

PROPOSED PERFORMANCE MANAGEMENT SYSTEM USING INTEGRATED PERFORMANCE MANAGEMENT SYSTEM (IPMS) AT PT POS LOGISTIK INDONESIA

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Abstract

The Logistics industry in Indonesia is still becoming a promising industry with growth amounting up to 14% to 14.7% in 2015. This is due to the commencement of the Asean Economic Community in 2015 and government action regarding logistics national system possess many opportunity especially for logistics player. Facing this condition, logistics player should prepare the competitive weapon to capture the opportunity. Company needs a performance management system which can translate its corporate strategy into operational action and thus allows competitive weapon creation. PT Pos Logistik Indonesia is considered as a new entrant in the logistics industry. It has even become a SBU since 2004, but it just had spun off into subsidiary about three years ago.

Since its establishment, PT Pos Logistik only focuses on financial result. The KPIs that has been built in 2014 is only use framework to assess the level of corporate health which only focuses on: financial, operations, and administrative. Those measurements obviously won't be able to provide measurement which represent company's business excellence improvement because it didn't integrated with company's vision, mission, and strategy. Thus, there are need of new performance management systems which can integrate the measurement with company vision, mission and strategy.

This final project aims to help PT Pos Logistik Indonesia to design new performance management system which can integrate the measurement with company vision, mission and strategy. Data was collected through deep interview with the company officers such as director of business solution and head of business development for primary data and using company's past document and relevant literature study for secondary data. Results from data analysis was then used as basis to design performance management system. Integrated performance management system (IPMS) is chosen as the framework to solve the problem as this frame work is very complete yet easy to understand. IPMS consist of three perspectives: organizational output, internal process, and resources capability which are developed through four stages. IPMS implementation is expected to foster better performance since IPMS provide clear link between performance management systems with the company's business strategy so it can help company to obtain the opportunity for improvement.

Keywords: Integrated performance management system (IPMS), Logistics, Performance measurement sytem

1. Introduction

Even though Indonesia is experiencing a global economy weakening in the second semester year of 2015, the Logistics industry is still a promising industry. This is due to the commence of the Asean Economic Community in 2015 and government's actions regarding logistics national system. The Asean Economic Community will increase the flow of the goods which means opportunity for logistics player. Improvement in logistics sector such as reducing dwelling time at port and other infrastructure possess many opportunity especially for logistics player. Facing this condition, logistics player should prepare its competitive weapon to capture the opportunity. To make the strategy 'live', the strategy needs to be translated into operational action and clearly communicated into the shopfloor level. Strategy realization element also include performance management, which involving the construction of organizational processes and capabilities necessary to achieve performance through people delivering result (Businessballs.com, 2013). By doing so, a company will be able to to define, measure and manage its performance against strategic goals.

PT Pos Logistics Indonesia is considered as new entrant in logistics industry. Even had become a SBU since 2004, but it just had spun off into subsidiary about three years ago. PT Pos Logistics is dedicated to help the parent company to focus on their core business by providing support business activity, especially in logistics field. Poslog aims to provide an integrated solution to the problems of logistics services that include warehousing, transporting and freight forwarding based on the concept of supply chain management (scm). Currently, PT Pos Logistik only own market share for 0,016% in Indonesia logistics industry. In 2014, the revenue of the company is Rp.300 billion while the market size of the industry is predicted to achieve Rp.1,800 trillion. The company's strategy is to increase their market share up to three times from current market share through becoming the integrated logistics solution provider in 2018. To ensure that the company is heading towards its goals, it needs performance management system in integrated and flexible manner.

2. Business Issue Exploration

2.1 Theoretical Framework

Heinrich (2002); Ittner and Larcker (2001); Otley (1999); and Kravchuk and Schack (1996) as cited by Azis, et al (2013) define PMS as '*steps to define goals, strategy selection to attain goals, to allocate decision rights, and to measure and reward performance.*' This will lead institutions to have an appropriate steps for setting its goals, where to go and how to be there. Noe (2008) said that there are three general purposes of performance management system:

- Strategic purpose: Performance management system should help the company to achieve its business objectives
- Administrative purpose: Organizations use the system to provide information for day to day decision about salary, benefits and a recognition program.
- Developmental purpose: Performance management system will help to improve employees' performance when they are not performing as they should.

According to Simons (2000) or Kaplan and Norton (2001), the main purposes of PMS are supporting the process of decision making with sufficient information considering achievement of the targets and the accuracy of the estimation. PMS also aims to reflect organizational culture and philosophy (Medori & Steeple, 2000) and describes how well the financial and non-financial indicators of organization performs (Wibisono & Khan, 2002).

According to PMS definition above, it can be seen that it is not enough to focus only in conventional system which is only focus in financial matters. Wibisono (2006) explained the drawbacks of conventional performance management system as: irrelevant, tend to report past performance, short-term oriented, less flexible, does not foster any improvement, often ambiguous in cost aspect. According to Maskel (1981), there are seven criterions in designing new performance management system to be the world class company. New performance management system should: (1) directly linked with corporate strategy; (2) also measure non-financial variables; (3) flexible and varied, contextual; (4) is dynamic, always updated each time; (5) simple and easy to operate; (6) should allow for feedback so that corrective action can be taken as soon as possible; (7) should be aimed for improvement process, not just monitoring.

