

BUSINESS PERFORMANCE: BALANCED SCORECARD ANALYSIS FOR INDONESIA PUBLISHING HOUSE (IPH)

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Abstract. *The study aimed to analyze the business performance of Indonesia Publishing House (IPH). Descriptive method was used to explain the business performance using balanced scorecard (BSC) model. There were 30 respondents who participated in this study. The findings showed that the four BSC perspectives (financial, customer, internal business process, and learning and growth) attained the level of good. IPH business performance needs some improvements to achieve the highest level of performance.*

Keywords: *IPH, balanced scorecard, perspectives, business performance*

INTRODUCTION

There are different ways to measure business performance of every company. Traditionally, the financial aspect of every company is one being measured, such as return on assets, return on investments, or other profitability ratios. Performance measurement does not only involve financial aspects but non-financial aspects as well. Kaplan and Norton (1992) offered a complete performance measurement system called balanced scorecard (BSC). BSC offered to measure all different perspectives of business performance. Balanced scorecard is globally used to measure such business performance. UK and U.S. use balanced scorecard in response to global competitiveness (Jusoh, Ibrahim and Zainuddin, 2008). There are some Indonesian companies, both private and public, implement this system for better evaluation and decision making. BSC is introduced as a management system strategy. The scorecard combines both long-term strategies and short-term strategies (Kaplan and Norton, 1992). Greater understands of company's environment may offer products and services which meet the expectations of the market (Goncalves, 2009). Once the company understands company's totality, the strategic vision of the company can anticipate future changes and needs.

Indonesia Publishing House (IPH) has been following the traditional system. Financial measures are preferred, such as profitability ratios and activity ratios. Financial ratios define IPH performance. Analyzing financial aspect does not convey that whole picture of the company. The overall performance is not being disseminated for a better decision making. Excellent performance or poor performance depends on the implementation of Balanced Scorecard (BSC). Gap exists when non-financial perspectives are not assessed simultaneously with financial perspective. The aim of

this study is to expand more on the analysis on non-financial performance. Exploring the other three perspectives (customer, internal business process, and learning and growth) in measuring business performance will contribute knowledge that can be used for future evaluations.

REVIEW OF RELATED LITERATURE

Indonesia Publishing House (IPH): An Overview

Indonesia Publishing House (IPH) is a publishing company managed and controlled by an Adventist organization. IPH prints and publishes books, tracts, and magazines for domestic market. Books, tracts, and magazines published are mostly about health, home, religious and other materials for motivation. Indonesia Publishing House (IPH), competitiveness in its publication lagged behind because of technological advancement and human capital issues. With recent technological advances, IPH need to make changes by being innovative, and creative.

Balanced Scorecard (BSC)

Balanced scorecard has been used widely across the world. The main reason why balanced scorecard is used is because it measures both financial and non-financial aspects. BSC can be used by all types of businesses in measuring business performance. Kaplan and Norton (1992) developed the BSC as a new tool including operational measures, as well as financial ones, for performance evaluation.

BSC provides a suitable framework that connects one strategy to another strategy. It links the vision, mission, and objectives of every organization. It facilitates the implementation of strategy. This idea is confirmed through a process that transparent the vision at the beginning and connect each individual performance to the strategy at the end and thus, both behavior and performance of employees are affected by the operational objectives resulted by strategy (Fooladvand, et al, 2015). Firms prefer to analyze business through BSC for it was found to be worthwhile (Rickards, 2007).

There are four perspectives to consider in BSC implementation, these are financial perspective, customer perspective, internal business process perspective, and learning and growth perspective. The first perspective is financial perspective. It focuses on financial measures and objectives. It measures the returns, the shareholder value, financial capability, income growth and minimizing costs or cost efficiency. Kaplan (2010) mentioned that it as a way figure out what sustain the shareholders and supports productivity, company's growth, and risk management. The second perspective is customers' perspective. It analyzes what the customers want and need. It emphasizes on what satisfies customer. Customer satisfaction is the central point and focus. It measures through an increase in customer satisfaction, increase in service quality, better image, and higher customer loyalty (Türüdüoğlu, et al. 2014). To satisfy customers, company must maintain the quality of product or service rendered. Loyalty

