Key Performance Indicators (KPIs) in the Public Sector: A Study in Malaysia

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Abstract

Several years ago Key Performance Indicators (KPIs) becoming a best measurement practiced by the government sectors. By practicing this approach in government agencies, the failure of delivery system which always voice out the public will address accordingly. Thus, this paper aims to look at the implementation of KPIs) mainly in Malaysian public sectors in response with Government Circular 20. With some adjustment of reformation in the public sector, the government has developed their own set of KPIs to measure the performance among agencies. In design of study, qualitative method through semi-structured interview was

conducted at National Registration Department, Pulau Pinang to explore the use of KPIs in this frontline agency and how they approach this performance measurement tools as one way to measure their performance. The findings reveal that the use of KPIs has been successful in measuring their organizational and individual performance as well. Though it is hard at the initial stage to adopt this approach, but after several years of implementation, the use of KPIs contributed to several improvements in their administration and services. Nevertheless, since this study is explanatory study based on archival data, it provides limited insights into how organizational managers perceived the relevance and usefulness of key performance indicators in measuring the organizational performance. This paper suggests that the implementation of KPIs should be implemented not only in the frontline agency but to all public sectors as well and they should come out with greater standard of its KPIs. In future research, the government should provide the best indicators to measure the performance of government agencies by putting some value added in implementation of KPIs. Furthermore, third parties such as government servant and stakeholders should togetherness in performing their jobs to make sure everybody is comply with KPIs sets by its agencies.

Keywords: Performance management, Performance, Indicator, Key performance indicators, Public sector, Private sector

1. INTRODUCTION

Organization either being public or private sector practices different types of performance management system. There are various, major methods and movements to increase the performance of organizations. Each includes regular recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Nevertheless, past criticism of traditional "narrow and easy quantifiable" (Brignall *et al*.,1991); "profit-based" (Brander Brown and McDonnell, 1995); performance measure with their lack of "neutrality" (Emmanuel *et al*., 1990) and their lack of "balance" (Eccles, 1991; Kaplan and Norton, 1992) driven a reappraisal and development of performance measurement systems. As a result, organizations started to use new performance measurement systems such as Balance Scorecard, Benchmarking, Continuous Improvement, Total Quality Management (TQM), Management by Objectives (MBO), Quality Control Circle (QCC) and also Key Performance Indicators (KPIs).

In Malaysia public sector, several efforts have been made before that focused on evaluating performance of the agencies and individual through Annual Work Objective (SKT), competency evaluation under Malaysia Pension Scheme (SSM), assessment on efficiency of Quality Management System through MS ISO 9000 and Total Quality Management (TQM), ability to resolve problem innovatively through Quality Circle Group (KMK) and benchmark best practices through Quality Awards in civil service. Even though these efforts brought successful changes in evaluating performance of the public sector agencies, but they still face unprecedented pressure to improve their service quality. Quality according to Deputy Minister of Human Resource, Datuk Abdul Rahman Bakar (2007) is "the perception of superiority or sense of appreciation by customers to satisfy their needs". As a result, Malaysia decides to employ Key Performance Indicators (KPIs) as one of their performance measurement tools. This type of performance measurement is now becoming the interest to a wide range of bodies including governments as well as educational institutions (Hazadiah *et al.,* 2009). Compare with the public sector, the KPIs have been practiced in the private sectors many years ago. In private sectors, KPIs often act as a tool to measure the performance of individual and departments and also to assess the consequences of performing above expectations, meeting expectations or a complete failure to meet expectations. Culturally, private sectors operate their business as profit-oriented and they are solely responsible for their operations to the shareholders as well as stakeholders they serve. This is the reason why performance measurement system such an important issues for them.

Key Performance Indicator is not only practice by the private sectors since Key performance indicators (KPIs) and Key result areas (KRAs) also now becoming a hot debate in public sector as well. On January 1 2004, our previous Prime Minister Tun Abdullah Ahmad Badawi issued a compulsory order to all ministries and departments dealing with the public such as Immigration Department, Land Office, Inland Revenue Department, Road Transport Department and National Registration Department to come up with their own Key Performance Indicators (KPIs). In addition, not only Malaysia, other countries also started to use the KPI in measuring their performance for a long time ago. For instance, various levels of government in the USA have required the reporting of KPIs, PIs or PMs since the 1960s. The "Government Performance and Results Act (GPRA)" is a recent example of mandating the use of strategically-focused *"outcome performance measures"*, rather than operationally-focused *"process and output measures"* (Radin, B.A, 2000).