2.2 Business Issue Analysis

Since its establishment, PT Pos Logistics only focuses on short term measurement which is the financial result, rather than long term ones. In 2014, the company has just begun to build KPIs to measure company performance. Yet, they only adapt KPIs from “assessment of the level of corporate health” from its parent company which refer to to ministry of state owned business decree numbers: Kep-100/MBU/2002 where only focuses into: financial (60%), operations (25%), and administrative aspect (15%).

KPIs above are obviously unable to translate Poslog’s corporate strategy because of some drawbacks:

- There is no clear link between performance management systems with the company's business strategy. The KPI only determine the “healthy level” of the company without giving any insight the area that needs to be improved.
- A Proposed indicator didn't cover employee aspects and cannot indicate level of employee development. Meanwhile, as a service company, employee aspects play an important role to company's overall performance. Employee also becomes important aspect that is highlighted in Poslog's mission statements.
- Each of indicators above stands alone, didn't united as a corporate performance management framework thus it is hard to monitor company's improvement.
- Financial focus represent source of decision and past management activities. Financial measurement also can't be used to measure intangible asset.
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Based on analysis above, there is need of new performance management system which can support company performance through identification area of improvement. New performance management systems should be able to show company performance in every measured aspect so that the company can identify the area of improvement and keep compete in fiercer industry competition. By doing so, a company can develop improvement action to achieve company's goal. A Company needs better performance measurement which can indicate where the company is heading and how well and able in achieving sustainable growth. Therefore, to achieve a performance measurement in a comprehensive, integrated and flexible manner, company require the implementation of a performance management system in integrated base such as integrated performance management system.

3. Business Solution

3.1 Alternative Business Solution

There are several concept of performance management system that can be taken into account as business solution, such as Balanced Scorecard which proposed by Kaplan and Norton (1992), Performance Prism by Neely and Adams (1999), Malcolm Baldrige National Quality Award (MBNQA) by Department of USA (1987) and Integrated Performance Management System (IPMS) proposed by Wibisono (2006). Below is the comparison between BSC, Prism and IPMS cited from Wibisono (2012).

Table 1: Comparison Of Performance Management System

Aspect	BSC (1992)	Prism (2002)	IPMS (2006)
Design Procedure	Clearly stated	General overview	Clearly stated
Performance variable formulation	General overview, supported by detail formula in its implementation	Detail formulation for each variable	Detail formulation for each variable with and inter correlated with others
Number of variables	Categorized into 4 major perspectives	More than 200 individual performance variable	Divided into three major performance which is inter correlated
Relationship between variables	Described in available perspective	Clearly distinguished	Specifically described in aspects of relationship between variables

IPMS concept developed by Wibisono (2006) can be considered as a refinement of the BSC and performance prism concept because it combines BSC's simplicity design with performance prism's attention to stakeholders. Since it is a refinement of the previous two performance management concepts, the IPMS framework is very complete yet easy to understand. In addition, IPMS is chosen as framework for the proposed management system are because it brings several advantages as mentioned below (Wibisono, 2012):

1. Provides simple and structured approach which focus to process and result.
2. Supports stakeholder to determine strategy, target and evaluate all together.
3. Provides potential system to measure performance fairly in terms of role, responsibility and reward determination.
4. An excellent framework to determine accountability.
5. Divides responsibility to all parties to improve performance.

In addition to the reasons above, IPMS was chosen to be business solutions framework based on its relevance to coverage problems in this thesis. IPMS provides a clear link between performance management systems with the company's business strategy. By knowing what has been achieved measurably, a company can obtain opportunity for improvement in accordance with its business strategy in achieving its vision and mission. However, the new design of performance measurement system should consider Poslog's core values which are: professional, oriented to the customer, safety, lean, open-minded, and a great result (abbreviated as POSLOG).

3.2 Methodology

The absence of appropriate performance management system is the problem found PT Pos Logistik Indonesia. The formulated research objective is to design a new performance measurement system by using IPMS framework. Main literature study of this final paper is about Integrated Performance Management System (IPMS) proposed by Wibisono (2006).

Data was collected through deep interviews with the company officers such as director of business solution and head of business development for primary data and using company's past document and relevant literature study for secondary data. Results from data analysis then used as basis to design performance management system. The output of IPMS implementation is that it has better performance since IPMS provides clear link between performance management systems with the company's business strategy so it can help company to obtain the opportunity for improvement. Figure 1 illustrated framework of integrated performance management system (IPMS).

