

The Effect of Performance Management on the Organizational Performance Empirical Study at Sukabumi Service Tax Office

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Abstract:- This study aims to examine the effect of Performance Management on the organizational performance, with empirical studies conducted at Suka - bumi Pratama Service Tax Office (KPP Pratama Sukabumi). Performance Management uses the independent variables Clear and measurable goals, Incentives, Decentralization, and Performance Measurements. While the dependent variable is organizational performance. The population in this study were all employees of KPP Pratama Sukabumi as many as 92 respondents using census techniques, in which all populations were sampled. The study used primary data were analyzed with Smart program. PLS. 3.0. The results of this study indicate that the objectives of the Clear and Measurable Goal, and Decentralization, have a positive but not significant effect on organizational performance, while the incentive variables and Performance Measurement have a positive and significant effect on organizational performance .

Keywords:- Clear and Measurable Goals, Incentives, Decentralization, Performance Measurement, Organizational Performance.

I. INTRODUCTION

The policy practice of Human Resource Management (HRM) is related to aspects of management and use of human resources in an organization. These practices include activities such as *resourcing* (planning for, recruitment, selection), training and development, performance management, talent management, and reward for workers. All policies applied aim to achieve organizational goals through the performance of workers. Performance is indicated by achieving employment goals, work behavior or a high performance culture and increase in the competence of workers. The resulting performance can increase organizational effectiveness, competitiveness, added value to the sustainability of an organization.

HRD practices are also carried out in the public sector. To improve performance and achieve organizational goals, applied HRD policies or practices that support organizational strategies in the public sector. One of the practices of HRD that has evolved its application to public organizations is performance management . The development of the implementation of performance management in the public sector was spearheaded by the

concept of *Reinventing Government* that came from books written by Osborne, David, and Gaebler *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (1992) . The book which raises new ideas about the management of operational management of government in the public sector, starts from the criticism of the incompatibility of patterns of performance measurement in the public sector that only pay attention to *inputs* for measuring performance, in the face of the development of the information era. The idea is also known as the concept of entrepreneurship in the government sector. In its development the concept of *government reinventing* that they put forth produces models of the implementation of the state financial accounting system model *T account* , performance-based management, contract management, risk management, resource management, in public administration (Fernanda, 2006).

Before the development of the concept of *reinventing government* , management of the performance of public organizations prioritized control through regulations and procedures (Ter Bogt, 2003, in Verbateen, 2008). Changes in the pattern of performance control eventually shifted to performance measurement based on *output* or *outcome* from an activity or program. For example, from the amount of education funds disbursed, it can be seen how many schools get the funding and the allocation of activities. There is a demand for accountability in the public institution sector for the resulting performance, making the implementation of performance management practices develop. Determination of performance indicators and the existence of a performance measurement process marks the implementation of performance management in public institutions.

The effect of applying the concept of *reinventing government* is also felt in Indonesia. Increasing the accountability of the performance of government institutions through the implementation of performance management, setting performance indicators and the obligation to make performance accountability reports, is one of the implementation of the concept of *reinventing government* , in addition to the autonomy of regional government and the efficiency of public institutions through the use of *outsourcing* .

The practice of implementing performance management along with performance measurement in public institutions in Indonesia has been implemented since

instructed the determination of performance Goals as performance indicators for all ministries and agencies in Presidential Instruction No. 7 of 1999 by President BJ Habibie. In addition to the Presidential Instruction, besides increasing performance accountability through the establishment of performance indicators, it is also emphasized the need for strategic planning which includes the establishment of visions, missions, and Goals in each ministry and institution. This Presidential Instruction can be said to be the first milestone in the implementation of performance management in Indonesia. After the issuance of the Presidential Instruction, every government institution is required to make a report on the performance of government agencies (LAKIP) every year.

The implementation of performance management in the Ministry of Finance based on the *Balanced Scorecard* (BSC), is a more advanced step for the implementation of performance management in public institutions in Indonesia. In line with the issuance of Minister of Finance Decree Number KMK No. 30/KMK.01/2007 concerning the Ministry of Finance's Bureaucratic Reform, the implementation of performance management began at the top level of the finance ministry's vertical unit. Using BSC, a *cascade* organizational vision to the organization's mission, organizational goals, organizational goals to performance indicators. BSC implementation for all levels of organizational units began in 2011, in line with the issuance of the Minister of Finance Decree (KMK) No. 12 of 2010 concerning Management of Performance in the Ministry of Finance, as last amended by KMK No. 556 / KMK.01 / 2015.

The objectives of the decision-making aside from the implementation of the Ministry of Finance's bureaucratic reform as an effort to improve the performance of the Ministry of Finance, through the establishment of performance indicators and performance management. The Directorate General of Taxation (DGT) as one of the institutions under the auspices of the Ministry of Finance also carries out policy strategies that support the policies of its parent organization. Strategic policy includes the policy of using human resources (HR) in achieving organizational goals.