The KPIs aimed at boosting the performance of the civil service in line with the government effort to improve public service delivery system and as assurance that the element of integrity and good governance are being carried out. Moreover, this effort is further strengthened when our new Prime Minister Dato Seri Najib Tun Razak announced the national KPIs and KRAs in six ministries with the aims to help the government to achieve 1Malaysia under the concept of 'People First, Performance Now'. Under this effort, six ministers have been appointed to lead this mission to realize the six National Key Results Areas (NKRA) which focus on the accessibility to quality and affordable education; crime reduction; battling graft; improvement of living standards; rural development; and improvement of public transportation (New Straits Times, Nov 11, 2009). Thus, we can say that this type of performance evaluation system is not only implemented by the private sector but to the national level as well in order to ensure that government service delivery system will be improved in line with their target to increase efficiency and accountability as well as enhancing productivity to detect possible areas for future improvements.

2. METHOD & MATERIAL

The study was conducted in National Registration Department, Pulau Pinang in September 2009 using a qualitative method in semi-structured interview and observation towards the respondents. The main objective is to study the implementation of key performance indicators in this government agency that offers frontline services to the public. This agency has been chosen among all as they become the pioneer agency in the implementation of KPIs since government announced the effort to further enhance their performance to achieve their vision, mission and objectives.

3. RESULT & DISCUSSION

3.1 Key Performance Indicators (KPIs) of National Registration Department (NRD), Pulau Pinang

National Registration Department (NRD) is one of the agencies under Ministry of Home Affairs which responsible to register all the important events for an individual such as birth registration, death, adoption, marriage and divorce, matter pertaining citizenship and also issuance of identity card to eligible people. The use of KPIs as a performance management tool was started in National Registration Department, Pulau Pinang since October 2004. It take effect after government issued directive to all pilot agencies involved to start impose the KPIs in their frontline services. The findings present below are based on several questions asked during the interview session with Pn Norhayati Abd Rashid, Registrar Officer cum a key person in developing KPIs in NRD Pulau Pinang on September 29, 2009:

1)　What are the main focuses of using KPIs in NRD, Pulau Pinang?

Key Performance Indicators (KPIs) at National Registration Department are focusing on two main aspects. Firstly, NRD develops the KPIs to measure efficiency and effectiveness of work process to provide and deliver services to customers. The management will assess the effectiveness in term of the number of output produced within a time fixed as planned whereas they also assess in term of the productivity of human resource to produce the output. Other than that, the efficiency of the core process to provide and deliver the services to customers is assessed in term of how fast and accurate the service provided and delivered to customers.

The work process is being assessed by looking at the statistics develop by the management team depending on their core business activities. Practically, management team will come up with the statistics on the total application for each of their services. For example: Assume in 1 month, Birth Registration Departments' KPI is to issue 924 birth certificate and MyKid with 0 percent defect. Thus, based on this KPI, the respective department must ensure that they can produce the given output within the stipulated time with free error and this will ensure that they are able to achieve their KPIs. Similar goes to the productivity of the individual employees. Based on the departments' statistic in year 2008, the productive time for one employee (PP1) at the counter service in 1month is 9240 minutes. In order for this person to complete the 40 percent workload, 3969 minutes is required for the process and 5 minutes is the actual minutes of processing time. Based on this, employee must be able to produced 739 applications in 1 month, by then he or she can be considered as achieving his individual KPI.

