

BALANCED SCORECARD IMPLEMENTATION as a MEASUREMENT of THE UB HOTEL PERFORMANCE ASSESSMENT

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ABSTRACT

Assessment using the Balanced Scorecard (BSC) method is effective and efficient for the UB Hotel at this time. BSC has a distinctive feature because this methods does not only consider the financial perspective to achieve their vision and mission, but also consider other perspectives such as customer perspective, internal business process perspective, and learning and growth perspective. The result of this research object is expected to make evaluation of the hotel easy.

Keywords: Balanced scorecard, financial perspective, customer perspective, internal business perspective, learning and growth perspective.

1. INTRODUCTION

Business development especially tourism and accomodationin Indonesia has experienced a very significant increase in trend. Positive trends began to appear which can be seen from the growing number of tourists every year. Government's influence also has a positive effect on the development of tourism in Indonesia. Indonesian Tourism in 2011 has successfully grown with good results with 7.6 million tourists visited Indonesia. These results have exceeded the set target that amounted to 7.1 million tourists. The positive effects of the tourism growth that occur in Indonesia also have positive impact on the hospitality business in Indonesia. So, hospitality field can get good effect from positive trend of tourism in Indonesia.

Hotel is basically a trade in the form of services. All hotel entrepreneurs in service industry will try to provide maximum service to their guests. The more number of guests describesthe company in a healthy condition. However, the hospitality manager still has the task to describe the condition of the company in the present or in the future. This measurement will indicate the level of the company. There are many companies that still give priority to financial gain as a benchmark of successful performance. Financial measurement is still not enough as a basic reference of success. Other aspects are still needed in order to optimize the company's performance assessment.

There are weaknesses of the company's performance measurement system that only focus on the financial aspects and ignores non-financial performance, the non-financial problems such as customer satisfaction, employee productivity, and

internal management that need to note. Because of that reason, the researcher created a performance measurement model includes not only financial but also non-financial course which is known as the concept of Balanced Scorecard (BSC). The result of Balanced Scorecard that has been done can be used to improve and change the company strategic in order to enhance the performance achievement of the company's business units.

UB hotel is located in the UB campus complex and has been operated for 2 years. This hotel was previously a guest house developed by UB. As for now, this hotel has facilities such as: Guest Room (Room), Restaurant, Meeting Room, as well as the other facilities. These facilities' function is very important to support the promotion of the employee services. The performance assessment of this company has not been carried out by the method of Balanced Scorecard yet, but the company only uses the analysis of financial statements (financial ratios). Therefore, in order to determine the performance, companies should implement the Balanced Scorecard as a strategic-based measurement, such as financial perspective, internal business process perspective, customer perspective, and learning and growth perspective. The advantage of Balanced Scorecard implementation is to be able to provide a measurement that can be used as a basis for strategic improvement.

2. BASIS OF THEORY

Performance assessment

Performance is a general term used to indicate some or all of the actions of an organization in a certain period. According to Srimidarti (2004), the performance is a display of the full circumstances of the company over a period of time and is the results of the company operations that are affected by the use of the company resources. Every organization expects the performance that contributes to making the organization as an institution that excels in its class. If the success of the organization to hold a superior institution is determined by various factors, the various factors that determine the success of the company (success factor) to make the organization an excellent institution was a measurement of personal success.

Purpose of performance measures - The main purpose is to produce a performance assesment which give accurate and valid information regarding the behavior and performance of the members of the organization.

Strengths and weakness of performancesassessment - Performance assesment contributes to a better understanding on how the business works. Ghalayini & Noble (1996) identified eight general limitations of traditional performance measures, those are: they are based on a traditional cost management system; use lagging metrics; are not incorporated into strategy; are difficult to implement in

practice and tend to be inflexible and fragmented; contradict to accept continuous improvement thinking and neglect customer requirements.

Performance measurement proces - According to Mulyadi (2001), performance assessment was carried out in two main phases, namely:

- 1) The preparation stage consists of three stages of the details
- 2) Assessment phase consists of three stages detailed as follows:

Traditional Management Performance Measurement

Traditional Management is a management technique that is based on an approach of "plan - implement - control". The facts and reliable forecasting for the planning, the effects of the outside influences in terms of implementation, and the effect of the time factor in terms of the control measures, are some of the issues faced by management based on the traditional management.

