

Design of Performance Management Business Process in State-Owned Enterprise in Field of Construction

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ABSTRACT

Higher business competition and increasing customer needs require companies to have excellent performance. Therefore, it's necessary to have a mechanism for managing company and employee performance that can follow the direction of dynamic company environment. This mechanism must be implemented thoroughly in all business units starting from the highest to the lowest organizational level, using best practices that suitable with the organization. This study aims to design a better, more efficient and effective employee performance management process that can support the achievement of enterprise goals. This research object was state-owned enterprise (SOE) in the field of construction in Indonesia. The study was conducted by qualitative research methods by conducting interviews and collecting supporting data sources from secondary data sources to identify all requirements. Business process improvement design can be done through business process management (BPM) by implementing an innovative information system that can meet all requirements.

Keywords: *Business process management, management information system, performance management.*

1. INTRODUCTION

Business competition and increasing customer needs require companies to always be able to adapt quickly, precisely and responsively. In order to do that, companies no longer can use conventional methods that have been done so far. Companies need to follow dynamic business requirement in accordance with the time and conditions. The potential innovation that can be carried out to meet this dynamic business requirement is the application of business process management (BPM). By implementing BPM, a better business process can be carried out by innovation process using business process improvements or engineering that results in improvements in efficiency and effectiveness to achieve organizational goals [1]. BPM is the science and art of managing the way or process of work carried out in an organization to ensure consistent results and provide opportunities for increasing organizational profits [2]. Most importantly, BPM is not just about improving the way individual activities but rather managing the entire set of processes, activities, and decisions that ultimately add value to the organization and its customers [2].

The company's performance in achieving its vision and mission can only be realized if supported by human resources who have competencies and provide optimal performance for the company. Performance refers to the level of success in carrying out the task and the ability to achieve the goals set. Performance is stated as good and successful if the desired goals can be achieved well [3]. Along with the increasing business development and competition, the demands of the company's performance targets will be high and more dynamic following changes in the company's business strategy [4]. Therefore, it is necessary to have a mechanism for managing company performance that can follow the direction of company development to be managed in a planned, measurable, clear, flexible, and realistic manner.

The implementation of company performance management must be cascading from the highest to the lowest level of the company and must be supported by active participation of all working units and their employees. This principle conforms to the Balanced Score Card (BSC) concept. BSC can support modern organizational performance management in realizing business strategies into quantitative performance

indicators, making it easier to plan, monitor and evaluate performance [5]. These scorecards are aligned with the highest corporate scorecards by identifying strategic goals and measures that will be used by each department at the lower level until employee performance level to measure their progress in contributing to the company's goals [6]. In the BSC concept, several criteria are established, which are the translation of what is the company's mission and strategy in the long run. These criteria are classified into four different perspectives: financial, customer satisfaction, internal business process, and learning and growth [7].

Employee performance management process is a cycle regularly carried out by the organization within a certain period of time, adjusted to the target of achieving organizational goals. The organizational performance management process cycle consists of: 1) Performance Planning, 2) Performance Tracking, 3) Performance Appraisal and Evaluation [8]. Performance appraisal is a very vital process to ascertain whether organizational goals have been achieved based on employee contributions [9]. Employee performance management benefits are: 1) Define strategic goals related to employee activities in accordance with organizational goals, 2) Administrative objectives related to work evaluation for administrative decision, assessment, promotion, termination of employment, etc. 3) Develop the capacity of potential employees in their fields of work, provide training for employees whose performance is poor, and place employees in the right position [10]. This process must be implemented efficient and effectively in organization. Effective means that the objectives can be achieved in accordance with planning, while efficient means that the task is carried out correctly, organized, and according to schedule. In order to guarantee this, employee must fulfill function of motivation and ability. To complete a task or job one must have a degree of willingness and a certain level of ability. A person's willingness and skills are not effective enough to do something without a clear understanding of what will be done and how to do it [11].

The object of this research is state-owned enterprises in the field of construction and housing sector in Indonesia. This company still faced a number of constraints and problems in their performance management, especially to fulfill employee performance target. It is necessary to do an innovation in business processes to solve these problems. Employee performance management information system is a potential business process innovation solution to be applied to face these problems. Employee performance management information systems is developed based on existing best practices such as by utilizing the concept of the Balanced Score Card which also adjusted to the specific needs of the company. Identification of specific

company needs was obtained based on the results of observations and interviews with decision maker stakeholders in the company especially related to human resource management. With the successful innovation of the performance management business process supported by employee performance management information systems, it is expected to help facilitating the implementation of practical best practices employee performance management that meet their requirement, so that in the future, the company can fulfill their target performance in achieving their vision and mission.

