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INTISARI

Lingkungan bisnis global yang semakin kompleks dan kompetitif mengharuskan perusahaan untuk menjadi lebih dinamis dalam menghadapi persaingan di era global. Orientasi perusahaan yang pada mulanya hanya bertolok ukur pada manfaat keuangan saja dinilai sudah tidak relevan sehingga perusahaan modern pada saat ini tidak hanya dituntut untuk menghasilkan manfaat ekonomi saja namun juga manfaat yang bersifat non-keuangan. Pergeseran pada orientasi manfaat perusahaan ini membuat pengukuran kinerja yang banyak digunakan oleh perusahaan pada saat ini, yaitu pengukuran kinerja dengan tolok ukur keuangan saja tidak lagi relevan dalam mengukur kinerja perusahaan secara optimal. *Balanced Scorecard* merupakan konsep pengukuran kinerja yang dikembangkan oleh Kaplan dan Norton. Konsep ini digagas pertama kali pada tahun 1992 dan dipublikasikan pada tahun 1996. Konsep pengukuran kinerja *Balanced Scorecard* dikembangkan sebagai alat untuk mengukur kinerja perusahaan secara komprehensif dan terintegrasi dengan menimbang aspek non-keuangan perusahaan.

PT Perkebunan Tambi merupakan perusahaan yang bergerak di industri komoditas teh di Indonesia. Kinerja PT Perkebunan Tambi diukur menggunakan metode pengukuran kinerja berdasarkan SK MBUMN No. 100 Tahun 2002 yang menitik beratkan pada pengukuran keuangan dengan sedikit menimbang performa operasional perusahaan dan juga menimbang performa administratif perusahaan. PT Perkebunan Tambi merupakan perusahaan yang bertumpu pada sumberdaya alam dan manusia; mengingat hal tersebut, sudah seharusnya PT Perkebunan Tambi tidak hanya berfokus pada indikator keuangan saja namun juga memperhitungkan secara saksama indikator non-keuangan dalam mengukur kinerja perusahaan. *Balanced Scorecard* diharapkan dapat membantu PT Perkebunan Tambi untuk mengakomodir seluruh sumberdaya perusahaan dan menjadi metode ukur yang efektif untuk membantu perusahaan dalam proses perencanaan jangka panjang.

Kata kunci: Agribisnis, Pengukuran Kinerja, *Balanced Scorecard*, Integrasi, Komprehensif, *Natural resource intensive, Human resource intensive,* Perencanaan strategi.

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ABSTRACT

The increasingly complex and competitive global business environment requires companies to become more dynamic in the face of competition in the global era. The business orientation that solely rely on financial benefit considered irrelevant to the current business environment; today's modern companies are not only required to generate economic benefits but also the non-financial benefit. Shift in corporate orientation renders the financial-based performance measurement method that is widely used by companies today no longer relevant in measuring firm performance optimally. Balanced Scorecard is a performance measurement concept developed by Kaplan and Norton that firstly elaborated in 1992 and published in 1996. The concept of Balanced Scorecard performance measurement developed as a tool to measure the company's performance comprehensively and integrated with the consideration of the non-financial aspects of the company.

PT Perkebunan Tambi is a company that operates in tea commodity industry in Indonesia. Performance of PT Perkebunan Tambi is measured using performance measurement method based SK MBUMN No. 100 of 2002 which focuses on financial performance with small consideration to the company's operational performance and also weighs the company's administrative performance. PT Perkebunan Tambi is company that is relies heavily on natural and human resource; PT Tambi Plantation should not only focus on financial indicator but also the non-financial indicators as well in measuring the corporate performance. The Balanced Scorecard expected to help PT Perkebunan Tambi to accommodate all overall corporate resources and become an effective measurement method to assist the company in the long-term planning process.

Keywords: Agribusiness, Performance Measurement, Balanced Scorecard, Integration, Comprehensive, Natural Resources, Human Resources, Strategic Planning.

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CHAPTER I

INTRODUCTION

This chapter is the main discussion about the idea behind this research. It will explain the research background of this research and why the researcher chooses this topic for this case study. This chapter will also explain some other component of this research such as the problem statement, research contribution, purpose of study, research methods and the research outline for this research.

