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Liquidity Risk Management in Corporate Finance: Strategies for Financial Resilience

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Abstract

This study examines the effectiveness of KPI-based performance appraisal systems in improving employee performance within Indonesian non-profit organizations. Focusing on Dompet Dhuafa, Rumah Zakat, and BAZNAS, the research employs a qualitative multiple-case study approach to explore how KPI frameworks are designed, implemented, and perceived by employees and management. Data were collected through in-depth interviews, participatory observation, and document analysis, and analyzed thematically using Braun and Clarke's six-step framework.The findings reveal that KPI systems play a crucial role in aligning individual performance with organizational missions, enhancing accountability, and motivating employees. They were found to improve task performance, contextual contributions such as teamwork and initiative, and adaptive performance, particularly in the use of digital tools and responsiveness to community needs. Employees also reported increased job satisfaction when KPIs were applied transparently and supported by constructive feedback mechanisms Nevertheless, the study identifies significant challenges in the implementation of KPI systems. These include rigid indicators that overlook intangible contributions, limited digital infrastructure, cultural barriers, and additional administrative burdens for employees. Despite these obstacles, strategies such as customizing KPI indicators, promoting participatory approaches, providing continuous feedback, leveraging external partnerships, and investing in capacity-building were found to enhance the effectiveness of KPI systems In conclusion, KPI-based appraisal systems have strengthened performance management in Dompet Dhuafa, Rumah Zakat, and BAZNAS. Their long-term success depends on balancing accountability with flexibility and ensuring that systems are responsive to the unique missions of non-profit organizations.

Keywords: *KPI-Based Performance Appraisal, Employee Performance, Non-Profit Organizations, Accountability.*

1. Introduction

In the contemporary era, performance management has become a central component in organizational sustainability, not only for profit-oriented corporations but also for non-profit organizations (NPOs). Non-profits, which focus primarily on delivering social impact rather than generating profit, are increasingly required to demonstrate accountability and efficiency in their operations. To meet these demands, many NPOs have adopted Key Performance Indicator (KPI)-based performance appraisal systems as a strategic tool for measuring the effectiveness of their staff and organizational programs [1].In Indonesia, the role of NPOs has expanded significantly, particularly in the fields of education, healthcare, poverty alleviation, and humanitarian aid. Institutions such as Dompet Dhuafa, Rumah Zakat, and BAZNAS are among the largest and most influential organizations that drive community development through philanthropy and social programs. These organizations manage large-scale programs with thousands of beneficiaries, requiring professional human resource management systems to ensure the success of their missions. KPI-based appraisal systems in these institutions serve not only as measurement tools but also as mechanisms to enhance transparency and trust with donors, stakeholders, and the communities they serve [2].

However, the adoption of KPI-based appraisal systems in non-profits is not without challenges. Unlike corporate settings, NPOs often deal with limited resources, volunteer involvement, and cultural values rooted in social service rather than financial gain. Designing KPIs in non-profit settings requires contextual adaptation, ensuring that performance indicators capture both tangible outcomes and intangible contributions such as community trust and volunteer engagement [3]. This dual focus often complicates the implementation of standardized KPI systems.Dompet Dhuafa, Rumah Zakat, and BAZNAS are excellent case examples to explore the effectiveness

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of KPI-based systems, as they represent diverse operational contexts yet share similar goals in promoting social welfare. These organizations face increasing demands to demonstrate measurable results, not only to meet internal management needs but also to satisfy the expectations of donors and regulatory bodies. The effectiveness of their KPI systems, therefore, becomes critical in evaluating both employee performance and overall organizational impact [4].The use of KPIs in NPOs also plays a vital role in motivating employees and shaping organizational culture. When KPIs are clearly defined and fairly applied, employees perceive greater clarity about expectations and feel more committed to achieving organizational objectives. Fair and transparent appraisal systems contribute positively to job satisfaction, motivation, and retention among employees in mission-driven organizations [5].Despite these benefits, several issues remain unresolved in the practical implementation of KPIs in NPOs. Many employees perceive KPI systems as rigid, overly quantitative, or disconnected from the real value of their contributions. Such perceptions can lead to resistance, decreased motivation, or a sense of unfairness [6]. Ineffective KPI implementation can undermine the very purpose of performance management, reducing rather than enhancing organizational effectiveness.

