

IMPLEMENTATION OF BALANCED SCORECARD TO ACHIEVE THE COMPANY'S STRATEGIC OBJECTIVES

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ABSTRACT

The company's strategic objectives play a vital role in directing the company towards the desired achievement and planning the steps to achieve it. Clarity of corporate objectives supported by commitment to them can lead to significant performance improvements, in contrast to providing objectives that are vague or too general. The process of achieving these goals involves monitoring through performance measurement. One effective performance measurement method is using the Balanced Scorecard, which combines financial and non-financial aspects of the company. The purpose of this study is to analyze the application of the Balanced Scorecard to achieve the company's strategic goals. The research method used is qualitative, with data collection techniques through literature studies. The collected data were then analyzed through three stages, namely data reduction, data presentation, and conclusion drawing. The results showed that the use of Balanced Scorecard (BSC) can effectively assist the company in achieving its strategic goals. Good linkages between financial, customer, internal business, and growth and learning perspectives can produce optimal performance both in terms of financial and non-financial aspects for the company. The BSC approach focused on improving company performance not only encourages improvement in financial aspects, but also becomes the basis for evaluating the company's strategy to achieve continuous improvement.

KEYWORDS Balance Scorecard, Strategic Objectives, Company



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INTRODUCTION

The company's strategic goal is a clear picture of the desired long-term achievement, by formulating what it wants to achieve and planning how to achieve it, the company can form a road map to success. According to consulting firm McKinsey & Company, setting goals is critical to a company's success. They argue that having clear goals can help motivate employees, improve decision making and

How to cite: Robertus Maria Bambang Gunawan (2024). Implementation of Balanced Scorecard to Achieve The Company's Strategic Objectives. *Journal Eduvest*. 4(3), 818-826
E-ISSN: 2775-3727
Published by: <https://greenpublisher.id/>

ensure that resources are allocated clearly (Syahputra, 2023). This means that providing clear goals and supported by a commitment to those goals can lead to better performance improvements, as opposed to providing goals that are less clear or too general.

Research conducted by (Fauzi & Locke, 2012) concluded that setting goals or targets as a way to motivate human resources is based on five main principles, involving clarity, challenge, commitment, feedback, and complexity of tasks related to those goals. In the process of setting goals, companies can formulate target achievements both in the short and long term. This provides employees with an understanding of the steps that must be taken to achieve these goals, with then the results can be monitored through performance measurement (Susanto, 2014).

Performance measurement is a description of the level of achievement of an activity, program, or policy in achieving the goals, objectives, mission, and vision of the company listed in the company's strategic objectives. The objectives of performance measurement can be described as follows, to determine the level of achievement of organizational goals, provide learning tools for employees, improve performance for the next period, provide motivation to employees, create public accountability, and provide systematic consideration (Tyas, Nabilah, Puspita, & Syafitri, 2015).

One method of performance measurement that can be used is the Balanced Scorecard method, which combines four perspectives, including one financial perspective and three non-financial perspectives, namely customers, internal business processes, and learning. Through this approach, valuation can consider a variety of factors, allowing companies to make more informed strategic decisions. The Balanced Scorecard provides an early indication of the company's success and failure holistically, thus, the company can respond to changes more quickly through corrective actions and reduce risks that may arise (Diana Riyana, 2017).

Previous research by (Galib & Hidayat, 2018) who analyzed company performance using the Balanced Scorecard approach at PT Bosowo Propertindo. The results showed: (1) The achievement of the balanced scorecard in 2017 was 3,195 this value shows that the achievement of the target achieved by the company is slightly higher than the target that has been set. (2) Key Performance indicator (KPI) determined by PT. Bosowa Propertindo in 2017 is (a) Financial perspective consisting of Profitability index, Return on Capital Employed, Return on Investment, Current Ratio reaching a cumulative balanced Scorecard score value of 1.475 (b) Customer Perspective which is carried out by analyzing customer satisfaction consisting of physical evidence, reliability, responsiveness, assurance and care reaching a BSC cumulative score value of 0.75 (c) Internal Business Process Perspective consisting of innovation ratio and compliance ratio reached BSC cumulative score of 0.85 (c) Growth and learning perspective consisting of employee satisfaction, number of employees attending education and training, education and training costs, implementation time.