and increase number of customers an evidence of customer satisfaction. The third perspective is internal business process perspective. It measures the processes determined to achieve an effective strategy. Chavan (2009) explained that internal business process is assessed based on the develop products and services, delivery of products and services, and “post-sales” services. Internal business process adds value to the customers and shows procedures efficiency (Kairu, et al., 2013). And the fourth perspective is learning and growth perspective. It describes the employees’ welfare, the system that supports information and organizational goals (Kaplan, 2010). It measures employee performance, support system, and motivation. Following is the Balanced Scorecard (BSC) model by Kaplan and Kaplan (1992):

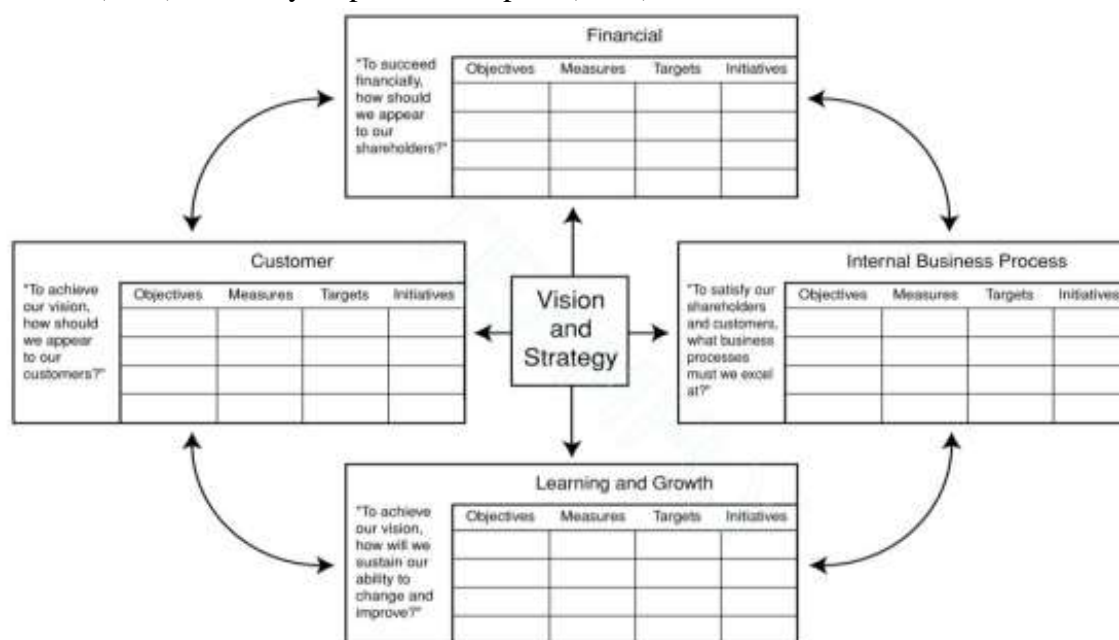


Figure 1 - Balanced Scorecard Model Kaplan and Norton (1992)

RESEARCH METHODOLOGY

In this research, the researcher used descriptive method wherein it focuses on the current situation, events or circumstances. Both primary (questionnaire) and secondary (literature) data were gathered. Questionnaire was designed in accordance with the balanced scorecard (BSC) perspectives. Data gathered were tabulated, analyzed, and interpreted. There were 30 respondents who had participated in this research.

RESULT AND DISCUSSION

Financial Perspective

Financial perspectives measure the financial aspect, maximizing profit and minimizing cost. IPH had obtained increase in operating income. For example, return on assets, return on equity, or return on investment.

