Performance Management System in Indonesian Customs
Ministry of Finance (MoF) and Bureaucratic Reform

1998
National Reform

2002-2006
National Financial Reform

2007
Bureaucratic Reform

2011
Extensive implementation of BSC in MoF

2014
Improvement of BSC in MoF
Why should we use BSC?

According to Lawonn, Hatch, Descroches in *Scorecard Best Practice* (2008), BSC has been used by 62% institution (based on their survey).

- Increase in Investment leverage ratio on private sector from 9:1 to 41:1
- Increase in new investment past the target set
- During 2008-2011, security costs per 100.000 resident decrease by 6%
- Serious crime decrease by 45%

Success story of BSC across the world
Balanced scorecard in Indonesian Customs

Indonesian customs’s BSC is a strategic management tool to define vision, mission, goals, and strategy using strategy map as the media to visualize.

The basic of aligning strategic planning and executing strategy using BSC.
Main Function of BSC

You Can’t Manage Something That You Can’t Describe

If You Can Measure It, You Can Manage It

Describing strategy

Measuring strategy achievement
Balanced Scorecard as a tool to execute strategy

- **MISSION**
  - Why we exist

- **VALUES**
  - What’s important to us

- **VISION**
  - What we want to be

- **STRATEGY**
  - Our game plan

**Gap Between Strategy & Action**

**STRATEGIC OUTCOMES**

- Satisfied STAKEHOLDERS
- Delighted CUSTOMERS
- Efficient & Effective PROCESSES
- Motivated & Prepared WORKFORCE
Balanced Scorecard as a tool to execute strategy

MISSION
Why we exist

VALUES
What's important to us

VISION
What we want to be

STRATEGY
Our game plan

THE BALANCED SCORECARD
Implementation & Focus

STRATEGIC INITIATIVE
What we need to do

PERSONAL OBJECTIVES
What I need to do

BSC is a Bridge to Close that Gap

STRATEGIC OUTCOMES

Satisfied STAKEHOLDERS
Delighted CUSTOMERS
Efficient & Effective PROCESSES
Motivated & Prepared WORKFORCE
## BSC implementation level in Ministry of Finance

Balanced Scorecard implementation in Ministry of Finance divided into 6 levels

<table>
<thead>
<tr>
<th>Kemenkeu-Wide</th>
<th>Minister and Vice Minister scorecard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kemenkeu-One</td>
<td>Echelon I scorecard</td>
</tr>
<tr>
<td>Kemenkeu-Two</td>
<td>Echelon II scorecard</td>
</tr>
<tr>
<td>Kemenkeu-Three</td>
<td>Echelon III scorecard</td>
</tr>
<tr>
<td>Kemenkeu-Four</td>
<td>Echelon IV scorecard</td>
</tr>
<tr>
<td>Kemenkeu-Five</td>
<td>Assistant of Minister, Advisor, Functional officials, Echelon V, and staff scorecard</td>
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</tbody>
</table>
PERFORMANCE MANAGEMENT CYCLE

ORGANIZATION POLICIES
- Organizational vision, mission, and goals
- Strategic and financial plan (using performance-based-budgeting)

PERFORMANCE PLANS
- Annual KPI Refinement
- Annual performance contract
- Cascading and alignment

MONITORING AND EVALUATION
- Monthly performance meeting on organizational KPI
- Individual performance evaluation
- Organizational performance management evaluation

REWARD & REMUNERATION STRATEGY
- Career plan
- Financial incentive

PERFORMANCE VALUATION
- Annual value of organizational performance
- Annual value of individual performance

PERFORMANCE DEVELOPMENT PLANS
- KPI review
- Workshop
- Training / retraining

PERFORMANCE MANAGEMENT POLICIES

PERFORMANCE DEVELOPMENT

SIKLUS PENGELOLAAN KINERJA
National strategic planning diagram

1. National Vision
2. MoF Strategic Plan
3. Indonesian Customs Strategic Plan
4. Strategy map and KPI
5. Scorecard

BSC position in strategic policies
Indonesian Customs Strategic Planning Diagram

**Vision**
1. MISSION
   1. MISSION
   2. MISSION
   3. MISSION

**Main Function**
1. MAIN FUNCTION
   2. MAIN FUNCTION
   3. MAIN FUNCTION
   4. MAIN FUNCTION
   5. MAIN FUNCTION
   6. MAIN FUNCTION

