

UDC 332

BALANCED SCORECARD PERSPECTIVE AS A PERFORMANCE MEASUREMENT TOOL OF PT INDOFOOD SUKSES MAKMUR TBK

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ABSTRACT

A company has a great opportunity to implement a strategy, increase the company's value added capabilities and measure its performance with the use of balanced scorecard method. In addition, the balanced scorecard provides a framework for companies to translate strategies into an operational framework. This research was descriptive research which had an objective to describe four balanced scorecard perspectives, namely: (1) Financial perspective; to see whether the profit generated is proportional to the assets invested and also to the net profit generated by the company, as well as to its growth. (2) Customer perspective; this perspective's concern is how many companies are able to dominate the market. (3) Internal business perspective; to see the extent to which the company has innovated the products produced. (4) Learning and growth perspective; about employee productivity. Employee productivity in this perspective shows the ability of employees to contribute to the sales activities of PT. Indofood Sukses Makmur TBK.

KEY WORDS

Balanced scorecard, financial perspective, customer perspective, internal business perspective, learning and growth perspective.

Effective, efficient and competitive management is the goal of a company. In order to create effective and efficient management, which is competitive, is by implementing performance management system.

Robert Bacal (2001) stated that performance management is needed by every company because it is oriented to the management of the work implementation process and the results/work performance of its human resources in achieving the company's strategic goals. Therefore, the performance management is defined as a continuous communication process based on partnerships between employees and the employers. This two-way communication is a way to work together to improve performance.

According to Audenaert et al. (2016), performance management is the process of consolidating goal, valuation, and development of performance into a single joint system, which aims to ensure that employee performance supports the company's strategic goals. Thus, it can be said that performance management aims to help organizations in determining a set of actions in assessing performance to achieve company's goals.

Kaplan and Norton (2000) developed performance management system with the balanced scorecard method and this performance management system is widely used in the private and public sectors. The balanced scorecard is about an organization that prioritizes strategy and a vision of control as well as based on a combination of four performance perspectives, namely: finance, customers, internal business processes, and learning and growth.

Kaplan & Norton (2000) stated that the balanced scorecard is a framework that integrates various measures derived from corporate strategy, namely: (1) measures of past financial performance and (2) introducing drivers of future financial performance. Meanwhile, according to Károly (2012), the balanced scorecard can see the factors that affect the evolution of company performance in a complex manner, focusing on the essence and future development of the company. In line with it, Kadam (2012) stated that balanced scorecard is the most accurate tools for performance evaluation and comprehensive measurement because it can exploit financial and non-financial performance measures. In addition,

Tunggal (2001) stated that balanced scorecard provides a way to communicate the company's strategy to organizational managers. Thus, it can be concluded that the concept of the balanced scorecard maintains the direction and progress of the company in accordance with what is the vision and mission of the organization, or in other words, helps the company to align its goals and strategies.

Based on the statements mentioned above, balanced scorecard is widely used as one of the methods to measure the performance of an organization, including by:

1. Ahmed et al. (2011), who evaluated the performance of 27 banks in Pakistan with four balanced scorecard perspectives.
2. Huang and Lin (2006), who examined the performance system of five commercial banks and designed a new performance evaluation system based on the balanced scorecard.
3. Al Sawalqa et al. (2011), who analyzed the implementation of the balanced scorecard in 168 companies, in which 35.1% applied the balanced scorecard, while 30% considered applying the balanced scorecard.
4. Zaman (2004), who surveyed the top 50 Australian companies in applying the balanced scorecard, the survey results revealed that 33% of companies used BSC and 25% planned to implement it in the future.
5. Abdurizzag (2017), who measured the performance of Jumhouria Bank (JB) in Libya with the application of a balanced scorecard (building a model with 20 steps).
6. Ayesha Farooq and Zareen Hussain (2011), in which the results of their study showed that the balanced scorecard dimension was a performance measurement tool and used it to make changes.
7. Ibrahim Saad Raed & Zahran Mohammad Ali Daraghma (2016), in which the results of their research explained the importance of companies using balanced scorecard to evaluate performance and as a tool for strategic planning and performance evaluation.