In addition, the non-profit sector in Indonesia often grapples with the challenge of balancing accountability with flexibility. While KPIs demand precise measurement, the dynamic and unpredictable nature of social work sometimes defies rigid categorization. The success of community development initiatives may depend on qualitative outcomes such as improved trust, empowerment, or capacity building—factors that are difficult to capture with traditional KPIs [7].Dompet Dhuafa, Rumah Zakat, and BAZNAS have been at the forefront of addressing this balance, yet little research has systematically examined how their KPI-based appraisal systems influence employee performance. Existing studies on Indonesian non-profits tend to focus more on program impact or financial transparency, leaving a gap in the literature regarding human resource practices in the sector [8].From a managerial perspective, the effectiveness of KPI systems in NPOs also has direct implications for organizational accountability and donor confidence. Non-profits that can demonstrate clear employee performance metrics are more likely to secure continued funding and public trust. Performance management systems that align individual performance with organizational values strengthen overall mission effectiveness and stakeholder satisfaction [9].Moreover, studying KPI effectiveness in NPOs offers broader policy implications. With the Indonesian government increasingly emphasizing accountability and professionalization in the non-profit sector, findings from this research could inform policy frameworks for enhancing HR practices across NPOs [10].This research also carries novelty in its focus on multiple prominent NPOs, allowing for comparative insights across different institutional contexts. By examining Dompet Dhuafa, Rumah Zakat, and BAZNAS simultaneously, the study provides a more comprehensive understanding of how KPI-based appraisal systems are adapted and applied in various organizational environments [11].

Another crucial aspect of KPI-based performance appraisal in non-profit organizations is the alignment between organizational vision and the individual goals of employees. In institutions like Dompet Dhuafa, Rumah Zakat, and BAZNAS, the mission is centered on community empowerment and humanitarian services, which require not only technical efficiency but also emotional commitment from their staff. By implementing KPIs that reflect organizational priorities, employees are encouraged to direct their daily efforts towards measurable outcomes that resonate with the mission of serving society [2]. This alignment enhances both performance and organizational cohesion, ensuring that resources are utilized effectively for maximum social impact.The comparative context of the three selected organizations also offers significant insights into the varying ways KPI systems are structured and executed. Dompet Dhuafa emphasizes innovation in social entrepreneurship, Rumah Zakat focuses on community empowerment and sustainable development, while BAZNAS integrates religious obligations with professional management systems. Each approach illustrates the flexibility required to adapt KPIs in a non-profit setting while maintaining a commitment to accountability [4]. Such variations are essential to understanding the adaptability and effectiveness of KPI frameworks across diverse organizational environments.

At the individual level, the use of KPI-based systems has been linked to increased job satisfaction and employee engagement. Employees who perceive fairness in appraisal processes tend to exhibit higher motivation and loyalty, which is vital for the sustainability of non-profit organizations that often struggle with limited financial rewards [5]. As a result, performance appraisal becomes more than an administrative function—it evolves into a motivational mechanism that nurtures commitment and reduces turnover, a challenge commonly faced by non-profits worldwide.Nevertheless, challenges persist when KPI frameworks are perceived as overly rigid. In contexts where social programs demand creativity and adaptability, standardized KPIs may sometimes restrict employees' flexibility in addressing unique community needs [6]. This highlights the importance of balancing quantitative measures of success with qualitative assessments that capture intangible but vital contributions, such as building trust with communities or fostering long-term partnerships. A rigid reliance on numbers alone may undermine the broader objectives of social value creation that these organizations pursue.

