Refining performance measurement in zakat institutions: a holistic proposal of OKR implementation

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ABSTRACT

This paper aims to present the development process of a performance appraisal system for a zakat institution using the Objective and Key Results (OKR) framework. Various methods were employed, including observation, documentation, interviews, and focus group discussions with LAZ Sijahtra (anonymous), a university-based zakat institution located in Aceh Province, Indonesia. The province is well-known for its government policy enforcing zakat as a special source of Regional Original Revenue. The study identified four prioritized objectives for LAZ Sijahtra, which included optimizing the collection of Zakat, Infaq, Alms, and Waqf (ZISWAF) funds; enhancing the Cooperation and Network Development Department program; digitizing work activities; and achieving zero-balance ZISWAF, where all generated funds have been distributed. This study contributes to the field by exploring the development of performance measurements in smaller nonprofit organizations and addressing the legitimacy aspects of performance measurement systems. The utilization of the OKR framework in a nonprofit setting is still limited, making this research valuable.

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Introduction

Performance measurement systems (PMS) play a crucial role in nonprofit organizations, enabling them to assess their effectiveness and demonstrate accountability to stakeholders (Ahmad & Rusdianto, 2018). Previous studies have highlighted the complexities of implementing performance management in nonprofit organizations due to unclear objectives and limited research in this area (de Waal et al., 2011), lack of proper governance mechanisms (Wahab & Rahman, 2011), as well as weak management aspects (Fitrah et al., 2017).

Known as the world’s most populous Muslim country, Indonesia possesses significant potential for the collection and distribution of Zakat, Infaq, Alms, and waqf funds (Widyana et al., 2022). This study focuses on the development process of a performance appraisal in Amil Zakat Institution (LAZ) Sijahtra, a nonprofit organization in Aceh, specifically emphasizing the Objective and Key Results (OKR) framework. By examining the legitimacy and dynamics of the performance measurement system in LAZ Sijahtra, this research aims to contribute insights into performance evaluation in nonprofit organizations and provide recommendations applicable to similar organizations.

The choice of LAZ Sijahtra as the case study organization is justified by the organization’s significance in addressing poverty in Aceh Province, which has the highest percentage of poor people in Sumatra (Annur, 2022). Based on information obtained from the website of the official government statistical agency, BPS Aceh, as of January 2023, the poverty rate in Aceh Province stands at 14.75% of the total population (BPS Aceh, 2023). This statistic highlights the significant prevalence of poverty in the region.

The need for sound governance mechanisms added with accountability to different stakeholders (Awio et al., 2011) further complicate performance measurement. To address these challenges, this study integrates the legitimation theory, which emphasizes the importance of aligning stakeholder expectations with the organization’s performance measurement system Mättö et al. (2020).
Legitimation is the belief that entity actions are required, appropriate, or within the scope of social norms, values, beliefs, and interpretations (Suchman, 1995).

While several performance measurement approaches have been utilized in nonprofit organizations, such as the balanced scorecard (BSC) (Stewart & Carpenter-Hubin, 2001; Prasetyoningrum & Ari, 2015), the OKR framework that is mostly used by for-profit organizations (Flak & Dertz, 2005) remains relatively underexplored in the nonprofit sector that has various stakeholders with different objectives. OKR, adapted from the management by objective (MBO) approach, offers a comprehensive model for integrating the future service, management, and distribution of ZISWAF by aligning the goals of individual employees and the Zakat institution. Such collective goal-setting will positively impact employee engagement and ambition (Darino et al., 2019).

To explore the potency of OKR implementation within the case object, this study aims to address how LAZ Sijahtra employs the OKR framework for developing performance measurements to establish its legitimacy. To answer the question, the study employed a case study methodology involving observation, documentation, interviews, and focus group discussions with LAZ Sijahtra. The findings will shed light on the dynamics and challenges encountered during the preparation of the performance measurement system. Moreover, this research aims to provide valuable insights that can be applied by other nonprofit organizations seeking to develop effective performance evaluation strategies.

The remainder of the paper is structured as follows: the literature review section discusses relevant literature on performance appraisal in nonprofit organizations; the research methodology section presents the research questions and provides an overview of the employed research design and methods; the results and discussion section presents the findings of the study; and finally, the conclusion offers a summary of the paper’s key points and suggests recommendations for LAZ Sijahtra and future studies.

**Literature Review**

**Conceptual Background**

**Zakat**

According to Sahputra (2020), zakat derives from the word ‘zaka’, which signifies blessing, holiness, goodness, and growth. In the fiqh context, zakat refers to a specific portion of the property that is obligatory to be given to mustahik. Furthermore, Wahab & Rahman (2011), note that while Islam encourages individuals to work and earn income, Muslims are reminded to strike a balance between worldly life and the hereafter, emphasizing the importance of sharing and achieving socioeconomic justice.

**Zakat Collection**

Paying zakat is an obligation for eligible Muslims, with two common types being zakat fitr, paid during Ramadan until the day before Eid prayer, and zakat on wealth, which is paid when muzakki (contributors of zakat) reach the financial threshold called ‘Nisab’ and constitutes 2.5% of their wealth (Bahagia, 2018). Additionally, Sulong & Mohd Ali (2012) state that zakat is payable on gold, silver, agricultural products, livestock, trading, and excavated assets. The assets subject to zakat must be lawful, pure, productive, fully owned, exceed the basic requirements of Nisab, and be held for a minimum of 12 months (haul).

**Zakat Collection in Indonesia**

Zakat management in Indonesia began in 1968 with the establishment of the Amil Zakat, Infaq, and Alms Agency (BAZIS). To further promote social and economic welfare, the Indonesian government enacted Law No. 38 of 1999 governing zakat management (Yusra & Riyalidi, 2020). The law encourages integrated and innovative zakat management, overseen by the Amil Zakat Agency (BAZ) or locally established amil institutions known as LAZ. Notably, zakat payment remains voluntary, and non-payment does not entail sanctions (Sahputra, 2020). Subsequently, Law No. 38/1999 was amended to Law No. 23 of 2011, focusing on national zakat management, with regulations provided by Government Regulation (PP) No. 14 of 2014 (Ridwan & Siregar, 2018).

