

CHAPTER I

INTRODUCTION

This chapter contains the introduction of this proposal, including the background of the problem, problem formulation, research objectives, research scopes, and outline of the proposal.

1.1 Background

Industrial development is currently increasing both in the manufacturing and service industries. These developments have resulted in significant competition changes where each company must think of ways to create good, quality, and select products (Sulistyo, 2010). In addition to the demand for competitive ability, companies must also have advantages that can differentiate one company from another. According to Mulyadi (2011), in Sumani (2016), only companies with advantages at the global level can satisfy or fulfill consumer needs and produce quality and cost-effective products.



Figure 1.1 Total Population in Padang City

(Source: <https://padangkota.bps.go.id/>)

The Padang City population continuously increases from year to year, causing the community's need for food to grow. That brings promising business opportunities for the people of Padang City to develop their business. The food business is one of the community's businesses in demand because food is the basic need of all humans. Humans in everyday life need nutritional intake and energy from food, so the culinary food business has a high prospect with growing demand. The best choice is a catering business.

At this time, the catering business development was increasing, both local catering and international catering. The increasing growth of the catering business has resulted in a business competition where companies are faced with how to determine strategy and business management. The catering company's strategy's determination is used as a framework for carrying out its mission to achieve its goals and objectives. According to Supranto (1991) in Djo (2019), companies must provide customer satisfaction by providing higher quality products, lower prices, faster product delivery, and better service than competitors to win this competition. Evaluating the catering company's success rate helps increase productivity to achieve its goals and objectives. It is necessary to measure its performance.

Company performance results from the achievement of activities that the company has carried out during a specific period. Performance measurement of company performance can be done by comparing the results of activity achievement with the company's targets (Riyana, Diana 2017). Company performance is significant to be used as a benchmark in assessing the company's success to determine the effectiveness of determining management strategies and can be used to make company plans in the future. Measuring company performance can identify a company's weaknesses and strengths so that those weaknesses can be minimized and eliminated, and strengths can be increased (Alidade and Ghasemi, 2015).

This study takes the AA Catering company's object, a family business initiated in 1978 in a PT (Limited Liability Company). AA Catering is located at Pramuka street number 20, Ulak Karang Barat, Padang Utara, Padang 25133 Padang, West Sumatra. In 2004 AA Catering has received a halal certificate number 014.V.2004 from the Indonesian Ulema Council (MUI) West Sumatra. Also, AA Catering has a Food Services Sanitation Hygiene Certificate. At this time, AA Catering has transformed into one of the leading catering businesses with professional management that continue to grow. AA Catering provides services at wedding parties, thanksgiving events, campus events, office events, etc. The AA Catering business's current development offers products in its stores and collaborates with various food shops and souvenir shopping centers in Padang City. Therefore, consumers can more easily find AA Catering's products located in multiple locations in Padang city.

In fulfilling consumer demand, AA Catering is committed to producing the best quality products and accurately delivering the product or service. The provision on raw material inventory applied to AA Catering is Make to Stock and Make to Order. In the production process, AA Catering experienced a delay in raw material. It affected the delay in the production process, which resulted in the late delivery of products to consumers. That has concerning on the level of customer satisfaction.

During the current Covid-19 pandemic, the demand for catering services by the consumer has decreased due to the provisions of the PSBB (Large-Scale Social Restrictions), which prohibited meetings, parties, or other events. That has an impact on AA Catering's low income. Apart from financial and customer problems, problems also exist for employees. At this time, AA Catering has employee turnover and five resign employees. Therefore, it is necessary to measure company performance to assess whether strategic management at AA catering effectively and efficiently. At this time, AA Catering does not have a key performance indicator (KPI) to measure company performance. The results in the absence of

fixed standards on AA Catering's business activities to measure and evaluate company performance.

Measurement of company performance is focused not only on financial performance but also on its progress by maximizing available resources (Hery, 2014). Adding a non-financial performance perspective, such as customer satisfaction, productivity, the cost-effectiveness of internal business processes, and learning and growth, company managers can measure overall company performance (Mulyadi, 2011). Many methods and techniques can apply in measuring company performance, such as Juanqiong Gou et al. (2013), which measured supply chain performance in catering using SCOR and Fuzzy AHP. Hasan Dincer et al. (2017) Measuring European airlines' performance using the Balanced Scorecard perspective with the DEMATEL fuzzy approach, fuzzy ANP, and MOORA. This study chose the balanced scorecard and FAHP method in determining the priority weight of KPI in AA Catering.

