Analyzing the Causal Relationship among Performance Indicators in the Public Sector Balanced Scorecard: Empirical Evidence from the Directorate General of Taxes in Indonesia

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ABSTRACT

This study examines causal relationships in the Public Sector Balanced Scorecard framework, using the Indonesia Directorate General of Taxes as a case study. Traditional financial measurements have been criticized for focusing on past activity, neglecting intangible assets, and lacking effective strategy testing (Kaplan & Norton 1992; Dearden 1987). To overcome these limitations, organizations have adopted strategic measurement tools like the Balanced Scorecard (Kaplan and Norton, 1996a). The Balanced Scorecard aligns an organization's vision, mission, and strategies with objectives and measures across four perspectives: financial, customer, internal process, and learning and growth (Kaplan and Norton 1992; 1996a). The presence of causal relationships across these perspectives, enabling non-financial measures to predict financial outcomes, has been a subject of scholarly debate (Nooreklit 2000,2003; Norreklit and Mitchell 2007). This study aims to contribute to the understanding of causal relationships in the PSBSC by investigating the implementation of the Balanced Scorecard in the DGT and its potential to improve organizational performance. Given Indonesia's fiscal deficit and below-average tax ratio performance, this research provides an alternative policy perspective for enhancing the institutional capacity of the DGT and achieving higher tax revenue and compliance rates.

Keywords: Balanced Scorecard, Public Sector, Performance Management, Path Analysis