2. LITERATURE REVIEW

2.1 New Public Management Theory

New Public Management (NPM) emerged as a transformative management philosophy in the 1980s, aiming to modernize public listed companies by integrating practices and principles commonly found in the private sector (Tran et al., 2021). Central to NPM is the drive towards decentralization, granting individual managers greater autonomy and encouraging a shift away from traditional bureaucratic structures. This shift is complemented by an emphasis on quantifiable performance measurements, underscoring the importance of results and tangible outcomes (Rossi et al., 2019). Efficiency, a cornerstone of NPM, advocates for the adoption of cost-effective strategies and the integration of high-quality service delivery mechanisms, often inspired by private-sector models. The theory also promotes competitive environments, either through internal markets or by outsourcing, to stimulate performance improvements (Tran et al., 2021). Adopting a customer-centric approach, NPM views shareholders and stakeholders as customers, prioritizing their needs and ensuring that services are tailored to meet these demands. Lastly, transparency and accountability, pivotal to maintaining public trust, are emphasized, ensuring that public listed companies remain answerable for their actions and decisions (Sellami & Gafsi, 2019). While the NPM framework has been instrumental in reshaping the landscape of public listed companies globally, it has also been met with critiques, particularly concerning its heavy emphasis on efficiency, sometimes at the expense of other core values like equity.

2.2 Innovation-Oriented Culture

The organization cultural values, artifacts, and norms that support a company's innovation are referred to as having a "innovation-oriented" culture. (Siswanti & Nurhariati, 2022). A public-sector innovation-oriented culture could be defined as fostering improvement and innovation, embracing chances in novel situations, and creating conditions conducive to invention. (Tran et al., 2021). Organization culture appears to be a significant component of every organization's success and is what drives organization innovation, according to Siswanti & Nurhariati (2022). A company with an innovative culture has a valuable organization innovation resource, which fosters the expansion and success of the business. It is also vital to realize that there are various more study hypotheses that require additional inquiry and analysis (Tran et al., 2021)

Firms' innovation orientations have been shown to increase the adoption of operational approaches by creating an environment that encourages employees to propose and execute innovations (Gutierrez et al., 2022). This is typically because innovation-oriented corporate cultures assist those looking for answers to external changes, and this attitude is a vital enabler for staff members to exchange concepts and engage in knowledge production (Onofrei et al., 2019). Innovative firms typically devote additional hours to suppliers to help them achieve organizational competencies, such as through training programs for suppliers and other inter-firm teams, consulting and solving issues collaboratively, and partnering on research and development operations (Solaimani et al., 2019). An innovative culture can significantly impact financial reporting accuracy, accountability, and performance. One of the primary reasons for the increased interest in creative cultures is their growing recognition as a crucial component in the efficiency and effectiveness of public listed companies (Tran et al., 2021).

2.3 Financial Reporting Quality

The financial reporting quality reflects the company's performance, which is shown in the profit information. Financial report information is stated to be of satisfactory quality if current year profit may be utilized to anticipate future profit (Dang et al., 2020) as well as earnings in cash (Noury et al., 2020). The market success of the company listed on the stock exchange is tied to the quality of financial reporting. The significant relationship between revenue and the shares price revealed that reporting on financial data is highly received by industry or shareholders (Dang et al., 2020).

The financial reporting level influences the final result of the financial report; thus, it is critical for a business to offer an excellent financial report. An outstanding financial analysis, according to studies, will be useful and instructive while making a financial selection. A solid financial analysis comprises non-monetary data as well as economic data that may be used to make business decisions (Asyik et al., 2023). A financial analysis's objective is to offer financial facts to readers of financial statements which can be used to make financial choices (Kaawaase et al., 2021). When the information contained in the accounting files meets financial data excellence standards, such as being provided in an acceptable, significant comparative, intelligible, quick, and accurate manner, a legitimate choice can be made. Furthermore, financial data accuracy can be beneficial in selecting how to disperse the company's resources. The overall standard of reporting on finance should be capable to provide insight into an organization's capacity to manage its external as well as internal financing sources while simultaneously carrying out its responsibilities (Asyik et al., 2023).

