

DESIGNING A COMPANY PERFORMANCE APPRAISAL SYSTEM WITH THE BALANCE SCORECARD METHOD

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Abstract

Intense competition does not look at the size of a company, in order to be productive and innovate, requires the role and task of resources in the business field that lie in the ability to act according to the company's targets. Human resources have a very crucial role in a company. Without human resources, the company will not be able to run well in achieving its goals. Human Resource Management in its operation requires performance that must be developed, especially for service industries and services supported by the design of a measurable employee performance assessment system by applying the Balanced Score Card method. Companies certainly want steps and strategies in implementing the design of a performance appraisal system in an effort to maximize the company's role in order to run and compete competitively. The purpose of this research is to determine the design of a service company performance appraisal system using the Balanced Scorecard approach. The population and sample in this study are the Tribuana 1 Cooperative Primary Company. The method in this study is a *qualitative descriptive* approach using interviews and observations. The result of this research is the design of a Performance Appraisal system based on four perspectives contained in the *Balanced Scorecard*, the first is the financial perspective, which is used as a basis for the consequences of economic actions. The second perspective, the customer perspective, is a market segment where companies must adjust the level of satisfaction, loyalty, retention, and customer acquisition. The third perspective is the perspective of internal business processes, carrying out the process of measuring and innovating products to have added value, the fourth perspective is the perspective of growth and development, improving the quality of results, productivity and improving resource welfare.

Keywords: *Balanced Scorecard*; Human Resource Management; Performance Appraisal

I. INTRODUCTION

The study of human resources and organizations today is very widespread and varied from various points of view in the fields of science, such as sociology, economics, psychology, engineering, management and so on. Therefore, there are several theories and perspectives on human resources and organizations. An organization is synonymous with a structured and systematic group of individuals residing in a system [1]. Organizations can be formed because they have the design of a good performance appraisal system that can spur and create a framework for competitive and competitive resource management activities [2][3].

The rapid development of technology and information systems turned out to be very influential on the activities of the company's human resource management system. Every organization is required to have a performance appraisal with a better human resource system in achieving the organization's vision and mission. Performance is defined as the results of job functions or activities of a person or group in an organization that are influenced by various factors to achieve organizational goals in a certain period of time [4]. To find out the level of employee performance, the company must conduct a performance appraisal. According to Bayu Hidayat [5], *performance appraisal* is basically one of the key factors to develop an organization effectively and efficiently because of the policy or program of job performance appraisal. The purpose of performance appraisal is to produce accurate and authentic information about the company's performance, so that the greater the potential value for the company [6][7]. In handling company performance, it is necessary to design a performance appraisal system by applying the *Balance Score Card method*.

The term Balanced Scorecard evolved along with the development of the application of the concept. Balanced Scorecard comes from the words scorecard and balanced. In its early stages of experimentation, Balanced Scorecard is a scorecard used to calculate the value of human resource performance measurement [8]. Through this scorecard, the scores that resources want to realize in the future are linked to actual performance achievements [9]. Furthermore, the results of the assessment are used to improve ability. The word balanced means that the performance of human resources is assessed in a balanced manner from an economic perspective, a consumer perspective, an internal business process perspective, and a learning and development perspective

[10][11]. These perspectives are the basis for designing a performance appraisal system. Then the company is free to determine benchmarks for each perspective according to the concepts applied to the company.

Problem Formulation

In achieving the company's profit target according to its vision and mission, the efforts made in this case are in the form of designing a performance system in accordance with the background above, the company must take steps to solve problems in the implementation of the implemented methods, namely :

1. What is the perspective of what steps the company takes to design a performance system?
2. How to design a company performance system with the *Balance Scorecard* method?

Research Objectives

The research objectives to be achieved in this study are:

1. Determine the perspective of step steps to design the company's performance system.
2. Designing a company performance system with the *Balance Scorecard method*

Research Uses

The uses of this study are:

1. As a guideline for industry or companies in planning a performance appraisal system to improve the company's existence.
2. As a scientific development, especially related to human resource management which can be started from theoretical to implementation in the company.

