

## THE IMPLEMENTATION OF BALANCED SCORECARD PERSPECTIVE PERFORMANCE ANALYSIS: CASE STUDY OF KRISPIKU MSMEs

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**Abstract:** Micro, Small and Medium Enterprises (MSMEs) are one of the important pillars in national economic growth because they have a major contribution to Indonesia's Gross Domestic Product (GDP). In Central Java, the manufacturing sector dominates the structure of the Gross Regional Domestic Product (GRDP). The growth in the number of MSMEs has implications for increasingly fierce business competition. MSME actors are required to be more productive and innovative; therefore, a performance appraisal is needed as an evaluation in order to carry out continuous improvement. One method of measuring performance that is considered effective because it is able to measure the company's performance from various aspects, both financial and non-financial, is the Balanced Scorecard. The object of this research is Krispiku MSMEs located in Cilacap, Central Java. This study uses quantitative methods. This study aims to analyze the performance assessment using the Balanced Scorecard on Krispiku SMEs located in Cilacap Regency, Central Java. The results showed that weighting the four perspectives using paired comparison obtained perspective financial as main priority in strategy development company with a value of 0.48. Meanwhile, based on the balanced scorecard analysis, the results show that the productivity of Krispiku's MSMEs is still low and needs to be improved so that Krispiku can get maximum profit.

**Keywords:** balanced scorecard, strategy map, key performance indicators, financial planning, strategic planning

### INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the important pillars in national economic growth (KemenkoPerekonomian, 2021). MSMEs have a major contribution to Indonesia's Gross Domestic Product (GDP), which is 61.07% or Rp. 8,573.89 trillion based on the number of MSMEs in March 2021 which reached 64.2 million business units. One of the MSME sectors that has a major contribution to the structure of

Indonesia's GDP is the manufacturing industry (Kemenperin, 2018).

In Central Java Province, the manufacturing sector dominates the economic structure in Quarter III-2021 with a contribution of 33.61% to the Gross Regional Domestic Product (GRDP). Compared to Quarter II-2021, Central Java's economy in Quarter III-2021 grew by 1.66% with a total of IDR 359,542.67 billion. Meanwhile, in the 2021 Quarter III, Central Java's GRDP grew by 2.56% from the previous year (BPSJateng, 2021).

The growth in the number of MSMEs, especially the manufacturing industry sector, has implications for increasingly fierce competition between business actors. Even in this era of globalization, competition does not only come from within the country but from abroad as well. Increasingly competitive competition requires MSME actors to be more creative because global competition is more difficult than national level competition (Yuliaty, Shafira and Akbar, 2020). Therefore, MSMEs must have a competitive advantage by providing products/services, services and competitive prices. Tight competition also requires business actors to be more productive and innovative, therefore a performance appraisal is needed as an evaluation in order to carry out continuous improvement.

In assessing the performance of MSMEs, we need a method that is able to measure the company's performance from various aspects, both financial and non-financial. One of the performance measurement methods that are considered effective and often used to assess the performance of a company is the balanced scorecard. With the BSC method the company can evaluate the company's performance in accordance with the strategic steps that have been taken (Widaningrum and Kabul, 2014).

Based on the introduction above, the purpose of this study is to analyze the performance assessment using the Balance Scorecard at Krispiku MSMEs located in Cilacap Regency, Central Java.

### **Balanced Scorecard**

Balanced Scorecard is a management system that enables your organization to set, track and achieve its key business strategies and objectives. Once the business strategies are developed, they are deployed and tracked through what we call the Four Legs of the Balanced Scorecard. These four legs are made up of four distinct business perspectives: The

Customer Leg, the Financial Leg, the Internal Business Process Leg, and the Knowledge, Education, and Growth Leg (Robert Kaplan and David Norton). The Balanced Scorecard was first developed in the early 1990s by two guys at the Harvard Business School Robert Kaplan and David Norton. The key problem that Kaplan and Norton identified in today's business was that many companies had the tendency to manage their businesses based solely upon financial measures. While that may have worked well in the past, the pace of business in today's world requires better and more comprehensive measures. Though financial measures are necessary, they can only report what has happened in the past where your business has been and they are not able to report where it is headed (Hannabarger, Buchman and Peter, 2007).

