Critical Success Factors (CSFs) of Balanced Scorecard Implementation in Public Sector Institution (A Study in the Ministry of Foreign Affairs (MoFA) Indonesia)

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INFORMASI ARTIKEL

Implementing Balanced Scorecard (BSC) in public sector’s performance management system is interesting, due to public sector’s concern for performance measurement. As one promising performance management tools, BSC was originally designed for the private sector institution, but later gaining its popularity among the public institutions. How well BSC implementation is possibly determined by some Critical Success Factors (CSFs). This study examined some CSFs in the BSC implementation in the Ministry of Foreign Affairs (MoFA) Indonesia using a qualitative study with an interactive model by Miles et al., (2014). This study found that BSC implementation brought changes in the MoFA’s performance, despite the absence of organizational changes for BSC adaptation. Top and middle management attention for the implementation and training and education are the most determining factors in the BSC implementation in MoFA. This study support the importance of the four CSFs examined in this study in implementing BSC in public sector.

INTISARI


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1. Introduction

Performance management become crucial for public sector nowadays. It is an unavoidable pressure from both internal and external bases of public organizations that require the demonstration of performance improvement. Additionally, the pressure also demand public organization to achieve their goals and objectives (McAdam, Hazlett, & Casey, 2005).

Public sector reform is the response public sector give to the demand of performance improvement. In public sector reform, government is shaped to be a more business-like organization (saving money, increasing efficiency, and forcing public institutions to act more responsively towards their citizen) (Pollitt & Bouckaert, 2011). Being aware for this important issue, public organizations are willing to implement private sector methods into the public sector organization for the performance achievement and further more performance improvement.

The emergence of the reformation spirit-making improvements in the management of public sector organizations-is in line with the New Public Management (NPM) principles such as competitive markets and also the adoption other practices from private sector management (Speklé & Verbeeten, 2014:131; Hood, 1995:95). In addition for those principles, Speklé & Verbeeten (2014) highlighted the common practice of performance measurement as one of general characteristics of NPM.

To measure, and furthermore, achieve and maintain organizational performance, managers need a tool or system which provide important information regarding organizational performance. There are some methods in setting up performance management system. Some of them are Budgetary Control, KPIs & Bench Marking, Balanced Scorecard (BSC), Lean Management, and Managerial Checklists are some of the examples (Arnaboldi, Lapsley, & Steccolini, 2015). Some other current innovative models are, for instances, Quality Model and Business Excellence Model and the Malcolm Baldrige National Awards Framework (Budiarso & Mir, 2012).

As one of the available method, BSC is discussed broadly in many studies especially for its practices in the private sector. There are 114 journals discussing BSC In Hoque's (2014) study, reviewing BSC after its 20 years introduction by Kaplan and Norton in 1992. BSC is widely accepted for business organization as a useful performance management tool (Northcott & Ma’amora Taulapapa, 2012).

Balanced scorecard is a tool that famous for its various function and its capability to set up non-financial perspective of organizational performance. In their work Kaplan and Norton, as the inventor, described BSC as:

Balanced Scorecard (BSC) translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system…. (It) should be used as the cornerstone of a management system that communicates strategy, aligns individuals and teams to the strategy, establishes long-term strategic targets, aligns initiatives, allocates long- and short-term resources, and …provides feedback and learning about the strategy (Kaplan & Norton, 1996:18).

Even though in its early development BSC concept is designed for private companies-profit oriented organization, BSC is also promoted as a valuable tool for public sector. There are seven possible reasons why governments should consider to implement BSC. According to Niven (2002:39-42), BSC promises several advantages which are: demonstrating accountability, attracting scarce resources, creating a focus on strategy, producing information, self-preservation, driving changes, and inspiring trust.

BSC might be the answer in improving organizational performance. Some studies reported the improvement of public organization’s performances due to the implementation of BSC. Dimitropoulos et al., (2017:375) reported the achievement of citizen’s satisfaction from athletic services reported in Greece local government sport organization after the BSC implementation. An application of BSC in the form of Public Sector Scorecard (PSS) had also testified that PSS is an effective framework in helping public and third sector organizations monitor and improve their services and focus on delivering desired outcomes including value for money (Moullin, 2017:454).