Two strategies can be used to conduct research on the standards of financial reporting. The first strategy is to identify the root reasons of poor accounting records quality. This method comprises researching the company's internal motivations or attributes. There are three types of organizational risk variables: dynamic intrinsic (business size and aged), fixed (such as company size and age), and organizational threat factors (apply). Another approach is to use financial data to forecast the great majority of market reactions. The worth of the company will determine the reaction (Asyik et al., 2023). In the opinion of Dang et al. (2023), the company's worth is linked not only by the connection with third-party partners or clients of financial information, such as creditors and investors, but is also regarded as a hidden tie to be included in the method of valuation. Furthermore, the importance of the organization's worth is not restricted to a single group of people (in this example, shareholders) who also will benefit the most from the business's operations.

2.4 Accountability

Accountability has been defined as the provision of an account (which is not usually a monetary report) or reckon of the behaviors for whom someone is held accountable (Johnstone et al., 2023). According to Dillard and Vinnari (2019) In order to better understand how firms respond to normative expectations on behavior and activities in a given context, accountability has already been extensively researched in SEA research. Accountability, according to Frostenson and Johnstone (2023), is a connection among actors in which reasons for behavior are shared. It also refers to the accountability relationship's responsibility to (not) engage in specific actions and to account for those acts (not) engaged in. As a result, accountability is an institution of society that evolves within the historical, societal, political, and faith-based organizations that define it (Frostenson & Johnstone, 2023).

Accountability operates at the overall institutional (Dillard and Vinnari, 2019) and individual levels, and it is not limited to the organization's interaction with its surroundings. This suggests that accountability links exist among within and outside parties. Scholars investigating the dynamics of organizational management practices in general and in non-profit organizations (NPOs) have conceptualized accountability from a range of unique perspectives, according to Conaty and Robbins (2023). Accountability's motivators, nature, shape, and goal have all been defined. Accountability has traditionally been understood to be a function of either instrumental or moral impulses, or a combination of the two. According to Johnstone et al. (2023), "internal accountability" is the process by which a firm accepts responsibility for establishing its mission based on ethics and values. This is similar to what Conaty and Robbins (2023), and subsequently Yang and Northcott (2019), refer to as "identity accountability," in which individuals within an organization strive to be accountable and have integrity for their activities in relation to the mission of the company. Accountability is sometimes thought of as pyramidal in nature, with upward accountability to more powerful stakeholders who are economically and regulatory focused, and downstream (or lateral) accountability to clients, beneficiaries, and other less influential parties (Conaty & Robbins, 2023).

2.5 Organizational Performance

Financial results (e.g., profit or market value), organization outcomes (e.g., productivity or customer satisfaction), and human resource outcomes (job satisfaction or dedication) all contribute to organization performance (Nyathi & Kekwaletswe, 2022). According to Bazrkar et al. (2022), organization performance is closely related to all day-to-day goals and production constraints and is influenced by costs, flexibility, speed, quality, or both. Moreover, organizational performance can be characterized as a general term that incorporates all aspects associated with the achievement and operations of all organizations. The mission and vision of a business with hours of operation that are flexible is one of its most crucial and vital aspects. An organization with optimal performance management sets clear and specific goals.

The evolution of organization strategy has made organization performance a crucial component. One definition of employee evaluation is a process to reduce the effectiveness and efficiency of the production system. Therefore, innovative strategies can have a positive impact on business operations; however, businesses cannot benefit from innovative strategies if there is no organization structure in place that allows them to implement the strategies in question (Bazrkar et al., 2022). According to (Oliver, 2019), performance is a quality that an organization or individual achieves when carrying out work or reaching a certain level of success during a specific time period. In other words, performance is the level of work performance attained by employees in carrying out tasks that are assigned in accordance with achieved results and predetermined criteria. Organization performance is a unit of analysis, or level, of achievement results. Performance at this level of organization is related to the organization's goals, management, and planning (Conaty & Robbins, 2023). On the other hand, according to Tran et al. (2021) organization work is an effective means for organizations to meet needs identified by each group that is willing to do so by utilizing efficient business ventures that increase the capacity of organizations in an ongoing manner.

2.6 Hypothesis

The proposed hypotheses research into the intricate relationships between, the quality of financial reporting, innovation-oriented culture, organization performance, and accountability. The literature analyzes how each component influences the others and delivers significant insights into the connections between them.

