

## IMPLEMENTATION OF STRATEGIC MANAGEMENT IN IMPROVING PUBLIC SECTOR ORGANIZATIONAL PERFORMANCE



Asri Usman<sup>1</sup>

Universitas Hasanuddin Makasar, Makasar, Indonesia  
[asriusman@unhas.ac.id](mailto:asriusman@unhas.ac.id)

Alimuddin<sup>2</sup>

Universitas Hasanuddin Makasar, Makasar, Indonesia  
[alimuddin@unhas.ac.id](mailto:alimuddin@unhas.ac.id)

Yudi Basma Albahrn<sup>3</sup>

Universitas Hasanuddin Makasar, Makasar, Indonesia  
[yudibasmaalbahrn@gmail.com](mailto:yudibasmaalbahrn@gmail.com)

A. Ikhwanul Ahmad<sup>4</sup>

Universitas Hasanuddin Makasar, Makasar, Indonesia  
[ikhwalahmad123@gmail.com](mailto:ikhwalahmad123@gmail.com)

Afrah Namirah Kamal<sup>5</sup>

Universitas Hasanuddin Makasar, Makasar, Indonesia  
[afrahnamirah1803@mail.com](mailto:afrahnamirah1803@mail.com)

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### Abstract

This study aims to analyze the roles of strategic management, management accounting, and Government Accounting Standards (SAP) in enhancing the performance of public sector organizations in Indonesia. The research employs a literature review approach by examining relevant national and international academic sources. The findings indicate that the implementation of strategic management strengthens policy effectiveness, cost efficiency, and public legitimacy. Management accounting plays a vital role in supporting data driven decision making, cost control, and performance based budgeting. Meanwhile, the adoption of accrual based SAP contributes to greater fiscal transparency, improved financial reporting quality, and stronger public accountability. However, the implementation of these three instruments continues to face challenges, including limited human resource capacity, bureaucratic resistance, and the suboptimal use of digital technologies. This study underscores that synergy among strategic management, management accounting, and SAP is essential for building transparent, efficient, and adaptive public governance that is responsive to societal needs.

**Keywords:** Strategic Management, Management Accounting, Government Accounting Standards (SAP), Public Sector Performance, Governance

## INTRODUCTION

In recent years, the public sector in Indonesia has faced increasing demands to improve effectiveness, efficiency, and accountability in government administration. These pressures arise not only at the national level but also across regional areas, including major cities such as Jakarta, Surabaya, and Makassar. Bureaucratic reform and fiscal decentralization have driven public organizations to become more adaptive to social, economic, and technological changes. As the largest metropolitan city in eastern Indonesia, Makassar has also undergone governance transformation that requires the bureaucracy to work more professionally and responsively in delivering public services. Public organizations are no longer viewed merely as administrative institutions but also as development agents and catalysts for social welfare. In this context, strategic management plays a crucial role as an instrument to align government vision, mission, and programs with the dynamics of a complex environment. As emphasized by Bryson (2018), strategic management in the public sector is not only about long-term planning but also a continuous process of responding to change, managing limited resources, and maintaining public trust through accountable governance.

Recent studies highlight the importance of implementing strategic management to strengthen the performance of public sector organizations. Van Helden and Uddin (2016) revealed that management accounting practices in the public sector of developing countries are strongly influenced by political, cultural, and institutional capacity factors, which affect the effectiveness of strategies. A systematic review by Purnama and Fuadah (2025) of 29 Scopus-indexed articles found that management accounting practices can enhance transparency and operational efficiency, although their implementation requires adequate policy support and infrastructure. In the Indonesian context, Sukmiridiyanto, Budiono, and Mukhlis (2024) emphasized the crucial role of strategic management in driving public sector organizational performance, particularly in cost efficiency and increased accountability. Adzim (2017), through a study on the Makassar Regional Water Company (PDAM), demonstrated how accounting information systems can assist management in making more accurate budget decisions, while Hasan and Randi (2020) highlighted the contribution of decentralization and management accounting systems in improving managerial performance. These findings indicate that strategic management and management accounting are an essential combination for strengthening the competitiveness and legitimacy of the public sector amid complex bureaucratic challenges.