**Distribution of Zakat from the Perspective of Islamic Sharia**

Zakat plays a pivotal role in the equitable distribution of wealth and income. As societal dynamics evolve, the management of zakat continues to advance, remaining deeply rooted in Islamic law (Widyanata et al., 2022). The primary objective of zakat is to fulfill mustahik's (recipients of zakat) needs, encompassing financial needs and necessities such as daily food, education costs, and business capital (Sahputra, 2020). As indicated in the Qur'an, (Yuliasih et al., 2021) highlights that zakat serves as a significant financial resource allocated to eight groups of recipients.

**The Importance of Performance Measurement for Zakat Institutions**

The effectiveness of zakat institutions in collecting and distributing zakat plays a pivotal role in ensuring equitable wealth redistribution from muzakki to mustahik. Despite its nonprofit nature, Hasanah (2020), emphasizes the importance of good performance measurement for LAZ. In addition, Oktarian (2021) highlights that measuring performance offers several benefits, including motivating employees, identifying resource inefficiencies, and aligning strategic goals with organizational realities. Therefore, implementing performance measurement is crucial for enhancing the efficiency and impact of zakat institutions and ensuring their legitimacy in fulfilling their mandate. To conduct the performance measurement, zakat institutions can evaluate their
activities within a specific period to assess the effectiveness of a predetermined strategy (Suhma, 2018). To assist zakat institutions, and measure their performance, several frameworks have been proposed as described below.

**Indonesia of Zakat Magnificence (IMZ) Framework**

According to Ardani et al., (2019), the IMZ framework was initially proposed in 2010 by Indonesia Zakat of Magnificence (IMZ), a nonprofit management organization focusing on training, research in the field of Zakat, poverty, and empowerment. The IMZ framework is essentially a modified version of the BSC concept tailored to the specific conditions of LAZ. Additionally, as stated by Bastiar & Bahri, 2019 IMZ collaborated with the Central of Islamic Economics and Business, Faculty of Economics and Business, Universitas Indonesia (PEBS-FEBUI) to develop a comprehensive assessment of LAZ financial performance. Starting in 2011, this measurement expanded to encompass various aspects of LAZ, including shariah compliance performance, legality, institutional and managerial performance, financial performance, empowerment program performance, and social legitimacy performance.

**International Standard of Zakat Management (ISZM) Framework**

The ISZM framework, introduced by the World Zakat Forum (WZF) in November 2015, establishes a performance appraisal standard for evaluating the management of ZISWAF within LAZ institutions. The ISZM framework incorporates efficiency and capacity variables to assess LAZ financial statements. Through this evaluation, valuable insights are gained regarding the characteristics of ZISWAF fund management and areas for improvement (World Zakat Forum, 2015).

Apart from the aforementioned performance measurements specifically applicable to amil zakat institutions, there are also commonly utilized performance measurements generally employed by organizations. Two notable examples include BSC and OKR, which will be further elaborated on below.

**The Balance Scorecard (BSC)**

According to Stewart & Carpenter-Hubin (2001), the development of performance assessment reports across different institutions and categories emerged as a requirement for institutions to demonstrate their value. However, despite the considerable time and effort invested in collecting, organizing, and presenting performance information, the outcomes have often fallen short of expectations. According to Zheng et al. (2019), BSC was initially prevalent in the private sector during its early stages of implementation. The BSC provides a comprehensive evaluation framework, encompassing four perspectives: financial, internal business processes, innovation and learning, and customers. It emerged as a response to the changing nature of competitive advantage and expertise in the modern era, with companies increasingly focusing on intangible assets to drive revenue and maximize profits (Kaplan & Norton, 2001). As highlighted by Tapinos et al. (2011), larger organizations are more inclined to adopt the BSC due to the heightened complexity of their decision-making process requirements. Moreover, the BSC possesses the capacity to address a range of critical issues within diverse organizations, empowering them to transform ambiguous goals into actionable strategies (Flak & Dertz, 2005). However, despite the BSC's ability to encompass all aspects of the strategy development process, many organizations employ additional mechanisms to augment their strategy development efforts (Tapinos et al., 2011). Moreover, the implementation of BSC in complex settings with multiple stakeholders' interests has been deemed challenging (Flak & Dertz, 2005).

**Objective and Key Results (OKR)**

According to the study conducted by Saragih et al. (2022), OKR is recognized as an agile framework. OKR serves as a critical thinking and sustainable discipline framework, enabling employees to collaborate and make measurable contributions that drive organizational progress. Notably, prominent companies like Google have successfully implemented OKR, which has proven to enhance transparency, purpose alignment, focus, and organizational agility. The process of setting OKRs aims to facilitate the swift achievement of business goals within organizations. On one hand, the OKR framework offers distinct advantages to organizations by providing them with specific, achievable, and measurable targets. When organizations successfully meet these targets, they experience success (Sultan, 2022). On the other hand, it can be argued that the OKR framework primarily focuses on goal-setting and goal-attainment factors, which can be measured through specific KPIs. However, a potential weakness of OKR is its limited inclusion of subtle yet crucial organizational factors, such as knowledge management, which can be challenging to measure (Herkenrath et al., 2023).

A summary of the above performance measurement methods can be found in Table 1.
Table 1: Comparison of Various Performance Measurement Methods

<table>
<thead>
<tr>
<th>No.</th>
<th>Performance Measurement Method</th>
<th>Suitable Organizations for Implementation</th>
<th>Details of the Method</th>
<th>Organizations that have implemented the method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IMZ</td>
<td>Local zakat institutions</td>
<td>The measurement method consists of five components: sharia compliance performance, management performance, financial performance, program utilization performance, and social legitimacy performance.</td>
<td>Baitul Mal Muamalat (BMM), Dompet Duafa (DD), Community Care Post (PKPU).</td>
</tr>
<tr>
<td>3.</td>
<td>BSC</td>
<td>Long-established and complex organizations</td>
<td>The performance measures are categorized into four perspectives: financial, internal business processes, innovation and learning, and customers.</td>
<td>Apple, Federal Bureau of Investigations (FBI).</td>
</tr>
</tbody>
</table>

Source: The authors, 2023

Previous Research on Performance Measurement in Zakat Institutions

Research on the development of performance measurement tools, especially for nonprofit organizations, remains limited, particularly within the context of Indonesia. A notable study in the field of performance management was conducted by de Waal et al. (2011) focusing on a mental health and addiction institute in The Netherlands. This research examines the quantitative impact of performance management on nonprofit organizations by collecting and analyzing quantitative organizational performance data before and after the implementation of performance management. The findings of this study indicate a significant effect of performance management on organizational outcomes.

