

THE IMPACT OF GOVERNMENT BUDGET EFFICIENCY POLICY ON EMPLOYEE PERFORMANCE MANAGEMENT AT THE MINISTRY OF FINANCE'S FINANCIAL EDUCATION AND TRAINING AGENCY



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Abstract

This study examines how the 2025 government budget efficiency policy influenced employee performance management at the Financial Education and Training Agency (BPPK), Ministry of Finance. The study was motivated by the fact that BPPK's Organizational Performance Score (NKO) remained high and increased after the efficiency policy was implemented. This article analyzes why reported performance remained stable, how performance management contributed to that stability, and what factors shaped the effectiveness of employee performance management during the efficiency period. Using a qualitative case study design, the research drew on direct observation, semi-structured interviews, and document analysis of DKRO, LPKR, and related performance reports. The data were interpreted through thematic analysis and validated through source and method triangulation. The findings show that the efficiency policy did not directly reduce aggregate reported performance because BPPK adapted through digital substitution of learning, work-arrangement adjustment, quarterly governance through DKRO and LPKR, and the integration of performance management with risk management. However, the study also reveals a distinction between measured performance and actual implementation conditions: while aggregate indicators remained high, quality assurance, post-learning evaluation, and the adjustment burden on implementing units came under greater pressure. The study concludes that budget efficiency produced managed stability in reported performance rather than an absence of impact.

Keywords: Budget Efficiency Policy, Performance Management, Organizational Performance, Risk Management, Public Sector, BPPK

INTRODUCTION

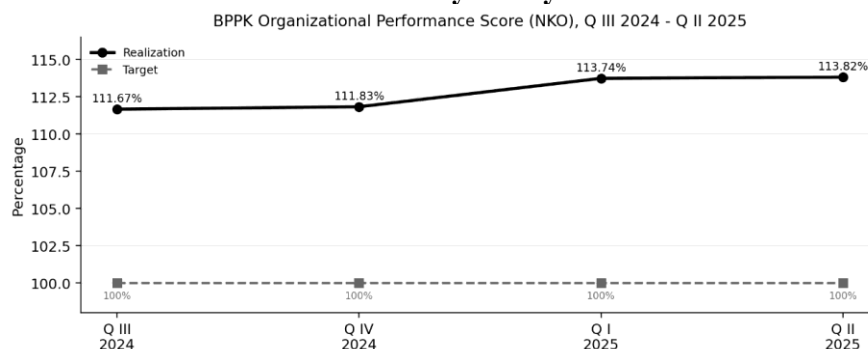
The government budget efficiency policy introduced through Presidential Instruction No. 1 of 2025 placed public organizations under pressure to maintain performance with more limited resources. In this study, budget efficiency is understood not merely as cost saving, but as a condition of resource constraint that requires organizations to reduce, reallocate, and optimize expenditure while maintaining organizational objectives (Andi, 2025; Ministry of Finance Republic of Indonesia, 2025). In the public-sector literature, this type of fiscal pressure is often associated with strain on organizational capacity, workload, and service quality if adaptation mechanisms are weak (Esteve et al., 2017; Bedford et al., 2022).

This issue is particularly relevant to the Financial Education and Training Agency (BPPK), the corporate university of the Ministry of Finance. One important organizational indicator is the Organizational Performance Score (NKO), an aggregate measure constructed from key performance indicators grouped across several perspectives. Yet, rather than declining after the introduction of budget efficiency, BPPK's NKO remained high and even increased from 111.83 in Quarter IV 2024 to 113.74 in Quarter I 2025 and 113.82 in Quarter II 2025. This pattern creates an empirical puzzle: how could organizational performance remain stable under tighter budget conditions?

The puzzle becomes more important when performance is interpreted critically. Public-sector scholarship distinguishes performance measurement from performance management and warns that high indicator values do not automatically indicate substantive improvement. Changes in indicator design, target formulas, managerial interpretation, and reporting routines can alter what performance figures actually mean (Spekle & Verbeeten, 2014; Van Dooren et al., 2015; Garengo & Sardi, 2021). In other words, stable aggregate scores may reflect adaptive governance and indicator management rather than the absence of policy impact.