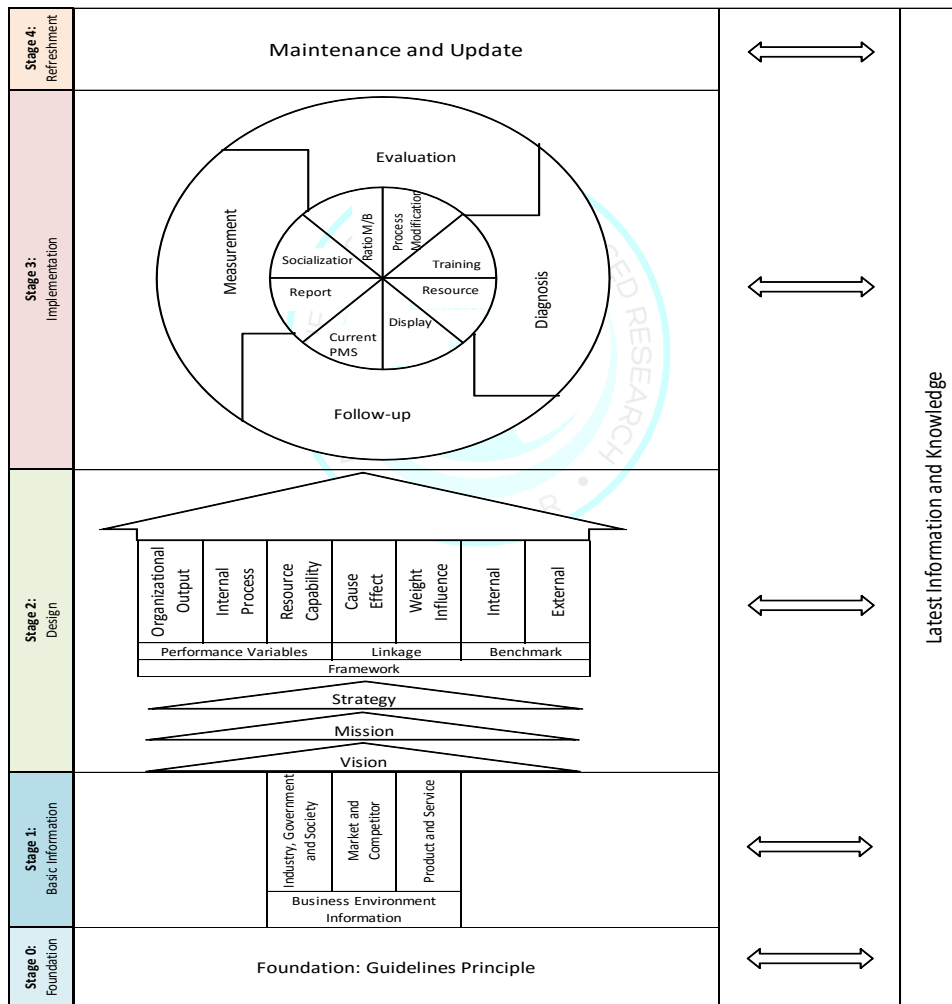


Figure 1: IPMS Framework

3.3 Business Solution Framework

Stage 0: Foundation

In this stage, it is important to understand four foundations guiding principles and five rules in designing performance management system. According to Wibisono (2012), there are four foundations that acts as guidance principle in developing performance management system, those are: Partnership Between Stakeholders, Employee Empowerment, Integrated Performance Improvement, and Independent Team. In addition to four principles above, there are five rules that should be taken into account in designing performance management system: PMS should be simple, easy to be understood and to be implemented, Long term oriented, Time Based, Focus in continuous improvement, Using quantitative approach.

Stage 1: Basic Information

Basic information is required as input in designing performance management system. In this stage, several analyses were conducted as input. The analysis mainly divided into two sides: internal and external analysis. External analysis consists of logistics industry analysis and general environment analysis (PESTLE). Result from external analysis is an opportunity and threat. Second side is internal analysis which cover resources based view to obtain company's strength and weakness.

a. External Analysis: Logistics Industry Attractiveness

Threat of New Entrants: Moderate

- The Logistics industry in Indonesia has barriers to entry in terms of economies of scale, capital requirements, access to distribution channel, and government policy.

Threat of Substitutes: Low

- Taking logistics function in house may have performance limitations if the company only has limited resources and didn't have expertise in logistics field. Thus, customers of the logistics company has no real substitute and they are not likely to take this function by them self since it may cost higher and risky.

Buyer Power: High

- In terms of price sensitivity, customers in logistics industry are very sensitive to price because logistics cost often take large portion of total cost. In addition, low switching cost will increase buyer's bargaining power.

Supplier Power: High

- For IT system's vendor such as Warehouse Management System (WMS), Fleet Management System (FMS), their bargaining power is high. The company cannot easily substitutes the inputs. The IT development needs time and large amount of money then the company cannot switch between suppliers quickly and cheaply.

- A Warehouse vendor has high bargaining power as well since there are only small numbers of warehouse vendor.