Building upon this notion Mättö et al. (2020), conduct a study inspired by the idea that legitimacy is socially constructed and varies among stakeholders. Their research specifically focuses on how public sector organizations establish legitimacy during the implementation of performance management systems (PMS). The research identifies various strategies these organizations employ to gain legitimacy and highlights the challenges in aligning stakeholders' expectations with the PMS, leading to instability in legitimation and complicating information relevance for multiple stakeholders. Additionally, Flak & Dertz (2005) discuss the characteristics of public sector organizations, emphasizing the importance of identifying and incorporating diverse stakeholder objectives in the measurement and strategy development process. Similarly, Zainon et al. (2014) assess the factors influencing disclosure and develop a disclosure index based on stakeholder theory, focusing on nonprofit organizations' accountability to their stakeholders through information disclosure.

In a recent study conducted by Stray et al. (2022), the influence of OKRs and Slack on large-scale agile projects was investigated. The findings of the study revealed that projects incorporating OKRs need to provide adequate support to project members in order to foster collaboration toward achieving shared objectives. Additionally, Rompho, (2023) examines the influence of the OKR framework on resolving performance measurement issues. The research demonstrates that implementing OKR enables managers and staff to set ambitious targets and utilize their skills effectively, leading to organizational success.

Several other studies have explored performance appraisals in the context of amil zakat institutions. Fuad & Haris Riyaldi (2020) evaluate the performance of Baitul Mal Aceh in 2018 using the National Zakat Index (NZI) approach, categorizing the institution's performance at both macro and micro levels as good. Similarly, Widyanata et al. (2022) examine the performance of zakat institutions in Palembang City using the NZI Method, revealing their excellence in economic and social programs. Ardani et al. (2019) analyze the performance of amil zakat institutions in the Ogan Ilir Regency using the IMZ approach. Financial performance is also a focus of research, such as Bahri et al., (2017) who evaluate the financial performance of the National Amil Zakat Agency (BAZNAS) between 2004 and 2013 using financial ratios based on Ritchie & Kolodinsky’s (2003) model. The study concludes that BAZNAS demonstrated good financial performance during the ten-year period. Additionally, Purnamasari (2022) measures the financial
performance of NU CARE-LAZISNU using various financial ratios published by BAZNAS (2009), including activity ratio, efficiency ratio, amil fund ratio, liquidity ratio, and growth ratio. In summary, multiple studies investigating the performance of amil zakat institutions have shown positive outcomes in terms of economic, social, and financial performance. However, these studies have primarily focused on predetermined indicators or the effectiveness of routine assessments conducted by zakat institutions. This study aims to investigate how amil zakat institutions, in this case, LAZ Sijahtra, can apply the OKR framework to develop performance measurements and establish their legitimacy.

Research and Methodology

To achieve the above aims, this study employs a single case study approach to observe real-life phenomena that are relevant to the study area. By conducting detailed observations of the contextual factors, the case study provides valuable insights for problem-solving, conducting evaluations, and formulating tactical change strategies (Schindler, 2021). The use of qualitative research methods allows for an in-depth exploration of relevant topics and a comprehensive understanding of the case under investigation. As highlighted by Creswell & Poth (2017), qualitative research involves the utilization of assumptions and theoretical frameworks to address research problems encountered by individuals or groups dealing with social issues. The authors undertake investigations and gather data by applying both inductive and deductive approaches to data analysis while identifying emerging themes.

Before commencing the research process, the author has been granted access by the management of LAZ Sijahtra to conduct the study in accordance with applicable regulations. Both primary and secondary data have been utilized in this research. The primary data sources consist of observations, interviews, and focus group discussions (FGDs) conducted with the participants. On the other hand, the secondary data have been obtained from internal sources, such as LAZ Sijahtra's overview and organizational structure, data on mustahik, documentation of LAZ Sijahtra's activities on social media, and other pertinent literature that aligns with the research theme.

Data Collection

The research instruments used for data collection include observation, interviews, FGDs, and documentation. The observations were conducted both directly and indirectly. Direct observations were made by visiting LAZ Sijahtra's office, allowing the researchers to gather information on the organization's activities and operations. To ensure focused observations, passive observation techniques were utilized. Specifically, the study involved observing eight operational staff members during their regular office duties over a period of two hours. The researchers closely observed their work methods, interactions, and job performance. In addition to direct observations, indirect observations were made by analyzing publicly available information through LAZ Sijahtra's social media platforms. These platforms regularly publish various activities and engage with followers, providing valuable insights.

The interviews were scheduled between mid-February and early March 2023 after confirming the availability of the participants from LAZ Sijahtra. The interviews were conducted with a semi-structured approach using open-ended questions to encourage active participation, foster openness, and facilitate flexible dialogue. The demographic data of the participants is shown in Table 2.

<table>
<thead>
<tr>
<th>Identity</th>
<th>Gender</th>
<th>Designation</th>
<th>Mode of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant#1</td>
<td>Female</td>
<td>Deputy Director</td>
<td>Online via Zoom</td>
</tr>
<tr>
<td>Participant#2</td>
<td>Male</td>
<td>Operational Manager</td>
<td>In-person at LAZ Sijahtra’s office</td>
</tr>
<tr>
<td>Participant#3</td>
<td>Male</td>
<td>Chief Director</td>
<td>Online via Zoom</td>
</tr>
</tbody>
</table>

Source: The authors, 2023

These individuals were selected based on their in-depth knowledge of the activities at LAZ Sijahtra and their understanding of the key factors to prioritize when preparing performance indicators.