1.1 Research Background

The current business environment which is increasingly competitive and complex is now become the challenge that must be faced by all business entities that existed. The nature of business has been developed for few decades due to the development of technology. Agribusiness as one of the oldest business sector has been playing its significant role in business environment for several decades since its concept were firstly elaborated to the public in 1957 by two Harvard Business School instructor namely John H. Davis and Ray A. Goldberg were not meant to be left alone by this phenomenon. The nature of modern agribusiness realm has been changed rapidly due to the advance of technology, newly founded operational methods and changes in the consumer's perspective toward agricultural product. A research under the topics of agricultural based business by the FAO in 2013 founded that the consumer of agricultural product now considers it as not only used for the food security matters but

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also as important energy resources. By the fact that the consumer's perspective toward the product is now changing, the demand for agricultural business is also boosted to a higher level in which it also renders the agribusiness sector to become very competitive.

The newly developed market of the agribusiness sector might render any company's strategy that operate in this sector inaccurate if it's not properly maintained or formulated. It might possibly jeopardize the survivability of the company. The dimension in agribusiness is very sensitive toward the external factors. There are two factors that makes agribusiness very unpredictable which are its complex operation concept and its market. The basic concept of agribusiness is that the company maintains all the supply chain for its product from the production to the distribution (Davis and Goldberg, 1957) in which if every operation in its supply chain are not properly measured, it's possible that the company might runs into a trouble in the future. The statement also confirmed by Jose D. Drilon (1967) stating that agribusiness has a vertical operation hierarchy in which he added that every operation in that hierarchy should be carefully planned. The second factor is the market of agribusiness, Jose D. Drilon (1967) explained that one of agribusiness' important dimension is its market oriented dimension in which every prices of their products are based on the demand of the consumer. Besides all of those factors stated above, there are another complexity that is faced by any agribusiness company, which is the fluctuating external factors such as government regulation involving quotas, taxes and ownership rights that needs to be carefully observed by the company in doing their operations. The data published by Indonesia Tea Board (2015) shows price fluctuations of tea commodity. The

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dynamic situation may in the future jeopardize the survivability of the company; the only way to overcome the risk is to carefully adapt the internal operation with the current market situation.

Adapting to such changes in a very complex business is not an easy task to be done. Adaptation requires managers to revise their planned strategy and behave more dynamic in order to realign their strategy with the current market condition. Aligning strategies will require the managers to learn about their past performance and also require them to project their future state. Revising strategies in agribusiness company is not an easy task to be done, it requires the managers to carefully observe their complex operation thoroughly and synchronize it with the current market conditions. It might be possible to conclude that one missteps they make in formulating their strategies might be a disaster for their operation.

Planning the strategies means that the managers will need a basis in which it reflects all the current performance, this is why the managers needs the performance measurement especially in such complicated nature of agribusiness. Performance measurement allows the manager to learn and assess their past performance in order to formulate their next strategies.

The most common and widely used performance measurement measures in business organization from the small business entities to huge business entities and in every business sector is the financial measures. Financial metrics provides simplicity in measuring entities' performance by assessing from the financial aspects only, it means that every measurement will only be based on how many economic value they

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earn from their operation. Traced back in time, financial measurement is one of the most innovative measurement tools that marks the success of the industrial corporation such as General Motors due to its innovative nature. Therefore, as the time goes by, financial measure now being claimed for its lag of future performance indicators of future drivers.

Kaplan and Norton (1996) stated that financial measures are now inadequate for guiding company and evaluating organization's trajectories through competitive environments, in which this competitive environment refers to the business environment in the information age. Niven (2005) supported this statement by stating that by only using financial measure to measure the company, the company will only be able to measure what they have done in the past but lacks of future projections. Given the logic of using traditional financial measure that use basic financial ratios such as EVA, ROCE, ROI and ROE as the performance benchmark. Taking a look at EVA concept, if a company uses EVA as their performance measurement indicator, it is possible that in the nature of EVA, if the cost of capital is higher than the profits due to the increase of the investment cost, a company could be misguided by assuming that the investment cost for the future strategic advantage is actually diluting the shareholder value as it increases the cost of capital. This logic shows us that using financial perspective alone as the main lens of measuring the company performance is not enough, because companies now are also trying to capture and measure the intangible values which give them competitive advantage in the future instead of only focusing on the short term economic value of the operation.

