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## CHAPTER I

### INTRODUCTION

#### 1.1 Research Background

During the past decade, public sector organizations are under attempt of bureaucratic reform. They are forced to improve their accountability, transparency, efficiency and effectiveness. Related to that issue, public sector tries to adopt some of private sector management techniques, one of the techniques is performance measurement system (Ploom K and Haldma T, 2011, p.84). Performance measurement is quantifying, either quantitatively or qualitatively, the input, output or level of activity of an event or process (Radnor and Barnes, 2007, p. 393). There are four aspects of performance measurement, which are 1) deciding what to measure; 2) how to measure it; 3) interpreting the data and 4) communicating the result (Fryer et al. 2009, p.481). According to Horrison (2012, p.45), performance measurement has an important role in government agencies to achieve the demand for accountable government. The main purposes of performance measurement systems are to increase transparency, strengthen decision making and at times are used to improve the performance of public programs (Wholey, 2010 p. 69).

In Indonesia, performance measurement system in public sector has been emerged in the reform era at around 1999 by the issue of Presidential Instruction (Inpres) No. 7 of 1999 about Laporan Akuntabilitas Kinerja Instansi Pemerintah/ Performance Accountability Report of State Apparatus (known as LAKIP). Public sector agencies at all level have to describe their mission, vision, strategic objectives and key performance indicators (KPIs), and also providing





mechanisms to link KPIs with the agency's objectives and budget in the LAKIP as an annual performance measurement report (Akbar et al. 2013 p.4). In order to strengthen accountability and transparency of the state apparatus, Indonesia's governments show their concern by issuing Presidential Regulation No. 29 of 2014 as an updated regulation about performance measurement as a part of Performance Accountability System of State Apparatus (known as SAKIP). This regulation stated that every entity of performance accountability have to organizing all component of SAKIP which consisted of strategic planning, performance agreement, performance measurement, performance data management, performance report and performance review and evaluation. Furthermore, Ministry of State Apparatus Empowerment and Bureaucratic Reform (known as Kemen. PAN-RB) has issued a derivative regulation in form of Minister of State Apparatus Empowerment and Bureaucratic Decree No. 12 of 2015 as the guidance to evaluate the implementation of SAKIP in government agency. According to this decree, head of state apparatus have to evaluate the implementation of SAKIP in their agency once a year in order to improve performance management and enhance performance accountability especially in public service performance.

In more than two decades of the performance reforms in all levels of government, the substantive impact of these reforms hasn't been largely unknown yet. According to Radnor and Mc Guire (2003, p.259), performance management is closer to fiction than fact. The system is not allowing improvement and there is no appropriate evaluation. Furthermore, there is also no significant improvement since the report of performance measurement in public sector organization. The lack of reporting is indicative of weak





accountability that makes the reader of the report meets difficulties in judging both performance and the organization achievement (McGough, 2014 p.8). A similar problem was also occurred in Indonesia, public sector organization in Indonesia also were not using performance measurement system in order to optimizing their potential. Many local governments were not reporting their performance. In the other hand, some local governments were reporting their performance, but not resulting a good report (Akbar, R., et al. 2013, p.23). According to Kemen.PAN-RB report, the evaluation of SAKIP 2016 implementation results only 2 (two) ministries/boards or 2.44% in percentage that can achieve grade A (80-90) with predicate "satisfactory", that are Ministry of Finance and Board of Finance Audit. In addition, it can be found that there is 45,12% or 37 ministries/boards that only attained grade less than 70, included 3 ministries/board that only achieved grade CC (less than 60) with predicate "sufficient". The details grade of SAKIP 2016 evaluation for central government can be described in the chart and tables as follows.

Table 1-1 Result of SAKIP 2016 Evaluation for Central Government

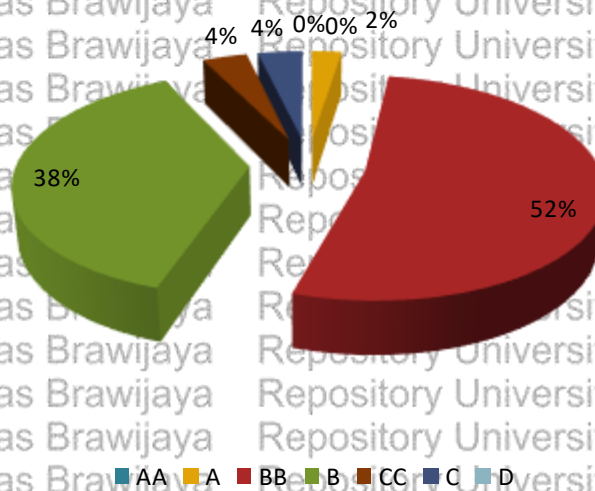
Grade	Scale	Predicate	Total
AA	90-100	Very Satisfactory	0
A	80-90	Satisfactory	2
BB	70-80	Very Good	43
B	60-70	Good	31
CC	50-60	Sufficient	3
C	30-50	Poor	3
D	0-30	Very Poor	0

Source: Report of SAKIP 2016 Evaluation by Kemen.PAN-RB





Figure 1--1 Result of SAKIP 2016 Evaluation for Central Government



Source: Report of SAKIP 2016 Evaluation by Kemen.PAN-RB

Notwithstanding, the implementation of performance measurement is considered as based on the process, not just a single process. Therefore, public organizations need to understand how to manage the process of using performance measurement to encourage and promote the development of performance measurement system in public organizations (Sole, F. and Schiuma, G. 2010, p. 71). Similar to other systems, performance measurement also has clearly identified and recognized challenges. The government agencies have to carefully consider and conquer the challenges to meet a successful implementation (Abubakar, A. et al. 2016, p. 1433). In such a prospect, a number of academic literature studies were explored in relation to examine the challenges in the implementation of performance measurement system. Jaaskelainen, A and Silanpaa, V. (2011) have been observing about the challenges of PMS in public welfare services in Finland. They highlight about the operative level commitment and an appropriate measurement tools as the challenges of the use of PMS. These finding is in line with the result of study conducted by Karuhanga,





B.N., and Werner, A (2013). In addition to emphasis about commitment and measurement tools as the challenges, they also enhance about political interference to be considered challenge. Political challenge abound in many areas in which people are more concerned with their own or their organization's interests than with measurement result or the public good (Wholey, J.S, 2010, p. 66). Other factors are also identified as the barrier of the use of PMS, such as employee skill, lack of motivation and limited training activities (Sole, F. and Schiuma, G., 2010; Akbar et al. 2013).

Based on the previous studies, different contexts of public organization may pose different challenges in implementing PMS (Jaaskelainen, A and Silanpaa, V., 2011, p. 450). Besides, it should be admitted that there is still limited research that deeply explore about the challenges on PMS implementation in Indonesia, especially in the public agency engaged in the road sector development. Accordingly, this study aim to fill the gap by examining the implementation of performance measurement in Indonesia. Indonesia has various types of public sector agencies that could be divided as central agency and local agency. In the classification of central government, Indonesia has an agency had responsibility in national road management, namely Directorate General of Highways. One of focus development stated in the current Indonesia's medium-term development plan – the third phase of the long-term plan – that runs from 2015 to 2020 is on the infrastructure development. As a national focus, the management of national development road should have an effective way to measure their performance. Therefore, it is need to identify the challenges impacting the implementation of PMS to meet the effective performance measurement. In such a prospect, this study aim to explore about the challenges





in the implementation of performance measurement system by conducting a case in Directorate General of Highways Republic of Indonesia.

## 1.2 Research Questions

There is a question become the background of this research. The research questions are:

1. How is the process of performance measurement in Directorate of Highways, Republic of Indonesia?
2. What are the factors acting as the challenges of the implementation of performance measurement system in Directorate General of Highways, Republic of Indonesia?

## 1.3 Research Objectives

According to the research question, the following purpose is set as the objective of this research:

1. To understand the process of performance measurement in Directorate General of Highways, Republic of Indonesia
2. To investigate the main challenges related to the use of performance measurement system in Directorate General of Highways, Republic of Indonesia.

## 1.4 Research Benefit

In the theoretical aspect, the finding of this research will enrich the existing studies on the field of public administration, especially about performance measurement system in public sector organization. Besides, in the practical





aspect, this research will be very useful for Indonesia government, especially Directorate General of Highways to enhance the understanding about the implementation and the challenges in applying performance measurement system. Moreover, a clear identification and recognition of the challenges will serve a more successful implementation of performance measurement system that will ensure efficiency, effectiveness and economy in the public sector organization.





## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Previous Studies

This study has been conducted to explore more about the challenges in the implementation of performance measurement system in Directorate General of Highways. Surely, there are some previous studies related to the topic of this study, some of them can summarized as follows:

- a) Sole, F. and Schiuma, G. (2010) investigate about the main challenges related to the use of performance measurement system in public organizations focused on the Italian Institutions. They use a systematic literature review and desk analysis a survey-based investigation to identify the factor enabling and hampering the implementation of performance measurement system involving Italian public institution. The finding of this research highlights 3 factors influencing the deployment of performance measurement system, which are: cultural, political, and rational factor. Nonetheless, conceptual analysis of this research has a general validity, while the empirical investigation only focused on the Italian context.
- b) Jaaskelainen, A. and Silanpaa, V. (2011) evaluate factor affecting the success of the measurement system implementation in the context of a productivity measurement system development project carried out in the Social Services Department of the City of Helsinki (Finland) during 2007-2008. They made an interview with the users of measurement systems to obtain information about measurement system implementation. The finding of this research highlights two key factors to reach success implementation





of performance measurement system, which are commitment of operative level and appropriate measurement tools. This research suggests the future study to assess the implementation of performance measurement systems with a similar approach in different organizations.

- c) Goh, S.C. (2012) reviews the extant literature on public sector performance measurement and develops a conceptual framework to explain how public sector performance measurement systems can be made more effective in light of the research evidence. In this research, they found that there are three important factors need to be considered in the effective implementation of a performance measurement system, which are managerial discretion, a learning and evaluative organizational culture and stakeholder involvement. This research suggests the future research to explore more about potential environmental and institutional constraints.

- d) Akbar, R et al. (2013) explore the perceived drivers behind the implementation of performance measurement systems (PMSs) in Indonesian local government (ILG). They developed both closed-and opened-ended interview question to achieve the research purpose. The finding reveals many local governments are lack of management motivation and lack of commitment from the top as well as a low level in applying performance measurement system. This research suggest the future research project to explore more about other factor raised in interview session which is the presence of political interference.

- e) Karuhanga, B.N., and Werner, A (2013) identify the challenges impacting performance measurement system in public university in Uganda. They used mixed method approach, both qualitative and quantitative methodologies to





achieve the research purpose. This research applied interviews with purposively selected top administrators of a selected public university; a cross-sectional survey strategy administered to academic staff in four public universities, and using random sampling technique. The findings reveal that the major challenges can be categorized as: lack of a formal performance management environment, limited employee engagement/communication problems; institutional systems and structural constraints; and institutional governance challenges. Notwithstanding, because of the characteristic of Uganda as a developing country and also the characteristic of public university, challenges impacting performance measurement system in public university in Uganda may not necessarily be applicable to all public institution.

f) Goh, S.C., et al. (2013) discussed a multi-case study that examines how Canadian public sector organizations are implementing performance measurement. They used a qualitative multi-case study to answer the research question. The finding reveals three contextual factors that play an important role and have significant influence on performance management implementation success. The three contextual factors are organizational size, complexity of operating environment and complexity of operating environment. Nevertheless, the research findings and implications for are based on five Canadian public sector organizations so may limit its generalizability to public sector organizations in other countries.

g) Rananten, et al. (2013) try to to identify the specific problem faced by the Finnish public sector organizations in designing and implementing performance measurement systems (PMS). They were examining three





case studies in Finnish public sector and carrying out a literature reviews in order to understand the problem of Finnish public sector. The finding reveals that there are four underlying reasons for problems in public sector organization, which are the following: many stakeholders with conflicts of needs, the undefined end products and goals and lack of property ownership and lack of management skills.

h) Hall, JL (2017) wrote an essay to identifies and elucidates a series of challenges local governments face in successfully implementing performance-based management approaches. He uses the capacity/performance paradigm as a framework to build a theoretical synthesis of the obstacles to local government use of performance management. The finding reveals that the obstacles of the use of performance management can be identified as follows: insufficient administrative capacity, limited fiscal resources, insufficient economies of scale, absence of comparable entities for benchmarking, inadequate use of strategic planning, complex implementation environments (intergovernmental, inter-sectoral, cooperative, and collaborative), strings attached to state or federal grant awards, the illusion of control created by proximity to decision makers and citizens, task simplicity, and the cacophony of reform expectations (strategic planning, program evaluation, performance measurement and management, evidence-based practice). Nonetheless, there is thus a growing need for research that examines whether in quantitatively and qualitatively, cross-sectionally and in time series analysis, to examine how these factors influence local government performance management endeavors





i) Fryer, et al. (2009) examines the existing literature on performance management to identify the gaps and shortfalls, and proposes further research to enhance the understanding of the use of performance management. This research is a theoretical paper based on a literature review. The finding reveals that there are three classes of problems with performance management in the public sector, which are technical, systems and involvement. Nonetheless, the paper is only a theoretical, thus it is need an empirical research to test the results.

j) Verbeeten (2006) investigates whether performance management practices affect performance in public sector organization. This research is based on survey data collected from managers in public sector organizations, located in the Netherlands. In order to investigate the relations between clear and measurable goals, incentives and performance, this research is using partial least squares (PLS) regression test. The finding reveals that 1) A clearly and measurable goals is positively associated with both quantity performance as well as quality performance; 2) The use of incentives positively associated with quantity performance, yet not related to quality performance; 3) institutional factors (sector, and, to a lesser extent, size) appear to affect the use and effectiveness of PM-practices. Nevertheless, the survey is based on public sector organizations in The Netherlands, so that the findings may not be transferable to other countries

To, simplify our understanding the summary of previous studies can be described in table as follows.



