Performance Improvement through the Implementation of Public Entrepreneurship, Accountability and Enforcement of Bureaucracy Ethics at Local Governments in Indonesia

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Abstract
Since the autonomy era was implemented in Indonesia by enacting Local Government Act No.22 year 1999 up to now only a few local governments have a very high achievement of their performance. Many issues might influence the performance of local governments in Indonesia, but the lack of understanding and implementing spirit of public entrepreneurship in local bureaucracy is assumed as the main factor leading to unperformed achievement. This research was intended to investigate the role of public entrepreneurship by considering the characteristics of local governments (total assets, fiscal capacity, entrepreneurial behavior and capacity of management) related to strategic environment and the improvement of local governments' performance in Indonesia focusing on 33 provincial governments, 48 city governments and 64 counties. Based on previous studies, the role of entrepreneurial orientation (EO) mostly focus on the private sectors, but some scholars say that the public entrepreneurship also has an important role in improving the performance of public sectors, in this case is local governments. The elements of EO (innovation, creativity, proactiveness and risk taking) not only should be owned by private managers, but also public managers should have the spirit of public entrepreneurship (PE). The main difference of private sectors and public sectors is the challenge, in the public sectors which are more complex. Besides, the expectations of public (public needs) are very difficult to be identified even in normal situation. This research finds that PE has a significant impact to the excellence of the local government performance, but not directly to the performance, it shall be supported by bureaucracy ethics and accountability. The most contributive element of PE to the latent variable of PE itself is creativeness of individual bureaucracy, while the risk taking is still questionable for public officials of local governments in implementing PE.
Keywords: bureaucracy ethics, characteristics of local government, public entrepreneurship, strategic environment.

1. Introduction
In the era of autonomy in Indonesia since the establishment of Local Government Act No.22 the Year 1999 up to the year 2014 (almost 15 years) only a few local governments had a very high achievement of their performance. Many issues might influence the achievement of local government performance, but this research emphasises on spririt of Public Entrepreneurship that is assumed not to be owned and implemented by the local bureaucracy comprehensively. Previous researchers related to the applications of the elements of entrepreneurial orientation (such as innovation, creativity, proactiveness, risk taking) were mostly investigated at the private sectors compared to the public sectors which due to the lack of information about the public entrepreneurship at the public sectors especially those related to the   performance of local governments and good governance (Mardiasmo, Barnes and Sakurai, 2008). While another research at public sector, especially at the local governments concluded that the application of the elements of the entrepreneurial orientation or the term in the public sectors called the public entrepreneurship (PE) had been compulsion in the west countries (Malecki,

1994). This finding indicated that the public entrepreneurial orientation or the public entrepreneurship (PE) should have an important role related to the performance of local government and the strategic environment.

Furthermore, Diefenbach (2011) stated that the previous researchers and the practitioners had repeatedly suggested that the public sectors should be more entrepreneurially oriented as the way to respond the challenges or the change of environmental uncertainty. The researchers had mostly outlined the relation or the effect of ethics toward the accountability of local government, amongst all as elaborated by Raga & Derek (2005) who stated that the ethics as like the blood of the body of human being, and the impact of discretion was related to the accountability of local government in some countries in the world (Yilmar & Felicio, 2009). Nevertheless, in the research it was not specifically discussing the elements of PE in relation with the performance of local government and the change of environmental uncertainty.

Challenges in the public sectors, in this case the local governments, were far more complex compared to the private sectors so that the elements of PE should also be owned by the public officials in the local governments (Diefenbach, 2011). But, Diefenbach had not done deep analysis about the factors or elements of PE affecting the performance of local government significantly. Furthermore, Muhammad (2007) concluded that the management capacity had the significant effect toward the performance of Gorontalo's government, but the scope of the research just focused on the province of Gorontalo and had not touched the analysis deeply toward the elements of PE, and the effect toward the performance improvement of local government from the perpectives of absorptive capacity of regional budget, human development index, and regional welfare index.

The elements of the entrepreneurial orientation on the private sectors as outlined by Yusuf (2002) covering innovation, creativity and risk taking had the significant effect toward the performance of an organization of company and the change of environmental uncertainty. These elements would be studied more deeply in this research with the scope of local governments more broadly, covering the provincial, district and city governments in Indonesia with the number of sample of 145 local governments. A lot of strategic factors or issues which could affect the performance of local government, were not only in Indonesia but also in other countries in the world. In the context of this research, the performance of local government in Indonesia will be analyzed from the perspectives of the result of the Performance Evaluation of Local Governments (EKPPD) conducted by Ministery of Home Affairs of The Republic of Indonesia, the Index of Corruption Perception (IPK), the Index of Public Service (IPP), the Index of Human Development (IPM), the Index of Regional Welfare (IKD), the Level of Regional Autonomy i.e. the ratio of regional owned revenues (PAD) toward regional budget (APBD), and the Provision of Infrastructure Aspect.

The entrepreneurial orientation or PE in the local government became the important factor, besides the support of the enforcement of bureaucracy ethics and the discretion of management which was covered by the legislation adequately and the competent human resources in planning and regional financial management to be able to increase the performance of local government. The importance of bureaucracy ethics and honesty in the governance in line with what stated by De Vries (2002) that recommended the improvement of the enforcement of ethics in the public sectors in OECD countries, amongst all the standard of ethics should be clear, the standard of ethics should be reflected in the frame of law, and the standard of ethics should be available for civil servants.

2. Research Objectives

The research objectives are to ; 1) Analyze the effect of the characteristics of local government toward the performance improvement of local government, 2) Analyze or ensure the elements of PE which significantly influence the performance of local government and able to face the challenges or the changes of environmental uncertaintly, 3) Analyze the effect of PE with reliable bureaucracy ethics and accountability toward the change of environmental uncertainty and the performance improvement of local government.

3. Methodology

3.1 Model of Research and Hypothesis

This research uses the analytical tool of Structural Equation Modeling (SEM), which is an approach by using a set of statistical techniques which enable the research to test a relatively complex set of relationships simultaneously. The analysis unit used is the autonomous local government with the total samples of research of 145 local governments and the total respondents of 725 respondents. The number of answers of the respondents that are entered and stated as valid, i.e. the answers given completely of 493 respondents, then the answers of respondents are processed with the application program of LISREL 8.8. This sample research of 145 local governments in Indonesia consists of 33 provincial governments, 48 cities and 64 counties, and this sample is approximately 28 % of 539 existing local governments in Indonesia when this research was conducted during the year of 2014. This research uses purposive sampling in the determination of local governments as a sample research representing three regions of Indonesia, west, central and east region. These three regions have their specific characteristics in terms of the number of their own assets, the fiscal capacity, entrepreneurial behaviour, and capacity of management. The fiscal of capacity in this context is viewed as the financial capacity of local

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governments which represent the ratio of original revenues of local government compared to the local government budget, not in the context of tax power of local governments.

