PERFORMANCE MANAGEMENT OF LOCAL AUTHORITIES: A COMPARATIVE STUDY OF MALAYSIA AND INDONESIA

ASSOCIATE PROFESSOR DR. SITI NABIHA ABDUL KHALID (Principal Researcher), Universiti Sains Malaysia
TEDDY JURNALI, Universitas Internasional Batam
MEILIANA SUPARMAN, Universitas Internasional Batam
DANILAH SALLEH, Universiti Utara Malaysia
ROSHNI ANN GEORGE, Universiti Sains Malaysia
There is an increasing need to design a robust performance management system that fosters the spirit of teamwork and shared commitment as this leads to efficient and effective service performance, raises the level of accountability of the organisation and most importantly, builds trust.

In a recent study on “Performance Management of Local Authorities: A Comparative Study of Malaysia and Indonesia”, four local authorities, two each from Malaysia and Indonesia, were studied to understand how performance management systems could produce the desired effect mentioned above. The study provides interesting insights that can help promote more efficient and effective services in the public sector, with the added role of management accountants in monitoring the whole process, end-to-end.

Nurturing Integration

As in any organisation, initiating change is a challenging experience. Therefore, an integrated approach that has the commitment of all is essential in the design of a successful performance management system.

This case study highlighted that external pressures (political, government, economic or competitive) were able to significantly affect the advancement of performance management systems of local authorities. Here, due to the symbolic nature of the performance management systems implemented, lack of information also raised several issues when it came to integrating the vision, mission and objectives of local authorities and those at national level. It also caused employees to be in the dark when it came to linking or personalising these performance indicators with the mission of the organisation as well as their own roles and responsibilities. With no systematic internal or external monitoring in place, performance could not be measured adequately, thus hampering the decision making process.

To circumvent this, it is important that the implementation of any performance management system include detailed explanation on its design and use; vision and mission that are linked to strategic objectives; key performance indicators (KPIs) and targets that are aligned to national objectives and well-being of local communities. Building on this, effective monitoring, reporting and evaluation processes must be established to improve the organisation’s ability to achieve strategic objectives and fulfil stakeholder needs.

Knowledgeable Leaders Inspire Change

Another interesting factor that stood out was the level of passion and commitment demonstrated by top management towards performance management systems. It
is a known fact that passionate leaders inspire change and this passion will reverberate throughout the organisation. Well-informed leaders, who not only take ownership of the performance management system implementation but are also able to communicate with clarity to drive engagement, will gain support from within the organisation. In addition to this, when leaders have the ability to analyse performance reports, processes can be modified where necessary and this will help in achieving the goals set out.

For example, the performance management systems study indicated that there was no correlation between long term strategic plans and short-term operational plans in two local authorities due to the lack of experience, knowledge and training in performance management. Focus was mostly on day-to-day operational measures and budgetary control instead of sustaining organisational performance and accountability to stakeholders. Here, it was simply the failure to understand the role of performance management systems that led to the lack of ability to communicate openly and establish effective monitoring systems at every level to improve performance and accountability.

On that note, it is important to recognise that when monitoring systems are not employed properly, the overall performance efforts and results will be hampered. Hence, evaluation of departmental and individual performance is an essential part of performance management as it is often used to enhance decision making.

Recognising this, it is the responsibility of the leader and the leadership team to build in-depth knowledge on performance management systems as it will help them strengthen their plans and ensure a robust monitoring system has been put in place for strategic decision-making. While some may create incentives by giving out financial rewards, alternative mechanisms may also be used to gain commitment and inculcate a performance culture within the organisation.

In short, the leadership team sets the work culture of the organisation. As the study shows, they are the key factor for the institutionalisation of performance management and inculcation of a performance culture in local authorities, especially for those located in developing countries, or in any organisation.

Moving away from their traditional roles, management accountants in the public sector should take on more strategic roles in their respective organisations, especially in the design and implementation of performance management systems as they already have the expertise to do so.
Quality Information Leads to Quality Decision Making

As mentioned earlier, an engaged workforce is an important component towards the success of any organisation. For greater impact, seamless flow of communication and performance-related information must be encouraged as this will assist in strengthening coordination at all levels, both hierarchical and horizontal. Not only will this ensure employees at all levels understand the situation better, but also feel empowered and accountable to make the necessary changes that will bring value to the organisation and its stakeholders.

In doing this, productive interrelationships will be nurtured both between vertical/hierarchical (top, middle and bottom) and horizontal (interdepartmental) levels, which in turn reduces resistance to control changes during the performance management process. To this effect, with such an environment, the urgency to provide timely and accurate information will lead to quality decision-making to accomplish the desired output.

The Strategic Role of Management Accountants

Interestingly, the performance management system study amongst the four local authorities in both Malaysia and Indonesia revealed that the management accountants were not able to realise their full potential as strategic partners. They were consulted more on a traditional basis when information on budgets were required and were not involved in the overall strategic planning, key performance indicator identification, target setting, monitoring or even performance reporting.

It must be said that the role of management accountants has today evolved towards creating added value for the organisation and its stakeholders. Moving away from their traditional roles, management accountants in the public sector should take on more strategic roles in their respective organisations, especially in the design and implementation of performance management systems as they already have the expertise to do so.

Recognising this, management accountants therefore have great potential to become key enablers of efficient and effective management of performance that increases accountability amongst stakeholders. This research clearly shows that when performance management systems are well-designed and performance-related information used resourcefully, local authorities will be better equipped to fulfil their strategic roles and deliver exceptional performance, as well as be the most cost effective while ensuring operational efficiency.

Conclusion

In short, a well-orchestrated performance management system must permeate throughout the whole organisation, from goals and objectives to policies and procedures. It is about building a culture of continuous improvement, with value added at every stage and best practices that are adhered to. Once this is done, performance management systems will enable more efficient and effective services, thus achieving a higher level of accountability and credibility amongst both internal and external stakeholders.