

Conference Paper

Strategy Analysis to Improve Performance Using Balance Scorecard Analysis in PT Sisirau

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Abstract

In facing an intense competition in plantation business, company cannot merely apply the Market Follower strategy. The decrease in product sales will affect the company's financial condition. Data analysis method is done by analyzing Balanced Scorecard and SWOT analysis and performing performance measurement using ROI, ROA, NOIG, Profit Margin Current Ratio, TATO, ITO, and RTO. Next, OTD, NOC, COA, MCE, NODU, TA, Learning and Growth are done. Based on the research, there is a trend of ROI value impairment that illustrates that the level of company's management in generating profit from investing is very low. Also, some of the competitive strategies are generated from the SWOT analysis and Balanced Scorecard, Internal Business Process Prospective, and Growth and Learning Perspective.

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1. Introduction

PT Sisirau is a plantation company whose customer do not consist of CPO and Kernel raw material processing companies, so in running its marketing strategy the company puts forward the Concentrated Marketing Strategy. This marketing strategy focuses the company's activities on how to maximize customer satisfaction by utilizing the market segment of the company which is agribusiness companies that manage the raw material of CPO and Kernel. In addition, in facing the intense competition in plantation business, the company is only practicing the Market Follower strategy because they do not have the utmost strength in dealing with other long-established and well-established companies. Because of the implementation of this strategy, the company is in an insufficient condition, marked by the decrease in sales.

The decrease in product sales will affect the company's financial company. The financial condition of a company can provide a conception of the company's performance in general.

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2. Literature Review

2.1. Performance

According to Mulyadi (2007), performance is the success of the personnel, team, or organization unit in realizing the strategic goals with the expected behavior.

Mangkunegara (2000) states performance is the quality and quantity of work result achieved by an employee in carrying out their duties according to the responsibility given to them.

In his study, Tangen (2005) says that a good performance measurement system is a set of performance measures that provides the company with useful information, so as to help in managing, controlling, planning, and execute the activity undertaken by the company. With the measurement of performance the company is expected to survive and go along with the existing competition and development.

2.2. Strategy

Marrus (2002) defines strategy as a process of determining the top management's plan that focuses on the long-term goals of the organization, along with the preparation of a way of effort on how to achieve the said goal. Moreover, Quinn (1999) utters strategy is a form or plan that integrates the main goals, policies, and a set of actions within an organization into an entity.

In accordance with Grant (1999), strategy has 3 essential roles in fulfilling the management objectives, namely as strategy as the support in decision-making, strategy as a mean of coordination and communication, strategy as a target.

2.3. Balanced scorecard

In accordance to Mulyadi (2001), scorecard is used to plan the realized score in the future, meanwhile, balanced is utilized to measure one's performance from two perspectives, which are financial and non-financial, short-term and long-term, internal and external.

Balanced Scorecard emphasizes, in this regard, that all financial and non-financial measures have to be the system information for the employees of all levels in the company.

2.4. SWOT analysis

The analysis to recognize the strength, weaknesses, opportunity, and treats is often called the SWOT Analysis (Gitosudarmo, 2008). Salusu (2000) explains that SWOT matrix is using several strategies, as follows: S.O Strategy, is making use of the existing opportunity with the organizational advantage (comparative advantage comparative), S.T Strategy, is mobilizing several advantages to achieve the goal (mobilization), W.O Strategy, is choosing which factor is to be pushed forward and which factor is to be adjourned, W.T Strategy, is the caution or alertness in achieving the goal (damage control).

2.5. Hypothesis development

The hypothesis of this study are as follows: There are several strategies that can be applied by companies in anticipating the decline in the value of ROI on the company. The right strategy to implement a company to create a Competitive Strategy is to use a Balanced Scorecard. There are several recommendations given to the company's management in addressing the problems facing the company

3. Research Methodology

3.1. Research framework

The framework of this research can be seen below:

3.2. Research type

This research is a descriptive research, with case study method that describes the actual condition of the research object.

