washington et al., 2008). Within PMS contexts, institutional leadership can be viewed as an integral component of management control and accountability systems (Abernethy et al., 2010). Public organization leaders use PMS to demonstrate performance to stakeholders (Kloot, 1999). Adequate leadership support is necessary for the development and implementation of effective PMS.

Institutional leadership is particularly relevant as a potential moderator of the relationship between institutional pressures and PMS use, as it represents an internal capacity to interpret and respond to external demands. While previous research indicates that internal factors such as human resource capacity alone have not been sufficient to counterbalance institutional pressures (Wulaningrum et al., 2020), institutional leadership may offer a more strategic mechanism for managing isomorphic influences (Bartunek et al., 2019). In developing country contexts such as Indonesia, where governance structures tend to operate through hierarchical and top-down systems, the moderating role of leadership becomes even more significant (Nurullah et al., 2026). Therefore, examining whether institutional leadership moderates the relationship between institutional pressures and PMS use represents a theoretically and practically important inquiry.

The government is a public organization heavily influenced by political factors. Institutional leadership is defined as deliberate actions undertaken by leaders to promote, safeguard, and sustain institutional values, often intertwined with political considerations (Nkurunziza et al., 2019; Selznick, 1957). Institutional leaders thus function as key social actors in preserving institutional legitimacy and integrity. Achieving these objectives requires collaboration with multiple stakeholders and actors within and beyond the organization (Beaton, 2021; Raffaelli & Glynn, 2015). In public organizations, institutional leadership serves as a primary promoter of organizational values throughout the institutionalization process (Selznick, 1957). Given its inherently political character, institutional leadership aligns closely with PMS as an instrument of legitimacy and accountability (Washington et al., 2008). Accordingly, institutional leadership is also expected to influence the use of PMS directly.

The aim of this study is to examine the moderating role of institutional leadership in the relationship between institutional pressures (coercive, mimetic, and normative) and the use of performance measurement systems (PMS). Based on the conceptual framework (Figure 1) and previous empirical findings, the research hypotheses are formulated as follows:

H1a: Coercive pressure is positively associated with the use of performance measurement systems.

H1b: Mimetic pressure is positively associated with the use of performance measurement systems.

H1c: Normative pressure is positively associated with the use of performance measurement systems.

H2a: Institutional leadership moderates the relationship between coercive pressure and the use of performance measurement systems.

H2b: Institutional leadership moderates the relationship between mimetic pressure and the use of performance measurement systems.

