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## **THE IDENTIFICATION OF PEFORMANCE MEASUREMENT SYSTEM IN TWO REGIONAL DEVELOPMENT BANK**

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# **THE IDENTIFICATION OF PERFORMANCE MEASUREMENT SYSTEM IN TWO REGIONAL DEVELOPMENT BANK**

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Undergraduate Degree in Accounting Department – Faculty of Economics*

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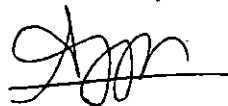
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Writer,



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# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Accounting is so called the universal language of business and management accounting systems provide useful information for management to make decision, operate plan and control the organization. Traditional management accounting systems no longer provides useful information to fulfill the organization objectives like decision-making, planning, and controlling (Johnson and Kaplan, 1987). The weaknesses of the traditional management accounting system have already demonstrated by several researchers like Turney and Anderson (1989), Kaplan (1991), Kaydos (1991), and Scapens (1997). Along with the development of management accounting system, performance measurement that has traditionally to focus on maximizing the wealth of shareholder has been used for organizational control and for achieving the financial goals of organizations (Hussain and Gunasekaran, 2002). Several recent accounting studies also have concluded that such traditional accounting-based performance measures are inappropriate in the uncertain, complex, and competitive economic environment today (Kaplan, 1983, 1984; Bromwich and Bhimani, 1989; Nanni *et al.*, 1990; Govindarajan and Shank, 1992).



Therefore some earlier studies (such as: Johnson and Kaplan, 1987; Fitzgerald *et al.*, 1991; Eccles and Phyburn, 1992; Govindarajan and Shank, 1992; Kaplan and Norton, 1992; Euske *et al.*, 1993; Gregory, 1993) have demonstrated the need for multidimensional performance measures along with performance measurement models. These performance measurement models focus on different dimensions such as external and internal measures, and non-financial and financial performance measures. These additional measures also include links to non-price elements of competition, such as differentiation by superior service quality. According to Fitzgerald *et al.* (1991) multidimensional performance measurement should lead to appropriate action in supplementing or replacing traditional budgetary-control techniques.

In some industry such as banking industries, oil industries, cell phone industries, etc, the measurement for non-financial performance is starting to be an important factor. Non-financial performance has received considerable attention from contemporary management accounting scholars. Non-financial performance factors such as quality service and customer satisfaction have been emerged in the highly competitive financial sector. There are several studies which have dealt with non-financial performance measures without discussing the critical issues of the actual practices of non-financial performance measurement (Hiromoto, 1988; Turney, 1991; Ezzamel, 1992; Scapens, 1997). Many of these researchers discuss the issue of performance measures in manufacturing industries, but very few studies have been devoted to service industries.

Regarding to long-term profitability, the intangibles factors that lead to profit over time assume greater importance including such non-financial factors like customer satisfaction, quality, and so on (Fitzgerald *et al*, 1991). Such factors might be considered “non-financial” in the short term, but considered to be “financial” in the long-term. Kaplan and Norton (1996) found an entire sequence of linkage in overall financial performance. For example, good service quality and higher commitment in providing good or services increase customer satisfaction which leads to higher return on capital. So, by achieving such non-financial factors (service quality, commitment and customer satisfaction) will lead the organization into higher financial return in the longer term that drives financial performances.

Considering the importance of performance measures in term of financial and non-financial, this paper studied performance measurement practices in the financial services industry using qualitative. The Regional Development Bank in Sumatera was taken by researcher as a cases for conducting this research.

There were two main reasons for choosing Banks as worth of study. In the first place, costs and contribution of overheads are more difficult to trace in “Service Shops” compared with “professional and mass services”, and the service “shop” is therefore more complex to study because of the difficulties in tracing costs to specific activities. Therefore, the use of performance measurement system and their potential is higher in a “service shop” than in “mass and professional” service organizations (Fitzgerald *et al.*, 1991). In this regard, performance measurement systems in banks (as “service shops”) are of the greater significance than in many other services (Fitzgerald *et al*, 1991). The second reason for

choosing banks for this study was that the impact of the information era is even more revolutionary for services than for manufacturing companies as has been argued by Kaplan and Norton (1992).

The reason for researcher to take Regional Development Bank is because the Regional Development Bank itself as a Regional Business Entity (BUMD) has a great role in the development of each province. Beside, their advantages as Regional Business Entity derived from business relationship with university, province level government institution, state-owned school and others make them always have loyal customers. With these advantages, researcher tries also to reveal Regional Development Bank concern in the non-financial aspect as one of financial institution.

Researcher took two Regional Development Bank in Sumatera as a case that can represent Regional Development Bank in Sumatera: Bank X and Bank Y. The reason behind these chosen is because of their achievements as a Regional Development Bank. In 2011, both banks reach great achievements as Regional Development Bank in Sumatera. Bank X increased in their assets, third-party funds, and fund for cooperative make this bank got four achievements in the same year: Winner of "Islamic Finance Award" category, Winner of "The Most Expansive Third Party Fund" category, Winner of "The Most Efficient" category, and 2<sup>nd</sup> place winner for "The Most Profitable" category. Meanwhile, Bank Y got a great achievement in year of 2011. First is the winner of "The Best BUMD of The Year 2010" and the winner of "The Best CEO of The Year 2010". With these achievements, researcher has a deep intention to reveal their performance measurement activity especially in both aspects.

Consider the aim and intention of researcher in discussing both Regional Development Banks performance measurement activity. The title of this research was then arranged to be:

**“The Identification of Performance Measurement System in Two Regional Development Banks”**

### **1.2 Problem Statement**

In investigate the performance measurement in Bank X and Bank Y, researcher is needs to explore both financial and non-financial performance and find their role as an indicator for bank conduct planning, decision making, and controlling. To enable researcher to study the nature of performance measurement, the following questions were addressed:

**“How Bank X and Bank Y as a financial institution conduct performance measurement?”**

### **1.3 Research Objectives**

Refers to research problem, this study seeks to achieve the following objectives:

- To identify the performance measures in Bank X and Bank Y

### **1.4 Contribution of Research**

The goals of performance measurement systems are to implement strategy (Govindarajan and Shanks, 1992). In setting up such systems, senior management selects measures that best represent the company’s strategy. These measures can be seen as current and future critical

success factor; if they are improved, the company than has implemented its strategy. The strategy's success depends on its soundness. A performance measurement system is simply a mechanism that improves the likelihood of organization which will implement its strategy successfully (Govindarajan and Shanks, 1992).

That's why this study becomes very important especially in strategic development for financial institution in the future because this research discuss performance measurement which is implemented in the financial institution itself. Here are details of benefits provided by this study:

- To provide the information about the implementation of performance measurement made by management which can be used as base to conduct further research in the same or different perspectives.

### **1.5 Scope of Research**

This research aimed to compare the implementation of performance measures of both banks based on financial and non-financial performance. The aspects of the non-financial and also financial performance in this research follow Hussain & Gunasekaran (2002) and Robert Simon (2000) in defining the following performance measurement aspects:

- Non-financial (Hussain and Gunasekaran, 2002)
  - a. Quality services
  - b. Environmental aspects
  - c. Customer satisfaction
  - d. Social Responsibility
- Financial (Robert Simon, 2000)
  - a. Asset Ratio
  - b. Liabilities
  - c. Interest Income
  - d. Operating Income
  - e. Operating Cost
  - f. Profit

## 1.6 Systematic of Writing

In order to make it easier and moderate the forwarding of content, this research is divided into five chapters. They are:

- **CHAPTER I:**

This chapter discusses the background of the problem, research question, objectives of research, contribution of research, scope of research and systematic of writing.

- **CHAPTER II:**

This chapter will explain basic theory used in the study that evaluates the containing bibliography about the base of theory.

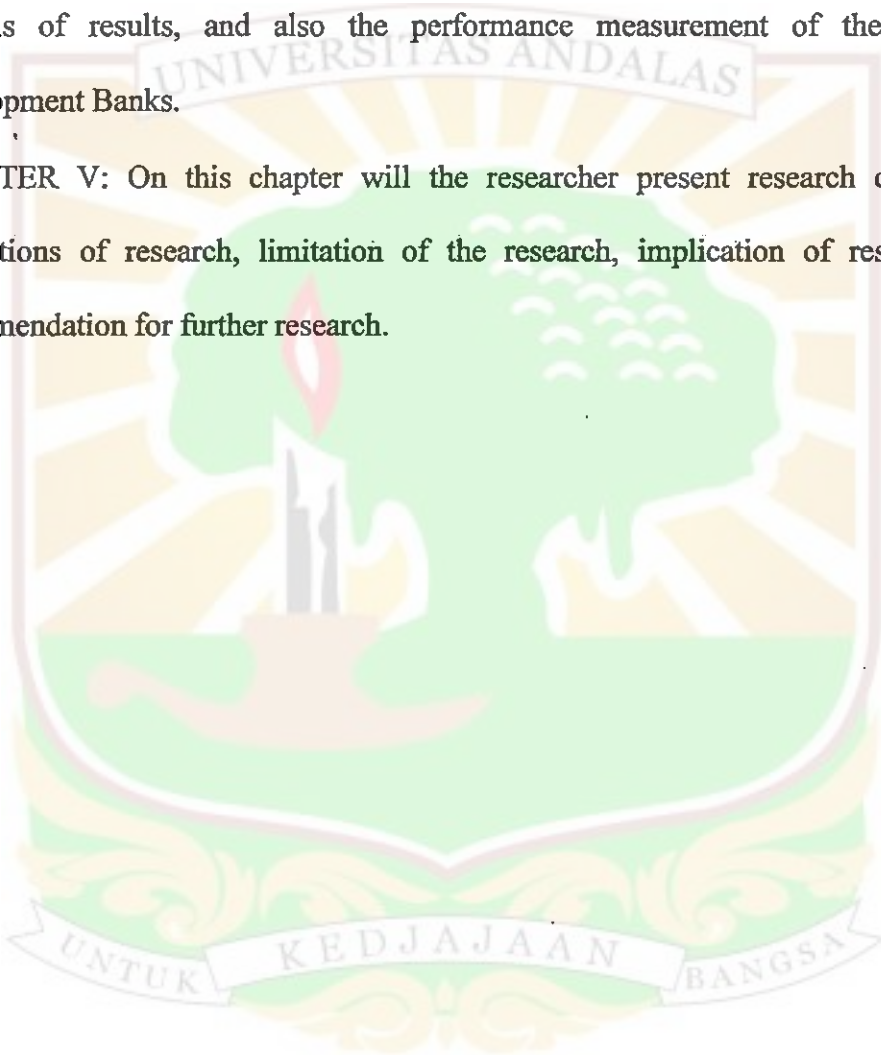
- **CHAPTER III:**

This chapter explains the research method which is discussing the research design, population and sample, data collecting method, and data analyzing method.