Suharjo and Suwarno (2004) suggested that the number of sample giving the result which was quite stable revolved between 100 to 200 respondents, because the weakness of SEM is if the number of respondents exceeded 200 the significance of relation among variables is becoming small. Likewise with the sample under 100, the result would be less good if using SEM. The model of path diagram of SEM is built based on the mapping of strategic assumption done previously with the approach of SAST as seen in Figure 1 that explained about the relation among six latent variables (the characteristics of local government, the public entrepreneurship, the strategic environment, the bureaucracy ethics, the accountability of bureaucracy and the performance of local government) and these elements fit to be analyzed further to ensure the relation of causality between variables by using the statistical testing tool. These variables are the result of strategic assumption mapping done previously at the beginning stage of the research using the approach of SAST (Strategic Assumption Surfacing Test) by involving the limited experts which conclude that these variables are very important and certainly related to the strategic policy taken related to the improvement of local government performance.
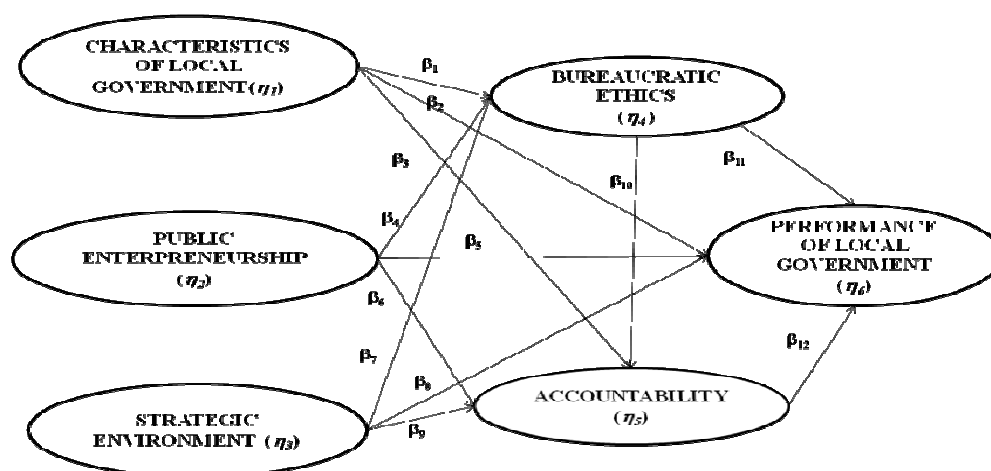

Figure1. Diagram Path of SEM Based on SAST Mapping of the performance improvement of local government Model

3.2 Research Hypothesis

The hypothesis which could be formulated and become the main focus in this research is of 4 hypothesis in accordance with the valid objective norms. The four formulations of main hypothesis tested further are:

- **First Hypothesis (1) :**
  Does the regional characteristics affect the local government performance significantly?
  $H1_0$: The regional characteristics do not affect significantly the local government performance.
  $H1_1$: The regional characteristic affects significantly the local government performance.

- **Second Hypothesis (2):**
  Does the Entrepreneurship Orientation (Public Entrepreneurship) directly affect the local government performance significantly?
  $H2_0$: Entrepreneurship Orientation does not affect the performance of local government significantly.
  $H2_1$: Entrepreneurship Orientation affects the performance of local government significantly.

- **Third Hypothesis (3):**
  Does the strategic environment directly affect the performance of local government significantly?
  $H3_0$: Strategic Environment does not directly affect the performance of local government significantly.
  $H3_1$: Strategic Environmental directly affects the performance of local government significantly.

- **Fourth Hypothesis (4):**
  Does the Enforcement of Bureaucracy Ethics and Accountability of Bureaucracy of local government affect the performance of local government significantly ?
  $H4_0$: Enforcement of bureaucracy ethics and accountability of bureaucracy of local government does not affect the performance of local government significantly.
  $H4_1$: Enforcement of bureaucracy ethics and accountability of bureaucracy of local government affects

the performance of local government significantly.

4. Analysis and Discussion

4.1 Model of Performance of Local Government in Indonesia

The analysis result of SEM model on the following analyses explains the influence pattern between the exogenous latent variable toward the endogenous latent variable having a role in the Improvement Strategy of Performance of Local Government in Indonesia through the Implementation of Public Entrepreneurship. The exogenous latent variables consist of the characteristics of local government, the public entrepreneurship, and the strategic environment. The endogenous latent variables consist of the bureaucratic ethics, the accountability of bureaucracy, and the performance of local government. Every variable consists of some dimensions reflecting the latent variable, and the indicator reflecting the dimension itself.

The latent variable of characteristics of local government consists of four dimensions i.e. the regional asset, the fiscal capacity of local government, the entrepreneurial behavior, and the management capacity of local government. The latent variable of public entrepreneurship consists of five dimensions i.e. innovation, creativity of public entrepreneurship, proactiveness, risk taking, and public orientation. The latent variable of environmental uncertainty consists of five dimensions i.e. political condition, regulation, changes in technology, the system of public services, and public expectations. The latent variable of bureaucracy ethics consists of two dimensions i.e. the code of bureaucratic ethics and the enforcement of bureaucracy ethics. The latent variable of accountability of bureaucracy consists of two dimensions i.e. the system of performance management, and the reporting system of performance. The latent variable of performance of local government consists of seven dimensions i.e. The performance evaluation of local governments abreviated in Indonesia as EKPPD, Public service index abreviated in Indonesia as IPP, Corruption Perception Index abreviated in Indonesia as IPK, Ratio Local Government owned revenues toward regional budget abreviated as PAD, Human Development Index abreaviated as IPM, Regional Wealthfare Index abreviated as IKD, and Provision of Aspect of Infrastructure abreviated as PAI.