In conclusion, the exploration of KPI-based performance appraisal systems in Dompet Dhuafa, Rumah Zakat, and BAZNAS is both timely and necessary. These organizations exemplify how non-profits in Indonesia are increasingly professionalizing their human resource management to meet higher standards of accountability and performance. This study therefore seeks to contribute to the literature by analyzing not only the effectiveness of KPI systems but also the contextual challenges and adaptations that shape their implementation [8], [9]. The findings are expected to inform both theory and practice, providing guidelines for strengthening human resource strategies in the non-profit sector.In summary, the increasing reliance on KPI-based appraisal systems in Indonesia's non-profit sector underscores the importance of evaluating their effectiveness in enhancing employee performance. This study contributes both theoretically and practically by exploring how these systems operate in three of the country's leading non-profits, identifying their strengths, limitations, and potential improvements [12].

2. Research Methods

This research employs a qualitative approach with a multiple-case study design, focusing on three leading non-profit organizations in Indonesia: Dompet Dhuafa, Rumah Zakat, and BAZNAS. The qualitative method is chosen to capture the depth of experiences, perceptions, and practices surrounding the implementation of KPI-based performance appraisal systems. Unlike quantitative approaches, which emphasize measurement and numerical analysis, this study emphasizes understanding the context, meaning, and subjective experiences of employees and management [13].The research sites were selected purposively to represent prominent non-profit institutions with established human resource management systems. Dompet Dhuafa, Rumah Zakat, and BAZNAS were chosen because they each operate at a national scale, manage diverse social programs, and apply KPI-based performance appraisal mechanisms to monitor employee contributions. This purposive sampling ensures that the findings provide rich and varied perspectives on the research problem \[14].

Participants in this study consist of three categories: (1) HR managers and program coordinators, who design and implement KPI-based appraisal systems; (2) employees, who are directly subject to performance evaluations; and (3) community representatives or stakeholders, who interact with organizational programs. A total of 15–20 informants are targeted, selected through purposive and snowball sampling techniques until data saturation is achieved. This ensures the diversity of perspectives needed for robust thematic analysis \[13].Data were collected using three primary techniques: in-depth interviews, participatory observation, and document analysis. In-depth interviews allowed informants to share personal experiences and perspectives on KPI effectiveness. Participatory observation was conducted during staff meetings, appraisal sessions, and daily work activities to observe interactions and appraisal practices in real time. Document analysis covered organizational guidelines, appraisal forms, and internal reports to complement and validate findings from interviews and observations [14].For data analysis, the study adopts the thematic analysis approach by Braun and Clarke \[15]. The analysis follows six steps: familiarization with data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the final report. This method enables the researcher to systematically identify and interpret recurring patterns and themes related to the effectiveness of KPI systems in enhancing employee performance within non-profits.

To ensure trustworthiness, the study applies four criteria: credibility, transferability, dependability, and confirmability. Techniques include triangulation of data sources, member checking with informants to validate interpretations, and maintaining an audit trail of all research activities. These measures align with contemporary standards of qualitative research trustworthiness, as recommended by recent methodological studies \[10].Ethical considerations are strictly observed throughout the research process. Informed consent was obtained from all participants, and confidentiality was ensured by anonymizing identities. Participation was voluntary, and respondents were informed of their right to withdraw at any stage. These steps were taken to ensure compliance with ethical standards in qualitative research and to protect the rights and well-being of participants \[15].

To provide clarity and transparency in the research process, several tables are presented to illustrate the research focus, participants, data collection techniques, analytical procedures, and strategies to ensure trustworthiness. These tables aim to strengthen the methodological rigor and demonstrate how the study systematically explores the effectiveness of KPI-based performance appraisal systems in non-profit organizations.

Table 1. Research Focus, Informants, and Data Collection Techniques

Category	Informant Type	Number of Informants	Data Collection Technique
HR Managers	HRD Manager / KPI Officer	3	In-depth Interview, Document Analysis
Program Coordinators	Head of Program Divisions	3	In-depth Interview, Observation
Employees	Staff under KPI Appraisal	9–12	Interview, Focus Group Discussion

Community Stakeholders	Beneficiaries / Community Representatives	2–3	Interview, Observation

Table 2. Trustworthiness Criteria and Applied Strategies

No	Criteria	Strategy Applied
1	Credibility	Source triangulation; Member checking
2	Transferability	Thick description of context and participants
3	Dependability	Maintaining a detailed audit trail of research activities
4	Confirmability	Reflexivity notes and documentation of researcher bias