Another study by (Islamidina & Fitriah, 2022) which analyzed the application of Balanced Scorecard in improving managerial performance at Matahari Department Store Tbk. The results showed that the application of Balanced Scorecard at Matahari Department Store Tbk has been implemented Very

Good and Managerial Performance at Matahari Department Store Tbk is included in the Very Good criteria, so the application of balanced scorecard can improve managerial performance at Matahari Department Store Tbk.

The novelty of this study lies in the analysis of the Application of Balanced Scorecard to achieve the company's strategic goals. The focus of this research is to provide a deeper understanding of the use of company performance measurement in achieving its strategic goals. Research on the application of the Balanced Scorecard (BSC) to achieve the company's strategic objectives has significant relevance in increasing understanding of BSC, increasing the effectiveness of BSC use, enriching knowledge, increasing the level of accountability, and overcoming various challenges that may arise. The main objective of this research is to make a positive contribution by assisting companies in developing and implementing Balanced Scorecards more effectively for performance measurement, so as to improve performance and achieve the company's strategic goals.

RESEARCH METHOD

This research uses qualitative research methods that are descriptive. According to (Adlini, Dinda, Yulinda, Chotimah, & Merliyana, 2022), qualitative research is a research approach that aims to understand reality through an inductive thinking process. In this study, researchers are involved in the situation and setting of the phenomenon under study, focusing on understanding reality or events in a specific context. The main goal of qualitative research is to understand social phenomena or symptoms by placing emphasis on a complete picture of the phenomenon, rather than breaking it down into interrelated variables. Meanwhile, the data collection technique applied in this study is a literature review (library research), where researchers collect related materials from various sources such as books, journals, scientific articles, literature, and mass media reports. This process involves the description and description of data, which is then analyzed through data reduction and presented in descriptive form. From the results of the analysis, researchers can conclude about the application of the Balanced Scorecard in achieving the company's strategic goals.

RESULT AND DISCUSSION

In this era of globalization full of competition, companies are required to have a clear and measurable strategy to achieve the company's competitive advantage. The success of a company in achieving competitive advantage is determined by its ability to continuously make improvements in its internal business processes. Companies that have a competitive advantage by making improvements to the strategic planning of their business processes will produce quality products or services at competitive prices, so that the company has high competitiveness and advantages over its competitors (Nugrahayu & Retnani, 2015).

Strategic planning is defined as a long-term plan that includes the company's action steps for a longer period of time. Strategic planning is designed in order to produce a well-structured long-term plan and is used to determine the company's strategic goals and achieve the company's goals (Haq, 2014). In implementing the

right strategies, managers also need to manage these strategies effectively to ensure the continuity of the company. Strategy is the effort and steps that the company uses to achieve predetermined goals. Business strategy is a reference and guideline for companies to compete and survive (Wibowo, Handayani, & Lestari, 2017). Managers, as decision makers in the company, play an important role in preparing and managing strategies to ensure the company can remain competitive at the global level by reviewing the principles that have been used in the company or by measuring company performance.

Company performance measurement has an important role in ensuring that the strategies implemented are in line with the company's vision and mission. According to (Yuwono, 2022) performance measurement is a measurement action carried out on various activities in the value chain in the company. The measurement results are then used as feedback that will provide information about the performance of the implementation of a plan and the point at which the company requires adjustments to planning and control activities (Budiasih, n.d.). In measuring company performance, it is recommended to use a variety of integrated performance measures, one of which is using a balanced scorecard.