Reliability and validity are the measurements to ensure the consistency and the ability of indicators in explaining the latent variable. Hair et al. (2006) state that it is a construct reliable if the value of construct reliability (Construct Reliability, CR) is not less than 0.7 or the value of validity (Variance Extracted, VE) is not less than 0.5. The testing result of construct reliability and validity for each sub-model from the model of Improvement Strategy of the Performance of Local Government in Indonesia through the Implementation of Public Entrepreneurship with Lisrel 8.8 can be seen on the following Figure 2.
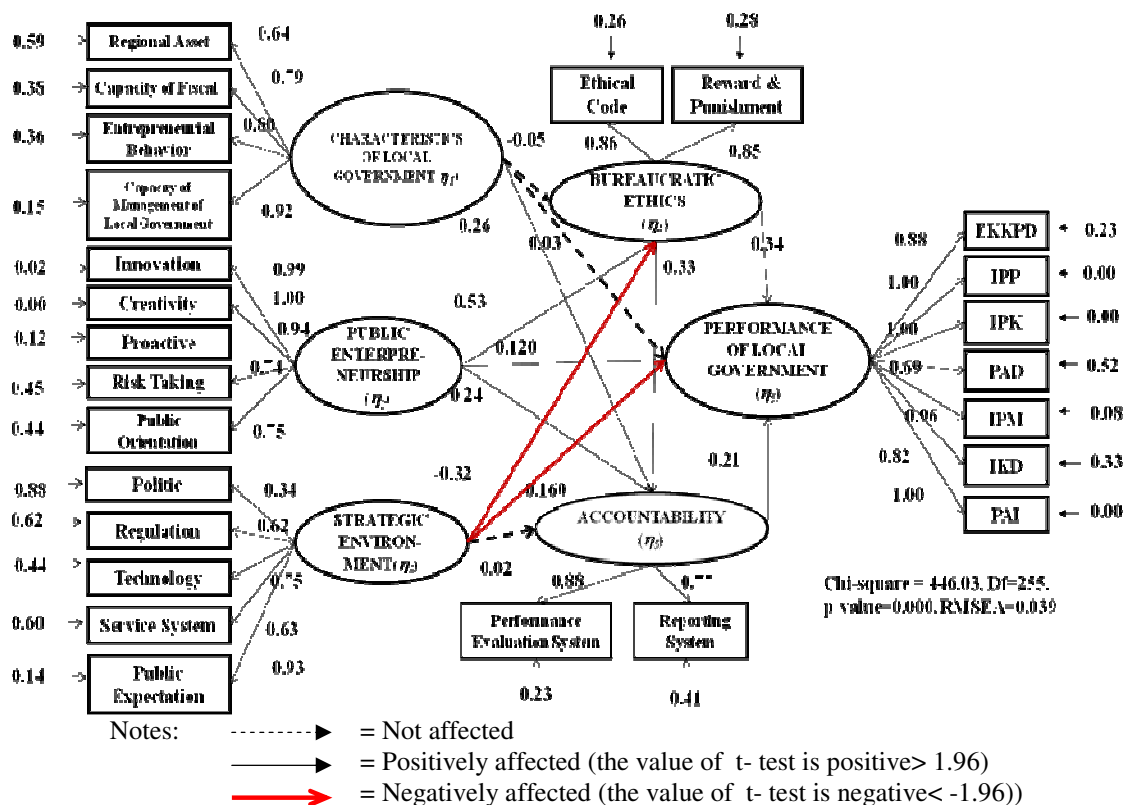

Figure 2. SEM Model of the Performance of Local Government.

The entirely fit testing model (national) is meant for seeing how well the suitability among data

obtained in the field with the model (Goodness of Fitness or GOF). Table 1 shows some entirely fit testing model based on (a) absolute, (b) incremental and (c) parsimony. The measurement of absolute fit model aims to determine the entirely prediction level model (structural model and measurement model) toward the correlation and co-varian matrixes consisting of RMSEA and GFI. RMSEA aims to measure the deviation of parameter value on a model with the co-varian matrix of population (Kusnendi, 2008) so that it can be said that RMSEA is the indicator of fit model which is the most informative. The research result gives the value of RMSEA 0.039 and the value of GFI 0.932 meaning that the entire model (national model) fulfills the criteria of absolute fit model in the result level of good fit.

The measurement of incremental fit model is determined by comparing the model proposed with the basic model which is often called as null model or independent model. This model consists of some testing tools in determining its fit, i.e. (a) CFI (Comparative Fit Index), (b) NFI (Normed Fit Index), (c) NNFI (Non-Normed Fit Index), (d) IFI (Incremental Fit Index), (e) RFI (Relative Fit Index). The research result shows the measurement value compared to the standard value as follows: CFI = 0.995> 0.90, NFI = 0.988>0.90, NNFI = 0.994>0.90, IFI = 0.995>0.90 and RFI = 0.986>0.90, meaning that all testing tools fulfill the criteria of incremental fit in the result level of good fit.

Table1. Result of fit test model of the local government performance nationally

GOF	Cut off Value	Value of Research Result	Notes
Chi-square (χ^2)	Should be smaller than df	446.03	Quite Good: marginal fit
df		255	Quite Good: marginal fit
Chi-square (χ^2)/df	≤ 3 (2:1 (Tabachnik and Fidell, 2007) and 3:1 (Kline, 2005))	1.749	Good: good fit
Probability (*P-value*)	≥ 0.05	0.000	Less good: poor fit
RMR	Good model has small RMR (Tabachnik and Fidell, 2007), ≤ 0.05 or 0.08 (Hair 2007)	0.0443	Good: good fit
Absolute fit model			
RMSEA	≤ 0.08	0.039	Good: good fit
GFI	≥ 0.90	0.932	Good: good fit
Incremental fit model			
CFI	≥ 0.90	0.995	Good: good fit
NFI	≥ 0.90	0.988	Good: good fit
NNFI	≥ 0.90	0.994	Good: good fit
RFI	≥ 0.90	0.986	Good: good fit
IFI	≥ 0.90	0.995	Good: good fit
Parsimanious fit model			
AGFI	≥ 0.90	0.914	Good: good fit
PGFI	≥ 0.50	0.732	Good: good fit

The measurement of Parsimony Fit Model is determined by comparing the model proposed with the basic model in all variables in the model which is free of one toward another. Parsimony testing relates the model with the coefficient estimated to reach the fit in the level. This testing obtains the highest degree of fit for each degree of freedom in accordance with the principle of parsimony or frugality. The parsimony testing consists of: (a) AGFI (Adjusted Goodness of Fit Index) and (b) PGFI (Parsimony Goodness of Fit Index). AGFI as like GFI has adjusted the influence of free level in a model. PGFI almost the same as GFI and AGFI have adjusted the influence of free level and complexity. The result of this research gives the value of AGFI = 0.914> 0.90 and PGFI = 0.732> 0.50 meaning that fulfilling the testing of parsimony in a good fit. Coefficient of a variable or dimension can be stated that it is valid and significant in influencing the endogenous latent variable if having the value of t-calculation (t-value) > t-table. This research uses the t-table in the standard of alpha 5% where the amount of t-table in 5% is > 1.96.

The result of data processed as a whole (national) in Table 2 shows that the latent variable of local government characteristic does not positively affect (-0,05) significantly toward the bureaucratic ethics, because it has the value of t-value of 0.89 < 1.96 (in the standard of alpha 5%). It means that there is no direct correlation between the characteristic of local government and bureaucracy ethics, for instance the bigger number of regional assets owned by the certain local government does not guarantee that the implementation of bureaucracy ethics would be better than other local government which owns less regional assets, or vice versa. The latent variable of local government characteristics also does not affect the performance of local government

significantly, because it has the value of t-value of 0.63 < 1.96. It also means that there is no direct correlation between the characteristic of local government and the local government performance. For instance, in terms of number of regional assets owned by the local government, it's not guarantee that the local government which has a big number of assets will have a better performance compared to the local government which has a lower number of assets.