According to Kaplan and Norton (1996), measuring financial performance has not measured company performance. Adding non-financial performance fully allows companies to (1) Improve effective and efficient customer service to develop customer relationships and loyalty and open new customer and market opportunities. (2) It can introduce products and develop innovative services desired by consumers. (3) Creating high-quality products and services according to customer requirements that have low prices and short grace periods. (4) Integrating workers' abilities and motivation to improve process capability, quality, and sustainable response time. (5) Developing information technology, databases, and systems. Therefore we need a method that can measure company performance by paying attention to these essential aspects. The most appropriate way is the Balanced Scorecard.

According to Mulyadi (2011), in Sumani (2016), the balanced scorecard concept is a company performance measurement method that provides a comprehensive measurement by exposing its vision to strategic goals. These

strategic targets will focus on achieving company goals to maximize company performance and increase productivity. A Balanced scorecard is defined as a way to achieve company goals by carrying out missions and strategies defined into four perspectives: financial perspective, customer perspective, internal business process perspective, and learning and growth perspective (Kaplan and Norton, 1996). The Balanced Scorecard has several advantages: a comprehensive measurement concept, an adaptive and responsive concept to the business environment, and a focus on its overall goals (Mulyadi, 2005).

The balanced scorecard performance measurement also has the advantage of considering a comprehensive measurement coverage, focusing on financial performance and non-financial performance. Measuring non-financial performance can help the company in terms of knowing customer satisfaction, company performance within the company, and whether the company's management strategies are running well or not. The criteria following the company's strategy based on the four balanced scorecard perspectives are then weighted using Fuzzy AHP to determine its performance measurement results. Fuzzy AHP combines the AHP (Analytic Hierarchy Process) method with the Fuzzy concept approach. Fuzzy AHP is used to cover the weakness of AHP due to uncertainty in the order of scale. In this study, Fuzzy AHP chooses to determine the KPI (Key Performance Indicators) weight from the balanced scorecard perspective.

AA Catering is a company engaged in the service sector. Company performance measurement is needed to determine the management strategy's effectiveness determined following company goals and objectives to increase productivity. Therefore, this research focuses on forming a relationship of (Key Performance Indicators) for the catering company's performance measurement using a balanced scorecard and fuzzy AHP approach. With this research, it is hoped that AA Catering can become a growing company and have loyal customers, good internal relations between employees so that work becomes comfortable, more innovative, and of course, can provide increased profits.

1.2 Problem Formulation

Based on the research background above, the increasing competition in the catering business makes AA Catering create quality, cost-effective, and preferred products. During the current pandemic, the demand for AA Catering services decreased, which caused company revenues to drop. Because of this, AA Catering has employee turnover and five resign employees. Also, the problem with delays in raw materials impacts the production process, resulting in delays in product delivery that cause customer complaints. Therefore we need a key performance indicator as a benchmark in measuring and evaluating company performance to determine the achievement of company goals and objectives. The formulation of the problems in this study are:

1. What are the relevant Key Performance Indicators (KPI) as benchmarks in measuring company performance and priority weight value of KPI in Perspective Balanced Scorecard
2. Formulate the relationship of KPI from each BSC perspective.

1.3 Research Objectives

The objectives to be achieved in this research are:

1. Determining the Key Performance Indicators (KPI) and Priority weight of each KPI
2. Analysis of the relationship of KPI from each BSC perspective.

1.4 Research Scopes

The limitations of the problems given are as follows:

1. The assessment of KPI priorities is based on expert opinion in the company that can and knowledge of KPI that is suitable to the company's condition.
2. Mapping KPI relationships using a hierarchical format defined in the balanced scorecard

1.5 Outline of The Proposal

This outline report of this proposal report can be explained as follows:

CHAPTER I INTRODUCTION

This chapter contains the background of the problem, objectives, problem formulation, research objectives, research scopes, and outline of the proposal.

CHAPTER II LITERATURE REVIEW

This section describes all of the theories that use in this proposal. The topics related to the issues are catering, performance measurement, performance management, balanced scorecard, balanced scorecard perspective, key performance indicators, and fuzzy AHP.

CHAPTER III RESEARCH METHODOLOGY

This section describes the preliminary studies, literature studies, problem formulation, data collection, data processing, study stages, and analysis.

CHAPTER IV RESULT AND DISCUSSION

This section describes the results and discussion of this final project. The result will be focusing on collecting data and data processing. Then, The discussion will be focusing on analysis.

CHAPTER V CONCLUSION AND RECOMMENDATION

This section describes the conclusion and recommendation for future research based on the result of the analysis.

