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DISTORTIONS IN IKU-BASED PERFORMANCE MEASUREMENT SYSTEMS: AN EMPIRICAL STUDY ON KPP PRATAMA

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ABSTRACT
This study aims to evaluate the effectiveness of a performance measurement system based on Key Performance Indicators (KPIs) in representing organizational performance in the Primary KPP for the 2023–2025 period. In contrast to previous research that focused on aggregate achievements, this study focused on the analysis of indicator design, weighting systems, and potential distortions in performance measurement. The research uses a quantitative approach with a descriptive-evaluative method and utilizes secondary data in the form of performance indicator achievements. The analysis includes descriptive analysis, trends, and gaps between indicators. The results showed that despite the high aggregate achievement, there was a significant imbalance between the indicators that indicated distortion. This study concludes that the effectiveness of the measurement system is not only determined by the achievements, but also by the quality of the indicator design, weighting, and balance between performance components.
Keywords: KPIs, performance measurement, distortion, taxation, public sector

INTRODUCTION
In the context of public sector reform, the performance measurement system is a strategic instrument to improve organizational accountability, transparency, and effectiveness. This system is not only used to evaluate performance achievements, but also acts as a managerial tool in supporting decision-making and improving the quality of public services (Gao, 2015). In Indonesia, the government has implemented a performance measurement system based on Key Performance Indicators (KPIs) as part of the Government Agency Performance Accountability System (SAKIP). This system is designed to ensure that organizational performance can be measured objectively, structured, and results-oriented, so as to support the creation of good governance.

The Directorate General of Taxes (DGT), through the Primary Tax Service Office (KPP), is one of the agencies that relies on KPI as the main tool in managing and evaluating organizational performance. In its implementation, the KPI is used to monitor the achievement of strategic targets, improve the quality of tax services, and optimize state revenue. However, various studies show that performance measurement systems in the public sector are not always able to comprehensively represent organizational performance. One of the problems that often arises is the imbalance of achievement between indicators, where high aggregate achievements do not always reflect performance conditions at the operational level (Murti et al., 2021). This condition indicates the potential for distortion in the performance measurement system, especially related to the design of the indicator and weighting system.

This phenomenon is also found in the practice of performance measurement within KPP Pratama in the 2023–2025 period. There are conditions where some indicators show very high

achievements, while others are at low levels or even not achieved. This discrepancy indicates that the organization's aggregate performance does not fully reflect real performance proportionately. Previous research has also shown that the implementation of KPIs has an effect on government performance accountability, but still faces various limitations in its implementation (Handaningrum, 2023). Although various studies have addressed performance measurement in the public sector, most studies still focus on the level of performance achievement in aggregate, without examining in depth the design of the indicators and weighting systems used.

Performance measurement is a fundamental element in public sector management that plays a role in increasing accountability, transparency, and organizational effectiveness. In the context of public administration, performance measurement systems not only serve as an evaluation tool, but also as a strategic instrument in supporting decision-making and continuous improvement (Gao, 2015). Performance information also has an important role in supporting transparency and accountability in the public sector (Pollitt, 2006).

Although, indicator design has an important role in determining the accuracy of an organization's performance representation. This research seeks to answer the question, how to evaluate the effectiveness of an IKU-based performance measurement system?, How to analyze the gap between performance indicators? How to identify potential distortions due to indicator design and weighting systems? With the analysis of the indicator structure in the KPI Manual at the work unit level (K-3) and the Evaluation of the transformation of the period payment supervision (PPM) indicator from a quantitative-based approach to an effectiveness-based approach. Thus, this research is expected to contribute to the development of a public sector performance measurement system, especially in improving the accuracy of organizational performance representation through a more proportionate and comprehensive indicator design.

METHOD

This study uses a quantitative approach with a descriptive-evaluative design, which aims to evaluate the effectiveness of a performance measurement system based on Key Performance Indicators (KPIs) in representing organizational performance. The selection of this analysis unit is based on the strategic role of IKU as the main instrument in the organizational performance measurement system within the Directorate General of Taxes. The quantitative approach was chosen because it was able to provide a measurable empirical picture of organizational performance achievements through numerical data, while the descriptive-evaluative design allowed researchers not only to describe performance conditions, but also to evaluate the quality of the measurement system used.