This finding reflects the real condition in Indonesia. As an example The Province of Special District of Jakarta which relatively has a huge number of assets compared to other three provinces such as Central Java Province, North Sulawesi Province and East Java Province, had never achieved the high performance based on the evaluation by The Ministry of Home Affairs of The Republic of Indonesias in the last three years. Another example, in terms of fiscal capacity, The Province of Papua and its counties and cities within the region of Papua Province have bigger "transfer of fund" from Central Government of Indonesia compared to other provinces and counties or cities in Indonesia, but their performance in terms of human development index is still lower than the average index of national human development. However, the latent variables of local government characteristics positively affect significantly toward the accountability of bureaucracy of 0.26 because they have the value of t-value of 4.63 > 1.96. It means that the more competent of human resources owned by the local government in public services, the better performance of local government, better services would be delivered more better than that public services provided by incompetent civil servants of local government.

Furthermore, the results of statistical test on figure 2, each element of the latent variables of characteristics of local government (Regional Asset, Capacity of Fiscal, Entrepreneurial Behaviour, and Capacity of Management) has a significant contribution to its latent variable of the characteristics of local government, but no direct effect to the performance of local governmet and also no direct correlation between the characteristics of local government and the bureaucracy ethics.

The next latent variable is the public entrepreneurship which affects the bureaucracy ethics positively and significantly of 0.53, with the value of t-value of 8.53 > 1.96. The latent variable of public entrepreneurship (PE) also affects the Accountability of Bureaucracy positively and significantly of 0.24 with the value of t-value of 3.45 > 1.96. The variable of public entrepreneurship also affects the performance of local government positively and significantly of 0,24 with the value of t-value of 2.04 >1.96.

On the contrary, the third latent variable, the strategic environment affects negatively and significantly the bureaucracy ethics of -0.32 with the value of t-value of -6.49 < -1.96. The variable of strategic environment does not affect significantly toward the Accountability of bureaucracy of -0.32 with the value of t-value of -0.50 > -1.96. The variable of strategic environment also affects negatively and significantly the performance of local government of 0.16 with the value of t-value of -3.83 < -1.96. These statistical results indicate that the latent variable of the strategic environment (SE) and its elements affect the performance of local government and the bureaucratic ethics negatively, but does not affect the accountability of bureaucracy (AB). This is in line with the fact that uncondusive environment will lead to the less or bad achievement of performance of local government. If there is uncertainty of law i.e. the ambiguous or unclear regulation and the uncondusive political condition, it migh affect the achievement of local government performance.

While the variable of bureaucracy ethics affects the accountability of bureaucracy positively and siginificantly of 0.33, with the value of t-value of 4.95 > 1.96. The variable of bureaucracy ethics (BE) also affects the Performance of Local Government (PLG) positively and significantly of 0.34 with the value of t-value of 5.32 > 1.96. Then, the variable of accountability of bureaucracy affects the performance of local government positively and significantly of 0.21, with the value of t-value of 3.50 > 1.96. These results indicate that the model of performance of local government assumed in this research fits the data in the field with the model theoretically, the enforcement of good bureaucracy ethics in the local government will affect the performance improvement of local government positively and significantly. It means that the enforcement of bureaucracy ethics which is clearer and firm without viewing the officials or employees who shall impose the sanction will accelerate performance improvement of local government. The enforcement of bureaucracy ethics meant is the clear ethics code and the valid system of reward and punishment toward the entire officials and employees of local government by ignoring their status.

Table 2. Value of slf and t-value variable of national main model.

Latent Variable	Indicator	Coefficient/SLF (λ)	T-value ($\geq$ 1.96)	Validity	Error Var	λ^2	Effect toward Ethics	Effect toward Accountability	Effect toward Performance of Local Government	Notes
Characteristics of Local Government (tv= -0.89; 4.63; 0.63)							**-0.05**	**0.26**	**0.03**	
CR= 87%; VE= 63%	RA	0.64	15.45	valid	0.59	0.41	-0.032	0.166	0.019	Reliable
	CF	0.79	20.43	valid	0.38	0.62	-0.040	0.205	0.024	
	EB	0.80	20.77	valid	0.36	0.64	-0.040	0.208	0.024	
	CM	0.92	25.49	valid	0.15	0.85	-0.046	0.239	0.028	
Public Enterpreneurship (tv= 8.53; 3.45; 2.04)							**0.53**	**0.24**	**0.120**	
CR= 95%; VE=79.50%	I	0.99	30.58	valid	0.02	0.98	0.525	0.238	0.119	Reliable
	Cr	1.00	31.23	valid	0.00	1.00	0.530	0.240	0.120	
	Pr	0.94	27.96	valid	0.12	0.88	0.498	0.226	0.113	
	RT	0.74	19.37	valid	0.45	0.55	0.392	0.178	0.089	
	PO	0.75	19.49	valid	0.44	0.56	0.398	0.180	0.090	
Strategic Environment (tv= -6.49; -0.50; -3.83)							**-0.32**	**-0.02**	**-0.160**	
CR= 80%; VE=46.50%	PC	0.34	6.54	not valid	0.88	0.12	-0.109	-0.007	-0.054	Quite Reliable
	GR	0.62	14.31	valid	0.62	0.38	-0.198	-0.012	-0.099	
	TI	0.75	15.10	valid	0.44	0.56	-0.240	-0.015	-0.120	
	PSS	0.63	14.53	valid	0.60	0.40	-0.202	-0.013	-0.101	
	EP	0.93	20.75	valid	0.14	0.86	-0.298	-0.019	-0.149	
Bureaucracy Ethics (tv= 4.95; 5.32)								**0.33**	**0.34**	
CR= 4.50% VE=73.10%	CE	0.86		valid	0.26	0.74		0.284	0.292	Reliable
	LE	0.85	20.39	valid	0.28	0.72		0.281	0.289	
Accountability of Bureaucracy (tv= 3.50)									**0.21**	
CR=81.10% VE=68.40%	SM	0.88		valid	0.23	0.77			0.185	Reliable
	RS	0.77	16.78	valid	0.41	0.59			0.162	
Performance of Local Government(dependent/endogenous variable)										
CR= 97.2%; VE=83.50%	EKPPD	0.88		valid	0.23	0.77				Reliable
	IPP	1.00	40.03	valid	0.00	1.00				
	IPK	1.00	40.03	valid	0.00	1.00				
	PAD	0.69	18.87	valid	0.52	0.48				
	IPM	0.96	35.59	valid	0.08	0.92				
	IKD	0.82	24.75	valid	0.33	0.67				
	PAI	1.00	40.03	valid	0.00	1.00				
CR entire model 98.30%										Reliable
VE entire model 70%										

Therefore, based on the hypothesis formulated, there are several things that can be concluded that the hypothesis 1 is not proven i.e. $H1_1$ is rejected, the characteristics of local government (CLG) do not affect Bureaucracy Ethics (BE) and Performance of Local Government (PLG), but it affects Accountability of Bureaucracy (AB) positively, and Accountability of Bureaucracy affects the Performance of Local Government positively and significantly so that the characteristics of local government affect indirectly Performance of Local Government through Accountability of Bureaucracy. This indirect correlation will be happened, for instance the high capacity of management (CM) in terms skills and knowledge will influence better accountability, and then by better accountability will lead to the better achievement of local government performance. This finding enforced the finding research of Muhammad (2007) which conclude that the capacity management has an important role to the performance of local government, Gorontalo Province.