DGT realizes that the Human Resource Management policy must be a strategic partner who supports the organization in implementing strategic plans towards achieving the vision. For this reason, we need a HRM policy that can support DGT's operational activities. Implementation of performance management is carried out to further improve performance in achieving the Goals charged. In its mission, DGT affirms that the management of performance-based and competent Human Resources (HR) is applied to be able to produce top-performing employees (DGT, 2015).

The excellent performance of its employees is needed by the DGT because the role of tax revenue in the APBN as a source of state revenue is increasingly vital. Since the 2016 fiscal year until 2018, the average total tax revenue Goal has been set at 85% of the total budgeted state

revenue. In 2018, the total state revenue is budgeted at Rp 1,894.7 trillion, while the tax revenue target is Rp 1,618.1 trillion. This revenue target has experienced a 10% increase from the target in 2017, amounting to 1,498.9 trillion. Assuming that economic growth in the 2018 State Budget is estimated to only reach 5.4%, the Directorate General of Taxes (DGT) is charged with a 10% tax revenue growth Goal. The tax revenue growth Goal is above the economic growth Goal, making the duties that DGT must carry out quite heavy. The achievement of targets is increasingly difficult because of the state of the global economic slowdown which has caused a decline in Indonesia's export potential.

Some previous studies have made the practice of implementing performance management in the public sector as the object of research. Some previous studies concluded that performance management practices in the public sector include the process of setting goals, selecting strategies for achieving goals, delegating decision authority, and measuring performance (Heinrich, 2002; Ittner and Larcker, 2001; Otley, 1999; Kravchuck and Shack, 1996; in Verbeeten, 2008). Verbeeten (2008) argues that performance management can be used as a performance accountability of a government through reports on achievement of performance indicators. In addition, with the establishment of clear and measurable goals, and incentive policies can improve performance.

This research refers to Verbeeten's research (2008) with the object of research being the Pratama Tax Service Office (KPP) Pratama Sukabumi. KPP Pratama Sukabumi as part of the DGT vertical agency has implemented performance management, since 2011, following the stipulation of the Minister of Finance Decree (KMK) no. 454 / KMK.01 / 2011 concerning Management of Performance in the Ministry of Finance. The implementation of performance indicators (performance Goals) which constitute multilevel goal delegation from the top DGT vertical agencies, the creation of performance contracts, and performance dialogues to evaluate the development of performance achievements, continues to this day. Therefore this study aims to determine how the influence of performance management, in the form of variables, clear and measurable goals, incentives, decentralization and performance measurement, on organizational performance at DGT, with empirical studies conducted at Sukabumi Primary Tax Office.

II. RESEARCH PROBLEMS

Based on the background of the above problems, the researcher formulated this research as follows:

- How does the influence of clear and measurable goals affect organizational performance?
- What is the effect of incentives on organizational performance?
- What is the effect of decentralization on organizational performance?
- How the influence of performance measurement on organizational performance ?

III. LITERATURE REVIEW

A. Performance

Performance is often defined as the achievement of measurable goals. However, the concept of actual performance is not only on the achievement of *output* or outcome Goals, but also includes efforts made in the work to achieve the set Goals. *The Oxford Dictionaries* include the concept of work or the efforts made in completing work. The work process also includes the application of values in the organization in carrying out a job. Bernardin (1995) in Armstrong (2006) suggested the concept of performance for wider coverage. Performance is the *outcome* obtained due to the process of connecting organizational goals and strategies, customer satisfaction, and economic contributions generated.

B. Performance Management

Performance Management is the process of improving organizational performance through aligning individual performance with performance Goals that will be achieved in the organization as a step in the framework of achieving a predetermined vision. The scope of this process is more than the traditional performance appraisal process, which only assesses work results (*Performance Assessment*). In performance management there is an effort of dialogue, cooperation, and continuous improvement, both from business processes, increasing competency from workers and the impact in the form of a culture of continuous high-performance work behavior. Performance management is a performance-oriented management approach through an integrated strategic approach to the desired goals and vision based on communication and mutual agreement to achieve organizational goals. (Wibowo, 2007).

C. Performance Management Variables

➤ Clear and Measurable Goal

Goal Setting theory emphasizes that people who are given clear goals, even though they are difficult to achieve, perform better in carrying out their duties than people who are not given goals that are unclear, too easy, or have no goals at all. Thus, the goal setting theory assumes that there is a direct relationship between specific and measurable goals and performance. High goals result in greater effort and perseverance in the people who carry it out, because of the desire to strive to achieve goals.