In addition to interviews, two FGDs were also conducted to gain a more comprehensive view of the OKRs and the indicators. Both FGDs were conducted via Zoom, with a maximum duration of 120 minutes. The first FGD was conducted at the end of March 2023 and was attended by eight participants, namely the Director, Deputy Director, Manager, a researcher, the head of distribution, and some operational staff who joined the FGD offline at the office through one connecting Zoom device. The theme discussed during the FGD was the suitability of the OKR framework within the context of LAZ Sijahtra. Additionally, the second FGD was conducted on May 8, 2023, and was also attended by eight people, consisting of the Director, Deputy Director, Manager, a researcher, an advisor, and several operational staff who monitored the FGD offline in the office through one connecting Zoom device. The second FGD aimed to seek the management’s response to the proposed FGD. As a result of this discussion, the Deputy Director suggested adding more detail regarding the individuals responsible for each OKR and the execution timeline.

The final method employed was documentation, which involved analyzing publicly and privately available documents. These documents consisted of the organization's vision and mission documents, as well as the University Chancellor's Decree. The decree revealed that the steering committee is responsible for providing guidance to the Board of Trustees to ensure that the activities carried...
out at LAZ Sijahtra adhere to Sharia principles. The Board of Trustees, individuals in charge, and the Sharia board collaborate with the Director to ensure the professional implementation of activities at LAZ Sijahtra. Meanwhile, the operational manager oversees the daily activities and analyzes various reports, both from external partners of LAZ Sijahtra and internal evaluation reports, which are then submitted to the Director. In addition, publicly available information was obtained through LAZ Sijahtra's social media platforms, where various activities are regularly published, and interactions with followers take place. Additionally, several informal communications were conducted via messaging services like WhatsApp to request additional data, such as internal reports from LAZ Sijahtra.

Data Analysis

After the interviews, the obtained results were promptly transcribed into written form. The transcription process involved playing back the audio recordings to ensure the accurate representation of tone of voice and contextual nuances during the interviews. Subsequently, the data underwent further analysis using qualitative thematic analysis. As outlined by Braun & Clarke (2006), thematic analysis is a qualitative method employed to identify, analyze, and interpret recurring themes. This analysis involved closely examining the interview transcripts to gain a comprehensive understanding of the ideas discussed. Thematic analysis, as advocated by Atkinson (2017) facilitates researchers’ efforts to find meaning through the materials collected during the study such as transcripts, and notes. This method is a flexible and suitable approach for capturing and expressing the perceptions of individuals, groups, or organizations. Careful examination of the gathered information ensured that the integrated themes retained their intended meaning and maintained contextual alignment (Amyar et al., 2019).

Unit of Analysis

LAZ Sijahtra is an amil zakat institution that was established in 2016. The organization offers various programs and services to facilitate zakat, infaq, and sadaqah contributions from donors. Based on the interview findings, as of February 2023, LAZ Sijahtra consists of four departments: the Collection Department, Empowerment Department, Scholarship Department, and Cooperation and Network Development Department. Internal information provided by the operational manager reveals the institution’s vision and mission as follows:

Vision

To become LAZ and an institution that empowers the people’s economy that is innovative, responsive, professional, and well-known for shared welfare based on the mosque.

Mission

i. Provide systems and services that simplify the process of zakat, infaq, sadaqah, and endowment payments for muzakki.
ii. Establish the masjid as a hub for the economic empowerment of the community.
iii. Utilize zakat, infaq, sadaqah, and waqf funds through impactful programs.
iv. Improve the well-being of mustahik and bring joy to muzakki and donors.

LAZ Sijahtra has nine administrators, and nine staff members, and also employs several part-time facilitators. The organization has implemented 33 programs, including scholarships for school tuition fees, Green Qurban, and foster parent scholarships. The majority of LAZ Sijahtra’s donors consist of internal muzakki, although there are also external contributors. Donors are categorized based on the type of program they support.

When designing its programs, LAZ Sijahtra focuses on several key aspects, including:

i. Enhancing both internal and external fundraising through creative, innovative, and impactful initiatives.
ii. Ensuring the effective distribution of ZISWAF funds in a manner that aligns with Islamic principles and targets the right beneficiaries.
iii. Improving the quality of public education initiatives.
iv. Promoting the economic independence of masjids and congregations.
v. Empowering the Muslim community’s economy.
vi. Promoting social empowerment and engaging in da’wah activities for the community.

Findings and Discussions

Through observations conducted at the LAZ Sijahtra office, the interactions and atmosphere among staff members were observed. The staff demonstrated high dedication to their work, and the office environment was characterized by openness and friendliness. Despite the relatively small size of the staff, they exhibited professionalism in their tasks. This study employed the passive observation method, following the approach used by Amyar et al. (2019), which involved observing without taking notes.
Based on the observation, a daily morning meeting called “breakfast” is routinely conducted. During this meeting, the daily activity plan is discussed, and the progress of the previous day’s activities is reviewed. Collaborative efforts with team members play a crucial role in achieving organizational goals (Ismail et al., 2023).

Furthermore, LAZ Sijahtra has established a meeting mechanism with its management. Despite its flexible nature, regular daily meetings are held between operational managers and staff members. As stated by Participant #2: “Each staff member has their own targets. For example, the Treasurer follows up on what needs to be done for the day. So, every morning before we start our activities, we have a meeting depending on the situation. […] If there is something that requires urgent attention, it will be addressed immediately. […] It is called ‘breakfast’. It has been implemented since I joined. This practice makes it easier for colleagues to find support and prevents program overload by incorporating evaluations. If someone needs assistance, someone else can always help.” (Participant #2, 2023).