This study uses secondary data obtained from official sources for the organization in 2023-2025. Longitudinal analysis was carried out to see the dynamics and changes in performance achievements over time. The selection of this period also takes into account changes in the design of performance indicators, in particular the transformation of indicators towards an effectiveness-based approach that integrates the dimensions of quantity and quality. Thus, the analysis carried out is not only static, but also able to describe the development of performance measurement systems and their implications for the representation of organizational performance.

RESULT and DISCUSSION

Performance Measurement

Along with the development of public sector reforms, the concept of performance measurement has shifted from an output-based approach to a more comprehensive approach, covering policy outcomes and impacts. This is in line with the demands of public organizations to produce performance that is not only efficient, but also effective and results-oriented. Various performance measurement models have been developed to explain this complexity, including the 3E (*economy, efficiency, effectiveness*) model, the input–output–outcome (IOO) model, and *the Balanced Scorecard* (BSC) approach. According to Kaplan and Norton (1992), *the Balanced Scorecard* emphasizes the importance of a balance between financial and non-financial indicators, as well as the integration between financial perspectives, customers, internal processes, and organizational learning and growth.

In the context of performance measurement based on Key Performance Indicators (KPIs), it is an integral part of the Government Agency Performance Accountability System (SAKIP). KPIs are designed as the main measurement tool to evaluate organizational performance achievements in a systematic and measurable manner. IKU designed in accordance with the principles of SMART (*Specific, Measurable, Achievable, Relevant, Time-bound*) is believed to be able to improve the quality of planning and accountability of organizational performance. Furthermore, Bevan and Hood (2006) emphasized that measurement systems that are not designed proportionally can produce *misleading performance signals*, where high performance does not always reflect true performance.

This condition is also reinforced by Moynihan (2008) who states that performance measurement system reforms in the public sector often produce mixed *results*, which is a combination of increased accountability and the emergence of distortion risks. In addition to indicator design factors, the effectiveness of performance measurement systems is also influenced by organizational factors, such as data quality, organizational culture, leadership, and external pressures. Therefore, an effective performance measurement system must be able to integrate various performance dimensions and be supported by an ongoing evaluation mechanism. In the context of the Directorate General of Taxes, the development of the KPI system shows a shift from quantity-based indicators to effectiveness-based indicators that integrate the quality dimension. This transformation aims to improve the accuracy of performance measurements, but on the other hand also has the potential to increase the complexity of indicators. A summary of the organization's work achievements in 2023-2025 can be seen as follows:

Year	Strategic Achievement (%)	Regional Achievement (%)	Capaian IKU (%)	Category
2023	120,00	102,65	112,44	Excellent
2024	120,00	120,00	120,00	Excellent
2025	108,94	86,51	104,41	Good (Uneven)

Table 1. Summary of Organizational Performance Achievements in 2023–2025

Based on the table above, the organization's performance achievements during the 2023–2025 period show a relatively high trend in aggregate. In 2023 and 2024, the KPIs are in the very good category, with values of 112.44% and 120%, respectively. However, in 2025 there will be a decrease

to 104.41% with a good but uneven category. Although in aggregate organizational performance is relatively high, there are indications of an imbalance between strategic and regional achievements, especially in 2025, where regional achievements will decrease significantly to 86.51%. This condition suggests that high aggregate achievement does not necessarily reflect a balance of performance between dimensions. With the differences in 2023-2025 as follows:

Indicator	2023 (%)	2024 (%)	2025 (%)	Remarks
Dafnom STP	120,00	120,00	109,12	High and stable
Tax Data	100,00	120,00	120,00	Increase
Dynamization of Income Tax 25	0,00	112,00	112,00	Significant increase
IKU Realization	110,00	117,60	104,41	Fluctuating
Trajectory	90,00	90,00	90,00	Stable

Table 2. Strategic Performance Achievements in 2023–2025

It shows that strategic performance achievements show a relatively stable pattern with several indicators that have experienced significant improvements. Indicators such as Dafnom STP and Tax Data show high and consistent achievements, while the Dynamization indicator of Income Tax Article 25 has increased drastically from 0% in 2023 to 112% in 2024 and 2025.

