

CHAPTER I

INTRODUCTION

This chapter contains the background of the problem, research objectives, problem formulation, problem boundaries, and research writing systematics from this final project.

1.1 Background

Indonesia is an archipelagic country with a population of 270.20 million people in 2020 (BPS, 2020). Indonesia's economic growth rate in the first quarter of 2022 compared to the first quarter of 2021 (y-on-y) grew by 5.01 percent in various sectors which can be seen in **Figure 1.1**.

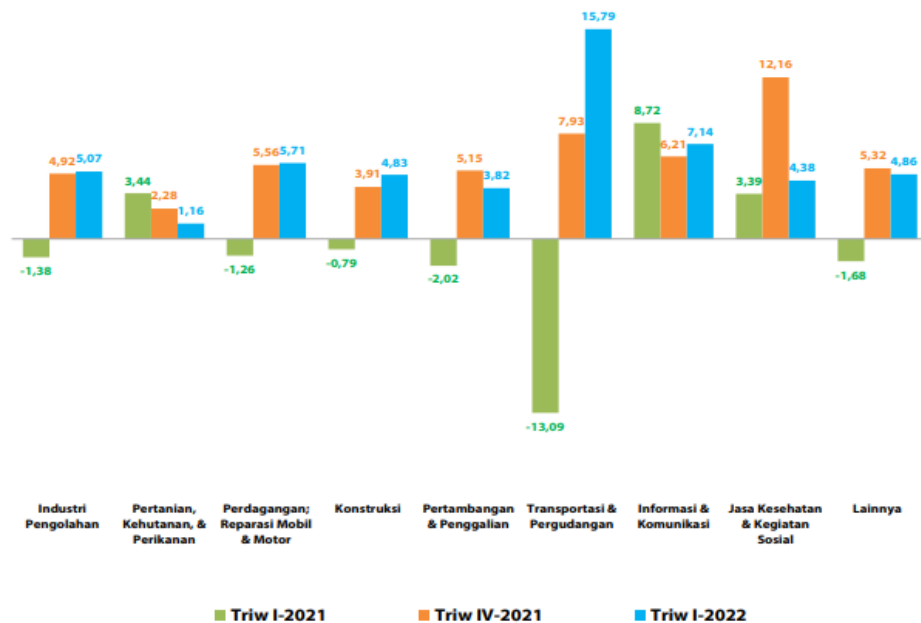


Figure 1. 1 Economic Growth in Quarter I-2022 Against Quarter I-2021

Growth occurred in most business fields, with Transportation and Warehousing at 15.79 percent; followed by Other Services by 8.24 percent; Information and Communication by 7.14 percent; and electricity and gas procurement by 7.04 percent. Meanwhile, the Processing Industry, which has a

dominant role, grew 5.07 percent. Meanwhile, Agriculture, Forestry and Fisheries as well as Wholesale and Retail Trade, Car and Motorcycle Repair grew by 1.16 percent and 5.71 percent, respectively.

Currently, IKM in Indonesia are often in the spotlight. Small and Medium Industries have become the backbone of national economic growth. The number of IKM in Indonesia is 4.4 million units in 2020, with the absorption of IKM workforce of more than 10.36 million people. IKM have a strategic role in promoting economic growth, social stability, and the development of a dynamic private sector (Kemenperin, 2022). With this, IKM has accommodated 3.8% of the Indonesian population. The Department of Industry and Trade of West Sumatra in 2020 noted that IKM is one of the five main sectors driving the economy of West Sumatra, the five sectors are the manufacturing industry; Agriculture, Forestry and Fisheries sector; Wholesale and Retail Trade, Car and Motorcycle Repair; Transportation and Warehousing; and Construction (BPS, 2020). This is known from the GRDP Distribution of West Sumatra Province by Field of Business in 2020 as follows:



Figure 1. 2 Distribution of GRDP of West Sumatra Province by Business Field, 2020

Based on this data, it is explained that the contribution of the manufacturing industry to gross value added is 8.64 percent, while the contribution of the Agriculture, Forestry and Fisheries sector, which is the sector with the largest contribution in West Sumatra, is 22.36 percent. Followed by the wholesale and retail trade sector; Car and Motorcycle repairs by 15.77 percent, Transportation and warehousing by 10.44 percent, and the construction sector by 10.18 percent.

