



The Effect of Balanced Scorecard Measurement of Financial Perspective, Customers, Internal Business Processes, Learning and Growth on Company Performance

Suprihati

International Collage of Economics AAS Surakarta, Indonesia
suprihati4566@gmail.com

Abstract

The purpose of this study was to determine the effect of partial and simultaneous financial perspectives, customer perspectives, internal business perspectives and growth and learning perspectives on the performance of Parama Indonesia Inc., with a sample of 33 respondents. The data analysis technique uses multiple linear regression analysis. From the partial results, it is known that the financial perspective variable has a t_{count} of 2.677 greater than t table of 2.048 with a significance value of $0.012 < 0.05$; this means that the financial perspective has a partial effect on the performance of the Parama Indonesia Inc. The customer perspective variable has a t value of 3.401 greater than t table of 2.048 with a significance value of $0.002 < 0.05$; this means that the customer's perspective has a partial effect on the performance of the Parama Inc Indonesia Inc. The internal business process perspective variable has a calculated value of 2.461 greater than t table of 2.048 with a significance value of $0.020 < 0.05$; this means that the perspective of internal business processes has a partial effect on the performance of Parama's Indonesia Inc. The variable perspective of growth and learning has a t value of 2.362 greater than t table of 2.048 with a significance value of $0.025 < 0.05$; meaning that the growth and learning perspective has a partial effect on the performance of Parama's Indonesia Inc. Simultaneous results obtained F_{count} value of $33,957 > F_{table} (2,71)$ with a probability of 0,000 (p value $< 0,05$). This means financial perspective, customer perspective, internal business perspective, learning and growth perspective simultaneously affect the performance of Parama's Indonesia Inc.

Keywords: *balanced scorecard, company perspective, performance*

A. Introduction

Performance assessment or measurement is one of the important factors in the company. In addition to being used to assess the success of a company, performance measurement can also be used as a basis for determining the reward system in a company, for example to determine the level of employee salaries as well as a decent

reward. The management can also use the company's performance measurement as a tool to evaluate the past period. (Hardiyanto, et al, 2005)

The results of research the conducted by Gimzauskiene and Valanciene (2010) showed that the performance measurement system in Lithuanian organizations will be efficient and effective when multidimensional. Strong correlations between finance, markets, customers, internal processes, and intellectual related steps prove that financial results are the endpoint of organizational performance that can be managed while managing non-financial factors such as customers, processes, and intellectual capital.

Panicker and Seshadri (2013) discussed the use of the Balanced Scorecard to measure the performance of foreign banks in India during 2009-2012. The results showed that performance on a financial perspective increased in 2009 - 2011. The internal process perspective did not reveal significant improvements in average annual growth rates average around 2%. Standard Chartered Bank's score on the customer's perspective is the worst. Learning and growth perspectives show good results. The Bank has scored almost 100% of the employees assessed, training received and employee involvement. The results of several studies that have been conducted prove that the Balanced Scorecard method is considered quite comprehensive in measuring company performance.

In this case the researcher is interested in analyzing the performance of Parma Indonesia Inc. with the Balanced Scorecard concept. Because the concept of Balanced Scorecard has superiority compared to the performance emphasized on the financial side that has been used by Parma Indonesia Inc.

B. Problem statement

1. Is there a partial influence from financial perspective, customer perspective, internal business perspective and learning and growth perspective on Parama Indonesia Inc.?
2. Is there a simultaneous influence from the financial perspective, customer perspective, internal business perspective and learning and growth perspective on the performance of Parama Indonesia Inc.?

C. Underlying theory

Performance is the work of both quality and quantity achieved by a person in carrying out tasks according to the responsibilities given (Mangkunagara, 2009: 22). Rivai and Basri (2005), performance is the result of a person as a whole during a certain period in carrying out a task, such as work standards, targets or targets or criteria that have been determined in advance and mutually agreed upon. The term performance or performance refers to the output and something that results from

processes, products and services that can be evaluated and compared relative to the goals, standards, past results and other organizations. According to Larry D. Stout in (Yuwono 2002) states that performance measurement is the process of recording and measuring the achievement of the implementation of activities in the direction of achieving the mission (mission accomplishment) through the results displayed in the form of products, services or a process. While non-financial performance is neglected because it is considered difficult to measure and has quite disturbing weaknesses, namely the inability to measure intangible assets and intellectual property of human resources. (Rahman, 2001). According to Yuwono (2003: 8) suggests that the Balanced Scorecard is a management system; rapid measurement and control; appropriate and comprehensive can provide managers with an understanding of business performance. According to Munawir (2002: 437) the definition of the Balanced Scorecard is: "A score card that is used to plan the score to be realized by someone in the future and to record the actual performance score achieved by someone". Kalpan and Norton (2000: 22) suggest that the Balanced Scorecard consists of four perspectives: financial perspective, customer perspective, internal business process perspective, and learning and growth perspective.

