# DESIGNING BUSINESS PERFORMANCE MEASUREMENT INSTRUMENTS WITH SHORTTAN BALANCED SCORECARD AT CAFE RED &BLUE TANJUNGPINANG

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*Abstract. Performance management in question is with the aim of increasing the strategic focus and effectiveness of the company in ensuring continuous improvement of individual and team performance. The most popular approach is to use the BSC (Balanced Scorecard). Cafe Red&Blue wants to grow and maintain its business. Therefore, in this study we want to design an instrument for measuring performance at Red&Blue cafes using the BSC. The initial stage in designing the instrument is to conduct internal and external analysis to determine the position of the business in the industry and the strategy that must be used. The SWOT approach is used in the analysis of the internal and external environment. From the SWOT analysis, it can be seen that the Red&Blue cafe is in quadrant I position. The strategy that must be applied is an offensive and defensive strategy as a complement. This strategy requires Red&Blue to improve its marketing strategy in order to bring even greater opportunities to the business. The next stage is through the formulation of strategic objectives, the objectives of which are designed; increase profits, increase customer loyalty, improve relationships with new customers, develop quality products with innovation, develop good and quality services, improve employee job satisfaction, increase employee skills, and knowledge employee knowledge. The eight strategic objectives are translated into 2 key financial performance indicator (KPI) perspectives, 3 internal business process KPIs, 4 customer KPI perspectives, and 5 KPI growth and learning perspectives, with targets for each KPI set based on discussions with Red&Blue cafe owners.*

*Keywords: Balanced Scorecard, Performance Management, Designing Performance Measurement Instrument.*

## INTRODUCTION

The activity carried out in managing and supervising the performance is called the management of kinerja Buckingham & Goodall (2015). Performance management in question is to improve the focus of the company's strategy and efficiency by ensuring continuous improvement in individual and group performance. Performance management is carried out to determine the quality of performance of a person or a team by measuring performance.

This performance measurement determines whether the performance in employees and teams has been good or is still somewhat lacking. Performance measurement is carried out to determine the deviation between performance implementation and predetermined plans and to determine the suitability of expected performance results. To determine the degree or level of quality of a performance, it must be established with a standard that refers to the company's goals. The company needs to make a kiner measuring instrumentja Radyanto & Prihastono (2020). The standard is then used as a benchmark in assessing the performance of employees and teams, after which a further action is taken regarding employee performance.

As a tourist city, Tanjungpinang has many MSMEs engaged in various sectors, especially culinary. One of the MSMEs that is also easy to find in Tanjungpinang is the MSMEs of coffee shops and cafes with large buildings and modern interiors that are easy to find in this city. "*Red &Blue*" is an MSME engaged in the culinary sector that has survived from 2017 until now. As the name implies, "*Red&Blue*" is a café that invites visitors to relax by bringing their partners. Philosophy is taken from the statement that every one in the world has its own partner, as is the case with men and women, black and white or day and night, *Red&Blue* carries the concept. This café is not too small, but it is also not so big. Despite this, *Red&Blue* café is necessary in developing its business. One of them is by conducting an internal evaluation of the business owned as an absorption of performance management in terms of including performance measurement.

One of the ways applied to measure performance is bias through *a Balanced Scorecard (BSC). BSC* is one of the important factors in the company in improving theperformance of the company Biotrop et al (2014). *BSC* is one of the measurement systems that can help companies through the process of planning, focusing and managing their strategies. Therefore, this study aims to design performance with a *BSC* approach to "*Red&Blue"* MSMEs.

**THEORETICAL STUDIES**

**Performance Management**

The word Performance management is a combination of the words management and performance. Management comes from the word *to manage* which means to manage. According to George R Terry in his book *Principles of Management*, management means a process that uses methods in science and art in applying the functions of planning, organizing, directing and controlling with the activities of a group of humans equipped with production resources / factors to achieve the goals that have been set effectivelyand efficiently Nursam (2017). Meanwhile, according to Putriana et al (2018) define performance management as empowering all resources in the organization synergistically in achieving goals. Amir also said that performance management is a strategy in the management of work units or organizations that focus on human resources. From the definition above, it can be concluded that performance management is an activity process involved in the management strategy of work units or organizations in achieving the goals that have been set effectively and efficiently.