In the era of increasingly competitive industrialization, and the number of business people, many business people want to win the competition. The level of competition and competition in a company is getting tougher, the challenges in a company are increasingly visible in various fields, both in the fields of finance, human resources, technology, materials, and so on. This is also in line with the implementation of the era of free trade such as AFTA (Asian Free Trade Area), APEC (The Asia Pacific Economic Cooperation), NAFTA (North America Free Trade Area), and the signing of various bilateral and multilateral agreements which are essentially to support competition. free trade such as GATT (General Agreement on Tariffs and Trade), United Europe (European Union), and so on (Wibisono, 2006).

With the high level of competition and anticipating the era of free trade, companies must begin to review the company's strategic objectives based on globalization and world trade liberalization, compare with other companies that have the best performance, and evaluate the company's own internals. Therefore, many companies have begun to improve their performance management system, the majority of which are based on a financial measurement system, but this measurement system has not been able to handle all aspects of measurement to accommodate the demands of competition. Therefore, companies need the latest performance management system

The Balanced Scorecard is one of the most popular models for the new performance measurement system that has been developed to date (Neely et al.,

2005). The Balanced Scorecard developed by Robert Kaplan from Harvard Business School and David Norton in the early 1990s is used by executives to translate the company's vision, mission, strategy, and goals and organize them into four different perspectives, namely: 1) Financial Perspective; 2) Customer Perspective; 3) Internal Business Process Perspective; and 4) Learning and Growth Process Perspective. The vision, strategy, and the four perspectives of this method are balanced as an integrated system (Neely et al., 2005). However, the BSC technique ignores environmental and social aspects as essential pillars of a sustainable business; so that, new methods were developed for curing the problem.

Since the BSC has high potential to integrate environmental and social aspects into the general management system, the BSC has been combined with sustainable parameters, called as the sustainability BSC (SBSC), to provide a meaningful instrument to the sustainability management. Therefore, the SBSC may not only help detect important strategic environmental and/or social objectives of the company but may also enhance the transparency of value added potentials emerging from social and/or ecological aspects and prepare the implementation process of the strategy (Rabbani et al., 2014).

In West Sumatra in 2019 there are 35,589 Small and Medium Industries, IKM business units (BPS Sumbar, 2019). One of the IKMs in West Sumatra, especially in the city of Padang, is PT Bina Usaha Keluarga Makmur (BUKM). PT Bina Usaha Keluarga Makmur is a company engaged in the Food Industry with soy sauce and sauce products which are named “sedap roso”. PT Bina Usaha Keluarga Makmur is included in the middle class processing industry because the number of workers at PT BUKM is as many as 25 people, where the industrial group has a large number of workers, namely 20-99 people (BPS.go.id). The company was founded by H. Sujarno in 2003, which was originally an independent household business in 1993 and over time the name became Bina Usaha Keluarga (individual status) in 2003. Until 2017, this company changed to a company incorporated under the name of PT Bina Usaha Keluarga Makmur.

Based on the results of interviews conducted on Wednesday, June 29, 2022 with Muhammad Imam Sobirin as the main director of PT Bina Usaha Keluarga Makmur, it was obtained regarding the vision, mission, organizational structure, number of employees, and problems at PT Bina Usaha Keluarga Makmur. The organizational structure at PT Bina Usaha Keluarga Makmur can be seen in the **Figure 1.3**.

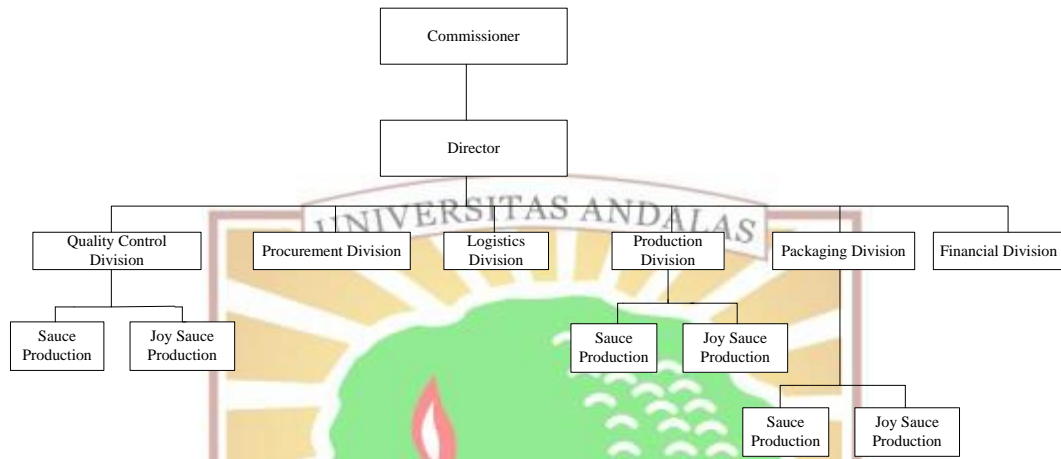


Figure 1. 3 Organizational Structure of PT Bina Usaha Keluarga Makmur.

