SUMMARY

SHEILA NURAISHA HANIF. The Development Strategy of Organizational Performance Appraisal System in International Center for Development in Islamic Finance-LPPI Based on Balanced Scorecard Approach. Under supervised by AIDA VITAYALA S. HUBEIS and M. JOKO AFFANDI.

The development of market share in Islamic banking prove that public in Indonesia had give a positive appreciation to the Islamic banking Industry. The rapid growth has also led to increasing a competition level in the Islamic banking industry. In order to build a strong Islamic banking institutions, the support of competent human resources are urgently required. However, the high expansion of Islamic banking are not followed by the provision of adequate human resources, this situation are estimated to become the cause of labor shortages in islamic banking industry. International Center for Development in Islamic Finance Lembaga Pengembangan Perbankan Indonesia (ICDIF-LPPI) is an agency of the central bank presented to answer the demands of the islamic banking and financial services industry in the field of human resource development. In order to improve the quality of programs offered by ICDIF-LPPI, strategic planning are necessarily required to create an alignment of vision, mission, and goals along with some comprehensive achievement benchmarks as an evaluation media of performance improvement. A good performance appraisal system should be able to have a linkages between individual employee performance with organizational performance and the achievement of performance indicators should refer to the vision, mission, and strategy of the organization. One of management tool that can be use to create performance indicators which can strongly find the connections between employee performance with organizational performance is the Balanced Scorecard, developed by Kaplan and Norton in 1992. Balanced Scorecard approach can allow organizations to manage and measure its organizational performance from four balanced perspectives, i.e financial, customers and stakeholders, internal business process, also learning and growth.

Based on the stated backgrounds and problems, the purpose of the study was to (1) assess the performance assessment system that has been implemented by ICDIF-LPPI; (2) identify the Key Performance Indicator (KPI) ICDIF-LPPI in order to develop performance appraisal system based on the Balanced Scorecard approach; and (3) recommend strategies for ICDIF-LPPI to improve its performance. This research was conducted in ICDIF-LPPI office located in Kemang area, Jakarta on April to October 2013. Methods used in this research is descriptive method with case study approach. Primary data were obtained through in-depth interviews and questionnaires, while secondary data was obtained through ICDIF-LPPI documents, journals, books, and other references that have relevancy with the research topic. Sampling technique for the purposes of strategy formulation and development of performance appraisal system based on the Balanced Scorecard approach are done by using purposive sampling in which respondents comprised of ICDIF-LPPI management team. To identifying the employee perceptions about applied performance appraisal system, this reasearch
were used census method involving all of full-time employees in ICDIF-LPPI. Data processing and analysis techniques are include the Criteria Range techniques for the purposes of data processing about the respondents perceptions, while SWOT analysis, position audit and weighting by paired comparison method are used for identification of KSF (Key Success Factor), strategy and organizational KPI's formulation purpose. The study of performance appraisal systems focus on three aspects i.e input, process, and output of performance appraisal system.

The results of the study showed that generally respondent's perceptions about the input aspects of performance appraisal system, i.e assessors aspect are have an 'adequate' criteria (43.5), employees aspect are have an 'adequate' criteria too (48.6), while the assessment instruments aspect are have a 'fairly inadequate' criteria (37.8). Meanwhile, respondents perceptions about aspects of the performance appraisal process i.e performance appraisal procedures and communication aspect are have 'inadequate' criteria with scores 40 and 33.7 respectively. The respondents perceptions about output aspect of the performance appraisal generally are have 'inadequate' criteria with an average score is 40.1.

Based on in-depth interviews and questionnaire fulfilment by the fifth respondent from top management, eight Key Success Factor (KSF) are formulated. This result are according by respondents opinion and resulted as a major fields of the organization. The eight of KSF i.e curriculum and GBPP, human resources, technology, facilities and infrastructure, brand image, finance, quality management system, and marketing with strategic alliances. Position audits performed through the SWOT analysis of the eight KSF are resulted the nine internal factors and five external factors. By specify internal and external factors, the alternative strategies can be identified. The identified alternative strategies are: 1) Aggressive strategy by doing an innovation of new program in education, training, research, and consulting activities and optimize the collaboration with partners; 2) Diversification strategy by increasing the number of staff and conduct employee performance management and evaluation; 3) Turn around or improvement strategies by improving the quality of human resources, do promotion in more effective way, evaluation and curriculum renewal; 4) the survival strategy by evaluating the management and allocation of funds properly and efficient. Based on the the elaboration of the vision and mission of the KSF of ICDIF-LPPI, 12 Strategic Objectives with 17 Key Performance Indicators (KPIs) are identified and divided into four perspectives of the Balanced Scorecard. After strategic and KPI are determined, targets and strategic initiatives of each perspective can be formulated. Based on the weighting process of each perspective from the respondents, result showed that perspective with the highest score are customer and stakeholder perspectives.

Keywords: Balanced Scorecard, ICDIF-LPPI, Key Performance Indicator Performance Appraisal, Strategies