Public Entrepreneurship positively affects Bureaucracy Ethics, Accountability of Bureaucracy and Performance of Local Government positively and significantly. It means that the hypothesis 2 is proven, i.e. $H2_1$ is accepted that the public entrepreneurship affects the performance of Local Government significantly. While other latent variable i.e. Strategic Environment affects the Performance of Local Government negatively and it does not affect the Accountability of Bureaucracy significantly. This means that the hypothesis 3 is not proven or $H3_1$ is rejected that the strategic environment does not affect the performance of local government directly, but it affects the performance of local government negatively, i.e. if the strategic environment is not condusive because of strong political intervention of local parliament in budgeting process it will affect the performance of local government negatively. This condition may lead the balance of unused regional budget for development programs at the end of budget year is still high at the local governments in Indonesia, and consequently it will affect the performance of local government negatively.

The last hypothesis, the Bureaucracy Ethics affects the Accountability of Bureaucracy and the Performance of Local Government positively and significantly. This indicates that the hypothesis 4 is proven, or $H4_1$ is accepted that the Bureaucracy Ethics affects the performance of local government positively and significantly. Similar to the Accountability of Bureaucracy, the bureaucracy ethics also affects the performance of local government positively and significantly. In detail, the evaluation of the coefficient of structural model and its correlation with 4 research hypotheses (the hypothesis 1 to 4) can be seen in Table3.

Table 3. Evaluation of the coefficients of structural model and its relation to the research hypothesis for national model

Hypothesis	Path (Track)	Coefficient Value	Value of T-Value (T-statistic)	Result	Conclusion
H1	CLG →PLG	0.03	0.63	Not affected	Not significant (Hypothesis 1 is rejected)
H2	PE → PLG	0.12	2.04	Positively affected	Significant (Hypothesis 2 is accepted)
H3	SE → PLG	-0.16	-3.83	Negatively affected	Significant (Hypotesis 3 is accepted)
H4	BE → PLG	0.34	5.32	Positively affected	Significant (Hypothesis 4 is accepted)

While the relation among other variables (outside of 4 research hypotheses) as seen of the result of t-test of SEM track above can be analyzed in Table 4.

Table 4.Result of t-test of the relation among other variables outside 4 research hypotheses.

Path (Track)	Coefficient Value	Value of T-Value (T-statistic)	Result	Conclusion
CLG →AB	0.26	4.63	Positively affect	Significant
CLG →BE	-0.05	-0.89	Do not affect	Not significant
PE → BE	0.53	8.53	Positively affect	Significant
PE → AB	0.24	3.45	Positively affect	Significant
SE → EB	-0.32	-6.49	Negatively affect	Significant
SE → AB	-0.02	-0.50	Do not affect	Not significant
BE →AB	0.33	4.95	Positively affect	Significant
AB →PLG	0.21	3.50	Positively affect	Significant

Notes:

CLG = Characteristics of Local Government, PE = Public Entrepreneurship, SE = Strategic Environment , BE = Bureaucracy Ethics, AB = Accountability of Bureaucracy, PLG = Performance of Local Government.

The result analysis of t-test in the above table is the entire result of data processing nationally (province and district/city) is similar to the result of data processing for the area of provinces which concludes that the latent variable of local government characteristic is not directly affecting the Bureaucracy Ethics significantly but it affects the Performance of Local Government negatively. This statistical result in line with the fact in real word, in terms number of regional assets, for instance the government of the Province of DKI Jakarta which has regional assets (RA) shown at its financial reports of more than Rp 400 Quintillion, based on the evaluation result of the performance of local government (EKPPD) conducted by Directorate General of Local Autonomy Ministry of Home Affairs in the last 3 years (2011-2013) had not yet gainned the performance predicate of Very High, meanwhile the Province of South Sulawesi, the Province of Central Java and also the Province of East Java with the number of regional assets which are relatively lower but they have the predicate of Very High, the best three of national performance at provincial government level in Indonesia. But in the perspective of public service index, it's rational that the local government which has lower assets will have less capacity to provide better infrastructures compared than the local government which has higher regional assets Therefore, at the level of province, there are a lot of factors that might   influence the performance of local government significantly i.e. the comprehensive system of data performance which is implemented consistently and the capacity of management (CM) at the provincial governments, from top level management up to operating officials in delivery public services.

Meanwhile, the latent variable of public entrepreneurship affects the Bureaucracy Ethics and the Performance of Local Government positively and significantly, but it does not affect the Accountability of Bureaucracy significantly. This conclusion is almost in line with the conclusion of the result of data processed for the national level (as a whole). The latent variable of strategic environment also affects the Bureaucracy Ethics, the Accountability of Bureaucracy, and the Performance of Local Government positively and significantly. Similar to the latent variable of Bureaucracy Ethics, it directly affects the Performance of Local Government directly (PLG) and significantly, but the latent variable of Accountability of Bureaucracy (AB) does not affect the Performance of Local Government (PLG) directly and significantly. It means that at the level of province, the accountability of bureaucracy (AB) should be supported by the enforcement of bureaucracy ethics in order to accelerate the performance of local government significantly.

In the area level of District/City government, it can be concluded briefly that the latent variable of the characteristic of local government does not affect the Bureaucracy Ethics and the Performance of Local

Government directly and significantly, however it affects the Accountability of Bureaucracy directly and significantly. Meanwhile, the Accountability of Bureaucracy affects the Performance of Local Government directly and significantly, so that indirectly the Characteristic of local government (CLG) affects the Performance of Local Government (PLG) significantly. The conclusion of district/city level is different from the conclusion of provincial level where the Characteristic of local government does not affect the performance of local government significantly. The characteristics of local governments at the district/city level will affect the performance of local government, as the example of the archipelagic area and the area which is mostly land, or the area of natural resources producers and the area which is not the natural resource producers will influence its capacity of fiscal (CF) which is caused by the significant difference in the amount of fund ditribution for natural resources exploration and also general fund allocation from Central Government of Indonesia. In the context of the capacity of fiscal as the element of the characteristics of local government, the county which has bigger fund allocation will has the bigger potential for the performance improvement compared to the county which has less transfer from the central government. While the latent variable of Public Entrepreneurship affects the Bureaucracy Ethics, the Accountability of Bureaucracy and the Performance of Local Government direcly and significantly. Meanwhile, the latent variable of strategic environment affects the Bureaucracy Ethics and the Performance of Local Government directly and significantly, but it affects the Accountability of Bureaucracy negatively. Similar to the latent variable of Bureaucracy Ethics and Accountability of Bureaucracy, both affect the Performance of Local Government directly and significantly.

