

The Implementation of Balanced Scorecard on Measure Organization Performance

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ABSTRACT

Balanced Score Card is used by managers to measure organization performance. It has become an organization needs to facilitate to carry out organization mission. *Balanced Score Card* has thrive as a management's way to measure organizational performance. And managers need a knowledge about the Balanced Score. This Paper is composed to review and analyze the *Balanced Score Card's Theory* as a tool and performance measurer in comprehensive to the executives and give some *feedback* about management performance in the organization by describe and evaluate. This research will be done by reviewing literature about the implementation of *Balanced Score Card*. This Paper is expected become materials science for academics or practitioners and as material that can be studied wider to concomitant the implementation of situation and condition the latest organization.

Keywords: Balanced scorecard

INTRODUCTION

In the time which is called as era of information, the information become an important thing. The company that want to going concern must to have a high managerial skill with a requirement to make a decision as rapidly and accurately. A quickness and exactness need a support from the information like data and analyze to internal situation or external situation from the company. The accuracy data is a key that make easy to management on taking best decision. Management not only rely on intuition to taking a decision, but also should be supported by data and a fact. There are many methode and technique on taking decision as quantitative or qualitative to solve a business problem and make an estimation to trends business environment in the future.

The anticipation from management to any chalenge that always come to need measure instrument which more complete and more comprehensive. The changes of business world make financial performance not longer sufficient on measure management performance. The managerial strengthness of company need financial decision anf non financial on handling the problem, need to the better information is a start to launch Balaned Scorecard methode as one of control method that emphasize to the completeness. The measure of performance beside on the financial aspect but also on the customer satisfaction aspect, internal business process aspect, and learning and growing aspect.

In the system management strategic, there are two importants step, are planing and implementation tahapan. Balanced Scorecard position in the beginning on the implementation phase. Balanced Scorecard function only as

measure instrument performance as comprehensive to the executives and give some feedback about management performance. The impact of success on applying balance scorecard make the executives to use balanced scorecard on the stages strategic planning. At that time, balance scorecard is not used as measure instrument performance but thrive become system management strategic. Corporate strategic is downgraded and vision and mission.

Balanced scorecard concept is a tool to comucate strategic persepction on the company as simple and easy to understand by any party on the company, especialy for the partys on the organization who will formulate company strategic. The meaning of Balanced Scorecard if it's translated would have mean as performance balance report. Scorecard is a card that's used to record a value of performance result someone or a group, also to record value plann that want to be realized.

The developing of Balanced Scorecard on the swasta sector or public for give a satisfaction to the customers. The different could be seen from the goal or the stake holder. Applying of Balanced Scorecard on the business sector to increase the competitiveness, and for the public sector is more concern to the value and acchievment. From the finance aspect, for the business sector will priority to profit, the growth and market share while public sector be intended to measure a productivity and efficiency rate.

The esential of applying BSC not because a control to division, but also every division in the one corporate in such a way will be initiate, make a measure of performance and relate to the vission, mission and corporate strategic. In the advantage of BSC is identified structure or a frame which on the corporate for achieve to realize vission and mission of corporate. That explanation to assert that before BSC is published has many people well known any measure programme which leads to the repairement: integration between function, global scale, continue repairement, team responsibility who replace individual rule. Kaplan write that the applying of BSC in step with all of that fundamental. But the things that make a BSC different with any concept. In the BSC manager understand, at least as implisit relation between function. More than that explanation, BSC also direct manager to the future than see to the back. This things make easy to understand because 4 of perspective: finance, customer, internal business process and learning and growing.

