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COMMUNITY HEALTH CENTERS PERFORMANCE: THE NEED FOR INNOVATION, TRANSFORMATIONAL LEADERSHIP, AND EFFECTIVE INTERNAL CONTROL SYSTEMS

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh sistem pengendalian internal terhadap kinerja Puskesmas dengan intensitas inovasi sebagai variabel mediasi dan peran moderator kepemimpinan transformasional dalam hubungan tersebut. Penelitian ini mengacu pada teori *Resource-Based View* (RBV), *Innovation System*, dan *New Public Management* (NPM). Penelitian ini menggunakan metode kuantitatif dengan data primer. Para pengelola puskesmas di Indonesia merupakan populasi penelitian dan teknik sampling dengan menggunakan teknik *purposive sampling*. Berdasarkan 160 kuesioner yang dapat diolah, hasil penelitian membuktikan bahwa kinerja Puskesmas dipengaruhi oleh sistem pengendalian internal, baik secara langsung maupun melalui intensitas inovasi sebagai variabel mediasi. Selain itu, kepemimpinan transformasional terbukti memperkuat pengaruh sistem pengendalian internal dengan kinerja Puskesmas. Namun, hubungan antara sistem pengendalian internal dengan intensitas inovasi dan antara intensitas inovasi dengan kinerja Puskesmas tidak dimoderasi oleh kepemimpinan transformasional. Implikasi dari penelitian ini memberikan wawasan bagi praktisi dan pembuat kebijakan untuk merancang strategi pengelolaan sistem pengendalian internal yang lebih optimal dengan mempertimbangkan aspek kepemimpinan dan inovasi dalam meningkatkan mutu pelayanan kesehatan.

Kata Kunci: *Intensitas Inovasi, Kepemimpinan Transformasional, Kinerja Puskesmas, Sistem Pengendalian Internal*

Abstract

This study aims to examine the effect of internal control systems on the performance of Community Health Centers with innovation intensity as a mediating variable and the moderating role of transformational leadership in the relationship. This study refers to the Resource-Based View (RBV), Innovation System, and New Public Management (NPM) theories. This study is a quantitative research with primary data. The population is comprised of community health center managers in Indonesia using a purposive sampling technique. Based on 160 questionnaires that can be processed, the study's results indicate that the internal control system significantly influences Community Health Centers' performance, both directly and through innovation intensity as a mediating variable. In addition, transformational leadership has been shown to strengthen the relationship between the internal control system and Community Health Center performance. Still, it does not play a role in moderating the relationship between the internal control system and innovation intensity and between innovation intensity and Community Health Center performance. The implications of this study provide insight for practitioners and policymakers to design a more optimal internal control system management strategy by considering aspects of leadership and innovation in improving the quality of health services.

***Keywords*:** *Innovation Intensity, Transformational Leadership, Community Health Centers' Performance, Internal Control Systems.*

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INTRODUCTION

Community health centers (Puskesmas) are primary-level health facilities that play a crucial role in the Indonesian healthcare system. With the main function of providing basic health services to the community, Community Health Centers play a strategic role in improving health through promotive, preventive, curative, and rehabilitative approaches. The effectiveness of Community Health Center services is highly dependent on various factors, including service accessibility, service quality, patient satisfaction, and efficient use of resources (Siswantoro et al., 2019). Therefore, evaluating the performance of Community Health Centers is a crucial aspect in understanding how primary health services can continue to be improved (Agarwal et al., 2019).

Following the COVID-19 pandemic, Community Health Centers experienced various changes in the healthcare system. The pandemic became a turning point in strengthening national health capacity, especially in developing a national action plan for health resilience (Kemenkes, 2023). The transformation of primary services was increasingly emphasized, with a focus on promotive and preventive approaches to maintain public health (Dwi, 2022). In addition, the digitalization of health services and increasing the capacity of medical personnel became top priorities in ensuring better accessibility and quality of services.