Competitive Rivalry: Fierce

- **Concentration** - In 2014, the market size of the logistics industry was estimated to grow by 7-8% to Rp.1,600 trillion. For this current year, the Logistics industry was estimated to grow by 14-14,7% to Rp. 2.100 trillion. This rapid growth attracts company

both from domestics and abroad to enter this business and cause the competition become fiercer. That number of market share is contested by approximately 2000 players in logistics industry (ALI, 2012). Indonesia's logistics industry is not only filled by domestic company but foreign company as well. Entries from foreign logistics company also threaten domestics companies since they are more capable in technology and international network. Foreign company is likely compete in form of 3PL because they have more sophisticated technology.

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- **Diversity of Competitors** - What is considered as a competitor in logistics industry is not only 3PL, but also ranging from 1PL into 4PL such as other specialized logistics service provider companies which only engages in sea freight, in land transportation, warehousing and distribution, and freight forwarding. Thus, the competitor in logistics industry are specialized rather than diversified. The size of competitor is ranging from small size enterprises to big company that operate by asset based, management based, or integrated provider.
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- **Product Differentiation** – As already mentioned, services in logistics industry is relatively the same between companies so there are no brand identities among competitors. In this kind of industry, tend to be plagued by price wars and low profits.
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- **Excess Capacity and Exit barriers** – Barrier to exit are the cost associated with leaving an industry. Logistics industry has high barrier to exit because there are many specialized facilities such as warehouse building, IT support system, and also specialized skills. The presence of long-term contract commitment in contract logistics also increases the barrier to exit in logistics industry.
- **Cost Condition:** The Ratio of Fixed and Variable – In the logistics industry, the fixed cost takes high proportion of total cost then each competitor will need to maintain volume, which can drive higher competitor rivalry.

Based on analysis above, the logistics industry in Indonesia is considered as an attractive industry. Even the rivalry between established companies is high, but this industry was estimated to grow at 10% per year. Supported by moderate barrier to entry, logistics industry will attract other player to compete. As highlighted by Indonesia Logistics Association (ALI), not only domestics industry that attracted with this light in logistics industry but also foreign company that has started to compete in Indonesia Logistics Industry.

b. External Analysis: PEST Analysis

Political-Legal

Indonesia has stable political conditions where no significant change is expected. The political stability and consistency provide firms to develop a favorable environment to work and increase the firm's profitability and growth. While in terms of legal, currently Indonesia still does not have any law in logistic sector.

Economic

Indonesia economic condition is also affected by globally economic conditions. The IMF forecasts global economic growth this year will only grow 3.1 percent and 3.6 percent for next year (CNN Indonesia, 2015). While Indonesia's central bank predicted economic growth for

2016 is only about 5,2 – 5,6%. This is due to low global trade volume and low commodity price. This will affect entire logistics sector where volume of shipment may decrease. Indonesian economy will suffer a marked increase in Gross Domestic Product (GDP) grow for about 5-6% per year. This growth is triggered by domestic demand particularly in household consumption and investment sector. Indonesia's volume import will experience declining growth in 2016 for about 3.6 % but expected to continuously increase until 2020.

Government focus to improve the competitiveness of the Indonesian economy is achieved through one of the ways which is by building effective and efficient logistics system. Strategy undertaken by Jokowi presidential administration is reducing dwelling time and this become a top priority in order to decrease the cost of logistics costs, which currently range from 27% of GDP, and is expected to be reduced to 19% of GDP (Sugiarto, 2015). This also supported by The Blueprint of Sislognas which is expected to reduce national logistics cost, as well as support local logistics service provider to compete with ASEAN logistics player. By the end of 2015, Indonesia will face Asean Economic Community (AEC) which removes the barrier to trade. This occasion possesses both threat and opportunity, depend on the industry's readiness towards the free trade. AEC enables Indonesia company to operate overseas and vice versa. AEC also will amplify the number of goods flow as goods and services from other countries in the community will enter without restriction which means opportunity to logistics industry. Not only goods and services, but manpower also will easily enter across nation without any restriction.

Socio-cultural

Socio-cultural aspects refer to things such as demographic, cultural changes, and customer behavior. In terms of demographic, Indonesia population is dominated by working-age people (15-64th) and expected to increase until 2020 or in other word, Indonesia will experience demographic bonus in 2020. Increase in productive age is expected to increase disposable income and spending which in turn will affect to Indonesia GDP. An Increased number of working age people also offers workforce availability.

Technology

Currently, Indonesia is affected by the growth of technology. Research by Singapore-based global logistics firm (SingPost) found that there are 75 million internet users in Indonesia and 5.9 million of them had shop online. Thus, Indonesian E-commerce Association (idEA) predicted that the value of Indonesia's e-commerce will triple from USD 8 billion in 2014 to USD 24 billion in 2016. Growth in e-commerce business will definitely affect logistics industry since it brings opportunity for goods flow.