- **CHAPTER IV:**

This chapter explains the overview of Bank X and Bank Y, the results of the research, analysis of results, and also the performance measurement of the Regional Development Banks.

- **CHAPTER V:** On this chapter will the researcher present research conclusion, suggestions of research, limitation of the research, implication of research and recommendation for further research.



## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Bank Definition

According to Law of Indonesian Republic No. 7 of 1992 as amended by Act No. 10 of 1998, the Bank is a business entity which collects funds from the public in the form of deposits, and channels them to the community in order to improve the standard of living of the people. From that definition, we can conclude that bank is an institution where its activity is collecting fund from people in term of savings or clearing account and provide that funds into other people who needed either in term of credit or other term. This definition usually defines in other term as “Financial Intermediary”. Besides that, bank also has a function as “Agent of Development”. As an organization, bank not only thinking about profit, they also take their responsibility in the social welfare and developing the country itself.

Bank can be classified in to three category of classification; based on function, based on ownership, and based on transaction:

##### A. Based on Function

- **Central Bank**

Central Bank is a public institution that manages the nation’s currency, money supply, and interest rate. Central bank usually overseas the commercial banking



system of their respective countries. In contrast to commercial bank, central bank possesses a monopoly on increasing the nation's monetary base and usually also prints the national currency, which usually serve as the nation legal tender (Britannica Encyclopedia, 2010).

The primary function of central bank is to manage the nation money supply (monetary policy), through active duties such as managing interest rate, setting the reserve requirement, and acting as a lender of the last resort to the banking sector during times of bank in solvency or financial crisis (Asia Times article, 2006)

- **Commercial bank**

Commercial bank is refers to a bank or division which has an activity dealing with deposits and loans from corporations or large businesses (Martim, 1855). In some other jurisdictions, the strict separation of investment and commercial banking never applied. Commercial banking may also be seen as distinct from retail banking, which involves the provision of financial services direct to consumers. Many banks offer both commercial and retail banking services.

There are some activities which is engage by commercial banks (Bruner *et al*, 2004):

- ✓ Processing of payments by way of telegraphic transfer, internet banking, or other means
- ✓ Issuing bank drafts and bank cheques
- ✓ Accepting money on term deposit

- ✓ Lending money by overdraft, installment loan, or other means
- ✓ Providing documentary and standby letter of credit, guarantees, performance bonds, securities underwriting commitments and other forms of off balance sheet exposures
- ✓ Safekeeping of documents and other items in safe deposit boxes
- ✓ Distribution or brokerage, with or without advice, of insurance, unit trusts and similar financial products.
- ✓ Cash management and treasury
- ✓ Merchant banking and private equity financing
- ✓ Traditionally, large commercial banks also underwrite bonds, and make markets in currency, interest rates, and credit-related securities, but today large commercial banks usually have an investment bank arm that is involved in the mentioned activities.

## **B. Based on Ownership**

- **Government-owned Banks**

A government-owned bank is a financial institution controlled by the government as opposed to a private entity. This kind of bank can be fully owned or partially owned by government. These banks are regulated and supervised by the office of the comptroller of the currency. Government-owned or state-run bank are often the result of corporatization, a process in which government agencies and departments are re-organized as semi-autonomous corporate entities, sometimes with partial share listed

on stock exchange (U.S. General Accounting Office for the Committee on Government Operations, 1988)

- **Regional Development Bank**

Regional Development Bank (BPD: Bank Pembangunan Daerah) is banks that are partly or wholly owned by the Provincial Government. This kind of bank generally known as Regional Development Bank which is created based on Law No. 13 of 1962. Each governance on each province already has their own Bank.

In this research, researcher uses two Regional Development Bank in a different province as a sample for comparison of the performance measures, Bank X from West Sumatera and Bank Y from North Sumatera.

- **Foreign Private Banks**

Foreign bank is kind of bank which is obligated to follow the regulations of both the home and host countries. Because the foreign branch banks' loan limits are based on the parent bank's capital, foreign banks can provide more loans than subsidiary banks (Tiosijimbo.wordpress.com, 2011).

Banks often open a foreign branch in order to provide more services to their multinational corporation customer. However, operating a foreign branch bank may be considerably complicated because of the dual banking regulations that the foreign branch needs to follow.

### C. Based on Transaction

- **Foreign and Non-foreign Exchange Banks**

Based on the bank transaction, bank could be diversified into Foreign Exchange Bank and Non-foreign Exchange Bank. Foreign Exchange Bank is a bank which is conduct international transaction like export and import, foreign exchange transaction, and so on. While Non-foreign Exchange Bank is a bank which can't conduct international transaction or just national transaction (Tiosijimbo.Wordpress.com, 2011).

Basic indicator which often being analyze about Foreign and Non-foreign Exchange Bank which is listed in Central Bank of Indonesia is financial performance. The indicator which is used are:

1. Return on Asset: Indicator about the bank ability to receive profit from asset which bank has. We can calculate return on asset by divide net income with total asset.
2. Return on Equity: indicator about the bank ability to manage capital in order to get profit. We can calculate return on equity by divide net income with total equity.
3. Loan to Deposit Ratio: Indicator about the bank ability in pay all of costumer funds and their capital itself by using credit which already distribute to costumer. We can calculate it by divide total loan with total deposit

## 2.2 Performance Measurement

Performance measurement is the process whereby an organization establishes the parameters within which programs, investments, and acquisitions are reaching the desired results. This process of measuring performance often requires the use of statistical evidence to determine progress toward specific defined organizational objectives (Behn, 2003).

Fundamental purpose behind measures is to improve performance. Measures that are not directly connected to improving performance (like measures that are directed at communicating better with the public to build trust) are measures that are means to achieving that ultimate purpose (Behn, 2003).

Behn (2003) gives 8 reasons for adopting performance measurements:

- 1. To evaluate:** how well a public agency is performing. To evaluate performance, managers need to determine what an agency is supposed to accomplish (Kravchuk & Schack, 1996). To conduct formulate clear mission, strategy and objective. Then based on this information choose how you will measure those activities.

Evaluation processes consist of two variables: organizational performance data and a benchmark that creates a framework for analyzing that data. For organizational information, focus on the outcomes of the agency's performance, but also including input/ environment/ process/ output- to have a comparative framework for analysis. As in order for organization to evaluate performance it's require standards (benchmark) to compare its actual performance against past performance/ from performance of similar agencies/ industry standard/political expectations.

**2. To Control:** performance measurement can make managers ensure their subordinates are doing the right things. Today managers do not control their workforce mechanically however managers still use measures to control, while allowing some space for freedom in the workforce.

Organization creates measurement systems that specify particular actions they want to execute for branch employees to take a particular ways to execute what they want for branch to spend money. Then they want to measure to see whether the employees have in fact taken those actions. Need to measure input by individual into organization and process. Officials need to measure behavior of individuals then compare this performance with requirements to check who has and has not complied. Often such requirements are described only as guidelines. These guidelines are really requirements and those requirements are designed to control. The measurement of compliance with these requirements is the mechanism of control.

**3. To Budget:** Budgets are crude tools in improving performance. Poor performance not always may change after applying budgets cuts as disciplinary actions. Sometimes budgets increase could be the answer to improving performance. Like purchasing better technology because the current ones are outdated and harm operational processes. So decision highly influenced by circumstance, you need measures to better understand the situation.

At the macro level, elected officials deciding which purpose of government actions are primary or secondary. Political priorities drive macro budgetary choices. Once elected officials have established macro political priorities, those responsible for micro decisions

may seek to invest their limited allocation of resources in the most cost-effective units and activities.

In allocating budgets, managers, in response to macro budget allocations (driven by political objectives), determine allocations at the micro level by using measures of efficiency of various activities, which programs or organizations are more efficient at achieving the political objectives. Why spend limited funds on programs that do not guarantee exceptional performance?

Efficiency is determined by observing performance output and outcome achieved considering number of people involved in the process (productivity per person) and cost-data (capturing direct cost as well as indirect)

**4. To Motivate:** Giving people significant goals to achieve and then use performance measures- including interim targets- to focus people's thinking and work, and to provide periodic sense of accomplishment.

Performance targets may also encourage creativity in developing better ways to achieve the goal (Behn, 2003) thus measure to motivate improvements may also motivate learning. Almost real-time output compared with production targets. Quick response required to provide fast feed-back so workforce could improve and adapt. Also it is able to provide how workforce currently performing.

Primary aim behind the measures should be output; managers cannot motivate people to affect something over which they have little or no influence. Once an agency's leaders

have motivated significant improvements using output targets, they can create some outcomes targets.

**5. To Celebrate:** Organizations need to commemorate their accomplishments such ritual tie their people together, give them a sense of their individual and collective relevance. Moreover, by achieving specific goals, people gain sense of personal accomplishment and self worth (Locke & Latham, 1984).

Links from measurement to celebration to improvement is indirect, because it has to work through one of the likes- motivation, learning. Celebration helps to improve performance because it brings attention to the agency, and thus promotes its competence it attracts resources.

- Dedicated people who want to work for successful agency.
- Potential collaborators.
- Learning-sharing between people about their accomplishments and how they achieved it.

Significant performance targets provide sense of personal and collective accomplishment. Targets could ones used to motivate. In order for celebration to be a success and benefits to be a reality, manager need to ensure that celebration creates motivation and thus improvements.

**6. To Promote:** promote is the way for managers convince political superiors, legislators, stakeholders, journalists, and citizens that their agency is doing a good job.



Performance measures can be used to: validate success; justifying additional resources; earn customers, stakeholder, and staff loyalty by showing results; and win recognition inside and outside the organization. Indirectly promote competence and value of government in general (National Academy of Public Administration's center for improving government performance- NAPA 1999).

To convince citizens their agency is doing well, managers need easily understood measures of those aspects of performance about which many citizens personally care. "National Academy of Public Administration-NAPA" in its study of early performance-measurement plans under the government performance and results Act, most plans recognized the need to communicate performance evaluation results to higher level officials, but did not show clear recognition that the form and level of data for these needs would be different than that for operating managers. Different needs: Department head/ Executive Office of President/ Congress. NAPA suggested for those needs to be more explicitly defined stress that different customers have different concerns.

**7. To Learn:** Learning is involved with some process, of analysis information provided from evaluating corporate performance (identifying what works and what does not). By analyzing the organization performance measurement, corporations are able to learn reasons behind its poor or good performance.

Benchmarking is a traditional form of performance measurement which facilitates learning by providing assessment of organizational performance and identifying possible solutions for improvements. Benchmarking can facilitate transfer of knowhow from benchmarked organizations. (Kouzes and Posner, 1993)

Identifying core process in organization and measuring their performance is basic to benchmarking. Those actions probably provide answer to issue presented in purpose section of the learning. Measurements that are used for learning act as indicators for managers to consider analysis of performance in measurement's related areas by revealing irregularities and deviations from expected data results. Learning occurs when organization meets problems in operations or failures. Then corporations improve by analyzing those faults and looking for solutions. In public sector especially, failure usually punished severely therefore corporations and individuals hide it.