Accordingly, this article addresses three questions: why did the efficiency policy not significantly reduce BPPK's organizational performance, what role did performance management play in maintaining performance, and what factors influenced the effectiveness of employee performance management during the efficiency period?

Figure 1.
Trend of BPPK Organizational Performance Score (NKO) Before and After the Efficiency Policy



Source: DKRO BPPK Quarter III 2024; DKRO BPPK Quarter IV 2024; DKRO BPPK Quarter I 2025; LPKR up to June 2025.

REVIEW OF LITERATURE

This study is anchored in four related concepts. First, public-sector performance management distinguishes between performance measurement and the managerial use of performance information. Indicators are useful for control, learning, and accountability, but they can also create distortions when the organization becomes overly focused on what is easiest to measure rather than what matters most substantively (Behn, 2003; Moynihan, 2008; Kroll, 2015; Van Dooren et al., 2015). This concern is captured in the concept of the performance paradox, which warns that improving indicator scores may become detached from actual organizational performance (van Thiel & Leeuw, 2002; Taylor, 2021).

Second, risk management is viewed through the ISO 31000 perspective, which emphasizes integration with governance, planning, implementation, monitoring, and reporting rather than treatment as a stand-alone compliance routine (International Organization for Standardization, 2018; Institute of Risk Management, 2018). Recent studies on public organizations similarly show that performance and risk systems are most effective when they interact through shared forums, documents, and follow-up routines (Bracci et al., 2020; Bracci et al., 2024).

Third, organizational adaptation under resource constraints helps explain how public institutions respond to efficiency measures. The cutback-management literature shows that organizations may preserve core outputs through reprioritization, substitution, and coordination, but such strategies usually involve trade-offs between savings, capacity, and quality (Raudla et al., 2015; Overmans & Noordegraaf, 2014; Schmidt et al., 2017).

Fourth, digitalization and work-system support are treated as enabling conditions. Digital substitution can reduce operational costs, but it also requires redesign, coordination, and quality control to avoid superficial performance stability that hides implementation pressure (Mergel et al., 2019; Vial, 2019; Eom & Lee, 2022). In parallel, the AMO perspective suggests that adaptive performance depends on ability, motivation, and opportunity being sustained through supportive work systems (Jiang et al., 2012; Bos-Nehles et al., 2023). On the company's ability to integrate various communication channels seamlessly. Their analysis of data from 3,000 customer service interactions showed that consistency in demonstrating empathy and responsiveness across different channels increased customer satisfaction rates by 45%.

Emphasizing the importance of personalization in interpersonal communication between customer service and customers. Through a mixed-method approach involving quantitative surveys and in-depth interviews, their research identified that the ability to tailor communication styles to customers' individual preferences had a significant impact on satisfaction levels. This personalization includes not only the selection of communication channels, but also the adaptation of communication tones and styles according to customer characteristics.

Aspects of emotional intelligence in the context of customer service are the focus of research (Sudiana et al., 2023). Their study of 150 customer service agents revealed a strong correlation between agents' levels of emotional intelligence and their ability to demonstrate effective responsive empathy. Systematic emotional intelligence training has been proven to increase the capacity of agents to handle complex situations and create satisfactory resolutions for customers.

In the context of digital transformation, (Ardan et al., 2024) explore how technology can be leveraged to improve the quality of interpersonal communication in customer service. Their research shows that the implementation of a sophisticated CRM system, supported by comprehensive customer data analysis, can help customer service agents provide more personalized and empathetic responses. However, they also warn that over-reliance on technology can reduce the humanistic aspect of interactions with customers.

Cultural factors and local context in the implementation of responsive empathy are the focus of the research (Fauzan et al., 2024). Their comparative study of customer service practices in various regions of Indonesia revealed that the effectiveness of interpersonal communication is greatly influenced by local cultural nuances. Understanding this cultural context is crucial in developing effective and culturally sensitive communication strategies.