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Niven (2005) explained that in modern era, companies are now enabled to capture any intangible benefits that cannot be directly measured using financial metrics such as customer relationships, supplier relationships and so many other intangible benefits. There are a few more critics implied by Niven (2005) that renders financial metrics to be one incomplete measurement. One of his critics criticize the tendency of financial metrics that does not support various level of the organization. Given the logic that measuring financial performance will be based on any financial data, in this case the source of the financial data will be the financial statement. Noting that the financial statement is prepared by the functional department that actually measurable by using financial measure. By using financial measure, the performance measurement will be diluted as it does not contain any specific data that is not measurable by financial measure. It shows us that measuring using financial measure will only measure some part of the company that is measurable using this measurement method.

As stated previously that performance measurement plays big role in redefining strategies, performance measurement takes role to bridge the company's strategy and its goals. Strategy can be defined as a set of management action plan for running and conducting operations. Regardless of where the strategy comes as the results of whose thinking or even how perfect the strategy is; it is unlikely that certain strategy will entirely suit the company's operation over time. Strategy is not a solid cornerstone that should not be change in company's everyday activity, managers must be willing to advance and modify the strategy in response to the fluctuating business environment condition, advancing technology, new competitors and so many other reasons that

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affect the company's current market condition. Developing the proper strategies is not an easy task to be done, it's more like a precarious task that haunt the managers every time changes in business environment happens. The daunting task doesn't stop just right there; the other problem of the strategy comes from the implementation process. Niven (2005) stated that most organization's failure in implementing the strategy is not the result of poor strategy, but it is the results of poor execution. "there are only 5% of workforce that understands the strategy" (Kaplan and Norton, 1996). The fundamental problem of implementing the strategy is the translation of the company's strategy into an operational term.

After all the discussions above about how financial measure is actually insufficient to help the leaders to develop their new differentiating strategy, financial measure is still one important measure that should be used. Especially in this case of Agribusiness in which every company that operates in this sector are relying heavily on their supply chain that can be classified as intangible and cannot be easily measured using financial metrics. As the organizations now facing many obstacles in implementing their strategy and developing their performance measurement system that actually measuring the right things. A complex agribusiness companies needs a proper performance measurement system that balance between both financial measure for their production side and non-financial measure for the sake of their supply chain management while also helping the organization in implementing their differentiating strategy.

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As stated earlier about the drawbacks of financial metrics, Kaplan and Norton (1996) also confirmed that financial measures are lagging the indicators that are important to capture the intangible value that are actually giving competitive advantage in the company's long term operation. To overcome this problem, Kaplan and Norton (1990) introduced a new strategic management system concept which includes four perspectives to measure the organizational performance that balance between financial measure and non-financial measure known as Balanced Scorecard.

Kaplan and Norton (1990) defined, Balanced Scorecard is a strategic planning and management system that is used extensively in business and industry to align business activities to the core vision and the strategy of the organization, improving internal and external communications and monitor business performance against specific goals. The basic concept of balanced scorecard as performance measurement emphasizes the use of non-financial measure as one of the organization's performance measurement indicators instead of only using the financial measure as the main indicator. The ideas of Balanced Scorecard can be traced back in time to 1950's when General Electric developed a new performance measurement system that includes the non-financial aspects into the measurement indicators along with the financial aspect. Even though it can be said that Balanced Scorecard is actually derived from the one used by the General Electric, the Balanced Scorecard holds the fame by using four perspective of measurement and also introducing the integration between every aspect both from financial and non-financial. The measurement variable selected for the scorecard will be used as the measurement tools that will help the managers to plan

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their managerial strategy and to communicate it to the employees. As stated previously, Balanced Scorecard introduce the use of four perspectives that is derived directly from the organization's strategy. Those four perspective approach includes financial perspective, customer perspective, internal business perspective and learning and growth perspective (Kaplan and Norton, 1996).

Balanced Scorecard now being adopted by a lot of companies globally and the fact that its successful implementation by a global company such as BBC, Volvo, Gartner Group and JP Morgan are out of the question, the fact that there are companies that failed on adopting and implementing Balanced Scorecard are still exist. There are a lot of companies which doesn't understand about important aspects that they have to consider in implementing Balanced Scorecard. However, more and more company currently has started the process of developing Balanced Scorecard, while there are also numerous company that has been succeeded in implementing Balanced Scorecard and has extracted benefits of its implementation. Based on all the discussion above, this research will use the topics of Balanced Scorecard and Agribusiness. This research will use **"***Performance Measurement Analysis Based On Balanced Scorecard in Agribusiness Company (Case Study at PT Perkebunan Tambi)"* as research title.