**8. To improve:** In order for corporation to measure what it wants to improve it first need to identify what it will improve and develop processes to accomplish that. Also you need to have a feedback loop to assess compliance with plans to achieve improvements and to determine if those processes created forecasted results (improvements). Improvement process also related to learning process in identifying places that are need improvements.

A performance measurement system attempts to address the needs of the different stakeholder of the organization by creating a blend of strategic measures: financial and non-financial measures (Anthony and Govindarajan, 2000). Companies used financial and non-financial measures in the past. However, they tended to use non-financial measures at lower levels in the organization for task control and financial measures at higher organizational levels for management control. A blend of financial and non-financial measurements is, in fact, needed at all levels in the organization. It is important for senior executives to track not only financial measures, which indicate the results of past decisions, but also non-financial

measures, which are leading indicators of future performance (Anthony and Govindarajan, 2000).

### 2.3 Financial Performance measurement

As we know, one of the goals of performance measurement systems is to implement strategy. A financial performance measurement system should provide set of tools and metrics to understand the financial situation and help management to implement strategy (Dobbins *et al*, 2000). This information can be used for making better business decisions in a number of areas including; Business Profitability, Pricing, Budgeting , Cost Accounting, Capital Purchasing, Strategic Planning and Incentive Compensation. Getting on top of financial measures of company performance is an important part of running a growing business, especially in the current economic climate (Dobbins *et al*, 2000). Many company businesses fail because of poor financial management or planning. Company success can depend on developing and implementing sound financial and management systems (Dobbins *et al*, 2000). Updating company original business plan is a good place to start. A review of financial performance can help company reassess the business goals and plan effectively for improving the business (Dobbins *et al*, 2000).

One of the most important areas of company finances are conduct reviews to the company profitability. Most growing businesses ultimately target increased profits, so it's important to know how to measure profitability (Dobbins *et al*, 2000). A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time,

and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Dobbins *et al*, 2000). There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt (Anthony and Govindarajan, 2000). In sum, relying on financial measures alone is insufficient to ensure strategy will be executed successfully. The solution is to measure and evaluate business unit managers using multiple measures, non-financial as well as financial (Anthony and Govindarajan, 2000)

#### **2.4 Non-Financial Performance Measurement**

Inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of "intangible assets" and "intellectual capital" to "balanced scorecards" of integrated financial and non-financial measures (Hoffman, 2001)

Hoffman (2001) mentioned that non-financial measures offer four clear advantages over measurement systems based on financial data. First of these is a closer link to long-term organizational strategies. Financial evaluation systems generally focus on annual or short-term performance against accounting yardsticks. They do not deal with progress relative to customer requirements or competitors, or other non-financial objectives that may be important in achieving profitability, competitive strength and longer-term strategic goals. For

example, new product development or expanding organizational capabilities may be important strategic goals, but may hinder short-term accounting performance. By supplementing accounting measures with non-financial data about strategic performance and implementation of strategic plans, companies can communicate objectives and provide incentives for managers to address long-term strategy.

Second, critics of traditional measures argue that drivers of success in many industries are "intangible assets" such as intellectual capital and customer loyalty, rather than the "hard assets" allowed on to balance sheets. Although it is difficult to quantify intangible assets in financial terms, non-financial data can provide indirect, quantitative indicators of a firm's intangible assets.

Third, non-financial measures can be better indicators of future financial performance. Even when the ultimate goal is maximizing financial performance, current financial measures may not capture long-term benefits from decisions made now. Consider, for example, investments in research and development or customer satisfaction programs. Under U.S. accounting rules, research and development expenditures and marketing costs must be charged for in the period they are incurred, so reducing profits. But successful research improves future profits if it can be brought to market.

Finally, the choice of measures should be based on providing information about managerial actions and the level of "noise" in the measures. Noise refers to changes in the performance measure that are beyond the control of the manager or organization, ranging from changes in the economy to luck (good or bad). Managers must be aware of how much success is due to their actions or they will not have the signals they need to maximize their effect on

performance. Because many non-financial measures are less susceptible to external noise than accounting measures, their use may improve managers' performance by providing more precise evaluation of their actions. This also lowers the risk imposed on managers when determining pay.

## 2.5 Review of Previous Studies

Most of researches discussed the issue of performance measures in the manufacturing industrial context, but very few studies have concentrated on service industries (Fitzgerald *et al.*, 1991; Ballatine *et al.*, 1998; Brignall, 1997). Moreover, although there have been a number of studies that dealt with overall management accounting practices in different service industries (Scrace and McAulay, 1997; Evans *et al.*, 1997; Acton and Cotton, 1997; Lee and Nefcy, 1997), very few studies have discussed performance measures in the financial services industry (Hussain and Gunasekaran, 2000; Hussain, 2000, 2005; Hussain *et al.*, 2002). There are some previous researches and articles which were used by researcher as references to conduct this kind of research as shown in the following table:

**Table 2.1 Previous Study Summaries**

Researcher (Year)	Research Object	Research Method	Findings
<p><b>Ussain and Anasekaran (2002)</b></p>	<p>Management accounting and performance measures in Japanese banks</p>	<p>Qualitative: semi-structured interviews, literature survey and financial report survey</p>	<p>Researcher found that financial performances measures are important, and although most of the bank financial institution studied in this research do acknowledge that non-financial performance measures is also important, our research found that, in practice, non-financial performance do not receive the same degree of emphasis as financial performance measures. The non-financial performances that are directly related to improving financial performance and long-term competitive advantage (such as customer satisfaction) do receive relatively higher emphasis than other non-financial performance that is not linked with profitability (such as social and environment welfare). Financial performance measure is a regular and essential practice. However, in many bank financial institutions non-financial performance is less important and is mostly conducted on an irregular basis. In practices, management accounting performance measures are dominated by traditional management accounting techniques (Bromwich and Bhimani, 1989). This tendency can also be found in other service organizations, because the reality of contemporary economic condition also has its effects elsewhere.</p>
<p><b>Ussain, Anasekaran and Islam (2002)</b></p>	<p>Implications of non-financial performance measures in Finnish banks</p>	<p>Qualitative: semi-structured interviews, literature survey and financial report survey</p>	<p>Management accounting systems have had role in measuring performances in different Finnish banks, but their role in measuring non-financial performance is less significant than in the case of financial performance measures. The financial performance measure is a regular and an essential practice but in many bank financial industries, non-financial performance measures are less important and not practiced on a regular basis. From the normative point of view, there are arguments for accurate measurement of different performance and contemporary management accounting scholars are promoting number of management accounting methods and techniques to measures performances. According to the objectives and strategy of the business, the nature of non-financial performance differs. This can also change with different micro and</p>

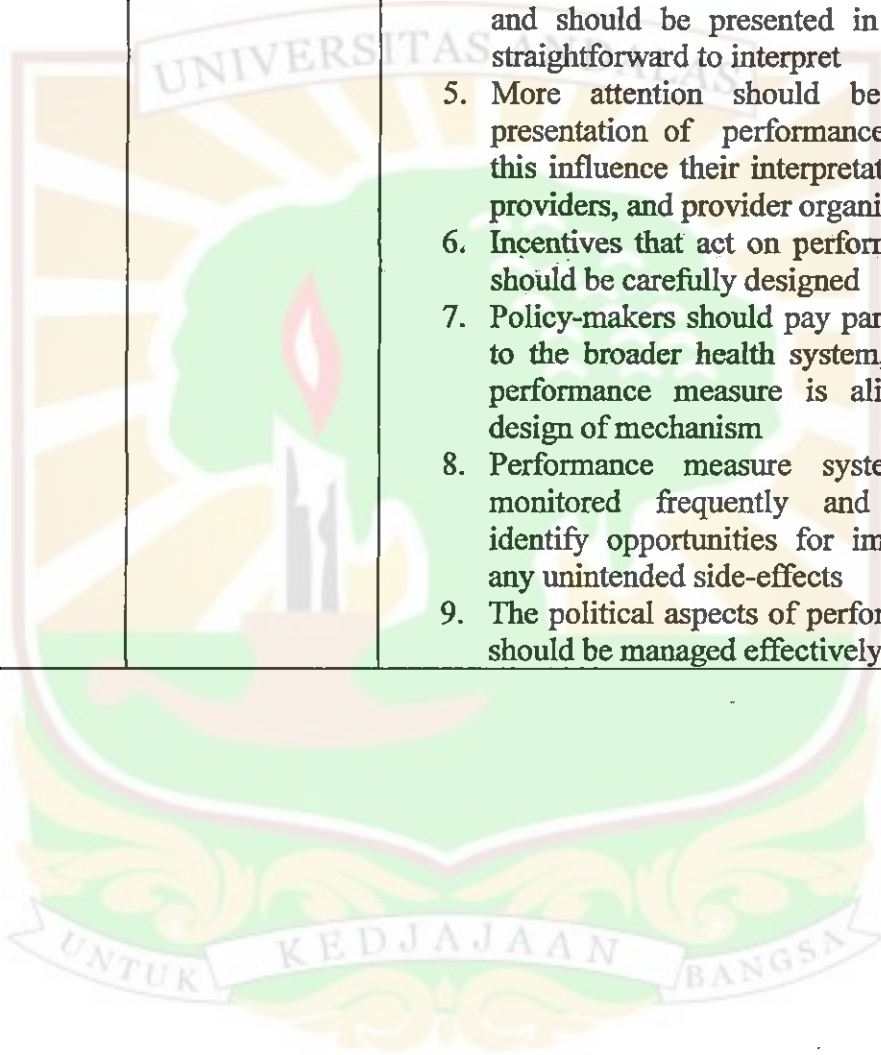
			<p>macro environments. Under considerable scrutiny, the non-financial performance and their measurement are to assure profit for competitive advantages. Most of the non-financial performance measures that are emphasized and measured by management in bank financial institution (such as customer satisfaction) are for profit, and we can call them “profit-driven non-financial performance measures”. However, there are efforts being made by the management of some bank financial institution to ensure profit in the longer term, such as research and development, and social work to increase goodwill. These efforts can be characterized as “long-term competitive advantage”. However, a few activities and performance of bank financial institution, which are not linked to improving profitability (such as workforces society, environmental awareness, and so on), can be called “independent” non-financial performance (with the effort being separate from profitability objectivities). This performance are a rather insignificant part of the whole non-financial performance, because most of the performances are ultimately for profit, and the reminder of the effort are aim at making profit in the longer term and the achievement of competitive advantage in future market. This study was carried out at a time when substantial change are occurring in the European union, in addition to the needs to overcome the difficulties that bank financial institution have face in the recent economic recession. Therefore, bank financial institutions are focusing on financial performance, but this might change in different economic, cursive, and normative condition (Hussain, 2000). So, management emphasis on performance measure should be studied in a variety of environment to understand the nature of performance measure in a dynamic fashion.</p>
<p><b>Zaman (2004)</b></p>	<p>The role of financial and non-financial evaluation measures in the process of management control over foreign subsidiaries-</p>	<p>Quantitative: Survey, Questionnaires, Literature survey</p>	<p>The article has focused on the three problem areas: a) Problem of balancing financial and non-financial measures in the process of performance evaluation of foreign subsidiaries, b) Problem of differentiation between the performance of a foreign subsidiaries as an organization unit and the performance of their management, and c) The problem of international transfer pricing and its relation to control issues in multinational company. For each of the three problems, theoretical</p>



