

## **Analysis of the Balanced Scorecard as a Tool in Setting Business Strategies at the Uli Motor Workshop**

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### **ABSTRACT**

*This research aims to compile a strategy based on the balanced scorecard at the Uli Motor Workshop. First, this research explains how the company's general strategy is determined through SWOT, which is then divided into four perspectives: the financial perspective, the customer perspective, the internal business process perspective and the learning growth perspective. Compiling this balanced scorecard begins by translating the company's vision, mission, long-term goals and strategic plans. Then, the strategic purpose of each perspective is formulated. Finally, it is continued with the cause-and-effect relationship between the perspectives and forms a map of the company's strategy as a whole.*

**Keywords:** *balanced scorecard, SWOT, business strategic.*

### **INTRODUCTION**

One of the factors that influence economic growth is an investment. Investment can come from within the state and abroad (Ningrum, 2008). Domestic investment is also referred to as Domestic Capital Investment (PMDN). Furthermore, investment from abroad is called Foreign Investment (PMA). Ridgway and Thalib (2003) argue that investment is expected to produce multiplier effects on national economic development (Hardianti & Setyowati, 2019).. It is because investment activities do not only transfer goods and capital but also transfer knowledge (Hardianti & Setyowati, 2019). Investment increases productivity and economic growth (Dewi et al., 2013).

Today we are faced with the development of a fast-moving world. Developments in the field of technology, especially in terms of information and communication, require that everything can be done quickly and accurately, especially in terms of the economy. Everything must follow the changes that occur. In this era of information and communication, companies should orient their mission towards more well-informed customer satisfaction, on-time delivery, perfect after-sales service, and launching new products, encouraging many companies to strive to improve their competitive edge.

The idea of a balanced scorecard was first published in an article by Robert S. Kaplan and David P. Norton in Harvard Business Review in 2004 entitled "Balance Scorecard - Measures that Drive Performance". As a result, a balanced scorecard was developed as a performance measurement system that allows executives to look at and evaluate the company from various perspectives. The balanced scorecard was then

developed to measure the balance between business performance and company strategy. Customers greatly influence changes in the company's external environment by wanting high-quality, functional and affordable products. Therefore, the company strives to maintain its existing market share to expand production capacity and increase profits consistently.

The workshop's purpose is to survive, which can be achieved if the workshop grows and earns profit continuously. However, global and intense competition causes a reduction in the profits earned by workshops that enter the world-level competition. Therefore, the evaluation of performance measurement is one of the critical factors in the workshop. In addition to being used to evaluate success, performance measurement can also be used as a basis for determining the reward system in the company, for example, for determining the level of employee wages and appropriate awards. as well as using company performance measurement as a tool to evaluate performance in the past period. A balanced Scorecard is a relatively comprehensive measure of creating performance. Financial success with comprehensive performance measurement is not only financial measures but a combination of financial and non-financial measures so that companies can conduct business better..

The development of the service industry in Indonesia continues to increase. It can be seen by the service sector's increasing GDP (Gross Domestic Income) every year. Based on current prices, Indonesia's gross domestic product (GDP) will increase again in 2021. Its value is Rp16.970 trillion, up 9.92% compared to the previous year. It shows that the service industry is one of the dominant economic forces in the industrial world today, with growth projections tending to increase over time.

The automotive service industry is one of the after-sales services for motor vehicle owners that a company carries out to provide vehicle maintenance and repair for its customers. The number of vehicle maintenance and repair workshops today responds to the increased production of motor vehicles and vehicle users.

Based on data from the Indonesian Motor Vehicle Industry Association, car sales in Indonesia increased from year to year recording, and car sales in the domestic market from factories to dealers (wholesales) reached 99,986 units in September 2022. The number grew by 3.13% compared to August 2022, which is 96,956 units. As a result, car sales in the domestic market in September 2022 also increased by 18.87% compared to the previous year. In September 2021, car sales in the domestic market were recorded at 84,113 units.

*Uli Motor Workshop* is a general workshop located in Padangsidempuan, North Sumatra. Moreover, it has been established since 1999. Although this workshop is quite large and provides a variety of complete car repair and maintenance facilities, it only uses financial reports to measure the company's performance. It has yet to use measurement tools such as the balanced scorecard in its company, so the strategic decisions taken become less than optimal..