3. Results and Discussion

3.1. Results

The profile of the informants demonstrates a diverse representation from three leading non-profit organizations in Indonesia, namely Dompet Dhuafa, Rumah Zakat, and BAZNAS. The selection includes HR managers, program coordinators, field employees, and community stakeholders, ensuring that multiple perspectives are captured regarding the implementation of KPI-based appraisal systems. The variation in years of service, ranging from two to seven years, provides insights from both relatively new staff and experienced employees, which enriches the depth of data gathered. Gender diversity is also reflected in the informant composition, allowing the study to incorporate perspectives from both male and female participants. This balanced representation supports a more comprehensive understanding of how KPI systems are perceived and experienced across different roles within the organizations. Moreover, the inclusion of community stakeholders provides external viewpoints, offering valuable reflections on the indirect impact of KPI-based appraisals on program beneficiaries and broader community engagement.

Table 3. Profile Informants

Code	Organization	Position	Years of Service	Gender
HR-1	Dompet Dhuafa	HR Manager	7	Male
PC-1	Rumah Zakat	Program Coordinator	5	Female
EM-1	BAZNAS	Field Employee	3	Male
EM-2	Dompet Dhuafa	Program Staff	2	Female

The data collection process was designed to ensure a comprehensive understanding of how KPI-based performance appraisal systems are applied within Dompet Dhuafa, Rumah Zakat, and BAZNAS. In-depth interviews provided rich insights into the personal experiences of HR managers, program coordinators, and employees, highlighting their perceptions of the appraisal system’s effectiveness and fairness. Observations complemented the interviews by allowing the researcher to witness firsthand how appraisal processes were conducted and how employees responded during performance discussions.

Table 4. Data Collection and Objextives

Technique	Objective
In-depth Interview	To explore detailed experiences and perceptions of KPI-based appraisal
Observation	To observe real-time appraisal practices and daily work performance
Document Analysis	To validate findings using appraisal forms, KPI guidelines, and reports
Focus Group	To gather collective perspectives and identify shared experiences

The data collection process was designed to ensure a comprehensive understanding of how KPI-based performance appraisal systems are applied within Dompet Dhuafa, Rumah Zakat, and BAZNAS. In-depth interviews provided rich insights into the personal experiences of HR managers, program coordinators, and employees, highlighting their perceptions of the appraisal system's effectiveness and fairness. Observations complemented the interviews by allowing the researcher to witness firsthand how appraisal processes were conducted and how employees responded during performance discussions. Document analysis added further validity by examining official appraisal forms, KPI guidelines, and internal performance reports. Additionally, focus group discussions encouraged interaction among employees, enabling the identification of shared challenges and common strategies in adapting to KPI-based evaluations. Together, these methods ensured triangulation, strengthening the credibility and depth of the findings by capturing the issue from multiple sources and perspectives.

Table 5. Phases of Thematic Analysis

Stage	Description
Familiarization with Data	Reading transcripts, reviewing field notes, and listening to interview records
Generating Initial Codes	Identifying significant segments of data and labeling them
Searching for Themes	Grouping codes into broader categories
Reviewing Themes	Checking consistency between data and themes
Defining and Naming Themes	Finalizing clear definitions and names for each theme
Producing the Report	Presenting findings supported by quotes and narratives

Subsequent steps included reviewing and refining themes to ensure they were consistent with the data and captured the essence of the participants' narratives. Each theme was then clearly defined and named to provide clarity in interpretation, ensuring that they accurately reflected the meanings conveyed by the informants. Finally, the results were organized into a comprehensive report, enriched with direct quotes from interviews and observations to strengthen the authenticity and credibility of the findings.

To ensure the quality and validity of the findings, the study adhered to the four principles of trustworthiness in qualitative research: credibility, transferability, dependability, and confirmability. Credibility was established through triangulation of multiple data sources, including interviews, observations, and document analysis, and further strengthened by member checking, where participants confirmed the accuracy of interpretations. Transferability was achieved by providing thick descriptions of the research setting, participant backgrounds, and organizational contexts, enabling readers to assess the relevance of findings to other non-profit environments.

