

Bank Indonesia is the central bank of Republic of Indonesia.

Bank Indonesia's mission is to achieve and maintain the stability of the Indonesian Rupiah by maintaining monetary stability and by promoting financial system stability for Indonesia's long term sustainable development.

Bank Indonesia employs 6000 people in 29 Directorates in Head Office, 37 Branch Offices and 4 Representative Offices.

Q·P·R



## Bank Indonesia Creates Transparency and Accountability with QPR ScoreCard

Bank Indonesia, the central bank of Republic of Indonesia, has developed a powerful management system integrating planning, budgeting and performance measurement in order to create transparency and accountability in its operations. This strategy-based performance management system is automated using QPR ScoreCard.



*"Visible commitment from the top management is the most important key success factor for implementing a strategic performance management system. To succeed you also need a skillful and enthusiastic implementation team with a strong project leader." summarizes Deputy Governor Aulia Pohan. Mr Aulia Pohan is the owner of the performance management project at Bank Indonesia.*

### Creating Transparency and Accountability with Integrated Performance Management System

In October 2001 Bank Indonesia started a project for creating an integrated planning, budgeting and performance management system. The objective was to create better transparency and accountability in Bank Indonesia's operations. Performance management with Balanced Scorecard was seen as a core part of the solution in order to turn the plans and budgets into action. The project was launched by the Governor of Bank Indonesia and the Deputy Governor was nominated as the project owner. The project ownership was given to the top management in order to highlight the management commitment to this project.

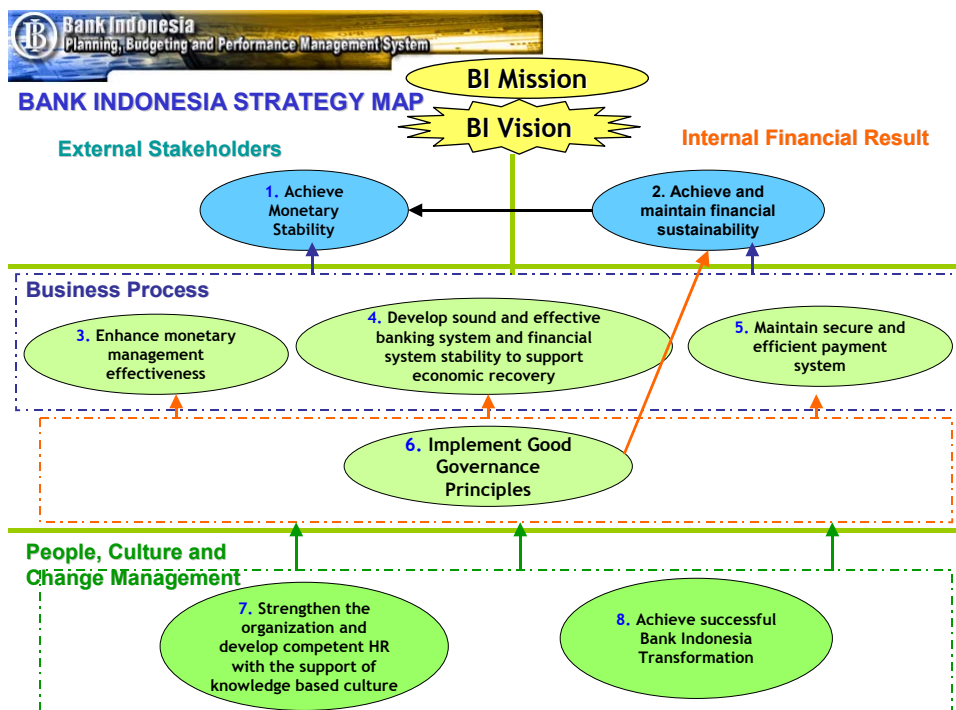
"The institutionally sound and accountable organization - in the framework of good governance - represents an effort to improve accountability in performance of tasks through the establishment of the planning, budgeting, and performance management system and the commitment of all unit heads to undergo appraisal and evaluation under a performance indicator system." stated Dr. Syahril Sabirin, the Governor of Bank Indonesia at that time in the mid of July 2002.