The concept of Balanced Scorecard, hereinafter abbreviated as BSC, has been used since it was first introduced by Robert S. Kaplan and David P. Norton in 1990. Initially, this concept was developed to improve the executive performance measurement system which previously only focused on financial aspects (Witanti & Hadiana, 2016). BSC's performance measurement approach provides an advantage over conventional performance measurement because it includes an assessment of both financial and non-financial aspects. The assessment of company performance from the financial aspect alone is not enough to represent whether or not the performance of a company is good. This is because financial measures do not provide a real picture of the state of the company, because they do not pay attention to other things outside the financial side. Though the non-financial aspect provides a real picture of the state of the company (Fitria, 2014).

According to (Widaningrum & Kabul, 2014) BSC is a card used to measure performance by paying attention to the balance between financial and non-financial sides, between short and long term and involving internal and external factors (Khaerudin, 2018). Another opinion as explained by (Soleh, 2019) scorecard or scorecard is used to compare the actual results of company performance with the score that the company wants to achieve. Whether the actual performance result is less than or more than the score to be achieved.

There is a relationship between BSC and the strategic objectives achieved by the company, according to (Gaspersz, 2001) emphasizing that BSC is not only an operational or technical measurement system. According to him, BSC is a management concept that has a key role in translating corporate strategy into concrete actions. Furthermore, the innovative use of BSC is considered as an effective strategic management system, capable of managing corporate strategy around the clock (Singgih & Sulistyono, 2020). The application of performance measurement methods with BSC has been successfully proven in management strategies in various companies. This approach proves its usefulness in achieving

company goals both in the short and long term through an integrated performance measurement mechanism (Khaerudin, 2018).

BSC is defined as a business performance measurement tool that is able to create a balance between various components owned by the company through four main perspectives. These perspectives include a financial perspective, a customer perspective, an internal business process perspective, and a growth and learning perspective. The relationship between these four perspectives is the key to success, where good integration between one perspective and another can provide results in the form of performance both in financial and non-financial terms for the company (Sadikin, 2020). The following is an explanation of the four perspectives in (Soleh, 2019), namely:

1. Financial perspective

This perspective pays attention to financial indicators such as revenue, net profit, and return on capital. The focus is to describe whether the organization is successfully achieving financial goals and providing added value to shareholders. Financial performance evaluation involves two basic approaches, namely revenue growth and productivity. Measuring performance against finance, the company can assess whether its strategy and implementation have increased value for shareholders.

2. Customer perspective

This perspective focuses on customer satisfaction and the organization's ability to meet customer needs and expectations. The indicators used include customer satisfaction level, market share, and customer retention rate. The emphasis on customers helps companies to understand the extent to which the products or services offered meet customer expectations and contribute to business growth through customer trust and loyalty.

3. Internal business perspective.

Highlighting the efficiency and effectiveness of an organization's internal processes, this perspective identifies key indicators related to the processes that produce a product or service. The measured aspects involve innovation, quality, and productivity. Through a focus on internal business, companies can ensure that their operations run efficiently and effectively, supporting the achievement of financial goals and customer satisfaction.

4. Growth and learning perspectives.

This perspective measures an organization's ability to learn, adapt, and improve its capabilities. Aspects covered involve employee development, knowledge management, and innovation capabilities. Increased capabilities and learning within the organization are key to achieving long-term growth and ensuring sustainability in the face of the changing business environment.

The implementation of BSC has benefits to achieve the company's strategic goals, this is because the implementation of BSC allows company managers to measure 2 things. First, how their current business units create value, while still considering future interests. It includes evaluating current performance from multiple perspectives, including financial, customer, internal business processes, and growth and learning. Both BSCs allow managers to measure the investments they have made in the development of human resources, systems, and procedures.

Whether this investment can be directed to improve performance in the future (Fahrudin, 2020).

In addition, BSC's approach that focuses on improving company performance, encourages financial performance to increase also in the end if the company's performance increases. Therefore, the key to success lies in the need for the company to have a strong measurement and management system. The implementation of BSC is one of these keys, because the company's performance measurement includes non-financial indicators as the main indicator and financial indicators as a result to measure the company's progress in driving future performance (Suarni, 2013).