Table 1 –Income Increased

| Level | Income Increased | Frequency | Percentage |
|-------|------------------|-----------|------------|
| 5 | Very High | 2 | 6,67 |
| 4 | High | 22 | 73,33 |
| 3 | Moderate | 5 | 16,67 |
| 2 | Low | 1 | 3,33 |
| 1 | Very low | | 0 |
| | Total | 30 | 100 |

Table 1 above shows the frequency of the respondents who had agreed on how the company obtains an income. There were 22 or 73.33% respondents who confirmed that the increase in income is high. The increase in income is due to increasing sales, thus return on assets, return on equity or return on investments also increase. Although the income increased, the company has to consider some other challenges such as online reading materials and the costly price of production materials. Eventually, there were 15 or 50% respondents, as shown in Table 2 below, confirmed that IPH have a high ability to minimize cost. There are certain costs to minimized, such as, the frequent trip to attend some meetings.

Table 2 – Ability to Minimized Cost

| Level | Ability to Minimized Cost | Frequency | Percentage |
|-------|---------------------------|-----------|------------|
| 5 | Very High Ability | 9 | 30 |
| 4 | High Ability | 15 | 50 |
| 3 | Moderate | 5 | 16,67 |
| 2 | Low Ability | 1 | 3,33 |
| 1 | Very Low Ability | 0 | 0 |
| | Total | 30 | 100 |

Since most of the respondents agreed about increased income and ability to minimized cost, this shows that the company's financial perspective is in capacity to sustain the ongoing operation, thus the result is good performance, as shown in Table 3.

Table 3 – Financial Perspective Average

| Perspective | Indicator | Result (Average) | Interpretation |
|-------------|---------------------------|------------------|------------------|
| Financial | Income increased | 3.8 | Good performance |
| | Ability to minimized cost | 4 | Good performance |
| | Total | 3.9 | Good performance |

Table 3 above shows the average result of each statement asked to each respondent. The average of 3.8 for income increased and 4 for ability to minimized cost indicates that the company showed good financial performance. Although there were some suggestions mentioned that it needs to push harder for bigger sales. The overall financial performance is good. As the company competes with other publishing company, the company maintains its financial strategies to sustain continuous business operations.

Customer Perspective

As the adage mentioned that “customer is a king” is apparently what the company wants to do, to treat each customer like a king. Satisfaction provided to customer’s increases loyalty of the customers.

Table 4 – Satisfaction provided to customers

| Level | Satisfaction provided to customers | Frequency | Percentage |
|-------|------------------------------------|-----------|------------|
| 5 | Always provide | 6 | 20 |
| 4 | Provide | 18 | 60 |
| 3 | Moderate | 4 | 13,33 |
| 2 | Sometimes Provide | 2 | 6,67 |
| 1 | Never provide | 0 | 0 |
| | Total | 30 | 100 |

Table 4 above shows the frequency of the respondents who had agreed on how the company satisfies customers. There were 18 or 60% respondents who mostly confirmed that IPH provide satisfaction to customers. Meeting the needs of the customers beyond customer’s expectations is the most wanted thing to be done. Quality of the product is one the most important thing to consider because a high quality has huge contribution to the profit generation. Likewise, the company must also produce product or render service that benefits the customers. As shown in Table 5 below, there were 12 or 40% respondents who confirmed that IPH sometimes provide benefits to customers. If there is no benefit provided to customers, it discourages customer loyalty and will have the tendency to transfer to another company.

Table 5 – Benefits provided to customers

| Level | Benefits provided to customers | Frequency | Percentage |
|-------|--------------------------------|-----------|------------|
| 5 | Always provide | 9 | 30 |
| 4 | Sometimes provide | 12 | 40 |
| 3 | Moderate | 7 | 23,33 |

| | | | |
|---|----------------|----|------|
| 2 | Rarely provide | 2 | 6,67 |
| 1 | Never provide | 0 | 0 |
| | Total | 30 | 100 |

In addition to customer's perspective is obtaining new customers. As shown in Table 6 below, there were 12 or 40% respondent who confirmed that IPH sometimes obtain new customers. The company has its own strategy on how to acquire new customers. It is through promotions or direct visit to their respective places.

Table 6 – Obtain new customers

| Level | Obtain new customers | Frequency | Percentage |
|-------|----------------------|-----------|------------|
| 5 | Always obtain | 10 | 33,33 |
| 4 | Sometimes obtain | 12 | 40 |
| 3 | Moderate | 6 | 20 |
| 2 | Rarely obtain | 2 | 6,67 |
| 1 | Never obtain | 0 | 0 |
| | Total | 30 | 100 |

The company must have enough attention to give to each customer. Each customer must be satisfied. The company must also provide benefits to each customer and continue to acquire customers for better generation of revenue.