The measurement and evaluation aspects of responsive empathy are discussed in depth by (Fadillah & Listiawan, 2024). They developed a comprehensive framework to measure the effectiveness of interpersonal communication in the context of customer service, which includes various dimensions such as response time, resolution rate, and customer satisfaction index. This framework has been validated through implementation in several telecommunications companies and has proven effective in identifying areas that need improvement.

Recent research by (Fadhilah, 2024) Exploring the interconnection between responsive empathy, customer satisfaction, and customer loyalty in the context of the telecommunications industry. Their two-year longitudinal study revealed that the implementation of a consistent responsive empathy strategy not only improves customer satisfaction in the short term, but also contributes significantly to the formation of long-term customer loyalty.

The synthesis of these studies shows that responsive empathy and interpersonal communication are fundamental elements in creating a positive customer experience in the telecommunications sector. The successful implementation of these two aspects depends on the company's ability to integrate modern technology with a personal touch, understand the local cultural context, and develop the emotional intelligence capacity of customer service agents. The development of a comprehensive measurement framework is also crucial in ensuring the effectiveness of the communication strategy implemented.

These findings provide a strong theoretical foundation for further research on how responsive empathy and interpersonal communication can be optimized in the context of customer service in the telecommunications industry. The focus on personalization, technology integration, and understanding of cultural context is becoming increasingly relevant as customer expectations evolve and the industry continues to undergo digital transformation.