	<p>empirical evidence in Slovene multinational companies</p>		<p>background was presented, followed by the results of the survey, which was carried out among medium and large Slovene parents company that had, in 2002, at least one foreign subsidiary. The result of the survey lead to the following findings:</p> <ol style="list-style-type: none"> <li>1. In Slovene companies, all aspects of performance (financial aspects, costumer aspects, internal business aspects, and learning aspects) are adequately represented</li> <li>2. Somewhat disregarded are only the measures of social responsibility, such as environmental compliance and relationship with the host country government</li> <li>3. To evaluate the performance of management, financial evaluation measures related to controllable factors prevail in the performance evaluation system. Financial measures that are influenced by non-controllable factors are more important to evaluate the performance of subsidiaries.</li> <li>4. Majority of Slovene companies adequately eliminate the transfer pricing influences from performance evaluation.</li> <li>5. In most case, influences are eliminated by including adjustments into budgets so that managers are not evaluated on the effect of the transfer pricing strategy.</li> </ol>
<p>ussain (2005)</p>	<p>Management accounting performance measurement systems in Swedish banks</p>	<p>Semi-qualitative: survey, interview using questionnaire, individual interview, literature survey</p>	<p>This empirical study finds that management accounting system are practices in Swedish bank but the management's emphasize more on measuring financial performances that non-financial performance measurement. It is observed that all the banks management of Swedish banks acknowledges the high importance of non-financial performance, but most of the banks do not measure non-financial performance regularly. However, the management accounting system that use to measure non-financial performance they are traditional ones. All the Swedish banks management wants to use a different method or system of performance measurement that they are using, which indicate three level of discontentment with non-financial performance measure. In fact, their success and the practices of management accounting system are different in different banks in term of the use of overall</p>

			<p>performance measurement.</p> <p>And explanatory case study with particular theoretical framework could make possible to discuss some of factors that impinge on the non-financial performance measurement in this particular industry. Moreover, a comparative study with manufacturing industry would make the research result more robust. However, an important matter that has been mentioned by some senior managers, during the field study, that impact on non-financial performance measurement in studied organization, is economic condition. Adverse economic condition seemingly forcing management to emphasis more on financial performance measurement which decreasing the importance of improving and measuring non-financial performance impact on non-financial measurement. So, if the economic condition would be better, management may concentrate more on non-financial performance measurement. However, economic condition also creates the needs of central bank to interfere ordinary banks, every now and then, that becomes an obstacle for ordinary bank to make long-term plan in which non-financial performance get attention (see more in Hussain and Gunasekaran, 2002, study). A stable economic condition might not create need for central bank to interfere every now and then. However, it seems that competition forcing management to improve as well to measure non-financial performance. So, a stable economic condition and competition would increase the needs an important of non-financial performance measurement in this particular services industry and even in other services and manufacturing industries as well.</p>
<p><b>Smith, Mossialos and Papanicolas (2008)</b></p>	<p>Performance measures for health system improvement: experience, challenge, and prospect</p>	<p>Collection data method:</p> <ul style="list-style-type: none"> <li>-Detailed specification of individual indicators</li> <li>-Alignment with international best practice</li> <li>-Literature survey</li> </ul>	<p>Given the increasing demand for performance measurement and given the large set of actors and responsibilities, it is important that policy makers consider what makes performances indicator in efficiency improving system performance indicators effective in improving system performance and accountability. Although there is no conclusive answer to this question experience has suggested that any policy development should embrace the following.</p> <ol style="list-style-type: none"> <li>1. A clear conceptual framework and vision of the purpose of the performance measure</li> </ol>

			<p>should be aligned with accountability relationships</p> <ol style="list-style-type: none"> <li>2. Performance indicator should measure performance that is directly attributable to organization (less in non-financial performance)</li> <li>3. Definition of performance measure indicators should be clear and consistent and fit with the conceptual framework</li> <li>4. Indicators should aim to be statistically sound and should be presented in a way that is straightforward to interpret</li> <li>5. More attention should be paid to the presentation of performance data and how this influence their interpretation by patients, providers, and provider organizations</li> <li>6. Incentives that act on performance measures should be carefully designed</li> <li>7. Policy-makers should pay particular attention to the broader health system, to ensure that performance measure is aligned with the design of mechanism</li> <li>8. Performance measure system should be monitored frequently and evaluated to identify opportunities for improvement and any unintended side-effects</li> <li>9. The political aspects of performance measure should be managed effectively</li> </ol>
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## CHAPTER III

### RESEARCH METHODS

#### 3.1 Research Design

This research will use qualitative research model which will determine the performance measures of Regional Development Bank. Qualitative approach in this research used case study method. Case studies typically examine the interplay of all variables in order to provide as complete an understanding of an event or situation as possible (Hammersley, 1995). Unlike more statistically-based studies which search for quantifiable data, the goal of a case study is to offer new variables and questions for further research (Hammersley, 1995). All documents relevant to company will be analyzed in the case studies, both originating from the company or any other party will be used in this method.

#### 3.2 Case Study Method

The main objective of this study is to investigate the comparison of bank activity in measuring performance. Interviews to collect data about the Regional Development Banks that exist in Sumatera are chosen as the main data sources in this study. The study was located in the capital city of West Sumatera province (Padang) and capital city of North Sumatera province (Medan). As noted by Patton (2002) that would be better if the researchers choose a sample for which the sample case studies can provide important facts and lessons of the cases that stand out.

To achieve the objective, and to answer the problem statement, the research consisted of semi-structured interviews, the collection of primary and secondary sources of information, and a literature survey. The semi-structured interviews were conducted in banks with chief executive officers (CEOs) or representative of banks to discuss the performance measures in banks.

### 3.3 Data Collection Method

To get data and explanation needed two kinds of data collected as follows:

#### 1. Primary Data

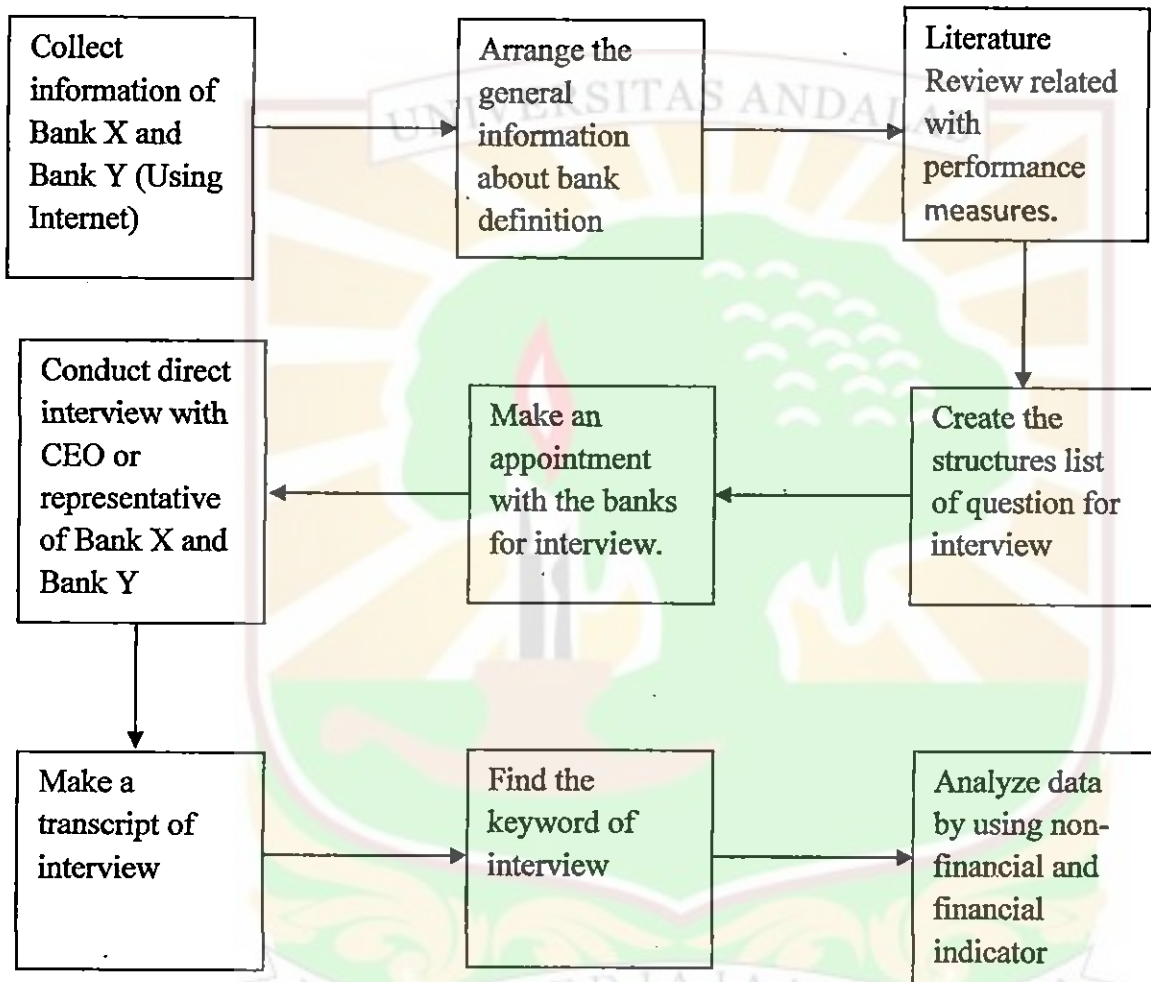
The primary data in this research will be gathered through direct interview with the CEOs of the banks. A research a method was followed in two banks. An interview was conducted with the executive of bank or representative.

#### 2. Secondary Data

Secondary sources of information were also used in this study. Booklets, literature review, website and special publication on related issues were collected and taken into account in assessing major performance-related issues. These secondary sources of information were very useful in comparing the objectives of CEOs with the actual practices of their recent performance measurement systems.

### 3.4 Collecting Data Flows

From the chart below researcher can see the step that researcher doing in interview with the CEO of the Bank X and Bank Y.