One way to see the condition of a company is from the financial side of the company, because it can reflect all the activities that have been done by the company in achieving the company's goals. According to Kaplan & Norton (Dr. A A Malgwi & H. Dahiru, 2014) the things that can drive business strategies (in terms of finance) are: revenue growth, cost reduction and asset utilization (return on investment and economic added value). While Higgins (2012), stated that Return On Equity (ROE) can also be used as a measure of efficiency, while Yolanda (2017 and 2018) stated that the return on equity (ROE) ratio is the company's ability to generate profits with the equity it has.

The selection of PT Indofood Sukses Makmur TBK as a case study in this research is because PT Indofood Sukses Makmur TBK is a company with a very long history of establishment (first established in 1968), it dominates the domestic and foreign markets through its various products and it is also a total company food solutions with operational activities that cover all stages of the food production processes, starting from the production and processing of raw materials to the final products available on retail shelves. Seeing the history of this very long journey becomes an attraction for the performance of the company's management to achieve its commitment with the balanced scorecard approach, namely by using 4 measurement aspects, namely financial perspective, customer perspective, internal business perspective, and learning and growth perspective. In addition, this performance measurement can describe the credibility of the company and can increase the trust of the community, especially shareholders/investors towards the strategies used by the company.

LITERATURE REVIEW

Performance

According to Mangkunegara (2007), performance is the result of quality and quantity achieved by an employee in carrying out his/her duties in accordance with the responsibilities to be given to him. Tomaland Jones (2015) defined organizational performance as the actual outcome or output of an organization measured from the output.

According to Randeree and Al Youha (2009), the potential for business success depends on organizational performance, which means that its ability to effectively implement strategies to achieve institutional goals. Wisner et al. (2005) stated that an effective performance measurement system connects current operating characteristics with long-term strategies and goals. On the other hand, according to Bacon (Shradha Gawankar et al, 2018), performance measurement can be an alternative risk controller that can protect a company from the effects of failure to meet clients' expectations. The types of performance measurement that are currently developing are:

1. **Balanced Scorecard**
Balanced scorecard is one alternative measurement of company performance that is more comprehensive and not only rests on measurement on the basis of financial perspective, there are other non-financial perspectives as well, namely customer perspective, internal business process perspective and learning and growth perspective.
2. **Performance Prism**
Performance prism is one of the five-sided performance measurement (facets) that forms a three-dimensional framework in the form of triangular prism (stakeholder satisfaction and stakeholder contribution are the top and bottom sides, the other three sides are strategy, processes and capabilities)
3. **Integrated Performance Measurement System**
Integrated performance measurement system is a performance measurement system made in the Centre for Strategic Manufacturing at the University of Strathclyde Glasgow with the objective of describing integration, effective and efficient in the proper form. This measurement system divides the level of business of an organization into 4 levels, namely: Corporate Business, Business Unit, Business Process and Activity.

Balanced scorecard

Pearson and Robinson (Wicaksono, 2013) stated that balanced scorecard is a collection of four measures that are directly related to a company's strategy, namely financial performance, knowledge on customer, internal business processes, and learning and growth. And according to Kaplan and Norton (2000), balanced scorecard is a comprehensive performance measurement system from various aspects, both financial and non-financial aspects, as well as visible and invisible assets. On the other hand, Muñiz and Monfort (2005) and Muñiz (2004) stated that the main contribution of the balanced scorecard is to focus on improving business results and using the best available resources (Patrícia Quesado et al, 2018). Radnor and Lovell (2003) conducted a research and the results showed that one of the factors in the successful implementation of the balanced scorecard in Health Care Organizations in the UK is not to ignore past experiences and add value to services.

Isoraite (2008) stated that the appropriate balanced scorecard can predict the effectiveness of organizational strategies through a series of performance measures based on four perspectives including finance, customers, internal processes, and employee learning and growth. According to Gering & Mambo (JHvH. De Wet & P. de Jager, 2014), balanced scorecard has failed to balance the interests of stakeholders. Moreover, Angel & Rampersad (2005) said that there is little evidence to suggest that adoption of balanced scorecard can increase outcomes in improving financial performance. Even though such a measurement of the balanced scorecard can shape the company in the direction of the expected conditions, it can still compete in the globalization market where competition is getting tougher.