Armstrong (2006) argues that with the organizational goals planned and agreed upon, it will make the activities of all members of the organization more focused. Clear work goals, focus on what must be done, how it should be done, and what you want to achieve, from work.

Clear and measurable goals, must also meet requirements, fairness, the possibility of achieving, and the existence of agreements agreed upon, in order to produce good performance and not cause job dissatisfaction with workers. Its achievement must be accompanied by proper quality supervision, so that its achievement does not neglect

the quality side, as well as guidance for how to achieve it. (Latham and Locke, 1979).

➤ Incentive

The provision of incentive policies is closely related to the concept of *agency theory* which suggests that incentives will encourage someone to further improve performance because workers will gain an increase in wealth if someone improves performance.

The relationship of *agency theory* occurs when one or more individuals (called principals) employ other people (called agents) to delegate responsibility to them, and each individual is considered motivated solely by financial interests (Baiman, 1990, in Verbeeten 2008).

➤ Decentralization

Goal setting theory suggests that the goal has the possibility of not being achieved if there are limitations in carrying out work (Locke and Latham, 1979). One of the situations that limits the achievement of goals is the lack of delegation of authority in making decisions in carrying out work. Latham and Locke (1979) suggested that in addition to the existence of Goal setting also needed the support of resources (budget, time and equipment) to workers in carrying out their work and the right to freedom of decision in their use. Hansen and Mowen (2007) define decentralization as a policy of delegating authority in decision making from higher organizational units to lower units.

➤ Performance Measurement

Performance management practices are very concerned about performance measurement as a step to evaluate the progress of goal performance. Performance measurement uses performance indicators that describe the level of development of the goal's achievement towards the intended goal. By knowing the level of development of the goal achievement, evaluation can be done for corrective steps taken, if the development is very far from the desired goal or which is the improvement of the activity process.

Verbeeten (2008) suggests that based on *goal setting theory*, performance measurement will provide feedback for supervisors in improving performance. Hyndman and Eden (2001) in Verbeeten (2008), also concluded that the focus on performance measurement would improve performance.

D. Performance Management in the Public Sector

The development of the application of performance management in the public sector was spearheaded by the concept of entrepreneurial government that came from books written by Osborne, David, and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (1992). The concept of entrepreneurial governance in this book is offered to deal with the rapid development of the information age. A government that is too bureaucratic in the United States cannot improve the quality of its services to the public if it does not change the pattern of its work to become an *entrepreneur government*. The concept offered by the author

is government that has the spirit of entrepreneurship, which focuses on results, the decentralization of the distribution of authority, the reduction of bureaucracy, and promoting competition both inside and outside the government.

Result Oriented Government, one of the ten concepts proposed by Osborne and Gebler (1992) emphasizes the importance of measuring output or output orientation of a government policy issued. The concept of *Result Oriented* also takes into account the *outcome* of an expenditure and introduces an award for the success of work management. With this concept, it is time for the public government to switch from the priority of *input*, to *output* and the *outcome* produced. Output priorities encourage the application of performance management practices in the government sector.

The practice of applying the concept of performance management in the public sector can be defined as the process of setting goals, determining strategies to achieve goals, delegating decision-making powers, measuring performance and rewarding performance. (Heinrich, 2002; in Verbeeten 2008).

Verbeeten's research (2008) concluded, that the implementation of performance management in the public sector should include: Determination of clear and measurable Goals, Performance Measurement, Continuous Improvement, and *Reward and Punishment Policy*

E. Previous Research and Hypothesis

Some previous studies have been conducted to determine the effect of implementing performance management in the public sector on performance.

Rangan (2004), from research on several social and non-profit organizations, concluded that for non-profit-oriented organizations clear and measurable goals are needed, so that organizational activities are more focused and directed, and the success of activities can be known.

Verbeeten (2008) from the results of his research on the public sector in the Netherlands, suggested that the determination of a clear and measurable goal would have a significant positive effect on performance achievement, both performance with dimensions (such as output), or quality (such as increased organizational performance culture)

Indudewi (2009) conducts research in Regional Work Units (SKPD) and Regional Owned Enterprises (BUMD) in the city of Semarang. The results of the study concluded that the clear and measurable goal able to influence performance improvement. Sari, Mardian Ratna (2016) from her research on private university educational institutions concluded that clear and measurable goal was proven to improve organizational performance.

The hypothesis developed:

- H1: Implementation of clear and measurable goals has a positive and significant effect on organizational performance

Verbeeten (2007), Spekle and Verbeeten (2013) in his research on public organizations in the Netherlands, incentive policy for jobs whose target have been determined revealed that incentive policies for jobs that have been determined will increase organizational performance for quantitative measures. This is because there is an influence from the binding power of the contract agreed upon between the capital owner and the agent.

Newberry and Pallot (2004). Through his research on the public sector in Selendia Baru, found that careful determination of performance measurement, in line with the incentive policies implemented, will improve performance in the public sector.