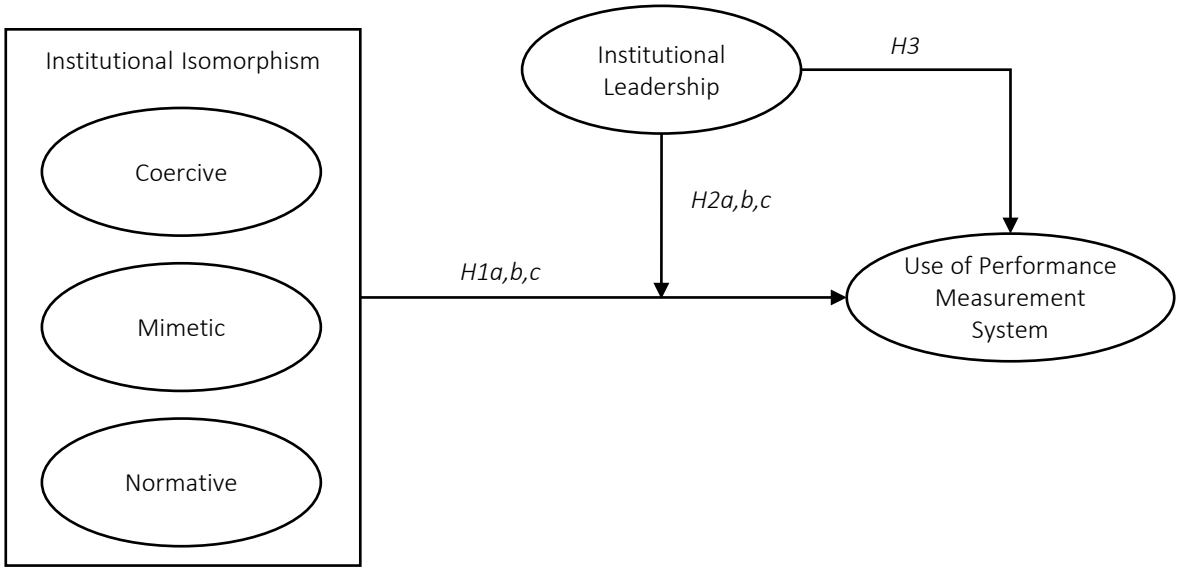

Figure 1. Research model

H2c: Institutional leadership moderates the relationship between normative pressure and the use of performance measurement systems.

H3: Institutional leadership has a direct positive effect on the use of performance measurement systems.

2. METHODS

This study uses a quantitative research design to test the proposed hypotheses. The primary research procedures included instrument development, data collection, and statistical analysis. The instrument, in the form of a questionnaire, was developed based on established literature and subjected to a pilot test to ensure content validity and reliability prior to full-scale distribution.

Primary data were obtained from a hand-delivered survey conducted in all local government agencies in the Special Region of Yogyakarta during July–August 2022, with the sample of respondents consisting of senior officials at least at the echelon four level who were involved in strategic planning and performance reporting. Of 90 questionnaires distributed, 81 were returned (90% response rate). However, only 77 could be analyzed (86%) after excluding those that were unusable because they were not returned, had incomplete identities, did not meet the criteria, or were not fully completed. Ethical procedures included approval from the Faculty of Economics and Business, Gadjah Mada University, through letters numbered 5833/UN1/FEB.1/AKM/DI/2022 and 6245/UN1/FEB.2/SETD.AKT/LL/2022, as well as the completion of consent forms by respondents. Data analysis used structural equation modeling (SEM) with the partial least squares (PLS) method, processed using WarpPLS 8.0 software to test variable relationships and moderating effects.

The questionnaire items were adapted from previously validated instruments originally developed in English, requiring translation. Translation introduces the potential for semantic bias (Villagran & Lucke, 2005). To mitigate this risk, a back-translation procedure was employed to ensure semantic equivalence between the original and translated versions (Bundgaard & Brøgger, 2019). The finalized questionnaire was administered in Indonesian.

Institutional isomorphism was operationalized through three dimensions: coercive, mimetic, and normative pressures. Measurement items were adapted from Wulaningrum et al. (2020), which were originally derived from Li and Ding (2013), with contextual modifications to reflect the local government setting.

The variable of PMS use refers to Speklé and Verbeeten (2014). There are three different purposes within organizations, with the main difference

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Table 1. Demographics of respondents

Demographics	Types	Frequency	Percent
Gender	Male	36	47%
	Female	41	53%
Age	30–40 years	22	28.57%
	41–50 years	38	49.35%
	>50 years	17	22.08%
Education	Diploma	1	1.30%
	Bachelor	21	27.27%
	Master	54	70.13%
	Doctor	1	1.30%
Position	Echelon 3	12	15.58%
	Echelon 4	42	54.55%
	Functional	23	29.87%
Tenure mean (years)		2	
Length of service mean (years)		18.95	

lying in the number of roles identified and the boundaries between them. First, incentive-oriented use refers to the utilization of performance information to motivate and control both managers and employees. This includes setting performance targets, allocating rewards, and providing incentives to align individual efforts with organizational objectives (Van Elten et al., 2021). Second, the operational use is to facilitate decision-making by providing information for managerial decisions and actions (Grafton et al., 2010; Van Veen-Dirks, 2010), through the planning process (Hansen & Van der Stede, 2004) and monitoring (Henri, 2006). Third, exploratory use supports the identification of policy areas requiring managerial or political attention, assists in priority setting and action selection, and contributes to the development of new policies (Speklé & Verbeeten, 2014). In this sense, exploratory use of PMS serves as a mechanism for organizational learning and continuous improvement.