### 3.5 Interview Guideline

To obtain material data and analysis in this study used semi-structured interview method. This method is intended to conduct interviews to key respondents who had chosen deliberately with an open question to obtain a representative in the field of information related to the main themes of study (Mikkelsen, 1999). To get information about the performance measures in bank, researcher creates some question points which are taken and modified from Hussain (2005) study about performance measurement which could reveal the performance measurement information and data from that bank.

- First point is asking about the amount of employees who worked on the bank. Actually this data is needed for researcher as a general profile of the bank.
- Second point is asking about growth in one year. This information also gives researcher data about performance which bank already reaches in the previous year before this research running.
- Third point asking about the importance of measuring the performance for both financial and non-financial. This information shows researcher about banks attention in their performance measure for both financial and non-financial.
- Fourth point asking about practices of the performance measures in the banks for both financial and non-financial. In here researcher need to ask more than one question in order to get more information about practices of the performance measures. First is the practices itself in order to know about, are every department and branch conducted performance measures or not. Second is about, are they measures regularly or just some of them. All of this question will help researcher to know the information about bank maturity in conducting the performance measures, because if they were

new in conducting it they wouldn't brave enough to do it in every department and branch in both financial and non-financial.

- Fifth point asking about frequency of performance measures been conducted for both financial and non-financial. In this point, there are some information that researcher need to dig deeper in order to know for sure about the frequency. So, researcher not just asking about "how many times they conduct performance measures?" but also the stability of the frequency. If it's often, how often it is, if it's seldom, how many times. And if it's rarely, how rarely it is. Besides about the stability, researcher also asks about regulation which regulate about the frequency of performance measures. Purpose of these point is to know how big the management of bank in controlling the performance measures.
- Sixth point asking about methods in measuring the performance for both financial and non-financial. This point also consists of more than one question. First, researcher asking about methods which is currently used for both financial and non-financial by bank, and then researcher ask about the sameness of the methods for each department and branch. This question provides researcher the information about performance measures methods which are usually used by bank and the reason for using it.
- Seventh point asking about problem with current methods for both financial and non-financial. This point asking about problem that bank usually faces while they used their current method.
- Eighth point asking about satisfaction with current method for both financial and non-financial. Besides we need to know the problem about the performance measures, we also need to know bank satisfaction in using the method itself.



- Ninth point asking about suggestion on improving the performance measurement for both financial and non-financial. These points consist of two questions in order to get more valid data. First question asking about suggestion or opinion about performance measurement for both financial and non-financial. Second question asking about new method or modification that bank will use if they choose needed new model or modification. This both question will tell researcher about bank assessment in the process using the current method and their solution if their current method are not going well.
- Tenth point asking about financial aspects which are currently measured. This point gives researcher information about bank's priority in the financial performance measurement.
- Eleventh point asking about non-financial aspects which are currently measured. This point gives researcher information about non-financial factor which bank consider as an important factor to be measured.
- Twelfth point asking about fulfillment of the objective to use current method system in performance measures. This point is asked to make sure researcher about fulfillment the bank objective by using management accounting system in their current method for performance measurement.

After researchers develop interview guideline above, researcher can start to create list of question in order to conduct interview in the bank. The list of question consists of 12 core question and some sub-question diversified from core question. Researcher expects that this list of question could reveal the performance measurement information from the bank and help researcher to analyze the data. The list of question can be seen in the appendix.

Interviews will be conducted on an individual basis so that the interviewees could express what they think openly and freely without intervention from other parties. Interviews will be conducted within approximately 30 minutes for each of the interviewees. To keep this qualitative approach can be trusted and the subject of analysis (trustworthiness) (Sandberg, 2005), all interviews will be recorded and all the interviewees' answers will be checked again in the interview to avoid possible misunderstanding of questions and answers given. In accordance with the characteristics of semi-structured interviews, the questions mentioned above, although it will assist in guiding the interview, did not rule out the emergence of other questions, even that is spontaneous from the interview process. For example by asking for details or examples of their statements, and make sure no contradiction with the interviewees answers. Furthermore, trustworthiness also done by triangulation, using the documents that could verify or confirm what is stated by the interviewees during the interview.

### **3.6 Data Analysis**

In the application, form and process of this interview can be conducted in a participatory manner by giving the widest possible opportunity to interviews the interviewee for their opinions, and also as described by Moleong (2003) by summarizing, grouping, and the interpretation given above phenomenon in carefully. The question is not determined in advance the answer choices, and questions can be changed and developed, based on the answers of the interviewee (Johan, 2010). In analyzing the results of research conducted through the comparison both banks performance which obtained through interviews and compared with the existing theories to answer this research problem formulation

### 3.7 Research Variable

A semi-structured list of question for interview was prepared and used for this study to collect data from representative of planning division in Bank X and Bank Y. Researcher found two variables in this research, Financial and Non-financial variable.

There are some research variables that researcher can find in the non-financial and financial perspective variables of the performance measures.

#### **Financial:**

- **Asset Ratio:**

The ability to generate revenues and earn profits on assets can be measured through ratio analysis. To calculate asset ratio, we need to divide total liabilities with total asset.

- **Liabilities:**

A liability is an obligation that legally binds an individual or company to settle a debt. When one is liable for a debt, they are responsible for paying the debt or settling a wrongful act they may have committed

- **Interest Income:**

The term that companies use on their income statement for reporting the interest earned on cash temporarily held in savings accounts, certificates of deposits, or other investments. Because the interest wasn't part of the original investment, they record it separately, as interest income

- **Operating Income:**

The amount of profit realized from a business's operations after taking out operating expenses such as cost of goods sold (COGS) or wages and depreciation.

- **Operating Cost:**

The day-to-day expenses incurred in running a business, such as sales and administration, as opposed to production. This term also called operating expenses.

- **Profit:**

A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity. Any profit that is gained goes to the business's owners, who may or may not decide to spend it on the business.

**Non-Financial:**

- **Service Quality:**

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

- **Environmental Aspect:**

Environmental aspects or environmental performance indicators (EPI) is a concern an organization's impacts on living and non-living natural systems, including ecosystems, land, air and water.

- **Customer Satisfaction:**

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation.

- **Social Responsibility:**

Social responsibility is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large. Social responsibility is a duty every individual or organization has to perform so as to maintain a balance between the economy and the ecosystem.



## CHAPTER IV

### RESULT OF THE RESEARCH AND DISCUSSION

This research aims to know the performance measurement indicators whether financial performance or non financial performance. Interview has been conducted representative of strategic planning division or staff from strategic planning division as representative.

#### Brief Profile of Bank X

Table 4.1 Company Brief History

No	Period	Brief History
	March 12,1962	Establishment of West Sumatra Region Development Bank by Hasan Qalby Deed no.9 with an initial capital of fifty million.
	April 25,1962	The operation of Bank X based on decision of the First Deputy Minister for Finance Republic of Indonesia No.Bum/9-44/II
	November 8,1973	Change of legal entity Bank X from Limited Liability Company (PT) to regional Company (PD) in accordance with local Rule No.4 of West Sumatra Profince
4	January 17,1991	Based on the Board of Director of Bank Indonesia Decree No. 23/60/KEP/DIR the West Sumatra Regional Development bank change into region Foreign Exchange Bank
5	During 1996	Began to introduce called name with the tittle of Bank X and increased the authorized capital of Rp. 50 billion into Rp. 150 billion
6	January 25,2007	Retification of the articles of Association of legal change the Banks from regional Company (PD) to limited Liability Company (PT)
7	October 11,2007	In accordance with decree of Deputy Governor of bank Indonesia No.9/20/KEP.DpG/2007, PT. Bank Pembangunan Daerah Sumatera Barat granted a license to operate as a foreign Exchange Bank
8	November 27,2008	Launching a new Corporate Identity

Source: Annual report Bank X 2010

Table 4.1 shows the history of Bank X start from 1962 until 2008, The establishment, operational, change of legal entity, changing into foreign exchange bank, introduce the new name, ratification of the Articles of Association of legal change, granted a license to operate as a foreign exchange Bank and Launching a new corporate Identity.

#### 4.1.1 Vision and Mission of Bank X

##### ***Vision:***

Regional Development Bank which became known and trusted in Indonesia

Bank X has a vision of the future to be known and prominent in Indonesia, with the visions, the bank X will maintain its reputation and continues to expand its wings

Bank X will maintain the Trust by executing the principles of good corporate governance, providing a satisfactory service and compliance with honesty

##### ***Missions:***

1. Contribute to fostering economic growth and prosperity
2. Meet and maintain the interest of stakeholders in a consistent and balanced

- Mission 1 :

Reflect the basis or background which mandated the establishment of the bank based in the deed of establishment, namely; helped build a strong economic activity to improve people's welfare

- Mission 2 :

The bank will continue to run with the principles to fulfill the responsibilities to owners, customers, employees and communities.

- Keeping the bank to grow and develop well and sound
- Providing excellent service
- Provide adequate benefits for shareholders
- Provide maximum benefits to society

#### 4.1.2 Corporate Identity

The following table indicates information related to identity of Bank X

**Table 4.2 Corporate Identity**

1	<b>Corporate Name</b>	PT. Bank X
2	<b>Called Name</b>	Bank X
3	<b>Line of Business</b>	Banking
4	<b>Date Established</b>	March 12,1962
5	<b>Legal Establishment</b>	Deed of establishment of limited Liability Company PT. X called Bank X No. 1 dated February 1, 2007, prepared by Notary H. Hendri Final, SH and approved by the Ministry and Human Rights Republic of Indonesia by Decree No. W3-00 074 HT.01.01 – TH.2007 April 4,2007, and its revisions, the last published in Notarial H. Hendri Final, SH NO. 15 dated June 3,2010
6	<b>Ownership</b>	<ol style="list-style-type: none"> <li>1. The government of West Sumatra Province</li> <li>2. City District Government and government of a west Sumatera</li> <li>3. Employees cooperatives of PT. Bank X</li> </ol>
7	<b>Authorized Capital</b>	One Trillion
8	<b>Paid in capital</b>	Rp. 427.241.000.000

Source: Annual report Bank



## 4.2 Brief Profile of Bank Y

This Following table shows the company's brief history periods

**Table 4.3 Company Brief History**

No	Period	Brief History
1	November 04,1961	Establishment of non-bank foreign exchange that addressed its head office at Imam Bonjol street No. 18 Medan based on notaries deed No. Rusli. 22 in the form of limited liability.
2	During 1965	Under law no. 13 year 1962 concerning the provisions of the Regional Development Banks and principal in accordance with the Regulation Province of North Sumatera No. 5 changed the form of business become Regional Owned Enterprises (BUMD)
3	April 16,1999	Deed of Notary Alina Hanum Nasution. SH, No. 38, states that form the business back into a Limited Company. Deed was approved by the Ministry of Justice of the Republic of Indonesia based on Decree No. HT.01.01 TH.99 C-8224 dated May 5, 1999 and published in the Republic of Indonesia No.. 54 dated July 6, 1999 Supplement. 4042.
4	June 10, 2008	The budget nominal of Banks amended several times, last by deed. 39
5	September 10,2008	Deed No. assertion. 05 dated 10 September 2008 Notary H. Marwansyah Notary, SH, on the basis of additional capital of Rp 500 billion to Rp 1,000,000,000,000.
6	November 20,2008	Approval of the amendment about additional capital on September 10, 2008 by the Minister of Justice and Human Rights Republic of Indonesia with its decision No. AHU-87927.AH01.02
7	February 3, 2009	Publishment of the amendment approval for additional capital on September 10, 2008 in the Republic of Indonesia No news. 10

Source: Primary Data 2012

Table 4.3 shows the history of Bank Y start from 1961 until 2008, the establishment, operational, change of legal entity, amendment of budget, additional budget, and also the approval of the amendment about additional capital for Bank Y.