Through direct observation, it was discovered that in early 2023, the operational manager, who had joined in June 2022, initiated staff assessments. The assessment process is currently simple and conducted through Excel. The operational manager presented a staff assessment table that includes performance criteria such as discipline, timeliness, willingness to work in a team, and more. Participant#2 expressed the following during the interview “We assess attendance, discipline, and communication. The main focus is on completing assigned tasks in accordance with the job description. It was only this year that evaluations were introduced. In the past, there were no records or scores.” (Participant #2, 2023).

Since its establishment in 2017, LAZ Sijahtra has never implemented performance assessments such as KPI or BSC. LAZ Sijahtra welcomes the plan to openly establish a performance arrangement as it can provide valuable input for improving operations. As a performance appraisal framework, OKR can serve as a reference for employees to gauge organizational performance (Saraghi et al., 2022). The increasing workload and targets to be achieved emphasize the urgent need for performance appraisal at LAZ Sijahtra. This sentiment is reflected in the following statements from the three participants.

“With an increasing number of employees, the responsibilities of LAZ Sijahtra grow. Moreover, the Chancellor has made zakat obligatory for all lecturers at the university, further expanding our management. As a result, the need for operational staff has increased, and the number of implemented programs has also risen. However, thus far, we have not had a performance evaluation system in place.” (Participant #1, 2023)

“We have no objections to the preparation of a performance appraisal. In fact, we welcome it as it provides valuable feedback for our self-improvement. The more input we receive, the better we can enhance our skills.” (Participant #2, 2023).

“So there are targets set for the programs, and they must be executed by a specific date. Sometimes, there are shifts in the schedule, and we need to understand the reasons behind them. We still do not have detailed indicators.” (Participant #3, 2023).

Furthermore, this study utilized the FGD as the primary method of gathering information from the management and operational staff of LAZ Sijahtra. The FGD consisted of two phases. In the first phase, various performance assessment methods such as BSC, IMZ, ISZM, and OKR, were explained, and participants were asked questions about the implementation of OKR. One of the critical inquiries focused on the suitability of OKR for organizations with dynamic activities like LAZ Sijahtra. Due to time limitations, the preparation of OKR was scheduled to continue in the second FGD session.

Prior to conducting the second FGD, the researcher reviewed the results of the interviews conducted with the three previous participants. This review facilitated the proposal of a series of OKRs that were relevant and suitable for meeting the needs of LAZ Sijahtra. In the second FGD, a summary of various performance appraisal methods was presented to refresh the participants’ memory. Additionally, illustrations of several OKRs and OKR assessment methods were provided. The FGD concluded with the presentation of OKR recommendations specifically tailored for LAZ Sijahtra.

Some of the priority areas identified for assessment included ZISWAF collection, strategic development for the Collaboration and Network Development Department, digitalization of systems for employees, and distribution of ZISWAF. These four objectives were derived from the information obtained during the interviews and FGD 1. The first objective identified in the proposed OKR framework is the ZISWAF collection, which holds significant importance for the operational functioning of LAZ Sijahtra. The funds received from donors and mustahik are essential for the institution to carry out various community programs effectively. Following this, the strategic development of the Collaboration and Network Development Department is ranked second, based on the emphasis expressed by the Deputy Director in the interview and the first FGD. Optimizing department productivity in this area is considered a priority for LAZ Sijahtra, as it enables exposure to new ideas from the researcher and provides guidance for program innovation. Digitalization is placed as the third priority, as it plays a crucial role in daily operations and connects all members of LAZ Sijahtra. Lastly, the distribution aspect is positioned as the final priority, as it is closely linked to the collection and management of the ZISWAF fund. There were consistent themes among participants regarding the importance of collection and distribution, as well as a notable emphasis on developing a strategy for the Cooperation and Network Development Department and digitizing work activities for administrators and operational staff. The recommended OKR framework for LAZ Sijahtra can be found in Table 3.
### Objective 1: Optimizing ZISWAF Collection from the University Area’s Fund Potential

<table>
<thead>
<tr>
<th>Objective 1</th>
<th>Consideration inChoosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimizing the collection of ZISWAF from the great fund potential in the university area.</td>
<td>“However, until now, the collection has not been maximized. […] Currently, we are at 2 to 3 million. Ideally, based on the existing potential, it could reach IDR 5 to 7 billion per year. So, there is still potential to optimize the zakat that we have collected until now.” (Participant#3, 2023)</td>
<td>The zakat potential from the university environment is estimated to be IDR 5-7 billion.</td>
<td>A combination of administrators and operational staffs</td>
<td>Q1-Q4 2023</td>
</tr>
</tbody>
</table>

### Key Results for Objective 1

<table>
<thead>
<tr>
<th>Key Results (KR)</th>
<th>Consideration in Choosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>KR 1.1</td>
<td>Increase the collection of ZISWAF funds from IDR 4.09 billion in 2022 to more than 15% (IDR 4.7 billion) in 2023.</td>
<td>“The challenge is still how to optimize the zakat funds that have already been collected and optimize the collection of zakat funds because there are still many people whom we need to help.” (Participant #3, 2023)</td>
<td>The funds collected through ZISWAF in 2023 are expected to increase by 15% compared to the previous year, 2022.</td>
<td>Director, Deputy Director, Head of the Zakat Collection Division, Operational Manager, and Vice Manager of Empowerment and Cooperation</td>
</tr>
<tr>
<td>KR 1.2</td>
<td>Develop a user-friendly service or application for muhsinins (muzakki and donors) to pay ZISWAF, including a reminder feature, in collaboration with two to five other LAZ or LAZ Sijahtra’s partners by the end of the 3rd quarter (September 2023).</td>
<td>“There must be a system in place to make it easy for people who want to pay zakat. There should be a reminder system to help prompt individuals when it is time to pay zakat. We have not implemented this yet. Therefore, we aim to address this in the future.” (Participant #3, 2023)</td>
<td>By the end of the third quarter (September 2023), two systems/applications will have been thoroughly researched and evaluated for adoption.</td>
<td>Director, Deputy Director, Head of the Zakat Collection Division, and Operational Manager</td>
</tr>
<tr>
<td>KR 1.3</td>
<td>Maintain collaboration costs for application development below IDR 60,000,000. This benchmark is set based on market prices, which range from IDR 60-200 million.</td>
<td>In relation to KR 1.2, it is crucial for LAZ Sijahtra to consider the allocation of collaboration funds with other LAZ or partners for the development of the application.</td>
<td>The collaboration costs should not exceed IDR 60,000,000.</td>
<td>Head of the Zakat Collection Division and Operational Manager</td>
</tr>
<tr>
<td>KR 1.4</td>
<td>Increase the number of muhsinins from 2,356 in 2022 to 2,600 people or 10% higher in 2023.</td>
<td>This key result is significant for validating the increase in ZISWAF collection.</td>
<td>The number of muhsinins in 2023 is projected to increase by more than 10% compared to 2022.</td>
<td>Operational Manager, Vice Manager of Empowerment and Cooperation, Deputy Manager of Scholarships and HR.</td>
</tr>
</tbody>
</table>
## Objective 2: Developing Excellent Relations and Programs for the Cooperation and Network Development Department