Institutional leadership was conceptualized as a multidimensional latent construct comprising five task-oriented dimensions associated with the creation, maintenance, and reinforcement of institutional values. First, visionary leadership refers to leaders' capacity to inspire followers to reconceptualize emerging challenges and redefine problems at a strategic level. Second, persuasive leadership reflects rhetorical capabilities through which leaders employ symbolic resources, mobilize political support, and build public legitimacy. Third, resilient leadership denotes a leader's ability to ensure procedural efficiency, achieve collective objectives, and strengthen role integrity within the organization. Fourth, coalition network leadership encompasses the capacity to establish and sustain institutional networks to address external pressures and environmental threats. Finally, maintaining leadership involves actions to safeguard institutional integrity and preserve core organizational values. Measurement items for these five dimensions were adapted from Jung and Choi (2011) and Nkurunziza et al. (2019), with contextual modifications to reflect the use of performance measurement systems in local government settings.

Female respondents accounted for 53% of the sample, and respondents aged 41–50 years accounted for 50%. Regarding educational background, 70% of respondents held a master's degree, and 55% occupied echelon IV positions, with an average tenure of 2 years in their current positions. Finally, the average total service length among respondents was 19 years (see Table 1).

3. RESULTS

Based on Podsakoff et al. (2003), we controlled for Common Method Bias (CMB) using both procedural and statistical approaches. First, respondents were kept anonymous so that they could complete the questionnaire freely and honestly. Second, the full collinearity VIF value (AFVIF) was examined. The AFVIF value was 1.504 (see Table 4); thus, the model is free of multicollinearity, as the value is below the threshold of 3.3 (Kock, 2015).

Based on Hair et al. (2022), the validity and reliability results indicate that both criteria were met. Convergent validity was assessed using factor loadings, which ranged from 0.7 to 0.9, and the Average Variance Extracted (AVE), which exceeded 0.5 (see Table 2). The items represent the final results of the selection process based on scores that met the required criteria. Reliability values based on Cronbach's alpha and composite reliability were above 0.70.

Discriminant validity was assessed using cross-loading values and the Fornell–Larcker criterion. As shown in Table 3, each construct indicator shows a higher loading on its respective construct than on other constructs, and the square root of the AVE for each construct meets the required threshold.

Table 3. Fornell–Larcker criterion

Constructs	PMS	CP	MP	NP	IL
PMS	0.801	0.583	0.625	0.134	0.426
CP	0.583	0.825	0.532	0.123	0.474
MP	0.625	0.532	0.801	0.159	0.398
NP	0.134	0.123	0.159	0.881	0.229
IL	0.426	0.474	0.398	0.229	0.778

Note: CP = Coercive pressure; MP = Mimetic pressure; NP = Normative pressure; IL = Institutional leadership; PMS = Performance Measurement System.

The structural model was evaluated using ten model fit indices. As presented in Table 4, all evaluation criteria were satisfied. Furthermore, the *Q*-squared (Q^2) value indicates adequate predictive validity, as it exceeds zero ($Q^2 = 0.555$). The coefficient of determination, reflected in the *R*-squared (R^2) value of 0.548, suggests that the explanatory power of the research model is moderate (Hair et al., 2022).