### **The Key BSC Perspectives**

These four legs of the Balanced Scorecard are necessary for today's business executives and managers to be able to plan, implement and achieve their business strategies. The four legs will make the difference between whether your business succeeds or fails. The following list takes a closer look at the four legs: Customer scorecard: Measures your customers' satisfaction and their performance requirements for your organization and what it delivers, whether it be products or services. Financial scorecard, Tracks your financial requirements and performance. Internal Business Process scorecard, Measures your critical-to-customer process requirements and measures. Knowledge, Education, and Growth scorecard, Focuses on how you train and educate your employees, gain and capture your knowledge, and how you use it to maintain a competitive edge within your markets (Hannabarger, Buchman and Peter, 2007).

Kaplan and Norton in 1996 described that the Balanced Scorecard involves developing

a strategy or mission for the company. The idea is for include every aspect of the company that will contribute to achieving this mission (Luckyta *et al.*, 2020). In process, companies gain a new understanding of their business and systems new management, namely:

#### 1. Financial Perspective

The financial perspective is considered the most important perspective of the Balanced Scorecard because it is the basis for measuring other perspectives. Financial goals should be linked with a corporate strategy with a strong emphasis on effective cause-and-effect relationships can have any changes. Financial objectives are used to represent long-term goals length of an organization. Drivers should be tailored to the specific industry in where the company is located, competitive environment, and business unit strategy.

#### 2. Customer Perspective

The customer perspective is designed solely to measure how well the company meets the demands of its customers and market segments. This is very important for the success of the company, but ignored by traditional measures. The goal is to supply customers with what they want. With measuring customer satisfaction, loyalty, retention, acquisition, and profitability, companies can excel in market segments and plan for their future.

#### 3. Internal Management Perspective

This perspective is usually formulated after the financial and customer perspectives. This matter allows businesses to focus on internal processes to achieve customer goals and shareholders. The approach should focus on finding solutions that completely different than upgrading an existing one.

#### 4. Growth and Learning Perspective

The last perspective is a perspective that complements the other perspectives. Perspective growth and learning is characterized into three categories:

a. Employee capabilities.

b. Information system capabilities.

c. Motivation, empowerment, and alignment.

Kaplan and Norton in 2001 redefined the Balanced Scorecard as performance measurement tool becomes a tool for making effective company performance management based on strategy:

1. Interpret strategy into operational terms.

2. Align the organization with the strategy.

3. Positioning strategy becomes everyone's daily work.

4. Making strategy a continuous process

5. Mobilizing change through executive leadership

### The BSC Framework

The BSC is a measurement system, which helps organisations to translate their vision and strategy into action, and provides a comprehensible overview of organisational performance. BSC is a system that measures both the current performance of an organisation and drivers for future performance. In particular, BSC as Kaplan and Norton reported provides answers to the following four questions:

1. How do customers see us?

2. What must we excel at?

3. Can we continue to improve and create value?

4. How do we look to shareholders?

Therefore, the BSC allows managers to look at their business from four important perspectives including the financial perspective, customer perspective, internal business perspective, and innovation and learning perspective. Thus, the BSC approach combines traditional financial measures with non-financial measures of customer, internal business processes, and organisation innovation and learning (Widaningrum and Kabul, 2014).

### Key Performance Indicator

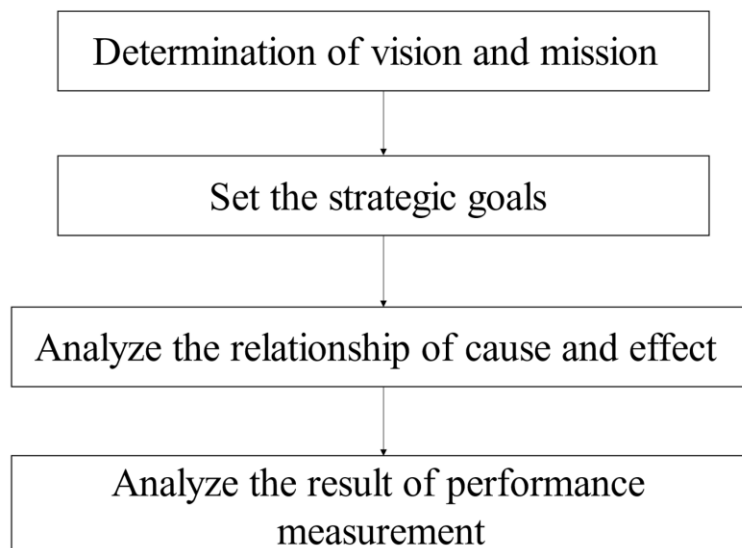
Key performance indicator is a measurement of various quantitative

perspectives based on concrete data and becomes the starting point for setting goals and executing the strategic vision of the organization. The strategic vision in question refers to how the organization's strategy is interactively integrated into the overall organizational strategy. In every performance measurement process, a measure is needed to determine the level of success or achievement of the company's performance. One of the measures used in the performance measurement process is the Key Performance Indicator (KPI). Key Performance Indicators (KPIs) also have a number of other criteria,

including: Specific, Achievable, Realistic, and Timely, which when combined with the Measurable criteria can be summarized in the acronym SMART (Iveta 2012).