Weakness of traditional system - In detail, the weaknesses that often occur in traditional management techniques are as follows:

- No one knows what will happen in the future. This leads to making a planning and forecasting which are extremely difficult.
- Depending on a survey and analysis is very risky. No one knows whether the basis of the plan is absolutely right. No one knows whether those plans can function optimally.
- It is very difficult to optimize a plan in the middle of a situation that randomly changed.
- Managers tend to know more about the EPS than society environment and internal management.

Strengths and Weakness of Performance Measurement - Performance measurement contributes to a better understanding on how the business works. Ghalayini& Noble (1996) identified eight general limitations of traditional performance measurement, such as: they are based on a traditional cost management system; use lagging metrics; are not incorporated into strategy; are difficult to implement in practice and tend to be inflexible and fragmented; contradict accepted continuous improvement thinking and neglect customer requirements.

Balanced Scorecard

Definition of Balanced Scorecard by Robert S. Kaplan and David P. Norton (1997a: 7) is

“a method of assessment which includes four perspectives to measure the performance of the company, the financial perspective, customer perspective, internal business process perspective and learning and growth perspective.”

BSC Purpose and Benefit - Balanced Scorecard has advantages that make system management strategies are now significantly different from traditional management systems. It is Excellent according to Mulyadi (2001)

Comprehensive - Balanced Scorecard broadens perspectives covered in the strategic planning that previously limited to the financial perspective, expanded into three different perspectives: customer, internal business process, and learning and growth.

- **Coherent** - Balanced Scorecard will establish a causal link between strategic objectives in resulting in any strategic plan. Each goal should have a causal relationship strategy with financial targets, either directly or indirectly
- **Balanced** - Balanced Scorecard will provide an overview of the purpose and how the achievement of these objectives in a balanced way. Especially if it is linked between each other perspectives.
- **Measurable** - Balanced Scorecard strategies have function to measure the targets that are financial and non-financial, so it can be managed and realized well.

Financial Performance Perspective - Financial performance measurement indicates whether the strategy, strategic objectives, strategic initiatives and implementation are able to contribute in generating profits for the company. Kaplan & Norton (1996) identified three stages of the business life cycle, namely:

- **Growth** - Growth is the first stage and the early stages of a business life cycle. Financial goals of the business at this stage should emphasize the measurement of the level of revenue or sales growth in targeted markets.
- **Sustain Stage** - Sustain stage is a stage where the company still requires the return on investment with the best result. Profit target at this stage is directed at the level of return on the investment made.
- **Harvest** - This stage is a stage of maturity, a stage where the company harvest the investment made in the two previous stages. The purpose or ability in this phase is to maximize the cash which come into the company.

Customer Perspective - A product or service is said to have value for consumers if the benefits received is relatively higher than the sacrifices incurred by the consumer to get the products and services.

Internal Business Perspective

The internal business perspective means that the companies need to identify the critical internal processes which the company must do its best. The internal business processes are analyzed through the analysis of the value chain (value chain analysis). Each company has a set of unique process of creating value for its customers. In general, Kaplan and Norton (1996) divide it into three basic principles, namely:

- **Innovation** - Performance measurement in the process of innovation has got less attention. At this stage the company identifies its customer needs and requirements in the future and formulates ways to meet the wants and needs.
- **Operation** - This stage is the final stage where the company actually seeks to provide solutions to its customers in meeting customer wants and their needs. Operations are started from receipt of orders from the customers and ended with the delivery of products or services to customers.
- **Post-sale service** - In this stage the company seeks to provide additional benefits to customers who have purchased products in the form of post-transaction services.

Learning and Growth Perspective - Kaplan and Norton's (1996) benchmark shared this perspective into two principles:

- **People** - Workforce at the company today requires further ability to think critically and evaluate the processes and environments to be able to deliver the proposed improvements. In terms of human resources, there are two things that need to be reviewed in applying the Balanced Scorecard contains 1) Level of employee satisfaction, 2) Employee retention
- **System** - Employee motivation and skill alone is not sufficient to support the achievement of the learning process and growth if they do not have sufficient information. Employees in the operational areas need fast, timely, accurate information and feedback. So employees need an information system that has both the quality and quantity sufficient to meet those needs.