To implement BSC in public sector, some adjustment from the original concept is needed (Northcott & Ma’amora Taulapapa, 2012). Niven (2002) presented those adjustments, for example, by moving the organization mission to the top of diagram. This adjustment is necessary because of the difference between private and public sector orientation. Mission achievement is the main concern of public sector organization.

Other than the adjustment of BSC for public sector organization, some studies also highlighted several crucial aspects regarding BSC implementation. Linkage to employees reward (Chan, 2004; Lueg & Vu, 2015), organizational change (Jääskeläinen & Sillanpää, 2013; Lueg & Vu, 2015), top leaders support or attention (Greiling, 2010; Chan, 2004; Northcott & Ma’amora Taulapapa, 2012).
Taulapapa, 2012), and education and training (Jääskeläinen & Sillanpää, 2013; Chan, 2004; Lueg & Vu, 2015; Northcott & Ma’amora Taulapapa, 2012; Yeung, Allen Kwokwah & Connel, 2006) are considered to be important aspects which make possible a successful BSC implementation.

Although BSC concept has existed for more than two decade, there are still few studies about how the BSC implementation process, challenges or result in public sector, especially in developing countries such as Indonesia (Budiarso, 2012). Further discussion and also evidence from the public sector are still needed (Chan, 2004; Northcott & Ma’amora Taulapapa, 2012; Yeung, Allen Kwokwah & Connel, 2006). Thus, this study provide a new evidence of BSC implementation in public sector especially in a developing country.

In 2001, Ministry of Foreign Affairs of the Republic of Indonesia (MoFA) launched its commitment to conduct what is called “upaya benah diri”. It is an effort to do self-improvement. This action was related to Indonesian reform era which was happened in 1998 when the New Order Regime was collapsed and replaced by Reformation Era. MoFA realized the need of transformation for being a better government institution. Joining National Bureaucratic Reform program in 2010, MoFA started to conduct several innovation for the organization. BSC implementation for strategic planning is one of the action it took.

MoFA is one of Indonesian government institutions which has already implemented BSC. The self-improvement effort initiative, which was strengthen by MoFA’s participation in national bureaucratic reform, became the mile stones for the BSC implementation. The implementation begun in 2015 and was continued with several improvement strategy in 2016. Recently, with the assistance of professional management consultant, MoFA built up an “e-performance dash board” to enhance the implementation.

From the elaborated background, this paper is designed to comprehend the effort to achieve performance sustainability by implementing BSC in MoFA. This study aims to provide field evidence of actual practices regarding impact of BSC implementation in public services. Further, it will enrich knowledge of BSC implementation in developing country especially in Asia. This study highlighted Critical Success Factors (CSFs) which are mentioned in Chan (2004) and Lueg & Vu (2015) studies, and aimed to answear these questions:

1. How does MoFA arrange organizational change to adapt with BSC?
2. How do the top management and middle management give attention to BSC implementation and development?
3. How does MoFA linkage the BSC to employee’s reward?
4. How does MoFA arrange training and education for implementing BSC and sustaining BSC?

2. Theory

2.1 Balanced Scorecard

Balanced scorecard was introduced by Kaplan and Norton in 1992 which later became very popular in performance management and measurement (Perkins, Grey, & Remmers, 2014). What interesting from this concept are the function and perspectives Kaplan & Norton promote:

The Balanced Scorecard (BSC) translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. BSC measures organizational performance across four linked perspectives: financial, customer, internal business process, and learning and growth (Kaplan & Norton, 1996).