## METHOD

The study case in this research is in UMKM Krispiku, which produces snacks to be marketed in stalls and shops. To achieve the objectives as described in the introduction, the research was carried out in stages as shown below.



**Figure 1 Step of Balanced Scorecard Analysis**

Based on Figure 1, the analytical steps for implementing the balanced scorecard carried out by Krispiku SMEs began with the Krispiku's owner initiating and determining what is the vision and mission of this production house. Vision is the direction and ideals that are realized by the mission. Mission is a concrete form that is carried out in achieving the company's targets. Next is to determine strategic goals from four balanced scorecard perspectives, namely financial, customer, internal business processes, and learning and growth. Next is to analyze the

relationship or causal relationship between one strategic goal and another, and the last is to analyze the results of performance measurement based on the data that has been collected.

### 1. Overview of Krispiku MSME

Krispiku is a micro business in the field of processed food products located on Jalan Cimanuk RT 005 RW 003 Karangmangu Village, Kroya District, Cilacap Regency. The products are banana chips consisting of kapok bananas

and ambon jackfruit bananas, then stick noodles and macaroni.

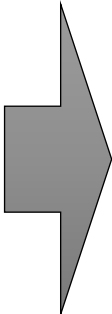
Banana Chips production is done every day except Friday and also other urgent days. Krispiku's target consumers are stalls and shops with a prepaid payment system. Consumers of banana chips can also buy directly at industrial houses, but the stock is not always available due to limited products. Sales are still limited to offline activities, and will only be pioneering online sales.

Mie sticks are produced every two days, while macaroni is made every three days. Sales of noodles and macaroni sticks with the same sales system as banana chips, namely to stalls and shops in cash at the beginning. There are three kinds of flavor variants, namely spicy, balado, and sweet corn.

2. UMKM Vision and Mission

The vision and mission of Krispiku MSMEs can be seen in table 1 below.

**Table 1 Vision and Mission Krispiku MSMEs**

Vision	Alignment	Mission	Alignment	Goals
To become a national standard snack food company that is innovative, creative, offering flavors that are loved by many customers		Providing high quality snack products	d	a. Earn high profits
		Always innovating in creating new snack products	c	b. Welfare of the surrounding community by creating jobs
		Maintain relationships with stakeholders continuous	a, b	c. Offers a variety of contemporary snacks
		Maintain the distinctive taste of snack products	d	d. Provide satisfaction by meeting customer needs and desires
		Providing the best service to customers	d	e. Producing banana-based snack and other ingredients so as to empower farmers in the production environment
		Creating products that become a trend among customers	c	

3. Strategy Map

The Krispiku MSMEs strategy map consists of financial, customer, internal business, and learning and growth perspectives as shown in Figure 2 below.

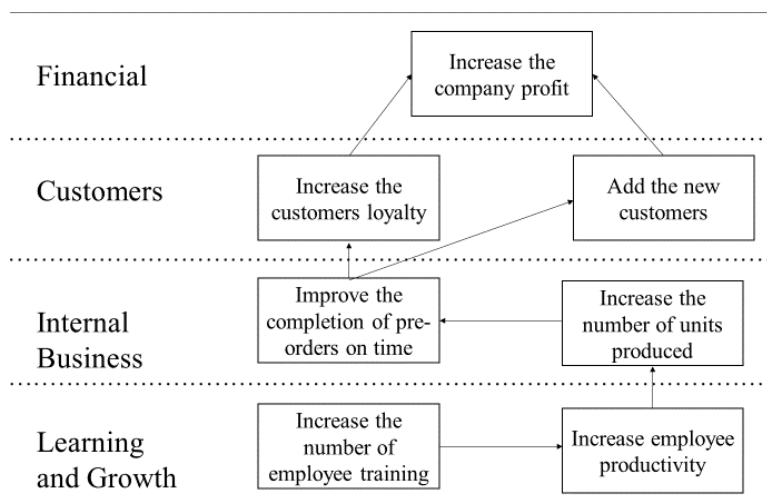


Figure 2 Strategy Map Kripiku MSMEs

**RESULT AND DISCUSSION**

**Balanced Scorecard**

Perspectives in the balanced scorecard require weights to determine rankings. The first

rank means that perception is very important and must be prioritized. The weights are obtained from pairwise comparison analysis. The results of the pairwise comparison analysis can be seen in Table 2.