LITERATURE REVIEW

The using of Balanced Scorecard as a tools on doing strategic of management could be developed by arange strategic steps by applying principles of work that's arranged based on the need of each organization. The implementation of Balanced Scorecard as measure tools of management on measure the organization performance on the research of Ahmadgourabi et.al 2013;3 that Balanced Scorecard consist of three generation are first generation from BSC is a set of measurement that could prepare some viewpoint from business to management which is integrated. Balanced Scorecard (BSC) consist of result of financial measurement from activity in the past of operational measurement like customer, internal processes, and undesrtanding and growth measurement (the operational measurements which menggerakkan finance performance in the future) (Kaplan and Norton, 1992). Second generation generally there are three repairement keys is made on the BSC:

1. Choose basic measure based on the goal of strategic.
2. Identification the relation sebab-akibat between the goals of strategic which produce model design strategic communication, or on the strategic map.
3. Create four new managerial process, when it's used, BSC transforme from a performance evaluation system, become a strategic management system.

Kaplan and Norton add a new measurement for second generation of BSC to increase strategic communication and create third generation of BSC, based on this changes. At the end of year 1990, two others measurement are goal strategic and motif of strategic. Strategic motif is added to BSC. On adding to model of cause and effect relationship in the last grade has been completed with a tool which more accurate by the name strategic map.

Fourth generation of BSC, Robert Kaplan on the interview in the year 2008 state that the most important factors to do the first strategy is leadership, without effective of leadership, there is no strategy that could be executed successfully, and after that connect the stragegy with the operation which is needed. Strategy or operation is important, but their performance on comparison one and each others is different enough.

The other research that state the evolution of Balanced Scorecard is stated by(Gavin Lawrie,2005;8) that Balanced Scorecard is a frame work of management performance extensively is adopted first time to be explained in the early 1990s. The evolution of Balanced Scorecard recognize three generation which different from design of Balanced Scorecard. The empirical implementation of BSC is supported with the literature about management strategic on the organization.

Nonprofit organization use mearsure tool is Balanced Scorecard that aim to measure organization success rate it self. As stakeholeder, a leader become a person on the organization success. As stated on the result of research as follows that BSC has been used by many nonprofit organization to measure the effectiveness of mission. There are two keys variable effectively apply BSC. First, leadership should be involved from the beginning of development and support emotional process and financial. Second, customer perspective should be moved up cause it is an important measure from nonprofit organization. BSC can be used to measure effectiveness message to the customer, employee, and share holder(Billy Dillon,2012;6). Further on every situation, Balanced Scorecard create a strategic map that connect financial result with main business support include customer, internal process, and employee(dr.ing.ec.Sunhilde CUC,2009;6)

Result of research (Sahney, Vinod, 2014;7)Balanced Scorecard is a strong technique to support performance on the organization. It is frame work that very good where to make focus an energy on the strategic field. It helps on dismiss to confusion in the employee about important thing and not important thing.

Result of hypothesis test from next research reveal that very important to the organization to support internal process cause plan and implementation of process that efficient and good on the organization that be leaded to offer appropriate service. About the growth and scope of learning should be attentioned that employee is a main capital of organization, special attention should be given to this sector in order to fulfill employee and give an long-temr

advantage from organization (Dr.Morteza Asadi, Dr Javad Mehrabi, Saharnaz Mohseni and Mohammad Hasan Tanhaei,2013)

Performance collection that summary on four perspective as follows :

1. Performance measurement from financial perspective

Balanced scorecard defend financial measure, for see contription of determination a strategy on company's profit. On the finance performance measure so the company should detect to production presence that's owned. According Kaplan there are three step to industry implementation are growth, sustain, and harvest (Kaplan:1996 : 48).

Finance measure is realized on profitability, value add of economics, growth of sales or cash that's produced, cost efficiency, and share holder value. (Garrison dan Noreen., 2000: 214). Aspect that's measured on this perspective are, market share, growth and revenue mix, asset turn over, return on investment, and cost reduction. The measure that's used in the company in general is return on investment (ROI). From aspect of this ROI then could be traced aspect of others measure like enhancement revenue and reduction capital.

2. Performance measure from consumer perspective

Consumer interest consist of : time, quality, performance and service. Aspect that's measured on this perspective are consumer satisfaction, increasing of new customer, growth of market share, quick respon to request of customer, and quality of relation with customer. The goodness of relation with customer give indicate to loyalty rate of customer to company's product, loyalty increase if the satisfaction rate increase also, the trust of customer is triggered from the increase of service that's given by company to the customer.