However, new challenges have emerged since the pandemic, including the growing demand for healthcare services resulting from the long-term effects of COVID-19, as well as the need to develop a more resilient healthcare system. Health centers must innovate in providing services that are more responsive to community needs, including optimizing service networks at the village level and data-based health monitoring (Dwi, 2022). Health sector reform is also part of the government's efforts to improve the effectiveness of health center services, including the implementation of the new Health Law (Kemenkes, 2023).

Community health centers play a vital role in the Indonesian healthcare system, providing primary healthcare services to the community. Innovation in the service system is an urgent need to ensure the effectiveness and efficiency of services. Innovation enables community health centers to adapt to evolving challenges, such as increasing patient volumes, limited resources, and demands for higher-quality services. As community health centers, community health centers promote innovation for better community services (de Vries et al., 2018).

According to Hoai et al. (2022), community health centers often exhibit bureaucratic and stagnant characteristics. Generally, leaders of public organizations, such as Community Health Centers, tend to be hesitant to innovate and avoid risks. Therefore, to increase innovation and achieve optimal performance, transformational leadership is necessary. Additionally, transformational leadership plays a crucial role in fostering a work environment that promotes change and enhances performance improvement (Saputra et al., 2016). Visionary and inspiring leaders can encourage health workers to innovate and improve the quality of services (Al-abbrow, 2014; Anggriany & Hasnawati, 2023).

In addition to innovation and leadership, an effective internal control system is also a significant factor in improving the performance of Puskesmas. A sound internal control system can ensure that operational procedures are run according to standards, reduce the risk of resource misuse, and increase accountability in the management of health services (Saputra et al., 2016). With a robust control system, Community Health Centers can focus more on enhancing the quality of services without being distracted by administrative issues that have the potential to hinder operations (Hoai et al., 2022). Thus, research on the relationship between innovation, transformational leadership, and internal control systems in improving the performance of Community Health Centers is highly relevant to supporting the development of more effective health policies.

Therefore, the research questions that will be answered in this study are:

RQ1: How does the internal control system affect the performance of the Community Health Center?

RQ2: Does the intensity of innovation mediate the effect of the internal control system on the performance of the Community Health Center?

RQ3. Can transitional leadership enhance the effectiveness of the internal control system in improving the performance of the Community Health Center?

The uniqueness of this study lies, first, in its holistic approach, which connects innovation, transformational leadership, and internal control systems to improve the performance of Community Health Centers. Most previous studies have only focused on one aspect, such as innovation in service or leadership effectiveness. However, this study integrates these three factors to provide a more comprehensive picture of the strategy for improving Community Health Centers' performance. The intensity of innovation acts as a mediating variable between the effectiveness of internal control and the performance of Community Health Centers. Meanwhile, transformational leadership acts as a moderation that strengthens the relationship between the effectiveness of internal control and Community Health Center performance. Second, this study uses three theories to explain the relationship among variables. These theories are resource-based view (RBV), new public management (NPM), and innovation systems theory. With this approach, the study can identify how transformational leadership encourages innovation and how an effective internal control system ensures the sustainability and accountability of the innovation.

The main contribution of this study is to provide evidence-based recommendations for policymakers in improving the effectiveness of Community Health Centers. By understanding the relationship between innovation, transformational leadership, and internal control systems, this study can help design more appropriate strategies for improving the quality of primary health services. In addition, the results of this study can serve as a reference for Community Health Center (Puskesmas) in developing a more adaptive leadership model and a control system that is more responsive to healthcare services.

METHOD

This research is quantitative. The research design and relationships between variables are illustrated in Figure 1.

