



## APPLICATION OF BALANCE SCORECARD METHOD IN EVENT ORGANIZER AS FOLLOW MEASURING PERFORMANCE MEASUREMENT OF THE COMPANY

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### ABSTRACT

This study aims to measure the achievement of Corporate Event Organizer's performance with Balance Scorecard Approach which consists of 4 perspectives namely financial, business process, customer and learning and growth. The results of this study are the most dominant financial perspective and Learning and growth perspective that needs to be improved. By performing performance improvements on those perspectives is expected to affect the improvement of performance in a comprehensive manner which will improve the Company's competitiveness.

**KEYWORDS** : Balance Scorecard, finance, business process, customer, learning and growth, Event Organizer

### INTRODUCTION

Today the company is entering the era of global competition, so many companies should perform performance evaluation from various sectors of production, marketing, human resource management, and financial handling. Due to the existence of global competition, the company must conduct an evaluation of employee performance by reducing employees due to the inability to face global competition. Only companies that have the advantage and able to meet the needs of consumers who can survive in the era of global competition. These changes encourage companies to prepare themselves for acceptance in the global environment. The key to competition in the global market is the total quality that includes emphasis on product quality, cost or price quality, service quality, timely delivery quality, and other growing satisfactions in order to provide continuous satisfaction to customers.

Measuring company performance is an important management tool. In the face of competition in global markets, companies must always be encouraged to improve their performance continuously. The existence of a measurement, the condition of the company's business processes can be known. Balance Scorecard (BSC) which is a concept of measurement derived directly from the company's business strategy needs to be continuously monitored, as it will lead employees to the key success factors for building the company's success. To achieve this success, the company must be motivated to make continuous improvements to both performance measurement results and performance benchmarks themselves. The performance benchmark in question is key performance in Balanced Scorecard (BSC). The Balanced Scorecard (BSC) is an approach to management strategies developed by Robert Kaplan and David Norton in the early 1990s. The Balanced Scorecard (BSC) comes from two words: balanced and scorecards. Balanced means a balance between financial and non-financial performance, short-term performance and long-term performance, between internal performance and external performance. While the scorecard (scorecard) is a card used to record a person's performance score. The scorecard can also be used to plan the scores that a person is about to embody in the future.

Diamond Event Organizer (DEO) is a company engaged in the services of organizer. Using the Balanced Scorecard concept, it is expected to help companies provide a comprehensive framework for translating vision into strategic goals. Performance measurement with Balance Scorecard not only uses the financial aspect, but also the non-financial aspects to achieve a performance measurement balance. As a service company that continues to grow, Diamond Event Organizer must be able to compete with other similar companies that have also been growing rapidly.

Increasing competition must also be balanced with good management for the company to survive.

### LITERATURE REVIEW

#### Event Organizer

Event Organizer (EO) as the organizer of any event or activity, requires a professional event management capability. Event management can be defined as organizing an event that is managed professionally, systematically, efficiently and effectively whose activities include from concept (planning) to implementation to supervision.

According to management expert Rhenald Kasali, Event Organizer is a business that applies the concept of management continuously and consistently in exploring the world of entertainment deeply. Built from a team that records every single detail of the process of selecting events, packing events, fulfilling payments, administering licenses, ensuring security of execution, recording market volatility, and preparing technology and marketing, up to event reports or evaluations. In event management, everyone has to work hard with the same vision to produce an event that matches expectations. It is necessary to have cohesion on everyone involved in the team. In other words, Event organizers mean not only one person who feels himself the greatest in performing the task but everything depends on each other.

#### Performance

According to James A.F. Stoner, Daniel R. Gilbert and R. Edward Freeman in his book Management (2009), the company's performance is "The measure of how well organization do their job". From this definition, company performance can be interpreted as a measure of how well organizations perform their jobs. Mulyadi (2007) added the definition of performance appraisal is the periodic determination of operational effectiveness of an organization, part organization and employees based on predetermined targets, standards and criteria.

The main purpose of performance evaluation is to motivate employees in achieving the goals of the organization and in complying with predefined standards of behavior, in order to produce the desired actions and results. Mulyadi (2007) explains the benefits of performance evaluation is to:

1. Manage organizational operations effectively and efficiently through maximum employee motivation.
2. Assist the decision-making concerned with employees such as promotions, transfers, and dismissals.
3. Identify training and employee development needs, and to provide criteria for selection and evaluation of employee training programs.