**Strategic Policies**
- A
- B
- C
- D
- E

**Strategic Target**
- A1
- A2
- A3
- B1
- B2
- B3
- C1
- C2
- D1
- D2
- D3
- E1
- E2
- E3
- E4

**Key Performance Indicators**

**Strategic Initiatives**
Strategy Map

- Describing organization goals from each respective perspective
- Defining strategy visually using several strategic target causally
- Communicating organization strategies easily to every employee in organization
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>“What defines the success from stakeholder?”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>“What organizational needs to meet customer expectation towards organization?”</td>
</tr>
<tr>
<td>Internal Process</td>
<td>“What kind of business process needed to serve stakeholder and customer?”</td>
</tr>
<tr>
<td>Learning and Growth</td>
<td>“What kind of internal resources (incl. HR, IT, and budget) needed to improve organization performance?”</td>
</tr>
</tbody>
</table>

**Ultimate Objective**

**Customer Needs**

**Monitoring and Evaluation**

**Planning**

**Implementation**

**HR**

**Organisation**

**IT**

**Budget**
Key Performance Indicators

- Defining organization/employee’s main function
- Based on organization priority and needs

KPI’s drafting principles

- **Specific**: Describing the KPI definitively and without any ambiguity. Each KPI should be unique and relevant to organization needs.
- **Measurable**
- **Agreeable**: The target and KPI should be agreed upon
- **Realistic**: The target should be realistic and challenging
- **Time-bounded**: The KPI should be time-bounded with realistic deadline
- **Continuously Improved**
Cascading dan Alignment

Cascading (vertical alignment): a thorough process to distribute strategic target and KPI towards officials on the lower level [i.e. Director General (echelon I) to Director of Internal Compliance (echelon II)]

Alignment (horizontal alignment): A thorough process to ensure strategic target and KPI consistent between officials on the same level (i.e. KPI between each echelon IV in 2 different office)

Cascading dan Alignment can be done to:

a. Strategic Target;

b. Key Performance Indicators.
Periodic performance meeting

Periodic meeting to discuss organization performance. The meeting should be attended by high official and head of office.

The meeting should at least discuss:
1. Organization’s strategic issues
2. Policy implementation results
3. Organization performance

The outcome of meeting should at least consists of:
1. Matrix of follow-up
2. Minutes of meetings
3. Monthly performance report
Performance management evaluation is a method to assure performance management system implemented successfully in organization.

**Evaluation purpose**

To align performance management system in Indonesian Customs

To stimulate innovation in Indonesian Customs performance management system

The evaluation result should give adequate assurance for performance manager

**Definisi**

Performance management evaluation is a method to assure performance management system implemented successfully in organization.

**Periode**

Q2 – Q3 annually
Performance appraisal is a process of valuating organization or employee performance periodically.

Output of performance scoring are:

- Organization performance score
- Employee performance score
Organization performance score

- A method to define organization success using score for each KPI
- One of verified way to value organization accountability in a year or annually

Organization performance score counted by consolidating each KPI score in organization scorecard

In ministry of finance, organization performance score authorized by Minister of Finance/Director General/Head of Regional Office to each their respective levels
Employee performance score counted by consolidating each KPI score in employee scorecard

Employee performance score can be used for:
- Employee performance transparency
- Basis for financial incentive
- Means to improve performance

Employee score validated annually
Reward and Remuneration System

**Annual Performance Valuation**

**Financial Incentive**
- Regulation of Minister of Finance No. 241/PMK.01/2017

**Non-Financial Incentive**
- Decree of Minister of Finance No. 7/KMK.01/2016

- Promotion
- Performance allowance
- Award for employee of the month/year
- Exemplary employee
- Talent Pool
- Pension funds
<table>
<thead>
<tr>
<th>No</th>
<th>KPI Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Percentage of Success in Supervision of Illegal BKC Distribution</td>
</tr>
<tr>
<td>2</td>
<td>Customs clearance time</td>
</tr>
<tr>
<td>3</td>
<td>The red line hit rate percentage</td>
</tr>
<tr>
<td>4</td>
<td>Percentage of Successful Appeal Disputes in the Tax Court</td>
</tr>
<tr>
<td>5</td>
<td>Import and export ratio</td>
</tr>
</tbody>
</table>

KPI is not merely used for scoring organization performance, but also:

- Efficiency of business process
- Integrity
- Problem solver
- Organization prime mover

Success Story Indonesian Customs implementation of KPI
TERIMA KASIH