

Implementation of the Balanced Scorecard Perspective for Enhancing the Performance of SMEs

Muhamad Rizal¹, Tiris Sudrartono²

(Management of Business, Piksi Ganesha Polytechnic, Indonesia)

**Corresponding Author: Muhamad Rizal¹*

ABSTRACT : *The development and growth of Micro, Small, and Medium Enterprises (MSMEs) play a significant role in driving Indonesia's economic growth, particularly for the low-income population. MSMEs also play a crucial role in shaping and contributing to the Gross Domestic Product (GDP). The aim of this research is to apply the Balanced Scorecard perspective to enhance the performance of MSMEs, utilizing a qualitative descriptive method to understand, depict, and explain the phenomenon related to the sales of product X at Sawargi Elektronik Store. Data were obtained through observation, interview interactions, and document collection. The research findings indicate that Sawargi Elektronik Store focuses on financial goals with a strategy emphasizing both sustainability and moderate growth. Efforts to maintain sales stability are evident through a focus on product quality and a desire to retain market share. Despite positive feedback from customers regarding service and product quality, fluctuations in sales raise questions about other factors influencing sales performance. Recommendations involve leveraging e-commerce for broader market expansion, in-depth analysis of sales decline, development of employee capabilities, and enhancing alignment between individual employee goals and store objectives. It is anticipated that the implementation of these recommendations will contribute to sustainable growth.*

KEYWORDS:- *Balanced Scorecard, MSMEs, performance improvement*

I. INTRODUCTION

In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) play a key role in the economic sector, serving as the main foundation to promote the economic self-sufficiency of the community. Micro, Small, and Medium Enterprises (MSMEs) have significant potential as a poverty alleviation effort in Indonesia. Addressing poverty through the development of MSMEs holds promising potential. Data released by the Ministry of Cooperatives and SMEs in 2019 indicated that the number of MSMEs in Indonesia reached 65.4 million business units. With such a substantial number of enterprises, MSMEs are capable of providing employment opportunities for approximately 123.3 thousand individuals and making a significant contribution of 60.5% to the national Gross Domestic Product (GDP) [1].

Micro, Small, and Medium Enterprises (MSMEs) refer to business activities operated by individuals, households, or entities on a small scale. The identification of MSMEs is typically based on criteria such as annual income, the number of employees, and the amount of assets owned [2]. The presence of Micro, Small, and Medium Enterprises (MSMEs) in this developing country is designed to facilitate economic growth, particularly by empowering individuals and small business groups. This approach is adopted as a strategy to enhance the well-being and economic self-sufficiency of the community, creating a robust foundation for sustainable economic growth.

The significant number of MSMEs lacking a common strategy in conducting their business activities is a major challenge. Generally, MSMEs tend to focus attention on financial metrics as the sole tool to measure operational outcomes. At times, financial metrics are considered the exclusive indicators that can explain the performance of low and middle-level workers. This reflects a tendency to overlook non-financial aspects that may also influence operational success. Expanding the evaluation perspective, including considerations of factors such as customer satisfaction, process efficiency, and innovation, can provide a more holistic picture of MSME performance and assist in diverse decision-making.

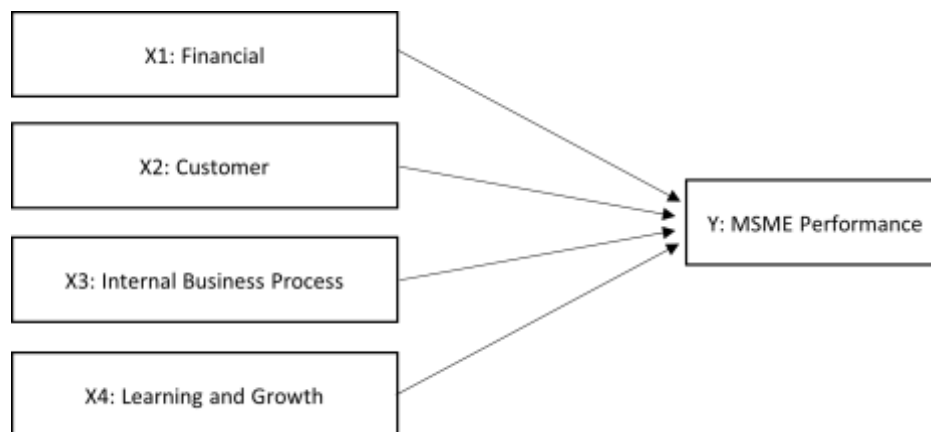
The object of this research is an Electronics Store, which is a retail business selling goods directly to customers. Retail business refers to a series of commercial activities involving the sale of goods and services directly to consumers, whether for personal, family, or household needs [3]. The implementation of the balanced scorecard perspective for enhancing the performance of the MSME (Micro, Small, and Medium Enterprises) "Sawargi Elektronik," an Electronic Store located in the village of Rajamandala, Cipatat District, West Bandung Regency, established since 2010. This aims to assess performance improvements evaluated through the four