Secondly, National Registration Department Pulau Pinang (NRDPP) focuses on their KPI to assess the customers' satisfaction. The customers' satisfaction is assessed specifically in term of complaints given in written feedback within time fixed, valid complaints solved at the level of customers' satisfaction gathered through the Customers' Satisfaction Form for Counter Service and also complaints made through personal and phone calls. In NRD PP, they will provide the Customers' Satisfaction Form everyday at every counter. Usually, if there is any dissatisfaction or satisfaction occurs either towards the employees' attitude, level of services given or any other matters, the customers need to fill in the provided form. Checking on the feedback was done every day by the

management team through Customer Service Office. For instance, if the customer made a complaint about the counter staff, Customer Service Department will conduct the investigation and resolve the matter immediately and action will be taken on the respective employees if it persistently happens. Customer Service Department normally will call the respective staff for inquiry and report the result to the management. According to Pn Norhayati, few cases have been resolved but only advice is given to the staff as it is not considered as serious case. So far after the implementation of KPI on National Registration Department Pulau Pinang, there are only a small numbers of cases pertaining to customers' dissatisfaction. As a result, we can say that this agency was success in achieving the KPI developed.

Similar goes to satisfaction customers. In NRDPP, customers who appreciate the services given normally will send the letter of appreciation. For instance, if the customer satisfied with the services given by any counter service employees, they will write a letter of appreciation to the management and in return, the management will reward the employees concerned with recognition or acknowledge them through '*The Most Preferred Employees of the Month*' award. These have been proven to be a motivation for every employee at NRDPP to work hard and achieve their KPI. In relation to this, agency need to record all the complaint and appreciation made every month and future improvement will be made from time to time to ensure they can achieve their long term vision to be the best counter services in the world.

2)   How NRDPP develop their Key Performance Indicators (KPIs)?

In NRDPP, the KPI was develop based on the guidelines in the Development Administration Circular (2005) provided by Malaysian Administrative and Planning Unit (MAMPU). Initially, KPIs develop in this agency reflect their vision, mission and the target as well. Since their long term vision is to become the best counter service in the world, the KPIs that they use will measure how effective and efficient the services given in which cover the work process for each of the counter services and the level of customer satisfaction based on the services given by the agency. In the year 2004, after NRDPP received the directive by government to start implement the KPIs in their agency, the specific guidelines which consist steps, work-process and also the performance target to be achieved were provided by MAMPU and what they need to do is just follow all the criteria and target set by this guidelines. For instance, to check the application and give the queue number to the customers, it take only 2 minutes and the respective staff must ensure that they perform this task according to the target minutes provided so that the KPI can be achieved. In NRDPP, before setting the target performance for every work process, the management team initially will conduct a research to look at the actual minutes that normal person can spend in carrying out every work process. This is needed because different employees carry out different task and represent different work process.

In addition, the management team will monitor the work process from time to time to identify whether there are any additional work flows involved or to be removed and at the same time make future improvisation. The management team will obtain the information regarding the work process from the staff. Based on this information, the statistics were developing based on the information gathered. Statistics develop also consist the data on numbers of applications they received in one day and normally they prepare one year statistic. In example, for the identity card application, the management will gather the information on how many actual minutes normally employees take to process the application. After they determine the work process and identify the services delivered by each counter, the management will then develop the KPI and performance target for every staff to achieve. The information and target must disseminate to all the staff mainly to the counter service staff so that they know the target to be achieve.

3)   How NRDPP measure their employees' performance?

In this agency, employees' performance is being measured by looking at the numbers of cases (application) received and process by each of the staff. The numbers of the application that they should process will be based on KPI developed by the management team with reference to the statistics gathered by them. In NRDPP, the key performance indicators aims only to measure the counters service employees therefore, no emphasize was given towards the KPIs for the management level (Officers, Deputy Director and Director). For example, the task of Senior Assistant Registrar (PP1) is to verify the data and print the birth certificate. In carrying out this task, PP1 will take only 5 minutes for one application. The calculation to determine the numbers of application that this individual should process per month based in year 2008 statistic as the follow:

Working times for 1 employee: 9240 minutes (1 month)

Application that they should process in 1 year: 6282 application for My Kid

Thus, in 1 month the employee should process only 523.5 applications.

Therefore, for 1 person (PP1): (40% workload x 9240 minutes) = 3696 minutes. The actual time for PP1 to check the application is 5 minutes; therefore, for 1 employee their KPIs is to produce 739 applications per month.