Table 2. Validity and reliability

Constructs	Item	Loadings	Cronbach's alpha	Composite reliability	AVE	Mean	Standard Deviation
Coercive pressure (CP)	CP3	0.806	0.764	0.864	0.681	4.195	0.838
	CP5	0.779				4.104	0.731
	CP6	0.886				4.065	0.744
Mimetic pressure (MP)	MP2	0.739	0.886	0.914	0.642	4.195	0.721
	MP3	0.818				4.286	0.642
	MP4	0.869				4.260	0.653
	MP5	0.741				3.922	0.769
	MP6	0.902				4.208	0.709
	MP7	0.718				4.026	0.852
Normative pressure (NP)	NP2	0.896	0.855	0.912	0.776	3.779	0.892
	NP3	0.912				3.390	0.982
	NP4	0.833				3.558	0.947
Institutional Leadership (IL)	IL1	0.712	0.945	0.952	0.606	4.377	0.838
	IL2	0.767				4.442	0.781
	IL3	0.806				4.377	0.774
	IL5	0.777				4.260	0.874
	IL7	0.773				3.974	0.980
	IL10	0.745				4.169	0.828
	IL11	0.840				3.909	0.825
	IL13	0.881				3.896	0.815
	IL14	0.792				4.234	0.836
	IL15	0.838				4.247	0.792
	IL16	0.730				4.104	0.799
	IL17	0.713				4.208	0.888
	IL18	0.722				4.390	0.759
Performance Measurement System (PMS)	PMS1	0.813	0.907	0.926	0.642	4.052	0.896
	PMS2	0.786				3.935	0.916
	PMS3	0.867				4.052	0.788
	PMS7	0.800				4.519	0.714
	PMS8	0.777				4.455	0.675
	PMS10	0.746				4.558	0.570
	PMS11	0.817				4.065	0.744

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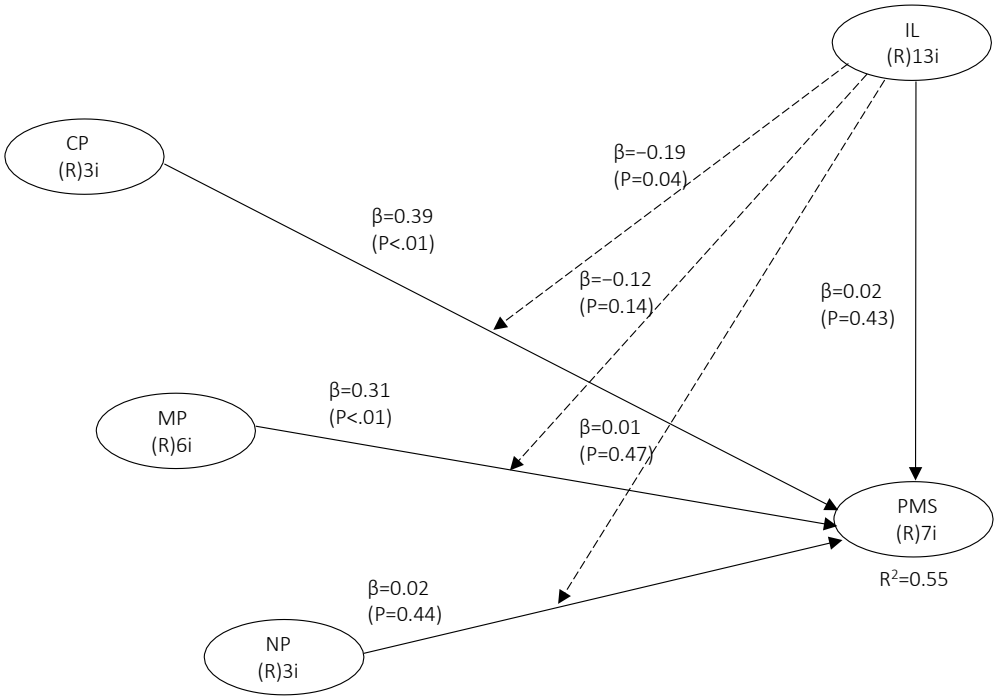
Table 4. Fit summary

Measurement	Value	Criteria
Average path coefficient (APC)	0.152, P = 0.042	P < 0.05
Average R-squared (ARS)	0.548, P < 0.001	P < 0.05
Average adjusted R-squared (AARS)	0.502, P < 0.001	P < 0.05
Average block VIF (AVIF)	1.631	<= 3.3
Average full collinearity VIF (AFVIF)	1.504	<= 3.3
Tenenhaus GoF (GoF)	0.659	>= 0.36
Sympson's paradox ratio (SPR)	0.857	>= 0.7
R-squared contribution ratio (RSCR)	0.997	>= 0.9
Statistical suppression ratio (SSR)	1.000	>= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	0.714	>= 0.7
Q-squared	0.555	>0

Figure 2 and Table 5 present the results of testing the seven proposed hypotheses. The use of PMS is positively affected by coercive and mimetic pressures, with path coefficients of 0.394 and 0.310 and p-values <0.001 and 0.002, respectively. Therefore, this study provides empirical support for H1a and H1b. However, the use of PMS is not affected by normative pressure, with a path coefficient value of 0.017 and a p-value of 0.440. Accordingly, this study does not provide empirical support for H1c.