Although various studies have highlighted the relevance of strategic management in the public sector, research gaps still remain. Many previous studies have focused on private companies or large organizations with relatively stable resources (Hasan & Randi, 2020), while studies that specifically examine public organizations with limited capacity particularly at the regional level are still limited (van Helden & Uddin, 2016). Furthermore, research related to management accounting in the public sector tends to emphasize technical aspects such as financial reporting and control systems, without strongly linking them to the broader processes of strategy formulation and implementation (Purnama & Fuadah, 2025). However, as emphasized by Sukmiridiyanto et al. (2024), obstacles such as bureaucratic resistance, limited human resources, and low technological literacy are real factors that constrain the effectiveness of strategic management in government institutions. Therefore, there is still room for deeper investigation into the interrelationship between strategic management,

management accounting practices, and public sector organizational performance within the Indonesian local context.

Strategic management in the public sector is a unique and important theme, as it brings together the dimensions of governance, accountability, and public service with an adaptive strategic approach. Unlike previous studies that largely emphasized technical aspects or focused on the private sector, this study seeks to systematically review the literature discussing the application of strategic management in improving the performance of public organizations. Its main focus is to identify how strategies that are formulated, implemented, and evaluated can be strengthened through the support of management accounting practices. Thus, this review is expected not only to enrich the academic literature in the field of public management but also to provide practical recommendations for both local and national governments in formulating more effective, efficient, and accountable strategies to address governance challenges in the modern era.

## **REVIEW OF LITERATURE**

### **Strategic Management Theory in the Public Sector**

Strategic management is defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its long-term goals (David & David, 2017). In the public sector context, Bryson (2018) emphasizes that strategic management is not merely a technical tool, but also a social and political process aimed at creating public value through transparency, accountability, and improved service quality. Ferlie et al. (2016) add that a fundamental difference in the application of strategic management in the public sector lies in the complexity of the environment, as decision-making is influenced by political factors, regulations, and multi-stakeholder interests. Thus, strategic management theory in the public sector highlights the need to balance internal efficiency with responsiveness to the external demands of society.

The implementation of strategic management requires public organizations to conduct comprehensive environmental analyses, establish policy priorities, and ensure alignment between organizational vision and community needs. Poister et al. (2010) demonstrate that U.S. government agencies that consistently apply strategic planning are able to increase policy effectiveness and strengthen public legitimacy. Osborne and Brown (2011) also emphasize the importance of strategic leadership in overcoming bureaucratic barriers so that strategies do not remain merely formal documents but translate into concrete actions. In Indonesia, Wibowo (2020) found that limited human resource capacity and bureaucratic resistance remain the main obstacles to strategy implementation. Thus, strategic management theory provides a strong framework for understanding how strategies can sustainably improve the performance of public organizations.

In addition, the development of digitalization has broadened the scope of strategic management in the public sector. Mergel et al. (2019) emphasize that the use of big data and predictive analytics in the strategic planning process enables governments to make evidence-based policy decisions. Andrews et al. (2012) add that the quality of human resources and information technology support are key factors for successful strategy implementation in local governments. Therefore, strategic management theory in the public sector requires a combination of internal factors (leadership, bureaucratic culture, organizational capacity) and

external factors (political environment, regulation, community participation) in order to achieve development goals that prioritize public interest.

### **Management Accounting in the Public Sector**

Management accounting is defined as the process of identifying, measuring, analyzing, and communicating financial and non financial information to assist management in planning, controlling, and decision making (Hansen & Mowen, 2018). Bhimani (2021) emphasizes that management accounting differs from financial accounting because its focus is on providing internal information that is relevant for managers to improve operational efficiency and strategic advantage. In the public sector, management accounting becomes a crucial instrument for supporting performance based budgeting, program evaluation, and fiscal accountability. Thus, the implementation of management accounting in public organizations is not only technical but also strategic to ensure the sustainability of government performance.

Empirical research supports the importance of management accounting in public organizations. Adzim (2017) found that the implementation of an accounting information system in PDAM Makassar contributed significantly to improving the accuracy of budget decisions and the reliability of financial reports. Setiawan and Iskak (2023) also showed that management accounting practices in Indonesian local governments positively influence resource allocation efficiency and public transparency. However, Dwiyanto (2011) notes that the primary obstacles to implementing management accounting in the Indonesian public sector include low accounting literacy, limited human resource capacity, and insufficient information technology support. These constraints often result in managerial information that does not fully support strategic decision making.

