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HUMAN RESOURCE MANAGEMENT | RESEARCH ARTICLE

Balanced Scorecard Based Performance Management: Case Study From PT. Semen Indonesia Distribution

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Abstract: The imbalance between cement supply and consumption in Indonesia has caused consumers' bargaining position to increase, demands to increase, and create fierce competition. One of the marketing functions, namely Place, has the meaning of distributing goods, so that if a company wants to win the business competition, it must be good at planning, implementing and evaluating the distribution system. This study aims to determine how the use of balanced corecard in managing performance management at PT. Semen Indonesia Distribusi using financial, customer, internal process, and learning and growth perspectives. The results of the study show that the process of managing performance management at PT. Semen Indonesia Distribusi begins with determining the strategic targets of each perspective in the balanced scorecard which is outlined in the strategy map. The company needs to compile Key Performance Indicators (KPI) in order to find out the results of these strategic achievements.

Keywords: Performance Management, Balance Scorecard, Distribution

JEL Classification Code: M10, M11, M21, L10, L81

1. INTRODUCTION

Carrying increased productivity for economic transformation towards the vision of Advanced Indonesia 2045, infrastructure development is one of the focuses of government policy in 2023. Expert Staff to the Minister of Finance for State Expenditure, Made Arya Wijaya explained that there are two government priorities related to infrastructure in 2023. First, accelerating the completion of national priority infrastructure development. Second, encouraging the growth of new economic centers, including the Indonesian Capital City (IKN). The national cement industry is still overshadowed by major challenges in 2023. Starting from a competitive market and oversupply, slowing growth in demand for cement which is still dominated by the retail sector and high energy costs. As a leading regional building material solution provider, PT. Semen Indonesia (Persero) Tbk (SIG) is ready to maintain market dominance by optimizing production facilities and strengthening distribution networks. Table 1 shows that in 2022 the sales volume has decreased since 2021, which was 36.9 million tons, while production capacity has actually increased. Increased production capacity but decreasing sales volume causes overproduction.

Table 1. Characterization and Quantification of Variables

No	Performance Management	Unit	2022	2021
1.	Cement Sales Volume	Million tons	36,9	42,4
2.	Total Production Capacity	Thousand tons	56,45	52,6

In addition to the declining sales volume due to weakening demand, the increase in the average selling price also burdened the performance of cement issuers during 2022. He explained the decline in demand occurred as a result of the slowdown in the realization of a number of construction projects due to the impact of Covid-19. Meanwhile, the increase in average selling prices was caused by soaring



energy prices such as fuel oil (BBM) and coal. The increase in BBM prices also affected the increase in transportation costs and had an indirect impact on the increase in prices of other commodities. Cement producers are required to be more efficient, starting from the production process to distribution, to maintain the quality of their profits and financial health. With the increasing imbalance between cement supply and consumption in Indonesia, the consumer's bargaining position is increasing, demands are getting higher, and it will create fierce competition, especially in terms of price, quality and other marketing functions, namely 4P, product, price, place and promotion (Kotler & Armstrong (1997). One of the marketing functions, namely Place, has the meaning of distributing goods, so if a company wants to win the business competition, it must be good at planning, implementing and evaluating the distribution system. Where the distribution system that is built must refer to the interests of the company's main stakeholders (consumers / distributors, forwarders, factories).

Cement distribution management will be closely related to stakeholders who have an important role in the cement distribution network, including forwarders, distributors and vendors supporting other distribution activities such as pallet vendors, port management vendors and other distribution facilities. The distribution network that is spread across almost all regions of Indonesia is also a major consideration to ensure the availability of cement products. This makes distribution activities as a supporter of competitiveness to maintain its market share, with a commitment to ensure the implementation of efficiency programs in order to achieve the expected EBITDA target. The function of cement distribution is important for the company because it can increase the company's value and improve the product image that the product is always available. So it is expected that if the end user makes a cement purchase, the product is always visible.

PT. Semen Indonesia Distribusi (SID) is a building material company that has a network of 87 branches in Indonesia. In addition to marketing Semen Indonesia Group products, SID also distributes other non-cement building material products such as lightweight bricks, lightweight steel, iron, corrugated roofs, fiber boards and other quality and certified building materials. SID strongly supports the use of a performance management system using a balanced scorecard to achieve success in achieving strategic targets that have been determined in the performance agreement/contract. To support this research, relevant previous studies have been searched for. Based on the search results, the use of a balanced scorecard is a method that is widely used because it has been proven valid in measuring performance and can reach aspects that cannot be done by other methods.