Furthermore, this study's results indicate that institutional leadership, as a moderator in the relationship between institutional pressures and the use of PMS in local government, is not consistently significant. Empirically, institutional leadership was found to significantly weaken the effect of coercive pressure on the use of PMS, with a path coefficient of −0.194 and a *p*-value of 0.037, thereby supporting hypothesis H2a. However, the moderating effects of institutional leadership on mimetic and normative pressures were not statistically significant, as indicated by the path coefficients (−0.121 and 0.008) and *p*-values (0.138 and 0.138, respectively); thus, H2b and H2c were not supported.



Note: CP = Coercive pressure; MP = Mimetic pressure; NP = Normative pressure; IL = Institutional leadership; PMS = Performance Measurement System.

Figure 2. Output model

Table 5. Hypothesis test results

Hypothesis	Direct	Coefficients	P Value	Effect Size	Result
CP → PMS	H1a (+)	0.394	<0.001	0.252	Supported
MP → PMS	H1b (+)	0.310	0.002	0.197	Supported
NP → PMS	H1c (+)	0.017	0.440	0.003	Not supported
IL*CP→ PMS	H2a (–)	–0.194	0.037	0.050	Supported
IL*MP→ PMS	H2b (–)	–0.121	0.138	0.039	Not supported
IL*NP→ PMS	H2c (–)	0.008	0.138	0.002	Not supported
IL → PMS	H3 (+)	0.019	0.433	0.008	Not supported

Note: CP = Coercive pressure; MP = Mimetic pressure; NP = Normative pressure; IL = Institutional leadership; PMS = Performance Measurement System.

Institutional leadership also did not exhibit a significant direct effect on PMS use, as reflected in the path coefficient of 0.019 and the *p*-value of 0.433. These findings suggest that institutional leadership is relevant only in moderating the effect of coercive pressure. However, it is not sufficiently strong to influence the relationships involving mimetic and normative pressures, nor does it exert a direct impact on PMS use in local government within the Special Region of Yogyakarta.

This study conducted an endogeneity test and supplementary analysis to confirm the validity and consistency of the results. Endogeneity refers to the presence of unobserved factors or omitted variables that may influence the dependent variable and bias the estimated relationships (Ebbes et al., 2016). Failure to address endogeneity may lead to biased or unreliable findings. In PLS-SEM, endogeneity can be examined and controlled statistically. The Hausman test procedure for stochastic instrumental variables (IV) was employed using WarpPLS to detect and control for potential endogeneity simultaneously. In addition, this study constructed an instrumental variable for PMS. As reported in Table 6, the relationship between the instrumental PMS variable (iPMS) and PMS is not statistically significant. These findings indicate that endogeneity does not pose a concern in this study (Kock, 2022).

To ensure the consistency of the results, this study conducted further analysis by retesting the findings using consistent PLS (PLSc). This method, developed by Dijkstra and Henseler (2015), integrates features of both covariance-based SEM (CB-SEM) and PLS-SEM. PLSc retains the flexibility of PLS-SEM in accommodating non-normal data distributions and complex models, while producing estimates comparable to CB-SEM by applying correction procedures when reflective constructs are used (Dijkstra & Henseler, 2015). The results are in line with the main findings (see Table 6). Specifically, coercive and mimetic pressures were found to affect the use of PMS. The analysis also indicates variations in the moderating effect of institutional leadership on the relationship between coercive pressure and PMS use.

