

# A Qualitative Case Study on the Use of Balance Scorecard to Control Performance of a Local Government Owned Water Supply Company in Indonesia

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## Abstract

This paper discusses how Balance Scorecard is applied in a water supply company in Indonesia. The company investigated in this study is a local government owned water supply company that has responsibility to contribute profit and has social function as well. Performance becomes important issue in this type of company, not just in term of financial performance, but also in non-financial performance. This research is a longitudinal case study, by applying ethnography, where the researcher participated in the process of controlling performance while doing the research. The case company modifies the four perspectives of Balance Scorecard into four aspects of performance i.e. financial, service, operational, and human resource performance. This modified balance scorecard is used to control people in achieving targeted performance. Management Control Systems is then used as a tool and mechanism to control performance.

**Keywords:** Case study, management control systems, Balance Scorecard, performance

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## 1. INTRODUCTION

Regional autonomy applied in Indonesia persuades local government to increase regional income through local government owned company. In Indonesia, local government can be in provincial level and district level. Local government owned companies might be owned by provincial local government, district local government, or jointly owned by provincial and district local government. Types of business of local government owned companies are varied. There are some typical companies owned by local government such as Regional Bank, Rural Bank/Rural Credit Firm, hospital, and water supply company. Companies that are owned by the local government have their own uniqueness on their management.

This research focuses on a water supply company for several reasons. First, most of local government in Indonesia owns this type of company. Since political and cultural conditions in Indonesia are varied from one local government to other local government, this enhances the uniqueness of the research context. Second, there is a similar method of performance measurement applied by water supply companies in Indonesia. Thus, the case company studied is comparable to other water supply companies in Indonesia which will enable the researchers to compare and contrast such practice. Third, water supply companies have very strategic position in business since water is a human basic needs and water supply companies in Indonesia have social mission as well as profit generation mission. The company should be managed professionally like public firms in general, but with an addition to obey the regional rules. Regional rules differ from one region with the other regions, in accordance with the social and politic conditions of specific region. Local government owned company receive a burden to achieve certain number of profit as a contribution to the Regional Income but the social mission should be the priority. Thus, the water supply company is a unique business in Indonesia context. Fourth, in some local government there are some indications that local government owned companies are operated with some interventions from the local government officers, political parties, and other parties. This make the research becomes important to be conducted.

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As companies that have social and profit generation mission, performance measurement systems that accommodate these two missions will be very important and helpful to the water supply companies in fulfilling both of the objectives. In the past, each water supply companies in Indonesia can choose their own method of performance evaluation. However, since 2007 balance scorecard is adopted by all water supply companies in Indonesia as performance measurement systems. All water supply companies have an obligation to report their performance to the national body that assist the development of water supply systems in Indonesia called *Badan Pendukung Pengembangan Sistem Penyediaan Air Minum* (BPPSPAM). The performance of water supply companies in Indonesia is evaluated at least once a year and that evaluation produces a score for each water supply company. Based on that score, water supply companies will be categorized as a healthy company, less healthy company, or not healthy company. The performance score of the companies is published publicly and used to evaluate the success level of the management. Thus, controlling performance becomes important aspect for a water supply company in Indonesia.

Management control systems applied in the company generally is used to ensure that the targeted performance can be achieved. Management control system is a mechanism and an organizational device to ensure that strategies being planned by the organization are set to achieve the organizational goals. This control could be in the form of formal and informal control (Anthony & Govindarajan, 2007) and can be in the form of result, action, and personnel control (Merchant & Van der Stede, 2012).

This research would use an approach that had been developed by Merchant & Van der Stede (2012). They propose that a good controlling should cover three types of control, which is result control, action control, and personnel control. These three control systems complete each other with a variation that is in harmony with the management philosophy (Praptapa, 2009).