II. RESEARCH METHODE

The steps taken in the research stage are:

Preliminary Study

The Preliminary Study conducted includes literature studies and observations carried out. Preliminary studies are conducted with the aim of knowing more about the necessary information and to determine in which direction the research is carried out. In this study researchers look for references, concepts, generalizations that can be used as a theoretical basis for the research conducted.

The approach in this study is a *qualitative descriptive* approach that provides an overview of a particular problem, where there is already a picture of the events that occur, but it is inadequate, so a more detailed explanation is needed, in order to provide maximum performance for the company [12][13][14]. To make up for the limitations of such information, researchers conducted a survey, which was obtained through interviews in the field.

Data Collection

The data to be used is data on the sequence of criteria – criteria to improve HR performance in the company. At this stage will also be described about:

A. Data Primary

Primary data is a data source obtained directly from the first hand. Primary data in this case is obtained through:

- 1) The questionnaire is a series or list of questions that are arranged systematically, then distributed to respondents to be answered. Forms of questions such as criteria, sub-criteria and alternatives are distributed to respondents.
- 2) Interview or interview is a process of obtaining information for the purpose of researchers by means of questions and answers while face-to-face between the interviewer and the interviewee, with or without interview guidelines.

B. Secondary Data

Secondary data is data obtained indirectly through the first source, and is usually already arranged in a written document format. In this case, secondary data is obtained through: The documents obtained include company profiles, literature studies, and company archives or reports.

Data Processing

This research uses qualitative research. Qualitative research is research that is intended to find out the symptoms of what is observed by the research topic, for example research on behavior, views, encouragement, actions, and others as a whole, and by describing in sentence format and terms in a special natural context and utilizing various natural techniques.

Data Reduction

Reducing or summarizing data is underlining things that are considered important and looking for themes and discarding things that have nothing to do with the theme sought.

A. Data Presentation

The presentation of the data in question is to make it easier for researchers to get a comprehensive picture or certain parts of the research data.

B. Data Analysis

In measuring the performance of management of a company is based on financial aspects in the short term because it is easy to measure. Meanwhile, non-financial aspects that have a long period of time in evaluating performance measurement are often ignored because they are difficult to measure. For this reason, a method that can measure the company's overall performance was sparked which we know as the Balance Scorecard.

Based on the results obtained through this perspective measurement, then an analysis of the company's performance is carried out, namely to determine how well the company's performance has been achieved in a certain period and is expected to provide useful returns for the Tribuana Cooperative Primary Company 1. The following is presented the analysis of the design framework of the assessment as follows:

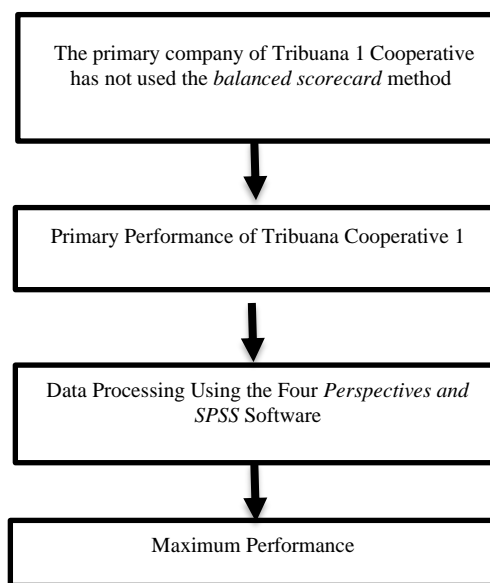


Figure 1. Performance Analysis Framework using *Balanced Scorecard* method

C. Conclusion Drawing and Verification

In this stage, drawing conclusions on the categories of data that have been reduced and presented to then draw final conclusions which are able to explain the problems faced by researchers, in this research, the research results are concluded using the balanced scorecard model.

