

**IMPROVING GOVERNMENT PERFORMANCE IN
INDONESIA:
THE EXPERIENCE OF THE BALANCED SCORECARD IN
THE MINISTRY OF FINANCE**

Adi Budiarmo

**A thesis submitted for the degree of
Professional Doctorate in Business Administration
The University of Canberra**

May 2014

Canberra

Abstract

To be effective and efficient in the 21st century, public sector organisations need to practise a sound and innovative performance management tool. One tool used for strategic performance management in the public sector is the Balanced Scorecard (BSC). It can assist the definition of better organisational key performance indicators to improve performance outcomes. The BSC system not only promotes synergy and alignment of strategies among departmental and functional units, but also promotes strategic communication for decision-makers to sustain high organisational performance outcomes.

Literature on the private sector and on many developed countries provide evidence that the BSC plays crucial roles in implementing successful changes within an organisation to improve and sustain performance in the global economic environment. The BSC can also be implemented as a strategic performance management tool to promote high-performing public sector organisation in developed countries (Hoque 2011, Umashev and Willet 2008, Kaplan and Norton 2004). However, while there is an abundance of literature on implementing the BSC in the public sector in many developed countries, there is a dearth of literature that explores the situation of public sector organisations in Indonesia.

Employing an explorative-explanatory case study approach on the implementation of the BSC in the Indonesian Ministry of Finance (IMOF) during 2006-2009, the researcher found that the organisation needed a more strategic leadership style in implementing innovative performance management systems such as the BSC. Using the leadership accountability framework as a means to analyse the process of improving and sustaining public sector performance outcomes, this study found four key factors that contributed to successful implementation of the BSC in efforts to improve and sustain the IMOF performance outcomes: leadership effectiveness, strategy and human resource (HR) management 'fit', performance management system and performance governance. Overall, leadership roles are the key factors in improving government performance sustainably.

Keywords: Balanced Scorecard, Public Sector Performance, Strategic Leadership.

Acknowledgements

Now all glory to God, who is able, through his mighty power at work within us, to accomplish infinitely more than we might ask or think (Ephesians 3:20, NLT).

I would like to acknowledge several key persons and organisations who have provided guidance, help, support and cooperation so that finally I can submit this doctoral thesis. First of all, I am indebted my greatest gratitude to my primary supervisor, Professor Mark Turner, for his invaluable guidance that empowered me to reach my highest potential.

I would like to extend my sincere gratitude to my other supervisors: Prof. John Halligan, Prof. Monir Mir, Dr Wahyu Sutiyono; my mentors: Dr Sri Mulyani Indrawati, Mr. Agus Marto Wardoyo, Dr Mulia P. Nasution, Dr Ian Watt, AO, Dr Agus Suprijanto, Mr. Rionald Silaban, Prof. Wim A. Van der Stede, Prof. Lawrence Pratchett, Prof. Deborah Blackman, Prof. Anne Daly, Prof. Craig McDonald, Prof. Milind Sathye, Dr Don Flemming and Dr Craig Applegate, Dr Anni Dugdale, Dr Joelle Vandermensbrugghe, Rev. Geoff Findlay, Mr. Mark Bidwell, Mr. Warren Christopher; Mr. Lembit Suur, Ms. Hawari Badri, Ms. Sharon Ong, Mr. Pat McMahan, Ms. Rozana Muir, Ms. Sue Uzabeaga and all UC staff. I am also indebted to my editors Ms. Sue Prentice, Ms. Beth Barber, and Ms. Lulu Turner for editing my thesis to meet the guidelines given under Part 7 of the UC Gold Book.

I am obliged to the Australian Leadership Award – AusAID and Department of Finance and Deregulation for the financial assistance, leadership development program and internship during my study. Also to the Indonesian Ministry of Finance, my research participants, my fellows from the Indonesia Synergy, PPIA Canberra and Mofilink family on the opportunity to devote my knowledge and dedication to my beloved country Indonesia.

I would also like to thank my father, Djoko Susilo, my ‘supermom’ who passed away in the midst of my doctoral study, my brothers, sisters and family for their support, encouragements, and prayers. My father had been a light of integrity who taught me the importance of being good father, teacher and leader at the same time. If he had not passed his dedication, inspiration and love, I would not have undertaken this journey.

Finally, I genuinely devote this thesis to my lovely wife, Sanrij Eppy Hasugian; hopefully our effort and journey in love, discipleship, and faith for the last four years in Canberra can instigate our kids Adriel Basa Rahisana and Aviel Dharma Beltsazar to always get closer to Thee, work harder, smarter and be ready to inspire others in their life.

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List of Abbreviations and Acronyms