3.3. Data analysis technique

These are the steps to analyze the data of this research: Analyze the company's vision, mission, goals, and strategies. Perform the SWOT (Strength, Weakness, Opportunity,

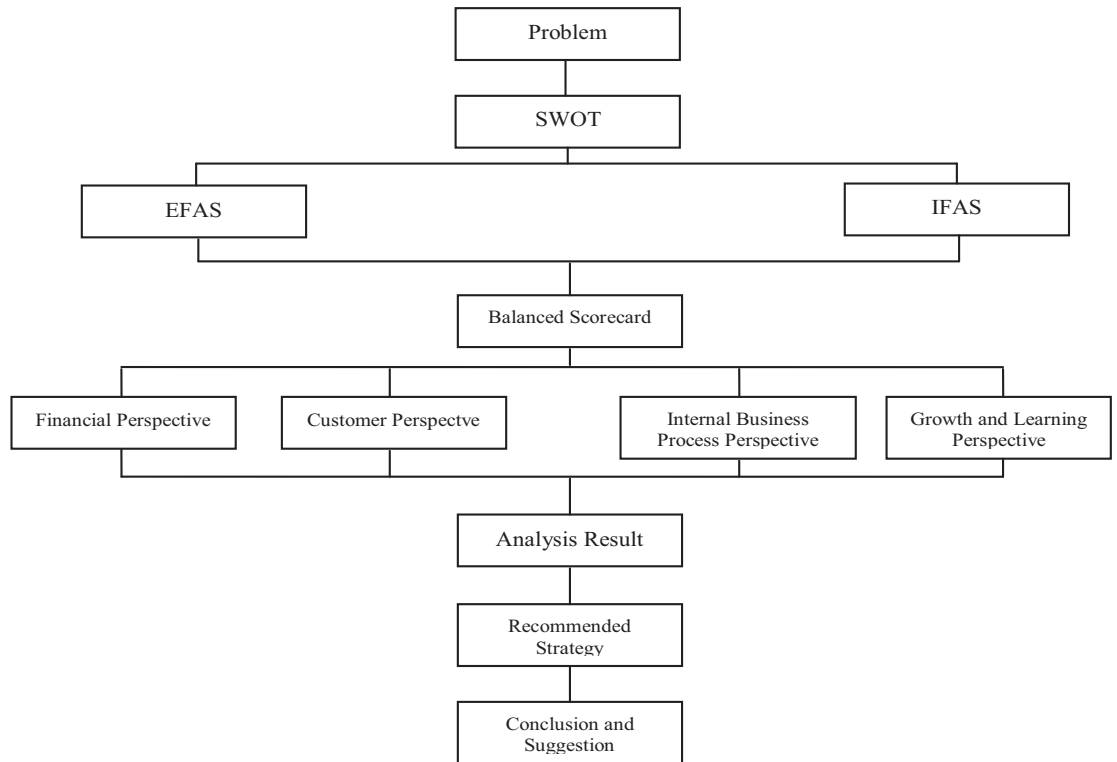


Figure 1: Research framework.

and Threat) analysis on the internal and external environment of the company. Prepare the Balanced Scorecard framework, Create a strategy map and discuss the right strategy.

3.4. SWOT analysis

The analysis technique used in this study is SWOT analysis which can be detailed as follows: Incorporate the most important IFE and EFE items in key strategic factor column, according to the company’s condition of Strength, Weakness, Opportunity, and Threat. Determine the weight of each item on the factor in IFE and EFE table with the following scale (Umar, 2008):

- a. 0.20 = Very Strong
- b. 0.15 = Above Average
- c. 0.10 = Average
- d. 0.05 = Below Average

Determine the rating value of each factor from IFE and EFE table with the value of 4 (highest) and 1 (lowest). Determine the score value by diverting the weight by rating. Sum up the total value of IFE and EFE.

3.5. The measurement of financial perspective performance

The measurement of financial perspective performance can be conducted by using financial ratio as follows: (1) Return on Investment (ROI), (2) Return on Asset (ROA), (3) Net Operating Income Growth (NOIG), (4) Margin Profit, (5) Current Ratio, (6) Total Asset Turn Over (TATO), (7) Inventory Turn Over (ITO), (8) Receivable Turn Over (RTO)

3.6. The measurement of customer perspective performance

Performance measurement from the customer perspective is conducted using indicators as follows: (1) On Time Delivery (OTD), (2) Number of Complaint (NOC), (3) NOC is the ratio of complaint frequency with the given number of order. (4) Customer of Acquitation (COA).