Other uniqueness of the management control system in a local government owned water supply company is the existence of local government interventions that differs from one regional firm with the other regional firm. Interventions would become positive if it supports the achievements of the organizational goals and motivates performance, whereas interventions would become negative if it does not support the achievement of the organization goals and hampering performance. Thus, result control, action control, and personnel control depends heavily on the type of interventions in that regional firm. The types and intensity of control interventions differs between one water supply company with the other water supply companies. Issues of how the effect of those interventions in the relationship between result control, action control, and personnel control with the firm performance should be further analyzed.

## 2. THEORETICAL BACKGROUND

This paper uses some theories to explain the phenomena. There is "no single theory can have a monopoly on explanations of accounting and organizational practices..." (Haque et al., 2013, p.1171). Modell (2015, p.1139) added that "each theory has its unique strengths and weaknesses and the combination of multiple theories generally yield a more complete picture of complex empirical phenomena."

The case is about how people are controlled by a principal to achieve a performance target that can be explained by agency theory. Agency theory is introduced by Jensen and Meckling (1976) to explain the principal agent relationship where principal delegates work to the agent, and the agent works on behalf of the principal and for the best interest of the principal. Agency theory describes optimal incentive contract and suitable accounting control mechanism to monitor behaviors and actions of the people within an organization (Namazi, 2013). Agency theory is commonly used to explain the role of the principal (the one who control) and the agent (the one that is controlled). Agent works for the principal by using fee based contract. In agency theory MCS aspect such as incentive schemes is used by principals to gain from employees or agents in order to achieve organizational goals that are determined by principals (Chenhall, 2003).

MCS is conventionally viewed as passive tools to provide information to assist managers achieve organizational goals. MCS is also viewed as a more active approach, which is equipping individuals with power to achieve their goals (Chenhall, 2003). The effectiveness of MCS is contingent to the influencing control design and implementation (Wood, 2009). "The term contingency means that something is true only under specified conditions" (Chenhall, 2003, p.157). In contingency theory, MCS should best suit to the nature of the environment, technology, size, structure, strategy and national culture (Chenhall, 2003).

How the works in the case company become company's work culture can be explained by institutional theory. The process of institutionalization start with the availability of accounting rules and routines, the actors enact those routines so repeated behavior and routines are reproduced, and finally accounting routines become patterns of behavior and unquestioned ways of doing things and then are institutionalized (Burns and Scapens, 2000; Ribeiro and Scapens, 2006).

The lever of control framework of Simon (1995) provides theory to explain how management control systems is best used to control performance. Lever of control framework of Simon (1995) consist of (1) core value, that can be controlled by belief systems such as vision statement, mission statement, credos and statement of purposes; (2) risk to be avoided, that can be controlled by boundary system such as codes of conduct, predefined strategic planning methods, assets acquisition regulation, and operational guideline; (3) critical performance variables, that can be controlled by diagnostic control systems such as out put measurement, valuation standard, incentive system and compensation system; (4) strategic uncertainties, that can be controlled by interactive control systems such as incorporating process data into management interaction, face-to-face meeting with employees, challenging data, assumptions and action plans of subordinates.

### 3. ETHNOGRAPHIC CASE STUDY

This research is an ethnographic research. Ethnography deals with people and it means a description of people. Ethnography is a way of studying people in the collective sense, in organized, enduring groups, which may be referred to as communities or societies (Angrosino, 2007). Furthermore, Angrosino (2007) defines ethnography as the art and science of describing a human group – its institutions, interpersonal behaviors, material productions, and beliefs.

Ethnography can be viewed as a method for collecting data and as a fieldwork (Brewer, 2010), as a written result of fieldwork (Van Maanen, 1988), or even as a synonym for qualitative research (Brewer, 2010). Brewer describes ethnography as a method for collecting data and as a fieldwork with the definition as follows:

“Ethnography is the study of people in naturally occurring settings or ‘fields’ by methods of data collection, which capture their social **meaning** and ordinary activities, involving the researcher participating directly in the setting, if not also the activities, in order to collect data in a systematic manner but without meaning being imposed on them externally”

(Brewer, 2010, p.10)

In this case study, the researchers act as “participant as observer”. The advantage of “participant as observer” is the researcher will obtain key “insider” information, and enable researcher to validate observation with the participants while observing, interpreting, and recording (Roper & Shapira, 2000).