Indudewi (2009) concluded that incentive policies for regional government employees of SKPD and BUMD in Semarang city were able to improve organizational performance.

Sung, Choi and Kang (2015) concluded from the results of his research on 227 (two hundred twenty seven) companies in Korea, that incentives can improve organizational performance. Burgess, Propper, Ratto and Tominey (2017) from his research on government institutions in the UK, concluded that incentive payment schemes associated with performance would improve performance.

The hypothesis developed:

- H2: Incentives have a positive and significant effect on organizational performance

Latham and Locke (1979) suggest that the implementation of the theoretic agency concept can support performance, it is necessary to delegate authority for operational needs and in the use of the budget. However, in delegating this authority it is also necessary to ensure that the recipient of the delegation of authority has the ability to achieve goals.

Miah and Mia (1996), based on the results of his research on the public government sector in Selendia Baru, concluded that the policy of delegation of authority would provide improved performance if the accounting information system held by the recipient of authority was able to provide information in decision making.

Rante, Rosidi and Djamhuri (2013), argued that a decentralization policy mediated by an accounting management system would improve organizational performance for units that had the right of decision making (autonomy), based on their research on regional governments in Papua.

The hypothesis developed:

- H3: Decentralization has a positive and significant effect on organizational performance.

Verbeeten (2008) argues that performance measurement can provide a preview of performance

achievements through established performance indicators so steps can be taken to improve performance if the indicator achievements still show a value below the goal.

Buathong, Bangchokdee, (2017), based on the results of his research on hospital institutions in Thailand, found that performance measurement will improve performance. Another study was also conducted by Dewi, Tandiontong, Vera (2018), with the object of SKPD and BUMD research in Bandung, finding that the performance

measurement system at SKPD was proven to improve performance.

The hypothesis developed:

- H4: Performance Measurement has a positive and significant effect on organizational performance.

F. Research Conceptual Framework

Based on the description of the development of the hypothesis above, the framework of this study can be made as follows:

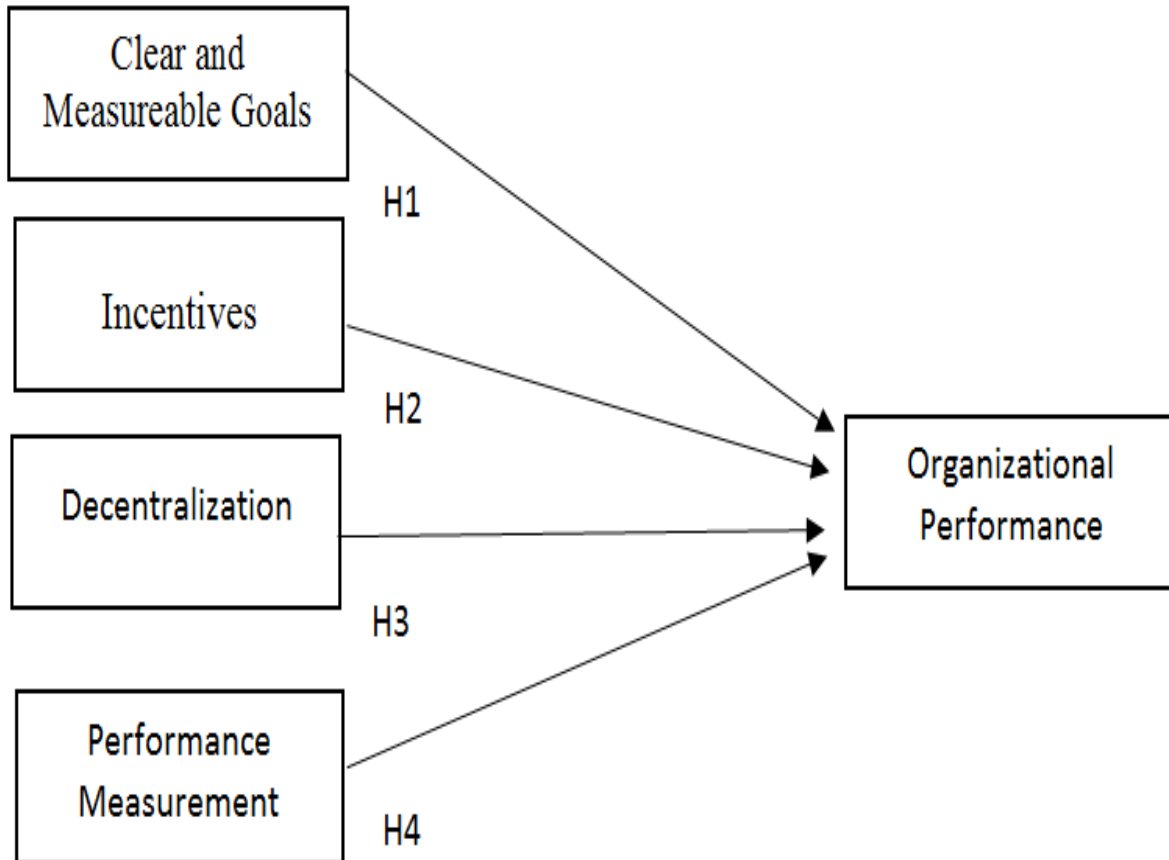


Fig 1:- Conceptual Framework Penelitian
Source: developed for this study (2018)