***Balanced Score Card*** (BSC)

In theresearch of Natasha & Devie (2013) *The Balanced Scorecard* is an organizational framework for organizing and using it in strategy at all levels of the organization by connecting the goals, initiatives and steps of an organizational strategy. Ghosh and Mukherjee, (2006) in Natasha & Devie's research (2013) argue that *Balanced Scoredcard* is a management system in a strategy that is not only a measuring tool, but helps organizations in explaining their vision and strategy and then changing it in action. Meanwhile, according to Kaplan & Norton, (1996) in the research of Gawankar et al., (2015) define the *Balanced Scorecard* as a strong and balanced strategy management system that facilitates the implementation of strategies, using measures to ensure that the company's vision and strategy can be implemented and achieved. Kaplan & Norton added the *Balanced Scorecard* method showing a comprehensive framework for outlining vision into strategy goals. Comprehensive strategy goals can be formulated, so that the *Balanced Scorecard* method uses 4 perspectives: finance, customer, internal business processes, learning and growth. From the definition above, it can be concluded that the

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*Balanced Scorecard* is a management system that facilitates implementation as well as a measure in explaining the vision and strategy carried out.

### *Key Performance Indicator* (**KPI**)

*Key performance Indicators* are basically part of *the performance indicators* or inorganizational performance dicators Yin et al., (2015). In Dewi's research (2018) *Key performance Indicator* is a key indicator that is really able to present performance in the organization as a whole. The number of performance indicators chosen as *Key performance Indicators* is usually not large, however, the measurement results through these indicators can be used to provide a clear picture of organizational competition factors, assess the level of success of the organization in achieving the goals and objectives that have been set, and facilitate the overall kinerja measurement process Zhang et al., (2015) . *Key performance Indicator* also has other criteria, including: *Specific*, *Achievable*, *Realistic*, and *Timely*, which when combined with *the Mesurable* criterion can be summarized in the acronym *SMART*.

The scope of this research includes the design of the *Balanced Scorecard* as well as determining organizational performance indicators that can contribute to the company's performance. The results of the weighting on these key performance indicators determine how much each key performance indicator contributes to the company's performance. In addition, of course, in the preparation of the relationship between causes and effects on each strategic goal using the strategic map, it is necessary to carry out managerial implications for the company. *The Balanced Scorecard* is prepared on determining the strategy, the strategy objectives to be taken, key performance indicators, the targets achieved, as well as the strategy initiative. From these implications, it is arranged into 4 perspectives on the strategying map.

## RESEARCH METHODS

In the research, the type of data to be used is skin data. The qualitative data that we compiled were in the form of statements from respondents that we would go to through interviews and observations. From the interview, it can be described the strategies carried out for business development, the strategic goals used, indicators on key performance, strategic initiatives, as well as determination on the strategy map. The results of these data sources, we then use in the form of primary and secondary data, where primary data are

obtained through observation as well as interviews with respondents to be targeted. For secondary data, it is found in literature studies such as journals, books, and articles as well as other relevant sources including data on internal organizations.

Information and data collection techniques obtained from primary data are carried out in several ways, such as FGD (*Focus Group Discussio)* and interviews. The technique in this method is carried out by providing a list in the form of filling in written questions in the acquisition of data and information to selected respondents. Interview activities are carried out with the aim of obtaining optimal results from the elaboration of strategies in the organization by determining and setting on strategic goals, achieving targets, strategic in the initiative, as well as a *Balanced Scorecard* perspective with organizational level and performance key indicators that have been set by the company.

The Descriptive Method was carried out in this research, through an approach to a case study, and respondents consisted of elements in *Red&Blue* management in Tanjungpinang as internal parties. The selection of respondents is based on the consideration that the selected respondents have the capacity and competence in their fields.