The researcher was a member of the Board of Controller in the case company for 6 years since 2009 until 2014. While doing the job as a member of the BOC, the researcher did some observations without being known by the research participants. Some notes, pictures, and documents were collected as the data. The researcher also conducted focus group discussion with members of customer representative, visited unit and branch office, and visited water resource installations. To accelerate the understanding of the case, the researcher also participated in the training and examination program to get certification on water supply management. The involvement of the researcher in the day-to-day operation of the company gave opportunities to the researcher to understand the meaning of people's activities in the organization observed (Brewer, 2010).

Based on the rule from the Ministry of Home Affair, the maximum period for a member to be seated as the BOC is 2 periods where 1 period is equivalent to 3 years. Therefore, the researcher has reached maximum period for that position. Research was still continued even though the researcher is not part of organizational member anymore. The researcher had conducted interviews with the new BOC members and to the management as well to understand the current situation of the company.

### 4. PERFORMANCE OF THE CASE COMPANY

The case company is a local government owned water supply company or in Indonesian language it is called Perusahaan Daerah Air Minum, abbreviated as PDAM (hereafter term PDAM is used). The company is located in the city of Purwokerto, District of Banyumas, Central Java Province. The name of the company is PDAM Banyumas.

PDAM Banyumas applies performance measurement that adopts the concept of balance scorecard with its four perspective of performance i.e. financial, customers, internal business and learning and innovation (Kaplan and Norton, 1992). The 4 perspective of balance scorecard is modified into 4 aspects of performance measurement, i.e. financial, services, operation and human resources.

Based on regulation, the performance of water supply companies can be categorized into healthy, less healthy, and sick. A water supply company is categorized as healthy if the performance total score is more than 2.8 out of maximum of 5.0. If the performance total score is between 2.2 and 2.8, the water supply company is categorized as less healthy. The water supply company is categorized as sick if the performance total score is less than 2.2 (BPPSPAM, 2014).

The performance of PDAM Banyumas by using the modified balance scorecard is presented in Table 1.

Table 1. Performance of PDAM Banyumas 2011 to 2014.

No	Aspects	Indicator	Year							
			2011		2012		2013		2014	
			Cond.	Scr	Cond.	Scr	Cond.	Scr	Cond	Scr
1	Financial	1. Return on Equity	12%	5	11%	5	9.5%	4	7.4%	4
		2. Operational Ratio	0.8	3	0.8	3	0.8	3	0.9	2
		3. Liquidity (cash ratio)	757.3%	5	223.5%	5	882.3%	5	689.8%	5
		4. Collection Effectiveness	90.4%	5	90.8%	5	99.8%	5	86.0%	4
		5. Financial Leverage	305.1%	5	863.6%	5	1,360.7 %	5	3328.5%	5
		Weighted Performance	1.14		1.14		1.09		0.98	
2	Services	1. Service Coverage	24.8%	2	24.0%	2	24.4%	2	24.4%	2
		2. Customer Growth	8.8%	4	3.6%	1	2.8%	1	5.7%	2
		3. Rate of Complaint Handled	100%	5	100%	5	100%	5	70.7%	4
		4. Water Quality	83.9%	5	89.3%	5	82.9%	5	72.4%	4
		5. Water Consumption (m3/customer/month)	18.5	2	19.4	2	19.3	2	19.0	2
		Weighted Performance	0.90		0.75		0.75		0.70	
3	Operational	1. Production Efficiency	74.4%	3	66.8%	2	60.9%	2	65.2%	2
		2. Non Revenue Water (NRW)	33.2%	3	26.5%	4	21.6%	5	24.1%	5
		3. Service Operation Hours (hour/day)	24	5	23	5	23	5	23	5
		4. Water Pressure (> 0.7 BAR)	80.0%	4	81.6%	5	81.3%	5	76.9%	4
		5. Water Meter Replacement (% of customer)	17.5%	4	17.2%	4	4%	1	3.8%	1
		Weighted Performance	1.34		1.41		1.28		1.20	
4	Human Resources	1. Employees to Customer Ratio (people/1000 customer)	3.3	5	3.2	5	3.0	5	4.4	5
		2. Employees Training ratio	46.8%	3	75.2%	4	17.8%	1	57.9	3
		3. Training Expenses to Wages and Salary Ratio	5%	2	4.7%	2	3.3%	2	5.2%	3
		Weighted Performance	0.55		0.59		0.47		0.59	
Total Score of Performance			3.93		3.89		3.59		3.47	
Category			Healthy		Healthy		Healthy		Healthy	