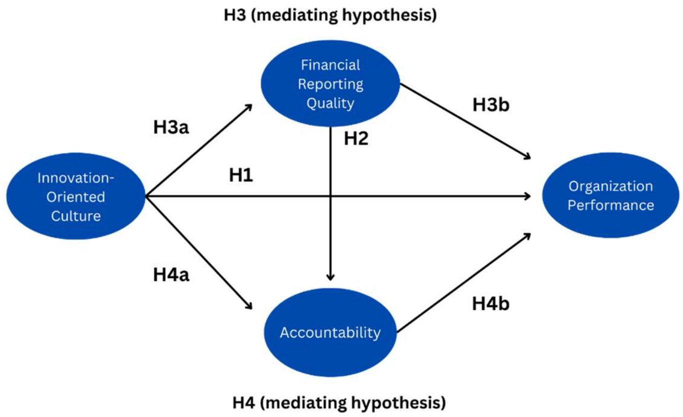

Figure 2. 1 Research Model

H1: Innovation-oriented culture has a significant impact on organizational performance.

Transformation requires a shift in organizational culture. It can have an immediate or indirect impact on employee behavior and assist the company accomplish its tactical objectives and selected outputs (Rizzi et al., 2018). As a result, contemporary public management theory emphasizes the importance of an inventive culture, often known as an a company's innovation activity. Furthermore, in the public sector, understanding the effect of innovation on productivity is crucial (Al Ahbabi et al., 2019). When a company's perceived degree of innovation is poor, employees have little incentive or willingness to develop or test new ideas in order to do their responsibilities satisfactorily. Workers in highly innovative organizations, on the other hand, are more engaged in activities that encourage and support innovation within the organization. This increased participation leads to a high level of acceptance of new accounting techniques, which improves the effectiveness of innovation (Tran et al., 2021).

Those with a strong innovation culture are more likely than those with a weak innovation culture to begin using new accountancy techniques, like basic accounting processes or contemporary management accounting techniques. Managers in this position might use a variety of sources of data to help influence their judgmentsFurthermore, a culture of innovation will not only motivate public enterprises to apply new high-level accounting regulations, but it will also improve government efficiency and prevent fraud (Abdulkarim et al., 2020). All the effects will improve the performance of the public sector. Finally, firms in the public sector that nurture a culture of creativity exceed those who do not (Al Ahbabi et al., 2019).

H2: The quality of financial reporting has a significant impacts on accountability.

Excellent statement of finances is a crucial determinant of accountability. High-quality financial reporting ensures transparency, reliability, and relevance of financial information, which, in turn, fosters accountability within organizations (Abdulkarim et al., 2020). The IPSASB (International Public Sector Accounting Standard Board) has issued IPSAS (Intenational Public Sector Accounting Standard) to improve financial reporting quality and the provision of useful information for users to properly evaluate the accountability of public organizations, based on international accounting standards for the private sector and in the spirit of the NPM doctrine of increasing public financial transparency in countries around the world (Tran et al., 2021). As a result, preparing financial statements on an accrual basis can help to control the trajectory of personal interests (Abdulkarim et al., 2020). According to Al Ahbabi (2019) institutional theory, public organizations operate inside a social framework of conventions, beliefs, and assumptions about suitable or acceptable economic behavior.

Because public organizations' resources are often sponsored by the state budget, delivering quality financial statements is even more important for measuring responsibility (Sulu-Gambari et al., 2019). As a result, public entities must be accountable, which is represented through financial accounts. Additionally, states and public agencies are working hard to improve the quality of financial reporting to boost transparency, especially within developing nations with poor political structures (Keerasuntonpong et al., 2019). The quality of financial reporting, according to Tran et al. (2021), is a key factor in evaluating the success of accountability assessments. Therefore, governments should gather and disseminate monetary information in a timely, relevant, trustworthy, accessible, intelligible, similar, and suitable manner to guarantee that the audience of financial reports may effectively assess the accountability of government institutions.