perspectives of the Balanced Scorecard. Business performance or business results serve as a measure of the achievements derived from business activities over a specific period [4]. The performance of MSMEs can be assessed from several aspects, namely the financial, customer, internal process, and learning and growth perspectives, known as the Balanced Scorecard [5].

The Balanced Scorecard is an approach used to assess the performance of individuals, groups, or organizations. The term "balanced" in this context encompasses a set of metrics that balance between financial and non-financial measures, and "scorecard" refers to a card used to record the scores of performance outcomes. The Balanced Scorecard is a measurement system for business practitioners to manage corporate organizations by translating the company's vision and mission into a strategic measurement framework that includes several parameters in each perspective. This comprehensive approach is designed to enhance corporate performance to achieve sustainable competitive advantages in the current context of intense competition [6].

The four perspectives in the Balanced Scorecard form an integrated and inseparable unity, mutually supporting each other as performance measurement indicators with cause-and-effect relationships. The financial perspective is considered as the end result that reflects the impact of the other three perspectives [7]. **The Financial Perspective** reflects how effective the planning and execution of strategy contribute to the improvement of the company's profitability [8]. **The Customer Perspective** reflects how customers view the company. Customers have the technical skills to evaluate corporations from various aspects, such as timing, quality, service performance, and the cost incurred to obtain services [9]. **The Internal Business Process Perspective** has two strategic objectives for evaluating internal business aspects: the development of quality products and the improvement of service quality. Indicators such as the addition of new products reflect the continuous innovation of MSMEs in creating products. Evaluation of the percentage of production orders that can be fulfilled on time indicates the commitment of MSMEs to fulfill customer orders with responsible service [10]. **The Growth and Learning Perspective** aims to provide the necessary infrastructure to achieve the goals of the other three perspectives in the Balanced Scorecard. Additionally, this perspective serves as a driver to achieve optimal results by promoting organizational development as a learning organization and triggering its growth [11].

II. RESEARCH MODEL



Picture 1: Research Model

H1: The Financial Perspective has a positive impact on MSME Performance.

[12] Based on Yuwanda et al. research findings, it is concluded that the company has successfully achieved positive financial performance by maintaining cost efficiency. Desty Romadhoni and Budi Riharjo reveal that management control involves supervision of planning, budgeting, and accountability processes, as well as performance measurement to assess the extent to which objectives are achieved, particularly from a financial perspective[13].

H2: The Customer Perspective has a positive impact on MSME Performance.

In his research Hassan concludes that the customer perspective indicates excellent performance with satisfactory customer satisfaction[14]. There is also a study conducted by Utami which concludes that the customer perspective is very good, friendly service, and a quick response to customer complaints being key performance assessments from the customer perspective[15].

H3: The Internal Business Process Perspective has a positive impact on MSME Performance.

The results of data analysis conducted by Wahyudiarso, Mardani, and Hardaningtyas show that, partially, the internal business process perspective variables significantly influence MSME performance[16]. According to research conducted by Octaviana, Marsiwi, and Ardiana, internal business processes have a significant impact on MSME performance[17].

H4: The Learning and Growth Perspective has a positive impact on MSME Performance.

The results of the study conducted by Mulyati through hypothesis testing show that the more optimal the growth and learning perspective, the better the resulting MSME performance[18].