1. Financial perspective

Financial measurement has two important roles. First, all perspectives depend on financial measurement that shows the implementation of the planned strategy. Second is to encourage 3 other perspectives on the targets to be achieved in achieving organizational goals. According to Kaplan and Norton (2000) this cycle consists of 3 cycles:

At this stage the company starts its business where they produce products and services that have growth potential. Companies must involve enough resources to develop and improve these products or services, invest heavily in fixed assets, invest in distribution networks that are related to customers. Companies at this stage will have negative cash flows and low return on investment capital. The defined financial goals are the percentage of income growth rates and sales growth rates in various target markets, customer groups and territories at this stage measure the percentage of income growth rates and sales growth rates in the target market.

In this stage the company still invests and reinvests by requiring the best return. The company is expected to be able to maintain its market share and can gradually grow slightly from year to year. Investments are more directed at increasing capacity and continuous improvement activities. The financial objectives of the company at this stage are associated with profitability reflected in accounting such as operating profit and gross margin. At this stage the goal to be achieved is to make a profit.

Companies that have reached the harvest stage will get the results obtained from investments made in the growth and survival phase. The company no longer makes

large investments in the development or construction of new facilities, but only maintenance of the facilities owned. The measure used is to harmonize between accounting earnings and the level of investment invested. The financial goal in the harvest stage is to maximize cash flow back to the company. The company's overall financial objective is the return of high investment capital from each business unit the purpose of this stage is to reduce the flow of funds and increase cash flow. For each growth, survival and harvesting strategy there are indicators which can then be assessed which encourage the implementation of the marketing section strategy (Kaplan and Norton, 1996: 43)

2. Customer perspective

Customers have an important role in the life of the company. A company that grows in competition will not be able to survive if it is not supported by customers. Customer benchmarking loyalty is done by first mapping the market segments that will be targets or targets. What customers want and need is important in this perspective.

3. Internal business process perspective

Analysis of the company's internal business processes is done using value chain analysis. Management identifies critical internal business processes that must be seeded by the company. Balanced Scorecard in this perspective allows managers to know how well their business is running and whether their products and or services are in accordance with customer specifications (Sony Yuwono, et al, 2004: 36).

In the perspective of internal business processes the company must identify internal processes that are important where the company must do it as well as possible. Because the internal process has values that customers want and will provide the expected return by the shareholders. In general Kaplan and Norton (2001) divide it into 3 basic principles, namely: 1). Innovation, the company is expected to successfully meet the needs of its customers for innovative products. Products offered have unique functions that are not offered by other competitors (Niven, 2002). This process is the most important part of the entire production process. In this innovation process consists of two components, namely: identification of customer desires and carrying out the process of designing products that are in accordance with customer desires. If the innovation results are not in accordance with the customer's wishes, then the product will not get a positive response from the customer, so it does not provide additional revenue for the company. 2). Operation, is a process of value creation within the company, starting from receiving customer orders to delivering products to customers. The great activity of this process is divided into two, namely: product manufacturing activities and activities to deliver the product to customers. This process is an activity carried out by the company, starting from receiving orders from customers until the product

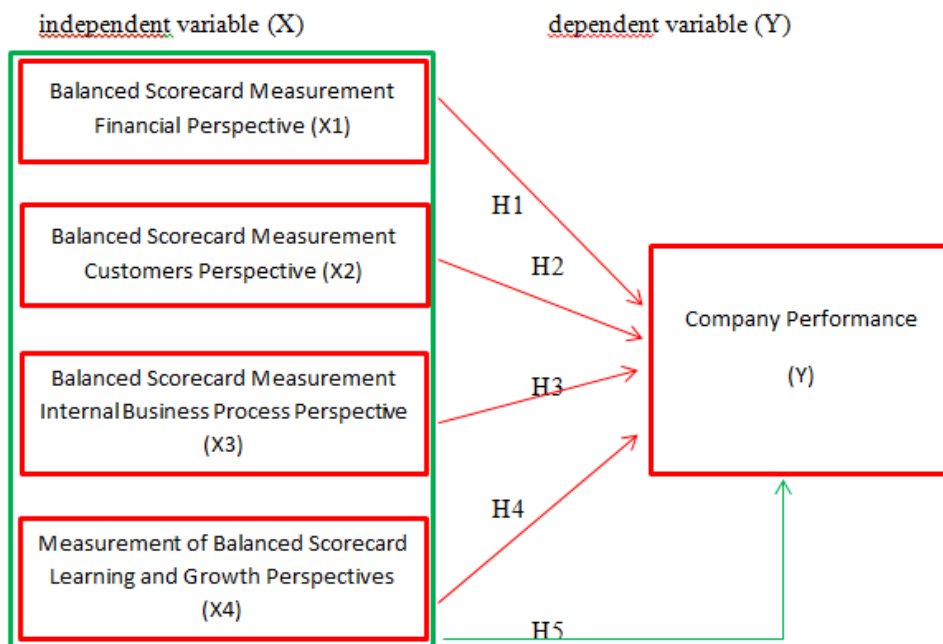
is delivered to customers efficiently and on time. 3). After-sales service: The after-sales service process is also very important for the survival of the company. Customers certainly expect their products to be truly high value to feel satisfaction with their purchases. On the other hand, the company wants its activities to last long or going concern. Include guarantees and various activities to replace damaged and returned products and payment processing. The last stage in measuring internal business processes is the measurement of after-sales service to customers. This measurement is an important part of internal business processes, because after sales service will affect the level of customer satisfaction.