G. Research , Population and Sampling Process

This research was conducted to test the hypothesis testing with perform quantitative data analysis of the relationships between all variables studied (casual) research). The study was conducted to examine the relationship clearly measurable goals, incentives, decentralization and performance measurement as the dimensions of the Independent variable against the performance of the organization which is the dependent variable. Data sources of data are primary data derived from answers to questionnaires answer was given to respondents. The population in this study were all employees in KPP Pratama Sukabumi, while the sampling is done is saturated sampling, were all employees of the KPP Pratama Sukabumi which amounted to 92 people.

IV. DATA ANALYSIS

Analysis of the data in this study is a descriptive statistical analysis , using Smart PLS.3. The analysis is carried out through three stages , the outer model analysis (validity and reliability), the inner model analysis (structural test), and hypothesis testing .

A. Description of Characteristics of Respondents

Based on the research that has been done, the descriptive profile of respondents can be explained based on gender, age, education, employee status and years of service, which can be seen from the following table:

No.	Characteristics	Description	Frequency	Percentage
1	Gender	a. Man	76	82.61%
		b. Women	16	17.39%
2	Age	a. 20-30 years	44	47.83%
		b. 30-50 th	36	39.13%
		c. > 50 years old	12	13.04%
3	Last education	a. SMA to D III	53	57.61%
		b. S1 / D IV	28	30.43%
		d. S2 / S3	11	11.96%
4	Years of service	a. 0-10 th	29	31.52%
		b. 11-20 th	37	40.22%
		c. > 20 years old	26	28.26%
5.	Earnings per month	a. up to 10 million	34	36.96%
		b. 10 to 20 million	42	45.65%
		c. Above 20 million	16	17.39%

Table 1:- Characteristics of Respondents
Source: Results of Primary Data Processing, 2018

B. Description of Variables

➤ *Clear and Measurable Goal*

Instruments for measuring clear and measurable goals developed by Verbeeten (2008). For this study the researcher also redeveloped the questionnaire according to the DGT's organizational conditions. A list of statements regarding clear and measurable goals consists of the 6 statement items measured using a 1-5 Likert scale (1 = strongly disagree, up to 5 = strongly agree), as follows:

- Vision and mission are written, clear and unambiguous (indicator s1).
- Vision and mission in the organization are documented and communicated both internally and externally (indicator s2).

- Organizational goals are clear (unambiguous) and in accordance with the mission specified (indicator s3).
- Organizational goals are documented specifically and in detail (s4 indicator).
- 5.Targets that must be achieved provide a complete picture of the desired condition. (indicator s5).
- 6.Performance measures are stated clearly and unambiguously related to the goals of organization (indicator s6).

Based on the survey results of these indicators, the following answers are obtained:

Respondent's answer	Indicator											
	s1	% s1	s2	% s2	s3	% s3	s4	% s4	s5	% s5	s6	% s6
Neutral	21	22.83	9	9.78	25	27.17	27	29.35	27	29.35	29	31,522
Agree	53	57.61	64	69.57	52	56.52	50	54.35	52	56.52	56	60,870
Strongly agree	18	19.57	19	20.65	15	16.30	15	16.30	13	14.13	7	7,609
Disagree	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0,000
Strongly disagree	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0,000
total	92	100	92	100	92	100	92	100	92	100	92	100

Table 2:- Respondents' Opinions About Indicators of Clear and Measurable Goals
Source: Results of Primary Data Processing, 2018

➤ *Incentive variable*

Incentive measurements in the study used instruments developed by Keating (1997, in Verbeeten, 2008). For this research the researcher also redeveloped the questionnaire based on the adaptation of the Indudewi questionnaire (2009) which was adjusted to the conditions of the DGT organization. The statement about incentives consists of 7 statement items and is measured on a 1-5 Likert scale (where 1 = strongly disagree and 5 = strongly agree). as follows:

- Performance of budget management is related to total compensation received by employees (indicator i1).
- Rationalization of budget management relates to the total compensation the employee receives (indicator i2).
- The implementation of budget activities relates to the total compensation that the employee receives (indicator i3).