Table 1: Sales of Product X at Sawargi Electronic Store

Month	Sales of Product X at Sawargi Electronic Store	Percentage of Sales of Product X at Sawargi Electronic Store
January	20 units	-
February	21 units	5%
March	14 units	-33.33%
April	18 units	28.57%
May	10 units	-44.44%
June	13 units	30%
July	17 units	30.77%
August	16 units	-5.88%
September	19 units	18.75%
October	14 units	-26.32%
November	16 units	14.29%
December	12 units	-25%

Source: Sales data of Product X at Sawargi Electronic Store 2023

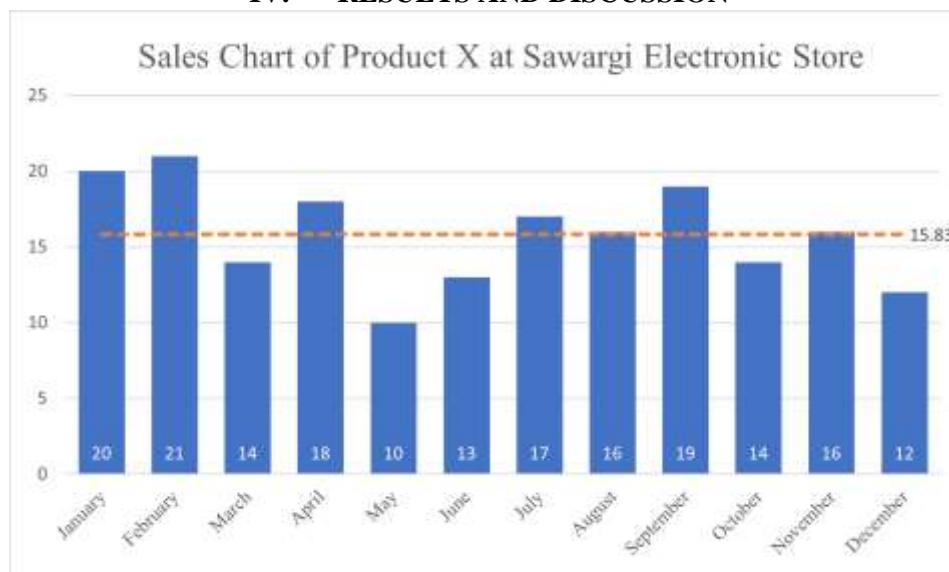
From the sales data of Product X at Sawargi Electronic Store, several observations can provide insight into potential issues faced by the MSME and why it is important to implement the Balanced Scorecard to understand and enhance performance. Some suspected problems or phenomena that may be identified include significant fluctuations in the sales of Product X from month to month, which can impact income stability and store growth. The substantial decline in sales in May by -44.44% and in October by -26.32% raises concerns and may indicate specific issues or factors affecting sales performance in those months.

If measured through the business strategy on the Balanced Scorecard, despite the sales fluctuations, the average monthly sales of around 15.83 units suggest the store's strategy is more focused on sustainability rather than aggressive growth. This may be a deliberate strategic consideration, but it also raises questions about the potential for greater growth.

III. RESEARCH METHOD

The method employed in this research is qualitative descriptive to understand, depict, and explain a phenomenon without measuring or utilizing numerical data. Qualitative research is descriptive and generally adopts an inductive analysis approach, emphasizing a greater focus on processes and meanings based on the subjects' perspectives[19]. In this study, two types of data are utilized, namely directly obtained data (primary data) and pre-existing data (secondary data). Primary data, often referred to as new or original data, is collected and acquired directly by the researcher from its source using various instruments. Meanwhile, secondary data, known as existing data, is obtained from pre-existing sources such as libraries, researcher documents or reports, or from an institution in line with the research objectives[20]. Data collection methods in this research involve observation, interviews, and document collection. The study focuses on the sales data of Product X at Sawargi Electronic Store from January to December 2023.

IV. RESULTS AND DISCUSSION



Source: Sales data of Product X at Sawargi Electronic Store 2023

Financial Perspective: Financial objectives take center stage and serve as the primary measure across all other Balanced Scorecard perspectives. Each selected measure, especially the sales of Product X at Sawargi Electronic Store, is part of a cause-and-effect relationship aimed at improving financial performance. The Scorecard outlines the strategies that Sawargi Electronic Store, particularly in the sales of Product X, should undertake and then links them to a series of actions to be taken concerning the customer perspective, internal business processes, and learning to enhance the store's performance.

The financial objectives and measures used by Sawargi Electronic Store, particularly in the strategy for the sales of Product X, are at the sustaining stage with a more moderate growth target. This can be seen from the sales chart of Product X, which tends to be stable with an average monthly sales of around 15.83 units. The highest sales were 21 units in February, and the lowest were 10 units in May. This phenomenon indicates efforts to maintain sales stability at a certain level. The business unit of Sawargi Electronic Store is expected to retain its market share and gradually grow year by year to achieve better performance.