The development of digital technologies has further expanded the role of management accounting in the public sector. Mergel et al. (2019) showed that the integration of big data and performance-based accounting information systems enables governments to produce fast and accurate information for strategy formulation. Cuervo (2023) adds that the application of predictive AI in management accounting can project future financial performance under various scenarios, helping public organizations respond to uncertainty. Martin-Navarro et al. (2023) also found that the application of Business Process Management Systems (BPMS) supports the integration of planning, implementation, and evaluation of strategies in the public sector. Thus, management accounting in the public sector is not merely a reporting tool but an integral part of the strategic management process to enhance efficiency, accountability, and organizational legitimacy.

### **Government Accounting Standards (SAP)**

Government Accounting Standards (SAP) are a set of accounting principles designed for use in preparing public sector financial statements, both at the central and regional government levels. SAP in Indonesia is established through Government Regulation No. 71 of 2010, which adopts an accrual basis to enhance government financial accountability and transparency. The primary objective of SAP is to provide relevant, reliable, and comparable information that supports public decision-making, government performance evaluation, and accountability to the community and legislative bodies (Mahmudi, 2019). In the public sector context, SAP serves as an essential instrument to ensure that every transaction and financial activity is recorded systematically according to applicable accounting principles, thereby preventing administrative irregularities and manipulation of financial reports.

The implementation of SAP has brought significant changes to public financial management practices in Indonesia. Prior to the adoption of accrual-based SAP, government financial statements still used a cash toward accrual basis, which was considered insufficient for presenting a comprehensive picture of the financial position and performance of public entities. According to Harun et al. (2022), the implementation of accrual-based SAP encourages the government to be more transparent in disclosing liabilities, assets, and expenses incurred within a specific period, enabling the public to objectively assess the country's fiscal condition. Furthermore, the accrual basis allows the government to conduct more effective financial planning and control because the information produced is more comprehensive. A study by Setyaningrum & Syafitri (2021) found that the implementation of SAP in local governments improves the quality of regional financial statements and strengthens internal oversight, although challenges such as limited human resources and information system infrastructure remain.

Despite being an official standard, the implementation of SAP across various regions faces challenges. These challenges include low accounting literacy among government officials, limited information technology capacity, and resistance to changes in bureaucratic culture (Sukmadilaga et al., 2019). In practice, some local governments still struggle to classify certain accounts correctly, which affects the quality of their financial statements. Research by Wahyuni & Bastian (2020) shows that compliance with SAP among local governments is heavily influenced by human resource competence and the effectiveness of internal control systems. Therefore, the success of SAP implementation depends not only on regulations but also on adequate training, supervision, and audit systems.

In the era of government digitalization, the implementation of SAP is increasingly linked to the use of information technology. Government financial application systems, such as SIMDA and SIPKD, play a crucial role in ensuring consistent SAP implementation across public entities. Nugroho et al. (2023) emphasize that integrating technology with SAP allows financial data to be presented more quickly, accurately, and in real-time, supporting strategic decision-making by public sector leaders. Additionally, technology-based SAP implementation opens opportunities to enhance public transparency through online disclosure of financial data. Thus, SAP is not merely a technical accounting instrument but an integral part of bureaucratic reform aimed at strengthening governance, public accountability, and the effectiveness of national resource management.

### **Public Sector Organizational Performance**

Government Accounting Standards (SAP) are a set of accounting principles designed for preparing public sector financial statements, both at the central and regional levels. SAP in Indonesia is established through Government Regulation No. 71 of 2010, adopting an accrual basis to improve financial accountability and transparency. The main goal of SAP is to provide relevant, reliable, and comparable information to support public decision making, government performance evaluation, and accountability to citizens and legislative institutions (Mahmudi, 2019). In the public sector, SAP functions as a crucial instrument ensuring that every transaction and financial activity is recorded systematically in accordance with established accounting principles, preventing administrative deviations and report manipulation.

The implementation of SAP has significantly transformed public financial management in Indonesia. Before accrual based SAP, government financial reports relied on a cash toward

accrual basis, which failed to fully reflect the financial position and performance of public entities. Harun et al. (2022) argue that the adoption of accrual-based SAP enhances transparency by requiring governments to disclose liabilities, assets, and expenses more comprehensively. This enables society to evaluate the nation's fiscal condition more objectively. Accrual accounting also facilitates better financial planning and control due to the richer, more detailed information it produces. Research by Setyaningrum & Syafitri (2021) indicates that local government SAP implementation improves financial reporting quality and internal control, despite challenges related to limited human resources and IT infrastructure.

