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# EMPLOYEE PERFORMANCE MEASUREMENT ANALYSIS USING THE BALANCE SCORE CARDS

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**Abstract:** The purpose of this study was to determine the balance scorecard measurement from the perspective of finance, customers, internal business processes, growth and learning have a partial effect on the performance of employees of Bank Negara Indonesia. from the perspective of partial influence on the performance of employees of Bank Negara Indonesia. The scope taken in this study is a survey conducted on research respondents, namely employees of Bank Negara Indonesia. The type of data in this study is Qualitative data in the form of questionnaires and research location data. While the second data is quantitative data in the form of data from respondents' questionnaires that have been quantified. The results in this study are that there is a partial influence on the measurement of the balance scorecard from the perspective of finance, customers, business processes, and learning and

***Keywords:*** *Performance, employee, balanced score, card*

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## 1. Introduction

In the current era of globalization, the growth and development of an organization, be it a business organization or a government, continues to move quickly, rapidly, and is full of competition, especially for business organizations. The increasingly competitive development of the banking world has caused major changes in terms of competition, production, marketing, human resource management, and the relationship between banking organizations and customers (Lestari, 2007: 1).

Emphasis on product and service quality, cost or price quality, service quality, timely delivery quality, aesthetic quality and other forms of quality that continue to develop in order to provide continuous satisfaction to customers in order to create loyal customers (Srimindarti, 2008: 35). Therefore a comprehensive performance measurement system is needed to measure organizational performance in order to keep abreast of market developments. Most of the performance measurement methods that exist today only use financial reports in assessing the performance of an organization, which is a traditional way that only relies on financial measures, is currently considered insufficient and in fact can lead to dysfunction for several reasons. First, encouraging short-term actions that are inconsistent with the company's long-term interests. Second, business unit managers may not take actions that are useful in the long term, in order to obtain short-term profits. Third, using only short-term profits as the only goal can distort communication between business unit managers and senior managers. Fourth, tight financial control can motivate managers to manipulate data.

One that has been developed is the measurement of organizational and corporate performance using the *balanced scorecard method* . This method was first introduced by Kaplan and Norton in 1992. The *balanced scorecard* method has a financial perspective and a non-financial perspective, performance measurement with this method does not only look inside the organization but looks out from the customer side which is one of the important things. for organizational development. *The balanced scorecard* translates the company's mission and strategy into a comprehensive set of measures that provide a framework for measurement and a strategic management system. In addition to maintaining an emphasis on achieving financial goals, *the balanced scorecard* also includes performance driving factors for achieving these financial goals ( www.jurnalkrip.com , accessed on November 25 2016 at 22.24 WIB).

*The Balanced Scorecard* can explain the long-term mission and strategy, and to translate the vision in terms of all structures within the organization (Bontis, Dragonetti, Jacobsen, and Roos, 1999). It is said that one of the keys to the successful implementation of *the Balanced Scorecard* according to Mattson (2009) is the full support of every layer of management in the organization. There is an opinion that *the Balanced Scorecard* can help a company to manage change, as well as help managers to develop all evaluation modes that affect company value (Bermser, 1999; Norreklit, 2003; Davis and Albright, 2004). Besides that, it can also help managers achieve organizational goals in making decisions or providing incentives to employees through financial indicators such as net income, ROI, ROE, and ROA (Johnson, 1998; Abran and Buglione, 2003).

In its application according to Kaplan and Norton (2006) *the Balanced Scorecard* is measured using four perspectives: financial perspective, customer perspective, internal business perspective, learning and growth perspective. When managing and improving business processes, customer and employee satisfaction, the financial perspective must also be improved because this perspective is a measure of the final result of an organizational assessment (Bhasin, 2008) because financial performance measures provide clues whether the company's strategy, implementation and execution contribute or not to increase company profits. The importance of customer focus and customer satisfaction is quite important in the new management philosophy (Ahmadi, Khoddami, Osanlou, and Moradi, 2011). Recent management research has shown an increasing awareness of the importance of customer focus and customer satisfaction in any business (Qin, Atkins, and Yu, 2013).