Based on previous research conducted by Verni Kurniasari and Gesti (2016) with the title Analysis of Company Performance Using the Balanced Scorecard Method (case study on PT. Aditya Santana Agro). Based on the analysis done on: (1) The financial perspective shows poor financial performance (experienced a decline); (2) From the customer's perspective showing satisfactory performance; (3) Internal business perspective, i.e. innovation, operational process and after-sales service show good

performance. (4) The perspective of growth and learning is good employee capabilities, according to the research of Tantri Widiastuti and Immanuel Ari (2016) in (Yuwono, 2009).

The Balance Scorecard Method as a Performance Evaluation Gauge (Study at PT "X" in Semarang). The results of research at PT. X shows that the company's performance based on the balanced scorecard from the financial perspective is in good condition. The company's performance based on the balanced scorecard from the customer's perspective (customer perspective) is in good condition. T

he company's performance based on the balanced scorecard from the Internal Business Process Perspective (internal business process perspective) is in good condition (Mulyadi, 2009). The customer perspective in the Balanced Scorecard identifies how the customer's condition and the market segment that the company has chosen to compete with competitors. The selected segment reflects the presence of customers as a source of income, showing recognition of the importance of customer focus and customer satisfaction..

The purpose of this research is as follows. First, to develop the measurement and encourage the learning and growth of the Uli Motor Workshop. Then, identify where the Uli Motor Workshop should excel in achieving reliable performance. Finally, developing and improving at the same time encourages the company to achieve good results and become a workshop that becomes a learning organization and triggers its growth.

## **METHOD**

The balanced scorecard method is used to analyze the data obtained. The balanced scorecard is a method of measuring company performance that consists of four perspectives. This research uses quantitative and qualitative analysis methods. Research is conducted with a theory as a point of departure or verification of the theory that underlies the formulation of problems or questions, data testing, and decision-making.

The quantitative analysis comes from financial reports to calculate financial perspective measurements consisting of Current Ratio, Debt to Asse, Debt to Equity, Return On Investment (ROI), Return On Equity (ROE), and Sales Growth. The qualitative analysis used is SWOT analysis and Balanced Scorecard. With SWOT, the strategy that the company will implement is formulated, and with the Balanced Scorecard, each strategy is explained from four perspectives: System Testing and Evaluation.

The instrument uses a measurement scale based on the "Likert Scale Model", which measures the attitude, opinion and perception of a person or a group of people about social phenomena in the form of a questionnaire. In this research, each item consists of an answer scale: 1, 2, 3, 4, 5. The highest score for each item is 5, while the lowest is 1. The questionnaire details are arranged in statements to be answered by the respondents. This instrument is, among others, for measuring the Financial Performance Perspective Optimization Commitment variable (Y). It is an endogenous or bound variable. At the same time, the exogenous variable or explanation is Financial Perspective (X1), Customer Perspective (X2), Business Internal Perspective (X3) and Growth and Learning Perspective (X4).

Population and Sample. A sample in this research is 25 customers and 30 employees who work at Uli Motor Workshop. The sampling technique used is

Nonprobability Sampling, which is a sampling technique that does not provide equal opportunities for each element (member) of the population to be selected as a member of the sample (Sugiyono, 2013, p. 95). The type of sampling technique used is a saturated sample or also called census sampling, that is, taking a sample where all members of the population are used as a sample.

## RESULT AND DISCUSSION

### Strategic Plan

As a business entity operating in the car maintenance and repair industry, Uli Motor Workshop is not the only one operating in the city of Padangsidempuan. There are four major competitors: Istana workshop, Logos workshop, and Pitstop workshop. Therefore, the Uli Motor Workshop should maximize its performance because the competition is getting tighter, and the right strategy is needed. Although the Uli motor workshop is not an official workshop, the Uli Motor workshop can use the balanced scorecard in setting strategies.

In the SWOT analysis, the company's strengths and weaknesses are identified, as well as opportunities and threats from outside the business environment. In this research, the tool used is the SWOT matrix analysis. In his book Hunger and Wheelen (2017), the tools used to analyze or organize the company's strategic factors are of several types.