## From Dashboards to Strategy Maps

The integrated performance management system was released in August 2002. By October 2002 the scorecards were cascaded from the board level to directorate level. First scorecards were traditional key performance indicator scorecards, which were called dashboards. Over the time, the scorecards have become more strategy-focused. All directorates have now derived their own strategy maps from the board level strategy map and scorecards for year 2004 will be structured based on the strategic objectives.

The same development can also be seen in choosing the key performance indicators (KPIs). Bank Indonesia classifies the KPIs into three types: exact, proxy and activity. Exact KPIs measure the effectiveness and the impact of the operations, proxy KPIs are leading indicators for the exact KPIs and activity KPIs measure the activity level in the operations. In the beginning most of the KPIs defined very measuring activity, but over the time the bias has moved towards the more strategy-focused exact KPIs.

In Bank Indonesia's Strategic Forum held in the beginning of September 2003, Board of Governor of Bank Indonesia led by new Central Bank Governor, Mr. Burhanuddin Abdullah successfully formulated the new Board Level Strategy Map of Bank Indonesia based on Balanced Scorecard framework.

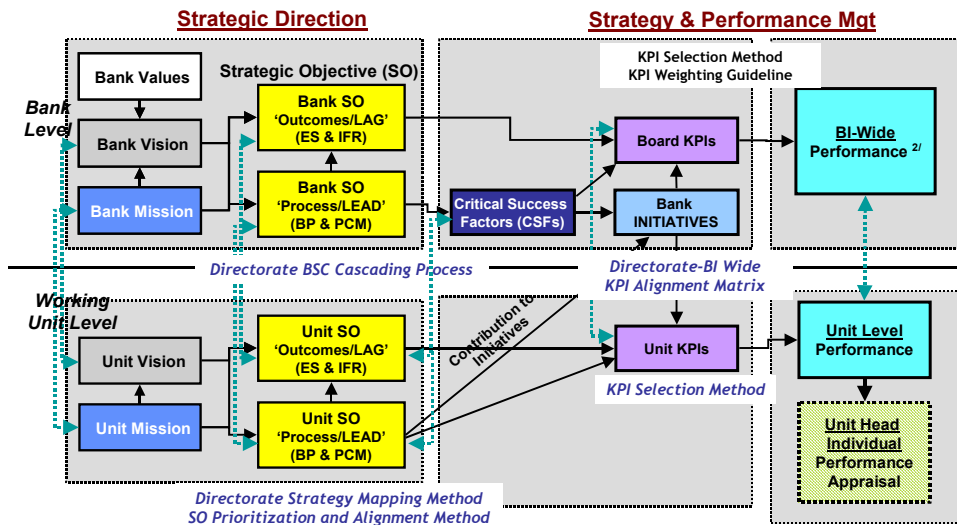


*Board Level Strategy Map of Bank Indonesia.*

## Do It Yourself - Involvement Creates Commitment

During the implementation of the performance management system a significant amount of people have participated in defining the key performance indicators. Project team from the Office of The Governor has had the coordinating and guiding role in the project. For example the derivation of the strategic objectives for directorates based on the board level strategic objectives was delegated to the heads of the directorates. Also each directorate needed to nominate one or two 'KPI managers' who were in charge of defining the scorecards and key performance indicators for their directorate.

*"Specific Tools" are introduced to Support the BSC Cascading Process from BI to Unit Level*



*Cascading from the Board level to Working Unit level at Bank Indonesia.*

Involvement and empowerment of people from the directorates helped in avoiding the 'Not Invented Here' syndrome. Involvement also helped in overcoming the threat of treating the scorecards as another reporting burden. The visible management commitment, for example in demanding scorecard based reporting in the management meetings accelerated the implementation of the new performance management system.

Defining scorecards raised performance awareness through discussion about the key performance indicators to be used. Alignment between board level objectives and directorate objectives – called 'vertical alignment' by Bank Indonesia - enhanced the discussion inside the management team while aligning objectives along processes through directorates – 'horizontal alignment' - improved significantly the communication between the directorates.