Balance in performance measurement using the *balanced scorecard method* means that if an organization or company uses this measurement method, then financial and non-financial performance measures are not only used as technical feedback and control of various short-term operations. The goals and performance measures in *the balanced scorecard* are more than just a set of specific financial and non-financial performance measures, because all the goals and measures are derived from a top-down process that is driven by the mission and strategy of the business unit. In order to obtain performance measurements that express a balance between various external measures of shareholders and customers with various internal measures of critical business processes and growth and learning. The balance is also stated between all the results of what the company achieved in the past with all the factors driving the company's future performance.

## 2. Literature Review

### a. *Balanced Scorecard*

According to Munawir (2002: 437) the meaning of *the balanced scorecard* is: "A score card that is used to plan a score to be realized by someone in the future , and to record the score of actual performance achieved by someone". The performance measurement looks at business units from four perspectives, namely: financial perspective, customers, business processes within the company, as well as learning and growth processes. Through a cause *and effect mechanism* , the financial perspective becomes the main benchmark which is explained by operational benchmarks in the other three perspectives as drivers ( *lead indications* ).

According to Yuwono (2003: 8) argues that *the Balanced Scorecard* is a system of management, measurement, and control that quickly, precisely, and comprehensively can provide managers with an understanding of business performance. According to Mulyadi (2007) suggests that *the Balanced Scorecard* is a contemporary management tool designed to enhance a company's ability to multiply outstanding financial performance on an ongoing basis.

*The balanced scorecard* is applied in a strategic planning system to translate mission, vision, goals, basic beliefs, basic values, and strategies into comprehensive, coherent, measurable and balanced strategic goals and initiatives consisting of four perspectives that measure them. ( *sustainable outstanding financial performance* ). In essence the main purpose of processing the company is to make the company .

**b. *Employee* performance**

Performance is an achievement achieved by someone in carrying out their duties or work in accordance with the standards and criteria set for that job (Rivai, 2005). Performance according to Mangkunegara (2000) is the result of work that is achieved in quality and quantity by an employee in carrying out his duties in accordance with the responsibilities given to him.

The performance measurement system is an important factor for the company's management control system. Through the strategy created, all company activities are aimed at achieving the company's short-term and long-term goals. The success of a company in achieving its goals and the success of the strategy implemented by the company must be measured. Therefore we need a performance measurement which is a management tool in evaluating the performance. Performance measurement has the main objective of motivating employees in achieving organizational goals and in complying with predetermined standards of behavior in order to produce the desired actions and results.

**c. Relationship between Balanced Scorecard Measurement in Four Perspectives with Employee Performance**

The concept of *the Balanced Scorecard* develops in line with the development of the implementation of the concept. *The balanced scorecard* has undergone developmental evolution: (1) *the balanced scorecard* as an improvement over the executive performance measurement system, (2) *the balanced scorecard* as a strategic planning framework, and (3) *the balanced scorecard* as the basis for an integrated system for processing personnel performance. *The balanced scorecard* was created by Robert S. Kaplan, a professor from *Harvard Business School* and Davit P. Norton from the public accounting firm KPMG. The two people conducted a research study on "Performance Measurement in Future Organizations". There were 12 companies that were the object of study at that time: *Advaced Micro Devices, American Standard, Apple Computer, Bell Sourh, CIGNA, Corner Peripherals, Cray Research, Dupont, Electrenic Data System, General Electric, Hewlett-Packard and Shell Canada* . This study was motivated by the realization that at that time the financial performance measures used by all companies to measure executive performance were no longer sufficient (quoted from Mulyadi: 2009).

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measurable and balanced strategic goals and initiatives consisting of four perspectives that measure them. By using the balanced scorecard, managers will be able to more accurately assess their performance in the various perspectives in the balanced scorecard. These advantages make the manager's performance even better because it is easier for them to measure their performance.

## 3. Research Method

The scope taken in this study is a survey conducted on research respondents, namely employees of Bank Negara Indonesia.

The data in this study are qualitative and quantitative data. The qualitative data needed in this research is the data from the questionnaire given to the respondents. This data is then quantified using a Likert scale. While the quantitative data needed in this research is the data from the respondents' questionnaires that have been quantified. The data in this study comes from primary data. Primary data is data obtained from the first source or individuals either in the form of interviews or filling out questionnaires (Sekaran, 2000). This data was obtained from the results of distributing questionnaires about determining *the balance score* and employee performance. These data were collected using questionnaire techniques and documentation.

