

PERFORMANCE MEASUREMENT OF MANAGEMENT STUDY-PROGRAM BASED ON BALANCED SCORECARD FROM STUDENTS' PERCEPTION

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Abstract

Performance measurement is a method or instrument used to record and assess any achievement of an action based on goals, objectives, and strategies, so progress of an organization could be known and its accountability and quality of decision-making could be improved. In contrast, executives are likely to ignore non-financial performance, such as customers' satisfaction, process of productivity and cost-effectiveness used to produce goods and services, and employees' empowerment and commitment in providing the goods and services for consumers' satisfaction. Problem of this research is how the Performance of Management Study Program in Bandar Lampung University based on balanced scorecard from students' perception is. Therefore, this study aims to investigate the performance perceived by students derived from balanced scorecard. The research used literature study. Its outcome showed that the performance of the Management Study Program in 2013 perspective, in general, is pretty good.

Keywords: Performance and Balanced Scorecard

1. INTRODUCTION

1.1 Background

Performance is an overview of achievement levels of an action, program or policy in achieving goals, objectives, mission and vision of an organization, which are stated in its strategic planning. The term *performance* commonly refers to achievements or success rates of an individual or group of individuals. The performance could be known if only the individual or group have predetermined criteria of success. The criteria involve goals or specific targets to be achieved.

According to Lohman (2003), performance measurement is an activity assessing achievements of specific targets derived from an organization's strategic objectives. Whittaker (in BPKP, 2000) explains that performance measurement is a management instrument used to improve quality of decision making and accountability. Simons (in BPKP, 2000) states that performance measurement helps managers in monitoring an implementation of business strategy with comparing actual results to strategic goals and objectives. Hence, performance measurement is a method or instrument used to record and assess any achievement of an action based on goals, objectives, and strategies, so progress of an organization could be known and quality of accountability and decision making could be improved.

Traditionally, performance measurement is to monitor business performance and to diagnose problem reasons. Amaratunga and David (2002) state the main function of performance measurement system is to control operations of an organisation. In the traditional model of feedback, managers set performance with monitoring outputs and adjusting inputs to achieve a target, compared to control a task with considering all data elements to describe status of a system (Bond 1999).

Related to operational management, Radnor and Barnes (2007) define performance measurement as a process quantifying inputs, outputs, and levels of an activity of a process. Wibisono (1999) states that performance measurement in manufacturing firms on operational-management level could be divided into three types: 1) measurement of tactical performance (competitive priorities), 2) measurement of operational performance (manufacturing tasks), and 3) measurement of strategic performance (resource

availability). In the same notion, Craig and Grant (2002) explain that a competitive advantage of an organisation is supported by resources' capability and organizational routines.

In line with the experts' opinion on performance measurement, it is concluded that performance measurement is a periodic assessment system towards performance of employees, who supports their organization's goals or their duties. The measurement process is conducted with comparing employees' performance to predetermined standards, or comparing the performance of employees who have similar duties (Sami'an 2008).

Measurement system implemented by a company has an enormous impact on human behaviour either inside or outside the organization. Hitherto, a measurement system of business performance merely focuses on financial aspects. Accounting is also known as "business language". Kaplan, et al. (2000: 19) argue that executives tend to ignore non-financial performance, such as customers' satisfaction, process of productivity and cost-effectiveness to produce goods and services, and employees' empowerment and commitment in providing goods and services for consumers' satisfaction.

Instruments of financial performance are used by a company to measure executives' performance are no longer adequate, because the measurement system of executives' performance only focuses on the financial aspects, which would be misleading with sacrificing long-term interests.

Measurement of financial aspects alone was not reasonable. People also require information on operational performance. It is obvious that a single measurement is no longer sufficient. It is like a driver who does not only need a gas indicator, but also a pointer of speed, engine temperature, and engine speed.

Study program is an organization engaged in the academic world, a measurement of its performance is vital. Its performance assessment does not involve only financial aspects, or consumers' satisfaction. Outcomes from the kind of assessments would be misleading. A good performance, currently, is achieved at the expense of other stakeholders' interests and long-term importance.