Table 2.1 Summary of Previous Studies

No		Author	Title	Year	Method	Finding	Research GAP
1	a. b.	Francesco Sole Giovanni Schiuma	Using performance measures in public organizations: challenges of Italian public administrations	2010	a. systematic literature review b. the desk analysis a survey-based investigation	3 factors influencing the deployment of performance measurement system, which are: cultural, political, and rational factor	focused on the Italian context
2	a. b.	Aki Jaaskelainen Virpi Sillanpää	Overcoming challenges in the implementation of performance measurement : Case studies in public welfare services	2011	Interview	two key factors to reach success implementation of performance measurement system, which are commitment of operative level and appropriate measurement tools	focused on welfare service in Finland
3	a. b.	Bernadette Nambi K. Amanda Werner	Challenges impacting performance management implementation in public universities : A case of Uganda	2013	mixed method approach	the major challenges can be categorized as: lack of a formal performance management environment; limited employee engagement/communication problems; institutional systems and structural constraints; and institutional governance challenges.	focused on public university in Uganda



No		Author	Title	Year	Method	Finding	Research GAP
4	a.	Swee C. Goh	Making performance measurement systems more effective in public sector organizations	2012	Literate review	there are three important factors need to be considered in the effective implementation of a performance measurement system, which are managerial discretion, a learning and evaluative and organizational culture and stakeholder involvement	Not investigate about external factor, e.g. political factor
5	a. b. c.	Rusdi Akbar Robyn Ann Pilcher Brian Perrin	Implementing performance measurement systems : Indonesian local government under pressure	2013	Interview	many local governments are lack of management motivation and lack of commitment from the top as well as a low level in applying performance measurement system	Not investigate about political factor
6	a. b. c.	Swee Chua Goh Catherine Elliott Greg Richards	Performance management in Canadian public organizations: findings of a multi-case study	2013	qualitative multi-case study	There are three contextual factors that play an important role and have significant influence on performance management implementation success, which are organizational size, complexity of operating environment and complexity of operating environment	based on five Canadian public sector organizations



No		Author	Title	Year	Method	Finding	Research GAP
7	a.	Hannu Rantanen	Performance measurement systems in the Finnish public sector	2007	case study	There are four underlying reasons for problems in public sector organizations, which are: many stakeholders with conflicts of needs, undefined products and goals; lack of property ownership and lacking management skills.	Focused on the Finnish public Sector
	b.	Harri I. Kulmala					
	c.	Antti Longqvist					
	d.	Paula Kujansivu					
8	a.	Jeremy I. Hall	Performance Management: Confronting The Challenges for Local Government	2017	Literature review	Among the obstacles identified are: insufficient administrative capacity, limited fiscal resources, insufficient economies of scale, absence of comparable entities for benchmarking, inadequate use of strategic planning, complex implementation environments, strings attached to state or federal grant awards, the illusion of control created by proximity to decision makers and citizens, task simplicity, and the cacophony of reform expectations.	using the capacity/performance paradigm as a framework to build a theoretical synthesis



No		Author	Title	Year	Method	Finding	Research GAP
9	a. b. c..	Karen Fryer Jiju Antony Susan Ogden	Performance Management in The Public Sector	2009	Literature Review	There are three classes of problems with performance management in the public sector – technical, systems and involvement	Only theoretical research based on literature review
10	a.	Frank H.M. Verbeeten	Performance management practices in public sector organizations : Impact on performance	2006	Partial least squares regression	<ul style="list-style-type: none"> <li>- A clearly and measurable goals is positively associated with both quantity performance as well as quality performance.</li> <li>- The use of incentives positively associated with quantity performance, yet not related to quality performance</li> <li>- institutional factors (sector, and, to a lesser extent, size) appear to affect the use and effectiveness of PM-practices</li> </ul>	Based on public sector organizations in The Netherlands

Source: Summarized by Author





## 2.2 New Public Management (NPM)

The focus on change in public sector management practices came about as a result of the 1970s recession, whereby governments around the world were impacted by the consequences of previous excesses associated with loose monetary policies, by soaring oil prices and post Vietnam War investment spending led by the US Government (see, for example, Gruening 2001). This recession resulted in public service retrenchment and budget cuts (Dunshire 1995). The blame for this cut was placed on government bureaucracy, which was argued to be incapable of managing the necessary change (Peters & Savoie 1994). This was a difficult time for the government sector, where on one hand administrations had to deal with deficiencies in financial resources that could lead to the sacrifice of social policies; while on the other hand this sector saw a rise in community expectations of the quality of services (Funnel, Cooper & Lee 2012). Furthermore, imbalanced living conditions in the era of unregulated industrialization had also driven governments to intervene, in order to ensure sufficient supply of social needs to avoid worsening living conditions of their citizens (Funnel, Cooper & Lee 2012). The public administration modernization initiative that was in place at the time had not been able to address those issues, and did not generate government management improvements to an acceptable extent (Baimyrzaeva 2012a). These shortcomings in the reform agenda provided leverage for the emergence of subsequent initiatives in managing the public sector.

In the early 1980s, public sector organization has been forced to improve its performance and to restore the public trust. A new paradigm





for public management has emerged in purpose to fostering a performance-oriented culture in a less centralized public sector (OECD, 1995). New public management can be summarily depicted as the reorganization process of the public sector organization in term of their accounting and reporting system closer to the business methods. It has an objective to make the institutions efficient in resource usage, service delivery and competitive tendencies devoid of redundancies and inefficiencies that explains the significant conduct of the public sector organizations (Abubakar, 2010, p. 1426). In the view of NPM, the public sector organizations could be run in the same way and manner the private sector organizations are managed. There are three factor operated together to drive the adoption of NPM, which are economic pressures, high-level political commitment to change, and a set of ideas to shape change (Androniceanu, A., 2009, p.85).

One theme that emerged for public sector management change that was unanimously agreed to by policy makers and academics was that the private sector management form could be used in the public sector as a model to imitate, since the former has clearer goals and objectives, and a relevant measurement system of goal achievement (Funnel, Cooper & Lee 2012; Guthrie et al. 2005).

Subsequently, government management practices imitated what had been practiced primarily in the private sector, and over time the differences between public sector and private sector have, as a result, lessened (Guthrie et al. 2005).

In order for the public sector to imitate the practices of the private sector, a number of NPM components are essentially needed to be adhered to. According to Hood (1995), these components consist of:

1. unbundling of the public sector into corporatized units;





2. developing contract-based competitive provision;
3. stress on private sector style of management practice;
4. stress on discipline and frugality in resource use;
5. emphasis on visible, hands-on top management;
6. development of explicit formal measurement standards and measures of performance; and
7. greater emphasis on output control.

In order to shape change, there is need a much stronger commitment to enhance public sector efficiency and effectiveness (Ploom K. and Haldma, T, 2001, p. 184). . Among the basic premises of NPM, Fryer et al. (2009) emphasize performance measurement, which relies on explicit standards and measures of performance, and increased accountability and parsimony in the use of resources. To start the reform process, Hood (1991, 1995) advocated these components/areas be addressed by public sector organizations for an NPM change; and one of the requirements was to possess explicit standards and measures of performance. The justification for this change came, firstly, from the awareness that a clear statement of government goals is essential in order to hold the government accountable for actions taken upon resources allocated by taxpayers; and secondly, from the acknowledgement that, to evaluate the achievement of those pre-determined goals a set of reliable indicators of measurement is a necessity (Hood 1991).

Abubakar (2016, p.1428) said that the NPM has broadened the concept of performance measurement to take a look at the non-financial measures by proposing different existential perspectives to the whole lot of ideas. This view





has been re-echoed continuously because many areas of the organizational management that are pertinently important for the performance drive were unavoidably ignored. Thus, the concept of balanced scorecards, performance measurement using KPIs, performance matrix, total quality management and logic model are harnessed in the organizational arrangements and well taken care of so as to enhance all inclusive performance evaluation.

### 2.3 Performance Measurement in Public Organization

Neely et al. (2002) defined performance measurement as the process of quantifying the efficiency and effectiveness of past actions, and a performance measure was defined as a parameter used to quantify the efficiency and/or effectiveness of past actions. Performance measurement is quantifying, either quantitatively or qualitatively, the input, output or level of activity of an event or process. Performance measurement refers to the use of financial and non-financial information by managers to make decisions pertaining to organizational activities with a focus on the pre-determined goals (Karuha, 2010, p. 226).

Therefore, performance measurement refers to the set of actions put in place to determine the extent to which an organization is achieving its pre-determined targets (Amaratunga et al. 2001, p.180). A performance measurement system is one of the key elements in the practice of the implementation of NPM. It is the tool that describes the organization's improvement because it is not possible to any organization to act effectively without having its performance measured.

The importance of performance measurement in the public sector organizations was enhanced even more by new public management that has a purpose to adjust the performance measurement methods applied in private





organizations for the organizations in public sector so that the performance could be organized more effectively and so that the users' needs could be satisfied better. The theory and practice of performance measurement manifest that it is a complex process and that the application of performance measurement systems in public sector is specific because all the functions of public sector organizations are focused to the satisfaction of public interests, i.e. it is more difficult to apply the performance measurement methods for measurement of public sector organizations, because such organizations are more process- and not result-oriented (Balaboliene, I. and Vecerskiene, G., 2015).

Governments use a wide range performance measurement system in services area such as police, fire, solid water, water, wastewater, roads, transportation, health, housing, recreation and social services. Measuring public sector performance means assessing how well a public sector organization performs when delivering goods and services to the public. The performance measures often include the volume, quality, efficiency and outcomes of providing these goods and services. The important features of performance measurement are:

- a) It is an essential tool for determining the efficiency, efficacy, cost effectiveness, and time of services being provided by public sector organization.
- b) It is a tool for identifying strengths and weaknesses in the area of operation.
- c) It serves as a framework for relating inputs to outputs.





d) It helps in prioritizing the issues and problems faced by local bodies and help the agency to prioritize goals and objectives.

e) It motivates improvements in managerial efficiency.

f) It brings about transparency and accountability in the organization.

According to Isoraite (2005, p.89), the emphasis on performance measurement in public sector carries with it the risk that the process becomes an end in itself. It is important that organizations do not lose sight of the fundamental objectives of performance measurement:

a) Improved public services. Performance measurement is one of essential elements in performance management to secure continuous improvement in public services.

b) Improved accountability. Clarifying the outputs and outcomes that are achieved for the resources used makes it easier to hold organizations accountable.

In the public sector, there are many stakeholders that have different and conflicting requirements. The potential stakeholders of a public sector organization may include local citizens, clients, consumers, user, and customers of the service producers, the media, elected representatives, the central government, regulatory agencies, managers, and employees. This creates at least two problems for the performance measurement system. First, taking into account all stakeholders may result in producing a multitude of performance measures that satisfy no one. Second, it may be difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders





have conflicting objectives. When implementing a PMS, the conflicting needs of different stakeholders must somehow be reconciled.

Due to the problems described above, the setting of targets is not always as clear in public sector organizations as in private companies. In many cases, the ultimate target of operations may also be unclear or blurred. Hence, it is difficult for the management of these organizations to define the most important aspects or measures. This is a particularly difficult task when the organizational structure is multifaceted, and a clear chain of command is absent. Another key challenge from the point of view of measurement is the definition of what the public organization actually produces, i.e. the question of output vs. outcome, or efficiency vs. effectiveness.

In addition to the two fundamental problems in public sector performance measurement – the conflicting stakeholder needs and the problem of measuring outcomes – also other specific challenges have been identified. Pollanen's (2005) in Rananten (2007, p. 427) said that the challenges include mistrust of measurement, lack of credibility and usefulness, lack of standards and timeliness, substantial investment of time and resources, and resistance by public officials, department heads and employees.

#### **2.4 The Challenges of PMS in Public Organization**

Performance measurement as a mechanism of fostering improvement in service delivery still presents many challenges in its implementation. A number of causes have been raised in the literature, such as the lack of real commitment to the performance measurement process by organizational managers, lack of reward for good performance, absence of training, highly bureaucratic





management systems, poor information system, and so on. In addition, these organizations lack sufficient financial resources, which might result in a delay or even postponement of the performance measurement implementation.

Resistance to performance measurement is considered as another obstacle to the full implementation of the performance measurement system. The resistance to any new performance measurement system may come from the lack of understanding, insufficient training, and, sometimes, the fear of personal risk. In addition, the other problems facing organizations in performance measurement implementation, such as unclear strategy, lack of a performance measurement culture, organizational instability, and the low priority accorded to the performance measurement system (Alboushra, et al. 2015).

It is need a sharp attention to three important factors in making performance measurement systems in public sector organization more effective, which are 1) the engagement and involvement of those stakeholders who have a vested interest in the performance measures; 2) A learning and evaluative organizational culture; and 3) Managerial discretion. If performance measurement systems are implemented as a top-down driven process with limited involvement by employees, the absence of a strong learning and evaluative organizational culture and constrained managerial discretion in achieving those goals or measures, then there will be limited utilization and performance gains. The challenge is for the public sector to move away from the use of traditional bureaucratic procedures but to embark on and try new managerial paradigms when implementing performance measurement systems (Goh, 2012, p.40).





A similar pattern also becomes the result of Mucha (2011) research, which said that there are 8 overcoming challenges to implementing performance management, which are: 1) Overcoming Organizational Fears; 2) Overcoming Elected Officials Fears. 3) Finding Appropriate Levels of Resources to Devote to The Effort; 4) Avoiding Strategic Planning Process Overload; 5) Working Around Limitations of Existing Financial Systems; 6) Making Consistent Use of Data; 7) Focusing on What Is Really Important; 8) Viewing Performance Management as a Temporary Trend.

Isoraite (2005, p.86) in her study about performance measurement in local authorities said that to develop the performance measuring system takes a lot of time and professional knowledge. The major obstacle to implementing performance measurement in local authorities is the lack of managerial knowledge and its adjustment to specifics of public sector. The connection with the standardization of public services as a unit for measuring output is also become major problem that emerge during the development of performance measurement systems. There are also many obstacles to introduce managerial principles into the public sector. These are primarily seated in the traditional bureaucratic mentality, insufficient knowledge of even the basics of management and the market economy and of the principles of democracy. Obstacles are also found in the current legal regulations, which in the majority of cases still do not allow the degree of flexibility in decision-making that is required for the introduction of managerial methods. There are six basic principles to create effective performance measurement, that are: 1) the clarity of purpose; 2) focus on the priorities of the organization; 3) Alignment with the objective; 4) set indicators that give a balanced picture of the organization; 5) kept up to date to



meet changing circumstances performance; and 6) sufficient robust and intelligible performance indicator.

Abubakar (2016, p.1429) has analyzed the key challenges of the performance measurement from one country to another or from one public sector institution to another. From his research, it can be concluded that the key challenges in the public sector are generally the same. It does not necessarily vary. All the challenges and the counter-effort in the design and implementation of the performance measurement in public sector boils down to some issues, that are: 1) inability of the system and the control apparatus it instituted to achieve the desired goals; 2) multiplicity of stakeholders and their conflicting area of interest; 3) it is the need for shift in organizational culture.