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**Table 1.** SWOT Matrix on Uli Motor Workshop

	<b><u>STRENGTH (S)</u></b>	<b><u>WEAKNESS (W)</u></b>
<b>INTERNAL</b>	<ol style="list-style-type: none"> <li>The price of services and goods is relatively low.</li> <li>Highly competent employees and mechanics.</li> <li>The name of the company is already known.</li> </ol>	<ol style="list-style-type: none"> <li>Slow service due to heavy workload.</li> <li>Low employee work motivatio.</li> <li>Equipment and machines that need to be upgraded and added.</li> </ol>
<b>EKSTERNAL</b>		
<b><u>OPPORTUNITIES (O)</u></b>	<b><u>SO</u></b>	<b><u>WO</u></b>
<ol style="list-style-type: none"> <li>The increasing number of cars.</li> <li>The size of the company's area that can be used for business development.</li> <li>Development of Technology and Information.</li> </ol>	<ol style="list-style-type: none"> <li>Continue to increase company profits (S4, O2).</li> <li>Continued sales growth (S5, O1).</li> <li>Doing efficiency on company operational costs (S1, O5).</li> </ol>	<ol style="list-style-type: none"> <li>Provide maximum satisfaction to customers (W2, O3).</li> <li>Improve, quality with customers (W4,O1).</li> <li>Provide good service (W5, O4).</li> </ol>
<b><u>THREATS (T)</u></b>	<b><u>ST</u></b>	<b><u>WT</u></b>
<ol style="list-style-type: none"> <li>The number of similar business competitors.</li> <li>The rapid development of car</li> </ol>	<ol style="list-style-type: none"> <li>usiness expansion and development (S5, T5).</li> <li>Optimizing facilities (S1, T2).</li> </ol>	<ol style="list-style-type: none"> <li>Highly committed employees (W1, T4).</li> <li>Developing employee</li> </ol>

technology.	3. Creating an effective and	competencies (W2, T3).
3. The emergence of mechanics with advanced skills.	efficient business process (S3, T5).	3. Forming a solid team (W4, T1).

Source: Proceed (Author)

P Norton (2008) Evaluation matrix is divided into internal factor evaluation matrix and external factor evaluation matrix. This strategy formulation tool summarizes and evaluates the main strengths and weaknesses for the evaluation matrix of internal factors, the evaluation matrix for the Uli Motor Workshop in Table 2.

**Table 2.** Internal Factor Evaluation Matrix

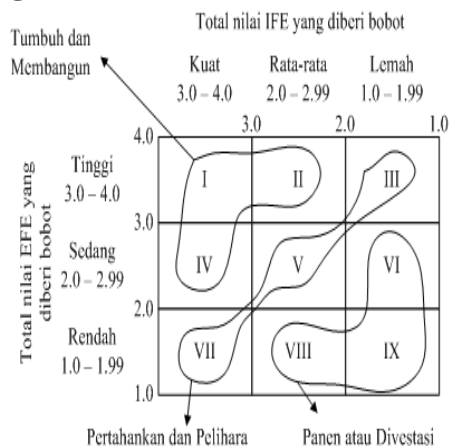
Key Internal Factors	Weight	Value	Weighted Values
<b>Strength</b>			
1. Treatment Facilities	0.15	3	0.45
2. Price of services	0.05	4	0.20
3. Mechanical employee skills	0.15	4	0.60
4. Branding	0.10	3	0.30
5. Loyal customer	0.10	3	0.30
<b>Weakness</b>			
1. Inadequate infrastructure	0.05	3	0.15
2. Slow service due to heavy workload	0.10	2	0.20
3. The location is a bit far	0.05	2	0.10
4. Low employee motivation	0.15	4	0.60
5. Equipment and machine maintenance	0.10	3	0.30
Jumlah	1.00		3.20

Source: Proceed (Author)

### Internal External Matrix (IE)

The IE matrix is based on two key dimensions: the total EFI value weighted on the x-axis and the total EFE value weighted on the y-axis. The IE matrix is divided into three main parts: the growth and development strategy, the defence and maintenance strategy, and the harvest and divestment strategy.

**Figure 1.** IE Matrix (Internal – External)



Source: Proceed (Author)

## **Balanced Scorecard Planning**

### **Financial Perspective**

The financial perspective explains the consequences of financial actions taken. It is reflected in the financial performance benchmark that shows whether the strategy can improve financial health conditions. The stage of the business cycle affects the financial goals of the Uli Motor Workshop in the growth stage. There are three strategic financial objectives of the Uli Motor Workshop, which are as follows:

F1. Increased Profitability. Increased profitability with the ROA (Return On Asset) indicator can be driven by increasing the company's profit. This increase in profitability is the final goal of applying the balanced scorecard, where the company targets a profit increase of 1.5% yearly.