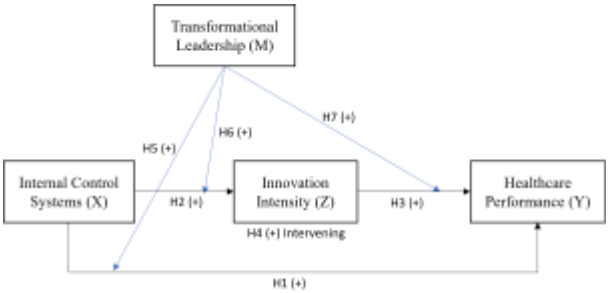

Figure 1. Research Model

Based on Figure 1, the independent variable is internal control systems, the Mediating/Intervening Variable is Innovation Intensity, the moderating variable is transformational leadership, and the dependent variable is healthcare performance. The hypotheses are:

H_1: Internal control systems have a positive influence on healthcare performance.
H2: Internal control systems have a positive influence on innovation intensity.
H3: Innovation intensity has a positive influence on healthcare performance
H4: Innovation intensity positively mediates the relationship between Internal control systems and healthcare performance.
H5: Transformational leadership enhances the relationship between internal control systems and healthcare performance.
H6: Transformational leadership enhances the relationship between internal control systems and innovation intensity.
H7: Transformational leadership enhances the relationship between innovation intensity and healthcare performance.

The population in this study was the Community Health Centers in Indonesia, totaling 10,217 Units (Amalia & Pratiwi, 2024). The sample selection used a purposive sampling technique, with the criteria in the cities of Surabaya (https://dinkes.surabaya.go.id/portalv2/upt-dinas/puskesmas/), Gresik (https://dinkes.gresikkab.go.id/dinkes/unit), and Sidoarjo (https://dinkes.sidoarjokab.go.id/5/1737431216). Based on these criteria, a sample of 126 Health Center units was obtained. This study utilizes primary data collected through questionnaires. The data collection procedure begins by contacting the contact number on the website of each Health Office. At that time, the Health Center managers were asked about their willingness to participate as research respondents and the method that best suited each respondent for completing the questionnaire. Filling out the questionnaire can be done in two ways: either by using a Google form or by sending a hard copy.

The number of questionnaires distributed was 252 (126 x 2), but only 160 were filled out and could be processed. This number has exceeded the minimum sample required. Hair et al. (2012) state that the minimum sample guideline is "a minimum sample size equivalent to 10 times the number of the largest structural paths directed at the latent construct in the inner model or the ten times rule of thumb." The largest structural path in this study is related to the intensity of innovation, with its eight indicators. Therefore, the minimum sample size for this study is $10 \times 8 = 80$.

Data Analysis Techniques

This study employs partial least squares structural equation modeling (PLS-SEM) as the method of analysis. There are two testing steps in PLS, namely:

1. Outer Model

This test is conducted to demonstrate the relationship between constructs and indicators as well as to assess convergent and discriminant validity and construct reliability (Ridwan et al., 2020). The convergent validity test is conducted by examining the correlation value between the indicator and its corresponding construct. In contrast, the discriminant validity test is performed by comparing the AVE value of each construct with the square of the correlation value within the construct of all other constructs in the model. The reliability test is conducted in two ways: Cronbach's Alpha and Composite Reliability.

2. Inner Model

According to Ridwan et al. (2020), this test verifies that the relationship between exogenous and endogenous constructs in the study supports the theoretical model, as indicated by the R-squared (R^2) value and the path coefficient.

Respondent Demographics

Based on Table 1, the respondents are comprised of 53.12% males and 46.88% females. Most respondents are between 40 and 50 years old (59.38%) and have more than 20 years of work experience (71.88%).

Table 1. Respondent Demographics

Characteristic	Total	(%)
Age		
a. < 30 years	0	0
b. 30-39 years	20	12.50
c. 40-50 years	95	59.38
d. > 50 years	45	28.12
Gender		
a. Male	85	53.12
b. Female	75	46.88
Work Experience		
a. 1-5 years	0	0
b. 6-10 years	0	0
c. 10-20 years	45	28.12
d. > 20 years	115	71.88

Source: Questionnaires – processed

RESULT AND DISCUSSION

Outer Model

The indicator is considered reliable if the correlation value with its construct is above 0.70. However, during the research development stage, a loading scale of 0.50-0.60 is still acceptable (Ghozali, 2019).