4. Learning and growth perspectives

The last perspective in the Balanced Scorecard develops goals and measures that encourage learning and company growth. The goal in the learning and growth perspective is to provide infrastructure that enables ambitious goals in three other perspectives to be achieved. The objectives in the learning and growth perspective are the driving factors that produce excellent performance in the first three perspectives of the Balanced Scorecard. According to Norton and Kaplan (2000) in the process of learning and growth perspective there are three factors that need to be considered, namely: 1). Employee Capabilities There is a technology shift that shows that all jobs are automated, the same work that is done continuously at the same efficiency and productivity stage is no longer sufficient for the success of the company, therefore the company must make continuous improvements -usually. Employee capability is part of the contribution given by employees to the company. There are three things that must be considered, namely the first, namely employee satisfaction which is a precondition to increase productivity, responsibility, quality and service to consumers. Second is worker retention. Employee retention is the ability to retain the best workers in the company. Where we know employees or workers are long-term investments for the company. So, the exit of an employee who is not because of the company's desire is a loss of intellectual capital from the company. Third is employee productivity which is the result of the overall influence of increased expertise and morals, innovation, internal processes, and customer satisfaction. The aim is to connect the output produced by employees with the number of employees who are supposed to produce the output. 2). Information System Capability, capabilities owned by companies related to the provision of information facilities. The benchmark in information system capabilities is the level of information availability, the level of accuracy of information, and the time period for obtaining the information needed. Information is a supporting tool to improve the ability of workers. With the information, the worker can know the developments inside and outside the company. Measurement of information system capabilities can be done by measuring how much information is available compared to

anticipated needs. 3). Motivation, Empowerment, and Alignment, Kaplan and Norton (2000) argue that the motivation and expertise of workers or employees may be needed to achieve broad goals in customer goals and internal business processes. But if you want your employees to be more effective in a competitive business environment, you need to obtain customer information, internal processes, and financial consequences of company decisions. Workers need motivation that can make them work harder and achieve better results.

D. Theoretical framework



E. Hypothesis

The hypothesis that is suspected in this study is based on the background of the problem and the results of previous studies are:

- H1 : Financial perspective has a partial effect on the performance of Parama Indonesia Inc.
- H2 : Customer perspective has a partial effect on the performance of Parama Indonesia Inc.
- H3 : Internal business perspective has a partial effect on the performance of Parama Indonesia Inc.
- H4 : The perspective of growth and learning has a partial effect on the performance of the company Parama Indonesia Inc.
- H5 : Financial perspective, customer perspective, internal business perspective, learning and growth perspective simultaneously affect the performance of Parama Indonesia Inc.

F. Hypothesis testing

Multiple linear regression analysis is a linear relationship between two or more independent variables (X1, X2, ... Xn) with the dependent variable (Y). The data used is usually interval or ratio scale. The multiple linear regression equation is as follows: $Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n$. The t test is used to partially test each variable. If the probability of a value of t or significance <0.05, it can be said that there is an influence between the independent variables on the dependent variable partially. However, if the probability or significance is > 0.05, it can be said that there is no significant effect between each independent variable on the dependent variable. F test is used to determine the effect of independent variables together (simultaneously) on the dependent variable. Significant means that the relationships that occur can apply to populations. The use of the level of significance varies, depending on the wishes of the researcher, for example 0.05 (5%). If the probability value is <0.05, it can be said that there is a significant influence together between the independent variable and the dependent variable. However, if the significance value is > 0.05, there is no significant effect jointly between the independent variables on the dependent variable. Determination Coefficient Test (R²), this test aims to determine the percentage of the total variation in the dependent variable explained by the independent variable. The results of the calculation of adjusted R² can be determined by what percentage can be explained by the independent variables on the dependent variable. While the rest is influenced or explained by other variables not included in the research model.