3.7. The measurement of internal business process perspective

Performance measurement from the internal business process perspective is using indicators as follows: (1) Manufacturing Cycle Effectiveness (MCE), (2) Number of Defective Unit (NODU).

3.8. The measurement of growth and learning perspective

Performance measurement from the growth and learning perspective is completed using indicators as follows: (1) Attendance Level (AL), (2) Learning and Growth

4. Result and Discussion

From the result noticed that a good quality of CPO and Kernel result in accordance with International Quality Standard factor has the most significant effect on the performance with the total value of 0.450. This illustrates that the product is actually good because it has fulfilled all the requirements.

Referring to the weakness factors, then the factor with the most significant effect on performance is the aging of the palm trees causing the productivity to decrease factor with the total value of 0.525, which means the company has to be careful in covering up this weakness. Furthermore, another strategic factor that greatly affecting performance is the lack of raw material availability factor with the total value of 0.510. The company then should maximize the *Perkebunan Inti Rakyat* (PIR) adjacent to the company that can contribute to the company. Meanwhile, the total value of the company's internal strategy is 2.800, it shows that the position of the strength and weakness of the company is in a moderate state.

From the result can be seen the strength factor PIR is helping PT Sisirau in increasing the production factor has the most significant effect on performance with total value of 0.525. It illustrates that the decreasing of performance is caused by limited supply from *Perkebunan Inti Rakyat* (PIR).

According to the threats factors of the company, then the factor which has the biggest effect on performance is the competition in getting TBS is very tough factor with total value of 0.832, meaning the company needs to be careful in dealing with this threat. Because the supply of the raw material is insufficient due to the lack of TBS, it will disrupt the production as a whole as well as the company's performance.

Moreover, the theft of TBS by irresponsible society factor also affects performance greatly, with the total value of 0.465. If so the company should maximize the security of the company to guard the property owned by the company. In addition, the total value of the company's external strategy is 2.828, it exhibits that the position of the opportunities and threats of the company is in moderate state.

Figure show exhibits the matrix of internal and external is in quadrant V, meaning the condition of the company is in moderate state, internally and externally. In this state the proper strategy to be undertaken by PT Sisirau is to keep and maintain the company's market position. The appropriate strategy to be performed is Market Penetration and Product Development. Furthermore, the strategy related to quadrant V is product development. Product development can be carried out by converting the CPO product into processed product that can be purchased by more customers rather than just selling the CPO alone.

Associated with the IFE and EFE result, it can be seen the highest value of weakness factor is the aging of the palm trees causing the productivity to decrease of 0.525 and the lack of raw material availability of 0.510. While on the opportunity factor, is PIR is assisting PT Sisirau in increasing the production of 0.832.

Based on these, it can be concluded the strategy that can be carried out is as follows:

TABLE 1: Matrik SWOT.

Internal Factor Strategi External Factor Strategi	STRENGTHS (S)	WEAKNESS (W)
	1. Hubungan yang baik antara karyawan	1. Umur tanaman sawit yang sudah tua sehingga produktifitas menurun.
	2. Kualitas hasil CPO dan Kernel yang baik sesuai dengan Standar Mutu International.	2. Lahan perkebunan memiliki tingkat produktifitas dibawah standar.
	3. Kesejahteraan karyawan yang benar-benar diperhatikan.	3. Kurangnya ketersediaan bahan baku (TBS).
	4. Kualitas SDM yang terus mengalami perbaikan	4. Kurangnya disiplin karyawan yang bekerja
OPPORTUNITIES (O)	STRATEGI (SO)	STRATEGI (WO)
1. Pajak Ekspor CPO turun		W ₁ O ₁ , W ₁ O ₂ , W ₁ O ₃ , W ₁ O ₄
2. PIR membantu PT Sisirau dalam meningkatkan produksi.		W ₂ O ₁ , W ₂ O ₂ , W ₂ O ₃ , W ₂ O ₄
3. Permintaan CPO dalam dan luar negeri meningkat.		W ₃ O ₁ , W ₃ O ₂ , W ₃ O ₃ , W ₃ O ₄
4. Penemuan baru dalam pemanfaatan minyak sawit		W ₄ O ₁ , W ₄ O ₂ , W ₄ O ₃ , W ₄ O ₄
THREATS (T)	STRATEGI (ST)	STRATEGI (WT)
1. Persaingan dalam industry CPO dan Kernal yang sangat ketat.		
2. Persaingan dalam mendapatkan TBS yang sangat sulit.		
3. Campur tangan pemerintah dalam menentukan harga CPO.		
4. Pencurian TBS oleh masyarakat tidak bertanggungjawab		

Source: Data processed, 2017.

