

# Analysis of performance measurement at HR-GR Department using the balance scorecard method

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**Abstract.** PT. X is a company engaged in logistics service in Indonesia. Every company will certainly face a dynamic business environment. Competitors not only from domestic but also from overseas. To be successful in achieving its objectives, company should have a comprehensive measurement system as a strategy feedback that will drive the performance of company. HR-GA department is department that coordinate directly with company's management. Company through departments expect development goals in individual and also support of infrastructure will run smoothly. In 2015, company has taken steps to conduct a balanced scorecard as performance measurement. Nevertheless, a number of factors so it cannot run optimally. This study aims to analyse the current system and provided suggestions in order to give an overview to department related to its current performance. The results of data processing show that there are 8 objective strategies that have been formulated with 9 key performance indicators. Based on the results of scorecard, obtained values of 4.44 for customer perspective, 4.32 for internal business process perspective & 5.00 for learning and growth perspective. It concludes that performance based on perspectives are categorized very well

**Keywords:** balance scorecard, performance management.

## 1. Introduction

The Technology advances bring great impact in relations among Nations especially in the field of international economics. Indonesia is one of the developing countries are currently experiencing a very tight global competition. According to Gopal R, Global Vice President of transportation and logistics in the Frost and Sullivan that ASEAN logistics and transportation sector is evolving rapidly, that is because the existence of regional economic growth. Regional economic growth is due to export role is great and significant domestic demand [5].

Economic growth in Indonesia, one of which was caused by the factors of population, with the rate of population growth between 2010 and 2035 projected about 1.40% per year. According to the last study (released in 2010), Indonesia has a population of 237.6 million people. However, according to recent estimates (of the various institutions) Indonesia is estimated to have more than 255 million people by the year 2016 [2]

Population growth increased significantly affect demand for the needs of food, clothing and boards are increasingly large numbers. The demand for primary needs, secondary as well as tertiary does not only come from within the country, but along with the development of the digital age in e-commerce affects the level of the peoples consumption against importing goods especially in Indonesia. The role of the logistics service providers rather than to provide any good stuff needs shipping national and international



scale become a very important aspect in the logistics chain.

In economic development, nowadays where the business world is growing rapidly in Indonesia and an increasingly competitive rivalry. The competition made the company must have the right strategy so as to enhance sustainable competitiveness. In this regard, it is necessary to design a management system that can formulate a strategy, Strategic planning system, and the preparation of strategy programs in the form of translation of vision and mission to be achieved [3].

Companies that are ready to compete must have effective strategic management, especially in improving company performance. A strategy effectiveness can be seen from the performance of a company that continues to increase or improve. PT. X is one of the freight forwarding company that is a logistics service provider that has more than 15 years serving various business environment in Indonesia. In support of import-export activities in Indonesia, the company provides both air and sea freight services, where the process from purchasing goods, customs clearance and delivery to consignee is the responsibility of the company.

At the end of 2015, the company's management takes steps to run a performance scorecard-based performance management system that is managed online with software. But since the beginning of the system has been released to date, the company still uses the company's performance assessment conventionally. This approach still focuses on financial perspective without taking non-financial perspectives. Today's business entities require a multi-perspective performance measurement or comprehensive measurement that can reflect the needs of each stakeholder.

If company applies a comprehensive performance measurement, it is expected to assist management in measuring the extent to which the company's strategy has been achieved. Comprehensive performance assessments are also indispensable for the purpose of performing performance management so as to help integrate corporate, individual or work group objectives. Nevertheless, as for the constraints faced by the company so that the scorecard based performance appraisal system cannot be done properly. The following is a description of the constraints that companies face in implementing the balanced scorecard described in Table 1.1 below.