1.2 Problem Formulation

Agribusiness sector can be considered as highly volatile industries. Companies operating in this industry are exposed to a risks, such as environmental risk due to the condition of the nature, government regulation related to minimum wages and its buyer-market environment. To counteract with this risks, company should be able to

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fluidly plan and adapt. Planning a proper strategy requires a proper performance measurement system that provides the managers with good quality and balanced information. The current performance measurement system applied by PT Perkebunan Tambi is based on state-owned enterprise measurement method regulated on SK MBUMN No. 100 of 2002. It consists of three measuring aspects, namely financial, operating and administrative – formulated to be used for infrastructure and non-infrastructure company in Indonesia. According to the regulation, this method is used to measure the company's health with financial aspect as its primary benchmark. Kaplan and Norton (1996) implied that the excessive use of financial measure may mislead the managers in planning strategies and may disregard the importance of vision and mission of the company. Supriyono (1999) mentioned that performance measurement method should be consistent with the company's vision and mission. Both statements provided earlier are automatically described the deficiencies of the method based on SK MBUMN No. 100 of 2002.

Balanced Scorecard may assist the company in order to mend the possible deficiencies of SK MBUMN No. 100 of 2002. This method introduced the integration of each indicator, measures, ability to describes the linkage to its strategies and even realign the company to its vision and mission. Balanced Scorecard could also be used to translate and communicate the strategies to the employees in strategy cascading process. It also could assist the company on creating and achieving the competitive advantage in the long-term and assist the company in planning better strategy by aiding the managers with high quality information (Niven, 2002).

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Based on the problem formulation above, the research question for this case study are described below:

1. How does the current performance measurement of PT Perkebunan Tambi compared to the Balanced Scorecard performance measurement model?
2. How does the current performance measurement system accommodate the achievability of the corporate vision and mission?
3. What's the step that should be taken to reshape PT Perkebunan Tambi to be a strategy focused organization?
4. Which aspect in Balanced Scorecard should this types of organization must excel at?

1.3 Purpose of Study

Referring the problem statement above, this research has four purpose of research. The purpose of the research as follow.

1. Determining the appropriateness of current performance measurement system through the scope of Balanced Scorecard as performance measurement concept.
2. Evaluating the integration of current performance measurement system.
3. Building Balanced Scorecard concept for PT Perkebunan Tambi based on the current performance measurement system applied by PT Perkebunan Tambi.

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4. Developing the basic concept about the usage of Balanced Scorecard concept in Agriculture business sector.

1.4 Motivation of the Research

Performance measurement based on SK MBUMN No. 100 of 2002 is believed to have a lot of deficiencies such as lack of attention towards main activity of the company and its nature of heavily relying on the financial aspect that may disintegrate them from their goals and objective. Aside from its deficiencies, for company that involved in agribusiness industry where the main value chain is located in the operating aspect, this performance measurement method may lead to wrongful interpretation about the company's performance due to misleading, inaccurate and insufficient information.

The motivation of this study is to propose the concept of performance measurement based on the concept of Balanced Scorecard to provide the research object with more choice of methods in measuring performance. The newly developed concept will provide the company with accurate and sufficient information thus also realign the company toward its goals and objective and helping the company to be more focused toward its strategy.

1.5 Benefit of the Research

This study is expected to have following benefits:

1. This study will brought wider and more comprehensive concept pertaining the importance of measuring performance for a business organization.

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2. Exploring the usage and the benefits from the implementation of Balanced Scorecard as performance measurement tools and strategic managerial tools in Agribusiness industry.
3. This research will also add a portion of knowledge contribution to the development of Balanced Scorecard usage in Agribusiness company in Indonesia.
4. The result of this study will add further literature on the Balanced Scorecard study as performance measurement tools. This research will help fellow researcher and readers to know further about the factors that inhibiting the success of Balanced Scorecard application in Agribusiness industry.
5. Provide another alternative of performance measurement system for PT Perkebunan Tambi. The alternative, Balanced Scorecard, will help the company in order to achieve its goal and keep the company aligned to its vision and mission.