G. Results and discussion

H. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.147	2.587		.444	.661
Financial perspective	.347	.130	.292	2.677	.012
Customers perspective	.134	.039	.310	3.401	.002
internal business process perspective	.247	.101	.296	2.461	.020
growth and learning perspective	.273	.116	.262	2.362	.025

It can be concluded that the results show that most of the respondents who are employees of Parama Inc expressed satisfaction with the assessment of the financial perspective as a benchmark for the Balanced Scorecard. Based on the data analysis, it is known that the financial perspective has a positive and significant effect on

company performance. Where is evident from the t test it appears that t count (2.677) is greater t table (2.048) with a significance of $0.012 < 0.05$ so the first hypothesis is accepted. The financial perspective has a positive effect on the company's performance here. It can be interpreted that Parama Inc has focused its financial perspective on one of the stages in the business cycle as stated by Kaplan and Norton. Besides that, Parama Inc has implemented performance evaluations from both financial and non-financial perspectives, and it appears that there is a balance of true company value. In addition to relying on financial performance measurement, Parama Inc derives from financial statements, and also measures other non-financial performance in an integrated manner, so that the data is able to show the overall efficiency and capability of the company. This will have a positive impact on the company's performance effectively in improving the financial perspective. The results of this study support the results of previous research conducted by Lokatili and Devie (2013); Aryane and Norita (2015); and Faishol (2016) where the financial perspective as a benchmark for Balanced Scorecard measurement has a positive influence on company performance. Based on data analysis, it is known that the customer's perspective has a positive and significant effect on the company's performance. Where is evident from the t test it appears that t count (3.401) is greater t table (2.048) with a significance of $0.002 < 0.05$ so the second hypothesis is accepted. So this shows that the management of Parama Inc has implemented strategic goals that are truly aimed at satisfying customer needs. It is shown that the majority of customers are satisfied with the services provided by Parama Inc employees according to customer expectations, so that in the future Parama Inc must pay more attention to customers or customers to remain satisfied with the services provided to customers and even be able to increase their satisfaction to be more loyal to Parama Inc and do not move to another company. The results of this study support the results of research by Tandiontong, et al (2011); Kurniawanto (2013); and Yunitasari (2016) which states that customer perspective as measured by customer satisfaction has a positive and significant influence on company performance. Respondents about performance objectives in the perspective of internal business processes, it can be concluded that the results show that most of the respondents who are employees of Parama Inc expressed satisfaction with the assessment of the internal business process perspective as a benchmark for the Balanced Scorecard. This can be interpreted as an assessment of leadership style, workload, service innovation, company handling procedures for returning damaged products, facilities and infrastructure in the company to provide services, company services to customers in terms of delivering goods on time, completeness of equipment to do work and product innovation the majority of employees give satisfaction perception because overall the statement is in accordance with employee expectations. So this

shows that most employees feel that Parama Inc's management has implemented strategic objectives that can evaluate improvements in internal business processes through expectations expected by customers in the organization. The results of the perception of this variable show good results. Based on data analysis, it is known that the perspective of internal business processes has a positive and significant effect on company performance. Where is evident from the t test it appears that t count (2.461) is greater t table (2.048) with a significance of $0.020 < 0.05$ so the third hypothesis is accepted. The influence of the perspective of internal business processes on the performance of management above is consistent with the research conducted by Kasnawati (2011); Yunitasari (2016); and Faishol (2016) which states that the perspective of internal business processes has a positive and significant influence on management performance. So the better the internal business process, the customer will feel satisfied so that the performance of the company will increase. Respondent's assessment of the performance objectives in the perspective of growth and learning, it can be concluded that the result is that the majority of Parama Inc employees provide satisfied perceptions related to the growth and learning perspective that they have felt according to their expectations as long as they are employees of Parama Inc is a benchmark for the Balanced Scorecard. This can be interpreted as an assessment of the training provided by the company in improving employee performance, awards given by the company to employee work performance, employee career development provided by the company, work motivation to employees, communication between co-workers and assessment of suggestions and suggestions from employees considered by the company, the majority of employees gave a satisfied perception because overall the statement was in line with employee expectations. The results of the perception of this indicator show good results. This shows that most employees or company personnel have been motivated to produce the best value for customers. Based on data analysis, it is known that learning and growth perspectives have a positive and significant effect on company performance. Where is evident from the t test it appears that t count (2.362) is greater t table (2.048) with a significance of $0.025 < 0.05$ so the fourth hypothesis is accepted. So the higher the level of employee satisfaction implemented by Parama Inc will have a direct impact on the performance of the Parama Inc company itself. The final perspective of this balanced scorecard will maintain the survival of the company. Therefore, management performance will also increase with improvements in learning and company growth. The results of this study are also in line with the results of research conducted by Kasnawati (2011); Aryane and Norita (2015); and Faishol (2016) which states that learning and growth perspectives have a positive and significant influence on company performance. Respondent's assessment of the four variables as a benchmark for the Balanced Scorecard as an