1. Determination of weight 4 on perspectives and KPIs with *the paired comparison* method The weighting of the four perspectives shows how much importance each perspective has to the overall performance of the company and is used as a tool in the formation of a strategy map. The weighting of key performance indicators shows how much each key performance indicator (KPI) contributes in each perspective. Paired *comparison* technique is a weighting technique through the comparison of roles between indicator components in pairs in a matrix. This is done to determine the magnitude of the importance of a perspective and indicator in supporting, dominating, influencing, benefiting, or meeting a criterion compared to other perspectives or indicators.

2. Strategicing map

   Strategy preparation makes it easier for an organization to communicate its entire strategy to all members of the organization in order to understand the achievement of organizational goals. The organizational map outlines the results of identifying organizational strategy goals on each financial, customer, internal process perspective, and growth and learning. The strategy map is prepared with qualitative

descriptive analysis based on information obtained from the results of the FGD *(Focus Group Discussion).*

**RESULTS AND DISCUSSION**

In the first step of designing performance measurement *instruments* by conducting internal and external analysis in order to find out some of the units to be analyzed in an industry. Such internal and external analysis is used to formulate the appropriate strategy. The internal and external analysis used is in the SWOT analysis. Swot's internal analysis includes strength and weakness analysis, while environmental analysis includes opportunity and threat according to Qanita (2020). Table 1 shows internal and external analysis at the *Red&Blue* café.

The results of the study directly present the data and results obtained from the researcher. This section only provides a narrative description of the results of the study without any interpretation or evaluation.

Table 1. Swot Approach Analysis on Internal and External Loops

| Internal Environment | |
|---|---|
| *Strength* | *Weakness* |
| + The arrangements in the work of the employees are very good.<br>+ Bringing a unique concept so that customers are interested.<br>+ Cozy café atmosphere.<br>+ Attractive appearance of the menu.<br>+ Food that has not been varied. | - Kafeeyangbelumnyak is mostly known by the surrounding community.<br>- Lack of maximizing marketing.<br>- Less strategic location. |

| **External Environment** | |
|---|---|
| Opportunity (*Strength*) | *Threat* |
| + The café business is one of the promising businesses if pursued.<br>+ Maximize marketing.<br>+ Quality is recognized by consumers.<br>+ Have a wide target market. | - Starting from the number of competitors in Tanjungpinang who have carried a more interesting concept.<br>- The influence of price because it *considers Red&Blue* an expensive place.<br>- Changes in preferences in consumers. |

After its conduct and obtaining on the results of internal and external analysis, such results will be poured into a matrix diagram with the aim of knowing the position of the business at the moment. Based on Table 1 above, the results of the analysis are obtained as follows: (1) Internal: there are 5 pluses and 3 minuses, so net: 2 plus. This means *strength is* greater than *Weakness*. (2) External: There are 4 Pluses and 3 Minuses, so net: 1 plus. This means that *Opportunity* is greater than *Threat*. From the results of the internal conditions of 2 plus and the internal conditions of 1 plus above, the numbers are then poured into the SWOT matrix diagram.

Itis known that *the Red&Blue* café is in quadrant I. In this position, the strategy that should be applied is the Offensive and Defensive strategy, where these two strategies have a close relationship. The usual offensive strategy is aimed at in winningnew customers of Akbar (2021). With the implementation of this strategy, the company is expected to increase sales market share and the number of customers. The company's attention in general is more devoted to Wang'soffensive strategy (2016). However, if the company only expects an offensive strategy and ignores the strategy on the defensive, then the company's survival may be threatened at any time. Meanwhile, what is meant by defensive strategy is an effort to reduce the possibility *of customer exit* or switching customers to other cafes. The goal of this strategy is to minimize and maximize *customer retention* by protecting its market products from attacks by competitors. The strategies that can be implemented by *Red&Blue* cafes are:

1. *Market development*, in the sense that Red&Blue develops the market by providing promotions as well as enlarging the production area if the Red&Blue café has gone through a good development in its business.
2. Red&Blue cafes can create new products or develop more optimal products so that Red&Blue can have the opportunity to get different market shares according to the products that have been created.