Table 1 shows that most of performance indicators got maximum score of 5. However, there are some indicators that have score of 4, 3, 2, and even 1. Table 2 is presented to show the summary of the number of indicator in each score.

Table 2: Summary of the Number Indicators in Each Score 2011-2014

No	Level of Score	2011	2012	2013	2014
1	Score of 5	8	9	9	5
2	Score of 4	3	3	1	5
3	Score of 3	4	1	1	2
4	Score of 2	3	4	4	5
5	Score of 1	0	1	3	1
Total number of score		18	18	18	18

In each year within 2011 until 2014 half of indicators are still below 5. It means that there are still many rooms for improvement. Even in year 2013 the number of indicators with score of 1 increase become 3 indicators, i.e.

in customer growth, water meter replacement, and employees training ratio. The management should pay attention to the indicators that have low score.

Responding to the issue of some indicators that still very low the Executive Director of PDAM Banyumas explained:

*“We realize that those indicators must be improved. We pay attention on them. However, the most important of us actually is we still maintain our status as a healthy company.”* (Executive Director).

Thus, the status as a healthy company for the management of PDAM Banyumas is more important than just the score. This can be understood since BPPSPAM every year publishes the Audited Performance Report that merely reports about the status of the company performance whether they are in a healthy, less healthy, and sick status. Rank of performance of PDAM in Indonesia is not available in that report.

One of the members of Board of Controller (BOC) explained that management of PDAM should pay attention to the fluctuation of the performance score:

*“We pay attention on the score that decrease or still low. We cannot neglect them [low score] since in the long-term they may influence other indicators. Actually many of them are controllable by us, why don't we make a better score on them?”* (BOC5).

## **5. MANAGEMENT CONTROL SYSTEMS (MCS) OF THE CASE COMPANY**

### **5.1. Result control**

Result control is a system of control to ensure that people within the organization will get result as expected (Merchant and Van der Stede, 2012). The result expected by the company reflected in objective of the company, as it is stated in the Regional Rule No.22/2014 chapter 3 article 6, as follows:

*“(1) PDAM TS provides service to the society to enable them to have access to the clean water fairly and continuously. (2) PDAM TS supports and encourage the regional economic development through providing clean water. (3) PDAM TS increases regional income through providing clean water that is managed based on economic principle.”*

So, based on that Regional Rule, the main objective of PDAM is distribution of clean water and providing profit to be shared to the local government comes second. This is consistent with the briefing from the Regent to the management and board of controllers of PDAM Banyumas. The Regent said that:

*“We need profit. But profit is not number one. Our priority is to increase water distribution to society as many as possible. I prefer your performance on service coverage increase rather than the profit increase. But what I like the most is if you all can increase the service coverage and increase the profit as well”* (Regent of Banyumas, in a briefing in 2014).

The increase of water distribution means the increase of sales. However, distribution to the disadvantageous area, such as area with small population and or uphill area, may increase costs as well. Therefore, the increase of distribution does not always create profit for the company.

There are some elements in result control i.e. defining performance dimension, measuring performance, setting performance target, and providing reward or punishment (Merchant and Van der Stede, 2012).