**Table 1.1.** Company Problems in Implementing BSC

No	Factor	Problems
1	System	BSC system is still fully under repair Socializing the BSC to each department as a system that monitors the achievement of the company strategic plan is limited to every department manager
2	Management	Although with a number of projects that are being handled by the company so that management commitment in BSC implementation can not be run optimally
3	Department	A large number of work activities within the department so that managers and employees experience obstacles in adjusting work activities with corporate strategic goals

Balanced Scorecard (BSC) is a performance management tool first appeared in 1996 by Kaplan and Norton [6][7]. BSC consists of two words namely scorecard and (2) balanced (balanced). The scorecard is the card used to record the performance score of an organization or individual score. The scorecard can also be used to plan scores to be realized in the future. Through a scorecard, the scores that the organization or individual would like to realize in the future compared to the actual performance results. The word balanced is intended to show that the performance of the organization / individual is measured on a balanced basis from two indicators, namely financial and non-financial.

The company considers that in the company's own performance that is important to build the company and walk the company's direction goes well one of which is located at the operational level of the company. The operational level of the company is located at the lower management level that is the department that supports every operational activity of the company. This research will be conducted in the HR-GA department because it has a role in supporting the implementation of corporate strategy to

achieve its goals.

The HR-GA department puts its focus on the company's strategic plans that directly relate to individual development within the company as well as the management of infrastructure or infrastructure in support of business activities within the company. Of course, the performance of the HR-GA department has a significant impact on its relationship with other departments. Measurement of departmental performance is considered very important for decision making and supports internal corporate reporting activities. For management, performance measurement is an integral part of the management control system.

Based on the background, the researcher wanted to analyze how the performance of HR-GA department in support of each strategic objectives that have been declared company. This research is expected to provide an overview for the HR-GA department in particular to the performance results it has in managing every business activity. The purpose of this study include:

1. Analysing the current HR-GA department's strategy map
2. Analysing the current HR-GA department KPIs
3. Analysis of the performance of department HR-GA PT. X based on Balanced Scorecard perspective

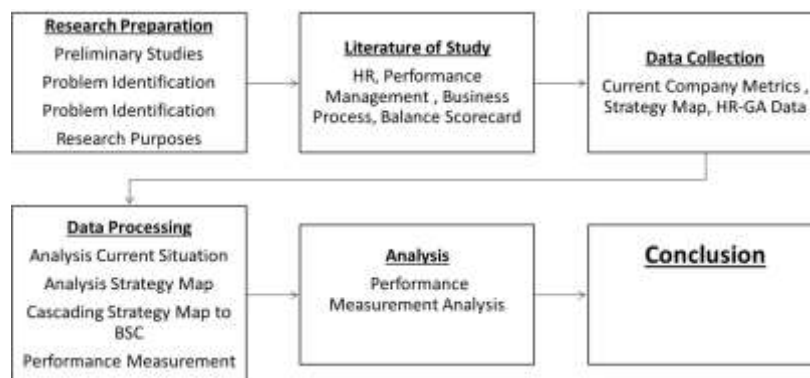
## 2. Methodology

### 2.1. Scope of Research

Before In this study, the scope of the study is limited by measuring performance using the balanced scorecard method, since this method is a measurement system that not only assesses the financial side but overall by looking at the non-financial side. In this study limited to non-financial performance only because of the company's policy for researchers. The study was conducted in the HR-GA department and the data used were primary data from the period (January 2017-June 2017). The research location is located in the office of PT. X, Grand Slipi Tower, Jakarta.

### 2.2. Research Framework

The following is a flow chart to show clearly the framework and flow of research shown in Figure 2.1 below.