There are four different and interrelated perspectives in the balanced scorecard, which will later try to improve company performance. The four perspectives on the balanced scorecard are:

1. **Financial Perspective**
The performance measurement tools used in this financial perspective are:
 - a. Return on Investment (ROI)

ROI is a profitability ratio that measures the efficiency of an investment by comparing net income with the total cost or capital invested. Return on Investment or ROI is one of the most common approaches and is widely used by companies to evaluate the financial consequences of a business investment decision and action. Besides, ROI can also be used for personal financial decisions, comparing the profitability of a company or to compare investment efficiency. Sartono (2012), stated that ROI shows the company's ability to generate profits from assets used. Return on Investment or ROI is one of the most commonly used approaches to evaluate the financial consequences of decision and action on business investment. He also stated that ROI can be used for personal financial decisions, comparing company profitability or comparing investment efficiency.

According to Sudana (2011), the formula for Return on Investments is:

$$\text{ROI} = (\text{Net Profit After Tax}/\text{Sales}) \times (\text{Sales}/\text{Total Assets}) \text{ or}$$

$$\text{ROI} = \text{NPM} \times \text{TATO}$$

In addition, Return on Investment is a calculation that is very flexible and can be used for any investment. In this case, for example, company management can use ROI to measure the return on invested capital, investors can use it to measure the performance of the shares they invest, while individuals can use Return on Investment to measure the return on their assets.

b. Profit Margin

Profit margin is often used by inside entrepreneurs to see the potential profits from sales activities. There are two kinds of profit margin, namely Net Profit Margin and Gross Profit Margin. The formula for Profit Margin is:

$$\text{Net profit margin} = \frac{\text{Net income}}{\text{Net sales}}$$

Net sales

Net Profit Margin is used as a measure to find out how efficiently management manages its company and also estimates future profitability based on sales forecasting made by its management.

c. Income/Sales Growth

Sales growth shows the company's activities in an effort to increase sales compared to total overall sales. According to Kasmir (2012), he stated that "growth ratio is a ratio that describes the ability of a company to maintain its economic position amid economic growth and its business sector." Based on the definition, it can be said that the growth ratio is a ratio that describes the company's ability to maintain its economic position from year to year. Formula of sales growth:

$$\text{Sales Growth} = \frac{(\text{Sales on Year } t - \text{Sales on Year } t-1)}{(\text{Sales on year } t-1)}$$

(Sales on year t-1)

2. Customer Perspective

From the customer perspective, the measurement tool used is market share of the company. The customer's benchmark is done by first mapping the controlled market of the company compared to customers from the industry. In this perspective, the wants and needs of customers are important.

3. Internal business process perspective

In this perspective, what becomes a benchmark for company performance is the extent to which the company has innovated or developed. In the process, the emphasis is on creating more qualified new products until the product is ready to be circulated to the customer. This is certainly not separated from the financial perspective and customer perspective. To operate this perspective, the company must look more at the company's financial capabilities and the customer's ability.

4. Learning and growth perspective

According to Niven P (Ayesha Farooq and Zareen Hussain, 2011), Learning and Growth relates to employees, namely satisfaction, skill alignment with work, number of suggestions implemented, education and training, job description, transfer, term incentive programs through sustainable work. The aim of this learning and growth

perspective is to control the achievement of outcome excellence in all three perspectives, namely financial, customer, and internal business processes.

METHODS OF RESEARCH

This research was descriptive research with a focus on the implementation of balanced scorecard as a strategy and performance management framework in the organization of PT. Indofood Sukses Makmur TBK. The approach used in this research was by collecting information about the status of a symptom that was done, was not intended to measure certain hypotheses, but only to describe the existence of variables, symptoms and circumstances (Arikunto, 1998). The purpose of this research was to recognize the role of the balanced scorecard in better organizational performance.