**QPR ScoreCard – The Best Fit to Our Needs**

After thorough evaluation QPR ScoreCard was chosen as the IT solution for automating Bank Indonesia's performance management system. Flexibility, usability and good fit to Bank Indonesia's requirements for the performance management solution were identified as the strengths of QPR ScoreCard.

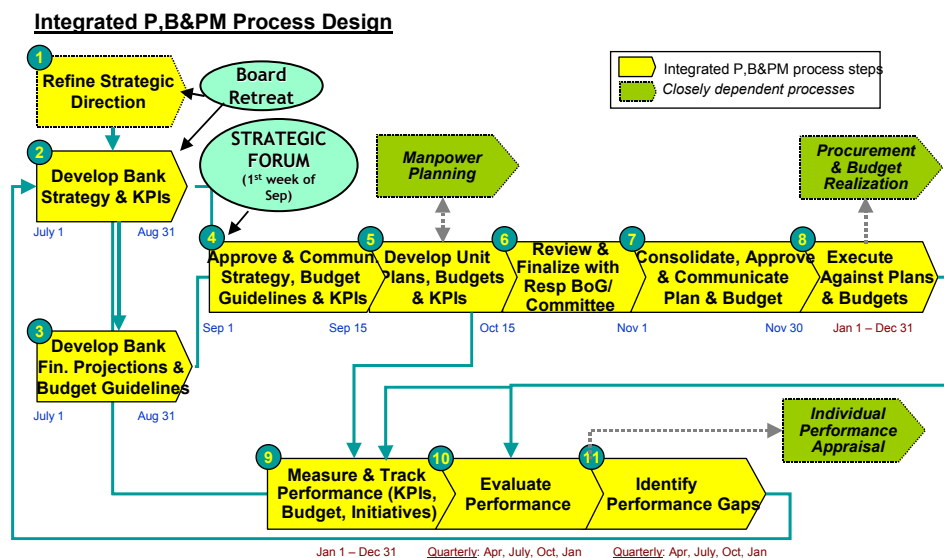
The automation of the scorecards for all directorates took two months. Currently more than 100 employees are using the system in Bank Indonesia's intranet. The financial key performance indicators are updated automatically from the financial systems while most of the other key performance indicators are updated manually by the KPI managers.

## Benefits and Experiences

The new performance management system has changed the mindset of many people at Bank Indonesia; the awareness of strategy and performance has increased significantly. Planning and deriving performance measures are closely linked to actual implementation and everyday operations. Directorate operations are now more focused in reaching the strategic objectives. The new performance management system has also enhanced the management process. For example the management meetings are now more focused on strategic discussion and analyzing the causes than merely on reporting past performance.



*The integrated P, B & PM system defines major activities across the entire cycle, from planning to performance evaluation*



*Integrated planning, budgeting and performance management system of Bank Indonesia.*

Communication is the key success factor in implementing a performance management system. "For example you need to pay attention to how you are presenting the performance measurement information to different stakeholders. In many government organizations there is a natural resistance towards measuring things." says Mr Rizal A. Djaafara, the project leader at Bank Indonesia. The involvement of personnel in defining the objectives and key performance indicators is the key to overcome this barrier. Showing concrete results as early as possible in the project is also crucial for the success of the implementation. "The earlier you have the first version of your performance management system the better." summarizes Mr Djaafara.

A good performance management system is more about hard work than bold statements or theoretic argumentation. *'Do it with your heart, not with your mouth.'* is one of the lessons learned in Bank Indonesia's project.

## Future Challenges

Even though Bank Indonesia has created a very advanced performance management system in a short time, they still feel they are only at the beginning. Cascading scorecards and delegating responsibility and accountability of key performance indicators to team and personal level are the next steps to take. Also linking key performance indicators to work and competence assessment by Human Resources department as well as linking follow-up of strategic initiatives to project management will become actual in the near future. This proves how integral part of the management a performance management system will become for a strategy-focused organization.