#### 4.2.1 Vision and Mission of Bank Y

***Vision:***

Become pledge bank which can help and push the economic growth and region growth in every sector also as one of many province income sources in order to improve the citizen degree of life.

***Missions:***

Manage government and citizen fund in a professional way based on compliance principle.

#### 4.2.2 Corporate Identity

The following table indicates information related to identity of Bank Y

**Table 4.4 Corporate Identity**

1	<b>Corporate Name</b>	PT. Bank Y
2	<b>Called Name</b>	Bank Y
3	<b>Line of Business</b>	Banking
4	<b>Date Established</b>	November 4, 1961
5	<b>Legal Establishment</b>	Establishment of non-bank foreign exchange that addressed its head office at Imam Bonjol street No. 18 Medan called PT Bank Y based on notarial deed No. Rusli. 22 in the form of limited liability
6	<b>Ownership</b>	<i>Unavailable</i>
7	<b>Authorized Capital</b>	One Trillion
8	<b>Paid in capital</b>	<i>Unavailable</i>

*Source: Primary Data 2012*

### 4.3 Performance Measurement of Both Banks

In this chapter, the role of performance measurement in two banks is discussed in detail. Researcher added number of employees and average growth rate in a year as an additional information for reader to know deeply about the bank itself.

#### 4.3.1 Performance Measurement of Bank X

In this table below will show the detail of performance measurement in Bank X.

**Table 4.5 Performance Measurement in Bank X**

No.	Description	Financial Performance Measures	Non-financial Performance Measures
1.	Number of employees	1483 employees	
2.	Growth in one year	32,05% (2009-2010)	
3.	Importance	Very Important, especially for motivation tools, reward & punishment tools, and control tools	Somehow Important, because its determine by the bank itself
4.	Practice of Performance Measurement in The Bank	Every Section of the company branch and division	Every Section of the company branch and division
5.	Frequency of Performance Measurement in The Bank	Routine, one time in three months	Routine, one time in a year
6.	Model/method which is used for performance measurement	Variance Analysis, Benchmarking	Costumer Survey, Service Quality Questionnaire
7.	Problems with current method in measuring the performance	No Problem	No Problem
8.	Satisfaction with current method in measuring the performance	Satisfied	Satisfied
9.	Opinion/ Suggestion for improvement	Present Systems and Methods are well	Following Trend in Improve The Method
10.	Aspect which are currently measures	Asset ratio, liabilities, interest income, operating income, operating cost, profit	Customer satisfaction, service quality, corporate social responsibility, and social environment
11.	Fulfillment the objective of bank to use current methods in performance measures	Fulfill the objective of the bank	Fulfill the objective of the bank

Source: Primary Data (2011)

The establishment of Bank X was spearheaded by local government also with community leaders and leaders of private entrepreneur in West Sumatera on the premise of the need for a financial institution in the form of bank, which specifically assist the government in implementing regional development. Their growth for year 2009-2010 has been about 32.05% in profit sector. Besides that, they also have a growth in the amount of employees which is increase from year to year (1201-1483 employees from 2006 into 2010).

Bank X's emphasize the performance measurement as "very important" activity. Bank X defined the purpose of performance measurement in three purposes; 1) To determine reward and punishment system, 2) As a motivation tools, and 3) As a control tools. These three purposes linked each other. Bank X mentions that by setting reward and punishment after conduct performance measurement will motivate employee to work better in order to get the reward and avoid punishment. If there is a problem occurs in the bank activity, performance measurement will be play role as a tools to control and evaluate the bank in order to minimize the resemble problem in the future. Bank X has 11 working division (syari'ah division, general division, planning division, human resources management division, and so on) and several branches which are spread all around West Sumatera. All of them are measured regularly with the same method. The methods that are used to measures performance are variance analysis and benchmarking. Though Bank X measure working division and branch with the same method the indicator of the measurement surely different.

The indicators of performance measurement in branch are explicit like the amount of customer, profit, and so on. Meanwhile working division measure their performance by compare their budget, which are already given, with the realization of the budget itself which is not only in the form of money, but also activity of that division. Both bank division and

branch analyze the variance between bank's budgets with bank's realization. For branch, the variance will be use to conduct benchmarking among branch, while division not conduct benchmarking.

Many financial aspects in the Bank X like asset, equity, liabilities, interest income, etc, are measured by Bank X and considering as an important because that Bank itself is a financial institution. The performance measurement has already fulfilled the objective of the bank in measuring their division and branch financial performance. Bank X management mentioned that there are no difficulties and feel enough in measuring performance by using current method, but Bank X still seeking for new method which is better than current method because they assume that one method cannot be suitable for all economic condition, so they need to improve it and check off it with economic condition. Bank X management mentions that there is a possibility that they will start to develop Balance Scorecard as a method in measuring performance but they not mention when they will start to develop it.

Bank X mentioned that non-financial performance is "important enough" and they following Implementation of Quality Management Systems ISO 9001: 2008. The measurement was conducted regularly one time in a year. The measurement aren't conducted in every division and branch but integrated in central office of Bank X. Non-financial aspect which is measured by Bank X is customer satisfaction, quality service, corporate social responsibility, and social environment. Just like financial aspect, measuring performance of non-financial aspects reach the objective of performance measurement and fulfill the standard. Bank X use costumer survey and quality service questionnaire as a method in measuring performance of non-financial aspects, while other aspects like CSR and social environment measuring by report. Bank X is satisfied enough with current method even Bank X still need modification

in that method by follows the trend. For example the customer survey, the indicator in measuring customer satisfaction in customer survey always changing depend on the trends, technology, and people culture, so the development in customer survey will keep going in the future.

#### 4.3.2 Performance Measurement of Bank Y

In this table below will show the detail of performance measurement in Bank Y.

**Table 4.6 Performance Measurement in Bank Y**

No.	Description	Financial Performance Measures	Non-financial Performance Measures
1.	Number of employees	2100 employees	
2.	Growth in one year	48% (2009-2010)	
3.	Importance	Very Important, especially for looking bank performance	Very Important, as a service company non-financial should be keeping
4.	Practice of Performance Measurement in The Bank	Every Section of the company branch and division	Every Section of the company branch and division
5.	Frequency of Performance Measurement in The Bank	Routine, one time in a month	Routine, one time in a month
6.	Model/method	Variance Analysis, Benchmarking	Costumer Survey, Mystery Shopper
7.	Problems with current method in measuring the performance	No Problem	No Problem
8.	Satisfaction with current method in measuring the performance	Satisfied	Satisfied
9.	Opinion/ Suggestion for improvement	Present Systems and Methods are well	Following Trend in Improve The Method
10.	Aspect which are currently measures	Asset ratio, liabilities, interest income, operating income, operating cost, profit	Customer satisfaction, service quality, corporate social responsibility, and social environment

11.	<b>Fulfillment the objective of bank to use current methods in performance measures</b>	Fulfill the objective of the bank	Fulfill the objective of the bank
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*Source: Primary Data (2012)*

As a Regional Development Bank in North Sumatera, Bank Y has a significant growth on their profit around 48% in the year of 2009-2010. They also got a lot of employees around 2100 employees in their central office and all branches in North Sumatera. As a Bank which is having a lot of experience and pretty success, Bank Y emphasize performance measure as a “very important” activity with purpose for seen the improvement of that bank from year to year, controlling the employment by using reward and punishment method and also for evaluating the bank purpose.

Financial performance measurement which is conducted in every division and branch, conducted regularly every month. Methods and model which is conduct for performance measures are variance analysis and benchmarking, where variance analysis conducted by looking the difference between the budget with the realization of each branch and the difference become a benchmark with other branch. Whereas divisions were measured from their report about their program and activity which they submit each month to the management, and management will compare their productivity with the month before it.

In using the current method, there are no difficulties which Bank Y found until now and Bank Y management are satisfied with current method even they still seeking for new method which is better than current method. As a financial institution, Bank Y measure all financial aspect like asset, equity, operational cost, and profit and consider it as an important aspect which is need to measure regularly. Bank Y mentioned that their objectives in measuring performance are fulfilled well.

Bank Y considering the measures of non-financial performance which is conducted regularly every month is important things. The non-financial performance measure conducted in every branch and division and the activity are controlled by internal and external party from that bank itself. Their entire measurements are adjusted with the needs of the bank. The method which is used in measuring the non-financial depends on the aspect which currently measure. For service quality, Bank Y used Mystery Shopper as a method. But Bank Y didn't want to tell the researcher about how that method works in measuring non-financial performance because they don't want other bank imitate their method.

Bank Y didn't found any difficulties in measuring the non-financial performance and feel satisfied enough with current method even they still keep upgrade the method. Some non-financial aspects which are measure in Bank Y are service quality, customer satisfaction, CSR, and social environment. Bank Y mentioned that their non-financial performance measurement has already fulfilled the objective of the bank itself. The contribution of information technology was significant in Bank Y, but it did not have any impact on the implementation of different performance measurement systems in the organization. However, the contribution of information technology was acknowledged as a means of providing quality services, and was seen as being very helpful in satisfying customers areas in which this bank's management was very active, as we have seen. For example, information technology made it possible for the bank to offer faster and more prompt service, and to standardize its national operations with those in Indonesia.



#### 4.4 The Comparison of Both Banks

Beside discuss about the performance measurement of both bank in detail, researcher also compare it base on financial and non-financial aspect. Researcher summarizes the comparison on the table below.