Table 7. trustworthiness in qualitative research Analysis

Criteria	Strategy Applied
Credibility	Source triangulation; Member checking

Transferability	Thick description of context and participants
Dependability	Maintaining a detailed audit trail of research activities
Confirmability	Reflexivity notes and documentation of researcher bias

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3.2. Discussion

3.2.1. Implementation of KPI-Based Appraisal Systems in Non-Profit Organizations

The findings of this study reveal that Dompet Dhuafa, Rumah Zakat, and BAZNAS have implemented KPI-based appraisal systems with varying degrees of formality and effectiveness. Dompet Dhuafa adopts a quarterly KPI review cycle that emphasizes both organizational goals and employee contributions, while Rumah Zakat implements semi-annual appraisals tailored to community development projects. BAZNAS, in contrast, conducts annual evaluations with supplementary mid-term reviews to ensure alignment with its broader national objectives. These practices demonstrate the increasing professionalization of non-profit organizations in Indonesia, indicating that KPI systems are not limited to profit-driven companies but have also become integral to the performance management strategies of NPOs [16].A key observation is the role of HR departments in structuring and communicating KPI frameworks. At Dompet Dhuafa, HR managers actively involve employees in setting targets, leading to a stronger sense of ownership and alignment with organizational missions. Rumah Zakat emphasizes measurable indicators tied to community empowerment outcomes, yet some employees expressed concerns that the indicators were not always adaptable to field realities. In BAZNAS, the appraisal process remains more hierarchical, with decisions centralized at the management level. This aligns with previous studies showing that non-profit HR practices must balance formal evaluation with the flexibility needed to address the dynamic nature of social programs [17].

The clarity of KPI indicators also emerged as a critical success factor. Where KPIs were well defined and communicated, employees reported improved understanding of their responsibilities and expectations. For instance, Dompet Dhuafa employees noted that transparent KPI criteria provided them with clear benchmarks to measure their progress. Similarly, Rumah Zakat staff indicated that KPI guidelines helped them prioritize activities that contributed most significantly to community impact. This finding is consistent with research highlighting that clarity and alignment of KPI indicators increase employee motivation and organizational accountability [18].

Another important dimension is the provision of feedback following KPI evaluations. In Dompet Dhuafa and Rumah Zakat, feedback sessions were used not only to report achievements but also to identify areas for improvement, which enhanced employee development. BAZNAS, however, provided feedback in a more formal and less interactive manner, leaving some employees feeling disconnected from the process. This indicates that feedback mechanisms are crucial in ensuring that KPI systems are perceived as supportive rather than punitive, echoing studies emphasizing the link between constructive feedback and sustained employee engagement in non-profit organizations [19].Overall, the implementation of KPI-based appraisal systems across these organizations illustrates both progress and challenges in adapting performance management tools to non-profit contexts. While Dompet Dhuafa, Rumah Zakat, and BAZNAS demonstrate commitment to accountability through structured KPI frameworks, differences in participation, adaptability, and feedback quality affect how these systems are perceived and internalized by employees. These variations suggest that KPI systems must be contextualized to fit the unique missions and operational realities of each non-profit, supporting the view that performance appraisal in NPOs requires a balance of formal structure and organizational flexibility [20].

3.2.2. Impact of KPI Systems on Employee Performance

The results of the study show that KPI-based appraisal systems have had a significant impact on improving employee performance across the three non-profit organizations examined. In Dompet Dhuafa, employees reported greater discipline and accountability in meeting program targets after KPIs were introduced. Rumah Zakat employees noted that KPIs helped them focus their activities on community empowerment initiatives with measurable outcomes, while BAZNAS staff highlighted that KPIs provided a sense of direction in achieving broader organizational objectives. These findings affirm that KPI systems, when effectively communicated and implemented, foster a stronger alignment between individual efforts and organizational missions [21].One of the most notable impacts is the improvement in **task performance**. Employees at Dompet Dhuafa explained that having clear KPI indicators helped them manage their workload more effectively and prioritize tasks according to organizational needs. Similarly, Rumah Zakat employees emphasized that KPIs encouraged timely delivery of community programs and enhanced the overall quality of services. Such improvements are in line with studies suggesting that performance appraisal systems grounded in KPIs enhance efficiency and accountability by providing structured benchmarks for evaluation [22].