assessment of the overall performance of the company proved that the majority gave a satisfied perception of the entire statement item submitted in the questionnaire. It can be interpreted that overall the majority of respondents feel that they are able to fulfill their expectations so that they feel satisfied.

ANOVA ^b		
Model	Sum of Squares	df
Regression	233.853	4
Residual	48.207	28
Total	282.061	32

Based on the results of the F test data analysis, it is known that the four variables that can be considered in accordance with the consideration that this concept is financial and non-financial performance have a positive and significant effect. on the company's performance simultaneously. Where is the evidence from F test shows that arithmetic (33.957) is greater F table (2.71) with a significance of $0.000 < 0.05$ so that the fifth hypothesis is accepted. With the strategic measurement, the objectives and the action program from each perspective can have an influence on improving the performance of Parama Inc's company. So it can be concluded that both the theory and practice of balanced scorecard affect management performance. This is because the balanced scorecard is a management system that allows the company to explain the strategy, translate it into action, and provide meaningful feedback. BSC provides feedback both from the internal business side and external results with the aim of strategic performance and results improving. According to Mulyadi (2014) added that the superiority of the balanced scorecard includes significantly improving planning quality and can improve the quality of personnel performance management. Through the balance the scorecard method is the best method in assessing the company's performance, because the balance of important aspects that are ignored by traditional performance measurement, such as aspects of human resources, is used in the company, operational processes, and aspects of customer satisfaction. ,so that the measurement results with balance scorecard will be more accurate. The results of this study support the results of research conducted by Kasnawi (2011); Yunitasari (2016); and Faishol (2016); where there is the influence of the implementation of the Balanced Scorecard which includes four perspectives, namely the financial perspective, customer perspective, internal business process perspective and perspective of learning and simultaneous growth on company performance.

H. Conclusions and recommendations

The financial perspective has a partial effect on the performance of Parama's Inc company as evidenced by the value of t count (2.677) > t table (2.048) with a significance of 0.012 < 0.05 so that H1 is accepted. This means that the higher the financial perspective will improve the company's performance. This means that Parama Inc is effective in improving financial perspectives and according to employee expectations so that employees feel satisfied. Customer perspective partially affects Parama's Inc company performance as evidenced by the value of t count (3.401) > t table (2.048) with a significance of 0.002 < 0.05 so H2 is accepted. This means that the higher the customer perspective will improve the company's performance. Parama Inc always strives to improve customer satisfaction; one of them is the presence of a suggestion box in the company and as a place for customers to express their satisfaction or dissatisfaction.

It is expected that Parama Inc can further improve the company's performance evaluation on the four perspectives of the Balanced Scorecard, so that it can better implement the measurement of the company's performance with the Balanced Scorecard method as a whole, namely with both financial and non-financial perspectives.

1. The internal business process perspective has a partial effect on Parama's Inc. company performance as evidenced by the value of t count (2,461) > t table (2,048) with a significance of 0,020 < 0,05 so that H3 is accepted. This means that the higher the perspective of internal business processes will improve company performance. This is because Parama Inc. always measures performance against employees from these four perspectives, and there is always a promotion test both after the launch of new products and every semester.
2. The growth and learning perspective has a partial effect on Parama's Inc. company performance as evidenced by the value of t count (2.362) > t table (2.048) with a significance of 0.025 < 0.05 so that H4 is accepted. This means that the higher the learning and growth perspective will improve the company's performance. This could have happened because Parama Inc. always launched new products and made improvements and evaluations both to satisfy its employees and customers.
3. Financial perspective, customer perspective, internal business perspective, learning and growth perspective simultaneously affect the company's performance of Parama Inc., as evidenced by the calculated F value (33,957) > F table (2,71) with a significance of 0,000 < 0,05 so that H5 be accepted. This proves, if the financial perspective, customer perspective, internal business

process perspective, and learning and growth perspective continuously and together will give a very positive influence on company performance.

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