Rananten et al. (2007, p.428) has examined three case studies to understand the challenge of public sector in applying performance measurement system. The summary result of their study is showed in the table below.

Table 2-3 Classification of the underlying reasons and practical problems in the performance measurement of public sector organizations

	<b><i>Characteristics of public sector organizations (underlying reasons)</i></b>	<b><i>Problems in performance measurement (outcomes caused by the reasons)</i></b>
<i>Factors affecting the design of a PMS</i>	Many stakeholders with conflicting needs	Difficulties in solving the conflicts between the needs of different stakeholders (i.e. not clear what should be measured)
	Undefined end products and goals (efficiency vs. effectiveness)	Difficulties in target setting (i.e. not clear what the goal of the operations should be)





	<b>Characteristics of public sector organizations (underlying reasons)</b>	<b>Problems in performance measurement (outcomes caused by the reasons)</b>
Factors affecting the implementation of a PMS:	Lack of ownership of the property	Representatives of different stakeholder groups influence the development of individual measures on a too detailed level.  The personnel does not understand the objectives of the measure development.
	Poor management skills	Too many responsible persons in the measurement development lead to non-responsibility  The personnel does not see the usefulness of the project for their work and ignore or resist it  Overlapping projects hamper the measurement project because they take resources

Source: Rananten (2007, p. 428) in *Performance Measurement Systems in The Finnish Public Sector*

Finally, based on the prior studies, the factors affecting the use of performance measures can be divided into 3 categories, namely 1) factors related to the cultural model; 2) Factors related to the political model; 3) Factors related to the rational-technocratic model. In the term of performance measurement, each category has to face different challenges. Related to cultural model, the major challenge is to move away from the use of traditional bureaucratic procedures. These are primarily seated in the traditional bureaucratic mentality, insufficient knowledge of even the basics of management and the market economy and of the principles of democracy. The performance measuring system takes a lot of time to embark on and try new managerial paradigms. In addition, in public organizations the lack of development of the





organization in general (e.g. measurement) may be caused by shortage of incentives. Incentives are essential tools for motivating apparatus to improve and measure performance. Furthermore, in the second field related to political model, public organization have to face problem about conflicting needs of many stakeholders. Public organization meets some difficulties in solving the conflicts between the needs of different stakeholders. In addition, the problems are mainly due to the political and social culture in each country. In public organizations, the political administrative structure usually define the mechanisms for decision-making and the ways of operating. Therefore, the political focus and the demands of different stakeholders might have significant influence on the target setting and the way of operating in public organizations. The last is about the rational-technocratic model, which is related to access to information, goal orientation and resources. In general, better results could be achieved by doing things more effectively.

As a summary, identifying the main long-term objective in public organizations is not easy compared to the private companies. In the other hand, public organization has to face a problem about the lack of managerial skill, which is chosen by substance skills rather than managerial capabilities. An incompetent apparatus does not necessarily know what he or she is supposed to manage and, furthermore, measure. As a result, the development of processes and the design of performance measures can be based on rather low competence.



## 2.5 Conceptual Framework

Dr. Eliyahu M. Goldratt in 1984 developed managerial theory that called The Theory of Constraint (TOC). According to this theory, every system always has at least one constraint or a few constraints which may limit the organization to achieve its pre-determined goals. The first step to eliminate the constraint is identifying the system's constraint. In accord with performance measurement system, Hawke (2012, p. 313) has examined in his research in terms of six factors considered as the main influences on the implementation of performance measurement system. The six elements can be described as follows:

### 1. External factor

It is about all outside influences which may affect the shape and the character of the performance measurement system. The external factor can be political factor, civil society factor, economic effects, etc.

### 2. Structural factor

This factor related to the legal, regulatory, institutional, and organizational structure within the operation of performance measurement system.

### 3. Managerial factor

It is about the role of government and agency manager in implementing performance measurement system. It could be the effect of leadership, change management, organizational alignment with policies, administration and control.

### 4. Technical factor

It is about those factors that emerge from the design of performance management regimes, the capacity of public officer to implement the





arrangements, and the achievements in terms of measurement quality, maintenance of systems and reporting procedures. The influence of guidance and training of people is also included in this factor.

5. Cultural factor

This factor related to ways of operating and values inherent in the system, including institutional, operational and societal cultures.

6. Behavioral factor

It relates to how people respond to the performance measurement system and to the results of performance information

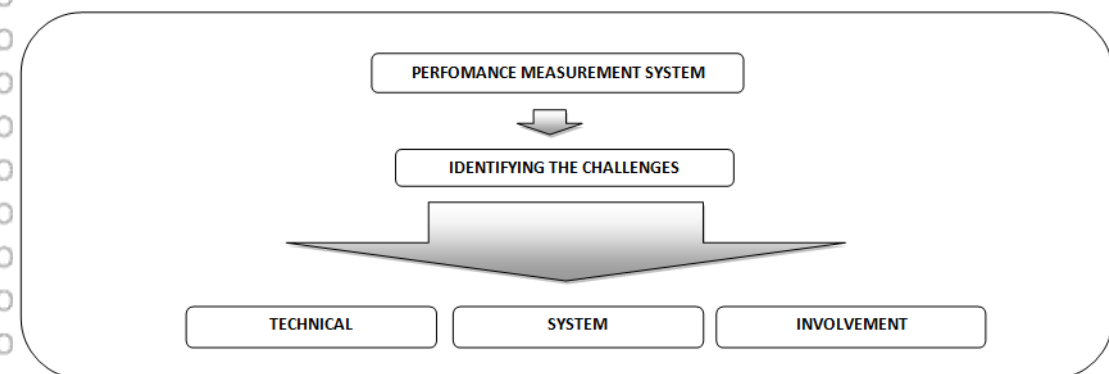
The last three factor is interrelated each other. The technical factors set the rules or boundaries within which management, culture and behavioral operation. The technical details can have a direct impact on the behavior and actions of management. Behavioral operation is also strongly influenced by culture and management factors, and also very responsive to technical and institutional factors. Because of interrelation of the last three factors, it could be integrated as one influence called rational-technical factor.





Regarding to this research, a conceptual framework adopted according to the research conducted by Hawke (2012). The research will emphasis in 3 (three) factors, which are: technical factor, system factor and stakeholder involvement factor. The framework can be described in the figure below.

**Figure 2-1 The Challenges of Performance Measurement System**



Source: Adopted by Author





## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.1 Type of Research

This research uses descriptive method in qualitative approach, with purpose to find, describe, and analyze about the implementation performance measurement system in Directorate General of Highways, Republic of Indonesia.

According to Creswell (2013, p.44), qualitative approach is an inquiry process of understanding based on distinct methodological tradition of inquiry that explore a social or human problem. It aims to discover, describe and interpret phenomena which depart from the perspective given by others (Creswell, 2015, p.4).

By using qualitative approach, researcher can describe a phenomenon in detail so that it can produce a useful explanation (Miles, Huberman and Saldana, 2014, p.24). To achieve the research purpose, this research will describe and analyze the implementation of performance measurement system in Directorate General of Highways, Republic of Indonesia based on factual and accurate statement of the facts and the relationship among the studied phenomenon and situation as well as drawn a conclusion in systematic form of writing. The research will also explore the factor acting as the challenges of performance measurement system in Directorate General of Highways.

#### 3.2 Research Focus

Research focus is created to limit the field of study, so the discussion of the study will be more focus, clear and relevant. Besides, it also help researcher to





classify the data in the field, so will be very useful to make a right decision related to data collection. The focuses of this research are:

1. The process of performance measurement in Directorate General of Highways, Republic of Indonesia
2. The challenges of the use of performance measurement system in Directorate General of Highways. The factors will be divided into 3 (three) categories, namely:
  - a. Technical
  - b. System
  - c. Involvement

### 3.3 Research Location

This research will be located in the head office of Directorate General of Highways, Republic of Indonesia. It has an address in Directorate General of Highways Building 5<sup>th</sup> Floor, Jl. Pattimura No. 20 Kebayoran Baru, South Jakarta. The research site is sub directorate of Monitoring and Evaluation, Directorate Road Network Development, Directorate General of Highway, Republic of Indonesia.

In addition, Directorate General of Highways (DGH) is a government board that has responsibility in national road sector management. DGH has implemented performance measurement system since 2007 by reporting their performance in performance report (known as LAKIP) to the public. In the last 3 years, there is no significant improvement in implementation of SAKIP in Directorate General of Highways. It can be seen on the result of SAKIP evaluation conducted of Inspectorate General of Ministry of Public Work and





Public Housing. This report showed that in the last 3 years DGH has a stagnant grade, which is only attained grade B (60-70). Hence, this research is interested to explore about the challenges of SAKIP implementation in Directorate of Highways.

### 3.4 Source of Data

The data that will be used in this research can be divided into 2 categories, namely:

#### a) Primary data

The primary data of this research is a result of interviewing the key informants, who are the head officer or staff that directly touching in performance measurement system in Directorate General of Highways, Republic of Indonesia. The informant of this research can be described as follows:

No.	Code Name	Occupation
1	P1	Monitoring Staff
2	P2	Evaluation Staff
3	P3	Section Head of Data
4	P4	Section Head of Evaluation
5	P5	Evaluation Staff
6	P6	Policy Staff

#### b) Secondary data

The secondary data of this research are any kind of official documents, data reports, media online records and websites that can give more deeply information about the implementation of performance





measurement system in Directorate General of Highway, Republic of Indonesia. The literature books and the journals within theory and information also can be used to support this research.

### 3.5 Data Analysis Technique

In this case, the researcher used qualitative analysis methods by Miles and Huberman (2014) to get the data and information that related to this research. So the qualitative data analysis uses the flow of activities as follow:

#### a) Data condensation

It refers to the process of selecting, focusing, simplifying, abstracting, and/or transforming the data that appear in the full corpus (body) of written-up field notes, interview transcripts, documents, and other empirical materials.

#### b) Data display

It is an activity when a set of structured information. Generally, the display is organized, compressed assembly of information that permits conclusion drawing and action. Looking at display can helps the researcher to understand what is happened and how to do something-either analyze further or take action based on that understanding.

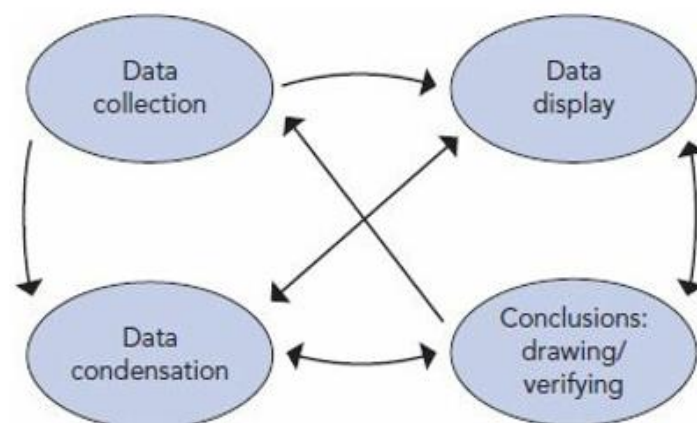
#### c) Drawing conclusion or verifications.

It is part of the activities of the intact configuration. The conclusion is also verified during the last study and as the analyst proceeds. Verification may be as brief as a fleeting second thought crossing the analyst's mind



during writing the paper of research, with a short excursion back to the field notes, or it may be through and elaborate with lengthy argumentation and review among colleagues to develop “inter-subjective consensus”, or with extensive efforts to replicate a finding in another data set.

Figure 3-1 Component of Data Analysis: Interactive Model



Source: Miles, Huberman and Saldana (2014; p.33)

### 3.6 Data Validity

A properly collected and interpreted data is requirement for a research using qualitative method to become valid, so that the conclusion reflects and represents the real condition. Triangulation is one of method that can be used to validation in qualitative research. It has a purpose to seek three different sources to strengthen data and facts that found in the process of study (Yin, 2011; p.81).

Therefore, data validation in this research will be applied throughout data collection that associated with three different sources of data which are: through direct observation in the locus of research, interview with key informants, and from secondary data such as document of reports or research.



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## CHAPTER IV

### RESULT AND DISCUSSION

#### 4.1 Result

##### 4.1.1 The Process of Performance Measurement System

To understand the process of performance measurement process in DGH, general overview of DGH that is related to primary duties and function as well as organizational structure of DGH will be explained in this part. Moreover, this part will give further explanation about the cycle of performance measurement done by DGH.

##### 4.1.1.1 General Overview of Directorate General of Highways (DGH)

Based on Presidential Regulation of the Republic of Indonesia Number 15 of 2015 about the Ministry of Public Works and Housing, it is mentioned in article 2 that the Ministry of Public Works and Housing has duties to run government affairs in the field of public works and housing to help the president to organize country's administration. According to the Regulation of the Minister of Public Works and Housing Number 15/PRT/M/2015 about Organization and Administration of the Ministry of Public Works and Housing, Directorate General of Highways under the Ministry of Public Works and Housing has duties to formulate and implement policies in the road management sector based on the law policies. On performing its duties, Directorate General of Highways run some functions, as follows:

1. Formulation of policies in the road management sector based on the law policies;





2. Implementation of policies in the national road management sector;
3. Implementation of policies in the connectivity reinforcement sector that becomes national priority;
4. Establishment of norms, standardizations, procedures, and criteria in the road management sector;
5. Giving technical direction and supervision in the road management sector;
6. Implementation of evaluation and report in the road management sector;
7. Implementation of Directorate General of Highways' administration, and
8. Implementation of other functions given by the Minister of Public Works, and Housing.