Balanced Scorecard Weakness - BSC still has many problems that cannot be solved with the Balanced Scorecard, such as:

- a. Balanced Scorecard cannot precisely define the compensation system which is usually a follow up results of the performance assessment.
- b. Organizational form that is suitable for the development of processes is within the organization.
- c. The absence of standard measurement for the assessment of the corporate performance with Balanced Scorecard method (<http://id.shvoong.com>)

Hospitality Business in Indonesia

The hospitality industry in Indonesia becomes one of the preferred businesses since the government created a Visit Indonesia program in 2008. The increasing number of tourists coming to Indonesia also leads to increased usage amount of hospitality facilities. According to data from the Central Statistics Agency (BPS), in 2007 the number of foreign tourists coming to Indonesia amounted to 5,505,759 and in 2008 it increased to 6,234,497. Based on the data can be seen that the hospitality industry is growing pretty fast.

3. RESEARCH METHODOLOGY

The research was conducted in UB Hotel. Informants who were considered suitable for providing information to researcher are customers, Manager of UB Hotel and Employees. According to Sutopo (2003), The main purpose of conducting interviews for the present time construction is now in the context of personal, events, or activities, organization, feelings, motivation, engagement and so to reconstruct the various things such as a chart of past experience and projecting things like which that can be linked to expectations occur in the future. The data used in this study include primary data and secondary data.

Primary data and Secondary data - Primary data that is in the form of the respondents answers are about employees in according with job satisfaction, motivation, and physical condition of the workplace, relates in general hospitality. Secondary data in this study is the form of data about the subscriber or the Consumer, performance ratios and performance overview UB hotel for three years.

- **Measure performance of financial perspectives** – this research uses some financial elements to analyze performance. There are some elements used in it such as Current Ratio, Quick ratio, Operating Income Ratio, Return on Investment, and ROE.
- **Measure performance of customer perspectives** –this research measure Customer satisfaction level by questionnaire at the current time of research.
- **Measure performance of business internal process perspectives** - innovation measurement was done in 2012 by interviewing the manager. The measurement of it also contains the average time for check-in and check-out times, the average time for room service times, the average time for restaurant service times, and the average time for bar services times
- **Measure performance of learning and growth perspectives** - Employee satisfactions at the current time (2013). The researcher also using Employee retention based on the data in 2009, 2010, and 2011

4. ANALYSIS RESULTS AND DISCUSSION

UB Hotel is known as UB Guest House before the transition to the function of the Guest House Hotel in mid-2010. UB Hotel is located in the center of Malang city, between the prestigious business center of Jl. Soekarno-Hatta and the education center of Jl. Veteran. To be precise, UB Hotel is located in the UB campus complex.

Vision and mission of UB Hotel

The vision and mission of UB Hotel were made in 2011, as follows:

Vision - Being a hotel that can nurture the creativity, innovation and quality of human resources which have been tested and provide the best accommodation