However, SAP implementation remains challenging across different regions. Issues include low accounting literacy, insufficient IT capacity, and resistance to bureaucratic change (Sukmadilaga et al., 2019). Some regional governments still encounter difficulties in properly classifying accounts, which negatively impacts financial report quality. Wahyuni & Bastian (2020) found that compliance with SAP is strongly influenced by staff competence and the strength of internal control systems. Therefore, SAP success is not solely determined by regulations but also requires adequate training, supervision, and auditing systems.

With the rise of digital governance, SAP implementation is increasingly integrated with information technology. Financial management systems such as SIMDA and SIPKD help maintain consistent SAP application across public organizations. Nugroho et al. (2023) state that the integration of technology with SAP allows for faster, more accurate, and real-time financial data presentation, supporting strategic decision making within public institutions. Furthermore, technology driven SAP implementation enhances public transparency through online financial disclosure. Thus, SAP is not merely a technical accounting guideline but an essential component of bureaucratic reform designed to strengthen governance, public accountability, and the effective management of national resources.

## **RESEARCH METHOD**

### **Research Design**

This study employs a qualitative approach using the library research method, aimed at analyzing and synthesizing various information from academic literature related to the implementation of strategic management, management accounting, and Government Accounting Standards (SAP) in improving the performance of public sector organizations. According to Sugiyono (2013), library research is a method used to collect theoretical and empirical information from previously published written sources such as books, scientific journals, articles, and official documents relevant to the research topic. In this context, the library research approach was chosen to explore more deeply the relationship between strategic management, management accounting, and SAP in enhancing accountability and efficiency within the public sector. This design allows the researcher to formulate a comprehensive conceptual understanding through the exploration of various relevant previous studies.

### **Research Subjects and Population**

Because this study is qualitative and based on library research, it does not involve a population or sample in the form of direct human subjects. The research subjects refer to documents and academic literature discussing the application of strategic management, management accounting, and Government Accounting Standards (SAP) in the public sector.

The main focus is directed toward studies relevant to the context of public organizations in Indonesia, both at the national and regional levels, with particular attention to the City of Makassar as one of the regions facing governance dynamics. One key reference in this research is the study by Adzim (2017) on the implementation of an accounting information system at PDAM Makassar, which supports strategic decision-making, as well as the study by Sukmiridiyanto, Budiono, and Mukhlis (2024), which emphasizes the importance of strategic management in improving the performance of public sector organizations in Indonesia.

### **Data Collection Techniques and Instrument Development**

Data collection was carried out through a systematic search and review of relevant literature from nationally accredited journals and reputable international journals. The process began with identifying keywords such as “public sector strategic management,” “management accounting,” “Government Accounting Standards (SAP),” and “public organizational performance.” The literature used includes scientific journals, textbooks, academic articles, and official government documents related to public sector governance. The inclusion criteria for the literature were: (1) relevance to the topic of strategic management, management accounting, SAP, and public sector performance, (2) publication within the last ten years, except for influential classical literature, and (3) academic credibility, such as peer-reviewed publications or official government regulations. No instruments such as questionnaires or interviews were developed, as this study does not use survey or field observation techniques.

### **Data Analysis Techniques**

The data obtained from various sources were analyzed qualitatively using a descriptive-analytical approach. The analysis process involved organizing, categorizing, and synthesizing information based on four main themes: (1) the implementation of strategic management in the public sector, (2) the role of management accounting in supporting strategy, (3) the implementation of Government Accounting Standards (SAP), and (4) the influence of these three aspects on the improvement of public organizational performance. Each finding from the literature was critically reviewed to identify recurring patterns, differences in approach, conceptual contributions, and research gaps that remain unexplored. The validity of the information was strengthened by prioritizing sources that had undergone peer review and used clear methodologies. Through this approach, the study is expected to provide a comprehensive overview of the relationship between strategic management, management accounting, and SAP in supporting the improvement of public sector organizational performance in Indonesia.

## **RESULTS AND DISCUSSION**

The discussion presents the interpretation of the results, the development of arguments by linking findings, theories, and viewpoints, including comparisons with previous research. It is also important to highlight the potential contribution of the research results to the advancement of scientific knowledge. This section does not restate the research data.