3. Performance measure from internal business process perspective

Company's performance from internal business process perspective that's held by company is everything which is done by company on their effort to make customer satisfaction. Company should to choose a process and competence that become a superior and decide to measure for judge process of performance and the competence. System of performance measure of internal business process is defined completely as chains score that's started from inovation process, continued to throughput and ended with service of sales. (Kaplan,1996:93). Aspect that's measured on this perspective are : quality, throughput, time, and cost. While measure of cost by see to cost in every level of production process, so that the company need to use system ABC (activity based costing. (Kaplan, 1996:122). The measure that's used on the production process of product is how far the rate of production time to the customer or agent. Beside that it's measured from total of machine or new technology that's applied by the company, cause the apply of new technology will indicate to increase on production process so it could be more effective and efficiency. While on

new product development is measured from total of innovation to product that it's mean two point : first principle development of product and second is product from innovation that really as new product of company.

4. Performance measure from learning and growing perspective

The ability of company on business environment which always move up is determined by competence and commitment of human resource and availability of tools, infrastructure, and technology which adequate. Competence and personel commitement is determined by quality of organization on organize human resource. According to Kaplan (1996:127) an business organization most important to pay attention their employee, give their welfare, and their knowledge cause this things will increase company's performance from other balanced scorecard perspective. There are three dimation which need to be attentioned to do measure on perspective of learning and growing are : ability of employee, ability of information system, and motivation, giving delegation, and staffing employee.

On this research state that the result of measure and factor to thruster performance is started by target of company which is formulated from elaboration of mission and vission which need to establish of measure to establish the success of target achievment. There are two measure that's used are : measure of result and measure of performancce thruster. The success of target achievment is showed by measure of result, and to achieve a result is need to thruster of performance is measure that make result is reached.

Measurement tool of performance should :

1. Relevant with the strategic goal of organization and responsibility to individu.
2. Focus to output that's measured.
3. Verified

One of strength from Balanced Scorecard is ability to work well on combination with the theory's of management and tools. Figure 1 show BSC in the center of strategic management system and five tools of other management that could be applied to reach the strategic of goal (dr.ing.ec.Sunhilde,2009;3)

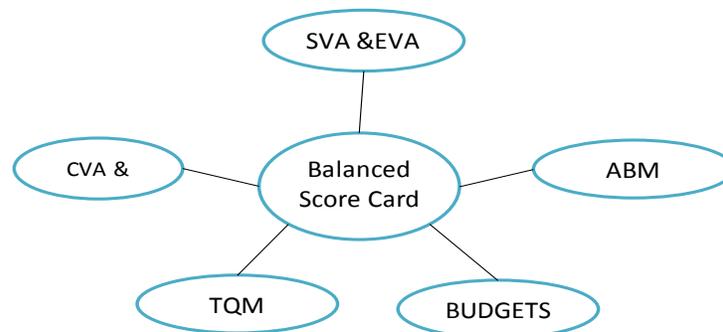


Figure 1: Links to Balanced Scorecard

On the scenario of economics now, is signed by change to constant, control from effect of quantitative data and qualitative to finance performance and organizational operational, create a challenge to SI, absolutely in the mix economic companies (MEC) which different from others company by arrange resource from country and individual to exploitate economic activity. Jones and Hubic (2006) explain that BSC make easy to manage the data by their system on four different perspective. BSC is model that provide some solution of criticism from the end of XX century. This model is developed by Johnson and Kaplan (1987) and propose a methodology of performance evaluation is driven to organize as completely (Kaplan and Norton, 2001). This model present to help company to develop behaviour to create value for share holder, and fullfill a hope from stake holder, on apply strategy and increase service of management, internal process, learning and innovation. For some writer, the methode of Balanced Scorecard Kaplan and Norton is an important part from MCS and not strategic management system that include partial indicator of intangible asset (according Ricardo Vinicius Dias Jordao 1, Jorge Luis Casas Novas 2,2013)