Performance Analysis

The existence of a 0% achievement in 2023 shows that the achievement of indicators does not necessarily reflect real performance, but can be influenced by administrative factors, such as the absence of set targets. This shows that the interpretation of performance achievements must take into account the context of the determination of indicators. In addition, the KPI Realization indicator shows a fluctuating pattern that indicates instability in performance consistency. This condition indicates that although some indicators have high achievements, not all indicators show balanced performance. The analysis of regional performance in 2023-2025 is shown in the following table:

Indicator	2023 (%)	2024 (%)	2025 (%)	Remarks
Dafnom STP	120,00	120,00	109,12	Stable
Tax Data	0,00	120,00	120,00	Increase
WP Addition	64,77	120,00	120,00	Significant increase
Realisasi IKU PPM	92,39	120,00	86,51	Downward
Trajectory	90,00	90,00	90,00	Stable
Regional Achievements	102,65	120,00	86,51	Downward

Table 3. Regional Performance Achievements in 2023–2025

Regional performance achievements show a significant increase in 2024, but decline again in 2025. Indicators such as the addition of taxpayers and tax data have increased significantly, but indicators of PPM KPI realization have decreased in 2025.

This condition shows an imbalance between indicators in one performance group. Although some indicators show high achievements, others are still at relatively low levels. This indicates that the performance measurement system is not yet fully able to create a balance between indicators.

These findings are in line with the research of Murti et al. (2021) which stated that mismatches between indicators can cause bias in performance evaluation. Compared to the performance analysis of the 2023-2025 KPIs:

Indicator	2023 (%)	2024 (%)	2025 (%)	Remarks
Strategic Realization	55,00	58,80	108,94	Increase
Regional Realization	46,19	60,00	86,51	Increase
The Realization of Totality	101,19	118,80	104,41	Fluctuating
Trajectory	90,00	90,00	90,00	Stable
The Importance of PPM	112,44	120,00	104,41	Downward

Table 4. Achievement of PPM KPI in 2023–2025

The PPM KPI shows a fluctuating pattern. Although the total KPI achievement is relatively high, there is a significant difference between strategic and regional achievements. In 2023, strategic realization will only reach 55% and regional 46.19%, while the total KPI achievement will reach 101.19%. This condition shows a mismatch between the aggregate achievement and the achievement of individual indicators. This phenomenon indicates a distortion in the performance measurement system, where high aggregate performance can mask weaknesses in certain indicators. This is in line with the concept of distortion put forward in the literature, that indicator-based systems can produce bias in performance interpretation if not designed proportionately. With dimensions formed in the table as follows:

Indicator	Quantity (%)	Quality (%)	Reach (%)	Interpretasi
Dafnom STP	91,41	150,44	109,12	Very high quality
Dynamization of Income Tax 25	100,00	120,00	112,00	

Table 5. Performance Dimensions in 2025 (Quantity and Quality)

Based on the 2025 table, there will be a significant change in the approach to performance measurement through the integration of quantity and quality dimensions in performance indicators. In the Dafnom STP indicator, the quantity achievement was recorded at 91.41%, while the quality achievement reached 150.44%, with the final achievement of 109.12%. This condition shows that although the volume of activities is not fully optimal, the quality of the implementation of activities actually shows very high performance.

This phenomenon indicates that quality-based measurement is able to provide a more comprehensive perspective in assessing organizational performance. In contrast to the previous approach that only focused on quantitative output, the integration of the quality dimension allows an evaluation of the effectiveness of the implementation of activities. However, the significant difference between quantity and quality achievements also shows a potential imbalance in the composition of the indicators. This can lead to bias in performance interpretation if the weighting between components is not designed proportionally.

In the Dynamization indicator of Income Tax Article 25, the achievement of quantity of 100% and quality of 120% shows that the two dimensions are relatively aligned and provide consistent achievement results. This shows that the integration of the quality dimension can be effective if supported by a balanced distribution of achievements.

