

Review Article

The Implementation of Financial and Non-Financial Sized Based Approach to Balanced Scorecard as a Measure of Performance Assessment of Smes in Banda Aceh, Indonesia

Riza Husnilasari^{*}, Islahuddin and Yossi Diantimala

Magister of Accountancy Program, Faculty of Economics and Business, Universitas of Syiah Kuala Banda Aceh, Indonesia

*Corresponding Author

Riza Husnilasari

Abstract: This study is aimed at determine the implementation of financial and non-financial measurement based on the balanced scorecard (BSC) as a measure of performance of SMEs in Banda Aceh, as well as threats at its implementation. The design of this study uses qualitative-descriptive approach. The results of the study found that in the financial perspective, SMEs had implemented BSC to measure its financial performance. This is evidenced by the fact that owners of SMEs are already prepare financial statement in accordance with SAK-ETAP consisting of balance sheet, statement of owner equity, statements of cash flow, and notes to financial statements. In non-financial perspective consisting of customers, internal business processes, and the growth and learning of measurements also indirectly bee applied by SMEs in Banda Aceh. Some of the factors inhibiting the implementation of financial and non-financial performance based on the BSC the lack of knowledge of SMEs owners regarding may include the BSC concept, the absence of time available for formal performance assessment, there is no system the form of software and limited capital resources.

Keywords: Financial, Non-Financial Measures, Balanced Scorecard, Performance Measurement, SMEs.

INTRODUCTION

The role of Micro, Small and Medium Enterprises (SMEs) in developing countries is very important to overcome economic and social problems. The existence of MSMEs is expected to help solving these problems (Tambunan, 2002: 1). Indonesia is a developing country whose economic growth depends on SMEs (Frima & Sarmiadi, 2018). The existence of SMEs in the city of Banda Aceh also provides a very important position in providing a source of community livelihood. Although the government has actually provided support to MSMEs in Banda Aceh, the involvement of SMEs in economic growth in the city of Banda Aceh is very dependent on the productivity of SMEs and entrepreneurs themselves (Nurrahman & Fikriah, 2017).

There are some problems experienced by SMEs such as difficulties in marketing, financial limitations, limited human resources, limited technology, managerial skills, and partnerships (Hubeis, 2009: 4). These problems cause weak competitiveness

of SMEs and also affect the performance produced. The Performance assessments applied to SMEs rarely take into account all factors as a whole. Some researchers pay attention to the fact that SMEs usually do not implement regular performance appraisal systems. Furthermore, because small companies, SMEs only focus on operational and financial performance, the balanced model is rarely used (Prasetyo, 2016: 3). SMEs that want to survive and grow in the competitive business environment, must be able to improve performance both in terms of tangible assets and intangible assets. Until now, performance measurement still focuses on financial profit factors without involving other factors (Erwina & Sumertajaya, 2015).

Performance assessment based on the size of the financial and non-financial, we can use the perspectives contained in the Balanced Scorecard (BSC). BSC states a balance between external and internal measures, such as finance, customers, internal business processes, and learning and growth (Halim, Supomo, & Kusyufi, 2011: 237). There are some

Quick Response Code



Journal homepage:

<http://www.easpublisher.com/easiebm/>

Article History

Received: 29.11.2019

Accepted: 11.12.2019

Published: 27.12.2019

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DOI: 10.36349/easiebm.2019.v02i12.013

studies that discuss the application of financial and non-financial measures as a measure of performance appraisal for SMEs. According to Suprpto, Hasnida, & Wibowo (2009) SMEs need to assess their performance to improve their services to customers, employees and stakeholders. The purpose of this study was to test the application of BSC as a measure of performance appraisal on SMEs in Malaysia. The results of this study indicate that the application of the four BSC indicators applies to assessing non-financial performance of SMEs in Malaysia. The research of Giannopoulos, Holt, Khansalar, & Cleanthous (2013) shows that the majority of companies in the UK and Cyprus do not formally or formally use the BSC. The cause of this is because there are still many companies that do not have deep knowledge and understanding of the BSC. This results in a low level of use of the BSC. Similar results were also found in Tennant & Tanoren's (2005) study, which so far SMEs were not aware of the existence of BSC which resulted in a very low level of implementation compared to large companies. This was due to the lack of knowledge of SMEs on the BSC concept. Therefore, researchers recommend that MSMEs be able to apply the BSC concept in assessing the performance of SMEs.

