CASCADING PERFORMANCE MANAGEMENT SYSTEM IN AN INDONESIAN CONSTRUCTION COMPANY

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Abstract

The blooming of infrastructure area in Indonesia has become the target for several construction companies both local-based and foreign-based to expand their market and increasing revenue. Challenge for construction companies in competing lays on their ability in optimizing their performance to gain significant margin, since the project or the product, as profit generator for construction company, is unique and limited. Overall performance of company determined by key performance indicators that need to be cascaded to lower level management in order to be measured the contribution of each management level.The paper objective is to cascade corporate performance indicators to certain department level. Other objective is to weight the most significant indicator that contribute to the overall company's performance in order to give managers perspective for improvement in their department. X company is a construction company in Indonesia used as examplary model in determining set of key performance indicators to be used as benchmarking model for construction industry in Indonesia. Focus group discussion was conducted for data gathering in this research. Knowledge-based Performance Management System used as Performance Management System framework in designing the performance management in this research as the framework has proved to be suitable for indonesian based company in term of culture and business mechanism. Cascading method approached as cascading in Balanced Score Card framework since the limitation of references.Weighting of indicators measured with analytical hierarchy process approach to determine which performance indicators held as the key performance indicators. The result indicated that every level of management have different key performance indicator to look out for. For corporate levels, the most important indicator is revenue and turnover growth. For the director of operation level, the most important indicator to monitor is Degree of quality on finished project and Capacity availability. The result of indicators to monitor forgeneral manager level is Customer satisfaction and Lost time. The limitation for this research is limited to only three level cascading from corporate level, directorate level and general manager level in operation directory. Other limitation is several indicators developed from literature review didn't have any historical data.

Keywords : Performance Indicators, Knowledge-Based Performance Management, Cascading, Construction Company, Continuous Improvement.