2. METHODS

This research object taken was state-owned enterprise (SOE) in the field of construction in Indonesia. The study was conducted by qualitative research methods through interviews and collecting supporting data sources from secondary data sources derived from corporate strategic and operational documents. Method used in this research can be seen in Figure 1.

Literature study was conducted to understand the concept of good employee performance management according to scientific concepts. The best practices study was conducted to understand which best practices were fit to implement in SOE in field of construction. This research also combined best practices with regulations and related guidelines set by related regulators. Data collection was carried out to collect various data and information related to the implementation of employee performance management processes in the company including guidelines on the implementation of employee performance management, employee performance targets, existing business process guidelines or Standard Operating Procedures (SOP), leadership decisions and other related data

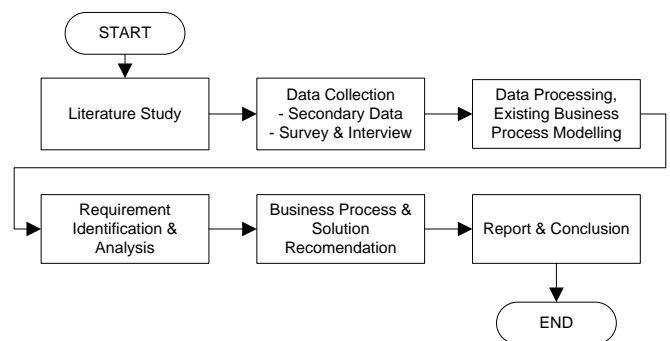


Figure 1 Research Methods

Other methods to collect data was done through interview with company's stakeholder executive to define requirements needed for the business process. The interview was done to identify detail requirement on business process and to make sure that all data collected were valid and up to date. From the overall data obtained, the existing business processes could be

drawn. Business process modeling was done using Bizagi Modeler tools. The analysis was done by identifying the requirement of the employee performance management business process target according to the needs of the organization to support the achievement of organizational goals. The next step was to do a gap analysis for mapping the existing business processes to meet all the requirement of the target. The results of this mapping will bring up opportunities for improvement by innovation of existing business processes. Proposed innovation for business processes improvement was done by designing business processes that were supported by information systems. This business process must meet all organizational requirement to achieve overall organizational performance. All activities undertaken in this study were documented and stated in the form of a final report.

3. RESULTS AND DISCUSSION

3.1. Existing Business Process

Existing employee performance management in the enterprise consists of: 1). Performance Planning - The initial business process that started cycles. Starting in the initial period of performance management, usually at the beginning of the year, employee performance planning process will be carried out. In this process, for each employee, performance items and indicators or KPI (key performance indicators) will be determined, 2). Performance Tracking - Implementation or realization of predetermined performance planning. Each employee reports the results of their work progress as performance to the supervisor for approval. In this process there is also a process of discussion and coaching between employees and superiors, 3). Performance Appraisal and Evaluation - Implementation or realization of predetermined performance planning. Each employee reports the results of their work progress as performance to the supervisor for approval. In this process there is also a process of discussion and coaching between employees and superiors. Evaluation of the performance results that have been made by employees is carried out for continuous improvement. Currently for the entire business process is still done manually, causing many difficulties, especially in reporting, slow feedback from superiors, process flow that takes a long time, difficulties in appraisal and evaluating performance. This contributes to the lack achievement of organizational goals.

3.2. Requirement & Gap Analysis

To compile the target business processes, identification of requirements for each employee

performance management business process was carried out. The requirements were identified based on study of company documents and interviews with company executives specifically on the human resources function. For each business process, existing conditions were compared with requirements. The result then can be identified which requirements have been met by existing business processes and which ones have not.

The results of the Gap Analysis show that in general existing business processes are still unable to meet the needs of business process targets. The detail of gap analysis between existing business processes and target requirements can be seen in Table 1, Table 2 and Table 3.

From the data in the tables, it shows that not all requirement can be met by the business process. Recapitulation of the results of gap analysis is shown in Table 4.

Based on the Table 4, generally the entire existing business process cannot meet the specified requirements. This generally happens because the entire business process is still done manually. To fix this, it is necessary to improve business processes. Proposed improvement of business processes is to innovate with the use of online information systems that can meet the needs of the process.