KPI-based appraisals also positively influenced **contextual performance**, including teamwork, problem-solving, and willingness to take initiative. Field employees in Rumah Zakat shared experiences of collaborating more effectively with colleagues to meet KPI targets, while BAZNAS staff noted a greater sense of collective responsibility in achieving national-level objectives. These insights are consistent with research showing that well-designed KPIs encourage employees not only to meet individual targets but also to engage actively in organizational problem-solving and innovation [23].Another impact is seen in **adaptive performance**, where employees demonstrated improved ability to adjust to organizational changes and adopt new skills. For instance, Dompet Dhuafa employees reported becoming more comfortable with digital tools introduced as part of KPI monitoring, while Rumah Zakat staff indicated greater readiness to innovate in response to evolving community needs. This echoes recent findings that KPI frameworks can serve as catalysts for developing adaptive competencies, which are crucial in dynamic and resource-constrained environments such as non-profits [24].

Finally, the appraisal systems also influenced **affective outcomes** such as job satisfaction and motivation. Many employees expressed that being evaluated through clear and transparent KPIs enhanced their sense of recognition and fairness. However, a few also noted that overly rigid indicators sometimes limited their ability to demonstrate intangible contributions, such as building community trust. Despite this limitation, the general perception was that KPI systems contributed to a more structured and motivating work environment, supporting the sustainability of non-profit initiatives [25].

3.2.3. Challenges in Applying KPI in Non-Profit Contexts

Despite the benefits identified, the implementation of KPI-based appraisal systems in Dompet Dhuafa, Rumah Zakat, and BAZNAS faced several significant challenges. The most common issue raised by participants was the difficulty of adapting standardized KPIs to the diverse and dynamic nature of social programs. Employees often felt that certain indicators were too rigid and failed to capture intangible contributions such as community trust or volunteer engagement. This perception created a sense of disconnection between their day-to-day efforts and the appraisal framework, echoing previous research that highlighted the limitations of using rigid performance metrics in mission-driven organizations [26].Another challenge concerned the **resource limitations** faced by these non-profit organizations. Both Rumah Zakat and BAZNAS staff pointed out that the lack of adequate digital infrastructure made KPI monitoring cumbersome and time-consuming. Dompet Dhuafa employees, while more technologically equipped, noted that system maintenance required consistent investment, which was not always sustainable. Limited financial and technological resources restricted the ability of these organizations to fully operationalize KPI systems, aligning with findings that non-profits often struggle to implement advanced performance management systems due to funding constraints [27].

Cultural factors also emerged as barriers in KPI application. For instance, in Rumah Zakat, some employees perceived KPI targets as conflicting with their traditional ways of working, which prioritized community relationships over strict deadlines. Similarly, in BAZNAS, hierarchical appraisal practices sometimes discouraged open dialogue, leading to a lack of employee participation in setting or revising KPI targets. These findings resonate with prior studies showing that organizational culture significantly shapes how KPI systems are perceived and whether they are effectively embraced by employees [28].The issue of **time commitment** was another recurring theme. Several employees from all three organizations expressed that balancing their workload with participation in appraisal activities was challenging. Many reported that the preparation required for KPI reviews added to their administrative burden, leaving less time to focus on program delivery. This concern reflects broader evidence that performance appraisal systems in non-profits can inadvertently create additional stress if not carefully tailored to organizational realities [29].

Finally, participants identified the lack of continuous training as a challenge in maximizing the benefits of KPI systems. While some introductory training was provided, employees felt that ongoing guidance and capacity-building sessions were necessary to help them adapt to evolving KPI requirements. Without sustained training, the risk of KPI systems becoming a mere compliance exercise rather than a developmental tool increases. This supports recent findings emphasizing the need for ongoing staff development in sustaining effective performance appraisal systems in the non-profit sector [30].