## 4. Result and Discussion

### a. Measurement of *the balance scorecard* from a financial perspective on the performance of employees of Bank Negara Indonesia

The results showed that there was a partial effect of *the balance scorecard measurement* from a financial perspective on the performance of Bank Negara Indonesia employees with a t value of 2.633 and a significance value of 0.012. Financial statements are historical aggregate indicators that reflect the results of strategy implementation and execution in one period, because financial measures show whether strategic planning and execution provide fundamental improvements to company profits. Measurement of financial performance considers the stages of the business life cycle, namely: *growth* , *sustain* , and *harvest* . Each stage has different goals, so the emphasis on measurement is also different.

When a company performs financial measurements, the first thing that must be done is to detect the existence of the industry it owns. Kaplan classifies three stages of industrial development namely; *growth, sustain,* and *harvest.* Different stages of industrial development will require different strategies. From a financial perspective, there are three aspects of a company's strategy; *(1) revenue growth and income combination owned by a business organization , (2) cost reduction and productivity increase , (3) optimal use of assets and investment strategy.*

### b. Measurement of *the balance scorecard* from the customer perspective on the performance of Bank Negara Indonesia employees

The results showed that the partial effect of the *balance scorecard measurement* from the customer perspective on the performance of Bank Negara Indonesia employees with a t value of 2.725 and a significance value of 0.009. This perspective usually consists of several main measures or dynamic measures of the company's success from a well-formulated and well-executed strategy. In this perspective the role of market research is very large and valuable for customers. There are two measurement groups in the customer perspective, namely *the Core Measurement Group* and *the Customer Value Proposition* (Kaplan & Norton, 1996).

In this customer perspective identify how the condition of their customers and market segments that have been chosen by the company to compete with their competitors. The segment they have chosen reflects the existence of these customers as their source of income. In this perspective, measurement is carried out with five main aspects (Kaplan , 1996:67 ); that is

1) *Measurement of market share* , a measurement of the size of the company's market share reflects the proportion of business in a particular business area expressed in money, number of customers, or volume units sold for each unit of product sold.
2) *Customer retention* , measurement can be done by knowing the percentage of business growth with the number of customers currently owned by the company.
3) *Customer acquisition* , measurement can be done through the percentage of the number of new customers added and the comparison of total sales with the number of existing new customers.
4) *Customer satisfaction* , measurement of the level of customer satisfaction can be done with a variety of techniques including : surveys by mail (post), telephone interviews, or personal interviews.
5) *Customer profitability,* measurement of customer profitability can be done using the Activity Based-Costing (ABC) technique.

**c. Measurement of *the balance scorecard* from the perspective of internal business processes on the performance of employees of Bank Negara Indonesia**

The results showed that there was a partial effect of the *balance scorecard measurement* from the perspective of internal business processes on the performance of Bank Negara Indonesia employees with a t value of 2.864 and a significance value of 0.006. In this perspective, in order to determine benchmarks for this performance, company management first needs to identify the internal business processes contained within the company. According to Kaplan & Norton (2000: 169), the *Balanced Scorecard* approach divides measurements in the perspective of internal business processes into three parts: Innovation , Operations, and Postsale *Service* .

In this perspective, the company measures all activities carried out by the company, both managers and employees, to create a product that can provide certain satisfaction for customers and shareholders. In this case the company focuses on three main business processes, namely: the innovation process, the operations process, the post-sales process.

**d. The measurement of *the balanced scorecard* from the perspective of growth and learning influences the performance of Bank Negara Indonesia employees.**

The results showed that there was a partial effect of the measurement of *the balanced scorecard* from the perspective of learning and growth on the performance of Bank Negara Indonesia employees with a t value of 2.111 and a significance value of 0.040. The process of learning and organizational growth comes from three principles, namely *people, systems,* and *organizational procedures. The Balanced Scorecard* emphasizes the importance of investment for the benefit of the future, in the perspective of learning and growth processes there are three factors that are considered, (Kaplan & Norton, 2000: 174), namely: Employee Capabilities, Information *System* Capabilities , Motivation , Power, and alignment ( *Motivation, Empowerment, and Alignment* ).