Based on Figure 2, it is evident that the two reflective constructs, namely Organizational Performance (Y2) and Transformational Leadership (M), primarily have loading factor values above 0.70. However, during the research development stage, a loading scale of 0.50 to 0.60 is still acceptable (Ghozali, 2019). Therefore, the results of the PLS algorithm have met convergent validity because all loading factors are above 0.50.

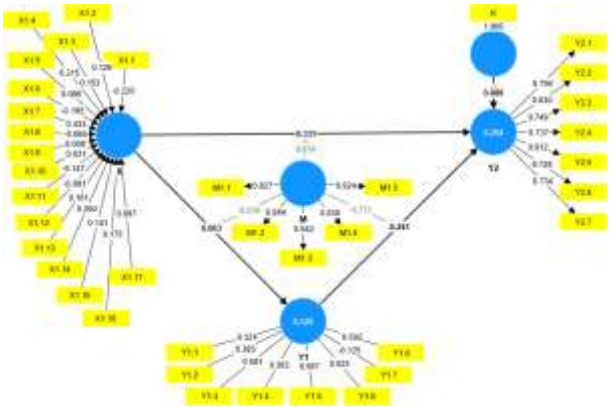

Figure 2. Algorithm SmartPLS Results

Based on Table 2, it is evident that the loading factor values of most indicators are above 0.70, except for indicator M1.3, which has a value of 0.542. However, as shown in Table 2, the composite reliability values of all constructs exceed 0.70, and the AVE exceeds 0.50, thus meeting the criteria (Hair et al., 2012). The Cronbach's alpha value of the two latent variables in Table 1 also exceeds 0.70. So, the variable construct has good reliability in this study

Table 2. Loading Factor Value and Cronbach's Alpha

Variables	**Indicator**	***Loading Factor***	**Cronbach's Alpha**
Healthcare Performance (Y_2)	Y_2.1	0.793	0.885
	Y_2.2	0.831	
	Y_2.3	0.751	
	Y_2.4	0.737	
	Y_2.5	0.811	
	Y_2.6	0.727	
	Y_2.7	0.736	
Transformational Leadership (M)	M_1.1	0.827	0.835
	M_1.2	0.844	
	M_1.3	0.542	
	M_1.4	0.830	
	M_1.5	0.825	

Note: Internal Control System (X) uses a formative model, and Innovation Intensity (Y1) uses a Guttman scale.

Source: Data processed – SmartPLS4

The discriminant validity of the reflective indicator is measured by comparing the AVE value of each construct with the square of the correlation value between constructs of all constructs in the model. Discriminant validity is good if the correlation value between constructs is not greater than the root of AVE (Hair et al., 2019; Fornell & Larcker, 1982). Table 3 shows that the correlation value between constructs is smaller than the square of the AVE, thus meeting the criteria (Fornell & Larcker, 1981).

Table 3. Discriminant Validity with Fornell & Larcker Criteria.

Variables	AVE	CR	Y_2	M
Y_2	0.593	0.911	**0.770**	
M	0.612	0.885	0.416	**0.782**

Note: AVE: Average Variance Extracted; CR: Composite Reliability; Bold data is the square root of AVE.

Source: Data processed – SmartPLS4

Inner Model

Inner model testing is conducted by examining the R-squared value of each variable. Table 4 presents the results of the inner model testing.

Table 4. R-square and Adjusted R-square

Variables	R-square	Adjusted R-square
Healthcare Performance	0.274	0.252
Innovation Intensity	0.147	0.130

Source: Data processed – SmartPLS4

Based on Table 4, it is evident that the R-squared adjusted value for the dependent variable, community healthcare centers' performance, is 0.252, and the innovation intensity, serving as a mediating variable, is 0.130. The mediating variable theoretically makes the influence of the relationship between the dependent and independent variables indirect.