4.2 The Characteristics of local government and its Indicators
The result of fit test model shows the value of p-value (0.0567) is bigger than 0.05, the value of RMSEA (0.028) is smalller than the maximum value (0.08), the value of chi-square/df (1.2944) is smaller than the maximum value (3), and some criteria like GFI (0.969), AGFI (0.949), CFI (0.994), NFI (0.974), NNFI (0.992), RFI (0.964), and IFI (0.994) are all the results of calculation $\geq$ 0.90 = Good fit. The measurement model of the characteristics of local government proposed fits the data obtained from the field. The calculation result of the construct realibility gives the value of CR of 0.91 which is bigger than the minimum construct reliability (0.70). The value of each coefficient of load factor or SLF shows the entire significance with the value of t-value above 1.96 (on the error level of 5%) and the estimation value of the coefficient of load factor standardized above 0.5 which is the recommended value. The thing contains the meaning that each indicator of the characteristics of local government have the sufficient validity and realiability in measuring the latent variable of local government characteristics, except in the dimension of Capacity of Fiscal of Local Government is invalid. This invalid indicator is the big Capacity of Fiscal (CF) without being balanced by the reliable system and the technical capacity of the fiscal officer which will not accelerate the autonomy, otherwise it will push the deviation. But, it doesn't mean that this invalid indicator is not important, only its contribution is very little toward the dimension of the CF of Local Government (just 0.27 less than load factor standarized 0.5). This means that this indicator needs to be paid attention, because in reality the respondents answer that they agree if the capacity of Fiscal (CF) is not balanced with the reliable system or better technological system although it has the technical power with the high intelligence, but it will give the negative impact caused by the ability of the employees unused.

The biggest coefficient is owned by the dimension of "the CM of local government" of 0.92, the second biggest is the Entrepreneurial Behaviour (EB) and the CF of Local Government, while the smallest contribution in the dimension of variable of the Characteristics local government is the dimension of Regional Asset of 0.64. Nevertheless, from the result of this statistics test, all dimension or elements of the Characteristics of Local Government (CLG)) are significant in giving the contribution. The Regional Asset is the dimension which contribution is the smallest toward the characteristics of local government (CLG), but its indicator has the biggest coefficient value among other indicators, while the dimension of the CF which is the dimension having the larger contribution than the regional asset (RA) has the smallest and invalid indicator. This is very interesting, how in reality it is happening in the local government in Indonesia, both the province and the district/city are different from the logic assumption where the big capacity of fiscal shall affect positively toward the performance improvement of local government. If the big CF, in this context is in terms of the big amount of fund transfered from the central government to the local government, is not supported with the technical capacity of financial management and planning, it will give a negative impact toward the financial performance of local government which is not good enough. This negative impact was indicated by the big amount of transfer fund from the central which is not absorbed for the development programs optimally in most of local governments in Indonesia in each end year of budget. The lack of bureaucracy competency in the fields of planning and finance in most of local governments in Indonesia is one of factors causing the accurance of various deviations which are potential to be frauds. This fact in the field is in line with the research finding of Aragon & Casas (2008) which concluded that the lack of technical competence of bureaucracy at the local government (municipals) in Peru caused the big transfer fund every year from the central government to the regional/local government is not absorbed for the development in the regions so that the performance of local government is not optimal yet.

The indicator of regional assets (RA) with the shape of land/building, tools/vehicles, and means/infrastructure give the significant contribution toward the performance of local government and this indicator has the biggest coefficient value among other indicators of CLG. However, it does not give the significant effect toward the performance improvement of local government. This finding is in line with the fact in the field that the big number of regional asset (RA) does not guarantee that the performance of local government would have a very high achievement.

4.3 Public Entrepreneurship and its Indicators

The result of existing fit test model, shows that the values of chi-square (714.01), df (289), p-value (0.000), RMSEA (0.055)are smaller than the maximum value (0.08), the value of chi-square/df (2.471) is smaller than the maximum value (3), and some criteria like GFI (0.971), AGFI (0.963), CFI (1.000), NFI (1.000), NNFI (1.033), RFI (1.000), and IFI (1.027) are all the results of calculation≥ 0.90 = Good fit. The measurement model of PE proposed means that it fits to the data obtained from the survey result. The calculation result toward the construct reliability gives the value of CR of 0.90 which is bigger than the minimum construct reliability (0.70).

The biggest coefficient is owned by the dimension of Creativity, which is the highest dimension contributing toward the variable of Public Entrepreneurship of 1.00 (100%), the second is the dimension of Innovation (I) of 0.99, then the Nature of Proactiveness (Pr) is of 0.94, and the Risk Taking (RT) is of 0.76, while the smallest dimension of contribution is the dimension of Public Orientation (PO) of 0.75. But, as a whole all dimensions have big contribution toward the variable of Public Entrepreneurship.

There are several facts which can be revealed from this research result. First, the respondents answer mostly agreed on the invalid indicators in the dimension of Innovation (I) i.e. the indicator of innovation done by the bureaucracy of local government of working unit of local government abreviated in Indonesia as SKPD, the research should first be done, and the indicator of local bureaucracy which is innovation is impossible to be realized in the local government because the budget for the research activity is not available, and the indicator of the availability of budget for the research activity in the process of innovation of the community service. These questions enable a bit ambiguous respondents, it means that the respondent still doubt whether the difference between the indicator of the research by bureaucracy shall be firs done and the indicator of innovation is impossible to be realized because the budget for innovation is not available, so that this could cause the inconsistent answer of the respondent   which can influence the value, or in reality the bureaucracy of local government indeed does not conduct the research because there is no budget available or budget only used for certain activity like the public service. While the innovations are appeared from some ideas of employees, there is a possibility which can not be implemented because there is no budget.