Based on the research background, the authors are interested in taking a discussion with the title:

Implementation Of Financial And Non-Financial Sized Based Approach To Balanced Scorecard As A Measure Of Performance Assessment Of Smes In Banda Aceh.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (SMEs)

The definition of SMEs in Indonesia is stated in law number 20 of 2008, namely micro-enterprises are productive businesses owned by individuals or individual business entities that meet the criteria of micro-enterprises as stipulated in the law. Small businesses are productive economic enterprises that can stand alone, carried out by individuals or business entities that are not subsidiaries or not owned by the company branch, or become part of either directly or indirectly from medium-sized businesses or large businesses that meet the criteria of small businesses as stipulated in the law. Medium-sized businesses are productive economic enterprises that can stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with small businesses or large businesses with total wealth or proceeds annual sales as stipulated in the law (Republik Indonesia, 2008).

Organizational Performance Assessment

The performance assessment is a process or activity assessment work progress towards achieving its goals, objectives, and goals that had been

predetermined (Mahsun et al., 2007: 157). The performance assessment is necessary to determine whether the performance can be carried out in accordance with a predetermined time or whether performance results have been achieved as expected, it would require the ability to assess their performance so that necessary measures of performance (Wibowo, 2016: 155).

Balanced Scorecard (BSC)

BSC was introduced by Robert S Kaplan and David P Norton in 1992 which included financial benchmarks that explained the consequences of activities carried out by an organization and were equipped with operational benchmarks for customer satisfaction, internal processes, and organizational innovation and improvement activities (Warindrani, 2006: 144). Kaplan and Norton proposed BSC as a strategic management system model that would translate the company's mission and strategy into objectives and measures in four perspectives, namely: financial perspective, customer perspective, business process perspective internal (internal business process perspective), and growth and learning perspective (learning and growth perspective) (Solihin, 2012: 177).

Financial Perspective

The financial perspective sets the objectives of short-term and long-term financial performance that refer to the global financial consequences of the other three perspectives (Hansen & Mowen, 2009: 371). The quantitative perspective is clearly measured by the value of money and the data can be obtained based on data records from the budget, and its realization in the accounting period being measured (Samryn, 2012: 301). Erwina et al. (2015) said that SMEs are one of the businesses that are profit seeking so that in this financial perspective the strategic goals of SMEs are to increase profits. Profit is one of the profitability ratios that describes the profits generated by a company in this case, namely SMEs. The profitability ratio that can be used in this perspective is profit margin by dividing net profits and net sales which are then expressed in percentage (Nugrahayu & Retnani, 2015), can be calculated with the following formula:

$$\text{Profit margin} = \frac{\text{net profit}}{\text{net sales}} \times 100\%$$

Customer Perspective

Outsiders who always use products from a company are customers, so the customer can certainly be a source of revenue for the company. No company can survive if abandoned by its customers. To double its financial performance, companies need to obtain, maintain, and continue to increase the number of customers. The aspects that are key variables in the customer focus include order quantities, ability to fulfill orders, market share, important customer orders, customer satisfaction, retention, and customer loyalty (Samryn, 2012: 292). The measure that is often used in

this perspective is customer satisfaction and customer retention.

Internal Business Process Perspective

This perspective measures a company's ability to produce goods or services, which ultimately also relates to the level of customer satisfaction and the level of achievement of financial targets (Hery, 2016: 233). The measure in this perspective is the process of innovation, the operation process, and the after-sales service process.