4. Provide feedback to employees on how their bosses assess their performance.
5. Provide a basis for award distribution. So performance measurement is very important to do in order for the company can assess how the performance of a company in implementing work programs and strategies that have been set in a period, where the results of these performance measurements can be input for the company to make decisions.

### Key Performance Indicator

According to Warren (2011), key performance indicators are a measurement that assesses how an organization executes its strategic vision.

The strategic vision refers to how an organization's strategy is interactively integrated into the organization's overall strategy. According to Banerjee and Buoti (2012), key performance indicators are quantitative and scale measurement used to evaluate organizational performance in order to achieve organizational goals. KPIs are also used to define measurable objectives, see trends, and support decision-making. According to Parmenter (2007) Management model that can have a big impact on the application of KPI, among others is balanced scorecard. From its history the balanced scorecard written by Kaplan & Norton was originally developed to solve problems related to financial measurement in accounting. In its development then balanced scorecard is made to be one of the performance measurement tools or performance management.

### Balance Scorecard

The Balanced Scorecard (BSC) was prepared by Robert Kaplan, a professor of accounting at Harvard University and David Norton, a consultant, who conducted research to find new methods for performance measurement. At first, Balanced Scorecard is considered only intended for profit-oriented companies, but it turns out Balanced Scorecard also successfully applied to non-profit institutions and public institutions.

According to Luis and Biromo (2007), Balanced scorecard (BSC) is defined as a performance management tool that can help an organization to translate vision, mission and strategy into action by utilizing a set of financial and nonfinancial indicators all of which are intertwined in a cause-and-effect relationship. BSC is instrumental as a change of vision and organizational strategy into an action so that BSC does not stop when the strategy is completed but continue to monitor the process of execution. The Balanced Scorecard is a collection of quantitative benchmarks selected selectively from organizational strategy. The selected benchmark as a tool for delivering performance drivers along with the results to be achieved that will be used as a tool for the company to achieve its strategic objectives and mission to the ecumenical stakeholders and employees. Balanced Scorecard consists of three functions, namely as a measurement system, strategic management system, and as a communication tool.

#### 1. Financial perspective

Inside the Balanced Scorecard, financial measurement has two important roles, where the first is all perspective dependent on financial measurements that show the implementation of the planned strategy and the second is to give impetus to the other three perspectives on the targets to be achieved in achieving the goals of the organization.

#### 2. Customer perspective

According to Budiarti (2007), in the perspective of Balanced Scorecard customers, enterprise management must identify the customers and market segments in which the business unit will compete and the various business unit performance measures within the target segment. This perspective typically consists of several key measures or generic measures of a company's success of a well-formulated and executed strategy. The key measures consist

of customer satisfaction, customer retention, new customer acquisition, customer profitability, and market share in the target segment.

Customer satisfaction is a form of consumer assessment of the level of service received (perceived service) with the level of service expected (expected service). The definition of customer satisfaction focuses on efforts to meet customer needs and desires as well as the accuracy of delivery to counterbalance customer expectations. Customer satisfaction reveals the alignment between one's expectations and the results obtained, in which the customer continues to participate.

#### 3. Internal business process perspective.

In the internal business process perspective, the company must identify an important internal process whereby the company must do it as well as possible, because the internal process has values that customers want and will provide returns expected by shareholders. Managers must focus their attention on internal business processes that determine customer satisfaction. The company's performance from that perspective is derived from the company's internal business processes. The company must choose the process from which its competence is superior and determine the measures to assess the performance of the process and its competencies, in order to meet customer satisfaction.

According to Luis and Biromo (2007), the internal business process is a series of activities that exist in the company's business internally. Which is often called the Value Chain. In a company that produces goods and services, in general the value chain consists of the development of new products, production, sales and marketing, product delivery, after sales service, and environmental health and safety (safety and health environment).

#### 4. Learning and growth perspective

The fourth perspective in the balanced scorecard develops measurements and goals to encourage organizations to move and grow. The goal of the learning and growth perspective is to provide the infrastructure to support the achievement of the previous three perspectives. The financial, customer and target perspectives of internal business processes can reveal the gap between the existing capabilities of people, systems and procedures with what is needed to achieve a reliable performance.