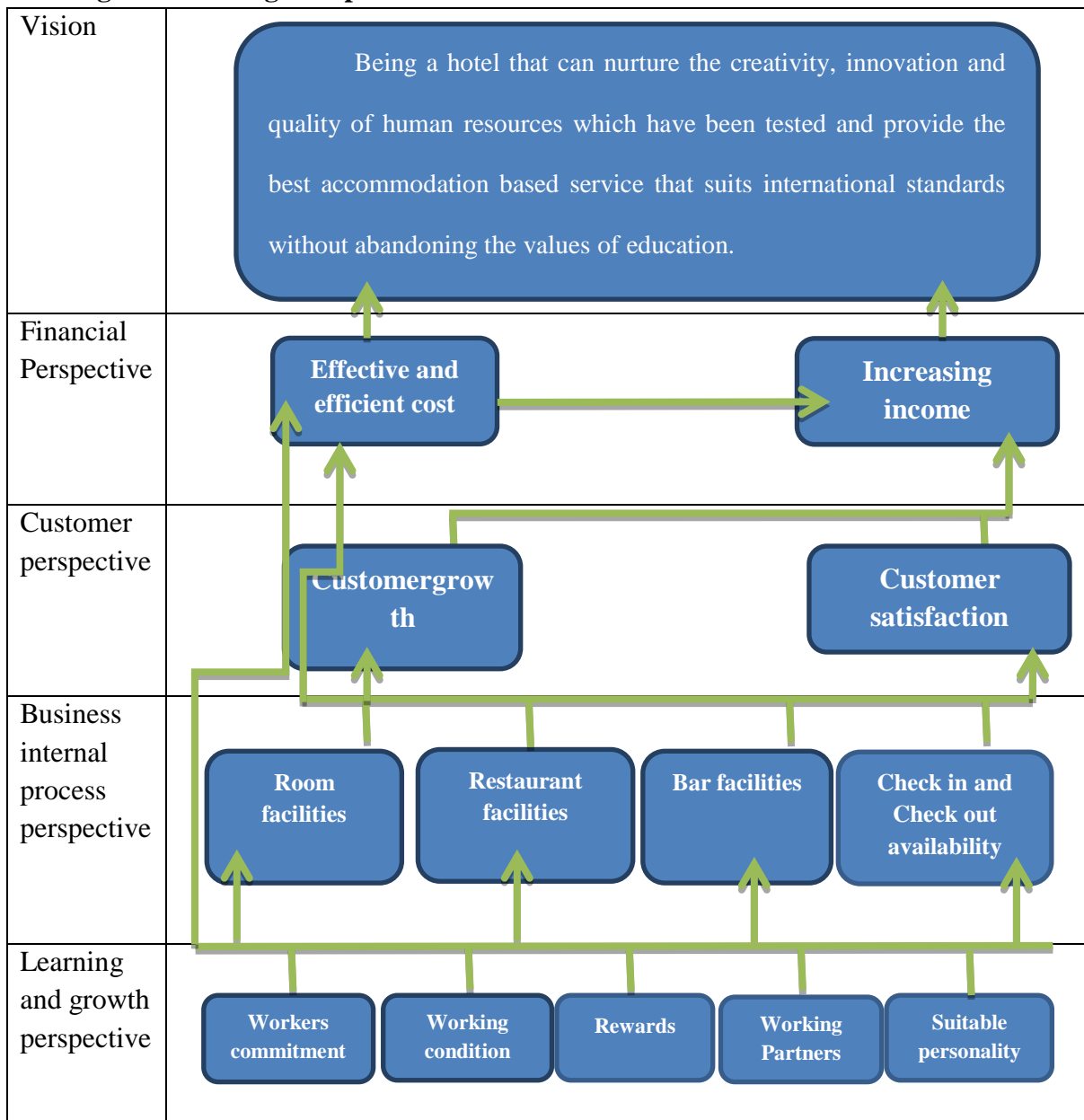
based service that suits international standards without abandoning the values of education.

Mission

1. Improve product quality majoring in the services quality to give satisfaction to the customers
2. Improve the quality of human resources to become more skillful and have the ability to provide the best service to give customer satisfaction in a professional manner in order to face the changing demands and increasingly sophisticated proactive society and competitive environment
3. Accelerate the development of the hotel as a business unit to become a professional business unit of UB, which is productive, efficient and also excels in an increasing competition atmosphere.

Strategic Map in UB Hotel

Figure 1. Strategic maps



Performance measurement result of corporation by Balance scorecard

After the data presented, the next step is examining whether the performance is good or not. Performance is measured by comparing the hotel from year to year and the targets that have been set; it is used because of hospitality industry data limitations.

The data weights are measured by using interval size. Size of the interval is used to sort objects based on an attribute. Equal intervals on an interval scale

interval are considered to represent the same object to be measured. The number of items is 11 items, the total score of "less" is -11, score enough is 0, an excellent score is 11.