Learning and Growth Perspectives

Learning and growth identify the infrastructure that companies must build in creating growth and improving long-term performance. There are three main sources of learning and company growth, namely human resources, systems, and procedures within the company (Halim et al., 2011: 243). The measure for performance assessment in this perspective is worker satisfaction and worker retention.

RESEARCH METHOD

This study uses descriptive qualitative methods. Qualitative research methods are structured research methods, used to conduct a study fairly without any manipulation and testing of hypotheses, with natural methods when the expected research results are not a generalization based on quantity measures, but a measure of the quality of observed phenomena (Prastowo, 2016: 22-24). This research is descriptive which aims to describe the nature or characteristics of the current event (Noor, 2011:11). This study uses a sampling technique that is purposive sampling which is a method of selecting samples with certain considerations or criteria (Sugiyono, 2014: 218). To answer the research question, the researcher determines the informants who are considered appropriate and have appropriate abilities (Bungin, 2007: 12).

SMEs in Banda Aceh were chosen as the object of research, especially in the trade sector, arguing that this sector was more dominant than other sectors. Informants in this study were SME owners in Banda Aceh who had made financial reports. The reason researchers chose MSME owners on the basis of consideration that informants are directly involved and have responsibilities relating to the application of financial and non-financial measures based on the

balanced scorecard approach as a measure of performance assessment. The data in this study are sourced from primary data. In this study, the data collection techniques carried out were interviews, questionnaires, and observation (triangulation). This study uses triangulation techniques to test the credibility of the data obtained. This is done to gain understanding by comparing the results of interviews with questionnaires. The results of the study were obtained, then described in the form of a logical and systematic description. Then analyzed and drawn conclusions to illustrate the causes of differences in the application of financial and non-financial measures based on the BSC approach as a measure of performance evaluation in SMEs.

RESULTS AND DISCUSSION

Financial Perspective

The owners of SMEs in Banda Aceh City have made financial reports based on SAK-ETAP. Of the 5 SMEs who became informants, only 1 MSME still made simple financial statements. According to IAI (2009: 17) complete financial statements for entities (MSMEs) include balance sheets, income statements, changes in equity reports, cash flow statements, and notes to financial statements. Financial performance is the result of continuous decision making by company management to achieve goals effectively and efficiently. There are various ways that can be used in assessing company performance, depending on which profits, assets or capital will be compared (Firdaus, BZ, & Diantimala, 2018). One way to assess the company's financial performance is to analyze the financial statements using financial ratios such as profitability, financial leverage, and company size (Zaki, Islahuddin, & Shabri, 2017). SMEs are a profit organization which aims for profit. Maka dalam penelitian ini dilakukan perhitungan rasio profitabilitas. Profitabilitas yang tinggi menunjukkan semakin baik kinerja keuangan yang telah dilakukan oleh suatu perusahaan (Vonna, Islahuddin, & Musnaidi, 2016). The profitability ratio used by researchers to measure the financial performance of SMEs is profit margin. To determine the profit margin, the researcher must know the amount of net income and net sales per year for each of SMEs that become informants in this study. After an unknown amount of net income and net sales per year, the researchers can determine the acquisition of profit margin for each of SMEs can be seen in Table 1.

Table 1. Margin Profit for 2014-2016

Name	2014	2015	2016
informant 1	8%	8.6%	8.9%
informant 2	6.6%	6.8%	7.4%
informants 3	9%	8.5%	9.3%
informants 4	3.2%	3.3%	3.8%
informants 5	15%	14.3%	15.6%

Source: Results of questionnaire processed, 2018.

Based on the table, it can be seen that the acquisition of profit margin for each SMEs in 2014 to 2016 showed an increase. Margin profit illustrates the amount of profit the company gets from the sales that have been made. Although there are some SMEs that experienced a decrease in profit margin in 2015 as experienced by informants 3 and 5, in 2016 they were able to improve it again.