Organizational structure of Directorate General of Highways consists of:

1. Secretariat Directorate General of Highways;
2. Directorate of Road Network Development;
3. Directorate of Road Construction;
4. Directorate of Road Preservation;
5. Directorate of Bridges; and
6. Directorate of Highways, Urban, and Local Road Facilitation;
7. Group of Functional Officers;
8. National Highway Construction Agencies I to XVIII

As the realization of Presidential Regulation of the Republic of Indonesia Number 15 of 2015 about the Ministry of Public of Works and Housing, the Regulation of the Minister of Public Works and Housing Number 15/PRT/M/2015





about Organization and Administration of Public Works and Housing and also the Regulation of the Minister of Public Works and Housing Number 20/PRT/M/2016 about Organization and Administration of Technical Implementation Unit of the Ministry of Public Works and Housing were formed. These regulations become the basic description of the organizational structure and implementation of duties as well as function of all working unit under the Ministry of Public Works and Housing, including Directorate General of Highways. General overview of organizational structure of Directorate General of Highways can be seen from the number of its echelons underneath. The number of compositions from echelons working unit within the Directorate General of Highways (including Indonesia Toll Road Authority) in 2016 can be seen as follows:

1. Working unit of Echelon I: 1 unit
2. Working unit of Echelon II: 14 units (6 Directorates and 8 BBPJN)
3. Working unit of Echelon III: 56 units (6 Directorates and 8 BPPJN)
4. Working unit of Echelon IV: 181 units (6 Directorates, 8 BBPJN, and 10 BPJN)

DGH has arranged documents of DGH's strategic plan that are oriented to the Regulation of the Minister of the National Development Planning Agency Number 5 of 2014 about the Guidelines to the Arrangement and Review of Strategic Plan in the Ministry/Institution of 2015-2019. DGH's strategic plan of 2015-2019 contains introduction which consists of general condition and potential problem of road sector, strategic target, policy directions, strategy, institutional framework, performance target, and funding framework for the Road Management Program in accordance with the duties and function of DGH.





Therefore, as the planning document, the strategic plan of DGH become parameters in composing program of each working unit in the DGH's environment for every year, starting from 2015 to 2019.

On performing its duties, DGH as the part of the Ministry of Public Works and Housing, should refer to vision and missions of National Long-Term Development Plan (RPJMN) 2015-2019. The vision of RPJM 2015-2019 is "the realization of Indonesia which is sovereign, independent, and having personality based on mutual cooperation".

This vision is reflected through 7 missions of development:

1. Realizing national security that is capable of maintaining territorial sovereignty, sustaining economic independence by preserving maritime resources, and reflecting Indonesian personality as an archipelago country.
2. Realizing the betterment and the balance of society as well as democratic society based on the state law.
3. Realizing independent and active foreign policy as well as strengthening Indonesian identity as maritime country.
4. Realizing the rise, advancement, and welfare of the life quality for Indonesian people.
5. Realizing competitive nation.
6. Realizing Indonesia to be maritime country that is independent, progressive, and strong and is based on the national interests.
7. Realizing well-cultured personalities in the society.





To achieve the vision and missions of national development, there are nine agendas called NAWA CITA that become the national main priorities. Out of nine agendas listed in NAWA CITA, DGH particularly supports two agendas that have strong relation with road development, as follows:

1. 3<sup>rd</sup> agenda : Developing Indonesia from the suburbs by strengthening the regions and villages within the framework of Unitary State.
2. 6<sup>th</sup> agenda: Increasing nation's productivity and competitiveness in the professional market.

These two agendas listed in NAWA CITA above are defined into targets and policy directions of DGH, as follows:

Table 4. 1 Targets and Policy Direction of DGH

AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
<b>3<sup>rd</sup> Agenda</b> Developing Indonesia from the suburbs by strengthening the regions and villages within the framework of Unitary State	<b>1<sup>st</sup> Sub-Agenda</b> Laying down the Basics of the Starting Point of Asymmetrical Decentralization	<p><b>Target:</b> The development of 10 National Strategic Activities Centers (PKSN) as the center of economic growth, the main node of regional transportation, international gate/cross border checkpoints of border areas of the country, with the other 16 National Strategic Activities Centers (PKSN) as the preparation stage of the development.</p> <p><b>Policy Directions:</b>  <ol style="list-style-type: none"> <li>1. Development of economic growth center within border areas of the country based on the regional characteristics, local potential, and considering market opportunities of the neighboring countries by the support of infrastructure development in transportation, energy, water resources, and telecommunication-information.</li> <li>2. Building main node of</li> </ol> </p>





AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
		transportation connectivity of Strategic Activities Centers (PKSN) within villages in the districts of border priority location and the districts around, Regional Activities Center (the district capital), National Activities Center (the capital of the province), and connecting with the neighboring countries as well as building connectivity through transportation services.
	<b>2<sup>nd</sup> Sub-Agenda</b> Equitable Development of Inter-Regions, Especially in the Eastern Region of Indonesia	<b>Target:</b> Minimizing development gap between the Western Region of Indonesia and the Eastern Region of Indonesia  <b>Policy Directions:</b> 1. Driving the accelerated development of economic growth centers as the main engine of growth on each island outside Java Island, especially in the field of economic corridor by exploring the potential and excellence of the regions. 2. The connection between regional growth center and the other regions around needs to be facilitated with well-integrated and well-connected regional infrastructure, especially road and communications infrastructure, whether sea transportation or air transportation, including information and communication network as well as the supply of energy. Therefore, national connectivity will be locally integrated and internationally connected.
<b>6<sup>th</sup> Agenda</b> Increasing nation's productivity and competitiveness in the international market	<b>1<sup>st</sup> Sub-Agenda</b> Building National Connectivity to Achieve Balanced Development	<b>Target:</b> 1. Increasing capacity of transportation facilities and infrastructure as well as the integration system of multimodal and intermodal transportation





AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
		<p>2. Increasing of safety and security level in organizing transportation service as well as the rescue and saving of the victims in transportation accidents.</p> <p>3. Decreasing 2,983 million tons of CO<sub>2</sub>e from greenhouse gas emissions (National Action Planning – Greenhouse Gas) in land transportation sub-sector, 15,945 million tons of CO<sub>2</sub>e in air transportation sub-sector, and 1,127 million tons of CO<sub>2</sub>e in railway transportation until 2020 through the provision of transportation facilities and infrastructure which are environmentally friendly and responsive toward climate change/ extreme weather.</p> <p><b>Policy Directions:</b></p> <p>1. Accelerating transportation development that drives the reinforcement of national industries to support National Logistics System and the reinforcement of national connectivity in order to promote national and global cooperation through:</p> <p>a. Developing facilities and infrastructure as well as transportation industries including the development of Trans-Sumatera Toll Road, Trans-Java Toll Road, Samarinda – Balikpapan Toll Road, and Manado – Bitung Toll Road</p> <p>b. The acceleration of activities organization that become priority in ASEAN's connectivity in order to strengthen national connectivity.</p> <p>2. Making a balance effort between national-oriented transportation</p>





AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
		<p>and local-oriented transportation through:</p> <ol style="list-style-type: none"> <li>Driving financial schemes of regional roads though cost sharing that involves National State Budget and Regional State Budget in strategic roads in the regions by using incentive system and gradually preparing regulation for road preservation fund;</li> <li>Providing Special Allocation Fund in transportation sector which is more integrated through the provision of transportation facilities and infrastructure, such as the development of provincial roads, district/city roads, and non-status roads that connect strategic regions and the center of development in the regions along with safety and security facilities as well as means of transportation that are suitable to regional characteristics.</li> <li>Building integrated transportation system and network to support investment in Economic Corridor, Special Industrial Area, Industrial Complex, and the other centers of development in the area of non-economic corridor</li> <li>Increasing safety and security level in organizing transportation service as well as the rescue and saving of the victims in transportation accidents.</li> <li>Developing transportation facilities and infrastructure which are environmentally friendly and considering environment carrying capacity in order to mitigate and adapt to climate change as well as safety enhancement and the quality of environmental condition.</li> </ol>





AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
	<b>2<sup>nd</sup> Sub-Agenda</b> Building Urban Public Mass Transportation	<b>Target:</b> Increasing urban road traffic performance that is measured by national road traffic speed in metropolitan areas with minimum speed 20km/h  <b>Policy Directions:</b> 1. Increasing the capacity and quality of urban road network through these strategies: a. The development of road capacity and quality which consider people's accessibility toward public transportation. b. Rearranging the status of National Roads in urban areas.
	<b>4<sup>th</sup> Sub-Agenda</b> Increasing Effectiveness and Efficiency in Infrastructure Funding	<b>Target:</b> 1. Creating Government and Non-Government Cooperation as development approach in infrastructure development. 2. Providing financial support to fulfil infrastructure development target through the preparation of alternative budgeting, such as by the scheme of Government and Non-Government Cooperation, the establishment of Development Banks, and the other innovative financing schemes. 3. Creating efficiency in infrastructure management through risk sharing mechanism, incentive and disincentive as well as debottlenecking the existing policies.  <b>Policy Directions:</b> 1. The increasing of effectiveness and efficiency in infrastructure funding 2. Mainstreaming the scheme of Government and Non-Government Cooperation for infrastructure development





AGENDA	SUB-AGENDA	TARGET AND POLICY DIRECTIONS
		3. Implementation of the principle "Value for Money" (VfM) 4. Strengthening decision-making process of Government and Non-Government Cooperation 5. The development of alternative budgeting for the infrastructure 6. The increasing Human Resources and institutional capacity 7. Project development and pipelines

Source: DGH's Strategic Plan 2015-2019

In order to support national agendas, there are some instructions on national road management of 2015-2019 based on the instruction of RPJMN 2015-2019, as follows:

1. Developing road to support sea toll roads in which 24 new harbors and 60 Ferry ports will be built.
2. Restructuring urban road network
3. Ring roads development in the metropolitan areas and big cities
4. Road supports toward 15 priority industrial areas
5. Road supports toward the development of 15 new airports
6. Road supports for intermodal using trains
7. Road supports for tourism located in 25 priority National Tourism Strategic Areas

To support President's visions and missions as well as goals and targets of the Ministry of Public Works and Housing for the period 2015-2019, performance targets of DGH which are listed in the performance indicators of



strategic goals, indicators of program's performance, and indicators of activities' performance are determined, as follows:

Figure 4.1 DGH's Strategic Goals, Indicators Of Program's Performance, and Indicators of Activities' Performance

Strategic Goals	Performance Indicators	Program Goals	Program Indicators	Output/Sub-output
Increasing connectivity support to strengthen competitiveness	Obtaining national connectivity level into 77% in the end of 2019	Decreasing travelling time in the main corridor (Sumatera & Java)	Decreasing travelling time in the main corridor into 2.2h/100km	Road development
				Freeway development
				Bridge development
				Fly over and under pass development
Increasing steady national roads	Increasing steady national roads into 98% in the end of 2019	Increasing the use of national roads	Increasing the use of national roads into 133 billion kilometers vehicles	Expansion
				Routine maintenance
				Condition's routine
				Preventive routine
		Increasing facilitation toward regional roads to support the areas	Increasing facilitation toward regional roads into 100%	Minor rehabilitation
				Major rehabilitation
				Reconstruction
				Regional road's handling

Source: DGH's Strategic Plan 2015-2019

## 1. Strategic Goals

Performance indicators of Strategic Goals of the Ministry of Public Works and Housing which are related to Road Infrastructure are:

### a. Increasing connectivity support to strengthen competitiveness

With the indicator:

Obtaining national connectivity level into 77% in the end of 2019

### b. Increasing steady national roads

With the indicator:

Increasing steady national roads into 98% in the end of 2019

## 2. Program Goals





DGH as the national roads administrator has some program goals (the indicators of program's performance) that will be the focus of actions in five years. Program goals of DGH are listed, as follows:

- a. Decreasing travelling time in the main corridor into 2.2h/100km
- b. Increasing the use of national roads into 133 billion kilometers vehicles
- c. Increasing facilitation toward regional roads to support the areas

### 3. Action's Goals

Action' goals are listed based on the activities of each working unit within DGH. DGH's activities are:

- a. Implementation of preservation and advancement for national road capacity with action's goals:

- 1) Preservation and advancement of national road capacity through planning, controlling, and monitoring
- 2) Management of office administration
- 3) Preservation, advancement, and development of national roads

- b. Management, coordination, arrangement guiding, and monitoring supports with action's goals:

- 1) Technical service, public service, and administration within DGH
- 2) Management of office administration
- 3) Countermeasures toward natural disasters

- c. Arranging and guiding road network development with action's goals listed below:





1) Arrangement, guidance, planning, programming, and financing  
as well as performance evaluation

2) Management of office administration

d. Arranging and guiding road development with action's goals listed below:

1) Arrangement, guidance of construction management, geometric technique, pavement, drainage, geotechnical, and management of road's slope

2) Management of office administration

e. Arranging and guiding road preservation with action's goals listed below:

1) Arrangement, guidance, planning, programming, reconstruction technique, road maintenance

2) Management of office administration

f. Arranging and guiding bridge handling with action's goals listed below:

1) Arrangement, guidance, planning, programming, tunnel technique, and particular bridge

2) Management of office administration

g. Arranging and guiding regional road's facilitation, metropolitan areas, big cities, and freeways with action's goals listed below:

1) Guiding development technique for regional roads, metropolitan areas, big cities, and freeways as well as providing land procurement

2) Management of office administration





h. Arranging, undertaking, and monitoring toll roads with action's goals listed below:

1) Arranging, undertaking, and monitoring toll roads

#### 4.1.1.2 The Cycle of Performance Measurement System (PMS) in DGH

The system to measure performance of public organization in Indonesia is known as Accountability and Performance System of Government Institutions (SAKIP). The existence of Presidential Instruction Number 7 of 1999 about Accountability and Performance System of Government Institutions is the starting point of performance measurement process that belongs to the cycle of Accountability and Performance System of Government Institutions. It is written in the regulation that each government agency should be responsible to the implementation of its main duties as the part of government administrator. Therefore, it is seen that the report of performance accountability from government institutions is necessary. The existence of Accountability and Performance System of Government Institutions will definitely replace the understanding which states: *"how much money which has been or will be spent"* become *"how much performance which is produced and additional performance which is needed in order to achieve the goal that has been settled in the end of the period"*. Performance accountability's strengthening is one of government programs which is performed to reform the bureaucracy in order to realize a government which is clean and free from corruption, collusion, and nepotism, the improvement of public service quality toward the citizens as well as the improvement of capacity and accountability of the bureaucratic performance.