Table 6. Endogeneity and additional analysis

Endogeneity test: instrumental Variable			Consistent PLS (PLSc)		
Structural Path	**Coeficient**	**P-value**	**Structural Path**	**Coeficient**	**P-value**
CP → PMS	0.422	<0.001***	CP → PMS	0.433	<0.001***
MP → PMS	0.366	<0.001***	MP → PMS	0.344	<0.001***
NP → PMS	0.003	0.491	NP → PMS	0.050	0.327
iPMS → PMS	0.169	0.061*	IL*CP→ PMS[a]	0.116	0.148
IL*CP→ PMS	–0.252	0.010**	IL*MP→ PMS	–0.044	0.349
IL*MP→ PMS	–0.149	0.088*	IL*NP→ PMS[a]	–0.160	0.072*
IL*NP→ PMS	0.003	0.490	IL → PMS	–0.031	0.391
IL → PMS	0.022	0.423			

Note: ***, **, * significant at the 1%, 5%, and 10% levels; the observed effect is not the same as the initial hypothesis. CP = Coercive pressure; MP = Mimetic pressure; NP = Normative pressure; IL = Institutional leadership; PMS = Performance Measurement System.

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4. DISCUSSION

The results of the analysis show that institutional leadership, such as encompassing visionary, persuasive, resilient, coalition network, and maintaining dimensions, has a significant negative moderating effect only on the relationship between coercive pressure and the use of PMS. This result suggests that institutional leadership can mitigate the impact of external coercion from the central government, thereby enabling a more selective and substantive use of PMS rather than mere compliance with formal mandates. However, the moderating effect is not significant for mimetic or normative pressures, indicating that leadership is more effective at counterbalancing coercive pressures than at responding to voluntary imitation or professional norms. Furthermore, institutional leadership does not have a direct effect on PMS use, suggesting that its role functions primarily as a countervailing mechanism rather than a primary driver. These findings align with those of Gowon et al. (2018) and Siti-Nabiha and Jurnali (2020), whose studies of Indonesian local governments highlight the importance of internal factors, particularly leadership, in ensuring that performance systems are used substantively for decision-making rather than symbolically. Similar to the negative moderating effect observed in this study, their findings emphasize leadership's capacity to preserve organizational autonomy amid external pressures. In this regard, the present study contributes to institutional theory by providing context-specific evidence from a developing country setting.

This study further demonstrates that, within the context of the Special Region of Yogyakarta Provincial Government, the negative moderating effect of institutional leadership on coercive pressure is reflected in the symbolic authority of the governor, who upholds values of good governance. This result aligns with the findings of Salomo and Rahmayanti (2023), who argue that PMS use is influenced by the province's special autonomy status, including the lifelong gubernatorial position embedded within a historically rooted cultural structure. Such institutional strength appears to reduce reliance on formal compliance and promote more substantive PMS use, thereby fostering internal stability and enhancing organizational capacity.

The findings also indicate that institutional leadership does not directly affect PMS use. This result contrasts with Jung and Choi (2011), who found a significant direct relationship between leadership and PMS implementation in the South Korean public sector. However, the present findings are consistent with Seralurin et al. (2023), who report no direct association between institutional leadership and the use of performance information in local government contexts, attributing this to unstable leadership and political conditions. Although the empirical outcomes appear similar, the underlying explanations differ. In the Special Region of Yogyakarta, the relatively stable governance structure may shift leadership's role from a direct influence to a moderating mechanism, highlighting contextual variation in leadership roles across different levels of decentralization.

The results indicate that coercive pressure has a significant direct effect on PMS use. This finding is understandable given regulatory requirements and stakeholder demands that mandate the adoption and use of PMS, even when such implementation is perceived as coercive due to its compulsory nature. Similarly, mimetic pressure also demonstrates a significant direct effect, as innovation and inter-agency competition stimulate the imitation of practices perceived as successful to enhance performance value.