III. RESULTS AND DISCUSSION

Measuring Financial Perspective Performance

1. *Return On Assets* (ROA) is a measurement of how effectively a company's management manages assets to earn profits over a certain period of time, usually displayed through percentages.

$$\text{Return On Assets} = \frac{\text{Net Profit}}{\text{Number of Employees}} \times 100$$

2. *Operating Ratio*

Is a comparison between sales value plus operating costs or operating expenses divided by pure sales value. Aims to find out the amount of company expenses for sales.

$$\text{Operating Ratio} = \frac{\text{product sales price} + \text{Operating Expenses}}{\text{Net Sales}} \times 100\%$$

3. *Profit Margin On Sales*

Is a ratio used to measure profit margin on sales, with the following formula:

$$\text{Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100\%$$

Measuring Customer Perspective Performance

1. Customer Acquisition

Determine how much new consumers increase against existing consumers.

$$\text{Customer Acquisition} = \frac{\text{Number of New Customers}}{\text{Number of Customers}} \times 100\%$$

2. Customer Retention

Find out the level of the company's ability to retain existing consumers against the total number of current consumers in the same period.

$$\text{Customer Retention} = \frac{\text{Number of Existing Customers}}{\text{Number of Customers}} \times 100\%$$

3. Customer Proficiency

To know the customers who provide maximum profit to the company.

$$\text{Customer Probability} = \frac{\text{Net Profit}}{\text{Net Income}} \times 100\%$$

Measuring Performance from a Business Internal Process Perspective

1. Innovation

To find out how capable the company is in developing innovations that can provide good feedback for the company.

$$\text{Customer Probability} = \frac{\text{Net Profit}}{\text{Number of Employees}} \times 100\%$$

Measuring Performance Growth and Learning Perspectives

1. Retaining Employees

To find out how the company's ability to maintain employees / employees who have good performance and provide good feedback for the company.

$$\text{Employee Retention} = \frac{\text{Total Employees Leaving}}{\text{Total Employees}} \times 100\%$$

2. Employee Training

To improve basic knowledge so that employees can develop.

$$\text{Employee Training} = \frac{\text{Total Employees Training}}{\text{Total Employees}} \times 100\%$$

3. Employee Productivity

To find out the productivity of employees who work in the period time in the same period.

$$\text{Productivity} = \frac{\text{Net Profit}}{\text{Total Employees}} \times 100\%$$

$$\text{Increase in Productivity:} \frac{\text{Increase in Productivity}}{\text{Total Assets}} \times 100\%$$

A. Financial Perspectives

1. *Net Profit Margin*

The results of data processing of the Tribuana 1 Cooperative Primary company in 2021 using the calculation of Net Profit Margin reached 21.4%, while in 2022 it decreased to 11.91%, which means that the value of the *Net Profit margin* is good, because it exceeds the criteria of >6%.

2. *Return on Assets (ROA)*

The results of data processing using *Return on Assets (ROA)*, in 2021 were 28.05%, while in 2022 it was 139%, which can be interpreted as the ROA value is good because it exceeds the criteria of >7%.

3. *Operating Ratio*

Data processing using the *Operating Ratio* in 2021 is 703%, while for 2022 it is 716%, it can be concluded that it is bad, because it exceeds the criteria of >50%.

4. *Current Ratio*

The results of data processing using the Current Ratio in 2021 and 2022 are 654% and 128%, which means that the *Current Ratio* in 2021 is good and 2022 is bad, because the good criteria is >200%

B. Customer Perspective

The results of customer satisfaction using a satisfaction questionnaire distributed to respondents, there were 35 respondents who answered from 8 questions in the satisfaction questionnaire. There was 1 very dissatisfied answer, 2 dissatisfied answers, 105 sufficient answers, 117 satisfied answers and 55 very satisfied answers. While the expectations obtained from 8 questions and from 35 respondents there were 14 very dissatisfied answers, 37 dissatisfied answers, 98 sufficient answers, 83 quite satisfied answers and 48 very satisfied answers. These results show customer satisfaction and expectations for the Tribuana Cooperative Primary company 1.