Currently, performance measurement process in DGH is performed based on the Regulation of the Minister of Public Works Number 17/PRT/M/2012 about Guidelines of the Arrangement of Report on Accountability and Performance of Government Institutions in the Ministry of Public Works and Housing. Before it was published, performance measurement process in DGH was done based on the Resolution of the Head of Institute of State Administration Number 589/IX/Y/1999 which was revised by the Resolution of the Head of Institute of State Administration Number 239/IX/6/8/2003 about the Guidelines of the Arrangement of Report on Accountability and Performance of Government Institutions. The officer who managed Accountability and Performance System of Government Institutions in the period of 2005-2008 explained that:

*"DGH baru mulai melakukan pengukuran kinerja yang dilaporkan dalam bentuk laporan resmi mulai pada tahun 2005. Memang sudah ada peraturan sejak tahun 1999, namun dari rentang waktu 1999-2004 yang diwajibkan menyusun laporan hanya tingkat kementerian saja. Nampaknya di tahun peralihan tersebut situasi politik masih belum cukup stabil sehingga pemerintah belum begitu focus pada kinerja."* (P3)

*"DGH was about to start the performance measurement which was reported in the form of legal report in 2005. The regulation had been formed since 1999, but from the period of 1999 to 2004, only ministerial level that had to form the report. It could be seen that in the transition period, political situation had been unstable. Therefore, the government did not really put the focus on the performance."* (P3)

Based on Presidential Regulation Number 29 of 2014, the definition of performance is the outcome/result from certain activities/programs that has been achieved or will be achieved in accordance with the use of budget with measurable quantity and quality. Performance measurement system in public



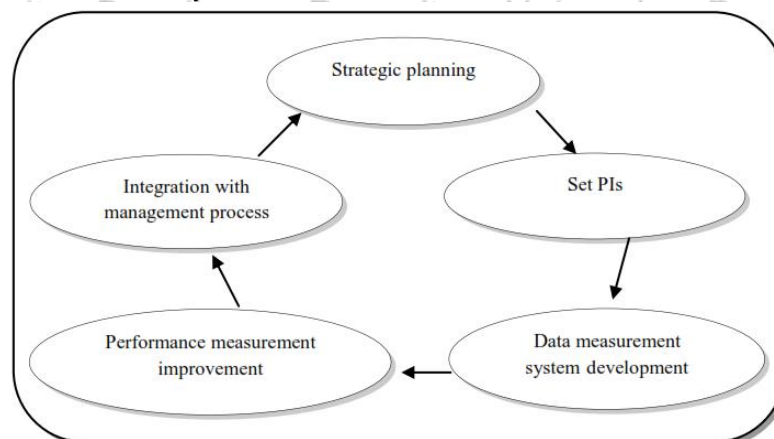


sector organization is a method which intends to help public sector manager to assess the achievement of a strategy through financial and non-financial measuring instrument. Performance measurement system can be the controlling instrument of an organization. There are some objectives on the performance measurement in public sector, as follows:

1. To help performance improvement of the government in order to focus on purpose and goals in working unit program. After all, it will improve efficiency and effectiveness of public sector organization on giving public services.
2. Performance measurement of public sector will be used to allocate resources and make a decision.
3. To generate public responsibility and improve institutional communication.

The cycle of performance measurement on public sector organization in Indonesia is done by these five stages, as follows:

Figure 4. 2 The Cycle of Performance Measurement Process



Source: Adapted from (LAN & BPKP 2000)





### 1. Strategic planning

Performance measurement cycle begins with the process of scheme arrangement which is related to the establishment of vision, mission, purpose, goal, operational program and action/activity.

### 2. The establishment of performance indicators

The process of performance indicators establishment is done after the formulation of strategy. Performance indicators should fulfil some criteria, as follows:

- a) Specific
- b) Measurable
- c) Attainable
- d) Time bound
- e) Traceable

### 3. Data measurement system development

This stage consists of three steps, as follows:

- a) Convincing the existence of data needed within performance measurement cycle.
- b) Measuring performance using existing data and collected data.
- c) The use of measurement data which are collected should be presented in understandable and helpful ways.

### 4. Performance measurement improvement

In this stage, it is necessary to think that the rethinking of indicators of outcomes and impacts are more important compared with the rethinking of indicators of inputs and outputs

### 5. Integration with management process





This stage is about a challenge to apply the existing performance measurement effectively. The use of organization data can be the instrument to motivate action/activity within organization.

On doing performance measurement, accurate and reliable as well as on time information about the performance is needed. Information which is needed to do performance measurement is financial and non-financial information. Financial information is measured based on the budget that has been prepared. Supported documents for financial information are documents of Budget Implementation Registration Form (DIPA) and documents of Work and Budget Planning of Ministry/Agency (RKA-KL). Besides, performance measurement is also supported by non-financial information that is expected to increase trust toward quality of the management controlling process. Non-financial target or performance target is listed on the document of Performance Agreement that is prepared in the beginning of the year. This document is agreed by the head of organization unit and its direct leader.

DGH has performance measurement instrument called e-monitoring that is used to measure the achievement of each performance target and budget.

This instrument is an integrated system. Moreover, it is also coordinated by the Ministry of Public Works and Housing. The officer who managed Accountability and Performance System of Government Institutions in the period of 2005-2009 mentioned that:

*"Adanya e-monitoring sangat membantu proses pengukuran kinerja. E-monitoring menjadi alat pengukuran kinerja sejak tahun 2009. Sebelumnya kita sangat kesulitan dalam mengukur kinerja DGH, mengingat DGH mengelola jaringan jalan nasional seluruh Indonesia. Untuk melakukan perhitungan secara manual, membutuhkan sumber*





daya waktu dan tenaga yang amat sangat besar. Sejak adanya e-monitoring details target dan realisasi kinerja dapat diperoleh dalam waktu yang singkat dan lebih akurat karena merupakan sistem jaringan online. (P3)

"The existence of e-monitoring is very helpful in performance measurement process. E-monitoring has become measurement instrument since 2009. In the past, we got a difficulty to measure the performance of DGH, considering that DGH managed national road network in Indonesia. There were much time and energy needed to do the measurement manually. Since the existence of e-monitoring, details of the target and performance realization can be obtained shortly and accurately. It is because e-monitoring is an online network system". (P3)

Each working unit has specific officer (e-monitoring officer) who is responsible for updating e-monitoring data at least once every two weeks. DGH also periodically performs e-monitoring data synchronization every six months.

Through this synchronization, it is expected that valid, accurate, and reliable data can be obtained. The coordinator of e-monitoring in DGH explained that:

"Setiap satuan kerja memiliki 1 petugas emonitoring yang ditetapkan melalui SK resmi. Para petugas e-monitoring harus melakukan update data e-monitoring minimal setiap 2 minggu sekali. Harapannya agar data yang ditampilkan di emonitoring selalu real time dan sesuai dengan kondisi di lapangan. Memang bukanlah hal yang mudah karena data di lapangan sangat dinamis, jadi sering kali ada perbedaan antara data emon dan data di lapangan. Oleh karena itu, kami melakukan sinkronisasi per semester" (P1)

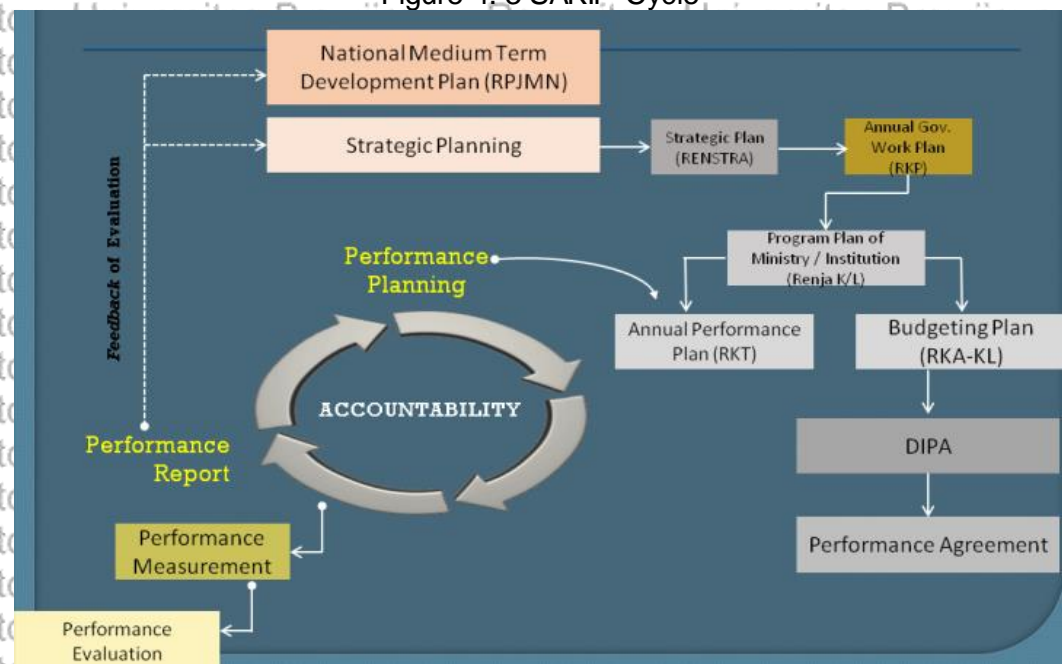
"Every working unit has one e-monitoring officer who is assigned based on the official decree. Each e-monitoring officer should update e-monitoring data at least once every two weeks. It is expected that e-monitoring always displays real time data which are matched the actual condition. It is surely not an easy thing because the actual data are very dynamic. Sometimes, there is a difference between e-monitoring data and actual data. Therefore, we perform synchronization on each semester" (P1)

Performance measurement is the part of Accountability and Performance System of Government Institutions cycle which integrates system



planning, budgeting system, as well as government accounting system. In the Presidential Regulation Number 29 of 2014 about Accountability and Performance System of Government Institutions, it is mentioned that Accountability and Performance System of Government Institutions are systematic series from various activities, instrument, and procedure which are designed for several purposes, namely determination and measurement, data collection, clarification, summation, and performance report within government institutions. The process in the cycle of Accountability and Performance System of Government Institutions is described on the picture below:

Figure 4. 3 SAKIP Cycle



Source : Presidential Regulation Number 29 of 2014

The implementation of Accountability and Performance System of Government Institutions is divided into six stages explained below:

#### 1. Strategic plan

Accountability and Performance System of Government Institutions cycle begins with National Medium Term Development Plan that is used





as the parameters to organize strategic plan in the ministry/institution.

Strategic plan is a planning document of government institutions within the five-year period. This strategic plan becomes planning document to direct the implementation of program and action as well as the principle in organizing Accountability and Performance System of Government Institutions.

## 2. Performance agreement

Performance agreement is a document which lists the assignment from the higher head of institutions toward the head of institution underneath to perform program/action based on performance indicator. Performance agreement consists of not only assignment agreement but also strategic plan, performance indicator, and agreed target that has to be done within one year. Moreover, this document also comprises budgeting plan for program and action that support the achievement of strategic plan.

## 3. Performance measurement

Performance measurement is a step to compare performance realization with performance target listed on the document of performance agreement which is aimed to implement National State Budget/Regional State Budget of the year.

## 4. Performance management

Performance management is the process of registration, administration, and performance data saving as well as the report of performance data. Performance data management considers the need of government institutions as managerial needs, financial statements which is proceed from accounting and statistics system of government.





## 5. Performance report

Performance report is a process of organizing and presenting the report toward work performance achieved based on budget strengthening that

has been allocated. This performance report consists of Quarterly Performance Report and Annual Performance Report. Annual

Performance Report lists at least strategic planning, strategic goal achievement of government institution, realization of strategic goal achievement, and deep explanation over performance achievement.

## 6. Performance evaluation

Reviewing is a step to make sure reliability of the information which will be presented to the director. This review is performed by the officer of

internal government supervision. The result of review is in the form of statement letter that has been reviewed and signed by the officer of

internal government supervision. Meanwhile, performance evaluation is an assessment that is aimed to implement Accountability and Performance System of Government Institutions.

Organization performance measurement done by DGH is divided into two forms of measurement, namely quarterly performance measurement and annual performance measurement. Quarterly performance measurement is done once every three months. The result of this performance measurement is reported in the form of quarterly performance report. Meanwhile, annual performance measurement is done in the end of budget year. The result of this performance measurement is reported in the form of annual performance report.





The officer who managed Accountability and Performance System of Government Institutions of DGH in the period of 2010-2014 explained that:

*"Pada awalnya pengukuran kinerja hanya dilakukan setiap akhir tahun. Namun, sejak tahun 2013, pengukuran kinerja juga dilakukan setiap triwulanan. Proses perubahannya bertahap, pada awalnya hanya unit kerja eselon I yang wajib melakukan pengukuran kinerja interm. Namun sejak tahun 2015, seluruh entitas akuntabilitas wajib melakukan pengukuran kinerja triwulanan dan tahunan. Hasil dari pengukuran kinerja interm dan tahunan harus dilaporkan dalam bentuk laporan kinerja. Tujuan dari pelaporan interim ini untuk mendeteksi permasalahan lebih dini, sehingga dapat segera dicari solusinya. Jika permasalahan segera diatasi diharapkan di akhir tahun semua target kinerja dan anggaran dapat tercapai."* (P2)

*"Firstly, performance measurement was only performed annually. However, since 2013, performance measurement was also performed quarterly. The changing process was done step by step. At first, it was only working unit of echelon I that was responsible to perform quarterly performance measurement. However, since 2015, all of accountability entities were required to do quarterly performance measurement and annual performance measurement. The result of quarterly performance measurement and annual performance measurement should be reported in the form of performance report. The objective of quarterly report was to detect problems earlier. Therefore, the solution would be found out. All performance and budgeting targets will be achieved if the problems are solved."* (P2)

The organization of Accountability and Performance System of Government Institutions within DGH is hierarchically performed by performance accountability entities. The spearhead of performance measurement within DGH is the measurement done by working unit on each region. Every working unit reports its performance toward National Highway Construction Agency (BBPJN/BPJN). Then, National Highway Construction Agency will report its performance toward working unit of Echelon I. This report will be performance report of DGH. The officer who managed Accountability and Performance





System of Government Institutions of DGH in the period of 2010-2014 explained that:

*"DGH melakukan pengukuran kinerja secara berjenjang. Kami sebagai pengelola SAKIP di tingkat eselon I berkoordinasi dengan BBPJJN/BPJN untuk melakukan pengukuran kinerja. Sementara itu, BBPJJN/BPJN bertanggung jawab penuh terhadap pengukuran kinerja yang dilakukan oleh satuan kerja di bawahnya. Mereka membimbing dan memantau pengukuran kinerja yang dilakukan oleh satuan kerja di setiap daerah."* (P2)

"DGH did performance measurement hierarchically. As the administrator of Accountability and Performance System of Government Institutions in the working unit of echelon I, we made coordination with National Highway Construction Agency to do performance measurement. Besides, National Highway Construction Agency was fully responsible toward performance measurement done by working unit underneath. They assisted and controlled performance measurement done by working unit on each region." (P2)

Several hierarchical levels of Accountability and Performance System of Government Institutions organization within DGH are listed below:

1. Performance Accountability Entity of Working Unit

DGH has 203 working units formed from physical and non-physical working units spreading along Indonesia.