<table>
<thead>
<tr>
<th>Objective 2</th>
<th>Consideration in Choosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing excellent relations and programs for the Cooperation and Network Development Department</td>
<td>“… the program for the Cooperation and Network Development Department is still unclear, and both performance and strategy are not yet visible.” (Participant#1, 2023)</td>
<td>Expand the range of programs beyond just ‘Green Qurban’.</td>
<td>A combination of administrators and operational staffs</td>
<td>Q1-Q4 2023</td>
</tr>
</tbody>
</table>

### Key Results for Objective 2

| KR 2.1 | Obtain cooperation contracts with two potential new partners to increase ZISWAF collection in 2023. | Existing contracts can facilitate the cooperation process. | Establish contact with at least one new partner every six months. The estimated time required to meet, discuss cooperation, and secure contracts with each partner is six months. | Head of Network Cooperation and Development Department, Operational Manager, Deputy Manager of Empowerment and Cooperation, Deputy Manager of Scholarships and HR | Q1-Q4 2023 |
| KR 2.2 | The Cooperation and Network Development Department will organize two annually certified training events for faculty members, university students, and alumni, with a minimum of 10 certified training participants. | This training program will strengthen the department’s connections. | Conduct two certified trainings annually, with the number of training program participants at each event exceeding 10 people. | Head of Network Cooperation and Development Department, Head of Education Department, Operational Manager, Deputy Manager of Empowerment and Cooperation, Deputy Manager of Scholarships and HR | Q2-Q4, 2023 |
**Objective 3: Digitize the Activities of the Management and Staff of LAZ Sijahtra for Greater Efficiency**

<table>
<thead>
<tr>
<th>Consideration in Choosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>“I need to know because I also need to evaluate, right? It shouldn’t solely rely on reports from the operations manager; I should have direct access to review and evaluate them myself. Perhaps there is a system that allows me to do so, enabling me to view, review, and evaluate the data.” (Participant #3, 2023)</td>
<td>The management and staff activities of LAZ Sijahtra will be fully digitized using Google Spreadsheets.</td>
<td>A combination of administrators and operational staffs</td>
<td>Q2 2023</td>
</tr>
</tbody>
</table>

### Key Results for Objective 3

<table>
<thead>
<tr>
<th>Key Results (KR)</th>
<th>Consideration in Choosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KR 3.1</strong> By May 2023, create a single activity work spreadsheet that includes running programs and can be accessed by administrators and operational staff in Google Spreadsheets. The link to the spreadsheet will be provided to the LAZ Sijahtra’s group at the end of May 2023.</td>
<td>Google Spreadsheets is a widely known and user-friendly platform that is available for free. The estimated preparation time is approximately two weeks.</td>
<td>The link to the spreadsheet will be provided to the LAZ Sijahtra group by the end of May 2023.</td>
<td>Operational Manager, Deputy Manager of Empowerment and Cooperation, and Deputy Manager of Scholarships and HR</td>
<td>Q2 2023</td>
</tr>
<tr>
<td><strong>KR 3.2</strong> By the end of May 2023, administrators and managers will finalize the evaluation matrix for the activity work and add matrices related to program timelines for monitoring the progress of programs at LAZ Sijahtra. This will be aligned with appropriate job descriptions for managers and operational staff.</td>
<td>“How can our management be professional? That’s it, the indicators, for each person, maybe they need to be developed, at least up to the deputy director level, right? It should be structured.” (Participant #3, 2023)</td>
<td>The activity spreadsheets will be ready to be filled out at the beginning of June 2023.</td>
<td>Director, Deputy Director, Head of Department Collection, Head of Education Department, Head of Empowerment Department, Head of Cooperation and Development Network Department, and Operational Manager</td>
<td>Q2, 2023</td>
</tr>
<tr>
<td><strong>KR 3.3</strong> By the end of the second quarter (June 2023), the implementation documentation of work activities through online spreadsheets will be 100% adapted by nine management personnel and nine operational staff.</td>
<td>Training related to online spreadsheets will be conducted twice a week in June 2023 to ensure users become more accustomed to the system. The target is to have 100% online documentation activity by the end of the second quarter.</td>
<td>Throughout the month of June 2023, the usage of spreadsheets will be at 100%.</td>
<td>Director, Deputy Director, and Operational Manager</td>
<td>Q2 2023</td>
</tr>
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</table>
### Objective 4: Optimize the Distribution of ZISWAF Funds to Reach Zero at the End of the Year

<table>
<thead>
<tr>
<th>Consideration in Choosing the Objective</th>
<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
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<tbody>
<tr>
<td><em>Optimize the distribution of ZISWAF funds to reach zero at the end of the year</em></td>
<td>&quot;Previously, we used to carry forward any remaining budget that had not been disbursed in a year. Once it reached 1.2 million, we would bring it forward to the following year. That was how it used to be. However, since I took over, I have set an ambitious goal to ensure that the zakat fund reaches zero at the end of each year.&quot; (Participant#3, 2023)</td>
<td>The objective is for LAZ Sijahtra's ZISWAF funds to reach IDR 0 by the end of the year.</td>
<td>A combination of administrators and operational staffs</td>
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### Key Results for Objective 4