Table 7- Customer Perspective

| Perspective | Indicator | Result (Average) | Interpretation |
|-------------|------------------------------------|------------------|------------------|
| | Satisfaction provided to customers | 3.9 | Good performance |
| Customer | Benefits provided to customers | 3.9 | Good performance |
| | Obtain new customers | 4 | Good performance |
| | Total | 3.93 | Good performance |

Table 7 showed that the company has considered the need of the customers. Rendering good service and producing high quality of products pave the way for obtaining new customers. The average result of 3.93 for all the statement falls indicates good performance.

Internal Business Process

Internal business process is the focus of this perspective. There are certain standards or controls to be followed in order to attain organizational goals. As shown

in Table 8, there were 19 or 63.33% respondents who had agreed to follow standards set by the company or management to be more specific. Standards are followed to maintain quality thus avoiding defective products.

Table 8 – Standards are followed

| Level | Standards are followed | Frequency | Percentage |
|-------|------------------------|-----------|------------|
| 5 | Strongly Agree | 9 | 30 |
| 4 | Agree | 19 | 63,33 |
| 3 | Neutral | 2 | 6,67 |
| 2 | Disagree | 0 | 0 |
| 1 | Strongly Disagree | 0 | 0 |
| | Total | 30 | 100 |

Internal business process talks more about quality and maintenance of the product sold or service rendered. There were 12 or 40 % respondents, as shown in Table 9, who agreed that there should be after-sales service. After-sales service is one way to ensure that customers have no worries about the product bought or service received.

Table 9 - Provides after-sales service

| Level | Provides after-sales service | Frequency | Percentage |
|-------|------------------------------|-----------|------------|
| 5 | Strongly Agree | 8 | 26,67 |
| 4 | Agree | 12 | 40 |
| 3 | Neutral | 9 | 30 |
| 2 | Disagree | 1 | 3,33 |
| 1 | Strongly Disagree | 0 | 0 |
| | Total | 30 | 100 |

As discuss above, the internal business process is relevant to the company. It brings forth value to the company. Table 10 below elaborates the average result of 4.05 for internal business process. The company performs well in following standards, with 4.2 average and 3.9 in providing after-sales service.

Table 10 – Internal Business Process Perspective

| Perspective | Indicator | Result (Average) | Interpretation |
|---------------------------|------------------------------|------------------|------------------|
| Internal Business Process | Standards are followed | 4.2 | Good performance |
| | Provides after-sales service | 3.9 | Good performance |
| | Total | 4.05 | Good performance |

The company must do well in business operations to materialize the need of the customers and to satisfy the need every customer thus increases profitability.

Learning and Growth

Learning and growth focuses on how the company makes changes and improvements for long-term value creation.

Table 11 - Conduct training

| Level | Conduct training | Frequency | Percentage |
|-------|-------------------|-----------|------------|
| 5 | Strongly Agree | 9 | 30 |
| 4 | Agree | 12 | 40 |
| 3 | Neutral | 6 | 20 |
| 2 | Disagree | 2 | 6,67 |
| 1 | Strongly Disagree | 1 | 3,33 |
| | Total | 30 | 100 |

Table 11 above shows the frequency of the respondents about conducting training. There were 12 or 40% respondents who mostly agreed about conducting training. Training is very important to employees. There were suggestions that IPH must put the right person on the right job. In addition, employees must be trained to gain skills and knowledge about “know-how”. Adequate training makes employees’ work with quality.

Table 12 - Improve the ability on information system

| Level | Improve the ability on information system | Frequency | Percentage |
|-------|---|-----------|------------|
| 5 | Strongly Agree | 8 | 26,67 |
| 4 | Agree | 14 | 46,66 |
| 3 | Neutral | 5 | 16,66 |
| 2 | Disagree | 3 | 10 |
| 1 | Strongly Disagree | 0 | 0 |
| | Total | 30 | 100 |

Equip every employee with technological advantage. As shown in Table 12 above, there were 14 or 46.66 respondents who mostly agreed about improving the ability on information system. Technological advancement is highly need to provide a better product or service.