Table 2 Balanced Scorecard Perspective weight

Balanced Scorecard Perspective	Financial	Customer	Internal Business	Learning and Growth	Weight	Ranking	
Financial	1	3	5	7	16	0.48	1
Customer	0.33	1	3	5	10	0.30	2
Internal Business	0.20	0.33	1	3	5	0.15	3
Learning and Growth	0.14	0.14	0.33	1	2	0.06	4
Total					33	1.0	

Based on table 2 illustrates that the perspective has the highest ranking is Finance, second is customers, third is internal business, and then learning and growth. In the balanced scorecard method, each perspective must be detailed about the strategic objectives and their key performance indicators. The next stage in

the balanced scorecard method is the determination of targets, target initiatives, and also PIC. The target is obtained based on the achievement of the previous year (baseline). The balanced scorecard method can be seen in Table 3.

**Table 3 Balanced Scorecard Analysis on Krispiku MSMEs**

Perspective	Weight	Strategic Objectives	KPI	Weight	Baseline 2020	Target 2021	Realization	Final Score
Financial	0.48	Improve Company Profits	Sales Per Year	0.24	80.640.000	92.160.000	97.920.000	0.26
			Profit Per Year	0.24	30.240.000	34.560.000	36.720.000	0.26
Customer	0.30	Increase customer loyalty	Number of customers who make repeat purchases in one month	0.15	420	540	400	0.11
			Add new customers	0.15	250	360	276	0.12
Internal Bisnis/ Internal Management	0.15	Increase the amount of production of the product	The number of products that are produced in a year	0.10	19567	21000	24480	0.11
			Improved timely Pre-Order orders	0.08	3123	3400	3367	0.07
Learning Growth	0.06	Total Employee Training	Number of employee training for one year	0.03	0	3	3	0.03
			Labor Productivity Level	0.03	12.5	15	8	0.02

Based on table 3 and interviews with the owner and CEO of the SMES on the performance of SMES Krispiku, then we make

an assessment of performance through the balance scorecard viewed from four perspectives. Strategic objectives financial

perspective, there are increase in profits of SMES with sales and the profit earned during the year as an indicator of the performance of the main. Strategic objectives from the customer's perspective, to include an increase in consumer loyalty with the performance indicators of the main number of customer repurchases within one month, and an increase in the number of new customers with the performance indicators of the main number of new customers in a month. Target strategic to the internal perspective of business is to increase the production of products with the performance indicators of the main the number of products produced in a year, and an increase in orders Pre-order the proper time in one year. The strategic objectives for the perspective of learning and growth are the training of employees with performance indicators of the main amount of training employees for one year, and the productivity of the employee's performance with the performance indicators of the main level of labor productivity. Score balance scorecard is obtained from the comparison between the realization of the target to be achieved. Then the obtained final score, i.e. the value of the score multiplied by the weight of each key performance indicator.

Communication plan the implementation of the performance appraisal system is also considered very important to be understood by all stakeholders, especially considering this assessment will generate information about opportunities to do the development, aspects that need to be fixed, as well as the things that are holding so that the performance of the company has increased. It should be understood also that the performance appraisal system is in addition to will show the

performance of the company in general, but also can be a reference for the performance of the individual.

Based on the evaluation of performance using the balanced scorecard, it can be seen that there are some aspects that need to be improved, there are the productivity of labor, the number of pre-orders proper time, the number of new customers each month, increase the loyalty of customers by conducting repurchase the product. Performance using the balanced scorecard still need to be evaluated continuously and should be evaluated so that appropriate with the current situation.

## CONCLUSION

The assessment of the performance of the Krispiku SMEs using the balanced scorecard method can be seen that the Krispiku SMEs still need to improve their performance even harder, especially increasing labor productivity. There are still many key performance indicators that have not met the set targets, such as the number of customers who repurchase in one month, the number of new customers, the number of pre-orders on time, and the productivity of the workforce. Krispiku has a small number of employees, so it is necessary to improve the performance and productivity of its employees in order to obtain higher sales profits. Participating in useful training to increase the skills and knowledge of their workers will be beneficial for them to develop their business more broadly, bring up product sales innovations to reach a wider area, by utilizing technological sophistication, digital marketing-based training can help increase the skill capacity of workers MSME Krispiku.



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