Table 1. Processing Customer Expectation Questionnaire Data Using SPSS

		Correlations									
		p1	p2	p3	p4	p5	p6	p7	8	Total	
p1	Pearson Correlation	1	.321	.275	.156	.041	.081	.427*	.279	.489**	
	Sig. (2-tailed)		.060	.110	.369	.814	.642	.011	.105	.003	
	N	35	35	35	35	35	35	35	35	35	
p2	Pearson Correlation	.321	1	.395*	.057	.340*	.311	.084	.367*	.559**	
	Sig. (2-tailed)	.060		.019	.744	.045	.069	.633	.030	<.001	
	N	35	35	35	35	35	35	35	35	35	
p3	Pearson Correlation	.275	.395*	1	.182	.134	.620**	.399*	.137	.663**	
	Sig. (2-tailed)	.110	.019		.296	.441	<.001	.018	.434	<.001	
	N	35	35	35	35	35	35	35	35	35	
p4	Pearson Correlation	.156	.057	.182	1	.513**	.427*	.288	.532**	.660**	
	Sig. (2-tailed)	.369	.744	.296		.002	.010	.094	.001	<.001	
	N	35	35	35	35	35	35	35	35	35	
p5	Pearson Correlation	.041	.340*	.134	.513**	1	.158	-.047	.320	.488**	
	Sig. (2-tailed)	.814	.045	.441	.002		.366	.788	.061	.003	
	N	35	35	35	35	35	35	35	35	35	
p6	Pearson Correlation	.081	.311	.620**	.427*	.158	1	.377*	.410*	.728**	
	Sig. (2-tailed)	.642	.069	<.001	.010	.366		.026	.015	<.001	
	N	35	35	35	35	35	35	35	35	35	
p7	Pearson Correlation	.427*	.084	.399*	.288	-.047	.377*	1	.267	.593**	
	Sig. (2-tailed)	.011	.633	.018	.094	.788	.026		.121	<.001	
	N	35	35	35	35	35	35	35	35	35	
p8	Pearson Correlation	.279	.367*	.137	.532**	.320	.410*	.267	1	.676**	
	Sig. (2-tailed)	.105	.030	.434	.001	.061	.015	.121		<.001	
	N	35	35	35	35	35	35	35	35	35	
Total	Pearson Correlation	.489**	.559**	.663**	.660**	.488**	.728**	.593**	.676**	1	
	Sig. (2-tailed)	.003	<.001	<.001	<.001	.003	<.001	<.001	<.001		
	N	35	35	35	35	35	35	35	35	35	

Table 2. SPSS Results Customer Expectation Questionnaire

Attribute Items	Correlation Coefficient		Information
	Rcount	Rtable	
P1	0,489	0,333	Valid
P2	0,559	0,333	Vadid
P3	0,663	0,333	Valid
P4	0,660	0,333	Valid
P5	0,488	0,333	Valid
P6	0,728	0,333	Valid
P7	0,593	0,333	Valid
P8	0,676	0,333	Valid