RESULTS AND DISCUSSION

PT. Indofood Sukses Makmur Tbk was established on August 14, 1990 under the name of PT Panganjaya Intikusuma. The head office of PT. Indofood Sukses Makmur Tbk is located at Sudirman Plaza, Indofood Tower, 21th Floor, Jl. Gen. Sudirman Kav. 76 - 78, Jakarta 12910 - Indonesia. PT. Indofood Sukses Makmur Tbk is located in various places in Java, Sumatra, Kalimantan, Sulawesi and Malaysia. The company has subsidiaries which are also listed on the Indonesia Stock Exchange (IDX), including: Indofood CBP Sukses Makmur Tbk and Salim Ivomas Pratama Tbk (Annual Report of PT. Indofood Sukses Makmur Tbk).

According to several annual report publications, PT. Indofood Sukses Makmur TBK has transformed into a Total Food Solutions company with operational activities ranging from food production processes, production and processing of raw materials to the final products available on the market. In carrying out its operational activities, the company uses its business model which consists of four Strategic Business Groups which complement each other, namely:

1. Branded Consumer Products
Producing a variety of branded consumer products including instant noodles, dairy, snacks, food flavoring, nutrition and special foods, and beverages.
2. Bogasari
Producing wheat flour and pasta supported by shipping and packaging business units.
3. Agribusiness
Business activities carried out include research and development, breeding of seedlings, cultivation and processing to production and marketing.
4. Distribution
Distributing most of the consumer's products through its subsidiaries, as well as various third-party products.

Based on the annual report of PT. Indofood Sukses Makmur Tbk in 2017, four (4) business groups above contributed to the company by receiving many awards, including:

1. Brand Asia 2017, as Top 3 Most Powerful Food/Drink Brand in Indonesia, from Markplus Inc & Nikkei BP Consulting, Inc
2. Brand Asia 2017, as Top 10 Most Powerful Brand in Indonesia, from Markplus, Inc & Nikkei BP Consulting, Inc
3. Best of The Best Awards 2017, as The Top 50 Companies 2017, from Forbes Indonesia Magazine
4. Employer Branding Award 2017, as Asia's Best Employer Brand Awards 2017 from World HRD Congress
5. Indonesia Sharia Finance Award 2017: The Winner of Indonesia Sharia Finance Award 2017 category Consumer Goods Sharia Issuer, from Warta Ekonomi Magazine
6. Indonesia Corporate Secretary Award 2017, as Top 5 GCG Issues in Consumer Goods Sector, from Warta Ekonomi Magazine
7. Top Capital Market 2017, as Top Corporate Reputation 2017 Food and Drink

8. Indonesia PR of The Year 2017, as Best Corporate Communication Team of the Year 2017, from SWA Magazine & MIX Marketing and Communication
9. And other awards

The financial performance of PT. Indofood Sukses Makmur TBK is inseparable from its management capability and economic conditions each year. This can be seen from the table below:

Table 1 – Net Income, Equity and ROE of PT. Indofood Sukses Makmur TBK2007 – 2017

Year	Net Revenue (in Trillion Rupiah)	Net Profit (in Trillion Rupiah)	Equity (in Trillion Rupiah)	ROE
2007	27.86	0.98	10.91	8.98%
2008	38.80	1.03	13.16	7.86%
2009	37.4	2.08	15.50	13.40%
2010	38.4	2.95	24.85	11.88%
2011	45.3	3.08	31.61	9.73%
2012	50.2	3.22	33.32	9.67%
2013	55.6	2.53	36.88	6.87%
2014	63.6	3.94	40.27	9.79%
2015	64.1	2.97	43.12	6.88%
2016	66.8	4.14	43.94	9.43%
2017	70.19	5.12	46.76	11.3
Total	537.65	32.04	340.2	94.49
Average/year	48.773	2.91	30.93	8.59

Source: Annual Financial Report.

Explanation:

1. The value of sales during the 11-year period shows that there is an increase every year, even though the percentage (%) of growth that occurs fluctuates.
2. The growth of net income in the past 11 years (20007-2017) seems to be fluctuating.
3. The value of equity is seen to fluctuate in growth, in other words,owner’s equity participation increases due to retained earnings every year
4. Retrun on Equity (ROE) value shows the ability of the company to generate company profits with the value of equity held. Based on the table above, it can be seen that the average ability of equity to generate profits for the past 11 years is 8.6%.