**Table 4.7 Comparisons of Financial Aspects of Both Banks**

No	Description	Financial	
		Bank X	Bank Y
1	Importance	Very Important	Very important
2	Practice of performance measures	Every section	Every section
3	Frequency of performance measures	Routine, one time in three months	Routine, one time in a month
4	Method currently used	Variance analysis, benchmarking	Variance analysis, benchmarking
5	Problem occurred	No problem	No problem
6	Satisfaction with current method	Satisfied	Satisfied
7	Suggestion for improvement	Present systems and methods are well	Present systems and methods are well
8	Aspect which are currently used	Asset ratio, liabilities, interest income, operating income, operating cost, profit	Asset ratio, liabilities, interest income, operating income, operating cost, profit
9	Fulfillment of the bank objective	Fulfill the objective of the bank	Fulfill the objective of the bank

In the financial performance measures, the differences are not significant. Both banks consider the financial performance measures as a very important aspect to measure. They conduct it in every section of division and branch. They also used same method: variance analysis and benchmarking. Both of the banks didn't found any problem occurred while using current method and satisfied with it. Both banks measures financial aspect like asset ratio, liabilities, interest income, operating income, operating cost, and profit in order to fulfill the objective of the bank. But the frequency in conducting the performances is

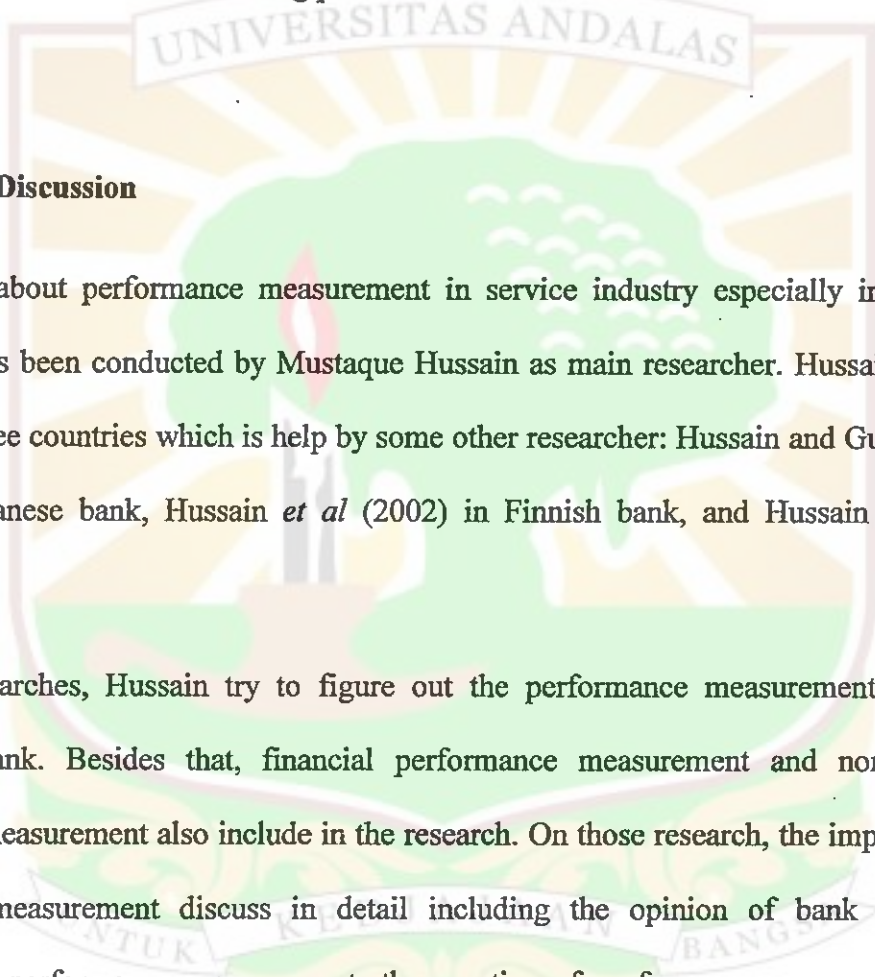
different. Bank X conduct the performance measures one time in three months, while Bank Y conducting it one time in a month. Both of them conduct it routine and regularly. The differences might happen because the rule of the bank itself.

**Table 4.8 Comparisons of Non-financial Aspects of Both Banks**

No	Description	Non-Financial	
		Bank X	Bank Y
1	Importance	Somehow important	Very important
2	Practice of performance measures	Every section	Every section
3	Frequency of performance measures	Routine, one time in a year	Routine, one time in a month
4	Method currently used	Costumer survey, service quality questionnaire	Costumer survey, mystery shopper
5	Problem occurred	No problem	No problem
6	Satisfaction with current method	Satisfied	Satisfied
7	Suggestion for improvement	Following trend in improve the method	Following trend in improve the method
8	Aspect which are currently used	Customer satisfaction, service quality, CSR, and social environment	Customer satisfaction, service quality, CSR, and social environment
9	Fulfillment of the bank objective	Fulfill the objective of the bank	Fulfill the objective of the bank

In non-financial performance measures, there are some differences which are found by researcher. Bank X mentions that non-financial performance measure is somehow important to conduct. While Bank Y considers it as very important things which is need to conduct because they think that as a service company, non-financial aspect should be keeping. Practice of non-financial performance measures for both bank are conducted in every section of division and branch of the bank. Bank X conduct performance measures one time in a year routine and regularly following the requirement Quality Management Systems of ISO 9001:

2008. Bank X used customer survey and service quality questionnaire as a tool or method to measuring the non-financial performance, while Bank Y used customer survey and mystery shopper. Both banks didn't find any difficulties in conducting current method, and feel satisfied with it. Non-financial aspect which is needed to be measure is also same like customer satisfaction, quality service, CSR, and social environment. The purpose is to fulfill the objective of the bank in conducting performance measures.



#### 4.5 Analysis and Discussion

The research about performance measurement in service industry especially in financial corporation has been conducted by Mustaque Hussain as main researcher. Hussain conduct research in three countries which is help by some other researcher: Hussain and Gunasekaran (2002) in Japanese bank, Hussain *et al* (2002) in Finnish bank, and Hussain (2005) in Swedish bank.

On those researches, Hussain try to figure out the performance measurement which is conduct in bank. Besides that, financial performance measurement and non-financial performance measurement also include in the research. On those research, the importance of performance measurement discuss in detail including the opinion of bank about the importance of performance measurement, the practice of performance measurement, the frequency of performance measurement, the current method, problem occurred in using current method, satisfaction in using current method, suggestion to improve the method, aspect which is currently measure, and the fulfillment of the bank objective in conduct

performance measurement. All of that are discuss in both form of financial and non-financial performance.

#### **4.5.1 Bank X Discussion**

Bank X is fully aware of the importance of accurate measurement of financial performance. However, in this case, the Bank X is so much concerned with whether the performance measurement system is modern or not. They are more interested in seeing that performance measurement systems help to decrease service costs, thus improving the pricing of services and satisfying customers.

Bank X assume that measuring financial performance is very important while measuring non-financial performance assume to be important enough, but researcher found that in practice, Bank X put the non-financial performance to the same degree with the financial performance measurement. This conclusion coming because Bank X follow Management Quality System ISO 9001: 2008 procedure which require Bank X give their priority to the relationship between Bank X with customer, government, and the citizens. Besides that, Bank X conducts the non-financial performance measurement regularly one time in a year (requirement from ISO). By follow the requirement which is requested by Management Quality System ISO 9001: 2008, Bank X feel that they didn't found any problem in measuring non-financial performance in fact, they feel satisfied enough with current method. Although Bank X feel satisfied enough with current method, they still try to upgrade the method.

The result of Bank X is argued with the result of all the Hussain's research (Hussain and Gunasekaran, 2002; Hussain *et al* 2002; Hussain, 2005) which is always found that non-financial performance measurement do not receive the same degree of emphasis as financial performance (Hussain and Gunasekaran, 2002) even they consider it as an important things to be measured. This result might be influence by the economic condition in West Sumatera which is tends to stable. Just like Hussain (2005) mention, a stable economic condition and competition will increase the need and importance of non-financial performance measures in this particular service industry and even in other services and manufacturing industries as well.

Customer satisfaction and service quality is the most important aspect of non-financial performance measurement in the banks and financial institution studied. Researcher found that customer satisfaction and service quality has a direct impact on improving financial performance, and they are therefore very much aware of it. This kind of non-financial performance which is could improve profit called "profit-driven non-financial performance measures" (Hussain *et al*, 2002). Meanwhile, Corporate Social Responsibility and social environment which are not linked to improving profitability can be called "independent" non-financial performance (with the effort being separate from profitability objectives) (Hussain *et al*, 2002).

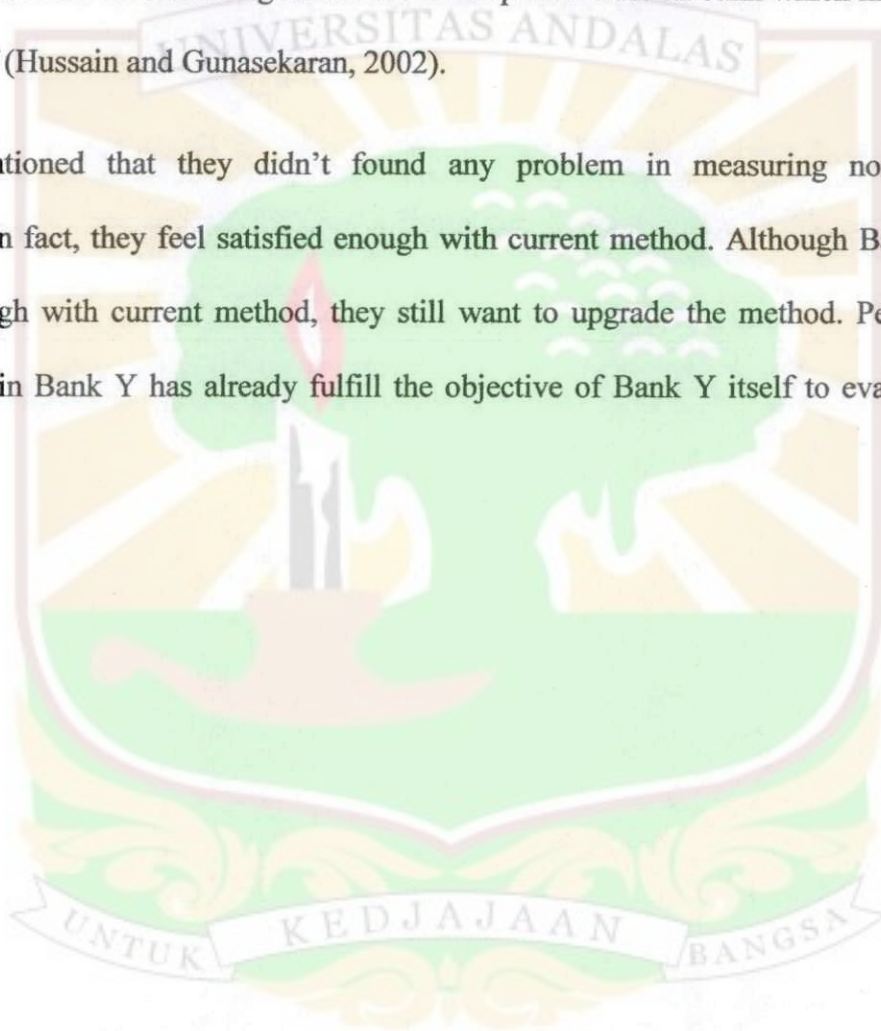
#### 4.5.2 Bank Y Discussion

Bank Y assume that as an organization which is worked on service industry, non-financial aspect like customer satisfaction and service quality is something which are analogously with financial performance. The existence of non-financial performance is important just like financial performance and Bank Y clearly mentioned both of it as very important to be measure. In practice, the non-financial conduct in every section of the company and regularly one time in a month. These results show us that Bank Y put the non-financial performance into the same degree with the financial performance, and this result also argued the result of all Hussain's research like Hussain and Gunasekaran (2002) in Japanese bank, Hussain *et al* (2002) in Finnish bank, and Hussain (2005) in Swedish bank. The result of Hussain's research mentioned that the financial performance measures are a regular and an essential practice but in many bank and financial institution, non-financial performance is less important and not practiced on a regular basis (Hussain *et al*, 2002). The result of this research might be caused of the influence of economic condition in Indonesia; especially North Sumatera which is tends to stable. Like Hussain (2005) has mentioned before, a stable economic condition and competition will increase the need and importance of non-financial performance measures in this particular service industry and even in other services and manufacturing industries as well.