![Figure 1 Balanced Scorecard](Source: Kaplan & Norton, 1996)

Figure 1 describes how the vision and strategy is translated to the four perspectives. To be more detail about the four perspectives of the scorecard, they are explained by Kaplan & Norton (1996) as follow:

- a) Financial perspective: because the final objective of an enterprise operation is to make profit for shareholders, the BSC retains an emphasis on achieving financial objectives;
- b) Customer perspective: the loyalty of the customer to their suppliers is so critical that “customer satisfaction” becomes one of the core outcome measures and long-term strategy;
- c) Internal business process perspective: in this perspective, executives will identify the key processes in which an organization must excel to meet the above objectives; and
- d) Learning and growth perspective: to face the serious change of competition environment and meet the
long-term goals, companies should continually improve their capabilities to achieve the internal process improvements, customer satisfaction, and ultimately financial success.

What Kaplan & Norton offer is not only financial perspective in evaluating organizational performance but also other aspects which will support organizational sustainability especially for the long term period. Customer is the center of attention of an organization in maintaining their existence. Without the customer, there will be no income which is the main interest of an organization (in the private sector context). Beside, organization need continuous improvement in adapting the uncertain circumstances. So, internal business process and learning and growth are also important aspects in maintaining their existence.

Another version of BSC was designed by Niven (2002). This BSC version was specifically designed for government and non-profit agency. The main difference of this version with the private sector version regards to the characteristic of both institutions which place vision and mission above financial perspective. Niven (2002) presented a diagram which differentiate BSC in public sector or nonprofit enterprises. Figure 2 displays Niven’s diagram.

![Figure 2 BSC for Public Sector and Nonprofit Organization](source: Niven, 2008)

All of four aspects in the Kaplan and Norton BSC concept are still employed in this diagram. However, their position are switched. Mission is placed in the top of the diagram. Customer perspective is placed under the mission, and the financial perspective is place in the left side of the strategy.

Compared to the concept in the private sector, customer and financial perspective position are switched and mission is on the top of the diagram. This diagram accommodate the goal of the organization which is mission completion. However, any public or nonprofit organization could modify this diagram to the one which is best to fit their need.

2.2 Study Related to Balanced Scorecard

There are abundance of studies regarding Balanced Scorecard. Most of them are the studies in the private sector area. This research limit the previous study mainly for practices in public sector organizations implementing BSC concept.

Chan (2004) explored BSC adoption between USA and Canada municipal government. Their survey result suggested that among the 14 municipal governments that have implemented the balanced scorecard, their administrators reported positive experience and testified that the balanced scorecard could be a useful management tool for their organizations. Several success factors for the implementation were also cited in the study result.

Yeung & Connell (2006) studied a nonprofit organization in Hong Kong, mapping and tracking its business planning strategies in the context of Niven’s Balanced Scorecard. The study also established key success factors assisting implementation process. Various focus on the objective of BSC was found. It depended on which managerial level point of view. Regarding the success factors, it suggested “Training and continuous learning at all levels” and “the generation of discussion, meetings, communication sessions and staff involvement at all levels” as two most common factors.

An empirical study of BSC used in a public sector by examining the factors that support and impede the effective implementation of the BSC in public sector was conducted by Northcott & Taulapapa (2012). They found the challenges for BSC implementation was lack of top management support.

2.3 BSC Success Factors

To successfully implement the BSC concept, some strategies or anticipation should be taken. There are three levels of all success factor of BSC Implementation, micro, meso, and macro level. Micro level is including Individual, Managerial, and Leadership factors. Political and external context are included in the macro factors. The rest of success factors are categorized in the meso factors (Lueg & Vu, 2015:310).


3. Research Methods

The study was conducted in a qualitative research method. This approach is chosen by assuming that a close
and direct interaction between researcher and the object of the study will be needed to capture comprehensive information.

The interest of this research is to study the BSC implementation in the specific context of the Ministry of Foreign Affairs of the Republic of Indonesia. This interest is addressed by seeking answers for questions posed regarding organizational change, top and middle leader’s support, the linkage of reward and employees performance and training and education for BSC implementation. Descriptive method was employed to give narrative story of BSC implementation in MoFA and the critical success factors which influence the implementation.