Table 1. Employee Performance Gap Analysis

No	Requirement	Checklist
1	Ability to manage company-level performance (Balanced Scorecard)	V
2	Ability to do performance planning by looking at the results of the previous period's performance evaluation	-
3	Ability to cascade company level performance from higher to lowest organization unit	V
4	Ability to carry out approval to determine performance achieved by organization unit in a certain year period	V
5	Ability to cascade work unit level performance to each employee	V
6	Ability to set individual performance settings based on corporate values for each unit	V
7	Ability to cascade individual performance from the GM level down	V
8	Ability to input specific performance data for each individual (employee) online	-
9	Ability to weight each employee's performance between individual performance and performance based on cascading work units online	-
10	Ability to do performance approval process for each individual (employee) online	-

Table 2. Employee Performance Implementation Gap Analysis

No	Requirement	Checklist
1	Ability to identify the target performance that must be achieved by each employee	V
2	Ability to input quantitative performance data for each employee both by the employee	-

No	Requirement	Checklist
	himself and the staff officer online	
3	Ability to do performance reporting whenever and wherever by every employee	-
4	Ability to carry out automatic calculations of achievement of performance and compare it with the performance planning	-
5	Ability to monitor performance achievements for each employee in real time	-
6	Ability to approve the results of employee performance online	-
7	Ability to upload data supporting the results of performance implementation	-
8	Ability to identify the performance targets to be achieved by each employee	V
9	Ability to input quantitative performance achievement data for each employee both by employee himself or staff / officer	-
10	Ability to perform calculations automatically achieving performance and compare it with performance plan	-
11	Ability to finalize employee performance calculations and online approvals by superiors	-
12	Ability to recapitulate the progress of employee performance values to determine the performance of work units and so on to the company level	-
13	Superiors are able to conduct reviews, comments, input on the results of the implementation of performance online	-
14	Employees are able to see reviews, comments, input on the results of the implementation of their performance from direct supervisor online	-

Table 3. Employee Performance Appraisal and Evaluation Gap Analysis

No	Requirement	Checklist
1	Able to input quantitative performance data on the final performance for each employee both by the employee himself or the staff officer online	-
2	Able to report the achievement of final performance whenever and wherever by every employee	-
3	Able to carry out automatic calculations of performance achievement and compare it with the performance plan	-
4	Able to approve the results of an employee's final performance assessment online	-
5	Able to identify the target performance that must be achieved by each employee	V
6	Able to automatically calculate the final performance achievement and compare it with the performance plan	-
7	Able to finalize employee performance appraisal calculations and online approvals by superiors	-
8	Able to recapitulate employee performance values to determine organization unit performance	-
9	Subordinate/ Supervisor is able to evaluate the results of employee performance individually or collectively in one unit organization online	-
10	Employees are able to see the results of their performance appraisal evaluations from direct supervisor	-
11	Ability to automatically calculate employee performance benefits after employee performance appraisal is complete	-

Table 4. Gap Analysis Recapitulation

No	Existing Business Process	Number Requirement	Number Fulfil	% Fulfill
1	Employee Performance Planning	10	6	60%
2	Employee Performance Implementation and Monitoring	14	2	14,3%
3	Employee Performance Appraisal and Evaluation	11	1	9%

3.3. Design of Target Business Process

The design of target business processes that can meet all requirements was done with the support of implementing online-based employee performance management information system. The following is an explanation of the business process:

3.3.1. Employee Performance Planning

The process starts with determination of organization KPI's. This KPI's is carried out through a top-down cascading mechanism from the highest level of the company to the bottom. The determination of company level performance uses the Balanced Score Card (BSC). Furthermore, the priority of the strategy is automatically processed by system into several objectives that are tailored to specific organization units. Determination of employee's KPI can be done in each organization unit specifically based on their objectives. This process is carried out at the beginning of the current year up to the specified deadline. Each employee can arrange their plan individually by accessing information systems. All of processes are guided by information system, so user can follow the process easily and correctly. Employee's performance planning that has been prepared can be sent directly to a supervisor. Supervisor can directly access the system for quick review and approval. The flow of this process is shown in Figure 2.