Table 1. Rating score of Balance Scorecard

	Score	Total score	Description
Bad	-1	-11	Level achievement under standard
Enough	0	0	Level achievement appropriate with standard
Good	1	11	Level achievement over standard

Source: Mulyadi 2001

Here are the results based on obtainable data analysis:

Table 2. The summary of data analyze

Perspectives	Years			Average	Scorecard	Score
	2009	2010	2011			
Financial perspective :						
Current ratio	510%	674%	1645%	943%	Good	1
Quick ratio	481%	638%	1172%	764%	Good	1
ROI	16%	11%	36%	21%	Bad	-1
ROE	17%	11%	24%	17%	Bad	-1
Operating income	16%	22%	24%	21%	Good	1
Customer perspective :						
Customer satisfaction	-	-	77%	60%	Good	1
Internal business process perspective :						
The average time for check-in/check-out times	-	-	107%	100%	Good	1
The average time for service one room	-	-	150%	100%	Good	1
The average time for restaurant service	-	-	107%	100%	Good	1
The average time for bar service	-	-	120%	100%	Good	1
Innovation	-	-	120%	100%	Good	1
Growth and learning perspective :						
Employee satisfaction	-	-	-0.26	$0,32 \leq IKK \leq -0,16$	Good	1
Employee retention	-	1,6%	1,6%	-	Enough	0
Total score						8

Source: data analyses

The results of the performance assessment above are the analyses of the data presented. Assessment results show that there are achievements in UB hotel are still below of the standards. In the analysis of the current ratio and quick ratio, the assessment result increase very significant from year to year so it is given a score of 1. ROI analyses produce values which are still below from the average

standard so it is given a score of -1. The analysis of ROE is below the average standard so it is scored -1. The analysis of operating income resulted in a score that is above from the average standard, so it is given a score of 1. Then the total score for the financial perspective is 1 because it is above the average standard.

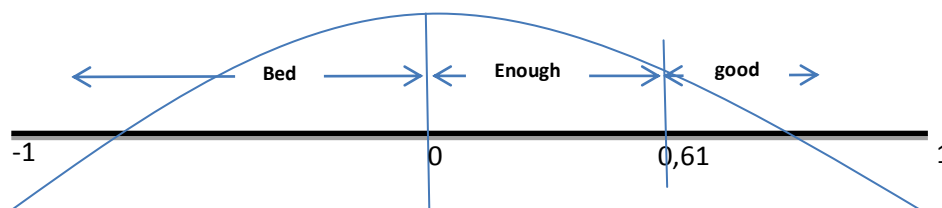
In the customer perspective of the customer, customer satisfaction is considered good and given a score of 1. The customer satisfaction is assessed from the existing facilities in UB hotel. The data comes from the questionnaires that have been distributed and processed by using SPSS. The results of customer satisfaction considered good because the data are reinforced by the results of the management regarding the consumer complaints which are still below average.

In the internal business process perspective, services sales revenue increase from year to year due to the increasing number of customers that is rated well and given a score of 1. This strengthens the marketing of UB hotel and is rated very well because institutions can encompass agency in East Java. Average rate of the average time for check-in/check-out is also very good so it is given a score of 1. An average time to service one room of UB Hotel rated well and is given a score of 1. Similarly, in restaurant and bar Average service time is good because the accuracy in the preparation of food and beverages to customers is over the average. Business development at UB Hotel is also rated good and given a score of 1, because UB hotel is able to float the business for example selling cakes.

In the learning and growth perspective, employee satisfaction is good so given a score of 1. Employee satisfaction is rated good. It can be seen from the results of the questionnaire data that were processed by using SPSS. Employee retention rate is also considered good so given a score of 1. Data retention rate of employees are assessed through interviews. Total weighted score on UB hotel is 6 of the total weight of the standard, so that the average score is $8/13 = 0,61$. The next step is to create a scale to assess the total score, so company can be said "bad", "enough" or "good".

The following is picture UB Hotel performance

Figure 2. Curve of Hotel performance



The next step is to determine the border of "enough" which is less than 50% (score of 0), and performance is said to be "good" if more than 80% or 0.6. The rest is "enough" if it is from 0 up to 0.6. Thus it can be interpreted that the UB Hotel after applying the Balanced Scorecard is located in the "good" curve because it is located between 0.6 up to 1.