Customer Perspective

Customer satisfaction explains the extent to which customers feel satisfied with the company's products and services. The question that has been provided to the owner of SMEs, as in this study, the researchers wanted to see how the business owners of the company (owner SMEs) in improving customer satisfaction. The results showed that only 1 of SMEs are providing a suggestion box or consumer voice telephone service, while the four owners of SMEs do not provide it. For the next question is, all owners of SMEs to become informants in the study was to check.

Table 2. Customer Retention for 2014-2016

Name	2014	2015	2016
Informant 1	44.4%	48.6%	46.6%
Informant 2	47%	47.6%	48.1%
Informants 3	30%	37%	37.7%
Informants 4	34.7%	37%	38.1%
Informants 5	28.2%	36.3%	37.5%

Source: Questionnaire results processed, 2018.

Based on the table, overall customer retention rates for each SMEs in 2011 to 2016 have increased. This proves that SMEs are able to maintain and increase the number of customers every year.

Internal Business Process Perspective

In this perspective assessing the company's ability to produce goods or services which ultimately also relates to the level of customer satisfaction and to achieve financial goals. The main measures used in this study for the perspective of internal business processes are the innovation process, the operation process, and the after-sales service process.

The innovation process is carried out to explore the hidden understanding of customer needs and to create or produce products or services needed by customers. Based on the results of the questionnaire, answers were obtained that overall SMEs did not specifically design the label of products they sold. Only 1 SMEs specifically designed the product label. 5 of these SMEs have sold products with various choices. 3 SMEs not only sell one type of product, they sell several types of products. Whereas 2 SMEs specialize in selling only 1 type of product. 4 SMEs always promote every new product, while 1 SMEs does not do it. All SMEs have used social media to market the products they sell.

The operation process is carried out to find out the manufacturing process and the process of delivering products to customers. Based on the results of the

the product before selling it. For customers that have a lot of buying, the five owners of SMEs to give a policy to reward customers.. the prizes that are given are various, some are in the form of gift items and some are in the form of giving discounts. The five SMEs owners acknowledge that the prices and information of the products provided are in accordance with the level of quality of the products they sell. There are no special facilities provided by SMEs owners. The cleanliness level of the place for the five SMEs is already classified as good, this can be seen from the neatly arranged room. The owners of SMEs also admitted to handle customer complaints quickly and well. The last question about customer satisfaction, SMEs owners do not specifically provide guest book lists for customers. To measure customer retention, researchers need to know the number of old customers and new customers. After knowing the number of new customers and old customers, the researcher can find out the customer retention for each SMEs shown in table 2.

questionnaire answers, the 5 SMEs did not specifically record the customer's identity in the customer data book. 2 SMEs have not recorded business activities in accordance with accounting standards, while 3 SMEs have recorded business activities in accordance with accounting standards. 4 SMEs sell their products online, while 1 SMEs does not sell their products online.

Furthermore, the after-sales service process is carried out to offer services to customers after selling products or services. In this process, researchers want to know how the actions of company owners to provide additional benefits to customers in various forms of service. Based on the results of the questionnaire answers, answers were obtained that 4 SMEs did not provide freight pick-up services to customers, only 1 SMEs provided these services. The five SMEs have guaranteed products purchased by customers.

Learning and Growth Perspectives

In this perspective, researchers want to see how the ability of SMEs owners to improve employee job satisfaction. This study uses two main measures on the growth and learning perspective, namely worker satisfaction and worker retention. Employee satisfaction is an important indicator in the perspective of learning and growth. Productivity, responsiveness, quality, and service for customers can be increased if workers feel satisfied. To improve employee job satisfaction, SMEs owners can provide facilities for employees, which can be in the form of providing vehicles, housing or free meals during working hours. Based on the results of the questionnaire above, answers were obtained that 3 SMEs owners provide vehicles for their employees. Owners who provide vehicles for employees are used only for business purposes, for example to deliver goods ordered by customers. Meanwhile, 2 SMEs owners consider it not necessary to provide vehicles for employees. 2 SMEs owners provide housing for employees. SMEs owners who provide shelter, only