1.2 Problem

In line with the background above, problem of this study is as follows: how is performance of Management Study Program in Bandar Lampung University based on Balanced Scorecard from students' perception?

1.3 Purpose

Objective of the study is to investigate performance of Management Study Program in Bandar Lampung University based on Balanced Scorecard from students' perception.

2. CONCEPTUAL FRAMEWORK AND HYPOTHESES

2.1 Conceptual Framework

Balanced Scorecard (BSC) is a right choice for more objective assessment of university or study program performance. BSC can be applied to manufacturing, trading, or service companies, and public sector organisations. BSC as a system of performance measurement comprehensively combining financial and non financial aspects is used to evaluate short-term and long-term performance, both internal and external agencies. In this case, BSC was applied in the performance measurement of Management Study Program in Bandar Lampung University from students' perceptions.

BSC is a new framework integrating measures derived from a strategy. With retaining financial measures of the previous performance, BSC introduced additional drivers involving consumers, internal business processes, and perspectives of learning and growing.

2.2 Hypothesis

In this study, the proposed hypothesis is as follows: Application of Balanced Scorecard in Management Study Program of Faculty of Economics, Bandar Lampung University, from the Students' Perceptions, is good.

3. DISCUSSION

3.1 Performance Measurement with Balanced Scorecard

Kaplan and Norton (1992) say that a system of performance measurement strongly affects performance and behaviour of individuals in a company. Kaplan and Norton formulate a concept of performance measurement called Balanced Scorecard (BSC). BSC is used to balance production and attention of executives to financial and non-financial performance, along with short-term and long-term

performance. The study outcome was published in the article titled “The Balanced Scorecard-Measures: That Drive Performance” in Harvard Business Review (January-February 1992). They concludes that to measure executives’ performance requires comprehensive degrees including four perspectives: finance, customer, process, and learning-growing. Those sizes are named Balanced Scorecard. This method is considered quite comprehensive to motivate executives to achieve good performance in the four sides, eventually to realise sustainable success of their company.

With expanding the executives’ performance size to non-financial performance, their performance measure becomes comprehensive. BSC broadens executives’ performance to four perspectives: finance, customers, processes, and learning-growing. From the BSC approach, financial performance generated by the executives should be a result of an accomplishment of satisfying customers’ needs, an implementation of productive and cost-effective process, and (or) an empowerment of productive and committed workers.

Figure 2.1 illustrates expansion of executive performance measures, which previously focused on financial measures. With the BSC approach, executives’ performance measures are extended to non-financial perspectives: customer, process, and learning-growing. The performance of the executives in the financial perspective is measured using four different measures: (1) Economic Value Added (EVA), (2) revenue growth, (3) asset utilization (measured by asset turnover), and (4) significantly reduced costs (measured by cost-effectiveness).

The executives’ performance from their customers’ perspective was measured with three instruments: (1) number of new customers, (2) number of customers who become non-customers, and (3) timeliness of customer service. In the process perspective, the executives’ performance is measured using three instruments: (1) cycle time, (2) on- time delivery, and (3) cycle effectiveness. In the learning and growing perspective, the executives’ performance is measured by two measures: (1) skill coverage, and (2) work life quality.

PERSPECTIVE	COMPREHENSIVE EXECUTIVE PERFORMANCE MEASURES		
FINANCE	Revenue Growth	EVA Asset Turnover	Cost Effectiveness
CUSTOMER	Number of New Customers	Number of Customers Who Become Non-Customers	Timeliness of Customer Service
PROCESS	Cycle Time	On-Time Delivery	Cycle Effectiveness
LEARNING AND GROWING	Skill Coverage Ratio	Quality Work Life Index	

Figure 2.1 Balanced Scorecard Approach for Expansion of Executive Performance Measures to Non-Financial Perspective

Source: Mulyadi (2007: 6)

3.2 Data Analysis

Technique of data analysis is a processing of previously collected data. Data analysis has to be appropriately decided to provide valid and accurate outputs. In this study, data are qualitatively analysed.