The implementation of strategic management in Indonesia’s public sector plays a crucial role in strengthening governmental effectiveness, especially at the regional level, which often faces resource constraints and high public expectations. According to Sukmiridiyanto et al. (2024), local governments that consistently apply strategic planning are

able to reduce operational costs while increasing public legitimacy through policy accountability. Strategy should not stop at the preparation of formal documents but must be translated into concrete programs such as improving health services, education, and infrastructure. In practice, however, the implementation of strategic management still faces serious challenges, including resistance from bureaucracies reluctant to adapt and the limited competence of human resources managing the programs. Wibowo (2020) found that many regional development strategies remain administrative in nature and are not consistently implemented, resulting in outcomes that do not align with community needs. To address this issue, strategic leadership is required to guide public officials so that strategy becomes a daily work guideline rather than mere formality in reporting.

Management accounting serves as an essential instrument supporting the success of strategic management in the public sector. Adzim's (2017) study on PDAM Makassar demonstrates how the implementation of an accounting information system helps regional companies improve the accuracy of budget decisions, particularly in managing operational costs and maintaining water distribution networks. Information generated from management accounting enables the development of a more realistic performance-based budget, such as by identifying expenditure items that must be prioritized to ensure optimal public service delivery. Setiawan and Iskak (2023) added that management accounting in local governments promotes efficiency by reducing wasteful routine spending and reallocating funds to more productive programs. However, Dwiyanto (2011) emphasized that low accounting literacy among public officials often results in managerial information being underutilized. Therefore, ongoing training and mentoring are essential so that management accounting can genuinely function as a strategic tool for improving the quality of public decision-making.

Cost control is one of the key aspects of management accounting that contributes to enhancing public sector performance. Through cost analysis, local governments can identify inefficient expenditure items and implement budget-saving measures. Setiawan and Iskak (2023) note that the use of management accounting helps reduce waste in operational spending, such as travel expenses that often do not correspond to actual performance outcomes. Cost-volume-profit analysis can also be used to formulate performance-based budgeting so that public funds focus on programs that deliver tangible benefits to society. Nevertheless, challenges arise when public officials are unaccustomed to conducting data-based evaluations, resulting in budget decisions that are still heavily influenced by political considerations. Therefore, cost control based on management accounting must be integrated with public transparency mechanisms to ensure that every policy can be rationally accounted for.

The application of digital technology in management accounting offers significant opportunities to improve public sector efficiency. Mergel et al. (2019) assert that the use of big data enables governments to develop evidence-based policies. For example, financial transaction data collected through digital systems can be analyzed to predict budget needs for health or education services. Cuervo (2023) adds that predictive AI in management accounting can be used to project future financial performance based on various scenarios. In practice, local governments can use predictive analytics to prepare reserve funds in anticipation of economic crises or natural disasters. However, limitations in digital infrastructure and low technological skills among public officials remain major challenges.

Thus, investment in information systems and capacity-building training is essential to ensure the optimal use of technology in management accounting.

In addition to management accounting, Government Accounting Standards (SAP) also play a vital role in strengthening financial governance in the public sector. Since the enactment of Government Regulation No. 71 of 2010, government financial statements must be accrual-based to provide a comprehensive depiction of fiscal conditions. Setyaningrum and Syafitri (2021) show that the implementation of SAP improves the quality of regional financial statements while strengthening internal controls. This provides a stronger foundation for development strategy formulation, as governments can assess assets, liabilities, and expenditures more transparently. However, Sukmadilaga et al. (2019) found that many local governments still struggle to classify certain accounts. This difficulty arises due to limited human resource competence and bureaucratic resistance to changes in the accounting system. Therefore, the implementation of SAP must be supported by intensive training and strengthened internal control systems so that financial statements can truly serve as strategic instruments.

Digital transformation strengthens the implementation of SAP in improving public accountability. Nugroho et al. (2023) emphasize that integrating SAP with digital-based financial applications such as SIMDA and SIPKD enables fast and real time reporting. With this system, organizational leaders can monitor budget positions at any time without waiting for manual reports that typically require significant time. For example, regional leaders can immediately evaluate the absorption of infrastructure development budgets and make corrections if discrepancies are found. This integration also allows the public to access financial data online, thereby increasing transparency. However, limited internet access in remote areas and low digital literacy among public officials remain challenges that must be addressed. Therefore, the development of technological infrastructure and digital-based training must accompany SAP implementation to ensure that its benefits can be maximized.