No	Writer	Key factors on performance of BSC
1	Indrianty Sudirman(2012;201)	The implementation and benefit of a balanced scorecard has caused its definition seems too narrow than its Function The application of strategic planning is significantly streamline the budget effectiveness since the implementation of strategies within the university is holistic and integrated.
2	Yan K.Q, Wang S.C.,(2004;93)	<i>The results of this study show that implementation differences exist between large and small manufacturers in Taiwan. Over all, the findings could suggest that specific BSC management practice(s) implementation could be emphasized in order to achieve better performance vary on different manufacture size and different countries.</i>
3	Naqi Sayed (2011,206)	Judging by the conditions deemed favourable by the researchers for effective implementation of a BSC, it seems that it fares well when applied at an institutional level.
4	Ebrahimi et.al (2013,43)	The higher (lower) scores for related variables in the selected organizations, the implementation of IS strategic management based on balanced scorecard in the organization will be higher (lower).

RESULT

From some journal which has been analyzed, writer arrange to contribute of original as follows :

Some frame work show that there are many kind of model that could be done on implementation of Balanced Scorecard. They have different model depend on preferention of scholarly from writer. This is the result of evaluation of developing from Balanced Scorecard.

There are 3 generation of Balanced Scorecard as a measure tools to management on measure organization performance where the first generation of BSC have 4 perspective. The fourth perspective on the first generation explain about : customer perspective, statement of mission from many company is focus to customer. “it change become company that create value for their customer”.

Statement of mission from any company is focus to customer. “Change become company that create value for their customer”. BSC make supervisors interpretation their mission to the four important problem for customer on the fourth categories: time, quality, performance and service which is given, and price. The companies should decide, what processes that they want to stand on the top, and interpretation measures that relate with the fourth category. (Ahmadgourabi *et.al*,2013;3).

Based on case study in Brazil, research to have innovation on analyze of BSC using and contribute to interpretation company’s strategic (that need to united the different opinion) to the goal and target to be adjusted with the fourth perspective of BSC : finance, learning and growing, repair of internal process and customer (Ricardo Vinícius Dias Jordão *1et.al*,2013;1)

Balanced Scorecard is a strong technique to push performance on the organization. This is a best frame work where to make focus the energy to the strategic field. It help on erase a confuse in the employee about what’s the important things and not. Sahney, Vinod K decide ten principles to success apply Balanced Scorecard are :

1. Decide a dimension for organization success.
2. Decide measure of performance key for every dimension.
3. Generate the steps to operational for every dimension.
4. Target that’s decided for every step of Balanced Scorecard.
5. The organization provide report of achievment every month to show organization performance on Balanced Scorecard.
6. Publish resume of performance to the target, example (see on Figure 2)