The second fact i.e., the respondents answer mostly agreed on the invalid indicators in the dimension of Nature of Proactiveness (Pr) i.e. the indicator that a demand of proactiveness nature of official/employee of local bureaucracy on the order of higher leader, the indicator that the action should be taken i.e. the nature of proactiveness of official/employee of local government in responding the community expectation is based on the order of higher leader, and the indicator of the nature of spontaneity of the individual bureaucracy in responding the demand of community on the better public services, and the indicator that the nature of proactiveness of official/employee of bureaucracy in responding the demand of community cannot be done without the support of legislation which bases it on. These four indicators have the correlation each other, i.e. the nature of proactiveness is demanded and based on the order of higher leader with the base of legislation and/or regulation. This answer shows that the nature of proactiveness of the bureaucracy of local government could be implemented if it is supported by the order the leader and there is a clear legislation and/or regulation. Therefore, the spontaneity of bureaucracy of the local government in responding the existing problems in the community cannot be done. This real condition is still often happened in the bureaucracy of the local government in Indonesia, so that the officials of bureaucracy seem to be less responsive to the problems faced in the community because the anxiety is regarded to break the law if the policy taken is not supported by the clear regulation.

The third fact is that the respondents answer mostly agreed on the invalid indicators in the dimension of Risk Taking (RT) i.e. the indicator of the risk consideration to be paid attention by the official/employee of local government is only limited to the decision making which is emergency for example the condition of natural disaster, and the indicator of the risk consideration which shall be taken by the official/employee of bureaucracy of local government along for fulfilling the public expectations (EP) or the community demands and no conflict of interest needed to be first prepared by the rule of law. It means that the respondents agree that in reality, the decision making in considering the risk is done suddenly without conducted the discussion or deliberation first only for fulfilling the demand of community. But, the legislation which becomes the discretion reference or the decision which would be taken should firmly administered so that risk taking becomes one element of PE which is difficult to be implemented causing the spirit of PE could not be realized comprehensively in the bureaucracy of local government in Indonesia, and also in other countries.

The last fact, the respondents answer mostly agreed on the indicators which are invalid in the dimension

of Public Orientation (PO) reflected in the indicator of regional bureaucratic apparatus which should have the public orientation like giving the public service limited to what has been outlined in the operating standard procedures (SOP) of the public service. This mean that the respondents regarded that during this time they have no public orientation in accordance with the existing procedures. The procedures meant could be in form of the minimum service standard set by the local government regulation and also the technical clue of the public services.

4.4 Strategic Environment and its Indicators

The result of existing fit test model shows the value of chi-square (515.5), p-value (0.00), RMSEA (0.084; marginal fit) are the same as the maximum value (0.08), the value of chi-square/df (4.483; poor fit) is bigger than the maximum value (3), but the values of some criteria like GFI (0.928), AGFI (0.894), CFI (1.000), NFI (1.000), NNFI (1.030), RFI (1.000), and IFI (1.023) are all the results of calculation ≥ 0.90 = Good fit. The measurement model of environmental uncertainty proposed means to be quite fit (marginal fit) with the data obtained from the field. The calculation result toward the construct reliability gives the value of CR of 0.91 which is bigger than the minimum construct reliability (0.70). The calculation result of VE does not support this result because the value of VE of 0.38 is smaller from the minimum value (0.50).

There are several things that can be explained related to the facts found, the first is that the respondents' answer mostly agreed on the indicators that are not valid on the dimension of Political Condition (PC) i.e. the indicator of the conducive political condition of local government is the factor of strategic environment that is important to support the performance improvement of local business, and the indicator of the conducive political condition is that there is no political intervention of local parliament abreviated in Indonesia as DPRD within the budget discussion and the determining of key officials in the local government. This means that the political condition of local government is very important and will affect the performance of local government positively if there is no political intervention that hampers the programs of local government. But in reality with the data obtained in the field, during this time the possibility of the political intervention is still conducted by the politicians in the regional area, so that the result of respondents' answer does not indicate the real condition.

Secondly, the respondents' answer mostly agreed on the indicators that are not valid on the dimension of Government Regulation/Legislation (GR) i.e. the indicator that Legislation (government regulation, regional regulation and ministerial regulation) in the region has been applied well by the public officials which give the positive impact toward the strategic environment that supports the performance improvement of local government. It means that the respondents agree that the legislation and or government regulations (GR) could affect the strategic environment that indirectly affects the performance of local government.

And the last fact, the respondents answer mostly agreed on the indicators that are not valid on the dimension of Public Expectations (EP) i.e. the indicator of the public expectations (EP) toward the local government is the important thing from the strategic environment to be paid attention in improving the performance of local government. This means that the respondents agreed that EP is the important thing of the strategic environment which indirectly affects the performance of local government. But in reality, public expectations are not so eazy to be applied because there is the political intervention or the importance difference between the local government and the community themselves and also local parliament (DPRD).

4.5 Bureaucracy Ethics and its Indicators

The result of existing model fit test shows the value of i p-value (0.062) is bigger than the maximum value (0.05), the value of RMSEA (0.056); it is smaller from the maximum value (0.08), the value of chi-square/df (2.00) is smaller from the maximum value (3), and the values of some criteria like GFI (0.998), AGFI (0.990), CFI (1.000), NFI (1.000), NNFI (1.018), RFI (1.000), and IFI (1.006) are all the results of calculation ≥ 0.90 = Good fit. The measurement model of bureaucracy ethics proposed means that it has been fit with the data obtained from the result of survey. The result of calculation toward the construct realibility gives the value of CR of 0.82 which is bigger than the minimum construct reliability (0.70). The result of calculation of VE is quite supporting this result because the value of VE is of 0.49 which is the same as the minimum value of 0.50 meaning that the sub model of variable has the good reliabily and it is suitable to be used.

The biggest coefficient is owned by the dimension of the code of bureaucracy ethics and the enforcement of bureaucracy ethics of 0.87 and0.84 which are the highest dimensions contributing the variables of Bureaucracy Ethics. As a whole, all dimensions have big contributions toward the variables of Bureaucracy Ethics. Each value of the coefficient of load factor or SLF of the code of bureaucracy ethics shows entirely siginifical and valid. The thing has the meaning that each indicator has the sufficient validity and reliability in measuring the latent variable of bureaucracy ethics, except for the dimension of the enforcement of bureaucracy ethics is invalid ($0.04 \leq 0.50$). But in reality, the respondents answer that they mostly agree on that indicator of the enforcement of bureaucracy ethics (LE) in form of punishment is not running in the region because of the

embarrassment (*ewuh pakewuh* culture), there is a special relationhip between employer and the employee/public official who wants to be sentenced. It means that in reality, there is still a reluctant culture toward the colleague that is personally very close, so this indicator is not appropriate in reflecting the bureaucracy ethics which does not reflect the performance of local government indirectly. But, it does not mean that this indicator is not important, only its contribution is very little so that it can be said that it does not contribute or indeed has not been done in the field, so it is necessary to repair this invalid indicator and to do further confirmation in the field for the real condition. Assertiveness and the example of indispensable for the enforcement of bureaucracy ethics (LE) can run well to be able to accelerate the performance improvement of local government.