ADT	=	Australian Department of Treasury
ALA	=	Australia Leadership Award
APS	=	Australian Public Service
APSC	=	Australian Public Service Commission
AusAID	=	Australian AID
Bappenas	=	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
Bappepam	=	Badan Pengawas Pasar Modal (Capital Market Supervisory Agency)
Bappepam-LK	=	Badan Pengawas Pasar Modal dan Lembaga Keuangan (Capital Market and Non-Bank Financial Institutions Supervisory Agency)
BSC	=	Balanced Scorecard
BKF	=	Badan Kebijakan Fiskal (Fiscal Policy Office)
BKN	=	Badan Kepegawaian Negara (Government Employees Administration Agency or the National Civil Service Board).
BPK	=	Badan Pemeriksa Keuangan, (Indonesian Supreme Audit Board)
BPKP	=	Badan Pengawasan Keuangan dan Pembangunan (Financial and Development Supervisory Board)
CEO	=	Chief Executive Officer
CPI	=	Corruption Perception Index
DG	=	Director General
DGT	=	Director General of Taxation
DJA	=	Direktorat Jenderal Anggaran (DG Budget)
DJAPK	=	Direktorat Jenderal Anggaran dan Perimbangan Keuangan (DG Budget and Fiscal Balance)
DJKN	=	Direktorat Jenderal Kekayaan Negara (DG State Asset Management)
DJLK	=	Direktorat Jenderal Lembaga Keuangan (DG (Non-Bank) Financial Institutions)
DJPB	=	Direktorat Jenderal Perbendaharaan (DG Treasury)
DJPK	=	Direktorat Jenderal Perimbangan Keuangan (DG Fiscal Balance)
DJPLN	=	Direktorat Jenderal Piutang dan Lelang Negara (DG State Receivable and Auction)
DJPU	=	Direktorat Jenderal Pengelolaan Utang (DG Debt Management)
DOFAD	=	Department of Finance and Deregulation
DPR	=	Dewan Perwakilan Rakyat (The House of Representatives, Indonesian Parliament)
EFQM	=	The European Foundation for Quality Management
GBHN	=	Garis-garis Besar Haluan Negara (National Development Priorities)
GFC	=	Global Financial Crisis
GPRA	=	Government and Performance Results Act 1993 (The United States of America)
HR	=	Human Resources

HRM	=	Human Resource Management
IDR	=	Indonesian Rupiah
IBI	=	Inspektorat Bidang Investigasi (Special Investigation Inspectorate)
IMOF	=	Indonesian Ministry of Finance
IPB	=	Institute Pertanian Bogor (Bogor Agriculture Institute)
JIT	=	Just in Time
KMK	=	Keputusan Menteri Keuangan Decision issued by the Finance Minister)
KPI	=	Key Performance Indicators
KPK	=	Komite Pemberantasan Korupsi (Corruption Eradication Commission)
KPP	=	Kantor Pelayanan Pajak (Tax Service Office)
KPPN	=	Kantor Pelayanan Perbendaharaan Negara, (Treasury Payment Office)
LAN	=	Lembaga Administrasi Negara (State Administration Agency)
LAKIP	=	Laporan Akuntabilitas Kinerja Instansi Pemerintah (Government Institutions Performance Accountability Report)
LKPP	=	Laporan Keuangan Pemerintah Pusat (Financial Statements of the Central Government)
LAN	=	Lembaga Administrasi Negara (the National Institute of Administration)
MBNA	=	The Malcolm Baldrige National Award
MDGs	=	Millenium Development Goals
MENPAN	=	Menteri Pendayagunaan Aparatur Negara (the State Minister for the State Apparatus Empowerment)
MENPAN-RB	=	Menteri Pendayagunaan Aparatur Negara dan Reformasi Birokrasi (the State Minister for the State Apparatus Empowerment and Bureaucracy Reform)
MOHA	=	Ministry of Home Affairs
MONE	=	Ministry of National Education
MPR	=	Majelis Permusyawaratan Rakyat (the People's Consultative Assembly)
MTEF	=	Medium Term Expenditure Framework
NBFI	=	Non-Bank Financial Institution
NPM	=	New Public Management
OD	=	Organisational Development
OJK	=	Otoritas Jasa Keuangan (Indonesian Financial Service Authority)
Organta	=	Organisasi dan Tata Laksana (Governance and Organisation)
PEFA	=	Public Expenditure and Financial Accountability
PFM	=	Public Financial Management
PGPS	=	Pinter Goblok Penghasilan Sama (Clever or Dumb, Same Income)
PMK	=	Peraturan Menteri Keuangan, (Ministry of Finance Regulation)
PMS	=	Performance Management System
PNBP	=	Pendapatan Negara Bukan Pajak (Non-Tax State Revenues)
PROPENAS	=	Program Pembangunan Nasional (National Development Program)
PP	=	Peraturan Pemerintah (Government Regulation)

RAPBN	=	Rencana Anggaran Pendapatan dan Belanja Negara (Draft of the State Budget)
RMPS	=	Rajin Malas Penghasilan Sama (Diligent or Lazy, Same Income)
RPJP	=	Rencana Pembangunan Jangka Panjang (Long-Term Development Plan)
RPJM	=	Rencana Pembangunan Jangka Menengah (Medium-Term Development Plan)
RKP	=	Rencana Pembangunan Tahunan (Annual Development Plan)
REPELITA	=	Rencana Pembangunan Lima Tahun (Five-year Development Plan)
RKT	=	Rencana Kerja Tahunan (Annual Working Plan)
REPETA	=	Rencana Pembangunan Tahunan (Annual Development Plan)
RENSTRA	=	Rencana Strategik (Strategic Plan)
SAKIP	=	Sistem Akuntabilitas Kinerja Instansi Pemerintah (the Government Institution Performance Accountability System).
SBN	=	Surat Berharga Negara (Treasury Bonds)
SBSN	=	Surat Berharga Syariah Negara (Treasury Sharia Bonds)
SES	=	Senior Executive Service
SMO	=	Strategy Management Office
SMOF	=	Singaporean Ministry of Finance
TSA	=	Treasury Single Account
TQM	=	Total Quality Management
UNDP	=	United Nations Development Programme
UNESCAP	=	United Nations Economic and Social Commission for Asia and the Pacific
UU	=	Undang-Undang (Law)