

CHAPTER I

INTRODUCTION

1.1 Background

Nowadays there are still a lot of companies that measures its performance only based on its financial factor. Instead, in facing such business environment that is getting more complicated from day to day, performance measurement that is only based on financial benchmark can no longer be enough since it has been proven to possess some possible weaknesses, like:

1. The utilization of financial performance as the only measurement point can trick managers into taking short-term action by sacrificing such long-term prospects. For example: In order for a company to raise its profit or ROI, a manager can just lower his or her commitment towards company development that might include the training of newly-hired workers, investments in systems and technology intended to company future prospect and just focus on how to raise the company level of sales.
2. Ignorance of non-financial measurement and intangible assets deriving from both internal and external will give such misleading managerial view regarding company present and future condition.

3. Financial performance that is only based on past performance and is less likely to fully escort the company to destined direction in the future.

In order for a company to succeed, it has got to invest and empower its intellectual assets. This is caused by the fact that any intellectual assets can enable a company to:

1. Establish a close relationship with consumers in support to the maintenance of consumer loyalty so that it becomes possible for the consumer segment and new market are to be well-serviced in an effectively efficient manner.
2. Introduce products and innovative services desired by targeted consumer segment.
3. Produce products and services with high quality in an effective and efficient manner.
4. Empower all the abilities and motivations of the employees to keep on doing continuous improvement in quality.

In this matter, the success of a company cannot be motivated or even measured in a short-term traditional accounting model. Balanced scorecard can be defined as a new framework to integrate sized obtained from strategies. By still retaining the financial size of past performance, balanced scorecards introduce some added drivers including consumers, internal business process, learning and growing perspective.

Balanced scorecard is more than just measurement system. A company might use balanced scorecard as a base for setting up new

framework intended to its own management process. A company can build such balanced scorecard firstly with such limited purposes including clarification and focus on own strategies and then integrate them to the entire members of the organizations.

In other words, balanced score card educate management and organization to view such a company based upon four perspective: financial perspective, consumer perspective, learning and growing perspective along with internal business that links short-term operational activities into long-term vision and mission of the company.

The real strength of balanced scorecard is more likely to be visible when transforming measurement system into management system. In other words, balanced scorecard can be used to:

1. Clarify and obtain agreement on strategies.
2. Communicate strategies to the entire members of the organization.
3. Outline the purpose of every department regarding strategies.
4. Integrate strategic purpose with long-term target
5. Do such a strategic observation
6. Obtain feedback to learn and improve strategies

As mentioned above, balanced scorecard classifies performance measurement into four perspective, which are : financial perspective, consumer perspective internal business process perspective, learning and growing perspective. These perspectives offer such balance between short-term and long-term purpose which are the desired result, performance trigger, and performance benchmark.

Based on such strength that balanced scorecard has, the researcher is interested in measuring the performance of a company using any possible instruments that can be found in balanced scorecard in support to the thesis writing called “The implementation of Balanced Scorecard as a performance measurement tool in PT Sinar Mutiara Cemerlang”

1.2 Problem Formulation

Nowadays there are still a lot of companies that measure their performances financially in a traditional manner. Those companies have got such tendencies to be short-term profit oriented and ignore the life cycle of the company in the future.

The researcher, hereby, would like to apply some of simple measurements using the approach of balanced scorecard to analyze company performance involving the term of KPI which stands for Key Performance Indicator. KPI itself generally consists of lagging and leading indicators which will be further explained in the next chapter. The researcher has also noted some possible problems that will be discussed in this thesis writing:

1. How is the performance measurement applied in PT Sinar Mutiara Cemerlang so far?
2. How is the company performance going to be like if it is measured in accordance to the approach of balanced scorecard?

1.3 Research Purposes

The main purpose of this research is to get a deeper knowledge towards the performance of PT Sinar Mutiara Cemerlang if measured with the perspective of balanced scorecard and also to know the benefits that the firm might come across through the usage of Balanced Scorecard.

1.4 Research Benefits

Here are some benefits that the researchers might come across during the research:

1. To the company : Such added inputs regarding performance measurement using the perspective of balanced scorecards, more comprehensive performance measurement to be determined, and the benefits that the firm might find if the concept of Balanced Scorecard is applied.
2. To researchers : Knowledge and insights in pallying some theories obtained throughout the study period.
3. To other related parties : Giving such information in relation to company performance measurement using the concept of balanced scorecards.

1.5 Systematical Writing

Chapter I Introduction

In this chapter, things like background of problems, problem formulation, research purposes, and research benefits will be outlined. The researcher will try to give such depiction regarding the needs of company performance measurement using the concept of balanced scorecard.

Chapter II Theoretical Foundation

In this chapter, the researcher is going to give and provide such theories along with the explanation regarding definition, purposes, benefits, and characteristics in performance measurement system, and any perspectives that are possible to be found within the approach of balanced scorecard as a performance measurement system.

Chapter III Research Methodology

In this chapter, the researcher is going to outline the general overview, organizational structure, activity scopes of PT Sinar Mutiara Cemerlang as a research object.

Chapter IV

Analysis and Discussion

In this chapter, the researcher is going to do data analysis that encompasses both financial and non-financial data along with the discussion towards company performance using all of the four perspectives in balanced scorecard which are: financial perspective, consumers, internal business process, learning and growth.

Chapter V

Conclusions and Advices

This chapter contains conclusions about data analysis done in PT Sinar Mutiara Cemerlang. Besides, the researcher will also give advice regarding possibilities that the performance measurement that comes up in terms of balanced scorecard can be viewed as an alternative to measure company performance more accurately.