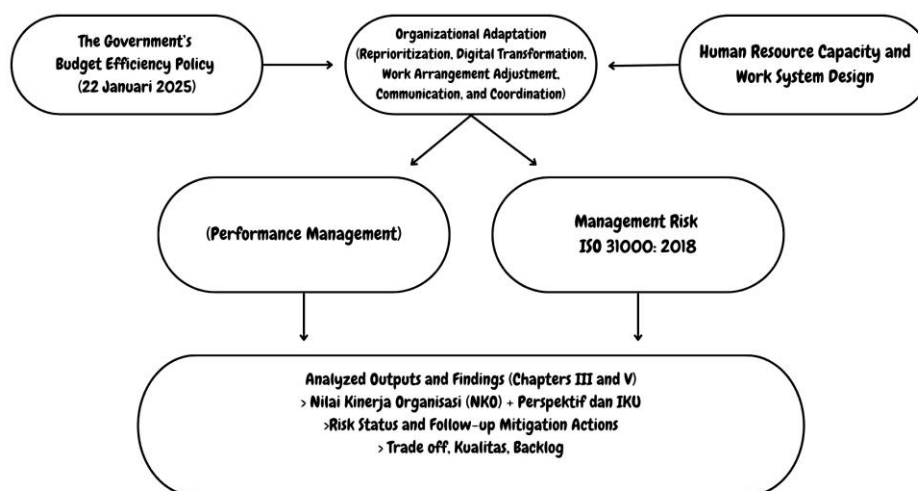


Figure 2.
Conceptual Framework of the Research

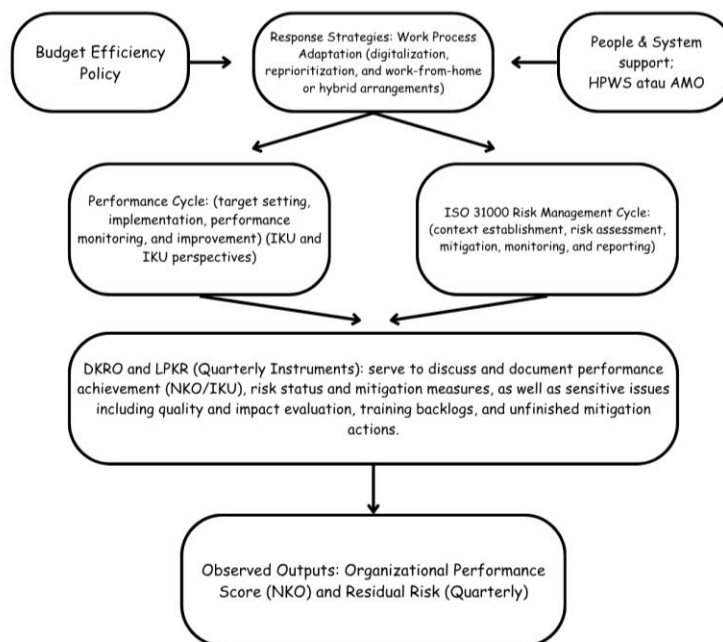


Figure 3.
Operationalization of the Framework by Quarter (Process Map)

RESEARCH METHOD

This article is derived from a qualitative case study conducted at BPPK, with a particular focus on the Secretariat of the Agency, especially the Subdivision for Organizational Performance and Risk Management (PKRO). The study employed a

descriptive-analytical design to understand how performance stability was maintained during the budget-efficiency period rather than to estimate a direct causal effect of efficiency on organizational performance (Creswell & Poth, 2018).

Primary data were collected through direct observation during the internship period and semi-structured interviews with employees involved in performance management, DKRO or LPKR preparation, and organizational risk evaluation. Secondary data were obtained from official performance documents, particularly DKRO reports for Quarter III and Quarter IV 2024, DKRO Quarter I 2025, LPKR up to Quarter II 2025, and supporting performance reports. Because these documents were produced within the same institution being studied, their claims were not treated as self-sufficient evidence; instead, they were read together with interview and observation data through source and method triangulation.

The analysis relied on thematic analysis. The procedure involved data familiarization, initial coding, theme identification, theme review, theme definition and naming, and interpretation of findings. In this study, thematic analysis was used to build a process explanation: documentary patterns in the NKO were compared with interview evidence on digital conversion, target adjustment, coordination, and implementation pressure so that the final interpretation distinguished between reported performance stability and the organizational work required to sustain it.

Table 1.
Analyzed Performance Documents

Document	Period	Function in the Analysis
DKRO BPPK Quarter III 2024	Quarter III 2024 (July-September)	Baseline performance before efficiency
DKRO BPPK Quarter IV 2024	Quarter IV 2024 (October-December)	Baseline performance before efficiency
DKRO BPPK Quarter I 2025	Quarter I 2025 (January-March)	Initial performance after efficiency
LPKR BPPK Quarter II 2025	Quarter II 2025 (April-June)	Mid-year monitoring after efficiency

Source: DKRO BPPK Quarter III 2024; DKRO BPPK Quarter IV 2024; DKRO BPPK Quarter I 2025; LPKR up to June 2025.

RESULTS AND DISCUSSION

The first major finding is that BPPK maintained high reported performance before and after the implementation of the efficiency policy. The NKO was recorded at 111.67 in Quarter III 2024, 111.83 in Quarter IV 2024, 113.74 in Quarter I 2025, and 113.82 in Quarter II 2025. At the descriptive level, this pattern suggests that the budget efficiency policy did not directly reduce aggregate reported performance. However, BPPK's own documents warn that NKO values across periods should not be compared simplistically because the number of IKU, the formulas, and the targets changed across years and quarters. Therefore, the trend should be interpreted as stability in reported performance rather than direct proof of substantive improvement.

Table 1.
Performance Perspective Achievements as Components of the NKO

Period	Stakeholder	Customer	Internal Process	Learning & Growth
Quarter III 2024	113.54	105.63	112.67	113.27
Quarter IV 2024	112.74	102.59	114.21	115.74
Quarter I 2025	109.44	112.81	114.24	119.15
Quarter II 2025	110.18	113.77	113.09	118.96

Source: DKRO BPPK Quarter III 2024; DKRO BPPK Quarter IV 2024; DKRO BPPK Quarter I 2025; LPKR up to June 2025

This is where the distinction between measured performance and actual performance becomes important. Measured performance refers to what is reflected in the NKO and IKU, whereas actual performance concerns the substantive quality of implementation, learning impact, and organizational effectiveness in practice. The findings indicate that measured performance remained high, but actual performance faced more pressure in areas such as post-learning evaluation, quality assurance, and the burden of maintaining targets under altered working conditions. This pattern is consistent with the performance paradox perspective, which warns that strong indicator values can coexist with substantive implementation strain (van Thiel & Leeuw, 2002; Taylor, 2021).