- Achieving budget efficiency is related to the total compensation that employees receive (indicator i4).
- The level of community satisfaction services is related to the total compensation that employees receive (indicator i5).
- Achievement of work unit service quality standards related to the total compensation that employees receive (indicator i6)..
- Measuring the impact of performance relates to the total compensation that employees receive (indicator i7).

Based on the survey results of these indicators, the respondents' answers are as follows:

Respondent's answer	Indicator													
	i1	% i1	i2	% i2	i3	% i3	i4	% i4	i5	% i5	i6	% i6	i7	% i7
Strongly Disagree	0	0.00	0	0.00	1	1.09	1	1.09	0	0.00	2	2.17	1	1.09
Disagree	3	3.26	6	6.52	5	5.43	6	6.52	6	6.52	4	4.35	2	2.17
Neutral	24	26.09	21	22.83	22	23.91	21	22.83	38	41.30	44	47.83	20	21.74
Agree	59	64.13	64	69.57	55	59.78	60	65.22	45	48.91	39	42.39	63	68.48
Strongly Agree	6	6.52	1	1.09	9	9.78	4	4.35	3	3.26	3	3.26	6	6.52
TOTAL	92	100	92	100	92	100	92	100	92	100	92	100	92	100

Table. 3:- Respondents' Opinions About Incentive Indicators
Source: Results of Primary Data Processing, 2018

➤ *Decentralization variable*

The incentive measurements in the study used instruments developed by Mia and Mia (1996, in Verbeeten, 2008). For this study the researcher also redeveloped the questionnaire according to the DGT's organizational conditions. The statement about incentives consists of 5 statement items and is measured by a 1-5 Likert scale (1 = no authority up to 5 = has full authority) as follows:

- How much the work unit gets the authority and responsibility for making decisions relating to strategic issues (indicator d1).
- How much the work unit gets the authority and responsibility for making decisions related to investment issues (indicator d2).

- How much the work unit gets the authority and responsibility for marketing or publishing activities (indicator d3).
- How much the work unit gets the authority and responsibility for making decisions related to the internal process of the work unit (indicator d4).
- How much the work unit gets the authority and responsibility for making decisions relating to changes in organizational structure , employee dismissal and appointment, and promotion (indicator d5).

Based on the survey results of these indicators, the respondents' answers are as follows:

Respondent's answer	Indicator									
	d1	% in	d2	% d2	d3	% d3	d4	% d4	d5	% d5
Do not have authority	3	3.26	16	17.39	1	1.09	9	9.78	39	42.39
Authority is quite small	14	15.22	15	16.30	17	18.48	5	5.43	24	26.09
Proportional Authority	53	57.61	59	64.13	69	75.00	62	67.39	27	29.35
Enormous Authority	19	20.65	2	2.17	5	5.43	12	13.04	2	2.17
Have Full Authority	3	3.26	0	0.00	0	0.00	4	4.35	0	0.00
Total	92	100	92	100	92	100	92	100	92	100

Table 4:- Respondents' opinions about the indicator of the Decentralization variable
Source: Results of Primary Data Processing, 2018

➤ *Performance Measurement Variables*

Performance measurement instruments are based on instruments developed by Cavaluzzo and Ittner (2004), in Verbeeten (2008). For this study the researcher also redeveloped the questionnaire according to the DGT's organizational conditions. The statement about incentives consists of 5 statement items and is measured by a 1-5 Likert scale (11 = strongly disagree to 5 = strongly agree). as follows

Variables Performance measurement is measured using the following indicators:

- The organization has a performance indicator that measures the quantity of activity results (pk1).

- The organization has a performance indicator that measures operational efficiency of activities (pk2).
- The organization has a performance indicator that measures the level of community satisfaction with the services provided (pk3).
- The organization has a performance indicator that measures service quality standards (pk4).
- Organizations have performance indicators that measure the impact of performance outcomes (pk5).

Based on the survey results of these indicators, the respondents' answers are as follows:

Respondent's answer	Indicator									
	pk1	% pk1	pk2	% pk2	pk3	% pk3	pk4	% pk4	pk5	% pk5
Strongly Disagree	0	0	0	0.00	0	0.00	0	0.00	0	0.00
Disagree	0	0	0	0.00	2	2.17	3	3.26	2	2.17
Neutral	26	28.26	36	28.26	38	41.30	28	30.43	31	33.70
Agree	37	40.22	47	40.22	47	51.09	49	53.26	49	53.26
Strongly agree	29	31.52	15	31.52	5	5.43	12	13.04	10	10.87
Total	92	100	92	100	92	100	92	100	92	100

Table 5:- Respondents' Opinions About Variable Indicators Performance Measurement
Source: Results of Primary Data Processing, 2018

➤ *Performance Variables*

Performance instrument developed by Van de Ven and Ferry (1980) and used by Dunk and Lyson (1997); Williams (1990); (in Verbeeten, 2008). The researcher also redeveloped the questionnaire according to the DGT's organizational conditions. The statement about incentives consists of 5 statement items and is measured by a 1-5 Likert scale (11 = very less to 5 = very good). as follows

Performance variables are measured using the following indicators:

- Quantity or number of jobs produced, and / or the number of services provided to the work unit organization (indicator k1).
- The quality or accuracy of work produced and / or the quality of services provided to the work unit organization (indicator k2).