**Strategy Goal Formulation and Mapping of The Strategy Map**

The strategic planning map is an overview and exposure related to a number of strategic goals in the formation of relationships that explainthe journey of the strategic stra in the Wu organization (2012). The preparation of the strategic map is depicted on a clear correlation with the four perspectives on the Red&Blue café, the perspective includes the perspectives of finance, customers, internal business processes as well as learning and growth with the foundation of both offensive and defensive strategies.
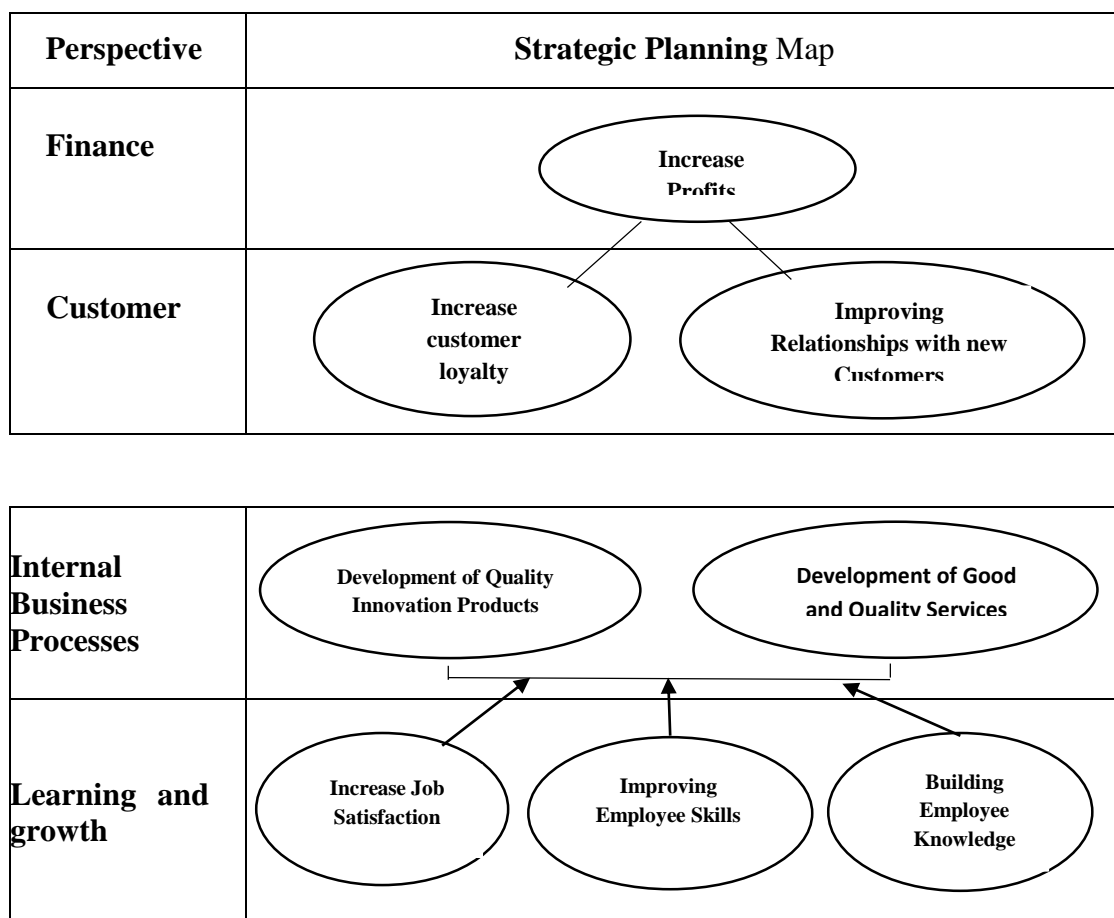


Figure 1. *Red&Blue Strategy Map*

Based on Figure 1, *Red&Blue*, which is a café that is still new because it was established in 2017 until now, the main focus of the company is the profit generated so that the target is on the straegis in forming a financial perspective to increase the profit of *Red&Blue* cafes . In this case, the higher the value of the profit generated, the better it will have an impact on red&blue *cafes.*