Ministry of Foreign Affairs of the Republic of Indonesia (MoFA) is chosen to conduct this research. MoFA has been implementing BSC in 2015 and still currently adopt the concept. MoFA is located in Jakarta, the capital city of Indonesia. MoFA also coordinate Indonesian Embassies all over the world. However, this study was conducted in the central office in Jakarta. Three units of MoFA were the site of this research, Bureau of Planning and Organization, Directorate General of Law and International Treaties, and Directorate of America and Europe. Another important element was the BSC consultant of MoFA which facilitated the implementation process.

In this study, the data analysis used qualitative data analysis conducted by describing the collected data. Using interactive model suggested by Miles, Huberman, and Saldaña (2014), the data were analyzed by the following four procedures, i.e. data collection, data display, conclusions (drawing/verifying), and data condensation.

4. Result and Discussion
4.1 Organizational Adaptation for BSC

From the organizational structure, there is no changes in MoFA organization structure which accommodate BSC implementation.

“Structurally, unfortunately, it hasn’t adjust (BSC). It hasn’t adjust.. because at that time BSC implementation parallel with the implementation of the new Organizational Structure and Management” (Tuesday, August 7 2018: 09.07 AM (1-1)).

In 2016, MoFA launched its new Ministerial Regulation for its Organization and Working Procedure. Despite the timing that fit the moment of BSC implementation, there was no structural changes for BSC adaptation. New Ministerial Regulation only accommodate the need of internal organization adjustment.

Chan (2004) maintained that organization unwillingness to change as a crucial factor which lead BSC implementation to failure. It means that organizational adaptation for BSC implementation is unavoidable. However, there is no specific organizational changes in MoFA.

In the case of MoFA, external factor (presidential order to keep the governemnts’organization slim) has prevented the existence of “special unit” to coordinate BSC implementation. To overcome this obstacle, MoFA’s BSC team has created a new position, out from its formal structure, namely “Manajer Kinerja Organisasi (MKO)” (Organizational Performance Manager) for Echelon I level, and “Sub Manajer Kinerja Organisasi (SMKO)” (Organizational Performance Sub Manager).

The existence of MKO and SMKO might be a short term solution for organizational adaptation for BSC implementation. However, it does not eliminate the need of special unit that will enhance BSC implementation. The unit, which currently handles BSC implementation, is under the Ehelon III level. Informant I-1 proposed that unit for BSC implementation should be at least Echelon II level. It is comparable to other public institution which has successfully implemented BSC such as the Ministry of Finance. This proposal is in line with Chan (2004) finding regarding the importance of organizational change for BSC implementation.

4.2 Top and Middle Management Attention

The efforts of BSC adoption in MoFA were positively responded by the Vice Minister of MoFA. On January 25th 2015, in the “Sharing of Knowledge and Best Practices on Strategy-focused Organization” event, Vice Minister of MoFA underlined his message for all of MoFA’s employees to get involve in managing performance management in each internal units, and make use of the Ministry of Finance’s best practices. At this moment, MoFA built up its strategic map based on BSC in their Strategic Planning “Renstra”.

“...at that time, Mr. Vice Minister invited all of Echelon I and II in 2015 for knowledge sharing with Mr. General Secretary of Ministry of Finance. It was the first moment of commitment emergence of BSC Implementation at the leader level. We tried to put in BSC in MoFA’s Strategic Map for Strategic Planning. That’s why Strategic Planning of 2015 had implemented BSC” (Tuesday, August 7 2018: 09.15 AM (I-1))

Since the first implementation period in 2015, top leaders support was shown by the regulation they signed and top leader’s meeting they conducted for organizational target setting. Before BSC implementation, the documents regarding planning and targets was duplicated from the previous year’s documents. Currently, the target setting is discussed in the high-level leader’s meeting.

Another form of support the top and middle management gave for BSC implementation was the
participation of each internal units in training and team building for BSC implementation in 2016 which involved management consultant. All of the internal units send their delegates to improve the strategic planning of MoFA which was launched in 2015. The implementation was broaden from Ministerial and Echelon I level to Echelon II level. Thus, participation of each Echelon II delegates became crucial for this step.