F2. Sales Growth. The lag indicator of sales growth is sales growth. With increased sales growth, the company's profit will increase. Estimated sales for 2020 - 2022 based on the previous year are 4.1 Billion, 4.3 Billion and 5.0 Billion.

F3. Operational Cost Effectiveness. Decreasing the cost of existing burdens helps increase the company's profit. The lag indicator is the Operating Expense Ratio (OER), which is influenced by efficiency and cost-effectiveness and is targeted to decrease by 1% yearly.

### **Customer Perspective**

C1. Increased Customer Satisfaction. Increased customer satisfaction has a direct effect on increased sales. As a result, the ratio is expected to increase to 76% in 2020. Then, the ratio is 81% in 2021 and 86% in 2022 or included in the very satisfied category.

C2. Improving the Quality of Relationships with Customers. The image ratio of the current year is then estimated for the next year (2020 - 2022), which is 79.5%, 82% and 84.5%, consecutively.

### **Internal Business Process Perspective**

I1. Business Expansion and Development. The lead indicator is an optimal facility for employees and directly impacts the company's image. The calculation results from the questionnaire were conducted in the current year. It shows a good category with an increased target by the management of 77.5% (2020), 80% (2021), and 82,5 % (2022).

I2. Availability of Optimal Facilities. With the optimal bankruptcy of the company, the management expects an increase in facilities by 5% every year.

### **Learning and Growth Perspectives**

P1. Increased Employee Commitment. The target employee satisfaction ratio every year in a row - also increased by five points, namely; 63%, 68%, and 73%.

P2. Developing Employee Competencies. The management aims to increase its employees' training and learning index by 5% every year.

**Table 3.** Balanced Scorecard on Uli Motor Workshop

Strategic Goals	Strategic Size	
	Lag Indicator	Leads Indicator
Finance		
F1. Profitability	- ROA	- Use of Assets
F2. Growth	- Sales Growth	- Demand for Goods and Services
F3. Operational Cost Effectiveness	- Operating Load Ratio	- Cost Efficiency
Customer (C)		
C1. Satisfaction	- Customer satisfaction ratio	- Product,
C2. Customer Quality	- Corporate Image Ratio	- Service - Number of subscribers
Internal Business Process		
I1. Business development	- Innovation Ratio	- Addition of New Business Fields
I2. Availability of Optimal Facilities	- Facility Availability Rate	- Addition of New Facilities
Learning and Growth		
P1. Employee	- Employee satisfaction ratio	- Work Culture
P2. skills	- Employee Training Index	- Effective business processes

Source: Proceed (Author)

### Target Setting

Measurement alone is not enough, and managers must be able to control behavioural changes in the organization if they expect to be able to implement the strategy. It requires a target set for each balanced scorecard measurement.

**Table 4.** Setting Targets for 2020-2022

Strategic Goals	Size	Target		
		2020	2021	2022
Finance (F)				
F1. Increased Profitability	ROA	24.5%	26%	27.5%
F2. Sales Growth	Sales Growth	4,1 M	4,3 M	5,0 M
F3. Operational Cost Effectiveness	Operating Expense Ratio	28%	27%	26%
Customer (C)				
C1. Increased Customer Satisfaction	Customer satisfaction ratio	76%	81%	86%
C2. Improving the Quality of Relationships with Customers	Corporate Image Ratio	79.5%	82%	84.5%
Internal Business Process (I)				
I1. Business Expansion and Development	Innovation Ratio	77.5%	80%	82.5%
I2. Availability of Optimal Facilities	Facility Availability Level	80%	85%	90%
Learning and Growth (P)				
P1. Increased Employee Commitment	Employee satisfaction ratio	63%	68%	73%
P2. Develop skills	Employee Training Index	10%	15%	20%

Source: Proceed (Author)

## CONCLUSION

The Balance Scorecard is essential in developing measurement and encouraging learning and growth in Uli Motor Workshop. The balanced scorecard can identify where Uli Motor Workshop should excel in achieving reliable performance. Balance scorecards can develop and improve while encouraging companies to achieve good results. Performance measurement is essential in every company. Performance measurement can help leaders implement business strategies by comparing results with goals and strategies.

The suggestion from this research is that Uli Motor Workshop should use the balanced scorecard to help implement its strategy and improve the company's performance by inviting all elements of the company to participate and support the application of the balanced scorecard.

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