- Number of innovations, process improvements, or new ideas applied to the work organization where I work. (k3 indicator).
- Reputation of work excellence in work unit organizations (indicator k4).
- Achievement of work Goals or level of service objectives in the work unit organization (indicator k5).
- Efficiency of operational activities in work unit organizations (indicator k6).
- Moral (Integrity and high performance culture) workers at the organization of the work unit where I work (indicator k7).

Based on the survey results of these indicators, the respondents' answers are as follows:

Respondent's answer	Indicator													
	k1	% k1	k2	% k2	k3	% k3	k4	% k4	k5	% k5	k6	% k6	k7	% k7
Very less	0	0.00	0	0.00	0	0.00	0	0.00	1	1.09	1	1.09	1	1.09
Less	6	6.52	4	4.35	5	5.43	0	0.00	2	2.17	1	1.09	0	0.00
Enough	20	21.74	12	13.04	19	20.65	18	19.57	13	14.13	7	7.61	5	5.43
Well	57	61.96	62	67.39	59	64.13	62	67.39	61	66.30	73	79.35	60	65.22
Very good	9	9.78	14	15.22	9	9.78	12	13.04	15	16.30	10	10.87	26	28.26
Total	92	100	92	100	92	100	92	100	92	100	92	100	92	100

Table 6:- Respondents' Opinions About Performance Indicators
Source: Results of Primary Data Processing, 2018

C. Test Validity and Reliability (Outer Model)

➤ *Test Individual Item Reliability*

This test is conducted to measure the reliability of each indicator and see which indicators are good to use. Seeing the factor loading value above 0.70 from each variable indicates that the indicator does explain the variables it measures. The value of the factor loading of indicators less

than 0.7 will be removed from the model when testing, but in the development stage, a 0.50 correlation is still acceptable (Ghozali, 2006). The factor loading results meet the requirements of more than 0.700, and can only be obtained after the sixth run of the calculation algorithm, such as the following table

Indicator	Decentralization	Incentive	Performance	Performance Measurement	Clear and measurable goals
d3	0.851				
d4	0.954				
i3		0.889			
i4		0.914			
i7		0.762			
k3			0.875		
k4			0.783		
k5			0.876		
k6			0.844		
pk1				0.796	
pk2				0.798	
pk3				0.880	
pk4				0.944	
pk5				0.869	
s1					0.892
s2					0.848
s3					0.804
s4					0.803

Table 7:- *Outer Loading* indicator is the sixth run
Source: Results of Primary Data Processing, 2018

➤ *Internal Consistency Test*

Internal consistency tests are carried out to determine the extent to which the measurement tools have accuracy and accuracy of measurements that are consistent over time.

The value seen is the composite value above 0.7 and cronbach's alpha above 0.6. after calculating the algorithm at the sixth run. The results of the Construct Reliability value are as follows:

Indicator	Cronbach's Alpha	Composite Reliability
Decentralization	0,791	0.899
Incentive	0,816	0,892
Performance	0,866	0,909
Performance Measurement	0,915	0,934
Clear and Measurable goal	0,867	0.904

Table 8:- *Construct Reliability*
Source: Results of Primary Data Processing, 2018

Based on the results of the calculation of composite reliability, the overall test results are above 0.70 and the cronbachs alpha value is above 0.60 so it can be concluded that the variables in this study are reliable and can be used to test the hypothesis.

➤ *Discriminant Validity Test*

This test is done to see how much difference between variables. The value seen in this test is the average variance extracted (AVE) value obtained as a result of estimation where the value must be above

Indicator	Average Variance Extracted (AVE)
Decentralization	0.817
Incentive	0.735
Organizational Performance	0.715
Performance Measurement	0.738
Clear and Measurable goal	0.702

Table 9:- *Construct Validity*
 Source: Results of Primary Data Processing, 2018

The table above has shown that the AVE value after re-estimation of all indicators of the research variable has exceeded 0.5.