Qualitative methods analyse a problem to find out a resolution with a case study. Case study is a integrative and comprehensive technique of data collection. *Integrative* means using a variety of approaches and *comprehensive* means that collected data completely cover all aspects of an individual. Yin (2003) gives three principles to analyse a case study, namely:

a. Matching Patterns

This technique compares an empirical pattern to a predicted pattern (or with several alternative predictions) on a conceptual framework. If the patterns are matched, the results would help strengthening the internal validity of a case study and reinforcing the framework.

b. Establish An Explanation

Purpose of this technique is to analyse data of a case study with creating an explanation on the case, which explicates existing relationships. This procedure is relevant for an explanatory case study. On the other hand, for an exploratory case study, this procedure is commonly applied for generating processes of propositions, not conclusions. It develops research ideas. Then, in many existing studies, this technique builds an narrative explanation. However, because the narrative cannot be carefully completed, the case study is better to reflect a theoretical explanation.

c. Logical Model

This model can determine a complex sequence of events continually. The events have stages of causal repeated patterns, where the events are dependent variables of the early stages and become independent variables (causal events) on the late stages. Use of logical model as an analytical technique involving empirical matching of observed events with theoretically predicted events. In this study, this model describes a logical series of business (sub)-components.

BSC has applied in business affair for long time. In this case, BSC is implemented in an academic situation. Therefore, customers' perspective means students'. Vision and mission of a university are recognised as organizational goals. The university must decide indicators and criteria of success. BSC will provide basic elements of a strategy with a series of performance indicators for ensuring an appropriate action with strategic aims.

Vision of Management Study Program, Faculty of Economics, Bandar Lampung University in 2020 is "being the best management study program in the world to locally improve the quality of human resources".

Its meaning is that the Management Study Program is becoming the best one in the field of Management with local-based wisdom. Its activities always lie on this motto: "think global, act local."

The vision of the Management Study Program is translated into the following mission:

1. Vision component: "To be the best management study program in the world", is translated as follows:
 - a. Gaining knowledge in the study of Management, based on local wisdom of Lampung.
 - b. Improving the quality of Management Study Program.
 - c. Locally, nationally, and internationally sharing knowledge in the study of Management, based on local wisdom of Lampung.
2. Vision component: "Locally improving quality of human resources", is explained as follows:
 - a. Human recourses with student targets: providing industry-based education in Lampung supported by information technology to produce work-ready graduates with high qualification in Management.
 - b. Human recourses with student faculty, and researchers' targets: conducting research and contributing in the study of Management to bring innovations and support communal developments in Lampung.
 - c. Human recourses with targets to communities in Lampung: organising programs for Lampung community service focusing on Management.

The results on 100 respondents in Management Study Program, Faculty of Economics, Bandar Lampung University, are illustrated in the following.

1. Satisfaction (G)
75 people said they were satisfied with the course; there are only 25 people who were not satisfied.
2. Financial (I)
A total of 63 people said they were satisfied with the tuition fees at the study program, while 37 people were not satisfied.
3. Internal Process (F)
78 people stated they were satisfied with the internal processes (courses) at the study program, 22 people were not satisfied.
4. Learning and growth (C)
67 people said they were satisfied with the learning and growth implemented by the study program, and 33 people who are not satisfied.

4. CONCLUSION

Corresponding to the discussion, the writers conclude some points

1. Formed performance indicators (key performance indicators) are as follows:
 - a) Setting acts of quality control and community-learning activities
 - b) Creating and developing social-based learning programs along with the local wisdom of Lampung.
 - c) Integrating teaching and learning activities and course documentation with the information system of the study program.
 - d) Efficiently, effectively, and intensely improving knowledge, skills, character, and qualification of graduates.
 - e) Improving quantity and quality of research in the study of Management, both individual and collaborative researches, which intend to present innovations and contributions to (semi)-micro business and various public welfares in Lampung.
 - f) Instigating program of social development abased on the local wisdom of Lampung province, supported by stakeholders and integrated with learning processes in the study program.
2. Performance of Management Study Program, Faculty of Economics, Bandar Lampung University in 2013, form the students' perception derived from the four instruments (finance, customers, internal business processes, and learning-growth) is quite good overall.

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