Table 13 - Implementation of activities for motivation

| Level | Implementation of activities for motivation | Frequency | Percentage |
|-------|---|-----------|------------|
| 5 | Strongly Agree | 8 | 26,67 |
| 4 | Agree | 20 | 66,66 |
| 3 | Neutral | 1 | 3,33 |
| 2 | Disagree | 1 | 3,33 |

| | | | |
|---|-------------------|----|-----|
| 1 | Strongly Disagree | 0 | 0 |
| | Total | 30 | 100 |

Motivating employees requires some techniques. The company shall implement activities to motivate the employees. Table 13 shows that there were 20 or 66.66% respondents, who, mostly agreed about implementing motivations. It is not only about money but how to appreciate the hard work and effort of the employees.

Table 14 - Implementation of activities for moral growth

| Level | Implementation of activities for moral growth | Frequency | Percentage |
|-------|---|-----------|------------|
| 5 | Strongly Agree | 7 | 23,33 |
| 4 | Agree | 18 | 60 |
| 3 | Neutral | 4 | 13,33 |
| 2 | Disagree | 1 | 3,34 |
| 1 | Strongly Disagree | 0 | 0 |
| | Total | 30 | 100 |

Boosting the moral of the employees is another requirement for learning and growth. Table 14 shows that there were 18 or 60% respondents, who, mostly agreed about the implementation of activities for moral growth. Giving incentives may do so and considering work's condition is also helpful.

Table 15 – Learning and Growth Perspective

| Perspective | Indicator | Result (Average) | Interpretation |
|---------------------|---|------------------|------------------|
| Learning and Growth | Conduct training | 3.86 | Good performance |
| | Improve the ability on information system | 3.9 | Good performance |
| | Implementation of activities for motivation | 4.16 | Good performance |
| | Implementation of activities for moral growth | 4.03 | Good performance |

Table 15 above shows the average result of each indicator. All the indicators fall under the range good performance. The company has been implementing activities to make the employees learn and grow. Only that there are employees, sometimes, resist to accept changes. Too dependent with traditional ways lessens the value of learning and growth perspective.

CONCLUSION AND IMPLICATION

Balanced scorecard (BSC) is a worth it method to measure business performance as a whole, its financial aspect and no-financial aspect. The balanced scorecard of IPH shows that it has been performing well (Table 16), but it needs more strategies to attain an excellent performance. These strategies include innovation, increase the number of customers, publish new books or new reading materials.

Table 16 - The Balanced Scorecard Summary

| Perspective | Indicator | Result (Average) | Interpretation |
|---------------------------|---|------------------|------------------|
| Financial | Income increased | 3.8 | Good performance |
| | Ability to minimized cost | 4 | Good performance |
| | Total | 3.9 | Good performance |
| Customer | Satisfaction provided to customers | 3.9 | Good performance |
| | Benefits provided to customers | 3.9 | Good performance |
| | Obtain new customers | 4 | Good performance |
| | Total | 3.93 | Good performance |
| Internal Business Process | Standards are followed | 4.2 | Good performance |
| | Provides after-sales service | 3.9 | Good performance |
| | Total | 4.05 | Good performance |
| Learning and Growth | Conduct training | 3.86 | Good performance |
| | Improve the ability on information system | 3.9 | Good performance |
| | Implementation of activities for motivation | 4.16 | Good performance |
| | Implementation of activities for moral growth | 4.03 | Good performance |
| | Total | 3.98 | Good performance |

Based on additional inquiry with the respondents, it was suggested that IPH must execute strategies that would improve the four (4) perspectives. On the financial aspects, accounts receivable must be collected promptly to sustain day to day operations. Also, sales people must exert extra effort to find potential customers. Implement strategies to innovate, to increase the number of customers, to publish new books (e-books) or new reading materials and other strategies for the improvement of IPH itself.

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