The adjusted R-square value of the community healthcare centers' performance variable is 0.252. This means that the community healthcare centers' performance variable is influenced by the internal control system and innovation intensity variables by 25.2%, other variables outside the study influence the remaining 74.8%, and the adjusted R-square value of the

mediating variable innovation intensity is 0.130. This means that the innovation intensity variable as a mediating variable weakens the influence of the internal control system on the performance of community healthcare centers, with a value of 13%.

Table 5. Specific Indirect Effect and Path Coefficients

Variables	Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic	P Values
ICS -> II	H_1	0.431	0.236	0.249	3.218	**0.017**
ICS -> PHC	H_2	0.463	0.296	0.151	3.230	**0.019**
II -> PHC	H_3	-0.341	-0.311	0.509	0.296	0.592
ICS -> II -> PHC	H_4	-0.115	-0.128	0.165	0.132	0.717
TL x ICS -> PHC	H_5	0.439	0.159	0.219	3.231	**0.040**
TL x ICS -> II	H_6	-0.136	-0.148	0.133	1.183	0.119
TL x II -> PHC	H_7	-0.633	-0.462	0.336	1.581	0.083
K -> II	-	0.188	0.175	0.163	1.285	0.066

Source: Data processed – SmartPLS4

Hypothesis Testing Results

Hypothesis testing is conducted by examining the value of the path coefficients. In PLS, the hypothesis is tested using the bootstrap method with 5,000 subsamples, as Hair et al. (2012) recommended. The results of the hypothesis testing are shown in Table 5.

Based on Table 5, considering the 95% and 99% confidence levels, the results of the hypothesis testing are described as follows:

The Influence of Internal Control Systems on the Performance of Community Health Centers.

The test results in Table 5 indicate that the p-value (0.027) is less than 0.05, suggesting that the internal control system has a statistically significant impact on the performance of community healthcare centers. However, the results of the control variables (p-value = 0.066, which is greater than 0.05) indicate that the size of the organization does not significantly impact the relationship between internal control and the performance of community healthcare centers. Thus, H1 is accepted. This means that the more effective the internal control system is, the better the performance of community healthcare centers.

Resource Based View (RBV) states that an organization can excel in competition by utilizing resources so that it can make the organization sustainable continuously (Barney, 1991). Organizations must maximize their internal resources to achieve a competitive advantage. Therefore, an adequate Internal Control System is needed. An effective Internal Control System will help community health centers optimize operational activities and utilize resources efficiently (Hoai et al, 2022). Research conducted by Tetteh et al (2022) shows that the Internal Control System positively affects organizational performance. The more effective the Internal Control System owned by the organization, the more the performance of the community health center will increase.

The Influence of the Internal Control System on the Intensity of Innovation.

The test results in Table 5 show that the p-value (0.019 < 0.05) indicates that the internal control systems affect innovation intensity, so H2 is accepted. These results support the RBV theory, which suggests that an internal control system that meets the VRIN conditions is a valuable resource for encouraging innovation (Hoai et al., 2022). It appears that community healthcare centers with effective internal control systems tend to prioritize risk avoidance and innovation activities.

The Resource-Based View (RBV) emphasizes that an organization's competitive advantage stems from internal resources that are valuable, rare, difficult to imitate, and non-substitutable. Regarding internal control systems and innovation, the RBV offers a perspective that organizations with effective internal control systems can better manage their internal resources,

thereby creating an environment conducive to innovation (Barney, 1991).

A strong internal control system enables organizations to optimize the utilization of valuable resources, including intellectual capital, technological capabilities, and innovative culture. With a precise control mechanism, organizations can ensure that these resources are used efficiently and strategically to drive innovation. In addition, RBV also emphasizes the importance of organizational capabilities in adapting and developing the resources they have. An effective internal control system allows organizations to identify innovation opportunities, manage risks, and ensure that the innovation process runs smoothly without sacrificing operational stability.