Methods of measuring company performance with the concept of balanced scorecard at PT. Indofood Sukses Makmur TBK are as follows:

Financial Perspective

This perspective sees whether the profit generated is proportional to the assets invested and also to the net income generated by the company and to the growth of company revenue that occurs as a result of the activities carried out. The financial condition of the company can be seen in table 2 below:

Table 2 - Financial Performance of PT. Indofood Sukses Makmur TBK in 2014-2017

No	Measurement	Year				Average
		2014	2015	2016	2017	
1	ROI	9.78	6.76	9.43	10.95	9.98
2	Profit Margin (%)	6.2	4.6	6.2	7.3	6.08
3	Sales Growth	14.4	0.7	4.1	5.5	6.1

Source: processed from financial statements.

Based on table 2 above, it can be seen that:

1. Return on Investment (ROI)

ROI can be said as the rate of return on investment or how much investment that has been invested can be returned as profit. In 2014, the value of ROI is 9.78%, this shows that the amount of profit earned is 9.78% of the investment made or total assets. In 2015, there is a decrease in the value of ROI, which is 30.88%. In 2016 until 2017, there is an upward trend in the value of ROI. This is due to net income after taxes, sales and total assets from PT. Indofood Sukses Makmur TBK experience an increase due to the development of business activities carried out by the company, including the addition of new product variants and the increase in distribution networks.

2. Potential benefits obtained by PT. Indofood Sukses Makmur TBK, which is seen from the profit margin in 2015, shows a declining tendency compared to 2014. On the other hand, 2016 and 2017 show an upward trend. The decline in the company's ability to generate profits in 2015 is due to the decline in sales, where sales growth is only 0.7%.

3. Sales growth in 2015 is very low and after 2016 and 2017, it shows an upward trend. This low sales growth occurs due to unfavorable economic conditions, high inflation rates and decreased purchasing power of the people.

Al-Najjar & Kalaf (2012) stated that financial performance can convey the economic consequences of actions taken by the organization, and related to profitability that is made the basis by shareholders in verifying the profitability of their investments.

Customer Perspective

Customer perspective focuses on how many companies are able to master customers. Market share can be done with the number of customers or units sold from the company compared to the number of customers or units sold from similar companies. Kairu et al. (2013) stated that this customer perspective shows the organization's ability to provide quality goods and services, delivery effectiveness, and customer service and satisfaction.

Table 3 – Market Share of Indonesia's Instant Noodles Market (%)

No	Company	2014	2015	2016	2017
1	Indofood Sukses Makmur	71.8	71.8	71.8	72.0
2	Wings Group	14.6	14.6	14.8	14.9
3	Conscience Food Holding	2.7	2.7	2.7	2.6
4	ABC President Indonesia	1.9	1.9	1.8	1.8
5	Jakarama Tama	2.4	3.0	2.9	2.9
6	Medco Group	1.2	1.2	1.2	1.1
7	Nissin Foods Holdings Co Ltd	1.1	1.1	1.0	1.0
8	Delifood Sentosa Corp	0.7	0.6	0.6	0.6

Source: JF Morgan.

Table 3 shows an overview of market share from PT. Indofood Sukses Makmur TBK, represented by the mastery of noodle products. The noodle products are used as a reference for the success of the business activities of PT. Indofood Sukses Makmur TBK because the Indomie brand is the Top 10 of Most Chosen Global Brands, based on a study conducted by the World Panel Office in 43 countries covering 73% of the world population and market share of noodle products of PT. Indofood Sukses Makmur TBK, which also reflects the market share of the largest noodle products.

This can be seen from 2012 to 2014 which amounts to 71.8. For 2014 to 2016, there is no growth in market control, although the largest market share is still controlled by PT. Indofood Sukses Makmur TBK. In 2017, there is an increase in market share from PT. Indofood Sukses Makmur TBK which amounts to 72.0 due to solid cooperation from the company's management.

Regarding the customer, Dhingra (2006) claimed that the balanced scorecard method allows executives to listen to clients/customers to obtain, develop and maintain the most valuable relationships with clients/customers.