4.6 Accountability of Bureaucracy and its Indicators

The result of existing model fit test, shows the value of p-value (0.205) is bigger than the maximum value (0.05), the value of RMSEA (0.033) is smaller than the maximum value (0.08), the value of chi-square/df (1.527) is smaller than the maximum value (3), and the values of some criteria like GFI (0.999), AGFI (0.992), CFI (1.000), NFI (1.000), NNFI (1.029), RFI (1.000), and IFI (1.006) are all the results of calculation ≥ 0.90 = Good fit. The measurement model of bureaucracy ethics proposed means that it has been fit with the data. The result of calculation toward the construct reliability gives the value of CR of 0.52 and the result of calculation of VE is of 0.33. This meas that in the composite value all indicators of Accountability of Bureaucracy have no sufficient internal consistence in measuring the construct of Accountability of Bureaucracy. This can be seen because of a lot of indicators which is no valid and do not reflect the dimension, and the variable of Accountability of Bureaucracy. The biggest coefficient owned by both dimensions i.e. the system of performance management (SM) and the reporting system (RS) of 0.81 and 0.86 contributing toward the variable of Accountability of Bureaucracy, but the biggest is the reporting system (RS). As a whole, all dimensions have a big contribution toward the variable of Accountability of Bureaucracy.

Not valid indicator in the dimension of Management System (SM) is the indicator of the management system of performance data existing in the local government which is still manually so that the performance data is not valid and up to date (a lot of engineering), in the dimension of the reporting system i.e. the indicator of the reporting system of performance existing at the moment in the region is not running well because too many performance reports which should be made by the local government (the sectoral/central demand) so that these indicators are not affected to the attempt of performance improvement of local government, and the indicator of the good reporting system and the structure done is the report which should be made based on Local Government Act, in form of Financial Report of Local Government (LKPD) and Implementation Report of Local Government (LPPD) which should be prepared in semiannualy and in the last year of responsibility. In reality, the respondents answer mostly agreed on the indicator that the system of management and the system of reporting at the moment have not reflected the expected accountability of bureaucracy in improving the performance of local government. It is seen that the existing system is still performed manually so there would be data manipulation and not up to date, and indirectly these indicators are important to encourage the system repairment to be able to improve the performance of local government.

4.7 Performance of Local Government and its Indicators

The result of existing model fit test, shows the value of p-value (0.179) is bigger than the maximum value (0.05), the value of RMSEA (0.023); it is smaller than the maximum value (0.08), the value of chi-square/df (1.188) is smaller than maximum value (3), and the values of some criteria like GFI (0.976), AGFI (0.953), CFI (0.997), NFI (0.983), NNFI (0.995), RFI (0.971), and IFI (0.997) are all the results of calculation ≥ 0.90 = Good fit. The measurement model of the performance of local government proposed means that it has been fit with the data. The result of calculation toward the construct reliability gives the value of CR (0.90). This means that the composite value of the indicator of PLG has the sufficient internal consistence in measuring the construct of the performance of local government. The result of calculation of VE is enough to support this result because the value of VE is of 0.42.

Each value of the coefficient of load factor or SLF of Public service Index (IPP), Corruption Perception Index (IPK), ratio local revenues to regional budget (PAD), human development index (IPM), local wealfare Index (IKD), Provision of the Aspect of Infrastructure (PAI) shows entirely significant and valid. The thing has the meaning that each indicator has sufficient validity and reliability in measuring the latent variable of the Performance of Local Government, except for the dimension of EKPPD i.e. the indicator of the Performance Report of the Organization of Local Government up to now it is still slow to compose by the local government because it has not been supported by the good system of performance data. It means that in reality that the report of the performance of local government has not been supported by the good data system, so that indirectly the report of performance has not reflected the good EKPPD, and not able to affect the performance of local government. This indicator needs to be paid attention, not valid indicator does not mean unimportant, but it has made the indicator to be very important to be paid attention, in order to take the step of improvement to be able

to support the performance improvement of local government.

5 Conclusion and Recommendation

5.1 *Conclusion*

- Nationally, the characteristics of local governments in Indonesia do not affect the bureaucracy ethics and the performance of local government significantly and directly, but it affects the accountability of bureaucracy positively and significantly. Meanwhile, the accountability of bureaucracy of local government affects the performance of local government directly so that the characteristics of local government and its elements indirectly affect the performance of local government through the accountability of bureaucracy significantly. It means that in the national model of performance improvement of local government in Indonesia, the accountability of bureaucracy has an important role to improve local government performance. The better accountability of bureaucracy will lead the better performance of local government.

- The public entrepreneurship affects the bureaucracy ethics, the accountability of bureaucracy, and also the performance of local government positively and significantly. It means that spirit of public entrepreneurship would encourage the local bureaucracy to do their job based on code of bureaucracy ethics and to have better accountability and consequently it would encourage better performance.

- The bureaucratic ethics and the accountability of bureaucracy affect the performance of local government positively and significantly. It means that the better attitudes of bureaucracy because of clear code of ethics and law enforcement without considering the status of apparaturs will lead to better accontability, and consequently the better of performance achievement of local governments.

- Performance Improvement of Local Government through the application of public entrepreneurship at the local government with the approach of SEM is suitable for becoming the model that can be applied by the local government, enriched by other variables which can be developed through further research. However, the repair efforts in the reporting system of performance data and the clear and firm legislations and/or regulations to grow the spirit public entrepreneurship on the bureaucracy of local government need to be done so that innovation, nature of proactiveness, courage for risk taking could be performed by the bureaucracy of local government in the frame of the acceleration of regional performance improvement.

5.2 *Recommendation*

- To improve the performance of local government through implementation of public entrepreneurship, the process of human resources recruitment in local governments should be based on the competence and the needs of local governments.

- To improve the understanding and implementation of the spirit of public entrepreneurship for local government apaparatus, the management of local government should develop the training programs for encouraging creativity, inovation and proactiveness of individual bureaucracy by establishing condusive environment and budget allocation appropriately.

- It's necessary to evaluate the fiscal policy that could encourage the fiscal capacity of local governments or their selfishness so they do not depend on the transfer fund from central government of Indonesia, for instance by providing fiscal power gradually.

- To propose clear regulations that support the management of local governments for implementing the element of PE regarding risk taking that should be considered in discretion making. A discretion would not be taken by the public officials to fulfill public expectations without any clear regulations which undermined the risk taking that would be able considered, and a discreation based on risks must be accountable to the public. Moreover, a discreation undertaken by the public officials in the regions of local governments should be intended to fulfill the public needs not for the interests of groups, sponsors and themselves.

- Risk taking is one element of public entrepreneurship that is uneazy to be implemented, but in reality the contribution of this element to improve local government performance is significant so that it's suggested to do further research in more deeply to investigate what kinds of risks that would be considered in discretion making by leaders of local governments and how to mitigate those risks in order to have better achievement.

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