After had an interviewed with the director, we found the problems that the the sales of sauce product does not achieve the target. It can be seen in **Figure 1.4**.

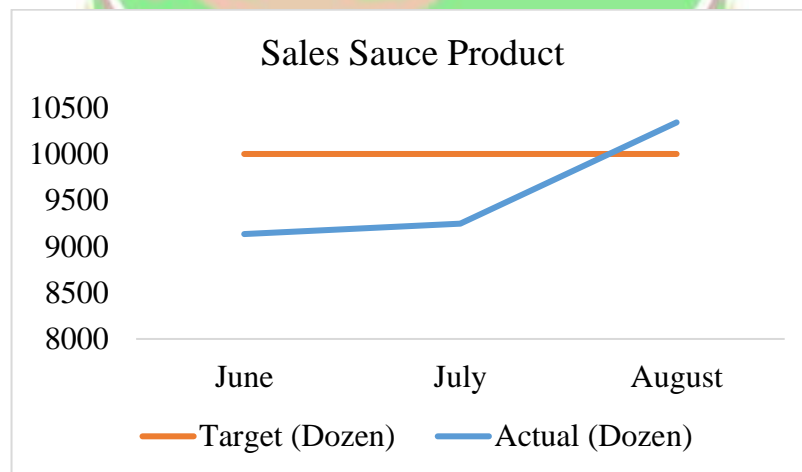


Figure 1. 4 Sales Sauce Product Data

Based on **Figure 1.4**, we know that the selling product on June and July does not achieve the target. On the other hand, the Company does not have Key Performance Indicators (KPI) and has not implemented a performance measurement system to support the company regarding what must be achieved

(company/work unit/individual targets) and how to achieve it (competence), and assessment method. The existence of performance measurement can motivate employees to achieve organizational goals so that they can produce the desired actions and results (Hanuma & Kiswara, 2011).

Based on the problems described above, researchers are interested in conducting research on "**Performance Measurement Systems Design at PT Bina Usaha Keluarga Makmur**". This research is expected to help the company in dealing with its problems and can support the company in achieving the goals of the company's vision, mission, and strategy at PT Bina Usaha Keluarga Makmur.

1.2 Research Objectives

The objectives to be achieved in this final project research are:

1. Designing and compiling Key Performance Indicators at PT Bina Usaha Keluarga Makmur.
2. Designing the performance measurement of PT Bina Usaha Keluarga Makmur

1.3 Problem Formulation

The problem formulated in this study is how to design a performance measurement system at PT Bina Usaha Keluarga Makmur using the Blanced Scorecard method.

1.4 Research Scopes

Limitations of the problem in this study are:



1. Determination of targets and minimum value that are used as a reference in measuring performance is determined based on subjective judgment from the leadership of PT Bina Usaha Keluarga Makmur.

1.5 Outline of The Research

The systematics of writing a final project proposal are as follows:

CHAPTER I INTRODUCTION

This chapter contains the background of the problem, the formulation of the problem, the purpose of the problem, the limitation of the problem, and the systematics of writing the final project research.

CHAPTER II LITERATURE REVIEW

This chapter contains theories related to this research obtained from reliable sources such as books and journals. The theories consist of performance management, performance measurement, Balanced Scorecard, Key Performance Indicators (KPI), and Analytical Hierarchy Process (AHP).

CHAPTER III RESEARCH METHODOLOGY

This chapter contains the stages of research that will be carried out during the study. These stages start from a preliminary study consisting of field studies and literature studies, problem identification, problem formulation, method selection, data collection and data processing, data analysis, as well as conclusions and suggestions.

CHAPTER IV

This chapter contains data and data processing that has been collected to design a performance measurement system carried out at PT Bina Usaha Keluarga Makmur.

CHAPTER V

This chapter contains an analysis of the results of data processing that have been obtained from the design of the performance measurement system of PT Bina Usaha Keluarga Makmur.

CHAPTER VI

This chapter contains conclusions from the research that has been carried out and suggestions for further research.