<table>
<thead>
<tr>
<th>Key Results (KR)</th>
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<th>Benchmarks</th>
<th>Person in charge (PIC)</th>
<th>Timeline</th>
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<tr>
<td><strong>KR 4.1</strong></td>
<td>By the end of the second quarter (June 2023), the process of distributing ZISWAF funds from the Treasurer’s account to LAZ Sijahtra’s account will be expedited using BSI CMS.</td>
<td>&quot;We also aim to enhance the system because BSI has a CMS. This way, someone can approve it. Currently, everything is handled by the treasurer, who is also one of the lecturers. She is the one responsible for inputting, checking, and approving.&quot; (Participant#2, 2023)</td>
<td></td>
<td>Q2 2023</td>
</tr>
<tr>
<td><strong>KR 4.2</strong></td>
<td>Conduct stage counseling or training at least once per quarter, with a minimum participation rate of 80%, to enhance the resilience of businesses operated by mustahik individuals to at least 70%.</td>
<td>&quot;We hope that, for example, 80% of the initial programs we provide can be successfully implemented, allowing for development and progress. However, this aspect is still vulnerable. If I may say, it's a 50:50 situation, with some programs running and others failing to be sustainable.&quot; (Participant#3, 2023)</td>
<td>To measure progress, a comparison of business data from the beginning to the end of the year will be conducted, with the goal of increasing the minimum resilience rate from 50% to 70%.</td>
<td>Operational Manager and Deputy Manager of the Empowerment and Cooperation Department</td>
</tr>
<tr>
<td><strong>KR 4.3</strong></td>
<td>Establish at least three contract coordination agreements with local entities such as Geuchik (community leaders) and village devices to enhance the efficiency of the monitoring and evaluation (monev) process in 2023.</td>
<td>&quot;Coordination...with local government, both at the village level, is also important. Because that community does not have a village, right? When synergizing with leaders in the village, it will improve, will it make it easier for us in the evaluation and monitoring process that we are doing.&quot; (Participant#3, 2023)</td>
<td>At the end of quartal four (December) at least already get 3 contracts that can support the monev process.</td>
<td>Head department empowerment, Manager operations, Deputy Manager of Empowerment and Cooperation</td>
</tr>
<tr>
<td><strong>KR 4.4</strong></td>
<td>Obtain 100% response rate from at least three beneficiaries of each program through a survey conducted by the end of the second quarter (June 2023). This will enable the assessment of mustahik satisfaction with these programs, including evaluating the effectiveness of funding and gauging satisfaction with coaching aspects such as duration, presented material, and perceived benefits.</td>
<td>&quot;It seems (measuring mustahik satisfaction) is necessary. Because we (LAZ Sijahtra) want to help them. We do not want to let those who we help not be happy.&quot; (Participant#2, 2023)</td>
<td>Given a survey to at least 3 recipients benefit from each program is returned 100%.</td>
<td>Deputy Manager of Empowerment and Cooperation Department, Deputy Manager of scholarships and HR</td>
</tr>
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</table>

**Source:** The authors, 2023
LAZ Sijahtra has recognized the need for a PMS. However, the absence of a developed performance evaluation system hinders LAZ Sijahtra from determining its direction and becoming more productive. This finding is consistent with the study conducted by Mättö et al. (2020), which revealed that public institutions face changing expectations over time due to constant changes in stakeholders’ environment. Performance measurement systems play a crucial role in translating these expectations into reality.

To provide information about achieved expectations, facilitate stakeholder communication, and support management legitimacy, LAZ Sijahtra prepares weekly and monthly evaluations involving administrators. Additionally, the organization presents activity reports to the Chancellor and the four deans of the university during the annual evaluation. The various reporting mechanisms employed by LAZ Sijahtra align with the research conducted by (Rasyid et al., 2023) and Deegan (2002) in Cho & Patten (2007). Rasyid et al. (2023), found various reports prepared by a regency in Aceh Province to boost village budgeting each year. The report was a mechanism that enhance accountability regarding village fund management and budget reporting. The report was shown to the local government, village government, and also the village community through an assembly with several community leaders. During the meeting, the activities report and proof of documentation were presented. The report includes APBDes report and budget actualization reports like LPJ and RPJMDes. Additionally, Deegan (2002) suggests that inferred financial report disclosure serves as a legitimacy tool and is chosen as a communication strategy to influence people’s perceptions. Furthermore, Meyer & Rowan (1977) in Brignall & Modell (2000) state that legitimacy seeking, according to institutional legend, is formed by adopting repeated structural attributes, as demonstrated by organizations through several processes.

In addition to formal reporting, LAZ Sijahtra consistently communicates its performance through social media platforms like Facebook and Instagram. This effort aims to demonstrate transparency and professional credibility, establishing LAZ Sijahtra as a trusted zakat institution. This finding aligns with the observations made by Amelia & Dewi (2021), who suggested that nonprofit organizations can effectively meet their accountability needs through social media. Participant#3’s statement further supports this observation.

“No matter how much we encourage people to pay zakat, if they don’t see any benefit from the zakat that is given to us, they won’t believe it either. Therefore, it is crucial to provide proof of transparency, showcase the ongoing work programs, and publish information about the distribution that can be easily accessed.” (Participant#3, 2023)

On the partnership side, LAZ Sijahtra’s institutional partners submit reports at the conclusion of each program. These reports are then reviewed for format and completeness by the operational manager. Referred to as monitoring progress reports, they provide details about the program, and the distribution of funds, and include attached photos of activities. These insights align with the information gathered from Participant#2.

“Regarding our partners, they are required to submit a report at the conclusion of each program. For instance, with NGO A, provide a final program report that highlights the achieved milestones. They also inform us about the monitoring progress report format and provide a final monitoring report.” (Participant#2, 2023)

Despite their efforts to maintain regular reporting, LAZ Sijahtra recognizes the need for improvement, as indicated by Participant 3’s statement:

“We assess the progress monthly, focusing on the programs that are currently being implemented. We hold routine meetings every week to discuss our activities. However, due to the large number of programs, we may not detect all the obstacles. Sometimes, the challenges we face in one week persist into the following week. In such cases, we brainstorm solutions and adapt our approach accordingly.” (Participant#3, 2023)

LAZ Sijahtra also seeks suggestions from the authors.