Setting performance target is an important step to make sure that the expected result can be achieved. The target must be challenging but achievable (Hitt et al., 2011) so the target itself can motivate management and its organizational member to do the best for the company. A member of BOC explained:

*“We review the performance target proposed by management. We do not just review the number but we also evaluate the mechanism of setting the target, whether the mechanism consistent with the rule or not. It must be bottom up. We find that management has a tendency to follow last year target with some modification. We did not find performance target that is defined based on research or recalculation”* (BOC5).

The BOC member explained about the performance report as follow:

*“Every 3 months we receive report from the management, but the report is very general, that is how many percent the target is achieved. Unfortunately that report is still limited to the percentage of the usage of the budget, not the report about result or outcome of the budget usage”* (BOC5).

He added:

*“We are aware that as BOC we do not review the report very detail one by one, but we guarantee that we review the important items. For example items that the usage level of budget are very low or very high, or items that is sensitive in the eyes of public”* (BOC5).

Some issues that become as public talks, such as issues that have been blew up by media, have a potential to be used as a political means. The case that previously a business case may shift to political issue. To overcome the issue that has been blew up by media, the BOC explained:

*“We try to explain to public professionally and the information we deliver must be based on data. So, what we say is something that can be proved and ready to be audited when it is needed”* (BOC5).

There are some factors obstruct the achievement of target. These can be external or internal factors. Example of external factor is long dry season. The Executive Director explained that:

*“Most of obstacles are external factors that are uncontrollable by us. For example when we have long dry season. Factors that are controllable by us usually can be overcome for very quick and we can reach the target”* (Executive Director).

How PDAM overcomes the obstacle is explained as follow:

*“Firstly we have to be quick to inform what we are facing to society. It must be in a right way too. For example, if we predict that we will have long dry season, we have to inform the society as early as possible about the possibility of dry season and its effect to our services. Technically we also face the problem of scarcity of water sources, so we need new water processing installation. It needs a lot of money but we plan to make it to reduce our dependence to the nature”* (Executive Director).

It is explained too by the Executive Director that there are many obstacles related to the distribution of clean water such as liking pipes, stolen water, and customer complaints about water continuity. *“If we respond the complaints quickly the problem usually will be solved quickly as well”* added the Executive Director.

To avoid “lack of direction” (Merchant and Van der Stede, 2012), every one in the organization should know his or her target. In responding the question whether every one in the organization has a clear target, a member of BOC mentioned:

*“If your question is ‘every one’ I can not guarantee if every one has one. But I am sure every organizational unit or the head of unit knows well what is his/her target. Performance target is reflected in the budget. We understand that when the usage of budget is in target so automatically the performance target is reached. But at least, we know how far the work has been done”* (BOC5).

How management can ensure that the organizational members know their performance target, a member of BOC said:

*“We never test to all employees whether they know their target or not, but what we do is raise the issue that we place performance as a very important issue. The achievement in meeting target will be used as our note whether the management is successful or not in doing the job. Performance target achievement will affect bonus, whether bonus will be paid or not. What we mean about performance here is company performance, not individual performance”* (BOC5).

## **5.2. Action control**

Action control is a form of control to ensure that employees perform actions that are advantageous for the firm and avoid actions that is disadvantageous for the firm. Most action controls are aimed at preventing undesirable behaviors (Merchant and Van der Stede, 2012). Action accountability is a principle that employees accountable

for the action they take (Merchant and Van der Stede, 2012). "Accountability should be linked to personal perceptions of responsibility and interwoven with a personal value system." (Knouse, 1979, p.58). Knouse (1979) mentions that accountability results from a contractual agreement in which the subordinate performs services in return for certain rewards.

Action accountability requires organization to define what actions are accepted or unaccepted, to communicate these definitions to employees, to observe or track what happens, and to reward good actions and punish actions that deviate (Merchant and Van der Stede, 2012).

To ensure that the organizational members perform right action, the management of PDAM uses responsibility center as a point to observe of what and how people do their task. The head of unit is responsible to the works of his/her subordinates. There are many Standard Operating Procedure (SOP) in PDAM, and most of them are for technical works. SOP is used to guide people to work right.