3.2.4. Strategies for Developing Responsive and Contextual KPI Models

The findings suggest that while KPI systems provide structure and accountability, their long-term effectiveness in non-profit organizations such as Dompet Dhuafa, Rumah Zakat, and BAZNAS depends on the development of responsive and contextually relevant strategies. One of the most critical strategies is the **customization of KPI indicators** to align with the unique missions of non-profits. As noted earlier, rigid indicators may fail to capture intangible outcomes, such as community empowerment and trust-building, that are central to these organizations' success [26]. By tailoring KPI criteria to reflect both quantitative and qualitative aspects of performance, organizations can ensure a more holistic evaluation of their employees.

Employee participation in KPI design also emerged as a key strategy. Dompet Dhuafa's practice of involving staff in target-setting created a sense of ownership that enhanced the acceptance of KPI evaluations. Encouraging participatory approaches allows employees to voice concerns and provide input on what indicators best reflect their contributions. This not only strengthens trust but also ensures that KPIs remain realistic and motivating, echoing earlier findings that employee engagement is essential for effective appraisal systems in the nonprofit sector [17].

Another important strategy is the establishment of **continuous feedback mechanisms**. The study showed that organizations where feedback was regular and constructive—such as Dompet Dhuafa and Rumah Zakat—achieved better outcomes in employee motivation and development. Feedback sessions that are interactive rather than merely evaluative help employees view KPIs as tools for growth rather than compliance. This supports prior research emphasizing the role of feedback in enhancing the developmental value of performance appraisals [19].

To address resource limitations, non-profits can leverage partnerships and technology. Rumah Zakat and BAZNAS, for example, could strengthen collaborations with local universities or digital platforms to access affordable systems for KPI monitoring. Such strategies reduce the burden of infrastructure costs while improving the accuracy and accessibility of performance data. Previous studies highlight that resource-sharing and external collaboration are practical approaches for overcoming funding constraints in KPI implementation [27].

Finally, investing in **capacity-building programs** is essential for sustaining the effectiveness of KPI systems. Without continuous training, employees may view KPIs as bureaucratic requirements rather than developmental tools. Regular workshops and mentoring initiatives can enhance employees' ability to adapt to KPI frameworks while encouraging innovation in service delivery. This echoes earlier findings stressing that ongoing training and skill development are critical for maintaining the relevance and success of KPI systems in the nonprofit sector [30].

4. Conclusion

This study highlights the strategic role of KPI-based performance appraisal systems in strengthening accountability and employee performance in Indonesian non-profit organizations, specifically Dompet Dhuafa, Rumah Zakat, and BAZNAS. The implementation of KPIs has enabled these organizations to align employee contributions with organizational missions, providing clearer benchmarks for evaluating success. The findings underscore that structured KPI systems have become a crucial element in the professionalization of non-profit management.The results indicate that KPI systems have a significant impact on employee performance across multiple dimensions, including task, contextual, and adaptive performance. Employees reported improvements in time management, collaboration, and readiness to adapt to organizational changes. Furthermore, the presence of transparent and well-communicated KPIs increased motivation and a sense of fairness, contributing to higher job satisfaction and commitment.However, the study also identified notable challenges in KPI implementation. These include difficulties in adapting rigid indicators to dynamic social contexts, limited digital infrastructure, cultural barriers to participatory appraisal, and the additional administrative burden imposed on employees. Such challenges highlight the importance of designing KPI systems that are both structured and flexible to accommodate the realities of non-profit operations.

Several strategies emerged as solutions to these challenges. Customizing KPI indicators to capture both quantitative and qualitative outcomes, involving employees in target-setting, providing regular and constructive feedback, and building partnerships to address resource limitations were identified as effective approaches. Continuous training and capacity-building programs were also deemed essential for sustaining the relevance and effectiveness of KPI systems in these organizations.In conclusion, KPI-based appraisal systems in Dompet Dhuafa, Rumah Zakat, and BAZNAS have shown potential in enhancing accountability and performance, yet their effectiveness depends on contextual adaptation and responsive management strategies. The insights from this study contribute to the growing body of literature on performance management in non-profit organizations and provide practical recommendations for policymakers and practitioners seeking to strengthen the capacity and sustainability of non-profits in Indonesia.

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