Internal Business Process Perspective

This perspective sees the extent to which the company has innovated the products produced. The innovations that have been made by the company on the products produced are:

1. In 2014, the company developed beverage business activities by entering the bottled water business by acquiring bottled drinking water assets including the Club brand, thereby increasing the number of products produced by PT. Indofood Sukses Makmur TBK.
2. In 2015, the company launched 60 new product variants and built beverage and noodle factories. This condition will strengthen the company's portfolio; both company sales and profits will be obtained.
3. In 2016, the number of stock points increased to around 1,200 and the number of registered retail outlets served rose to 500,000. Then the company launched "idmarco.com", an e-commerce platform that offers the convenience of online shopping and therefore, reached more retail outlets in Indonesia.
4. In 2017, the company launched 70 new products to further strengthen its portfolio and face the development of trends in the market. The efforts taken were comprehensive marketing strategies to strengthen brand awareness and brand experience through the use of conventional and digital media and the activities of *below the line program*.

According to Patricia Quesado et al (2017), balanced scorecard can motivate organizations to innovate, be creative and launch products faster by establishing appropriate internal processes, objectives and actions.

Learning and Growth Perspectives

This perspective discusses about employee productivity. Employee productivity is a comparison between the number of sales and the number of company employees.

Table 4 – Employee Productivity (in Trillion Rupiah) of PT. Indofood Sukses Makmur TBK

No	Measurement	Year			
		2014	2015	2016	2017
1	Sales (in Trillion Rupiah)	63.59	64.06	66.66	70.19
2	Employees (in number of people)	69777	67456	65212	65660
3	Employee Productivity (in Billion Rupiah)	0.91	0.95	1.02	1.07
	Growth	-	4.39	7.58	4.71

Source: PT. Indofood Sukses Makmur TBK

Based on table 4 above, the management performance of PT. Indofood Sukses Makmur TBK from the perspective of learning and growth can be explained as follows:

1. Sales show an upward trend with fluctuating sales growth. The increase occurred due to the last two decades; the company transformed into a Total Food Solutions company whose operational activities cover all stages of the food production process. Indofood is known as an established and reputable company in each of its business categories, in carrying out its business activities, it benefits from the economies of scale and the toughness of its business model which consists of four complementary Strategic Business Groups.
2. The number of employees shows a declining tendency, although in 2017, it shows an increase compared to 2016. The addition of the number of employees is not too significant, which is equal to 0.69%.
3. The ability of employees to contribute to the sales activities of PT. Indofood Sukses Makmur TBK shows an increasing tendency, which can be seen from the value of employee productivity. The value of employee productivity over the past 4 years shows an upward trend, namely:

- a. Increased employee productivity from 2014 to 2015 by 4.39%
- b. Increased employee productivity from 2015 to 2016 by 7.58%
- c. Increased employee productivity from 2016 to 2017 by 4.71%.
- d. From this condition, the growth of employee performance is unstable, where in 2016 to 2017, there is a decrease in the ability of employees to contribute to sales.

CONCLUSION

Based on the data available at PT. Indofood Sukses Makmur Tbk, the researchers concluded that:

1. Balanced scorecard benefits the organization in several ways, namely explaining the vision of the organization, aligning the organization to achieve that vision, integrating strategic planning and allocation of resources to improve management effectiveness by providing the right information to direct change. In addition, BSC implementation can help managers to focus their attention to things that affect the success of the company in all level of organization easily.
2. Financial perspective; this perspective sees whether the profit generated is proportional to the assets invested and also to the net income generated by the company and proportional to its growth as well.
3. Customer perspective; this perspective focuses on how many companies are able to master the customer.
4. Internal business perspective; this perspective sees the extent to which the company has innovated the products produced. The efforts taken are comprehensive marketing strategies to strengthen brand awareness and brand experience through the use of conventional and digital media and the activities of the *below the line program*.
5. Learning and growth perspective; this perspective discusses about employee productivity. Employee productivity is a comparison between the number of sales and the number of company employees. The ability of employees to contribute to the sales activities of PT. Indofood Sukses Makmur TBK shows a tendency to increase.

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