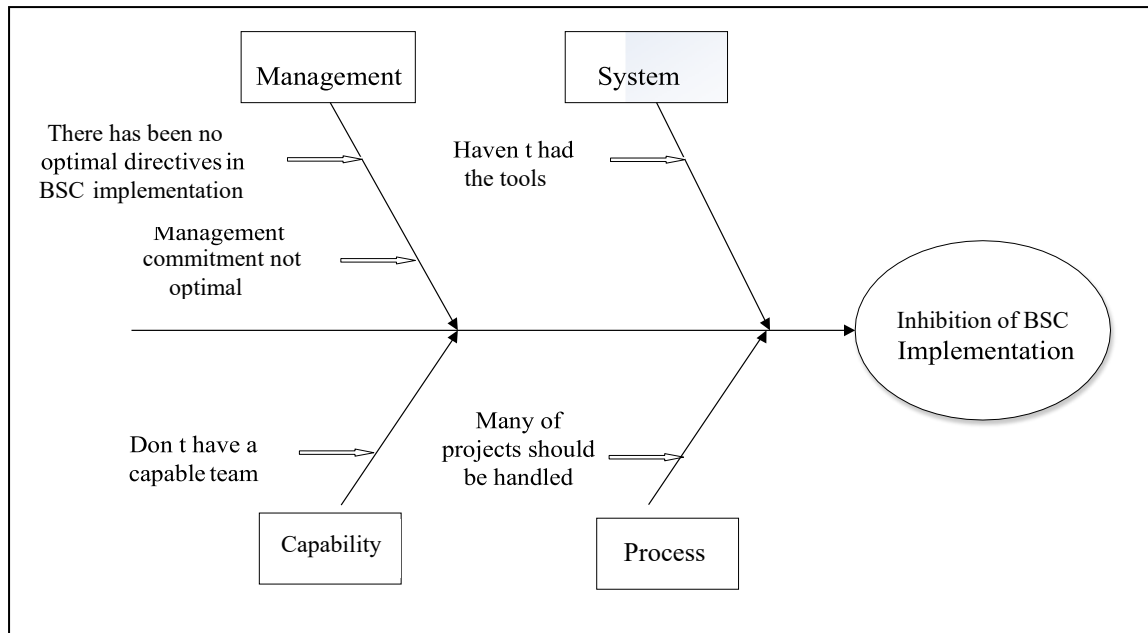


**Figure 2.1.** Flowchart Research Methodology

## 3. Result and Discussion

### 3.1. Analysis of Current System

The following is an explanation of a number of factors that inhibit the implementation of BSC within the company as indicated by the Fishbone diagram in Figure 3.1 below.



**Figure 3.1.** Fishbone Diagram Problem in BSC Implementation

### 3.2 Identify of HR-GA Department Objective

The objective is to identify The current objective of the company that is to conduct a review of the objectives previously set by the company and department together, a goal that is fixed or will not be managed and realized in the future. So it is expected HR-GA department can perform business processes within the company in accordance with the focus of the goals set. Here is a summary of the objectives shown in Table 3.1 below

**Table 3.1.** HR-GA Department Objective

No	Objectives
1	Manage operating cost efficiently
2	Develop and improve the quality of human resources in the company
3	Improve the quality of fund monitoring
4	Improving the implementation of company regulations
5	Improve the maintenance of corporate assets
6	Reduced employee turnover rate
7	Improving services between departments
8	Fulfillment of employee career ladder

### 3.3 Linking Strategic Objectives with Performance Measurement

Once the Strategy Map is develop , then the Strategic Objectives should cascade to performance metrics. A summary of the lag indicator and lead indicator of each perspective is shown in Table 3.2 below.

**Table 3.2.** Lag Indicator and Lead Indicator of Each Perspective

Perspectives	KPI		
Finance Perspective			
Optimized Cost	Percentage of Genex	- turnover rate - labour cost	
Customer Perspective			
People Development	Percentage of Fulfillment	- number of training that been followed	
Enliven Corp Culture, Values & Ethics	Percentage of Employee turn over	Employee satisfaction rate	
	Satisfaction service level	Department service quality	
Internal Business Process Perspective			
Improving recruitment quality	Percentage of Fulfill the needs of employees on time	Availability of human resources	
Improving Maintenance Asset	Percentage of Maintenance of assets that are executed on schedule	- number of maintenance asset - number of complain	
Improving the quality of monitoring operational funds	Percentage of Cover cash on time (H+3)	number of cash receipt	
Improving the implementation of corporate regulations	Percentage of Socialization of company regulations that are executed on schedule	number of employee participated	
Learning and Growth Perspective			
People Development	Percentage Training Execution based on plan	number of training needed	