provide for male employees. 3 SMEs owners do not provide shelter for employees. 3 SMEs owners provide free food for employees during working hours, only 2 SMEs owners do not bear meals during working hours. The five SMEs have not been able to find out the complaints of employees properly because they do not provide a box of criticism and suggestions to find out employee complaints during work. 5 SMEs owners are responsible for paying for treatment for employees in the event of an accident during working hours and for company needs. For employees who excel in this case are diligent employees and can increase company sales, 3 SMEs owners reward their employees. Whereas 2 SMEs owners did not give awards to outstanding employees. For the positioning of employees, three owners of SMEs position the employees work in accordance with the level of education. For example, an employee with a bachelor's education background is placed in the cashier's position. However, 2 SMEs owners did not view the employee's educational background in placing employee work positions. SMEs owners agree to provide salaries to employees

according to the workload given. 4 SMEs owners give holiday permits for their employees, while 1 SMEs owner does not give a holiday permit, because the SMEs owner has divided work hours for employees. 5 SMEs owners each year give THR to their employees. Providing social facilities and infrastructure can also improve employee job satisfaction, such as mushalla, wi-fi internet, and special rooms for employees. Based on the results of the questionnaire answers, only 3 SMEs owners provided mushalla for employees, while 2 SMEs owners did not provide. 4 SMEs owners provide wi-fi internet and employee-specific rooms. 1 SMEs owner does not provide it.

Enterprises (SMEs) is needed to maintain the best workers to be able to continue working in the company, called the retention of workers. At the time the company was founded until the company was running until now, there has been an influx of workers, which has resulted in a constant number of employees each year. Employee retention rates from 2014 to 2016 can be seen in table 3 below.

Table 3. Employee retention for 2014-2016

Employee Retention			
Informant 1			
Number of employees	Year 2014:	5 people	
	2015:	10 people	
	2016:	8 people	
Period of employment	<2 years:	8 people	
	2-5 years:	-	
	> 5 years:	-	
Informant 2			
Number of employees	Year 2014:	20 people	
	2015:	17 people	
	2016:	15 people	
Period of employment	<2 years:	5 people	
	2-5 years:	3 people	
	> 5 years:	7 people	
Informant 3			
Number of employees	Year 2014:	4 people	
	2015:	4 people	
	2016:	5 people	
Period of employment	<2 years:	4 people	
	2-5 years:	-	
	> 5 years:	1 people	
Informant 4			
Number of employees	Year 2014:	8 people	
	2015:	10 people	
	2016:	12 people	
Period of employment	<2 years:	2 people	
	2-5 years:	7 people	
	> 5 years:	3 people	
Informant 5			
Number of employees	Year 2014:	4 people	
	2015:	4 people	
	2016:	4 people	
Period of employment	<2 years:	4 people	
	2-5 years:	-	
	> 5 years:	-	

Source: Results of questionnaire processed, 2018.

Based on the table above, it can be concluded that SMEs owners have not implemented a growth and learning perspective properly. This is evidenced by the lack of employees who are able to survive in the company. Lack of knowledge of SMEs owners regarding the BSC concept, there is no time available for formal performance appraisal, there is no system in the form of software that supports, and limited capital resources. This can be a factor that hinders the implementation of financial and non-financial measures based on the BSC approach as a measure of performance evaluation in SMEs.

CONCLUSIONS

SMEs did not know about the BSC concept as a tool to assess performance. However, indirectly SMEs have implemented financial and non-financial measures based on BSC in assessing their performance. However, MSMEs have not formally applied it.

LIMITATIONS

Some factors that can hinder the implementation of financial and non-financial measures based on the BSC approach as a measure of performance assessment for SMEs include the lack of knowledge of SMEs owners regarding the BSC concept, the absence of time available for formal performance appraisal, no system in the form of supporting software, and limited capital resources.

RECOMMENDATIONS

Given the relatively many benefits obtained from the application of BSC, the authors suggest that MSME owners can take the time to be able to formally apply the BSC concept as a measure of performance assessment that includes financial and non-financial measures.

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