The primary adaptation mechanism was digital substitution. Interviews showed that many learning activities originally planned in classical or face-to-face form were converted into digital learning, e-learning, or distance learning. This reduced travel, accommodation, and consumption costs while allowing participant targets to remain broadly achievable. The same logic also extended to coordination routines, including online meetings and flexible work arrangements that reduced routine operational expenditure. In this sense, the organization did not simply maintain performance passively; it redesigned implementation to preserve output continuity under tighter resource conditions.

However, digital substitution was not costless. The revised report shows that some programs, especially those requiring hands-on practice, were harder to deliver effectively in online form. The Quarter II 2025 LPKR also records pressure on post-learning evaluation, especially evaluation at higher levels of impact. Interview evidence points in the same direction: some units regarded the revised implementation conditions as burdensome, and several activities became harder to evaluate deeply when evidence collection had to shift online. Thus, the efficiency period produced a clear trade-off: continuity of aggregate performance was preserved, but evaluation depth and certain dimensions of implementation quality came under greater pressure.

The second mechanism was quarterly governance through DKRO and LPKR. These instruments did not function merely as reporting documents; they served as forums and records for reviewing achievements, discussing constraints, identifying risks, and determining follow-up actions. Through this quarterly cycle, BPPK was able to monitor which indicators remained on track, which risks required mitigation, and which

implementation issues still needed managerial attention. This supports the argument that performance management at BPPK during the efficiency period was an active governance process rather than a passive measurement system (Kroll, 2015; Allegrini et al., 2022).

The third mechanism was the integration of performance management and risk management. The findings show that performance stability depended not only on target monitoring but also on the ability to read achievements together with risk status, mitigation needs, and operational vulnerabilities. In this sense, the role of DKRO and LPKR was consistent with the ISO 31000 perspective and recent public-sector evidence on performance-risk integration: high performance figures become analytically meaningful only when they are interpreted alongside implementation risks and follow-up action (International Organization for Standardization, 2018; Bracci et al., 2024).

The final finding concerns the factors shaping the effectiveness of employee performance management. The revised report shows that effectiveness during the efficiency period depended on prior digital readiness, the quality of coordination, the visibility of targets, and the organization's ability to absorb adjustment burdens without allowing aggregate performance to collapse. Prior experience with e-learning reduced the severity of the budget shock, while planning and coordination helped keep indicators manageable. At the same time, employees and implementing units still faced adjustment pressure because quality expectations remained high even when methods and resources changed. Overall, budget efficiency produced managed stability in reported performance, but that stability coexisted with substantive trade-offs that should not be concealed by strong aggregate numbers alone.

CONCLUSION

This study concludes that the government budget efficiency policy did not directly reduce BPPK's aggregate reported performance because the agency responded through adaptive performance management, digital substitution, and disciplined quarterly governance. The stability of the NKO from Quarter IV 2024 to Quarter II 2025 is therefore best interpreted as managed stability in reported performance rather than as evidence that efficiency had no organizational consequences.

The main explanatory mechanisms were the conversion of selected learning and coordination activities into digital forms, the continued use of DKRO and LPKR as quarterly performance-risk governance instruments, and the organization's ability to maintain planning, follow-up, and target visibility under constrained conditions. At the same time, the findings show that stable indicators did not eliminate substantive pressures. Quality assurance, post-learning evaluation, and the adjustment burden on implementing units became more difficult during the efficiency period.

Practically, the findings imply that public organizations facing efficiency pressure should continue selective digitalization for activities that can be substituted without major loss, but they should also strengthen performance interpretation, evaluation depth, and traceable risk mitigation so that high indicators are not mistaken for unqualified substantive improvement.

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