### 3.4. Scorecard Design Results

The following is the result of the scorecard design test shown in Table 3.3. In general, the determination of the number of KPIs to be set becomes the consideration of various companies. Based on best practices, KPI determination in general is between 4-10 KPIs in most industrial sectors [11]. In the financial perspective set 1 KPI % Genex Realization. From customer perspective, 3 KPIs are defined, % Employee career ladder, % Turn over employees and service satisfaction level. From the perspective of Internal Business Process, there are 4 KPIs % Socialization of PPs that are executed according to schedule, % Maintenance of assets implemented as scheduled, % Fulfillment of employee demand and % Cover on time. In the perspective of learning and growth set 1 KPI % implementation of training activities that are executed according to schedule.

**Table 3.3.** HR-GA Department Scorecard Result

Perspective	Strategy Objective	KPI	Polarization	Target	Achievement		KPI Weight	Result	SO Result	SO weight	Result
					Realization	Result					
Finance	Optimized Cost	%Genex Realization	Stabilize	100%	N/A	N/A	1.00	N/A	N/A	1.00	N/A
Customer	People Development	%Fulfillment of employee career ladder	Maximize	80%	200%	5	1.00	5.00	5.00	0.44	4.44
	Enliven Corp Culture, Values	%Employee turnover	Minimize	8%	3.80%	4	0.42	1.67	4.00	0.56	
	& Ethics	Level of service satisfaction	Maximize	4 of 5	3.84	4	0.58	2.33			

Internal Business Process	Improving Recruitment Quality	%Fulfill the needs of employees on time	Maximize	100%	81%	4	1.00	4.00	4.00	0.25	4.32
	Improving Maintenance Asset	%Maintenance of assets that are executed on schedule	Maximize	100%	95.24%	5	1.00	5.00	5.00	0.27	
	Improve the quality	%Cover the cash on time (H+3)	Maximize	100%	57.45%	3	1.00	3.00	3.00	0.21	
	Improve the implementation of corporate regulations	% Socialization of company regulations that are executed on schedule	Maximize	100%	100%	5	1.00	5.00	5.00	0.27	
Learning & Growth	People development	% Training Execution based on plan	Maximize	100%	92.86%	5	1.00	5.00	5.00	1.00	5

KPI Score is between 1 to 5 , based on specific performance result for each KPI and each score. The data input for this scorecard is based on calculation from current result, and then converted to BSC Score.

At this stage, researchers cannot perform data retrieval because as previously explained that the HR- GA department to date does not yet have a budget related to general costs within the department. The management of department funds by the HR-GA department is limited to the management of the casino cover. The HR-GA department in its business activities has very little control ability in managing cost. So in this study, the measurement of performance in the financial perspective is limited to the design process only. As for this, it can be an input for the HR-GA department in the coming period. Based on the objective strategy that has been established and agreed by the HR-GA department, it is expected that these performance measurements can also provide added value for the HR-GA department as well as management in controlling the costs related to the flow of cash that has been managed by employees in the company.

Based on the results of data processing on the objective strategy of employee promotion, it is known that the achievement of KPI % fulfilment of employee career ladder is 200%, exceeds the target that is 80% so the assessment scale of the realization is 5. KPI% Turn over employee is 3.8% As of June 2017, still at the lower level of the target set by the department of 8%. Based on the achievement, the scoring scale is 4.

The achievement of KPI obtained is 3.84, obtained the assessment scale 4. Based on the acquisition of course the strategic initiative for the department is to improve its service continuously. The value acquisition on the customer's perspective is derived by summing up the value and weighting between the two objective strategies in the customer's perspective. Objective people development strategy score 5.00 overall, while the objective strategy of corporate culture, values & ethics values is 4.00. Based on the data obtained that the value on the perspective of customers is 4.44, it shows that department performance based on this perspective is considered very good.