In other words, a sound internal control system not only functions as a tool to maintain compliance and efficiency but also as a mechanism that supports the development and utilization of strategic resources needed for innovation (Hoai *et al*., 2022). From the RBV perspective, organizations that effectively manage their internal resources through an internal control system will have a more sustainable competitive advantage and be able to innovate more intensively.

The Effect of Innovation Intensity on the Performance of Community Health Centers.

The test results in Table 5 show that (p-value = 0.692 > 0.05) innovation intensity does not affect the performance of community health centers, and the results of the control variables (p-value = 0.166 > 0.05) indicate that organizational size does not affect the relationship between innovation intensity and public sector performance so that H3 is rejected.

These results do not support the NPM theory, which states that clear incentives can help public sector leaders eliminate innovation barriers to improve organizational performance. High innovation intensity is considered to be able to improve organizational performance. However, to carry out innovation activities, readiness is needed from all elements of the organization, such as leaders and employees, technology, and finance. The study results indicate that the organization has not implemented a new or improved logistics system, which means it is not yet prepared to increase its innovation activities. The logistics system plays a crucial role in government organizations, meeting the needs of their goods and services to the public (Kusumastuti, 2014).

The results of this study align with the research of Rofiaty et al. (2015), which indicates that innovation does not significantly impact organizational performance. These results suggest a transitional period within the organization, during which employees must adapt. This aligns with the paradigm shift from RBV theory to knowledge management, which requires organizations to increase the utilization of their existing knowledge resources (Tobing, 2007).

Innovation Intensity Mediates the Effect of Internal Control System on Community Health Center Performance

The test results in Table 5 show that (p-value = 0.817 > 0.05) the internal control system affects the performance of community health centers with innovation intensity as a mediating variable so that H4 is rejected. The results of this study cannot support the RBV theory that maximum resource utilization can help organizations achieve competitive advantage (Barney, 1991). The lack of organizational readiness to meet the resource criteria to attain competitive advantage can be a contributing factor. Human resources are one of the essential factors needed by organizations.

According to Eprilsa & Budiwitjaksono (2022), organizations must support training and education to produce quality human resources. This follows Shen et al. (2020)'s opinion that organizations need additional human, material, and financial resources to innovate. The results of this study do not follow the research of Hoai et al. (2022) in Vietnam, which shows that innovation intensity has a mediating role in the relationship between internal control systems and the performance of community health centers.

Transformational Leadership Strengthens the Influence of Internal Control Systems on Community Health Center Performance

The test results in Table 5 show that (p-value = 0.040 < 0.05) transformational leadership moderates the relationship between internal control systems and community health centers' performance, so H5 is accepted. The results of this study support the innovation system theory that transformational leaders can be ideal

representatives for organizations to improve performance effectiveness and efficiency (Hoai et al., 2022)

Transformational leadership plays a crucial role in strengthening the influence of the internal control system on the performance of the Health Center. Transformational leaders focus on supervision and compliance and drive positive organizational changes by inspiring and motivating employees to achieve higher goals. Transformational leadership in community health centers helps create an adaptive and innovative work culture, so that the internal control system functions as a control tool and a mechanism that supports performance improvement. With visionary leadership, the internal control system can be implemented more effectively because employees feel they have a shared responsibility in maintaining the quality of health services.

From the perspective of New Public Management (NPM) theory, this approach is increasingly relevant because NPM emphasizes efficiency, accountability, and results orientation in the public sector. Transformational leadership aligns with NPM principles because it encourages structural changes and a more flexible organizational culture oriented towards improving performance (Chau et al., 2022). When combined with transformational leadership, a strong internal control system allows the Health Center to be more responsive to community needs and enhance the effectiveness of health services.

The NPM approach also emphasizes the importance of transparency and efficient resource management, which can be strengthened through transformational leadership that encourages innovation and improves the quality of services (Chau et al., 2022; Wahyudin et al., 2024). Thus, combining transformational leadership and an effective internal control system within the NPM framework can produce more optimal and sustainable Community Health Center performance.