Diagrams measurement the result of UB Hotel by Balance scorecard

Table 3. The result of UB Hotel by Balance scorecard

Perspectives	Symbol	Average score of each perspective (X)	The average score of the interest level of each perspectives (Y)
Finance	P1	163	30
Customers	P2	128	24
Internal business process	P3	118	22
Learning and growth	P4	125	23
Average score		134	25

Based on table above the balanced scorecard point are 134;25 (X,Y). The point results based on each perspective are as follows:

Figure 3. Diagram of balanced scorecard

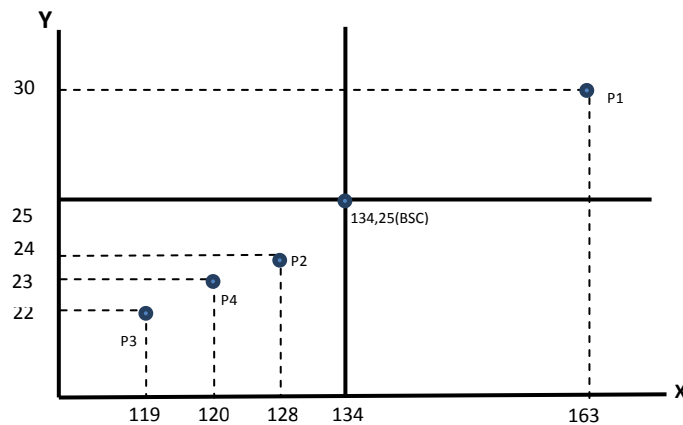


Diagram above shows description of the results of measuring performance in UB Hotel. If the point of result with the point of balanced scorecard is close, so the data will show that the performance of the company is good. Otherwise, if the point of result with the point of balanced scorecard is far, so the data will show that the performance of the company is not good.

Summary of the analyses of the four perspectives performance of Balance Scorecard

Seen from the above four general perspectives, hotel performance assessed by using a balanced scorecard can be categorized well. The performance of the financial perspective require attention so hotel must reduce on it ever eliminate the things which do with add value.

The discussion of the performance of each BSC perspective above can be summarized as follows:

1. Performance of the financial perspective

Performance of the financial perspective can be analyzed by using the liquidity, profitability and growth ratios. From these three ratios, it can be concluded that the performance of the financial perspective at the hotel is undergoing a significant increase and performance of the financial perspective is also good except in the profitability ratios.

2. Performance customer perspective

Customer perspective on hotel performance is analyzed by using Real Score average of the data. The validity and reliability test indicate that the quality of services provided by the hotel is able to satisfy the customers. From this perspective the performance of the customer in the hotel is good.

3. Performance of the internal business process perspective

Performance of the internal business process perspective can be seen from the effectiveness of the activities carried out in the hotel. If there are non-value added activities as shown in this hotel, it is a valuation indicator of Average time for check in / checkout times, the average time to service one room, the Average time for bar service and the Average restaurant service. Results from the assessment of the indicator show that the performance of the internal business process perspective in this hotel is good.

4. Performance growth and learning perspective

This perspective is measured by the index of employee satisfaction with the situation and working conditions in the hotel. In this perspective it can be seen that the performance of the learning and growth perspective at this hotel is good as well.

Conclusion

UB Hotel is very possible to apply Balance Scorecard as alternative to measure performance in the company. Overall, the result in this research from year to year is good. The result is based on the data analyses and discussion about each perspectives of Balanced Scorecard that contain financial perspective, customer perspective, internal business process perspective, and learning and growth perspective. But UB Hotel should improve their performance to be more balanced. Financial perspective in UB Hotel which is measured by diagram is farther the balance scorecard point than other perspectives. So, management should improve the other perspectives to balance financial perspective. If the point of result with the point of balanced scorecard based on each perspective is close, so the data will show that the performance of the company is good. After that, directly and

indirectly the UB hotel can achieve good condition in accordance with the vision and mission.

Constrains

There are some constrains that happen as described in the following:

1. Researcher uses primary data which one of the source is the questionnaire that is given to the respondents. The weakness of a research conducted by using questionnaires is the possibility of bias by the surveyor. (Indriantoro and Supomo, 2002).
2. One of the research respondents in this topic area are the employees that work in different division. There is heterogeneity of the corporation is in the respondents working area (UB Hotel). It causes results to become different if the data were considered by respondents in homogeny area.

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