These findings align with Wulaningrum et al. (2020), who found that coercive pressure from central government regulations was the primary driver of PMS adoption among Indonesian local governments. This parallels the significant influence observed in the Special Region of Yogyakarta Province and reinforces the dominance of coercive forces within a partially decentralized governance system. However, the present study extends prior findings by highlighting a more prominent role of community stakeholders in the Special Region of Yogyakarta. In line with Pudjono et al. (2025), stakeholders such as business associations, community groups, professionals, and the broader public appear to play an important role in encouraging agencies to maximize the use of PMS. In terms of mimetic pressure, the results are comparable to those reported by Alsharari (2020) in the Jordanian public sector, where innovation and competitive dynamics motivate government

institutions to learn from or emulate agencies perceived as more successful or achieving higher performance ratings. Performance evaluation events may function as catalysts for competition among agencies, prompting them to demonstrate superiority by optimizing performance scores, even though performance indicators represent only one component of broader institutional assessments. This condition suggests that mimetic pressure consistently shapes government agency behavior.

Finally, normative pressure does not have a significant effect on the use of PMS in the Provincial Government of Yogyakarta. This finding is consistent with Agasisti et al. (2020), who argue that normative pressure does not automatically lead to the effective use of PMS, as its influence depends heavily on the presence of other internal organizational factors. In the Special Region of Yogyakarta Province, PMS appears to be implemented effectively and independently, as reflected in the province's performance score of 90.05, which substantially exceeds the national average of 70.88 (Menpan.go.id, 2024). This achievement is associated with the initiatives and commitment demonstrated by the governor and subordinate officials to strengthen performance measurement practices, enabling more timely and accurate evaluations. These efforts are further illustrated by the introduction of an innovative application system designed to support performance measurement from the operational level through to echelon-level performance outcomes. The province's achievements have served as a reference not only for other provinces and districts/cities but also at the ministerial level. Hence, it is reasonable that normative pressure does not significantly influence PMS use, as internal commitment and leadership-driven initiatives appear to play a more decisive role. Overall, this study's results emphasize the importance of integrating institutional leadership as a moderating mechanism to optimize the effects of isomorphic pressures on local government PMS use. The study contributes to theory by highlighting context-specific variations in the dynamics of institutional pressures and leadership in developing country settings.

CONCLUSION

The primary purpose of this study was to examine the role of institutional leadership as a moderator in the relationship between various forms of institutional pressure (coercive, mimetic, and normative) and the level of PMS use in local government, as well as to assess the potential direct effect of institutional leadership on PMS use within the context of the Special Region of Yogyakarta Province.

The analysis of survey data indicates that coercive and mimetic pressures exert significant, positive direct effects on PMS use, whereas normative pressure does not. Furthermore, institutional leadership was found to negatively moderate the relationship between coercive pressure and PMS use, while no significant moderating effects were observed for mimetic or normative pressures. Institutional leadership also does not exhibit a direct effect on PMS use.

These findings suggest that institutional leadership primarily serves as a balancing mechanism, mitigating excessive reliance on external regulatory coercion and thereby promoting PMS use more aligned with internal organizational needs. This dynamic is particularly evident in regions with distinctive institutional characteristics, such as Yogyakarta. The results reinforce the view that internal factors, especially leadership, can reshape the influence of external institutional pressures and convert them into opportunities for more substantive public management reform.

For future research, it is recommended to expand the analysis to other provinces or districts with comparable performance levels to develop a broader comparative perspective. Additionally, future studies could incorporate broader dimensions of performance management, such as the use of performance information in strategic decision-making, to better understand the long-term implications for organizational accountability and performance outcomes.

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AUTHOR CONTRIBUTIONS

Conceptualization: Anthonius H. Citra Wijaya, Rusdi Akbar.
Data curation: Anthonius H. Citra Wijaya.
Formal analysis: Anthonius H. Citra Wijaya.
Funding acquisition: Anthonius H. Citra Wijaya.
Investigation: Anthonius H. Citra Wijaya, Rusdi Akbar.
Methodology: Anthonius H. Citra Wijaya, Rusdi Akbar.
Project administration: Anthonius H. Citra Wijaya.
Resources: Anthonius H. Citra Wijaya.
Software: Anthonius H. Citra Wijaya.
Supervision: Anthonius H. Citra Wijaya, Rusdi Akbar.
Validation: Rusdi Akbar.
Visualization: Anthonius H. Citra Wijaya.
Writing – original draft: Anthonius H. Citra Wijaya.
Writing – review & editing: Anthonius H. Citra Wijaya, Rusdi Akbar.