Some action control techniques such as the use of lock, password, direct observation, supervision, periodic tracking, and activity report are used in PDAM. Pre-action review is used also to ensure that people have a right plan in doing their job. The Director of Techniques explained:

*"Before my people doing important works, they must make a plan and the plan should be discussed with their leader and in many cases with me. This is important to make sure that their plan is right, the connection with other sections is well planned and communicated, and the important thing is we can make revision or adjustment or suggestion when needed"* (Director of Techniques).

### 5.3. Personnel Control

Merchant and Van der Stede (2012) recommend the use of people control to ensure that employees will control their owned behaviors (personnel control) and control each other's behaviors (cultural controls). Personnel controls build on employees' natural tendencies to control themselves because most people have a conscience that leads the to do what is right and find self-satisfaction when they do a good job and see their organization succeed.

Personnel control is about "finding the right people, giving them a good work environment and necessary resources". Personnel controls include: (1). Selection and placement to find the right people to do a particular job, (2). Training to give employees a greater sense of professionalism and create interest in the job by helping employees to understand their job better, and (3). Job design and provision of necessary resources so that motivated and qualified employees have a high probability of success (Merchant and Van der Stede, 2012).

A member of BOC confident that employees of PDAM have enough competences and motivation to do their job. He mentioned:

*"I am sure [with people competence and motivation]. Our recruitment process is open and fair. Even though we have old employees that at that time the process of their recruitment was not as good as now, but they are selected naturally. The one who can survive goes on, if not they will remain stay in their position with no progress"* (BOC5).

The management effort to increase employees' competences is reflected in the following comment:

*"For sure we do some activities to increase employees' competences. This is an important thing. Even, this is one of the elements in performance measurement. If the management does not send its people to do training, the score will be bad"* (BOC5).

Mechanism that is used by the company to ensure that the employees will perform well in doing their job is reflected in the following statement:

*"We have job description and SOP. I think they are guideline for all employees. Management for sure doing some improvisation to evaluate whether employees work well or not. It does not always deal with a quantitative formula, but the satisfaction of leaders [about their sub-ordinate's work] is also an indicator whether their people work well or not"* (BOC5).

The statement of the above BOC member shows that some subjective measurement is also used in the company. He added:

“We are human. Not every thing can be measured quantitatively. There are some aspects such as taste, style, impression etc. that may be difficult to be measured objectively. Is it wrong?” (BOC5).

The last statement with the question “is it wrong” indicates that the member of BOC is not sure whether the subjective performance evaluation can be used or not.

#### 5.4. Cultural control

Cultural control or mutual monitoring deals with social pressure, and group norms and values. Cultural control is effective because members of a group have emotional ties to one another (Merchant and Van der Stede, 2012). Furthermore, Merchant and Van der Stede (2012) suggest five ways to shape culture. They can be through (1). Code of conducts; (2). Group-based rewards; (3). Intra-organizational transfers; (4). Physical and social arrangement (5). Tone at the top.

Vision and mission statement of PDAM Banyumas are written in the main entrance of the office. The purpose of putting these statements there is to make every organizational members remember and understand about the vision and mission of organization. The vision and mission statement are also uploaded to the company website [www.pdambanyumas.com](http://www.pdambanyumas.com).

The vision of PDAM Banyumas is “ To be a professional PDAM with very good and satisfied performance and continuously developed”. The missions of PDAM Banyumas are:

- (1) Supplying clean water that meet minimal standard of services to Banyumas District society by continuously increase the service coverage.
- (2) Conducting company’s management professionally by increasing competence, welfare, human resource solidity, GCG implementation and applied technology, services that prioritize customer satisfaction, and continuously increase company profit.
- (3) Conducting preservation of water resource and environment and corporate social responsibility to ensure the going concern of water supply business.

Group-based reward is currently not applied. The company wide bonuses are shared to all employees based on the composition of salary. In another word, the amount of bonus paid to employees is a certain percentage of the monthly salary of each employee. The more the salary the more they get bonus.