In 2015, BSC was implemented in MoFA’s strategic map that launched with Minister of Foreign Affairs Decree number SK. 01/ B/RO/IV/2015/01 regarding Strategic Planning of MoFA for 2015-2019. Figure 3 shows the strategic map of MoFA for 2015-2019.

The map was designed with three main perspectives of BSC, Stakeholders (customer), internal business, and learning and growth. There are four main strategic objectives of stakeholder perspective: Indonesian leadership and role in international cooperation, economic, financial, and development benefit of international relation, public aspiration fulfilling and service, and national support and commitment for foreign policy and international treaties. Internal business process perspective consists of three main process: formulation, diplomacy, and monitoring and evaluation. Learning and growth perspective has four components: Human Resources, Organization and Working Environment, Information Technology, and Budget. This map has linked each component from the learning and growth to internal business process and to the stakeholder’s perspective. It means that to achieve objectives in

![Diagram](image-url)
unit in BSC implementation. Informant I-5 explained that leader’s involvement is a form of attention or support for BSC implementation. How much the leader give his/ her direct attention to his/ her staff work, will increase the focus/ performance of the subordinates in their job. Subordinates should be responsible for the reports they produced, and they should be able to answer question(s) from the top leader regarding his/ her the job they have done.

In addition, leader’s attention has changed the way “planning team” work. Informant I-5 explained that previously, the “planning team” used to duplicate previous year program/ activity and only make minor adjustment. After the direct monitoring and even insight by the leaders currently, the “planning team” should considerately create plan and the related documents for planning.

4.3 Linkage between BSC and employee’s reward

From the information gathered during the interview, individual performance has not linked yet to the incentive they receive. This condition is not ideal for BSC implementation. Lueg & Vu (2015) stated that “Reward systems play a pivotal role in reducing resistance and ensuring commitment from staff”. Consequently, without reward system, commitment from the employees to perform is questionable. This situation currently exist in MoFA.

Informant I-4 suggested that the behavior MoFA’s employees have now is the consequence of presence-based incentive calculation. They will care more about the time they check in or check out from the office, rather than how they perform in the office. At one side, in this case, control from unit leader is essential, but in the other hand, tight agendas the leaders have may cause the direct control become problematic. It seems impossible to control the staff from time to time.

Performance-based for incentive calculation would drive employees to perform better. The strict control from leaders will not be necessary because the employee realize the consequence of their performance. Low performance will result in low incentive. This understanding will trigger employees to achieve their targets. When the targets accomplished, they will enjoy the direct benefit, which is full incentive.

However, MoFA is still on progress with the BSC implementation. Thus, incentive calculation with performance-based measurement is still in formulation step, which need coordination and consolidation between Bureau of Human Resources and BPO. The process of integrating performance in incentive calculation needs such detailed information such as employee’s job description, performance indicators, and targets. It might be complex yet takes sometimes to prepare the system for this incentive system with a performance-based measurement.

4.4 Training and Education for BSC Implementation

Training of BSC in MoFA was initiated by Bureau of Human Resources of MoFA. Training of BSC was started in 2013 for limited number of staff of Bureau of Human Resources. The Bureau used consultant service to conduct such training. In 2014, the bureau invited participants from other internal units in this similar training. At that time, staffs from BPO were participated. This is the early step which later eager BPO to bring influences to MoFA’s officials to implement BSC for MoFA’s strategic planning and performance management.

Training has been playing an important role for BSC implementation in MoFA since the early step of BSC implementation until recently. This finding support Lueg & Vu’s (2015) statement: “Workshops helped explain the purpose of the BSC and determine the approach to implementation. The presentations allowed the respective units to present their results, get feedback, and learn from one another.

According to informant I-2, the experience BPO team’s had for BSC has been the trigger for them to promote BSC to the leaders, and emphasize how crucial for MoFA to implement BSC in its performance management. Later, BPO conducted BSC training session for MoFA’s planning team. BPO also involve consultant for BSC implementation and training activities. These trainings resulted in strategic map
improvement and performance management system namely “e-kinerja”.