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APPENDIX A

Table A1. Measurements

Items	1	2	3	4	5
Use of Performance Measurement Systems **I use the performance measurement system to...**					
Operational planning for agencies (e.g., preparation of annual performance plans in strategic plans)					
Budget allocation for implementing agency programs and activities					
Process of monitoring program implementation and agency performance					
Consideration of individual employee careers*					
Consideration of employee bonuses/remuneration*					
Communicating agency goals and priorities to each employee*					
Evaluating the alignment between the agency's objectives and policy implementation					
Revising agency policies					
Adopting new program approaches or changing work processes *					
Improving program and activity performance indicators					
Reporting to agency leaders/governors					
Reporting to the central government*					
Presenting to external stakeholders (community/non-governmental organizations)*					
Coercive Institutional Pressure					
Regulations (e.g., laws and regulations) serve as guidelines in implementing agency activities and performance programs*					
The governor demands information about the agency's achievement of its objectives*					
Stakeholder groups (community/non-governmental organizations) need information about the agency's achievement of its objectives					
Donor agencies need information about the agency's achievement of its objectives*					
My agency's programs and activities attract public attention					
My agency's performance attracts public attention					
Using the Government Agency Performance Accountability System (SAKIP) to meet the needs and expectations of the central government*					
Using SAKIP to receive favorable treatment from the central government*					
Using SAKIP to easily obtain financial assistance from stakeholders (e.g., donor agencies)*					
Using SAKIP to obtain additional funding from the central government*					
The central government requires agencies to use SAKIP*					
Mimetic Institutional Pressure					
Other local governments have achieved high SAKIP scores*					
Local governments that have implemented SAKIP can increase their legitimacy					
Local governments that have implemented SAKIP are viewed as having a good reputation by the central government					
Local governments that have implemented SAKIP are viewed as having a good reputation by other local governments					
Local governments that have used SAKIP are viewed as having a good reputation by the community					
Agencies that use SAKIP are viewed as having a good reputation by other agencies					
There is competition between agencies that requires our agency to use SAKIP					
Normative Institutional Pressure					
Local governments participate in professional bodies (e.g., APPSAI) that support and promote the use of SAKIP*					
Institutions receive assistance or support from consultants/experts in the use of SAKIP					
Institutions receive training and seminars from universities or professional institutions to improve the use of SAKIP					
The central government, provincial governments, and professional institutions are very active in promoting the excellence of SAKIP in our institutions					
Institutional Leadership **The leaders in my agency always...**					
Involved and played a role in developing the institution's vision					
Provided ideas that supported the institutional vision					
Provided/offered new approaches to achieve maximum performance					
Provided rewards for goals that were successfully achieved*					

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Table A1 (cont.). Measurements

Items	1	2	3	4	5
Involved in designing institutional principles and rules					
Provide legal support for the use of the local government performance measurement system*					
Encourage all employees to support the use of the local government performance measurement system					
Convince the media to support local government performance*					
Convince the public or interest groups and NGOs to support local government performance*					
Responsive to public opinion on local government performance					
Empower employees to participate in the use of the local government performance system					
Take risks involving the use of performance measurement systems for local government programs and activities*					
Encourage communication in the use of local government performance measurement systems					
Foster cooperative relationships with relevant ministries					
Foster cooperative relationships with other agencies					
Foster cooperative relationships with other local governments					
Developing external support for the use of the local government performance measurement system					
Concentrating/focusing on the previously designed performance measurement system					
Maintaining the performance measurement process designed/created by previous leaders*					
Avoiding change when everything is working well*					

Note: A 5-point Likert scale is used. * items were eliminated because the loading score was low. All the data are available at Citra (2026).