The next requirement that must also be fulfilled is the square root value of the AVE of each variable, where the AVE square root value must be greater than the correlation value with other variables so that it is said to have good discriminate value validity, as shown in the following table:

Indicator	Desentralisasi	Insentif	Kinerja	Performance Measurement	Sasaran Jelas dan terukur
Decentralization	0.904				
Incentive	0.054	0.857			
Organizational Performance	0.213	0.593	0.845		
Performance Measurement	0.189	0.090	0.462	0.859	
Clear and Measurable goal	0.074	0.025	0.281	0.480	0.838

Table 10:- *Discriminant Validity*
 Source: Results of Primary Data Processing, 2018

In Table 10, the comparative value of the AVE root value shows that each of these values is greater than the correlation with other variables. So it can be concluded that all latent variables have discriminant validity and construct good validity.

model testing produces a significance value of the path relationship between latent variables using the bootstrapping function, and will be evaluated using R-Square for the dependent construct, path or t-values coefficient values for each path to test the significance between constructs in the structural model. Where the R-Square value is a goodness-fit model test. The value of R-Square in this study can be seen in the following Table:

➤ *Structural Model Evaluation (Inner Model)*

Structural model evaluation is carried out to ensure that structural models are robust and accurate. Structural

	R Square
Performance	0,5378

Table 11:- *R-Square*
 Source: Results of Primary Data Processing, 2018

Table 10 shows the model of influence of The clear and measurable goal, Incentives, Decentralization, and Performance measurement towards performance give R-Square values of 0.5378 which means performance variability can be explained by clear and measurable Goals, Incentives, Decentralization, and Performance Measurements of 53,78% while the remaining 46, 22% are explained by other variables outside of those studied.

➤ *Direct Influence Analysis (hypothesis testing)*

To test the hypothesis that determines whether or not the hypothesis is accepted, then the value of t (t-value) generated is carried out by running the Bootstrapping algorithm on Smart PLS 3.0. At the 0.05 significance level, the hypothesis will be supported if the t-value exceeds the critical value of 1, 96 .

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Decentralization -> Performance	0,110	0,109	0,084	1,303	0,193
Incentives -> Performance	0,553	0,545	0,069	8,029	0,000
Performance Measurement -> Performance	0,347	0,331	0,107	3,240	0,001
Clear and measurable objectives -> Performance	0,093	0,120	0,101	0,917	0,359

Table 12:- *Path Coefficients Model Pengaruh Langsung*
Source: Results of Primary Data Processing, 2018.

Table 12 (Path Coefficients) shows the results of the study as follows:

- Variable Decentralization produces a positive t value of 1,303. This means that the Decentralization variable is able to provide a positive influence on organizational performance. But the statistical t value of 1,303 is smaller than the t-table value of 1,96, so the hypothesis that the Decentralization variable has a positive and significant effect on organizational performance is rejected.
- Incentive variable produces a positive t value of 8.029. This means that the Incentive variable is able to have a positive influence on organizational performance. The statistical t value of 8.029 is greater than the t-table value of 1,96, so the hypothesis that the Incentive variable has a positive and significant effect on organizational performance is accepted.
- The Performance Measurement variable produces a positive t value of 3.240. This means that Performance Measurement variables are able to provide a positive influence on organizational performance. The t-value of statistics is 3.240. greater than the value of t-table 1.96, so the hypothesis that the Performance Measurement variable has a positive and significant effect on organizational performance, is accepted.
- Clear and Measurable goal produce a positive t value of 0.917. This means that the Clear and Measurable Goal variables are able to have a positive influence on organizational performance. However, the statistical t value of 0.917 is smaller than the t-table value of 1.96 smaller than the t-table value of 1.96, so the hypothesis that the Clear and Measurable goal variable has a positive and significant effect on organizational performance, is rejected.

V. CONCLUSION

Based on the results of the analysis and discussion in the previous chapter, conclusions can be taken as follows:

- Clear and measurable goals do not significantly influence organizational performance of KPP Pratama Sukabumi. This means that the DGT's clear and measurable goals variable, which is set in five years in a five-year strategic plan, and also used as the basis for making annual performance contracts for both the organization and employees, considered not to have a significant effect on the achievement of Sukabumi Primary Tax Office performance.
- Incentives have a significant and positive effect on the performance of KPP Pratama Sukabumi. This means that the policy of providing incentives that have been implemented at DGT is felt to have a positive and significant effect on improving the performance of Sukabumi Primary Tax Office. The more effective the policy of giving incentives applies, the better organizational performance is achieved.
- Decentralization does not have a significant effect on the performance of Sukabumi KPP Pratama organizations. This means that the delegation of authority owned by KPP Pratama Sukabumi is felt to have no significant effect on achieving organizational performance.
- Performance Measurement has a positive and significant effect on organizational performance according to Sukabumi KPP Pratama employees. This means that the performance measurement process that has been running at Sukabumi KPP Pratama (performance contract, performance dialogue, evaluation of quarterly, semester and annual performance achievements, calculation of organizational performance values) is felt to be able to have a significant positive effect on Sukabumi KPP performance achievement.

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