Intra-organizational transfer is routinely conducted by considering the competence of organizational member. People are promoted only when they have capacity to be in charge in a new position. Since PDAM Banyumas has several branches, the intra-organizational transfer can be among the branches.

Physical and social arrangements are always improved. It can be seen in the physical development of customers’ facilities. The company builds some free drinking water terminals in public place. This increase the pride of employees since there is no free drinking water terminal before in the district of Banyumas. Providing free drinking water also to make every one in the company is aware that company’s product is very important for society so the company must supply good water.

The availability of drive-through payment raises the impression that the company try to understand its customer better since now more people drive. The online payment also indicates that the company tries to make its customers to pay conveniently. These “quick service” facilities are useful to motivate people to work more quickly.

Tone at the top is very important to influence how people work and behave. All directors get car facility. The name of the company must be printed in the company’s cars used by directors. This is to give example that every one in the company must differentiate between personal belonging and company’s assets.

Since the location of PDAM Banyumas is in central java, most of employees are Javanese. Tone at the top is consistent with Javanese philosophy “*ing ngarso sung tulodo, ing madyo mbangun karso, tut wuri handayani*”. The meaning of that philosophy is "leaders if they are in the front must be as example, if they are in the middle must create the spirit for their people, and if they are in the back must be able to understand the willing of their people."



## 5.5. Intervention within the control systems

Intervention to the government owned company and local government owned company is a big issue in Indonesia. The Vice President of Republic Indonesia and the Ministry of Home Affair in 2012 warned people to not intervene government owned companies and local government owned companies since they are business entity that must be managed professionally like other business institutions. Furthermore, they also warned local government leaders or officials to not use local government owned companies as ATM. The statements of those two Indonesian leaders indicate that there are still many local government owned companies that can be intervened by external parties.

Responding to this issue, a member of BOC explained:

*“I think there is no straightforward intervention. But if disguised intervention may be yes we have. For example some high positioned people ask to PDAM to do water installation to their house or their relatives’ houses quicker than the normal procedure. Or...they ask PDAM to respond some complaints quicker. But, during I do my job as BOC, once we got intervention from very important person, sorry I can’t say the name and the position, that forces the management of PDAM to accept his relative who wants transfer from other PDAM to our PDAM. By the rule actually we cannot accept because of maximum age rule. That person’s age has already exceeded the maximum age of new employee. We do not strong enough to refuse, so does the management, so we try to find the best way to accommodate that case” (BOC5).*

That BOC member explained that the company did not break the rule in that case since the company makes additional rules for transferred employees under special conditions. He added:

*“We do not break the rule. We accommodate that request without breaking the rule. We make kind of additional rule, the rule for special conditions. The important thing for us is we decide something based on the rule. We are ready to be audited because we have strong reasons, we make decisions based on the rule” (BOC5).*

The BOC is confident with the ability of MCS in that company to prevent intervention. He said:

*“Actually system and procedures that is applied in this company are clear and obeyed by every one involved. Moreover the current system for sure consistent with the higher rule, such as the Rule of Minister of Home Affair. I am sure it can prevent any interventions. But, when we get intervention from the persons that we are in the position of impossible to refuse, we have to be very smart to face them. The important thing is, we have no intervention like asking money or paying some expenses that is not related with company business” (BOC5).*

## 6. CONCLUSION

This paper has discussed the performance of PDAM Banyumas and how MCS is applied to maintain or enhance performance. The company has general performance measurement and unique performance measurement as well. The general performance measurement that is modified from Balance Scorecard is compulsory to be applied by all PDAM in Indonesia. Unique performance measurement is usually more detailed and some of them are applied together with some subjective performance evaluation. This is because the nature of humans that cannot quantify every thing.

Result control, action control, personnel control and cultural control are applied together to ensure that company goals can be achieved. The MCS applied in PDAM gives some insights of the application of MCS in a certain company. The case enriches the knowledge of MCS and its relation with performance. Furthermore, the existence of intervention to the company and how MCS deals with that intervention is one of the contributions of this paper for the development of MCS.

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