Although in general, the results of the analysis show that the increase in the complexity of indicators through the integration of quantity and quality dimensions has not been fully followed by an increase in the consistency of achievement between indicators. These findings are in line with the research of Barus and Djamhuri (2024) who stated that increased complexity in performance measurement systems does not necessarily improve the accuracy of results, and in some cases can actually cause difficulties in interpreting performance achievements.

Thus, the integration of quality dimensions in performance measurement systems has the potential to improve evaluation accuracy, but it also requires proper indicator design and weighting so as not to create new distortions.

Analysis of IKU Transformation and Its Implications

The change in PPM indicators from a quantity-based approach to an effectiveness-based approach shows a paradigm shift in the performance measurement system. The effectiveness approach allows for the integration of multiple dimensions of performance, including quality. This transformation also increases the complexity of measurement systems, particularly related to the use of multi-components and indicator weighting. This condition has the potential to cause new distortions, especially when the indicator's achievements are unbalanced. So that indicators do not always result in increased measurement accuracy, but can also pose challenges in maintaining consistency and interpretation of results.

Performance Measurement Distortion Analysis

The results of the study show that the weighting and value aggregation system allows indicators with high achievement to dominate the final value of organizational performance. As a result, indicators with low achievement become less visible in aggregate assessments.

This phenomenon indicates a distortion in performance measurements, which is characterized by a mismatch between the aggregate achievement and the achievement of individual indicators. This condition indicates that the organization's performance achievements have not fully represented the operational condition proportionately. These findings support the view of Gao (2015) that performance measurement systems in the public sector require a balance between indicators in order to be able to represent organizational performance more accurately. In addition, the integration of quantity and quality dimensions also has the potential to create new imbalances if not balanced with proportional indicator design.

The results of the analysis show that the distortion in performance measurement is not only caused by the difference in achievement between indicators, but also by the structure of the weighting system that allows certain indicators to make a dominant contribution to the aggregate value. This condition reinforces the argument that indicator-based systems can produce bias when not designed in a balanced manner. If analyzed longitudinally, the distortion pattern shows different dynamics in each period. In 2023, distortions arise due to the high gap between indicators. In 2024, despite the increase in aggregate achievements, imbalances between indicators are still visible. Meanwhile, by 2025, distortions will not only come from achievement gaps, but also from increasing complexity of indicators through the integration of quantity and quality dimensions.

These findings suggest that increased indicator complexity does not necessarily imply an increase in the accuracy of performance measurements. On the other hand, complexity that is not balanced by a proportionate indicator design can actually increase the potential for bias in the interpretation of organizational performance. Conceptually, the results of this study reinforce that:

1. Weighting systems can create bias in performance value aggregation
2. Indicator imbalances reduce the accuracy of performance representation
3. Integration of quality dimensions can increase complexity as well as potential distortion

Thus, the effectiveness of a performance measurement system is not only determined by the level of achievement of the indicator, but also by the quality of the indicator's design, the weighting structure, and the balance between performance dimensions.

CONCLUSION

This study shows that the performance measurement system based on Key Performance Indicators (KPIs) at the Primary KPP during the 2023–2025 period has generally been able to produce high performance achievements in aggregate. However, these aggregate achievements do not fully reflect the organization's performance comprehensively. The findings of the study indicate an imbalance in achievement between indicators, as well as a mismatch between aggregate and individual achievements, which indicates the potential for distortions in the performance measurement system. This distortion is mainly influenced by the design of the indicator and the weighting system that allows high-achieving indicators to make a dominant contribution to the aggregate performance value.

In addition, the transformation of indicators towards an effectiveness-based approach through the integration of quantity and quality dimensions has not been fully able to overcome the problem of imbalance. In fact, the increase in the complexity of indicators in some cases has the potential to cause difficulties in the interpretation of measurement results. Thus, this study emphasizes that the effectiveness of the performance measurement system is not only determined by the level of achievement of the indicator, but also by the quality of the indicator's design, weighting structure, and balance between performance dimensions.

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