H3a: Innovation-oriented culture has a significant impacts on the quality of financial reporting

High-quality financial reporting, characterized by accuracy, timeliness, and relevance, subsequently, contributes to improved organization performance (Abdulkarim et al., 2020). Organizational innovation is defined in the fields of accounting as a company's ability to adopt novel accounting techniques (Tran et al., 2021). It might be claimed that innovation-oriented cultures aid organizations in transitioning from their current state to their desired state by encouraging organizational innovations that enhance financial reporting quality (Rizzi et al., 2018). Companies with a high level of innovation find it easy to understand and execute new accounting regulations, particularly those issued by government departments (Tran et al., 2021). At that time, the information in the freshly implemented accounting system will fulfill the norms of state management organizations. Assume a public corporation maintains an established innovation culture. In this case, the organization's personnel choose to find out for themselves, learn fresh laws, and explore new ways to execute their duties better. As a result, financial reporting will assure rapidity, reliability, and relevancy; thus, it will meet the required quality criteria yet also meet the needs of users for information. This logic is supported by an innovative culture that supports novel behavior, adoption of new accounting procedures, for example, can result in enhanced quality of financial reports (Abdulkarim et al., 2020).

H3b: The quality of financial reporting has a significant impact on organizational performance.

Various accounting breakthroughs in the public sector have occurred in recent years, signaling a new financial management movement that will enhance decision making and administration in public organizations. There is widespread agreement in accrual accounting procedures that it can assist public organizations in better understanding and measuring financial performance. (Tran et al., 2021). Accumulated financial statements allow for a more accurate assessment of an organization's efficacy and efficiency (Gomes et al., 2019), which is critical in developing nations (Abdulkarim et al., 2020). Furthermore, moneytary statements prepared on an accrual basis will assist managers in making sound conclussion, enhancing ability (Rizzi et al., 2018). Managers can use financial and non-financial information to make resource allocation decisions (Sulu-Gambari, 2019). Once authorities choose how to allocate resources, accounting information is still required in order to comprehend the long-term implications of the decision and decide on the most beneficial strategic decisions for residents. (Tran et al., 2021).

H3. The quality of financial reporting mediates the relationship between innovation oriented culture and organizational performance

H4a: Innovation-oriented culture has significant impacts on accountability.

The research generally supports the points of view that have been put out, emphasizing the important part that an innovation-oriented culture and the standard of financial reporting represent in enhancing accountability and organization performance. The interaction between these factors offers a thorough understanding of the methods by which organizations can stimulate innovation and preserve high standards of financial reporting in order to achieve superior performance and accountability.

The Organization for Economic Cooperation and Development (OECD) defines new public management (NPM) theory as a focus on financial transparency, increased responsibility, and performance in the public sector (Tran et al., 2021). As a result, one of the prerequisites of NPM is that an organization with public funding aiming to improve its performance must transform its organizational culture. In particular, a creative culture should replace traditional and conservative civilizations. An innovative culture, according to the NPM theory, motivates everyone in the organization to concentrate on duty and sustained responsiveness, also known as dynamic accountability (Rizzi et al., 2018). Assume that the public institution has a culture of innovation. Employees in the company will naturally seek out and learn about fresh subjects that will assist them do their tasks better, resulting in increased organizational learning. Future-oriented organizational learning, according to Abdulkarim et al. (2020), is more inclined to contribute to long-term responsibility. Furthermore, as technology advances, such as social media and the World Wide Web, governments can now communicate directly with individuals. Working-practice innovation also improves organizational responsibility (Tran et al., 2021).

H4b: Accountability has significant impacts on organization performance.

Like the NPM theory, public institutions ought to implement more private sector accounting techniques to enhance the effectiveness of government operations (Keerasuntonpong et al., 2019). Public organizations should offer all relevant financial data in a timely and methodical way to foster belief in economic policies and economic progress (Rizzi et al., 2018). Accountability criteria are provided by institutional theory to regulate the actions of public institutions to assist organizations function and increase effectiveness, occasionally beneath coercive control (Tran et al., 2021). Accountability will thus be an essential assumption for increased performance at work (Abdulkarim et al., 2020). Accountability serves citizens and public organizations by allowing them to verify their legitimacy by producing proof supporting their actions. Moreover, by reflecting on earlier operations, public agencies can learn from their successes and failures, enhancing future performance and increasing community support. Thus, based on NPM, improvements in public accounting in many nations may be a response to a desire to boost accountability and, eventually, improve the efficacy of public organizations (Tran et al., 2021).

H4: Accountability mediates the relationship between innovation-oriented culture and organisational performance.