The last perspective in the Balanced Scorecard is the perspective of growth and learning. Kaplan (1996) revealed how important it is for a business organization to continue to pay attention to its employees, monitor employee welfare and increase employee knowledge because increasing the level of employee knowledge will also increase the ability of employees to participate in achieving the results of the three perspectives above and company goals.

This learning and growth process originates from human resource factors, systems, and organizational procedures. Included in this perspective are employee training and corporate culture related to individual and organizational improvement. In a knowledge-worker organization, people are the main resource. In many cases, the learning and growth perspective is the foundation for success for *knowledge-worker organizations* while still paying attention to system and organizational factors.

The existence of *the Balanced Scorecard* allows performance appraisal in the industrial environment to be measured precisely because the assessment is carried out not only from financial aspects but also from non-financial aspects. On the financial aspect_performance_assessed_using ROA, ROE, ROI and EVA measurement tools, while on the non-financial aspect the assessment is carried out on (1) Customer perspective by assessing how the company determines market segmentation and dominates market share, (2) Internal business process perspective assessment is carried out by assessing how the company retains existing customers by continuing to innovate and provide post-sales services, (3) Growth and Learning Perspective assessment is carried out by evaluating problems that occur and providing solutions and providing learning for managers and their subordinates so that the same mistakes are no longer happen for the future.

## 5. Conclusion and Suggestion

### Conclusion

1) There is a partial effect of the measurement of *the balanced scorecard* from a financial perspective on the performance of employees of Bank Negara Indonesia with a t value of 2.633 and a significance value of 0.012.
2) There is a partial effect of the measurement of *the balance scorecard* from the customer perspective on the performance of employees of Bank Negara Indonesia with a t value of 2.725 and a significance value of 0.009.
3) There is a partial effect of *the balance scorecard measurement* from the perspective of internal business processes on the performance of Bank Negara Indonesia employees with a t value of 2.864 and a significance value of 0.006.
4) There is a partial effect of the measurement of *the balanced scorecard* from the perspective of learning and growth on the performance of employees of Bank Negara Indonesia with a t value of 2.111 and a significance value of 0.040.
5) There is a simultaneous influence of Learning and Growth Perspective ($X_4$), Customer Perspective ($X_2$), Internal Business Process Perspective ($X_3$), and Financial Perspective ($X_1$) on employee performance with $F_{count}$ of 31.596 and a significance value of 0.000.
6) The amount of contribution through the value of adjusted R Square ($R^2$) is 71.4% independent variables (Learning and Growth Perspective (X4), Customer Perspective (X2), Internal Business Process Perspective (X3), Financial Perspective (X1)) make a positive contribution 71.4% of employee performance, while the remaining 28.6 % is influenced by other variables outside this research model.

### Suggestions

1) Companies are advised to pay attention to three empirical indicators in *the Balanced Scorecard*, namely the perspectives of *the Balanced Scorecard*, cause and effect relationship and the criteria of *the Balanced Scorecard.* In this research it was found that the indicators from the perspectives of *the Balanced Scorecard* had the lowest average

results. This means that the lack of attention to these indicators within the company. Therefore, the indicators from the perspectives of *the Balanced Scorecard* need to be improved. It is better for every company to pay attention to the three indicators in their company, so that a balance is created in the use of *the Balanced Scorecard.*

2) Competitive Advantage has five empirical indicators. The results of the study show that the lowest empirical indicator on the Competitive Advantage variable is in the delivery capability indicator. Contains the company's ability to deliver goods in accordance with the quantity and orders to customers compared to its competitors. Researchers suggest that companies pay more attention to this matter properly. And if necessary, fix what is lacking for the company so that a balance is created between the five indicators within the company. So that in its application, these five indicators will assist companies in achieving and maintaining the company's Competitive Advantage.
3) The company's performance has two empirical indicators. The results showed that the lowest empirical indicator on the Company Performance variable was on the operational performance indicator. Researchers suggest that companies can pay attention to what is lacking in their operational performance activities. Improve and continue to improve its operational performance to be balanced and as effective as the financial performance within the company. If the balance has been achieved, it will create an effective and efficient corporate performance for the company .

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