To maximize the benefits of performance measurement by BSC to achieve the company's strategic goals, strategic steps are needed in its implementation. Here are the steps as mentioned by Rangkuti (2011) in (Kumalasari, 2016):

1. Formulate the company's mission, values, vision, goals, and strategies.

This step is the main basis for determining relevant perspectives for BSC. Formulating the company's mission, values, vision, goals, and strategy helps identify the focus needed to measure overall performance.

2. Determining perspective.

The selection of perspectives should reflect the company's strategy well. These perspectives cover aspects of finance, customers, internal business processes, and growth and learning.

3. Formulate strategic objectives (objectives)

Strategic goals must be clearly formulated and support the achievement of the company's vision, mission, values, goals, and strategies. This goal provides direction for performance measurement to be carried out.

4. Determining strategic sizing (measures)

It is important to define a strategic measure consisting of outcome measures or lag indicators and performance driver measures or lead indicators to measure the success of achieving strategic goals. It provides guidance on what should be measured to assess performance.

5. Define targets.

Setting targets for each strategic measure aims to enable evaluation of desired achievements. These targets provide parameters for evaluating the extent to which strategic objectives have been achieved.

6. Formulate strategic initiatives.

Strategic initiatives should be formulated to support the achievement of strategic objectives, involving concrete steps to be taken to improve performance.

7. Implementasi Balanced Scorecard

This entire process is then implemented through the implementation of the Balanced Scorecard. This involves effective communication, organization-wide involvement, and management's active role in implementing and overseeing the BSC.

The implementation of the Balanced Scorecard (BSC) performance appraisal system is considered very important to be understood by all stakeholders, especially because this assessment produces information on aspects that need to be improved, development opportunities, and obstacles that need to be overcome so that the

company's performance improvement can be achieved sustainably. In addition, the implementation of BSC also provides a reference for individual performance appraisal, so that each individual is expected to understand the culture of continuous improvement as an individual and company principle (Widaningrum & Kabul, 2014).

Through the involvement of all parties in performance appraisal based on the concept of Balanced Scorecard (BSC), there is an evaluation of the principles that have been applied in the company. This measurement process provides an in-depth understanding of the effectiveness of the company's strategy and performance. Furthermore, the results of these performance measurements are used as a basis for improvement. Understanding the aspects that need improvement, the organization can identify development opportunities and address obstacles that may hinder the achievement of strategic objectives. Through appropriate corrective actions, companies can improve operational efficiency, product or service quality, and responsiveness to customer needs. The long-term impact of this process is expected to be able to realize the strategic objectives set by the company. This process ensures that the company continues to evolve and adapt to the ever-changing business environment.

CONCLUSION

The implementation of the Balanced Scorecard (BSC) proved to be an effective tool in helping the company achieve its strategic goals. The BSC method is used in the measurement of company performance, where the results of the measurement serve as feedback that provides information regarding the extent to which the implementation of the plan has achieved achievements and where points of adjustment are needed in the planning and control of the company's activities. BSC's performance measurement approach includes an assessment of both financial and non-financial aspects. Good linkages between financial, customer, internal business, as well as growth and learning perspectives are the keys to achieving optimal performance both in financial and non-financial terms for the company. BSC's approach that focuses on improving performance not only drives growth in financial aspects, but also serves as a basis for evaluating the company's strategy to achieve continuous improvement. To maximize the benefits of performance measurement through BSC to achieve the company's strategic goals, strategic steps are needed in its implementation. The implementation of the Balanced Scorecard (BSC) performance appraisal system is considered very important to be understood by all stakeholders, by involving all parties in performance evaluation based on the BSC concept, companies can evaluate the principles that have been applied. Through appropriate corrective actions, companies can improve operational efficiency, product or service quality, and responsiveness to customer needs so as to achieve the desired strategic objectives.

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