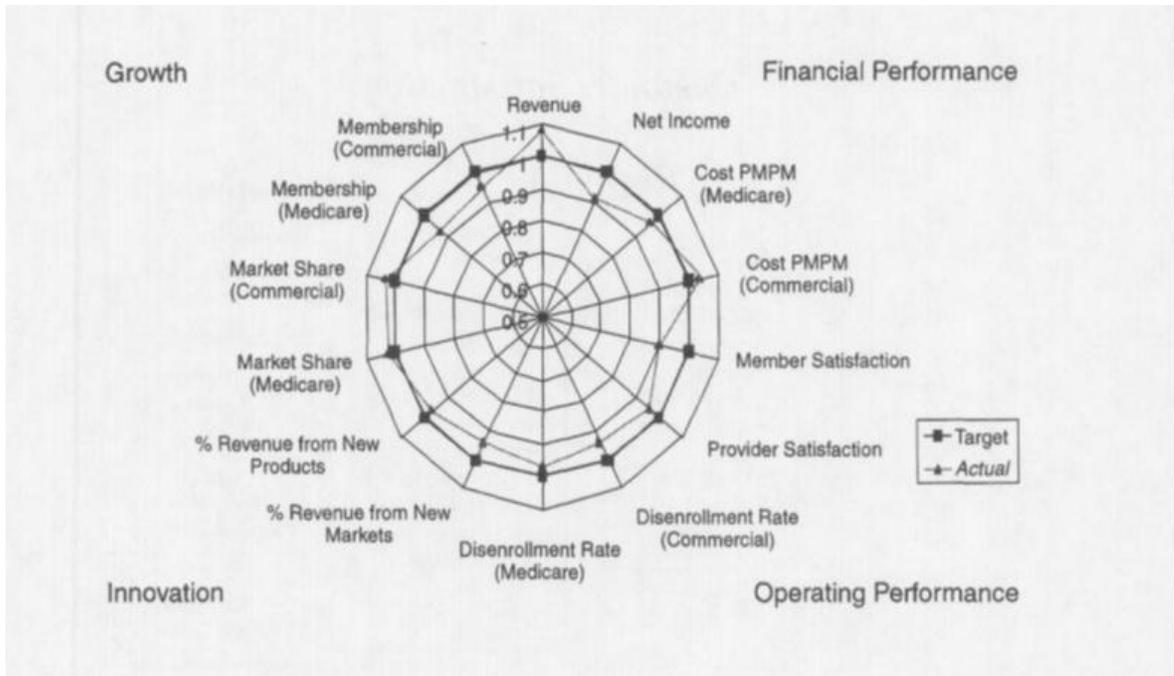


Figure 2. Balanced Scorecard—health plan.