According to Budiarti (2007) The Learning and Growth Perspective identifies the infrastructure that the company must build in order to create long-term growth and performance improvement. The main sources of learning and growth of the company are human, system, and company procedures. To achieve the goals of the financial, customer, and internal business process perspectives, the company must invest by providing training to its employees, improving technology and information systems, and aligning various company operational procedures and activities that are the main source of learning and growth perspective.

Some previous research related to Balance Score Card is Basuony & Mohamed's research (2014) which conduct research related to Balance Score Card at UMKM. Another research on Balance Score Card is Elkhoully et al (2015) study that examines the concept of Balance Score Card in Bank companies. Furthermore Alhayali (2016) conduct research related to Balance Score Card at the University. Research on Balance Score Card in Industry is done by Chung et al (2016)

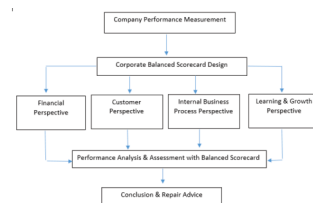


Figure 1. The framework of research thinking

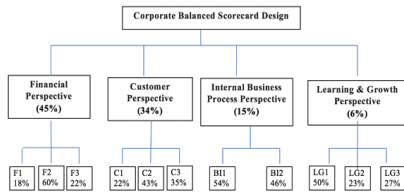
**RESEARCH METHODS**

The approach used in this research is descriptive method with qualitative and quantitative modification approach in processing information that will be used as quantitative data in processing information that will be used as research data. The object of this research is This research is done in Diamond Event Organizer.

**RESULTS AND DISCUSSION**

**Preparation of AHP Hierarchy**

The Company's vision and mission has been translated into strategic objectives, then formulated into its strategic objectives based on Balance Scorecard perspective. The translation is done after the first confirmation through the preliminary interviews of the people who occupy important positions in PT Diamond and based on relevant internal data. Confirmed goals are weighted to determine the effect of each perspective on the performance of PT Diamond. The weighting result will be a reflection of the value of each of the most influential goals of each Balance Scorecard perspective.



**Figure 2. AHP-based Performance Structure**

Note:

- F1: Operational cost efficiency
- F2: Increased revenue (profit)
- F3: Decrease in NPF
- C1: Increased customer satisfaction
- C2: Increased number of subscribers
- C3: Deepening of potential customers
- BI1: Improved service quality
- BI2: Efficiency of operation process
- LG1: Increasing employee quality and competency
- LG2: Reliability of technology and information
- LG3: Increased employee satisfaction and motivation

**Weighted Goals and Results Measures Balanced Scorecard with AHP Method**

The weighting by AHP method is performed using data obtained from questionnaires that have been distributed to five experts at PT Diamond. Processing with AHP was done using Expert Choice 2000 software. In the calculation obtained the Consistency Ratio (CR) ≤ 10%, so it is considered good for the target and the size of the results. The weighting calculations of each perspective can be seen in the Appendix. Weighted recapitulation can be seen in the table below.

**Table 1. Weighted Goals and Results Measures Balanced Scorecard**

Perspective	Weight	Target Strategy	Weight
Finance	45%	Operational cost efficiency	18%
		Income increase (profit)	60%
		Decrease in NPF	22%
Customer	34%	Increased customer satisfaction	22%
		Increased number of subscribers	43%
		Deepening of potential customers	35%
Internal Business Process	15%	Improved service quality	54%
		Efficiency of operation process	46%
Learning and Growth	6%	Improving the quality and competence of employees	50%
		Reliability of technology and information	23%
		Increased employee satisfaction and motivation	27%

Based on the analysis above, the most dominant perspective in performance is financial perspective (45%) followed by customer perspective (34%), internal business process perspective (15%) and Learning and growth perspective (6%).

**CONCLUSION**

Measurement of business unit performance achievement becomes more comprehensive, not only reviewed based on financial aspect but also must involve various other aspects of management both internal and external. Internal aspect aims to prevent the occurrence of conflict of interest between management aspect that exist in internal organization of company while external aspect among them is to know customer expectation. One technique that can be used in order to measure company performance is to use a balanced scorecard. Balance Scorecard method to measure company performance comprehensively and strategically consist of 4 perspectives that is financial perspective, business process perspective, customer perspective and learning and growth perspective.

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