2. Performance Accountability Entity of National Highway Construction Agency

National Highway Construction Agency is an accountability entity that has a role as the coordinator. Its role is to organize working unit of Accountability and Performance System of Government Institutions located in the related areas. Based on the Regulation of Minister of Public Works and Housing Number 20 of 2016, DGH has several National Highway Construction Agencies, as follows:

- a) National Highway Construction Agency (BBPJN) type A, 3 agencies





b) National Highway Construction Agency (BBPJJN) type B, 5 agencies

c) Road Development Agency (BPJJN) type A, 6 agencies

d) Road Development Agency (BPJJN) type B, 10 agencies

### 3. Performance Accountability Entity of Directorate General of Highways

The last stage on the cycle of Accountability and Performance System of Government Institutions is evaluation and reviewing process. The implementation of Accountability and Performance System of Government Institutions within DGH is reviewed and evaluated based on the Regulation of the Minister of Empowerment of State Apparatus and Bureaucracy Reform Number 12 of 2015 about Evaluation Guidelines over Accountability System of Government Institutions. The Ministry of Public Works and Housing itself has developed policy that becomes the principle to review and evaluate Accountability and Performance System of Government Institutions within the Ministry of Public Works and Housing through the Regulation of the Minister Number 09/PRT/M/2012 about Guidelines to the Evaluation of Accountability Report of Accountability and Performance System of Government Institutions in the area of the Ministry of Public Works and Housing. Generally, the objectives of evaluation over the implementation of Accountability and Performance System of Government Institutions are:

1. Obtaining information about the implementation of Accountability and Performance System of Government Institutions.
2. Assessing implementation level of Accountability and Performance System of Government Institutions.
3. Giving suggestion to increase the implementation of Accountability and Performance System of Government Institutions.





4. Monitoring the follow-up of result generated from the evaluation of the previous period.

The process of Accountability and Performance System of Government Institutions done by DGH is evaluated by the Inspectorate General of the Ministry of Public Works and Housing (known as Itjen) as the agent of internal supervision in the Ministry of Public Works and Housing. The Inspectorate General has performed evaluation toward all working units of echelon 1 in the Ministry of Public Works and Housing since 2010. However, evaluation done in the past was done generally. There were no specific criteria or rating for evaluation result. The officer who managed Accountability and Performance System of Government Institutions of DGH explained that:

*"Setiap tahun pelaksanaan SAKIP dievaluasi oleh Inspektorat Jenderal. Hal ini sudah berlangsung sejak tahun 2010. Namun awalnya hanya evaluasi umum, belum ada kriteria yang pasti dan jelas. Sejak diterbitkan Permen PU 09/PRT/M/2012, Inspektorat Jenderal melakukan evaluasi sesuai kriteria yang dicantumkan dalam Permen tersebut. Hasil evaluasi dilaporkan dalam Laporan Hasil Evaluasi dan dilakukan peringkat berdasarkan nilai evaluasi."*

"The implementation of Accountability and Performance System of Government Institutions is evaluated by the Inspectorate General every year. However, the evaluation in the past was done generally. There were no definite and clear criteria. Since the Regulation of Minister of Public Works and Housing Number 09/PRT/M/2012 published, the Inspectorate General performed the evaluation based on the criteria listed on that minister's regulation. The result was reported in the Report of Evaluation Result. Moreover, the results were rated based on the evaluation value."

Based on the Regulation of the Minister of Empowerment of State Apparatus and Bureaucracy Reform Number 12 of 2015, the evaluation toward Accountability and Performance System of Government Institutions is the result



from objective facts obtained from government agency on performing its performance planning, performance measurement, performance reporting, performance evaluation, and performance achievement. The value of each component and sub-component can be seen in the table below:

Table 4. 2 Value of SAKIP Evaluation

No	Component	Percentage	Sub-component
1	Performance Planning	30%	a Strategic Plan (10%), Including: Fulfillment of Strategic Plan (2%), Quality of Strategic Plan (5%) and Implementation of Strategic Plan (3%)
			b Annual Performance Planning (20%), including: Fulfillment of Annual Performance Planning (4%), Quality of Annual Performance Planning (10%) and Implementation of Annual Performance Planning (6%).
2	Performance Measurement	25%	a Fulfillment of Measurement (5%)
			b Quality of Measurement (12.5%)
			c Implementation of Measurement (7.5%)
3	Performance Reporting	15%	a Fulfillment of Reporting (3%)
			b Quality of Reporting (7.5%)
			c Utilization of Reporting (4.5%)
4	Internal Evaluation	10%	a Fulfillment of Evaluation (2%)
			b Quality of Evaluation (5%)
			c Utilization of Evaluation Result (3%)
5	Performance Achievement	20%	a Reported Performance (output) (5%)
			b Reported Performance (outcome) (10%)
			c Current Year Performance (benchmark) (5%)

Source: Regulation of the Minister of Empowerment of State Apparatus and Bureaucracy Reform Number 12 of 2015





To decide accountability rate of government agencies, the accumulation toward components above should be done. Final score from the calculation above is divided with the categories below:

Table 4. 3 Categories of Final Score of SAKIP Evaluation

No	Category	Score	Interpretation
1	AA	>90-100	<b>Outstanding</b>
2	A	>80-90	<b>Very Satisfactory</b> , Leading change, high performance, and very accountable
3	BB	>70-80	<b>Very Good</b> , accountable, good performance, having reliable performance management system.
4	B	>60-70	<b>Good</b> , good performance accountability, having performance management system, need little improvement
5	CC	>50-60	<b>Fairly Good</b> , fairly good performance accountability, having a system which is able to produce performance information to support accountability, need a lots of non-fundamental improvement.
6	C	>30-50	<b>Poor</b> , system and organization are nearly reliable, having a system for performance management, need lots of minor and major improvement.
7	D	>0-30	<b>Very Poor</b> , system and organization are not reliable to support performance management, need lots of fundamental improvement.

Source: Regulation of the Minister of Empowerment of State Apparatus and Bureaucracy Reform Number 12 of 2015

On assessing the implementation of Accountability and Performance System of Government Institutions toward working units of echelon I, the Inspectorate General does not evaluate internal evaluation component as mentioned in the fourth point of the table. It is stated in the evaluation worksheet that the assessment toward internal evaluation component is only done in the ministerial/institutional level as mentioned in the Regulation of the Minister of Empowerment of State Apparatus and Bureaucracy Reform Number 12 of 2015.

The table below shows the score obtained from the implementation of





Accountability and Performance System of Government Institutions within DGH over the recent three years:

Table 4. 4 DGH's SAKIP Evaluation Score

Year	Performance Planning	Performance Measurement	Performance Reporting	Performance Achievement	Total Score	Score Category
2016	80.86	81.25	68.89	67.29	75.96	BB
2015	82.17	82.50	63.25	62.50	75.17	BB
2014	73.66	80.00	81.47	55.20	72.62	BB

Source : Summarized by Author

The officer who managed Accountability and Performance System of Government Institutions of DGH explained that:

*"Dalam melakukan evaluasi terhadap implementasi SAKIP, Inspektorat Jenderal selalu melakukan wawancara mendalam terhadap pengelola SAKIP. Tahapan berikutnya adalah diskusi panel dari temuan-temuan dalam evaluasi. Terakhir adalah penerbitan laporan hasil evaluasi. Dalam 3 tahun terakhir nilai evaluasi DGH masih dalam kategori BB, peningkatan nilai ada setiap tahunnya walaupun tidak begitu besar."* (P4)

"On performing evaluation toward the implementation of Accountability and Performance System of Government Institutions, the Inspectorate General always holds thorough interview toward the administrator of Accountability and Performance System of Government Institutions. The next stage is panel discussion from the findings of evaluation. The last is to publish the report of evaluation result. In recent three years, evaluation score of DGH were still in the category BB. There was improvement in every year although it was not really significant." (P4)

#### 4.1.2 The Challenges of Performance Measurement System

When viewed from SAKIP implementation evaluation result value, the quality of performance measurement in DGH has improved from year to year. Nevertheless, an inadequate increase in value indicates the obstacles experienced by DGH in implementing performance measurement. In the field study, there are several factors that challenged DGH in implementing





performance measurement in particular and SAKIP in general. The challenges faced are as follows:

#### 4.1.2.1 Technical Factor

One of technical challenges found in the observation field is determination of performance indicator. In the performance measurement cycle, there is a process called the determination of performance indicators. In interviews and field observations, it is found that performance indicators have been a constant problem since the beginning of SAKIP implementation. This is explained by the information provided by the informant as follows:

*"Di awal masa penyusunan LAKIP (Laporan Kinerja), kita mengalami kesulitan yang besar dalam mencari data realisasi maupun target kinerja. Hal ini dikarenakan indikator capaian untuk kinerja saat itu berbeda dengan indikator capaian untuk keuangan." (P3)*

"At the beginning of the LAKIP (performance report) compilation preparation period, we have great difficulty in finding realization data as well as performance targets. This is because the target indicators for performance at that moment are different from the performance indicators for finance." (P3)

However, as time goes by, improvements are made in the determination of performance indicators. Improvements can be seen from the integrated performance target indicators and financial performance indicators. In addition, in determining the performance indicators, DGH always coordinates with the work units below it. It is in line with the information provided by interviewee as follows:

*"Saat ini, indikator kinerja sudah cukup baik (dibandingkan tahun-tahun sebelumnya). Indikator untuk mengukur capaian kinerja sudah sama dengan indikator untuk capaian keuangan. Badan yang menangani perencanaan saat ini nampaknya juga sudah berkoordinasi dengan baik badan yang menangani keuangan." (P3)*





"Currently, the performance indicators are good enough (compared to previous years). Indicators to measure performance outcomes are similar to indicators for financial performance. The agency handling the current plan seems to have also well coordinated with financial management bodies." (P3)

In addition, there is another statement mentioned by an informant, as follows:

*"Kami (perencana di DGH) menetapkan indikator kinerja setiap 5 tahunan, sesuai dengan tahun penerbitan RENSTRA. Masukan dari bawah selalu kami tampung. Kami pun juga selalu melakukan review (terhadap indikator kinerja) di rentang waktu masa implementasi RENSTRA."* (P6)

"We (planners at DGH) set performance indicators every 5 years, according to the year of RENSTRA issuance. Inputs from the bottom are always accommodated. We also always conduct a review (on performance indicators) in the RENSTRA implementation period." (P6)

Nevertheless, despite improvements in the determination of performance indicators had been made, some problems remain happened. The problem of performance indicator in DGH became the findings of the Inspectorate General when evaluating the implementation of SAKIP in DGH Fiscal Year 2016. Through letter Number KJ.0601-IJ./987 dated March 24, 2017 about Implementation Evaluation Result Report SAKIP DGH Fiscal Year 2016 on point 4.a.1, which states that the program performance indicators do not represent the national scale. Meanwhile, point 4.a.2 also mentioned that there are 2 indicators of program performance that are less related to the strategic objectives of DGH. This phenomenon is further explained by an informant with the following information:

*"Terkait dengan hasil evaluasi Inspektorat Jenderal akan segera kami tindak lanjuti. Dalam review RENSTRA yang akan dilaksanakan tahun depan (2018) akan terdapat indikator kinerja yang dihapus dan diperbarui."* (P6)





"In relation to the evaluation results of the Inspectorate General, we will immediately follow it up. In the RENSTRA review to be implemented next year (2018), there will be performance indicators that are deleted and updated." (P6)

Determining performance indicators is not an easy thing. There are several criteria that must be met to determine the performance indicators, namely: specific, measurable, attainable, time bound, and track able. Some of the problems in setting performance indicators are explained by several interviewees as follows:

"Menetapkan indikator kinerja itu tidak mudah. Kita (DGH) harus mencari indikator kinerja yang pengukurannya tidak bias dengan kinerja instansi lain. Jangankan instansi/ kementerian lain, untuk menentukan indikator kinerja yang tidak bias dengan unit kerja lain di lingkungan Kemen. PU-Pera saja sudah sangat susah." (P4)

"Determining performance indicators is not easy. We (DGH) should look for performance indicators whose measurements are not biased with the performance of other agencies. Not only with other agencies/ministries, to determine performance indicators that are not biased with other work units within the Ministry of Public Works and Housing (MPWH) has already been very difficult." (P4)

"Kami (perencana DGH) sering kali menerima masukan indikator kinerja baru dari BBPJJN/BPJN. Namun, ketika diminta cara pengukuran yang jelas, mereka belum bisa menjelaskan." (P6)

"We (DGH planners) often receive new performance indicator input from BBPJJN / BPJJN. However, when they are asked for a clear measurement method, they have not been able to explain." (P6)

"Terdapat beberapa pertimbangan pimpinan dalam menentukan indikator kinerja. Salah satunya possibility tercapainya indikator kinerja tersebut. Memang ada sedikit unsur politik, tentunya mereka tidak mau menetapkan suatu indikator kinerja yang nantinya sulit/tidak dapat dicapai (oleh mereka)." (P3)





"There are several leadership considerations in determining performance indicators. One of them is the possibility of achieving the performance indicators. Indeed there is little political issue, they certainly do not want to set a performance indicator that will be difficult / cannot be achieved (by them)." (P3)

Basically the problem of performance indicator has been a recurring problem since 2010. This is not only happening at the echelon I level, but also the evaluation result of PAN and RB Ministry on the implementation of SAKIP in MPWHS. Some recommendations from PAN-RB Ministry against the determination of performance indicators in MPWH, are as following:

1. Improve the formulation of targets and performance indicators in the planning document so as to better describe the results.
2. Perform periodic reviews of key performance indicators
3. Improve the filling out of action plans for performance by selecting target-oriented work units and SMART performance indicators

The phenomenon is also explained by the manager of SAKIP PU-PERA Ministry in the coaching material with the following statements:

*"Penyempurnaan rumusan dan indikator kinerja menjadi rekomendasi yang berulang setiap tahun sejak SAKIP 2010. Tidak tepatnya indikator kinerja berdampak pula pada Rencana aksi yang sudah dikembangkan."*

"Fixing of performance formula and indicator become recurring recommendation every year since SAKIP 2010. Not appropriate performance indicator also has effects on action plan which have been developed."