The balanced scorecard is a performance measurement model created by Kaplan in 1992 and updated by Norton in 1996. Its purpose is to provide a framework for an organization to be able to carry out activities that focus on the strategy that has been designed by the organization. The use of balanced scorecards in performance measurement involves four perspectives, namely: financial, customer, internal process and learning and growth (Strategy Maps, David P. Norton). There are several benefits of using balanced scorecards for organizations/companies, namely: First, in the balanced scorecard method, the organization's strategy and vision are combined to achieve goals related to time, both in the short and long term. Second, the balanced scorecard provides a comprehensive view by looking at financial and nonfinancial aspects, including a focus on customers, internal business processes and learning and growth. Third, the balanced scorecard allows for evaluating company investment in developing systems, procedures and human resources to improve future company performance (Kaplan and Norton, 2000). Balanced scorecard develops a view that involves personnel in creating cause-and-effect relationships, aligning strategic goals created by the strategic planning system, and facilitating the achievement of strategic goals with its measurable capabilities. This study aims to determine how the use of balanced scorecard in managing performance management at PT. Semen Indonesia Distribusi by using financial, customer, internal process, and learning and growth perspectives.

2. LITERATURE REVIEW

2.1. *Balanced Scorecard*

The Balanced Score Card is a management system that describes the vision and strategy of a government agency into operational objectives and benchmarks, namely the financial perspective, customer perspective, internal business perspective, and learning and growth perspective (Hamdalah, Muhammad, and Safitri, 2021).

2.2. *Distribution*

Distribution is a series of activities to distribute production results in the form of goods from producers to consumers to meet human needs. Producers mean people who carry out production activities. Consumers mean people who use or consume goods/services and a series of distribution activities are usually carried out sequentially and integrated by producers, forwarders and distributors. The definition of distribution is not much different from marketing where the activities are the same, introducing and distributing goods produced to meet consumer needs. Distribution carries out economic activities that bridge production and consumption activities. Thanks to distribution, goods and services can reach consumers. Thus, the usefulness of goods and services will increase after they can be consumed.

2.3. *Marketing Strategy*

Marketing strategy is a strategy used by companies producing goods or services continuously to win the competition. There are four main lines that can explain the function of marketing strategy, namely: there are standards for assessing the work performance of members in the business field or company, to regulate the course of the business so that marketing team coordination can run effectively and in accordance with the target, increase motivation in the business being carried out, and provide business enthusiasm so that the business can run optimally (Andary et al., 2021). According to Yulianti et al., (2019) marketing strategy is making decisions about marketing costs, marketing mix, marketing allocation in relation to the expected environmental conditions and competitive conditions. In marketing strategy, there are three main factors that cause changes in marketing strategy, namely:

- a. Product life cycle. The strategy must be adjusted to the stages of the life cycle, namely the introduction stage, growth stage, maturity stage and decline stage.
- b. The company's competitive position in the market. Marketing strategies must be adjusted to the company's position in the competition, whether leading, challenging, following or only taking a small part of the market.
- c. Economic situation. Marketing strategies must be adjusted to the economic situation and future outlook, whether the economy is in a prosperous situation or high inflation.

3. RESEARCH METHOD AND MATERIALS

This study employs an explanatory qualitative approach. Qualitative research is a research method primarily used in the social sciences and humanities that focuses on exploring and understanding the complexities of human experience, behavior, and social phenomena. Unlike quantitative research that studies numerical data and statistical analysis, qualitative research aims to uncover underlying meanings, patterns, and relationships through an in-depth, often open-ended, and flexible approach. In this study, the approach used is a qualitative approach. The qualitative approach is used to gain an in-depth understanding of business performance strategies. This approach will allow researchers to analyze and understand performance measurement indicators based on scores and so on.

4. RESULTS AND DISCUSSION

In general, perspective is a point of view used in the balanced scorecard to manage organizational performance which consists of financial perspective, customer perspective, internal process perspective, and learning and growth perspective. The explanation of each perspective in the balanced scorecard is:

4.1. Financial Perspective

The financial perspective is an effort to achieve financial goals that are important to the company. In the financial perspective, PT SID sets 4 strategic targets, namely increasing stakeholder value, increasing revenue and profitability, increasing cost efficiency, and improving company operations. The explanation is as follows:

- a. Increasing stakeholder value: Company revenue is a measure of a company's success. So increasing sales revenue will increase stakeholder value. Can be used to assess the effectiveness of the company's customer value proposition and differentiation strategy.
- b. Increasing revenue and profitability: Measurement by monitoring the return on investment (ROI) of capital investments so that it can help companies assess the effectiveness of their investments in research and development, marketing, and other initiatives that drive revenue growth and profitability.
- c. Increasing cost efficiency: Measurement by monitoring and reducing production costs to increase profitability so that it can help companies identify areas that may be causing high operating costs and can be made efficient.
- d. Improving company operations: Measurement by tracking supply chain efficiency to reduce costs and ensure timely delivery so that it can help companies optimize their operations and increase customer satisfaction

4.2. Customer Perspective

The customer perspective includes strategic goals to be achieved by the company in order to achieve customer desires and/or organizational desires for customers. Customers are external parties who are directly related to the output or services provided by the organization. In the customer perspective, there are 2 strategic goals, namely increasing personnel commitment and improving the quality of customer relationships. The explanation is as follows:

- a. Increasing personnel commitment: This goal focuses on increasing employee commitment and involvement to serve customers better. Employees must be motivated, trained, and empowered to provide maximum service. This can be achieved through employee involvement programs, regular training, and employee incentives. Companies can invest in employee training and development to improve their skills and knowledge of their services.
- b. Increasing the quality of customer relationships: strengthening the relationship between the company and its customers can be achieved by understanding the needs, preferences, and feedback. Once these points are known, they can be used to adjust the service. To find out whether the service provided is satisfactory, the user satisfaction index indicator can be used. Companies can also implement a Customer Relation Management (CRM) system to track and analyze customer interactions and preferences.

4.3. Internal Process Perspective

The internal process perspective includes strategic objectives to be achieved by a series of processes carried out by the organization, with the aim of providing services by creating value for stakeholders and customers through the value chain. In this perspective, there are several strategic objectives, namely:

- a. Risk Management: risk management focuses on identifying and managing risks related to the company's operations. Usually includes risks to the supply chain, environment, and regulatory compliance. Effective risk management will greatly affect operational sustainability because the activities carried out are to protect the company from potential losses.
- b. Information Technology Improvement: This target aims to improve the company's IT infrastructure and systems to support efficient and effective internal processes. This includes the application of advanced technologies such as automation, artificial intelligence, and data analytics to improve data management, decision-making, and operational efficiency.
- c. Marketing Optimization: focuses on improving marketing strategies to reach and engage customers to the fullest. This includes the use of data analytics to understand customer behavior and preferences, and the development of targeted marketing campaigns and promotional offers.
- d. Logistics and Distribution Optimization: aims to improve logistics and distribution processes to ensure timely and cost-effective delivery. This includes optimizing transportation routes, inventory management, and warehouse operations to minimize waiting times and reduce costs.
- e. Employee Productivity: aims to improve employee productivity and performance so as to improve overall operational efficiency.
- f. This includes the implementation of employee training programs, performance management systems, and incentive schemes to motivate and engage employees.

4.4. Learning and Growth Perspective

The learning and growth perspective includes strategic goals that the organization will achieve to develop and maintain intangible assets, namely human resources and the company, which are ideal in running business processes and producing results that are in accordance with the desires of stakeholders and customers. In this perspective, there are 2 strategic goals, namely improving HR competency and building corporate culture. The explanation is as follows:

- a. Improving HR competency: Focusing on improving the ability and skills of human resources in the company by holding HR training and development. Improving HR competency will help the company to improve
- b. Building corporate culture: A strong corporate culture must be based on open communication, transparency, and accountability, with clear expectations for employee behavior and performance. Building corporate culture will help the company improve effectiveness and efficiency, as well as simplify business processes.

5. CONCLUSION

Based on the research results, it can be concluded that in general the performance management process of PT. Semen Indonesia Distribusi begins with the determination of strategic targets for each perspective in the balanced scorecard which is outlined in the strategy map. For each strategic target, the company needs to prepare Key Performance Indicators (KPI) in order to find out the results of the strategic achievement. The use of a balanced scorecard for performance management at PT. Semen Indonesia Distribusi would be better if given success indicators. It is recommended for PT. Semen Indonesia Distribusi to integrate the balanced scorecard into the overall performance management system. This can be done by ensuring that all units are involved in the process of formulating strategic targets and key performance indicators related to the four balanced scorecard perspectives. In addition, regular monitoring and evaluation of the implementation of the balanced scorecard at PT. Semen Indonesia Distribusi is also needed so that it can help in identifying potential improvements, ensuring that targets and performance indicators are achieved, and monitoring overall performance developments. Balanced scorecard and performance management is a dynamic process so it is

important to continually update and adjust objectives, targets and performance indicators in line with changing organizational needs and environment.

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