Table 3. Customer Satisfaction Questionnaire Data Processing Using SPSS

		Correlations								
		p1	p2	p3	p4	p5	p6	p7	p8	Total
P1	Pearson Correlation	1	.299	.098	.250	.276	.373*	.377*	.333	.560**
	Sig. (2-tailed)		.081	.576	.147	.108	.028	.025	.050	<.001
	N	35	35	35	35	35	35	35	35	35
p2	Pearson Correlation	.299	1	.370*	.281	.541**	.361*	.657**	.449**	.696**
	Sig. (2-tailed)	.081		.029	.102	<.001	.033	<.001	.007	<.001
	N	35	35	35	35	35	35	35	35	35
p3	Pearson Correlation	.098	.370*	1	.499**	.303	.381*	.222	.299	.557**
	Sig. (2-tailed)	.576	.029		.002	.077	.024	.199	.081	<.001
	N	35	35	35	35	35	35	35	35	35
p4	Pearson Correlation	.250	.281	.499**	1	.611**	.595**	.222	.318	.673**
	Sig. (2-tailed)	.147	.102	.002		<.001	<.001	.201	.062	<.001
	N	35	35	35	35	35	35	35	35	35
p5	Pearson Correlation	.276	.541**	.303	.611**	1	.651**	.588**	.356*	.764**
	Sig. (2-tailed)	.108	<.001	.077	<.001		<.001	<.001	.036	<.001
	N	35	35	35	35	35	35	35	35	35
p6	Pearson Correlation	.373*	.361*	.381*	.595**	.651**	1	.520**	.703**	.816**
	Sig. (2-tailed)	.028	.033	.024	<.001	<.001		.001	<.001	<.001
	N	35	35	35	35	35	35	35	35	35
p7	Pearson Correlation	.377*	.657**	.222	.222	.588**	.520**	1	.709**	.772**
	Sig. (2-tailed)	.025	<.001	.199	.201	<.001	.001		<.001	<.001
	N	35	35	35	35	35	35	35	35	35
p8	Pearson Correlation	.333	.449**	.299	.318	.356*	.703**	.709**	1	.751**
	Sig. (2-tailed)	.050	.007	.081	.062	.036	<.001	<.001		<.001
	N	35	35	35	35	35	35	35	35	35
Total	Pearson Correlation	.560**	.696**	.557**	.673**	.764**	.816**	.772**	.751**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	
	N	35	35	35	35	35	35	35	35	35

Table 4. SPSS Customer Satisfaction Questionnaire Results

Attribute Items	Correlation Coefficient		Information
	Rcount	Rtable	
P1	0,560	0,333	Valid
P2	0,696	0,333	Vadid
P3	0,557	0,333	Valid
P4	0,673	0,333	Valid
P5	0,764	0,333	Valid
P6	0,816	0,333	Valid
P7	0,772	0,333	Valid
P8	0,751	0,333	Valid

C. Internal Business Process Perspectives

Results The perspective of internal business processes in the Tribuana 1 Cooperative Primary Company in 2021-2022 has no development of new product innovations. But always strive to meet customer needs.

D. Learning and Growth Perspectives

1. Employee Training

The result of employee training is that in 2021 out of 10 employees only 5 employees are training. As for 2022, there is no because there are no new employees.

2. Employee Retention

The results of employee retention show that from 2021 to 2022 no employees left so that employee retention was 0%

3. Employee Productivity

The results of employee productivity can be concluded that in 2022 there is a significant decrease.

IV. CONCLUSION

Through the results of the research that has been carried out, it can be concluded as follows:

The performance of the Tribuana 1 Cooperative Primary company uses the *Balanced Scorecard* method that the *Net Profit Margin* calculation is the best from 4 other perspectives, because it has experienced a fairly stable increase and decrease. Calculation of 4 perspectives

Financial perspective, The results of processing the primary data of the Tribuana 1 Cooperative in 2021 using the calculation of Net Profit Margin reached 21.4%, while in 2022 it decreased to 11.91%, which means that the value of the *Net Profit margin* is good, because it exceeds the criteria of >6%.

The results of data processing using *Return on Assets* (ROA), in 2021 were 28.05%, while in 2022 it was 139%, which can be interpreted as the ROA value is good because it exceeds the criteria of >7%. Data processing using the *Operating Ratio* in 2021 is 703%, while for 2022 it is 716%, it can be concluded that it is bad, because it exceeds the criteria of >50%. The results of data testing using Current Ratio on 2021 and 2022 are 654% and 128%, which means that the *Current Ratio* in 2021 is good and 2022 is bad, because the good criteria is >200%. Because the *Operating Ratio* is bad, the company must focus more on managing profits.

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