W₁O₂: Resolve the problem of the age of the palm crops. and make use of PIR in increasing the production.

W₃O₂: Overcome the problem of the lack of raw material availability and make use of PIR in increasing the production.

Return on Investment (ROI), Despite the decreasing of the company’s ROI due to the lack of maximization of its assets, if it is being traced thoroughly and deeply, it can be known that assets owned by the company to increase the ROI value is related with the production process of the palm crops.

Profit Margin, In 2014 the value of profit margin is 8.01% and in 2015 it decreased to 4.73%, meaning there is a decrease of -3.28%. This indicates a poor performance

of the company. However, if it is being investigated in depth, it can be known there is a decrease in profit margin value is caused by the decreasing in selling price of both CPO and Kernel. This decrease is also due to the declining of rendement value of CPO and Kernel itself.

Net Operating Income Growth (NOIG), The data shows the fluctuated net operating income tends to decrease, if seen from 2010 to 2015. This indicates a poor performance of the company. Low net operating income and tend to decline indicate the inability of the management of the company in achieving the profit desired by the company itself.

On Time Delivery, From data on time delivery shows there is a delay in the delivery of the product to the customer. This delay occurs because of the downward trend, which happened in 2013 to 2015. The magnitude of the decline is 11.07%. This means from the terms of service to satisfy the customer, the company is unable to do so.

Number of Complaints, Data Number of complain exhibits the measurement of number of complaints from 2013 to 2015, and it can be seen there is an increase in complaints of 16.67%. This shows there is no effort from the company to reduce the complaints occurs in the company.

Customer of Acquation, The calculation result of customer of acquisition in PT Sisirau indicates the company is able to add new customers. This is considered reasonable due to the small number of competitors in this business.

Manufacturing Cycle Effectiveness (MCE), Manufacturing Cycle Effectiveness is the proportion of processing time to the total production time. The MCE for 2013 to 2015 can be calculated as follows:

$$MCE = \frac{\text{Processing Time}}{\text{Troughput Time}} \times 100\%$$

MCE₂₀₁₃= 100,36%; MCE₂₀₁₄= 98,72%; MCE₂₀₁₅= 96,19

Number of Detective Unit (NODU), Number of Detective Unit is the comparison between the level of defected product and overall production. The percentage of defected product is experiencing an upward trend in 2013 to 2015. The upward trend of defected product percentage is caused by several things, like the quality of moisture content and the level impurities.

Attendance Level (AL), it shows the attendance level of employee is experiencing an upward trend. This is caused by the declining of the production result, hence reducing the workload, and in the end will lead to the employees rarely attend due to the few quantity of workload.

Employee Training Program, it can be known the level of employee's participation in training, either organized by the company or an independent institution, is experiencing an upward trend. This shows that employees are serious in developing their skill and contributing to the company for a better performance.

5. Conclusion

It is known there is an upward trend in ROI value of the company, which illustrates the level of company management ability in generating profit from treasury investment.

The proper strategy to be implemented by PT Sisirau to create Competitive Strategy according to the SWOT analysis result is as follows: Resolve the problem of the age the age of the palm crops, and make use of PIR in increasing the production, Overcome the problem of the lack of raw material availability, and make use of PIR in increasing the production.

The proper strategy to be implemented by PT Sisirau to create Competitive Strategy according to the Balance Scorecard analysis is as follows: Financial Perspective, the increase in income by increasing sales value and volume, Customer Perspective, enhancing a good relationship with customer by building a good communication, giving the best service to the customer, and improving customer loyalty, Internal Business Process Perspective, developing the business by exploring additional land acquisition, assessment of downstream and supporting industry, improving production quality, maintaining the core competencies, Growth and Learning Perspective, organizing the organizational improvement, human resources and work culture by building the character of the employee and advancing the organizational culture, developing the competencies and the skill of the employee as well as the welfare and the loyalty of the employee.

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