Customer Perspective: Customers of Sawargi Electronic Store are a crucial source that will be a vital component in improving performance, especially in the sales of Product X. The customer perspective enables MSMEs to align with various important customer metrics, such as satisfaction levels: safe and clean facilities, high-quality products, image: a trusted brand of products sold, buyer experience: fast service, friendly and attentive staff, and recognition of loyalty.

From the interviews conducted with customers of Sawargi Electronic Store, they express satisfaction with the service provided by the staff or employees. Despite fluctuations in sales, customers provide positive feedback regarding the product quality. The sales of Product X are of good quality, and the product is offered with a 1-week return warranty if it is damaged or not functioning properly. This phenomenon indicates that quality factors can play a crucial role in purchasing decisions. The offered prices also provide buyers with the opportunity to get the best price for the purchase of the product, making customers come back to buy similar items or even other products. Although customers give positive feedback regarding product quality, there are fluctuations and a decline in sales in some months. This raises questions about other factors beyond product quality that may affect sales performance.

Internal Business Process Perspective: Observations were conducted to identify various processes crucial for achieving the performance goals of Sawargi Electronic Store. The assessment involved identifying the steps in the sales of Product X, starting from the innovation of the sales process, recognizing current and future customer needs and developing solutions to meet those needs, followed by operational processes, delivering products to customers, and concluding with after-sales service offerings.

Innovation in the sales of Product X, particularly in marketing the product, is still lacking. The store owner and employees have not utilized e-commerce and marketplaces as a business opportunity to enhance the sales of Product X (limited in market expansion). The utilization of innovations, such as e-commerce, could potentially improve competitiveness and market penetration. The phenomenon related to the limitations of innovation in product marketing, especially through e-commerce, may pose a challenge for more aggressive

growth. Customer needs are well observed by the owner and employees of Sawargi Electronic Store. Product availability is carefully monitored, and employees inform the store owner when the availability of Product X is running low. Employees explain the specifications of Product X in sufficient detail, enabling customers to be well-informed about the product they are purchasing. The 1-week warranty alleviates customer concerns about their purchases, and the after-sales service includes warranty, repairs, product replacements, and returns. The internal business process of Sawargi Electronic Store has an impact on performance, especially in maintaining relatively stable sales of Product X.

Learning and Growth Perspective: The fourth and final perspective on the Balanced Scorecard develops goals and measures that drive the learning and growth of Sawargi Electronic Store. The objectives set in the financial, customer, and internal business process perspectives help identify aspects that need improvement to achieve optimal performance. The Balanced Scorecard emphasizes the importance of investing for the future, particularly in investing in infrastructure that supports employees to work more efficiently by enhancing employee capabilities, systems, and procedures through improving information system capabilities, motivation, empowerment, and alignment. This is done to achieve long-term growth objectives.

Employee capabilities are crucial in promoting growth at Sawargi Electronic Store, as seen through the abilities of front-line employees who are closest to internal processes and customers. The standard internal processes executed by employees are already quite good, as they are enthusiastic about the arriving customers. The store owner provides sufficient training and knowledge in all products, especially Product X, enabling them to offer products that truly meet customer needs. The information system capabilities implemented by Sawargi Electronic Store are quite good, providing employees with accurate and timely information about every relationship between Product X and customers who intend to purchase the product. Motivation, empowerment, and alignment are highly prioritized by the store owner to ensure that employees contribute to the store's success. Employee initiatives and suggestions are highly valued and considered by the store owner, measuring employee participation in improving the store's performance. Most importantly, the alignment between individuals, namely employees, and Sawargi Electronic Store is in line with the goals stated in the Balanced Scorecard. The goals of each employee, reward systems, and recognition align with the efforts to achieve business objectives.

V. CONCLUSION AND RECOMMENDATIONS

Based on the research findings, it can be concluded that Sawargi Electronic Store focuses on financial goals with a strategy of sustaining and moderate growth in the sales of Product X. Efforts to maintain sales stability are evident through an emphasis on product quality and a desire to retain market share. Although customers provide positive feedback on services and product quality, fluctuations and declines in sales in some months raise questions about other factors that may affect sales performance. Therefore, the recommendations involve utilizing the potential of e-commerce and marketplaces for market expansion, conducting in-depth analysis of sales decline, developing employee capabilities through training and motivation, and improving alignment between individual employee goals and store goals. By implementing these recommendations, it is expected that Sawargi Electronic Store can achieve sustainable growth and strengthen its position in the market.

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***Corresponding Author: Muhamad Rizal¹**

¹(Management of Business, Piksi Ganesha Polytechnic, Indonesia)