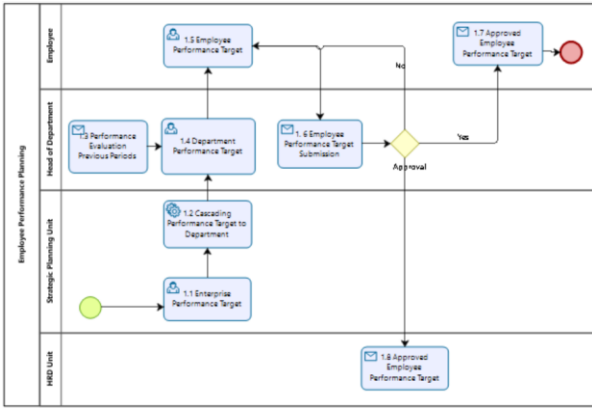


Figure 2. Employee Performance Planning Process (Target)

3.3.2. Employee Performance Implementation and Monitoring

This process is carried out after the performance planning process is completed and approved. This process is running throughout the year until the deadline for performance appraisal at the end of year. Each employee can report their work achievement as their performance report at any time during this period online. Every employee can monitor the progress of their performance at any time. Supervisor can receive notification anytime their subordinates submit the progress and monitor the achievement of the employee's performance. Supervisor can also provide feedback on what has been achieved by their subordinates. The flow of this process is shown in Figure 3

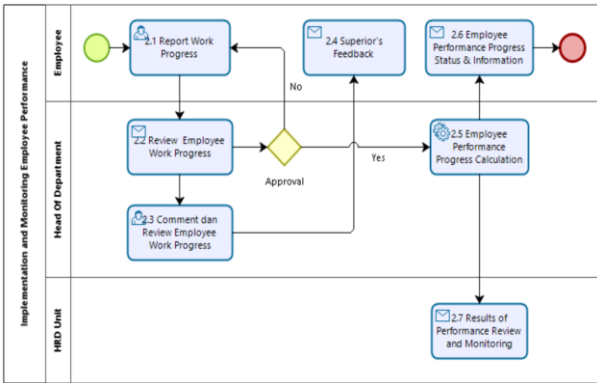


Figure 3. Employee Performance Implementation and Monitoring Process (Target)

3.3.3. Employee Performance Appraisal and Evaluation

The final grade of employee performance achievement. Final performance appraisal can be carried out automatically by system after the employee has validated their performance progress report and submit requests for approval to their supervisor. Supervisor can receive notification of approval for appraisal requests from employees and process the assessment of

employee's final performance. Employee assessment results will automatically calculate the amount of employee performance benefits. From this appraisal, superiors can provide specific performance evaluations to employees or collectively evaluate their organization. Achievement of employee performance will contribute to the achievement of organization unit performance. Achievement of organization performance will contribute to the achievement of company performance. The flow of employee performance evaluation and evaluation processes supported by information systems is shown in Figure 4.

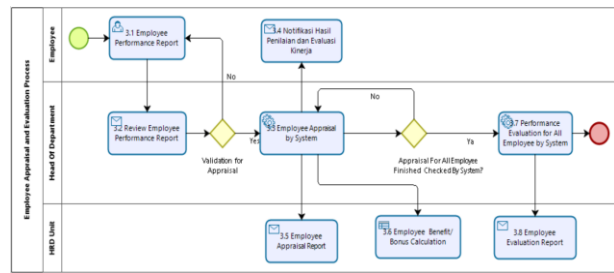


Figure 4. Employee Performance and Evaluation Process (Target)

4. CONCLUSION

The results showed that in general, existing employee performance management business processes have not been able to meet requirements. This is because of all of process are still done manually. The target business process requirements were identified based on interviews with company executives, especially in the human resources and strategic management functions as well as various related policies and regulations. Business processes can be improved so that they can meet all requirements in achieving organizational goals by innovating business processes with the support of online-based employee performance management information systems. Implementation of company performance management business process could use best practices such as BSC methods. The business process implementation must be carried out at all levels of the organizational unit from top to bottom by involving all organization units and employees. To ensure the successful implementation of target business processes, it is necessary to prepare a Standard Operating Procedure (SOP), implementation instructions, supporting technical instructions, and socialization to all stakeholders to provide a uniform, good, and clear understanding related to employee performance management in the company.

The recommendation from this study include: 1) the company's performance information system will be better if integrated with the company's employee master data to ensure staffing and performance data that is up to date and valid. Integration with employee competency information systems will create better

employee development analysis results with the talent pool analysis, 2) it is necessary to develop mobile-based applications that can be accessed on smartphones by employees to facilitate access and easy-use of applications, so employees can use the system anywhere and anytime both online and offline conditions.

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