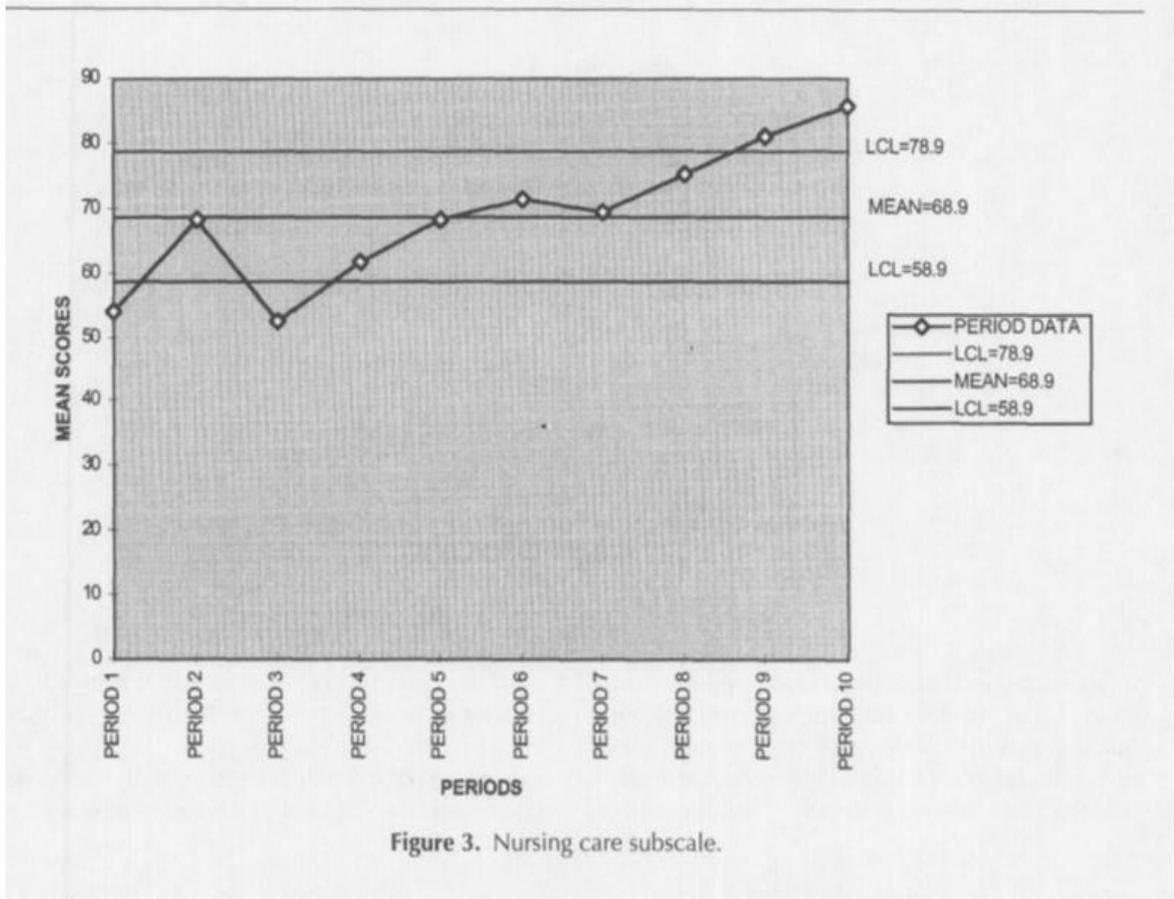
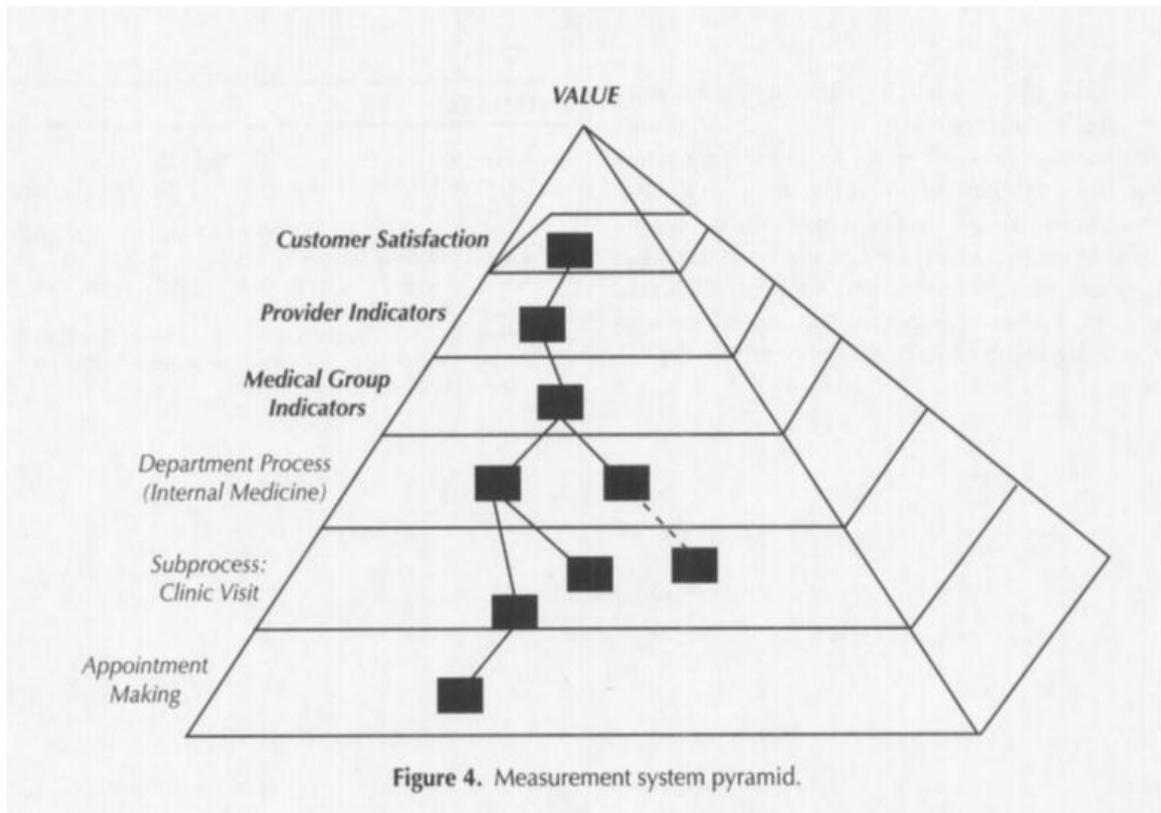


Figure 3. Nursing care subscale.