#### 4.1.2.2 Involvement

Based on interview session and the field observation, there 2(two) factors that can be challenges in the use of performance measurement system in Directorate of Highways, Republic of Indonesia. The factors are the lack of leadership commitment and human resource factor.

##### 4.1.2.2.1 Leadership Commitment

In the field interview session, it was found a problem related to the leadership commitment of SAKIP. The leader's commitment has been a core issue since the early years of SAKIP implementation. This is supported by the statement of SAKIP DGH officer from 2005 to 2009, stating that:

*"Sekitar tahun 2005-2009 adalah masa-masa yang sangat sulit dalam implementasi SAKIP. Bahkan dapat dikatakan bahwa belum ada pelaksanaan SAKIP yang sesungguhnya. Unit kerja hanya sekedar menyusun laporan kinerja untuk menggugurkan kewajiban" (P3)*

"Around 2005-2009 was a very difficult time in implementing SAKIP. It can even be said that there has not been any real SAKIP implementation yet. The working unit is simply preparing a performance report to abort the obligation." (P3)

This is in line with the statement of SAKIP 2009-2014 management which states that:

*"Jaman dulu, para pimpinan unit kerja bahkan tidak tahu apa itu SAKIP. Hanya sekedar tanda tangan laporan, yang bahkan mungkin mereka tidak tahu apa isi di dalamnya." (P2)*

"In the previous period, the leaders of the working unit did not even know what SAKIP was. Just a signature of the report, which they may not even know what is inside it." (P2)





Leadership commitment is considered to be important in creating working climate and employee motivation. This is explained by the interviewee with the following statement:

*"Kalau komitmen atasan tinggi pastinya pegawai akan lebih fokus kerjanya. Ilustrasinya misalnya seorang atasan sedang berkomitmen mengerjakan target tertentu, tentu saja staf-staf di bawahnya akan bekerja keras pula agar target tersebut tercapai."* (P3)

"If the leaders have high commitment, employee certainly will be more focused on working. The Illustration is as following: if a supervisor is committed to a specific target, of course all of the staff under him/her will work hard also to achieve the target." (P3)

This is supported by the statement of other informant, who said:

*"Kalau bosnya nggak peduli dengan pengukuran kinerja, apalagi stafnya."* (P2)

"If the boss does not care about performance measurement, then his staff will be the same." (P2)

Lack of leadership commitment causes not optimal on utilizing performance measurement results. In the SAKIP cycle, it is mentioned that the evaluation results from the previous year's performance measurement should ideally be feedback for planning in the following year. However, this can be said not done by DGH. This is mentioned in the recommendation of the Inspectorate General of MPWH related to the implementation of SAKIP DGH of Fiscal Year 2016. Through letter Number Kj. 0601-lj / 987 dated March 24, 2017 on Implementation Evaluation Result Report of SAKIP DGH of Fiscal Year 2016 at point 4.e, it is mentioned that DGH needs to follow up on monitoring performance target achievement result of echelon III and IV. This fact is also supported by explanation of informant as follows:





*"Mungkin hingga detik ini, saran-saran perbaikan yang ditulis di laporan kinerja belum yang menjadi dasar perencanaan kita." (P4)*

"Probably up until this moment, the improvement suggestions written in performance reports have not been the basis of our planning." (P4)

*"Melakukan pengukuran kinerja bukan hal yang mudah, menyusun laporannya pun hingga butuh tenaga dan waktu yang tidak sedikit. Namun sangat disayangkan, kita belum mampu memanfaatkannya secara optimal untuk perencanaan kita." (P2)*

"Executing performance measurement is not an easy thing, preparing the report needs lot of energy and time. But unfortunately, we have not been able to utilize it optimally for our planning." (P2)

The low commitment of the leader to the implementation of SAKIP generally occurs because of the assumption that performance achievement is not more important than budget achievement. In addition, there is no reward and punishment system for high or low performance achievement. This condition is explained by 2 (two) informants which states as follows:

*"Sejak era pemerintahan SBY, pemerintahan sudah mulai concern terhadap kinerja. Namun, tetap saja yang menjadi ukuran keberhasilan suatu unit kerja adalah capaian keuangan bukan capaian kinerja." (P3)*

"Since the era of SBY government, the government has started to concern about performance. However, the success parameter of a working unit is still the financial achievement, not performance achievement." (P3)

Other sources explained that:

*"Mungkin kalau ada sistem reward dan punishment seperti pada proses pengukuran anggaran, para atasan akan lebih concern lagi terhadap SAKIP. Namun, belum ada payung hukum nya, kriteria pemberian reward dan punishment juga belum tersedia. (P4)"*

"Perhaps if there is a reward and punishment system as in the process of budget measurement, the leader will be more concerned again with





SAKIP. However, there is no legal basis, also reward and punishment criteria are not available yet. " (P4)

Facts related to the absence of reward and punishment system in DGH also become the findings on the SAKIP Evaluation Result Report 2016 conducted by Inspectorate General of MPWH. By letter number KJ. 0601-lj/ 987 dated March 24, 2017 on Implementation Evaluation Result Report of SAKIP DGH Fiscal Year 2016 at point 4.c, the Inspectorate General recommended DGH to perform reward and punishment analysis on performance measurement result with clear criteria.

But on the other hand, the facts in the field study mentioned that the level of commitment and concern of the leader on performance measurement is increasing from year to year. This is supported by the growing concern of the government towards the performance measurement shown through:

1. Increasing number of regulations emphasizing performance measurement and implementation of SAKIP.
2. The obligation of financial reporting to be accompanied by performance reports of each work unit.
3. Support agencies that act as government supervisors, such as BPK and KPK.

This condition is explained by some interviewee as follows:

*"Saat ini para atasan sudah banyak yang tahu tentang SAKIP, karena semakin banyak peraturan tentang SAKIP. Di samping itu, audit yang dilakukan oleh BPK ataupun inspeksi yang dilakukan oleh KPK sering kali memeriksa laporan kinerja unit kerja." (P4)*





"Currently, many supervisors have already known about SAKIP, because more and more regulations on SAKIP have been made. In addition, audits conducted by BPK or inspections conducted by the KPK often check the performance report of the work unit." (P4)

*"Sekarang komitmen atasan terhadap SAKIP sudah beda jauh (dengan masa lalu). Hal ini sangat memudahkan staf dalam melakukan pengukuran kinerja dan tentunya juga memotivasi staf untuk melaksanakan tugasnya dengan lebih baik."* (P3)

"Now the boss's commitment to SAKIP is far different (with the past). This greatly facilitates the staff in performing performance measurement and of course also motivates the staff to perform their duties better." (P3)

*"Laporan kinerja saat telah menjadi lampiran dari Laporan Keuangan, jadi dalam menyusun Laporan Kinerja sudah tidak bisa main-main. Setiap angka dan penjelasan harus benar-benar mampu dipertanggung jawabkan."* (P2)

"Performance report has become an attachment of the Financial Report, so in preparing the Performance Report, it should be seriously done. Each number and explanation must be fully accountable." (P2)

In addition, the socialization and guidance done by SAKIP DGH management to the working units below also enhances the knowledge and concern of the supervisor regarding performance measurement and the implementation of SAKIP. This is explained by the informant with the statement, as follows:

*"Setiap terbitnya peraturan baru mengenai SAKIP, kami (pengelola SAKIP DGH) selalu melakukan sosialisasi kepada BBPJN/BPJN. Hingga saat ini kami juga terus berkoordinasi dengan BBPJN/BPJN terkait dengan pengukuran kinerja. Sekitar 3 (tiga) atau 4 (empat) tahun yang lalu, kami melakukan pembinaan langsung kepada satuan kerja untuk memberikan pemahaman mengenai SAKIP. Dengan semakin meningkatnya pemahaman satuan kerja mengenai SAKIP, saat ini kami tidak lagi bersentuhan langsung dengan satuan kerja, cukup berkoordinasi dengan BBPJN/BPJN saja."* (P4)

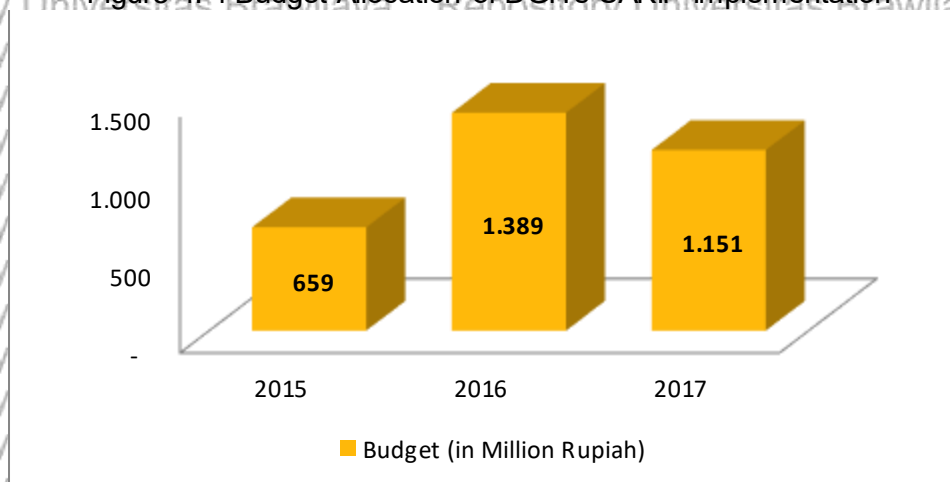




"Every new regulation issued regarding SAKIP, we (SAKIP DGH management) always socialize to BBPJJN / BPJJN. Until now we also continue to coordinate with BBPJJN / BPJJN related to performance measurement. Around 3 (three) or 4 (four) years ago, we conducted direct guidance to the work unit to provide an understanding of SAKIP. With the increasing understanding of the working unit on SAKIP, we are no longer in direct contact with the working unit, we only coordinate with BBPJJN / BPJJN." (P4)

Increased commitment and concern of superiors to the implementation of SAKIP is also shown by increasing budget allocation aimed at doing Performance measurement at DGH. The budget allocation for the implementation of SAKIP DGH in the last 3 years (2015-2017) can be explained through the following figure:

Figure 4. 4 Budget Allocation of DGH's SAKIP Implementation



Source : e-monitoring MPWH

#### 4.1.2.2.2 Human Resources

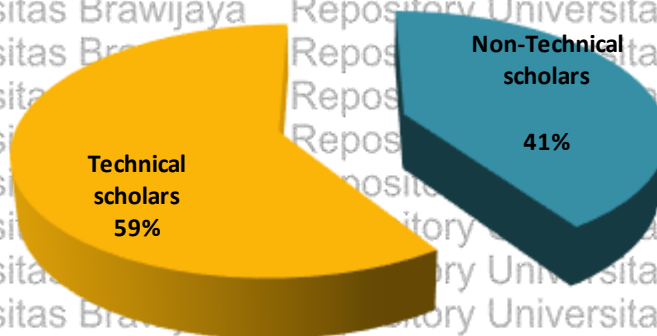
Human resources (HR) are an integrated ability of the thought power and physical power owned by individuals. HR is a central factor in the management of an HR organization to drive the organization's business in achieving and realizing the goals and objectives set. Therefore, the productivity



of the organization is determined by the human resource productivity.

In the field finding, it was found the fact that is human resources in DGH, dominated by engineering staff. This is in accordance with the character of DGH as a technical working unit under MPWH which handles the construction of road infrastructure. The dominance of the engineer work can be shown through the following diagram:

Figure 4. 5 Proportion of HR in DGH



Source: HR Database of DGH

Based on the DGH employment database, it can be seen that the number of civil servants (ASN) in DGH as of January 2017 is 7,763 employees. Of the total number of employees, there are 3,777 employees who have studied strata-1 or undergraduate. A total of 2,241 employees, or about 59% of employees who have completed a bachelor's degree are technical or engineer, the remainder are non-technical graduates. The educational background of human resources in





DGH, seems to have an effect on employee work patterns, including in performing performance measurement obligations. This is explained by one of the informants with the following statement:

*"Kemen.PU-PERA ini adalah kementerian teknis. Sebagian besar pegawainya adalah engineer. Mereka terbiasa kerja di lapangan, mengurus hal-hal yang bersifat teknis. Ketika dihadapkan pada kegiatan administratif, seperti pengukuran kinerja nampaknya mereka seperti kurang tertantang dan kurang tertarik." (P3)*

"MPWH is a technical ministry. Most of the employees are engineers. They are accustomed to working in the field, taking care of technical matters. When faced with administrative activities, such as performance measures, they appear to be less challenged and less interested." (P3)

Educational background issues have been fundamentally handled by SAKIP DGH managers through coaching and training on SAKIP. The HR managing SAKIP can now be said to be quite qualified and compatible. However, the problem that arises is the rotation of employees that very often occur in public sector organizations, such as DGH. This is explained by informants with the following statement:

*"Soal kualitas pegawai sebenarnya bukanlah permasalahan. Kami (pengelola SAKIP DGH) sudah bekerja keras dalam beberapa tahun terakhir, untuk melakukan pembinaan hingga unit satuan kerja. Namun, permasalahan yang sering kali muncul, petugas pengelola SAKIP sering berganti, padahal petugas yang sebelumnya sudah sangat kompeten. Sering kali, kami (pengelola SAKIP DGH) harus bekerja keras lagi untuk mengajarkan konsep pengukuran kinerja dari nol kepada petugas baru." (P2)*

"The quality of employees is not really a problem. We (SAKIP DGH managers) have worked hard in recent years, to coach up and handle working units. However, the problems that often arise, i.e. SAKIP management officers often change, and they are officers who had been very competent. Often, we must work hard again to teach the concept of performance measurements from the zero level to new officers." (P2)





*"Sering kali, banyak waktu yang terbang hanya untuk mengajarkan lagi SAKIP kepada para petugas baru. Namun, rotasi pegawai memang bukan hal yang bisa dihindari." (P5)*

*"Often, much time is wasted just to teach SAKIP again to new officers. However, the rotation of employees is not something that can be avoided." (P5)*

Another problem that arises related to human resources in DGH is the problem of the limited number of employee. This is considered to affect the performance measurement process, in accordance with the following informant description:

*"Idealnya dalam 1 (satu) satuan kerja terdapat 1 (satu) staf khusus yang menangani pengukuran kinerja. Namun, kenyataannya banyak sekali petugas (staf) yang merangkap jabatan. Kinerja mereka jadi overload, sehingga dalam melakukan pengukuran dan pelaporan kinerja cenderung 'seadanya' (kurang maksimal)." (P4)*

*"Ideally within 1 (one) working unit there is 1 (one) special staff that handles performance measurement. However, in reality there are many officers (staff) who have double duties/position. Their duties is so overloaded, therefore in measuring and reporting performance tends to 'roughing' (less than maximum)." (P4)*

*"Kalau sudah akhir tahun, pekerjaan 1 orang bisa ketumpuk-tumpuk. Dan tidak jarang pengukuran kinerja menjadi pekerjaan yang di"anak-tiri"kan (tidak menjadi prioritas)." (P5)*

*"If it's the end of the year, one person's work can be stacked. And it is not uncommon for performance measurement to be a "step-child" job (not a priority)." (P5)*

*"Pengukuran kinerja bukanlah sekedar membandingkan target dan realisasi. Kita juga harus cari akar permasalahan untuk indikator kinerja yang nilainya kurang. Di samping itu, juga harus ada rekomendasi untuk kinerja berikutnya. Jika yang mengerjakan kurang fokus (karena rangkap jabatan), pastinya hasilnya tidak optimal." (P3)*









certainly make the staff cannot perform the maximum performance, including in performing performance measurement tasks.