Public sector organizational performance ultimately becomes the benchmark for the success of implementing strategic management, management accounting, and SAP. Mahmudi (2019) asserts that public sector performance differs from that of the private sector because its orientation is not profit but public welfare. Halim and Kusufi (2020) add that performance measurement must include output, outcome, and impact indicators to accurately reflect the benefits of programs for society. Rachmawati and Hidayatullah (2024) found that digital-based performance reporting systems enhance transparency and strengthen public participation in evaluating government achievements. However, challenges remain in the form of low digital literacy among public officials and limited data integration across agencies. Thus, synergy between development strategies, accounting reports, and digital systems is needed so that public sector performance is reflected not only in administrative documents but also in tangible service improvements.

Public participation has become a key factor in managing public sector performance in the digital era. Dwiyanto (2018) emphasizes that public involvement through social media and public service applications encourages governments to become more transparent. For instance, citizens can directly assess the progress of development programs through online reporting applications provided by local governments. With open data, the public can compare program targets with actual outcomes, thereby creating strong social oversight. However, this participation also requires consistency in the data presented by the

government. If published data is inaccurate or inconsistent with reality, public trust may decline. Therefore, the government must ensure that performance information systems are managed professionally and responsibly.

The main obstacles in implementing strategic management, management accounting, and SAP are the limited capacity of public officials. Dwiyanto (2011) found that low accounting literacy prevents many employees from utilizing managerial information to support strategic decisions. In addition, bureaucratic resistance to new systems often slows the implementation of strategies and accounting standards. Another challenge is the limited technological infrastructure, which hinders the effectiveness of digital systems, particularly in regions with poor internet access. Thus, capacity-building programs through competency based training are needed. Maulana (2024) shows that standards-based accounting training can improve employees' ability to prepare financial statements in accordance with regulations. Continuous mentoring from the central government is also essential to ensure that the implementation of strategies and accounting practices at the regional level becomes more consistent.

In addition to improving human resource capacity, technological support is a crucial element in strengthening the effectiveness of strategic management, management accounting, and SAP. The use of cloud computing, for instance, enables financial data and performance reports to be stored securely while remaining accessible to various parties in real time. Martin-Navarro et al. (2023) show that the use of Business Process Management Systems (BPMS) strengthens integration between the planning, implementation, and evaluation of government programs. This technology ensures that every stage of the strategy can be monitored and evaluated continuously. However, high technology investment costs and limited technical skills among public officials often become major obstacles. Consequently, collaboration between the government, private sector, and educational institutions may serve as a solution to accelerate technology adoption while reducing implementation costs.

Overall, the findings of this literature review indicate that strategic management, management accounting, and SAP are closely interconnected in improving public sector performance. These three instruments complement one another: strategy provides direction, management accounting provides information for decision making, and SAP ensures transparency and fiscal accountability. The challenges faced include limited human resources, bureaucratic resistance, and suboptimal use of technology. However, through capacity building, digitalization, and visionary leadership, Indonesia's public sector has the potential to enhance transparency, efficiency, and accountability. Thus, the implementation of strategy, management accounting, and SAP is not merely an administrative obligation but a crucial foundation for adaptive and responsive governance that meets the needs of society.

## CONCLUSION

Based on the review findings, it can be concluded that the implementation of strategic management, management accounting, and Government Accounting Standards (SAP) plays a complementary role in strengthening the performance of public sector organizations. Strategic management serves as a guideline for formulating more adaptive policy directions, while management accounting provides relevant information to support planning, cost control, and more measurable performance evaluation. Meanwhile, the implementation of

accrual based SAP ensures fiscal transparency and improves the quality of government financial accountability.

The synergy of these three instruments not only enhances the effectiveness of public resource management but also strengthens the government's legitimacy in the eyes of society. However, their successful implementation continues to face obstacles, including limited human resource competencies, bureaucratic resistance, and uneven utilization of digital technologies. Therefore, strengthening human resource capacity, developing digital infrastructure, and promoting innovation-oriented leadership are essential prerequisites for enabling Indonesia's public sector to achieve more transparent, efficient, and responsive governance that meets public needs.

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