Transformational Leadership Strengthens the Influence of Internal Control Systems on Innovation Intensity

The test results in Table 5 show that (p-value = 0.219 > 0.05) transformational leadership does not moderate the relationship between internal control systems and innovation intensity so H6 is rejected.

The results of this study cannot support the innovation system theory, that transformational leaders are considered to be able to increase the effectiveness of the internal control system to encourage innovation activities (Hoai et al., 2022). This can be caused by several factors so that efforts to increase innovation are not met. According to Shen et al (2020), organizations need sufficient human resources and finances to increase their innovation activities. In addition, when the internal control system runs effectively, organizations tend to reduce innovation activities to avoid risks (Li et al., 2019). These results are not in accordance with the research of Hoai et al (2022) which states that transformational leadership moderates the relationship between the internal control system and innovation intensity.

Transformational Leadership Strengthens the Influence of Innovation Intensity on the Performance of Community Healthcare Centers

The test results in Table 5 show that (p-value = 0.093 > 0.05) transformational leadership does not moderate the relationship between innovation intensity and community health centers' performance, so H7 is rejected. The results of this study cannot support the innovation system theory, which states that transformational leaders can influence their followers to increase innovation (Hoai et al., 2022).

The results of this study indicate that the role of transformational leaders has not been fully implemented in community health centers. This is known from the average respondent's answer, which shows that organizational leaders can still not influence their followers to think more creatively, thus inhibiting organizational innovation activities. In addition, most organizations have not implemented a new or better logistics system, so innovation intensity is not high and causes organizational performance to stagnate.

CONCLUSION

The research findings indicate that the internal control system significantly influences the performance of the Community Health Center and

continues to have an impact even when innovation intensity is introduced as a mediating variable. Additionally, the internal control system plays a role in shaping the intensity of innovation, although the intensity of innovation itself does not directly affect the performance of the Community Health Center. Furthermore, transformational leadership serves as a moderating factor in the relationship between the internal control system and the performance of the Community Health Centers, strengthening its effect. However, transformational leadership does not moderate the relationship between the internal control system and innovation intensity, nor does it influence the connection between innovation intensity and the performance of the Community Health Centers.

This study opens up opportunities for further research to explore more deeply the role of other variables that can strengthen the relationship between internal control systems, transformational leadership, and the performance of Community Health Centers (Puskesmas). One direction that can be developed is the analysis of organizational factors and work culture that can moderate the influence of internal control systems on innovation intensity. In addition, a technology-based approach to managing internal control systems can also be an interesting topic, especially related to the digitalization of health services. By understanding more elements that influence the effectiveness of internal control systems, health institutions can design more comprehensive strategies to improve efficiency and innovation in public services.

Although this study provides valuable insights, there are limitations in its scope that need to be considered. This study focuses on Community Health Centers as the unit of analysis, so the results may not be fully generalizable to other health institutions with different organizational characteristics. Additionally, the quantitative approach can be strengthened with a more in-depth qualitative study to understand how transformational leadership is implemented in daily practice and how internal control systems interact with innovation culture. Addressing these limitations can help enrich the understanding of public organization management, especially the Community Health Centers.

The contribution of this research can be seen from various aspects, both theoretically, practically, and policy. From the perspective of a Resource-Based View (RBV), the results of this study confirm that the internal control system is a strategic resource that can improve organizational performance if appropriately managed. From the perspective of Innovation System Theory, this study shows how transformational leadership can strengthen the effectiveness of the internal control system in creating an environment that supports innovation. From the point of view of New Public Management (NPM) theory, this study provides implications for public sector policy by highlighting the importance of a balance between strong internal control and innovation flexibility in improving the effectiveness of health services. By understanding the relationship between these theories, practitioners, and policymakers can design more optimal strategies to improve the quality and efficiency of services in community health centers and other health institutions.

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