“We actively seek input on how LAZ Sijahtra can improve. We are constantly looking for relevant information and applying suitable strategies, incorporating the concept of NGO B into our work.” (Participant#2, 2023)

According to Downling and Pfefferr, 1975 in Mättö et al., (2020), an organization is considered legitimate when its purpose aligns with social norms, values, and expectations. As other LAZ institutions have implemented performance evaluations, LAZ Sijahtra also aims to develop its own PMS. At the end of the focus group discussion, LAZ Sijahtra acknowledged the relevance and alignment of the OKR recommendations proposed in the study and agreed to a one-month trial implementation of OKR with the assistance of the researchers. Through this jointly formulated performance appraisal, it is hoped that LAZ Sijahtra can enhance its performance. A recent study by Hadi, (2023), provides support that organizational learning plays a crucial role in acquiring new knowledge and skills. This, in turn, enables organizations to adapt more effectively to dynamic external environments. By engaging in exploitative learning, organizations can further enhance their efficiency and effectiveness.

LAZ Sijahtra can employ short-term and long-term strategies to achieve its performance targets. In the short term, LAZ Sijahtra can swiftly implement several performance appraisals that have been developed. Quarterly evaluations can be gradually implemented after the monthly reviews. Additionally, it is crucial for LAZ Sijahtra to ensure the transparency of its OKR, allowing all organization members to access it. Furthermore, the owners of OKRs should prioritize the targets for the current quarter and ensure the execution
of key results within the predetermined timeline. The implementation and evaluation of OKR are exemplified in a study conducted by Radonic, (2017). The study focuses on establishing objectives and key results by comparing the deviation between the proposed and actual quantity of OKR utilized. The findings indicate that reporting on a daily and weekly basis enhances the control and evaluation process of the OKR system. In addition, a recent paper by Mahitthafongkul (2021), found employee characteristics such as age, gender, or working experience would not influence OKR. However, OKR implementation is influenced by how the organization implemented it. To encourage employee engagement, constant support and feedback from managers are needed. Pracoyo et al. (2022), found that strong employee engagement positively influences staff motivation, resulting in optimal work performance. However, it is important to note that achieving better organizational performance requires alignment with factors such as product or service environments, financial markets, and labor markets.

On the other hand, in the long run, LAZ Sijahtra must consistently carry out performance appraisals. This aligns with the instrumental aspect of stakeholder theory, which emphasizes the importance of establishing connections with stakeholders to maximize long-term benefits (Valentinov & Hajdu, 2019). Regular evaluation is necessary to ensure that the proposed measurement aligns with stakeholders’ expectations and can be adjusted when needed (Mättö et al., 2020). After implementing performance appraisal, management should continuously monitor its effectiveness to ensure long-term success (de Waal et al., 2011).

These findings are consistent with the research conducted by Kanket, (2019) and Lawler et al., (2012). Kanket (2019) discovered that OKR facilitates knowledge sharing and information exchange, thereby promoting organizational innovation. Meanwhile, Lawler et al., (2012) stated that the effectiveness of a performance appraisal system depends on jointly defined goals based on the strategic direction of a business or organization.

Conclusions

This study examined the dynamics involved in the development process of a performance appraisal mechanism for LAZ Sijahtra, an anonymized university-based zakat institution located in Aceh, Indonesia. The findings of the study yielded several noteworthy observations. Firstly, although there was a plan to conduct performance appraisals in the institution, it had not been implemented yet. The adoption of the OKR framework was considered suitable for LAZ Sijahtra due to its simplicity and applicability to small and medium-sized organizations. Secondly, an internal activity evaluation using an Excel application was initiated during the morning ‘breakfast’ meetings in early 2023. However, there is a need for a more efficient system to assess the activities of management and operational staff and evaluate monthly activity planning. Delays and constraints in various activities have caused the evaluations to be postponed. Thirdly, through the Focus Group Discussions, LAZ Sijahtra explored various performance assessment methods and expressed interest in additional programs for the Department of Cooperation and Network Development. Four priority objectives were identified, focusing on optimizing the collection of ZISWAF funds, developing programs, digitizing HR work assessments, and optimizing zakat fund distribution, each with corresponding key results. Finally, LAZ Sijahtra accepted the proposed OKR recommendations and expressed a desire to implement them immediately, along with guidelines from the researcher.

To further expand the research, future studies should consider extending the study duration to observe long-term improvements and include multiple units of analysis for comparative insights. These findings can serve as reference materials for similar institutions that have not yet implemented performance appraisals. Overall, the study sheds light on the development of a performance appraisal mechanism and highlights areas for improvement, providing valuable insights for LAZ Sijahtra and other nonprofit organizations.

Contribution to the Field Statement

This paper contributes to the literature on performance measurement systems (PMS) and philanthropic organization management by addressing the development of objectives and Key Results (OKR) for Lembaga Amil Zakat (LAZ) in Aceh Province, Indonesia. Using a case study approach, this research focuses on LAZ Sijahtra, a university-based LAZ operating in Aceh. The study emphasizes the importance of implementing a PMS at LAZ Sijahtra and explores how it can enhance the institution's legitimacy.

Moreover, this research aims to fill a gap in the existing literature concerning PMS, specifically within smaller nonprofit organizations in Indonesia. While studies on performance measurement in nonprofit organizations have been conducted primarily in developed countries, Indonesia has limited research on this topic.

By applying the OKR framework, this study identifies four key objectives for LAZ Sijahtra and illustrates the potential benefits of implementing a PMS. The findings are expected to provide valuable insights for other institutions, particularly small and medium-sized organizations, interested in developing their performance measurement systems.

Acknowledgment

All authors have read and agreed to the published version of the manuscript.


Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.

Conflicts of Interest: The authors declare no conflict of interest.
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