Figure 2 show that health plan achieve 100% from target of revenue, but nett profit only 90% from target. Show trend for every measure from time to time and the target also. On this graphic show the best – inclass (see Figure 3).

1. Take a resume of performance management to Balanced Scorecard target.
2. Connect strategic plan, finance review , and compensation to Balanced Scorecard .
3. Connect performance measure on high level to strategic and action in the low level in the organization.
Example (see Figure 4) .



4. Show performance of Balanced Scorecard that's done on the all level in the organization . Make a tool to explain company's performance. Balanced Scorecard is the best frame work which bind with organization strategic, performance measure, the goal that will be reach, performance rate, and accountability also as a communication tool for every level. Cause to be success, the important things that senior supervisor get involved on formulation and spread .

There are two key of variables effectively apply BSC. First, leader should be involved from begining of develop and support emotional process and finance. Second, customer perspective should be moved to the top caus this is important things from nirlaba organization. (Billy Dillon,2012;6).

On the world that most competitively that's faced by profesional companies give supervisor key tool to measure and direct act, and provide profesional with the information that they need for explain their performance on

achieve the company's goal. It help the organization to manage process of creating a value on every level. In every situation, Balanced Scorecard create map of strategic that connect finance result with main support of business include customer, internal process, and employee. (Dr. Ing. Ec. Sunhilde,2009)

On the research of Cobbold and Gavin Lawrie (2002) that Design of Balanced Scorecard newest is big repair on the original ideas, still a space to repairing.

- A reparation on understanding about relation between kind of management behaviour and information to facilitate better management intervention. But, there a need to expand the related literature with the mechanism to influence management behaviour more effective.
- Investigation on a way to adjust performance report with performance of management. This is always happen that data of management system to performance of organization need completness from business, for example matrix on the helath and safety, operation, finance, human resource, market, etc (Eagleson et al , 2000 . Kennerley et al , 2000). But, on this practice environment could reduce relevance to local unit to develop matrix and reduce ownership of management system.
- Balanced Scorecard when flow by an organization could be used as strategic contractor, and strategic communication tools (Shulver *et al* , 2000) but, utility should be more explored.
- Investigation on a best way to determine progress on measure concept (for example Intellectual Capital , EVA, etc) efficiently to the design process which is adopted for BSC, wthiout reduce 'ownership' from product design that is done by supervisors that unusually with the new concept. EVA and Intellectual Capital both of them come to order ways to 'repair' information measure.
- Implementation of BSC as a tool of strategic management is interaction pf Balanced Scorecard with the other management concept and reparation that may be happened, depend on skill and education from the team of management.
- A main criteria for apply Balanced Scorecard on the organization is ability to show value which is adopted.

Survey which is done by Dr.Morteza Asadi *et.al* (2013) as descriptif and it's considered as plan research desain *Ex -Post* . Result of hypothesis test show that it need for the organization to push internal process cause planing and process of action efficiently and good for the organization which is lead to order service that relate. About growth and scope of learning should be written that employee is capital asset for the organization, special attention should be given on this sector to fullfill employee and give a long term advantage from organization.

System of performance appraisal is management system of organization is influenced by point of view epistemologic from supervisor in the organization and planner. Approach that balanced is one of new phenomena on 20th century on accounting management that good effect will have a big role on the goal of organization, pelanning, customer satisfaction, increase a value of share holder, increase supplier satisfaction, evaluatin for supervisor and department operation, establishment strategic information system and strategic communication between organization (Namazi , 2004) on Dr.Morteza Asadi*et.al* (2013;9)

The problem of appraisal performance that balance could influence take a decision from supervisor and acknowledgement from internal environment also strength and weakness from organization, if appraisal is done by implemenetation practice and science method could erase many problem of supervisor anf employee in the food and beverage industry.