Technology develops in almost all aspects, logistics industry also affected by such technology development. Technology information can improve the organization's productivity, flexibility and competitiveness and encourage the development of inter-organizational networks. Recently, IT has become one of the key elements for logistics and operations processes and it determine the success of the business since logistics industry needs speed and reliability of information.

c. Internal Analysis: PT Pos Logistics Resource Based View

Internal company analysis is conducted to obtain company's competitive advantages. It will be summarized by table below:

Table 2: Resource Based View

Resources		Valuable	Rare	Costly to imitate	Organized Properly	Competitive Implications
Tangible Resources						
Financial	Captive market from its parent company	Yes	No	Yes	Yes	Competitive parity
	Financial support	Yes	No	No	Yes	Competitive parity
Physical	Transportation vehicle	Yes	No	No	Yes	Competitive parity
	Extensive network	Yes	Yes	Yes	Yes	Competitive advantage
Intangible Resources						
Technology	Implementation of ERP, GPS and WMS	Yes	No	No	Yes	Competitive parity
Reputation	Good reputation	Yes	Yes	Yes	Yes	Competitive advantage

d. SWOT Analysis

SWOT analysis is the result of internal and external analysis above which will be summarized in figure 3 below.

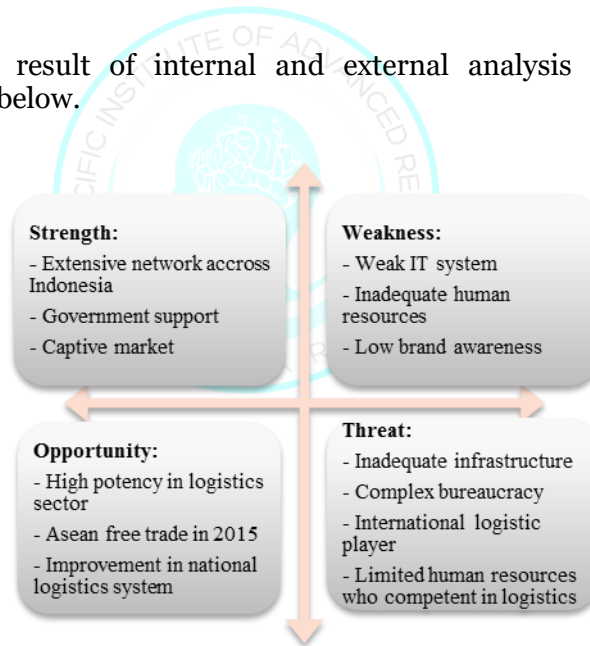


Figure 2. SWOT Analysis

Stage 2: Design

Vision, Mission, and Strategy

Design stage start with vision, mission, and strategy analysis. PT Pos Logistics Indonesia’s vision is “to be a reliable, widest, and most well-known integrated logistics solution in Indonesia”. Based on the analysis, Poslog’s vision statement is already good because it fulfill all the criteria required to be a good vision statement.

Mission statement defines what a company has to do in order to achieve its vision. Based on the analysis above, Poslog's mission statements are already good. PT Pos Logistics Indonesia's mission are:

- Provide efficient and integrated logistics solution for customer and support national logistics competitiveness
- Contribute maximum profit and build synergy with PT Pos Indonesia
- Build beneficial partnership with strategic partner
- Continues to develop employee and organizations' competency in order to have national competitiveness

PT Pos Logistics has goals to be regional player in 2018 that provide integrated logistics solution to the customer. To achieve the target in 2018, Poslog has established business strategy which covers four main strategies namely:

1. Strengthening synergies with parent company: Synergy with PT Pos Indonesia as the parent company includes managing postal items transport more intensively so that the quality of the synergies becomes stronger.
2. Strengthening value proposition to the product by the characteristics of long-term contract
3. Focus strategy, which aimed for the achievement of sustainability income. The company will focus on serving several specific consumer segments (oil and gas, pharmaceutical, consumer and automotive goods).
4. Management of integrated logistics solution.

As clearly stated above, Poslog is pursuing directional strategy which is growth strategy. Based on explanation above, Poslog's growth strategy can be considered as concentration by using horizontal growth. A firm can achieve horizontal growth by expanding its operations into other geographic location and/or by increasing the range of products and services offered to current market (Wheelen, 2011). According to Wibisono (2012), basically there are four kinds of strategy implemented by a company: low total cost strategy, product leadership, customer intimacy (complete customer solution), and system lock-in. Poslog's corporate strategy also can be considered as complete customer solution. This strategy emphasizes long term relationships with customer and has main priority to provide quality, uniqueness and service completeness. Poslog engaged in a contract with other business entity as their customer for specific period. They also always strive for excellence by maintaining the service quality through SLA fulfillment.

Performance Variable

- **Organizational Output**

Organizational output covers financial and non-financial matter. Financial aspect can be measured by calculating variables in form of financial ratios. Financial ratios could evaluate current situation, as well as estimate future financial conditions. In PT Pos Logistik Indonesia, there are several key variables which could be considered as important in measuring financial aspects:

- a. Profitability ratio: measures a business' ability to generate profit as compared to its expenses and other relevant costs incurred during a specific period of time. This ratio is important to be measured because PT Pos Logistik is a profit oriented company and one of its missions is to contribute maximum profit to its parent company. Proposed indicators are:

1. Revenue target achievement evaluates revenue target achievement through comparison between actual revenue to forecasted revenue in yearly plan (RKAP / Rencana kerja dan Anggaran Perusahaan).
 2. Net profit margin, measures profitability in form of ratio between net profit realizations with actual total sales.
 3. Return in Equity (ROE). Measures return which distributed to shareholders, calculated in form of ratio between earning available for common shareholder compared to total equity.
 4. Return on Assets (ROA). Often called as return on investment, measures the overall effectiveness of management in generating profits with its available assets.
 5. Revenue growth. This indicator measures the level of success of the strategy to develop the company's business.
- b. Activity ratio. This ratio is used to measure company's efficiency to operate along a variety dimensions such as inventory management, disbursement, and collections. What mattered most in this company is the collection period because company invests heavily in account receivable.
- c. Liquidity ratio. It is a ratio to measure company ability to meet its short-term debt obligations as they become due. What is considered as short-term debt in Poslog for instance are employee salary and also accounts payable to vendor such as vendor transporter.

A Second aspect of organizational output is non-financial output. In non-financial output, company should consider other stakeholder's needs which can't be accommodated using financial matters. Stakeholders who should be taken into consideration are customer, supplier, employee, and government. In order to be able to fulfill stakeholder's needs, stakeholder analysis has been conducted in previous sub-chapter.

In managing their performance, a company not only has to consider investor needs, but also customers' needs. Indicator used to measure customer needs' fulfilment are:

- Customer satisfaction index that can be measured through periodic surveys. Another important indicator in the customer's perspective is on time delivery.
- On time delivery refer to delivery at agreed specified time which requested by end customer, measured after the goods are received at the destination location and Prove of delivery (POD) is signed by the recipient at the destination.
- Level of SLA fulfillment.

Other important stakeholder is supplier. Poslog engages in partnership with some vendors such as: transporter vendor, IT vendor, and warehouse vendor. In order to operate efficiently and broaden their services, Poslog needs to build good relationship with those vendors. As stated in their five years plan (RJPP), in order to strengthen their operational network, Poslog plans to broaden their partnership / vendor networking for each business area. Maintaining vendor's satisfaction level represents good vendor relationship management.

The third stakeholder is the employee. In Measuring levels of employee needs, fulfillment can be done by conducting employee satisfaction survey. This indicator is important in order to acknowledge whether the given compensation and working environment are already satisfying the employee. By satisfying its employee, it is expected to increase the motivation of employees so that it can deliver the best results for the company. In addition, high employee satisfaction can attract best talent to join the company.

- **Internal Process**

Internal process refers to company's operational activity which would affect its business result. It has four aspects namely innovation, operations process, marketing, and aftersales services.

- Innovation aspect:
 - Product innovation refers to number of established innovation each year, measures newly established services offered to the market.
 - Business process innovations, can be done by calculating number of SOP revision.
- Operation process:
 - Number of new vendor should be measured periodically.
 - Fulfill its obligation to pay the vendors on-time on agreed specified time.
 - Number of accident as indicator of Quality, Safety, Health and Environment (QHSE).
- Marketing process
 - Achievement of new potential target market, measures number of acquired market compared to its plan.
 - Cost of customer acquisition which refer to cost associated to acquire new customer. By knowing the cost of customer acquisition, company will be able to set goals for how many new customer to be acquired in a year and then allocate the marketing budget properly.

- **Resources Capability**

Resources capability in IPMS framework divided into three main resources those are organizational capability, human resources capability, and technology resources capability.

- Resource capability: Human resources capability is the most important resource to win the competition since it becomes backbone of all designed system and implemented technology. Variables that are going to be measured in human resources capability are employee productivity, employee qualifications and employee competency. By measuring employee productivity, it will give a glimpse to the company related with how productive the employees are. There are also needs of indicator which can measure the development of employee competency, such as evaluating number of training given. Employee qualifications also become important aspects in human resources capability to compete in fierce industry rivalry.
- Technology capability as it plays important role in logistics industry as this industry is driven by strong IT system Poslog should pay much attention to technology aspects since in order to be a reliable provider, Poslog should employ technology which support their business. Poslog should measure technology availability to evaluate the availability of technology that needed to support its business activity.
- Organizational capability is the third aspect in resources capability. Organizational capability is important in order to integrate intangible assets so that it can be explored as well as tangible assets which in the end both assets can be maximized to achieve company goals. Organizational capability development should consider four components

such as: culture, leadership, alignment, teamwork, and knowledge sharing. Those four components become variable to be measured.

Variable Linkage

By having linkage between one another, improvement process towards variable which haven't hit the target will be easier. The logic for the linkage is: resources capability becomes direct input to internal process, and internal process become direct input to organizational result. 2012 is initial year for PT Pos Logistik Indonesia as a subsidiary. During this year, PT Pos Logistik performance is still below target and this cause large gap between performance in year 2012 and year 2013. In some indicators for resources capability perspective, year 2013 is tend to be higher than 2012 yet year 2014 is way lower than 2013. In its initial year, Poslog only had small number of employee which then increased in 2013. In 2014, a company also had increased its employees, but not as many as it was in 2013 so that indicator that use employee number in its formula become fluctuate.