1.6 Research Methods

This research is a case study research about the analysis of Balanced Scorecard as performance measurement in Agribusiness sector. This research can be classified as qualitative research that uses the descriptive analysis method. Researcher wants to analyze the data and information that gathered from various sources and compare it with the actual operation in daily activities under the concepts of Balanced Scorecard. The data that will be used in this research is primary data and secondary data that will be gathered through these data collection method as follows.

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1. Interviews

   Researcher will conduct interview with several employees that works in PT Perkebunan Tambi to collect the primary data from the research object. The sources of the primary data include financial manager, customer relationship manager, production manager and research and development manager. Although the interviewees were already stated, it's still possible for the researcher to gather some more information from interviewees other than those explained above.

2. Documentation

   Researcher will also try to find any document that is available for public access such as operation manual, books, regulation, and etc., the document can be in a digital or printed form. One of the most important documentation data in this research is PT Perkebunan Tambi's performance measurement form which are K1 Karyawan measurement forms and K2 Pegawai measurement forms.

3. Observation

   Researcher conduct approximately 2 weeks of observation in PT Perkebunan Tambi's working environment in order to observe PT Perkebunan Tambi's daily activities and the working culture that is exist. The researcher will relate it with the duty and responsibilities of each employee according to the company's job description.

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The data collected will be further analyzed and processed using the descriptive analysis methods. The analysis will be developed further to relate the strategy, target and the indicator that is used to measure the progress of achieving the target. The research will be conducted by the researcher through several processes as follows.

1. Analyzing the process of operationalization in PT Perkebunan Tambi to be able to describe the most important process in doing the business.
2. Reviewing the current performance method applied by PT Perkebunan Tambi to be able to describe its attribute and deficiencies for agribusiness company.
3. Comparing current performance measurement method with the performance measurement method based on the concept of Balanced Scorecard.
4. Reviewing the corporate vision, mission and values of PT Perkebunan Tambi to describe the conformity of such vision, mission and values for the agribusiness industry sector.
5. Developing comprehensive performance objective based on the activities during the operationalization process of PT Perkebunan Tambi.
6. Clustering the existing strategy, target and the newly developed performance objective into four Balanced Scorecard perspective.
7. Developing the causal effect of each Balanced Scorecard perspective to integrate between those previously clustered Balanced Scorecard perspective.

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8. Describing the key performance indicator (KPI) for the previously described performance objective.
9. Developing the long-term strategy for PT Perkebunan Tambi under the concept of Balanced Scorecard Strategy-focused Organization.

1.7 Research Outline

Chapter I Introduction

The first chapter discuss about the background of the research in which this research will focus on the development of Balanced Scorecard in agribusiness company and why the underlying concept of importance of Balanced Scorecard for the company. There are also problem statements underlying the research background, it consists of four problem statements. This chapter will also include the purpose of study in this topics, the contribution of the research and the chapter outline to signify the flow of the research.

Chapter II Theoretical Framework

This chapter contains the acknowledgement of the fundamental theories and framework used for in this case study research. It includes the several concept, such as organizations, agribusiness, performance measurement system, Balanced Scorecard and the concept of strategy-focused organization that underlies the implementation of Balanced Scorecard.

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Chapter III Research Methods

This chapter discuss about the research method used in this research. It will contain the definition and explanation about the research type in which this research can be classified as case study; the reason of choosing the case study as the type of research will be explained further in this chapter along the explanation of how the research data will be gathered; in this research, the research data is gathered through the document examination and interviews. This chapter will also discuss the framework in analyzing the collected data and its interpretation in the form of Balanced Scorecard development for PT Perkebunan Tambi.

Chapter IV Analysis

This chapter contains the analysis of the data gathered during the observation and interview with the PT Perkebunan Tambi. This chapter discuss the company's profile, operationalization process, current performance measurement method used by PT Perkebunan Tambi, Balanced Scorecard and current performance measurement method comparisons, development of Balanced Scorecard for PT Perkebunan Tambi and the discussion relating to the strategy-focused organization concept of Balanced Scorecard. The topic discussed in this chapter is compiled in coherently to simulate the