Original contribution from some result of reasearch in the some journal with the topic of Balanced Scorecard that Balanced Scorecard is used by organization as a tool to take decision for management by a leader who understand to implementation of performance, performance maesure, formulate and able share to all level of management by doing fourth perspective of finance, learning and growing, repairment of internal process, and customer. Use of Balanced Scorecard as tools on doing strategic management could be expanded by arrange strategic steps with apply principles work that's arranged based on a need from each organization.

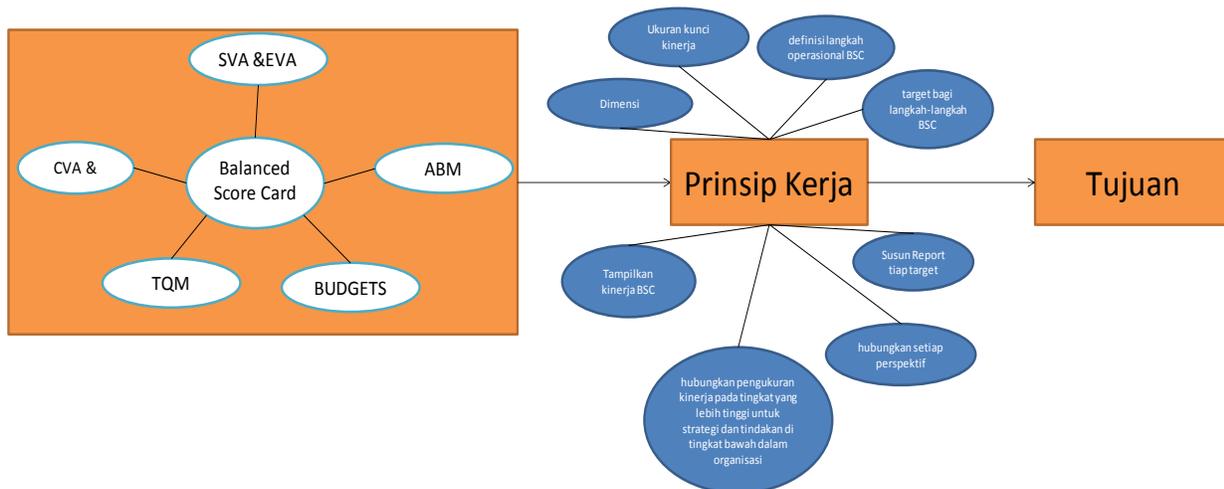


Figure 3.

Original Contribution

CONCLUSION

1. Leader should be involved from begining of develop and support emotional process and finance. Perspective of customer should be there in the top position cause this is an important things in the organization.
2. Balanced Scorecard is strong a technique to push performance in the organization. This is a best frame work to focus energy in the strategic field. This is would help to erase a confuse in the employee about what is the most important things and not. Establishment step and principle to be done to success on apply Balanced Scorecard.

3. Use of BSC and contribution to explain company's strategic (that need to united the different opinion) to the goal and target that's adjusted by fourth perspective of BSC : finance , learning and growing , repairment of internal process and customer. It's show that :
 - a. BSC , if it's used as a part of MCS , provide effectively of repairment process of implementation strategic and difusion in the all different level of organization.
 - b. In the company on the low analyze, evaluation of performance have integrated to qualitative dimension, finance and productive.
 - c. BSC come as an important tool on strategic concept and implementation, and
 - d. BSC might to determine strategic of company to the company's goal and target with repairment of finance, learning and growing, internal process and customer perspective.
4. Kaplan and Norton to arrange a system of performance measure that more comprehensive that's called Balanced Scorecard. Kaplan and Norton. Kaplan and Norton (1993) state that: "Balanced Scorecard provides executives with a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures".
5. Balanced Scorecard might that strategic which would be communicated clearly and link of performance for result.

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