PT Pos Logistik always strives to serve their customer better every time. This was represented by better performance in internal process perspective throughout the years. Performance in internal process perspective is continuously increased within three years while resources capability fluctuated. Due to data insufficiency, the correlation analysis shows that the variables in resources capability didn't influence the internal process perspective of PT Pos Logistik Indonesia.

Benchmarking

In this final paper, benchmarking was conducted to two companies which are considered as market leader in logistics industry that are: Deutsche Post DHL group and PT Bhandha Ghara Rekha (BGR). DHL is the largest logistics company in the world based on its revenue in 2013, while BGR is a state owned company which engaged in logistics services.

Deutsche Post DHL Group as top tier logistics company also measure employee aspects and safety in their performance measurement. In line with DHL, PT BGR already measure non-financial, internal process and leadership as resources capability in their performance report. So it is important for PT Pos Logistik to measure those things in order to compete in such fierce logistics industry.

4. Implementation Plan

Implementation process to implement IPMS framework in this final paper divided into four major steps:

a. Formulation

Formulation of IPMS framework consists of introducing IPMS framework to the management, as well as clearly defines and make consensus about vision, mission and strategy. Discussion with the executives also needed in order to obtain clear link between vision, mission, strategy, and performance measurement so that the indicator and target used will be able to measure company's business excellence improvement.

b. Adjustment

In order to implement new PMS, there are many resources needed such as new document and reporting system, new IT application needed, human resource allocation which involve: determining measurement owners, users and providers, people responsible for managing data, etc.

c. Communication

After all the indicators and targets have been set, the next step is to communicate to all employee levels regarding the indicator and the target. Communication process may generate any recommendation from the employee which may foster further improvement. Communication process also can be in form of training and socialization activity.

d. Implementation

The last stage is to execute the IPMS framework in company's activities. Implementation process is a closed loop between measurement, evaluation, diagnosis and follow-up. In the implementation, performance management system should be maintained and updated to adapt with changing environment.

Conclusion and Recommendation

Integrated performance management system (IPMS) is a chosen as framework to develop the performance management system at PT Pos Logistik Indonesia due to its advantages of simplicity design, yet its complete nature to facilitate the stakeholders' needs. By implementing IPMS framework, PT Pos Logistics is expected to have better performance through the ease of identification area of improvement thus the company can achieve its goal to increase the market share.

In order to implement IPMS framework, it required strong commitment and teamwork from the entire company, from the executive level until operations level. Further, the designed IPMS needs to be cascaded until operational level so the measurement, evaluation, diagnosis, and follow up can be done as a whole close loop within the all elements of the company. As PT Pos Logistik has many branches throughout Indonesia, it is important to have strong communication systems and placement of agent of change in each branch of the company to ensure that the performance management system is applied in appropriate manner.

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Appendix 1: Performance Indicators for Organizational Output Perspective

Perspective	Aspect	Variable	Objective	Indicator	Formula	Unit	Source	Performance Index	Target
Organizational Output	Financial	Profitability ratio	Increasing profitability	Revenue target achievement	Actual revenue / targeted revenue x 100%	%	Balance sheet and income statement	5= > 110 4= 110 - 100 3= 95 - 100 2= 90 - 95 1= < 90	95% - 100%
				Net profit margin	Net income / sales	%	Balance sheet and income statement	5= > 7 4= 6-7 3= 5-6 2= 4-5 1= < 4	5% - 6%
				ROE	Net income / Total equity	%	Balance sheet	5= >10 4= 9.5 - 10 3= 9 - 9.5 2= 8.5 - 9 1= < 8.5	9.00 - 9.50
				ROA	Net income / Average total assets	%	Balance sheet	5= > 7.5 4= 7 - 7.5 3= 6.5 - 7 2= 6 - 6.5 1= < 6	6.50 - 7.00
				Revenue growth	Revenue current year / revenue last year	%	Balance sheet and income statement	5= > 30 4= 25-30 3= 20-25 2= 15-20 1= < 15	25% - 30%
	Activity Ratio	Cost efficiency	Collection period	Account receivable / (sales/365)	days	Balance sheet and income statement	5= <70 4= 70 - 80 3= 80 - 90 2= 90 - 100 1= >100	80 - 90 days	
	Liquidity ratio	To measure company's ability in fulfilling	Current ratio	Current assets / current liability	-	Balance sheet	5= >2 4= 1.5 - 2 3= 1 - 1.5 2= 0.5-1	1.5 - 2	

			short-term obligation					1= <0.5	
Perspective	Aspect	Objective	Variable	Indicator	Formula	Unit	Source	Performance Index	Target
Organizational Output	Non-Financial	Customer Acquisition	Increasing customer satisfaction	Customer satisfaction index	Survey	%	Survey	5= >90 4= 80-90 3= 70-80 2= 60-70 1= <60	70-80
				On time delivery	(number of on time delivery/number of total delivery) *100%	%	Monthly report	5= >90 4= 80-90 3= 70-80 2= 60-70 1= <60	80-90
				SLA fulfillment	(number of fulfilled SLA/ number of contract)	%	Periodic report	5= >100 4= 95-100 3= 90-95 2= 85-90 1= <85	95-100
			Increasing number of customer	Level of winning tender	(Number of winning tender/Number of submitted proposal) *100	%	Periodic report	5= >80 4= 70-80 3= 60-70 2= 50-60 1= <50	>80
	Employee retention	Increasing employee's satisfaction	Employee satisfaction index	Survey	-	Survey	5= 90-100 4= 80-90 3= 70-80 2= 60-70 1= <60	80-90	
	Vendor	Improving Vendor satisfaction	Vendor satisfaction index	Survey	-	Survey	5= 90-100 4= 80-90 3= 70-80 2= 60-70 1= <60	80-90	