E-kinerja was launched in 2017. It is a milestone of BSC implementation achievement in MoFA. A dashboard of performance achievement is needed in BSC implementation. Through this dashboard, leaders could monitor performance achievements so they could make strategic decision regarding the performance condition.

Training to optimize the function of this new application for the staff in charged to the application information updating is consequently needed. Through the whole year of 2017 the consultant was being available for this need. BPO as well provide technical assistance for the application updating during three-month-period of monitoring and evaluation program.

Informant I-1 stated that currently, any activity of training and education is centralized in Training and Education Center of MoFA. Thus, training for knowledge enhancement regarding BSC should be conducted in this unit. BSC is one of subject material provided for training participants of many training and education program since the training for newly recruited employee until those who are prepared for higher official position. The participants are mostly diplomats. For non-diplomatic employee, BSC is introduced in their in house training program as the part of pre-departure program before they are assigned to Indonesian Embassy.

Following up BSC implementation, BPO conducted technical training for data-updating in “e-kinerja” application for units in MoFA. This technical training is held at the reporting period which is quarterly. The mandatory report are from external institution: Ministry of National Development Planning and Ministry of Finance namely “e-Money”. Together with “e-Money”, MoFA team, in charge with the reports, update performance data in both application.

BSC implementation was conducted in central office of MoFA. However, in 2018 BSC is also being implemented in Indonesian Embassies. Technical problem regarding socialization and also training may be barrier for the implementation. To overcome the barrier, BPO team conducted technical training and assistance for the team of performance management in Indonesian Embassies through video conference. This activity shows MoFA team’s effort to use IT to overcome communication and coordination barrier due to distance and difference of time zone.

5. Conclusion

This study tried to evaluate the Critical Success Factors (CSFs) that influenced the implementation of BSC in MoFA Indonesia. This study examined four out of the 11 critical success factors Lueg and Vu (2015) proposed, they are: organizational changes, top and middle management’s support, linkage between incentive and performance, and training and education.

a) Organizational changes
Based on the interview and supporting documents, there is no organizational change for BSC implementation in MoFA’s organizational structure. Although Chen (2014) and Lueg and Vu (2015) emphasized the importance of organizational changes for BSC implementation, the demand for the changes seems to be problematic in MoFA. As a public institution, MoFA policy depends on the executive policy, in this case, presidential policy. This is an external factor but influential for MoFA’s internal policy. However, MoFA try to accommodate this need by creating specific position in the Echelon I and II level namely MKO and SMKO.

b) Top and Middle Management’s Support
Top and middle management attention for BSC implementation is diverse among all units in MoFA. Top manager support can be identified from the regulation they launch for BSC implementation (Performance Management System). However middle management support should be in the form of involvement in technical meeting regarding the setting-up of strategic plan and targets. The more understanding about BSC the managers have, the more involvement they give to the implementation process. It is a challenge for MoFA to involve all managers in the BSC implementation process.

c) Linkage between BSC and Employee’s Reward
MoFA has not related employee’s reward with BSC (performance evaluation) yet. Until the interview period, MoFA team were still working on the issue, so in the near future, MoFA could use performance-based measurement for the incentive of MoFA’s employees.

d) Training and Education
Training and Education is crucial for BSC implementation for every level of employee. For current situation, BSC training is only provided for certain group of employees in MoFA (diplomatic member). For non-diplomatic member working in the planning and evaluation area, BSC training is only inserted in technical assistance activity for quarterly evaluation and monitoring.

What we can conclude from the evaluated CSFs factors is that MoFA is struggling to implement BSC in their Performance Management System. However, BSC implementation is a continuous process. Although in the study period it seems that MoFA had not implemented BSC successfully due to some obstacles, but some promising results, such as e-kinerja, and new teamwork like MKO and SMKO, shows that MoFA still working on BSC to get the most ideal form to adopt. Further study examining other CSFs factors suppose to be useful to
broaden the understanding for the implementation of BSC in the reality especially in the public sector.

References