Based on the above data, the employee (PP1) should meet the target to produce 739 applications for one month. Therefore, this person must ensure that they can achieve this target to produce and process 739 applications for this month and the management will measure their performance based on this numbers of application made by them. However, if they fail to meet this target, there is no punishment or actions taken against this employee. It is contrary with the private sectors whereby each of under-performers will constitute to punishment. There will be no punishment imposed towards those under-performers in this agency because it is not their fault not to produce the targeted numbers of application since by virtue of their business; all the processing work is depend on the customers' application within that month. Thus, it is unfair to take action against those under-performers in this agency because the documents that they process were only based on the application received by them but not based on the profit target.

Nevertheless, if the respective employee able to process only 490 numbers of applications instead of 523 applications per month which is less than the indicators develop to them, the management then will decide to give additional tasks to be given to the employees concerned. This strategy seems effective in ensuring no surplus of the customers within certain department as well as to avoid the shortage of employees in any department. Based on the interview conducted, it is to be found that different National Registration Department normally develops different work process. It is not compulsory for NRD in every state to follow the similar work process because it depends on the size and complexity of that particular agency. Usually, in small unit of NRD the minutes of the work process will be much longer because they only employ small numbers of employees. Normally, one person will carry two different tasks and their key performance indicators for each service counter will be different as compared to National Registration Department Pulau Pinang.

4. CONCLUSION

Overall, the use of key performance indicators to measure the organization performance is much needed not only for the private sectors but public sectors as well. This study attempt to look at the implementation of KPIs in the public sector mainly on the frontline agency and found that this initiative adopted from the private sectors shows a positive impact on the performance of that agency as well as their employees. By taking National Registration Department, Pulau Pinang as the main focus, the study shows that this frontline agency and one of the pioneer agencies in using KPIs is success in measuring their performance not only for the organization as a whole but their staff performance as well. The findings of this study shows the work-flow of each of the services delivered to customers in National Registration Department Pulau Pinang and the performance indicators develop by the agency to achieve their targets to be in line with their mission, vision and customers charter. Here it can be said that NRDPP follow the guidelines set up in the model of KPIs issued by MAMPU but from time to time they improvise the steps and criteria to be in line with their services and targets. The study also shows that in National Registration Department Pulau Pinang, they use the KPIs to measure the three main aspects which first, they want to measure the effectiveness and the efficiency of the internal work process to deliver the services, second is to measure the productivity of human resources to provide and deliver services to customers and the third one is to measure the customers satisfaction towards services received. However, the only thing that this agency does not measure is in terms of their financial aspect whereby they do not develop their KPIs to measure this aspect because in their business, there are no expenses and financial used to provide and deliver services to the customers.

This is because, the nature of their business is to collect and maintain the record of births, deaths, adoptions, identity cards, marriage and divorce and also issuance of citizenship to all Malaysians. They operate their business not as profit oriented; therefore the financial aspect would not be the indicators for them to achieve their target and performance. The study also found that it is true that the use of KPIs in this public agency really can measure their performance, achieve the customers' satisfaction and act as a mechanism for future improvements on the services delivered to their customers and be as a platform for them to achieve their long term vision to be the Best Counter Services in the world.

There are several recommendations that will be made for future research and modifications on this matter. Since public sectors usually develop their KPIs to measure the three main aspects such as work-process, customers' satisfaction and sometimes the financial aspects, it is recommended that public sectors organizations should measure their performance by looking also at their corporate social responsibility perspectives. Another area that requires modification is in terms of linking KPIs as a performance measurement with the rewards system. Since there is no direct relationship between performance and rewards system in the public sector, it is recommended

that public sectors should consider linking the performance with the rewards. Other than that, further study must be conducted and expand to monitor and observe to what extent the KPIs system can influence employees in doing their job and also to measure the organization success particularly public sectors as everybody know that currently issues on ineffective and inefficient of the public service gain a lot of attention by the public. Besides, KPI is also needed to measure the performance of the people at the management level so that they know what are the things that they need to improve and how well they are performing in doing their job. It is unfair to just develop the KPIs for the general employees only because management people must also improve their service delivery systems to be efficient and effective in carrying out their duties. Furthermore, not only frontline agencies but all the public agencies must move towards new paradigm of performance and achievement through KPI which will push for impact and not input, results rather than output and will ensure public service delivery is value for money.

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