Appendix 2: Performance Indicators for Internal Process Perspective

Perspective	Aspect	Objective	Variable	Indicator	Formula	Unit	Source	Performance Index	Target
Internal Process	Innovation	Improve innovation which support the business	Innovation	Number of new services offered	Number of new marketable service	-	Business Development dept	5= >3 4= 3 3= 2 2= 1 1= 0	2
				Number of revised SOP	Number of revised SOP	-	Business Development dept	5= >3 4= 3 3= 2 2= 1 1= 0	2
	Operations Process	Improve vendor relationship	Vendor relationship	Number of new vendor	Number of new vendor	-	Strategic sourcing dept	5= >= 10 4= 7-9 3= 4-6 2= 1-3 1= 0	4-6
				On time payment to supplier (vendor)	(number of invoice paid on time/number of all invoice) * 100%	%	Finance	5= 100 4= 90 - 99 3= 80 - 89 2= 70-79 1= < 70	80-89
		Improve service quality	Service Quality	Safety	Number of accident	-	QHSE dept	5= 0 4= 3-1 3= 7-3 2= 10-7 1= >10	0
				Security	Number of criminal event	-	QHSE dept	5= 0 4= 3-1 3= 7-3 2= 10-7	0

Perspective	Aspect	Objective	Variable	Indicator	Formula	Unit	Source	Performance Index	Target
Internal Process	Operation Process	Improve reporting quality	Reporting quality	RKAP report	Number of days late	days	Corporate secretary	5= on time 4= late 2 weeks 3= late 4 weeks 2= late 6 weeks 1= late 8 weeks	On time
				Financial report	Number of days late	days	Corporate secretary	5= on time 4= late 2 weeks 3= late 4 weeks 2= late 6 weeks 1= late 8 weeks	On time
				Management report	Number of days late	days	Corporate secretary	5= on time 4= late 2 weeks 3= late 4 weeks 2= late 6 weeks 1= late 8 weeks	On time
				Invoice accuracy	(Number of total invoice - number of wrong invoice/number of total invoice) * 100%	%	Each user	5= > 90 4= 80 - 90 3= 70 - 80 2= 60 - 70 1= < 60	80 - 90
	Marketing	Increasing customer number	Customer acquisition	New (potential) target market achievement	(Target market acquired/planned potential market) * 100%	%	Marketing	5= >80 4= 70 - 80 3= 60 - 70 2= 50 - 60 1= < 50	70 - 80
				Cost of Customer acquisition	Cost of marketing / Number of acquired customer	% from revenue	Marketing, Finance	5= < 0,25% from revenue 4= 0,25-0,5% 3= 0,5-0,75% 2= 0,75-1% 1= >1%	0,25 – 0,5% from revenue

Appendix 3. Performance Indicators for Resources Capability Perspective

Perspective	Aspect	Variable	Objective	Indicator	Formula	Unit	Source	Performance Index	Target
Resources Capability	Human Resources Capability	Employee competency	Develop employee skills and capability	Number of training given	Number of training per year	-	HR	5= >250 4= 200 - 250 3= 150 - 200 2= 100 - 150 1= < 100	200-250
		Employee qualification	Increase employee qualification	Percentage of employee with diploma and undergraduate degree	(Number of employee with undergraduate and diploma degree/number of total employee) * 100*	%	HR	5= >80% 4= 70-80% 3= 60-70% 2= 50-60% 1= <50%	>80%
		Employee productivity	Increase employee productivity	Employee productivity	Revenue/Total employee	Rp	HR, finance	5= >500,000,000 4=300,000,000-500,000,000 3=100,000,000-300,000,000 2=75,000,000-100,000,000 1= <75,000,000	Rp.300,000,000-500,000,000
	Technology Capability	Technology availability	Monitor technology development through its plan vs realization time	Technology development	Program realization time	-	ICT	5= 2 months earlier 4= 1 months earlier 3= on time 2= 1 month late 1= 2 month late	On time
	Organizational Capability	Culture	Improving employee's sense of belonging to company	% employee understand vision mission	Survey	%	Survey	5= 100 4= 90-99 3= 80-90 2= 70-80 1= < 70	80-90
		Leadership	Develop leader that acts as effective role model	Leadership index	Survey	Index	Survey	5= >80 4= 70-80 3= 60-70 2= 50-60	70-80

								1=<50	
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