Increased customer loyalty is needed for *Red&Blue cafes,* because with high loyalty these customers have an interest in the products produced by *Red&Blue cafes*. In this case, it requires a perspective on the customer as well as the strategic goals to be used. One of the advantages of customer loyalty is the creation of marketing through *Word of mouth* or from mouth to mouth, this is what will have a positive impact so as to improve relationships with new customers. Not only that, providing innovative services and products will improve better relationships with customers. So that in this perspective, it is necessary to have processes in the internal business by doing strategically in accordance with the strategy that suits the company. The strategy includes an offensive strategy, namely to innovate products with the aim of increasing sales as well as market share in *Red&Blue cafes.*

Development of quality and good service is very influential on perspectives in internal business process efforts. This is very necessary, because it has a great impact on the sustainability of the café and on customer satisfaction. In the perspective of growth and learning, it is necessary to focus on employees in *Red&Blue* cafes, so that what is needed on strategic employee performance goals can be achieved properly. These strategic goals include increasing employee job satisfaction in *Red&Blue* cafes, improving the skills of employees as well as developing their knowledge. After the strategic map can be descriptive, then what must be done next is the elaboration of the strategy to be implemented equipped with the *Balanced Scorecard* method as well as the desired achievement target. The points in the key performance indicators will be arranged in a table that will be shown in table 2 as follows.

**Formulation of *Key Performance Indicators* in each Perspective**

The determination of strategic goals and the strategy map model that has been carried out previously, then the next is the determination of the key indicators of measurement, where in each strategic you want to feel will be explained in Table 2 which is the result of a Literature Study of key measurement indicators that are usually used in each company through the *Balanced Scorecard* method as a measurement tool in achieving the company's success targets. Then after that, it will be confirmed to the owner of the *Red&Blue* café in the form of a target that is planned on each key performance indicator.

Table 2. *Key Performance Indicator* (KPI) of each BSC perspective *of The Red&Blue* café

| Strategic Goals | KPI | Target |
|---|---|---|
| Increase Profits | Percentage increase in Sales | 10% |
| | Percentage Increase in Profits | 20% |
| Development of quality products by innovating | Number of new products to be innovated | 2 Products |
| | Percentage on products that are less in demand by customers | Decreased by 3% |
| | Percentage of customer complaint responses that can be resolved | 100% |
| Increased customer loyalty | Customer satisfaction index | 100% |
| | Percentage growth in customer purchases | 30% |
| Improved relationships with new customers | Number of activities (events, exhibitions) followed | 2 Event |
| | Percentage of new customer purchases | 20% |
| Increased employee job satisfaction | percentage of employee *turnover* rate | 10% |
| | employee satisfaction level | 100% |
| improving the skills that employees have | The amount of training to develop employee skills | 1x |
| | Percentage of trainee participation | 100% |
| develop karyawam knowledge | The percentage of knowledge of the employee to his respective duties | 100% |

**CONCLUSIONS AND SUGGESTIONS**

Performance measurement based on the *Balanced Scorecard* method  is not only applied to large companies, but performance measurement can be done to MSMEs. So that this method is able to utilize the *Balanced Scorecard* method  to improve performance in the internal business as well as measurement tools in developing business continuity. Based on the analysis that has been carried out by our group, the results that can be obtained are as follows:

1.  Measurement of performance in the *Balanced Scorecard*  method is useful as an ease of MSME management in paying attention to various superior aspects that must be leveled for business continuity.

2.  In analyzing the conditions of internal and external parties*, Red&Blue's* café  is in the position of the company to develop, but the implementation of offensive and offensive strategies is able to increase the number of customers and market share.

3.  The application of the *Balanced Scorecard* kineran measurement  is a medium for business development at *the Red &Blue* Café  in Tanjungpinang.

Based on the brief conclusions from the results and discussion of the researcher, the researcher will further imply related to the results as well as the borders of research in research development in the future.  Researchers will then imply related to the results and limitations of research in the development of research for the future, then there are several suggestions we will recommend for *Red&Blue* cafes:

1.  The design on the equipment that has been carried out can be obtained by making a *baseline* for *Red&Blue* cafes in the application of performance measurement through the  *Balanced Scorecard* approach.

2.  The use of performance design and strategy map, is able to develop *Red &Blue* café as a café that has the best quality with new innovations by planning in the short or long term so that this can be resolved properly. This design can also have an effect on improving the performance of *Red&Blue cafes*

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