The acquisition of value on an internal business perspective is derived by summing the value and weighting of the four objective strategies in the internal business perspective. The objective strategy of improving the quality of recruitment achieves a total of 4.00, the objective strategy of improving the company's asset maintenance to the value of 5.00, the objective strategy of improving the quality of operational fund monitoring achieves 3.00 and the objective strategy of improving the implementation of the company's regulation of 5.00. Based on the data in Table 3.3 it is found that the value on the perspective of Internal Business Process is 4.32, it shows that department performance based on this perspective is considered very good.

Based on the results of data processing obtained the achievement of KPI% Implementation of



training that is done that is equal to 92.86%, so the acquisition value is 5. Based on the data known in the period end of June OJT activities cannot be done due to holiday. Initiative strategies that can be done is to know the needs of employee training and evaluate each training activity. Based on the data in Table 3.3 it is found that the value in Learning and Growth perspective is 5.00, it shows that department performance based on this perspective is considered very good.

#### 4. Conclusion

Based on the results of analysis and evaluation that have been done in the previous chapter, it can be concluded:

1. The HR-GA Department's current Strategy Map is not yet well-targeted, on the grounds that:
  - The objective Increased Profit strategy in the financial perspective, is not specific for measuring HR-GA department because this department is not profit oriented and does not have the capability to manage and generate real profits for the company.
  - From an Internal Business Process perspective, the Strategic Alliances & Networking's objective strategy is the SO that the execution is run by the company's management. In addition, GA departments do not have the authority or capability to manage the objective strategy of Improving vendor relationship because basically the relationship with the vendor is maintained by holding party. The objective strategy of Implement Risk Management is a strategy that is actually managed by a special team that manages risk management within the company so that HR-GA departments do not have control ability against this objective strategy.
  - In a learning and growth perspective, the company has previously described the objective management information system strategy. This SO is judged beyond the HR-GA department's capabilities, as IT development is a task rather than an IT department and IT departments have the capability to support this objective strategy.
2. KPI owned by the HR-GA department is currently considered to be a lack of consideration:
  - In the objective strategy Increased Profit financial perspective is considered not appropriate because the HR-GA department is not a department that generates profit (profit oriented).
  - There are similarity between KPIs in the perspective of customers with learning and growth perspectives, as the actual strategies implemented to support these objectives are equally good for internal HR-GA departments as well as for HR-GA department customers.
  - A number of established KPIs have a small control ability due to data availability and capability factors rather than those responsible for KPI.
3. Actualization of HR-GA department performance can be seen based on value earned on each balanced scorecard perspective:
  - Limitations in this study so that the financial perspective cannot be measured, this is due to the availability of data to support the actualization of the objective optimized cost strategy where both the management and the department has never made a budget.
  - Based on customer perspective, the value of 4.44 in which department performance is considered very good in this perspective.
  - Based on the perspective Internal business process obtained value of 4.32 that department performance is considered very good in perspective.
  - Based on the learning and growth perspective, the value of 5 is that department performance is considered very good in this perspective.

Suggestions proposed through this research are:

1. Consider the performance measurement that still uses traditional performance measurement to a more modern measurement using balanced scorecard, through which a number of KPI can be obtained result which will be the consideration of department in determining a decision on the upcoming strategy

2. Performance in the financial perspective can be further analysed if the department is able to create a budget cost to support the achievement of objective optimized cost strategy. Budget determination is important on the basis of consideration, as an added value for the department and management in controlling the use of operational funds as long as it is only based on the process of casino cover only where the potential losses caused by fraud either intentionally or unintentionally by the employee can be minimized
3. Strategies held in performing performance measurements should be discussed periodically both the department with the company's management because along with the dynamics of the work environment, the measurement will become more complex
4. Conduct a study / observation of employee job satisfaction within the company, as a step to evaluate employee retention and turnover rate of employees within the company
5. It takes sincerity and full support of top management in the implementation of performance measurement design to obtain optimal results for the department
6. The company's managerial evaluation can be done by measuring the performance at the level of other business units, because each business unit has a significant impact on the performance of the company

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