Another fact found during field observations was the lack of incentives for SAKIP managers. Unlike the financial management officers, SAKIP managers do not receive additional incentives in carrying out their work. This is supported by information from several interviewees as follows:

*"Petugas SAKIP tidak ada honorarium khusus, tidak seperti petugas SAI (laporan keuangan)." (P5)*

"SAKIP officers have no special honorarium, unlike SAI officers (financial reports)." (P5)

*"Di dalam Standar Biaya Umum (dasar pengajuan anggaran) belum ada akun yang disediakan untuk honorarium petugas SAKIP. Ini masalah jalur birokrasi, DGH tidak bisa serta merta memberikan honor untuk petugas SAKIP." (P4)*

"In the General Cost Standards (basic budget submission) there is no account provided for honorarium of SAKIP officers. It's a matter of bureaucratic pathway DGH can not necessarily give honorarium to SAKIP officer." (P4)

*"Kalau ada honorarium khusus, bisa jadi petugas SAKIP akan lebih bersemangat" (P2)*

"If there is a special honorarium, it could be that the SAKIP officer will be more excited" (P2)

*"Ini ada kaitannya dengan kepedulian atasan di DGH. Belum ada yang cukup concern untuk memperjuangkan honorarium untuk petugas SAKIP" (P3)*

"It has to do with the concern of the boss (supervisor) at DGH. No one is concerned enough to fight for honorarium for SAKIP officers" (P3)





## 4.2 Discussion

### 4.2.1 The Process of Performance Measurement System

Based on the information gathered through field interview and observation, it is known that performance measurement system in public sector organization applied in Indonesia is called as Accountability and Performance System of Government Institutions (SAKIP). This term has appeared in Indonesia since the Presidential Instruction Number 7 of 1999 about Accountability of Government Institutions was issued. This Presidential Instruction then was renewed into the Presidential Regulation Number 29 of 2014 about Accountability and Performance System of Government Institutions. Nowadays, this Presidential Regulation has become the principle for DGH to implement performance measurement system within its institution. Besides, the Regulation of the Minister of Public Works No. 17/PRT/M/2012 also becomes technical instructions for DGH to organize Accountability and Performance System of Government Institutions within its environment.

DGH has officially done performance measurement which is reported in the official form of performance report since 2005. The cycle of SAKIP applied in DGH can be divided into 6 stages, as follows:

1. Strategic Plan;
2. Performance agreement;
3. Performance measurement;
4. Performance management;
5. Performance report;
6. Performance evaluation.





Performance measurement process in DGH is done hierarchically, starting from the level of working unit to the working unit of echelon 1. Each accountability entity within DGH is obliged to report the result of its performance measurement into quarterly performance report. Moreover, in the end of the year, all accountability entities should report measurement results of annual performance in the form of Report on Accountability and Performance of Government Institutions (known as LAKIP).

#### 4.2.2 The Challenges of Performance Measurement System

For more than one decade, there are some factors that become problems in performance measurement process within DGH. Those factors are listed as follows:

1. Performance indicators;
2. Leadership commitment and;
3. Human resources.

Since the beginning, these three factors become repeated problems within the implementation of SAKIP in DGH. Fryer (2009, p. 488) stated that problems which generally occur in performance measurement of public sector organization can be divided into three, as follows:

1. Technical problem;
2. System;
3. Involvement.

Problems within performance measurement system in DGH can be categorized as follows:



Table 4. 5 Problem of PMS in DGH

No	Class of Problem	Problem in DGH
1	Technical	Performance indicators
2	System	-
3	Involvement	a. Leadership Commitment b. Human Resources

Source: Summarized by author

The first factor that becomes obstacle is technical problem related to indicators and data, data collection process, interpretation and its analysis (Frayer, 2009, p. 488). In the Presidential Regulation Number 29 of 2014, it is stated that performance indicators should have some characteristics which are: 1) specific; 2) measurable; 3) attainable; 4) time bound; 5) traceable. Determining specific and measureable performance indicators are the problems that happen in DGH within the establishment process of performance indicators. To form performance indicators which are not biased and influenced by performance of other institutions are not easy. Moreover, the problem is also to establish measurable performance indicators. Based on the research done by Van de Walle (2008), it is explained that dilemma to establish performance indicators is not only the technical problem but also the conceptual problem. It is related to "what is the role of the public sector organization?" and "how is the performance parameter?" Some research suggest the arrangement of frameworks, such as the performance prism (Neely et al., 2001) or the Balanced Scorecard (Kaplan and Norton, 1996) to obtain general overview of measurable organization's performance. Multidimensional views and continuous evaluation that reflect the interests of all stakeholders are needed to obtain good performance indicators (Rouse & Putteril, 2003). Therefore, it is necessary for DGH to implement a method like balance scorecard to establish its performance indicators. Besides,





the enhancements of coordination between institutions/ working units are really needed to establish performance indicators which are not biased or overlapped.

Lack of leadership commitment on implementing performance measurement is the problem that appears since the beginning of the implementation of SAKIP in DGH. In the field findings, it is found out that the board of leaders within DGH begins to put concerns on the implementation of performance measurement system. However, they still have low level of commitments. This problem mainly happens because the assumption that performance measurement is not as important as budgeting measurement.

Low commitment of the leaders often becomes the main problem on the implementation of performance measurement system of public sector in the world. Basically, if the problem related to the leadership commitment can be resolved, other factors that become obstacles will be easily tackled (Thahar, M, 2016, p.110). Based on the research done by Yang (2008, p. 89), it is found out that direct participation of the leaders in performance measurement process can improve transparency and honesty of a performance report (Goh, 2012, p.34)

Moreover, in an organization, commitment of the leaders is very important to build and guarantee performance quality of the organization (Horine, JE and Hailey, W.A, 1995, p.13). Besides, high commitment of the leaders and quality management in which a leader should have ability to develop and improve motivation of the employees to run performance management are needed to build an effective performance management itself (Karuhangga, BN and Werner A, 2011, p.237). An organizational leader should be able to find the best way to manage "system and people" as well as build organizational culture related to





performance measurement (Rose, et al., 2008, p.49). Therefore, systems of reward and punishment as applied in measurement of budgeting achievement are needed to improve commitment of the leaders. This case requires own initiatives of the government agencies/ institutions that coordinate performance measurement system in Indonesia to set legal basis of the implementation of reward and punishment systems related to the result of performance measurement of public sector organization. With the application of reward and punishment systems, the leaders are expected to be more concerned with performance measurement, use the result of performance measurement to improve the organization in the future, and perform performance measurement system not only as the administrative activities to shed the responsibilities.

Other factor that becomes obstacle on the implementation of performance measurement categorized in the problem of stakeholder's involvement is human resources factor. On the implementation of performance measurement within DGH, there is no problem related to the quality and expertise of the employees. However, the problem faced is related to staff motivation and job rotation of the employees.

In the case of motivation of the employees, low commitment of the leaders towards performance measurement system becomes the matter that is strongly related to motivation of the employees. The failure of the leaders to build working culture within their working environment surely influences motivation of the employees. Based on the theory of motivation from Herzberg, a manager can control factors that give working pleasure, which are motivation and working condition. The staff should be involved in the decision-making process, so that





they will have sense of belonging towards performance measurement system.

Training on performance management, role clarity, and assigning responsibility should be instituted, so that all employees are aware of what it entails and what is expected of them during the implementation process (Karuhangga, BN and Werner A, 2011, p. 238). Besides, reward should be given to the employees to improve working motivation. Recently, staff who performs performance measurement in DGH has not been given special incentive as given to the budgeting staff. Therefore, more concerns from the authorized agencies/institutions to arrange law basis related to the allocation of special incentive to performance managers are needed. Efforts of the leaders are also needed to strive the employees' welfare, so that honorarium for the performance staff will soon be provided. Giving incentive is expected to be able to give motivation that can improve the focus and effort of the employees on the implementation of performance measurement.

Job rotation of the employees is something that cannot be avoided in the bureaucratic system in Indonesia. Based on the Civil State Apparatus Act Number 5 of 2015, article 72 states that every qualified civil servant has the same right to be promoted to the higher position. Besides, in the article 73, it is also stated that every civil servant can be rotated in terms of position as well as work location within one central government institution, between central government institutions, within one regional government institution, within interregional government institutions, between central and regional government institutions, and within the representative of Unitary State of the Republic of Indonesia aboard. Promotion and rotation are common practice in government institutions. However, both of them affect the performance measurement process in DGH. The





frequency of job rotation of the employees who have responsibility in performance measurement process is considered high. Besides, currently, there are not so many employees who understand performance measurement deeply. It often causes the performance measurement management have to teach repeatedly about performance measurement to the new employees. Therefore, continuous training and comprehensive socialization for all level of working units within DGH are needed in order to introduce and give information about performance measurement. Moreover, it is necessary to create detailed and clear SOP (standard operational procedure) about performance measurement process, so that technically, the new employees can easily learn performance measurement.

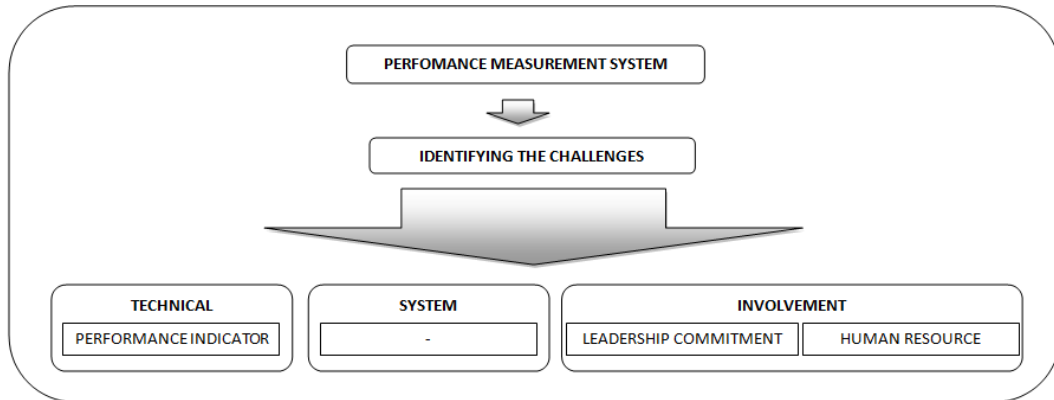
There is no other problem related to the system found on the implementation of performance measurement in DGH. In the beginning of the implementation of performance measurement, problem related to system becomes one of the major problems. However, recently DGH has had integrated and IT-based performance measurement system which is called online e-monitoring. By applying this system, DGH can simplify the process of performance data collection from all working units of DGH in Indonesia.

According to the explanation above, this study attempts to create final conceptual framework of the challenge of performance measurement system. The final conceptual framework is slightly difference with framework described in Figure 2.1. It is due to some problem didn't found in the field observation. This study found that the challenges of performance measurement in Directorate



General of Highways are to resolve technical and involvement problem. The final conceptual framework can be seen as follows:

Figure 4. 7 Final Conceptual Model



Source: summarized by author

The technical challenge is about determining performance indicator. Meanwhile, the involvement challenges are about lack of leadership commitment and human resource matters. In this study, the challenges about system didn't found in this study because DGH have operated measurement tools namely e-monitoring online.





## CHAPTER V

### CONCLUSION AND RECOMMENDATION

#### 5.1 Conclusion

Based on the research that has been conducted and the analysis that has been presented in the previous chapters, the conclusions that can be drawn are as follows:

1. Performance measurement system in public sector in Indonesia is called as Accountability and Performance System of Government Institutions (SAKIP). Directorate General of Highways performs its SAKIP according to Presidential Regulation Number 29 of 2014 about Accountability and Performance System of Government Institutions and the Regulation of the Minister of Public Works Number 17/PRT/M/2012. The cycle of SAKIP applied in DGH can be divided into 6 stages, which are :
  - a. Strategic Plan;
  - b. Performance agreement;
  - c. Performance measurement;
  - d. Performance management;
  - e. Performance report;
  - f. Performance evaluation.
2. The challenge of performance measurement system in Directorate of Highways is to resolve problems occurred in performance measurement process. Those problems occurred are listed as follows:
  - a. Determining performance indicators;
  - b. Lack of Leadership commitment and;





- c. Human resources matters: employee motivation and job rotation.

## 5.2 Recommendation

Based on the conclusions that have been described previously, this study gave the following recommendation for public sector organization in Indonesia and especially for Directorate General of Highways to improve the quality of performance measurement in its environment:

1. To obtain good performance indicators, it is necessary for DGH to implement a method like balance scorecard to establish its performance indicators. Besides, it also need the enhancements of coordination between institutions/ working units to establish performance indicators which are not biased or overlapped.
2. To improve the leadership commitment, it needs to consider the establishment of reward and punishment system as applied in measurement of budgeting achievement. This case requires own initiatives of the government agencies/institutions that coordinate performance measurement system in Indonesia to set legal basis of the implementation of reward and punishment systems related to the result of performance measurement of public sector organization.
3. To improve working motivation of employees, it needs to allocate special incentive to performance managers. To resolve the problem in employee rotation, it needs continuous training and comprehensive socialization for all level of working units. Besides, it is necessary to create detailed and clear SOP (standard operational procedure) about performance measurement





process, so that technically, the new employees can easily learn performance measurement.





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