Even other non-financial aspect like CSR and social environment also important to be measured, but in practice, the emphasis on that aspect hasn't got same degree with other non-financial aspect like customer satisfaction, service quality, and on-time service.

Different treatment on the non-financial performance aspect is because their implication and relation with the financial performance. Non-financial performance aspect which can influence the financial performance directly like customer satisfaction, quality service, and on-time service are emphasize in the performance measurement. As we know that keep a good service quality and conduct on-time service will make our costumer satisfied and customer satisfaction will encourage costumer to keep their trust on bank which means profit for bank itself (Hussain and Gunasekaran, 2002).

Bank Y mentioned that they didn't found any problem in measuring non-financial performance in fact, they feel satisfied enough with current method. Although Bank Y feel satisfied enough with current method, they still want to upgrade the method. Performance measurement in Bank Y has already fulfill the objective of Bank Y itself to evaluate their performance



## CHAPTER V

### CONCLUSION AND SUGGESTION

#### 5.1 Conclusion of Research

Based on the analysis and discussion in the previous chapter, it takes the conclusions that will be explained below:

1. The performance measurement has a big role for the bank to determine: 1) Reward and Punishment system, 2) Motivation tools, and 3) Control tools: Besides that, performance measurement also tools that banks needed in order to evaluate their performance and do some improvement.
2. Bank X and Bank Y as a Regional Development Bank conduct performance measurement by relying into multidimensional measures: financial and non-financial performance measures.
3. Financial aspect such as profit, asset, and liabilities and so on, are important for bank as a financial institution to be measured, and bank also acknowledge that Non-financial aspect such as customer satisfaction, quality service, Corporate Social Responsibility, and social environment is important to be measured.
4. The result of Bank X and Bank Y mentioned that non-financial performance do receive the same degree of emphasis as financial performance measures. This result might be influence by the economic condition in West Sumatera which is tends to stable. Just like Hussain (2005) mention, a stable economic condition and competition will increase the



need and importance of non-financial performance measures in this particular service industry and even in other services and manufacturing industries as well.

5. The non-financial performance that are directly related to improving financial performance such as customer satisfaction and quality service receive relatively higher emphasis than other non-financial performance measures that are not linked directly with financial performance such as CSR and Social Environment.
6. In this research, researcher found that variance analysis and benchmarking is the most widely used performance technique in bank. Variance analysis conduct by find the difference between the management target with the realization of the bank and benchmarking conduct among them.
7. Both bank, Bank X and Bank Y didn't found any difficulties and problem while they used their current method in measuring both financial and non-financial, but they surely want to modified their non-financial measurement technique by following the trend in measure it.

## **5.2 Implication of Research**

By conduct research about performance measurement in both financial and non-financial, researcher expect that performance measurement activity which is bank conduct can be improve in order to make the bank know deeply about achievement and mistake which they've done, so they can fix it and avoid it in the future.

Just like researcher discuss in the previous chapter, researcher found that both of Bank X and Bank Y state that performance measurement is an important things to do and the emphasize of both indicator (financial and non-financial performance) are the same.

Even they conduct the measurement of the non-financial performance, the measurement emphasize more only on aspect which is can improve their financial performance directly like customer satisfaction. Researcher thinks that those banks need to emphasize all of the non-financial performance aspect as important as financial performance in order to increase their competitiveness in banking industry against private bank.

Researcher also expects the reader could understand further about performance measurement function and purpose, and also aspect which is considering important in the performance measurement after read this thesis.

### **5.3 Limitation of Research**

In doing this research, there are several limitations that the researcher faces that influences the findings. Some limitations appear in this research such as:

1. Researcher only took two banks as a sample because it's difficult to get information from other bank. With a few samples make researcher difficult to conclude about the performance measurement conduct in the financial institution.
2. Complicated system and bureaucracy make researcher takes longer time to get data that researcher needed.

3. The unwillingness of the bank to share some information about them makes researcher got difficulties in analyzing the performance measurement.

#### **5.4 Recommendation for Further Research**

Limitations that appear in this research should become references for subsequent research to get the perfection in giving a wide figure and contribution from the same study. Some suggestions and recommendations are developed in further research:

1. For further research are expected to take more samples in order to make the results of the research more comprehensive and profound.
2. Study in other type of industry would be worth considering for the exploration of performance measure practice in different competitive environment will help further research find something new from it.
3. Combining qualitative and quantitative analysis in this research will make the data more valid. Quantitative analysis can be used to measure the financial and non-financial performances measure accurately while qualitative analysis can show researcher the wide figure about organization vision, mission, principle, activity and their policy in order to get deeper understanding about performance measurement.

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# Transkrip Wawancara Bank X

## 1. Number of Employees

- Berapa jumlah pegawai yang ada di bank ini?  
“Kira-kira, 1000 lebih. Bisa dilihat di laporan tahunan 2010.”

## 2. Growth in one year

- Berapa pertumbuhan rata-rata yang dialami bank ini dalam kurun waktu 1 tahun?  
“Terjadi peningkatan setiap tahun. Yang terakhir diukur adalah antara 2009-2010 kemarin sekitar 32%.”

## 3. Importance of measuring performance

- Menurut bapak/ibu pentingkah pengukuran kinerja di bank ini?  
**Financial:** “sangat penting, karena pengukuran kinerja itu normatifnya untuk penentuan, terutama reward and punishment. Kalo ada system reward and punishment, orang termotivasi untuk berkerja lebih baik lagi. Yang ketiga adalah sebagai alat pengendalian kalau kinerja sudah diukur dan dievaluasi dengan baik secara berkala, maka control dari performance yang dijalankan per masing-masing unit kerja dan bias dipantau kalau misalnya terjadi penyimpangan itu bias dengan dini diketahui”  
**Non-financial:**”iya, itu requirement masuk didalam persyaratan. Berarti mau tidak mau harus diukur.”

## 4. Practices of Performance Measures in the organization

- Bagaimana bank mengukur kinerja saat ini? Apakah di semua department atau hanya di fokuskan beberapa department?  
**Financial:** “di setiap department ada, tapi disini namanya beda. Kalo disini ada divisi, ada kantor cabang. Kantor cabang itu diukur, ada ukurannya, misalnya varian antara budget dengan realisasi, itu dijadikan tolak ukur menentukan kinerjanya.”  
**Non-financial:** “kalau non-keuangannya kayak CSR justru kita terintegrasi ke bank X secara umum. Corporate bank Xnya yang melakukan CSR. Cabang tidak ada melakukan CSR. Jadi semua kegiatan non-keuangannya terpusat. Itu semua masuk ke dalam agenda kantor pusat, bukan cabang”

- Apa divisi kerja juga diukur kinerjanya?  
 “memang dilakukan evaluasi juga, tetapi ukuran-ukurannya tentu beda dengan cabang. Kalau cabang jelas ada nominal, ada jumlah nasabah yang diketahui dan memang dilakukan setiap triwulan. Semua divisi kan punya laporan, kan ada anggaran, per masing-masing divisi punya anggaran, nanti per tiga bulan dia melaporkan pencapaiannya, realisasinya seperti apa, dia tidak hanya berupa rupiah, ada juga kegiatan, itu sudah dilaporkan progressnya setiap tiga bulan.
- Apakah semua divisi diukur secara reguler?  
 “kalo divisi juga diukur secara regular.”

#### 5. Frequency of performance measures in the organization

- Seberapa sering bank melakukan pengukuran kinerja?  
Financial: “Rutin.”  
Non-financial: “Setiap tahun”
- Jika rutin, seberapa sering dilakukan pengukuran kinerja  
Financial: “Dilakukan setiap triwulan, atau setiap tiga bulan”  
Non-financial: “Satu kali dalam setahun.”
- Adakah aturan atau ketentuan terkait frekuensi pengukuran kinerja?  
Financial: “Memang ketentuan dari bank X itu sendiri”  
Non-financial: “Requirementnya di dalam penerapan system manajemen mutu ISO 9002: 2008 memang satu tahun sekali.”

#### 6. Methods to measures performance in the organization

- Metode apa saja yang digunakan bank dalam melakukan pengukuran kinerja?  
Financial: “Analysis variance, Benchmarking”  
Non-financial: “Customer survey, Service quality questionnaires”
- Jika Benchmarking dilakukan, kemanakah benchmarking tersebut akan dilakukan?  
 “Ya, setiap cabang otomatis variance per masing-masing cabang akan menjadi benchmarking bagi cabang yang lain.”
- Samakah metode metode pengukuran kinerja yang dilakukan untuk setiap cabang?  
 “Sama.”

## 7. Problem with Current Method in Measuring The Performance

- Apa saja masalah dalam melakukan pengukuran kinerja dengan menggunakan metode tersebut?

**Financial:** “Kalau pengukurannya, itu tidak ada. Itu sudah menjadi tugas yang rutin dan pokok, mudah-mudahan tidak ada masalah.”

**Non-financial:** “Mudah-mudahan tidak ada.”

## 8. Satisfaction with current method

- Puaskah bapak/ibu dengan metoda pengukuran kinerja yang telah diterapkan saat ini?

**Financial:** “Sejauh ini sudah puas.”

**Non-financial:** “Sudah cukup puas, tapi kita akan terus lakukan upgrade terhadap toolsnya.”

## 9. Suggestion on improving performance measures method

- Apakah ada solusi atau saran dalam meningkatkan atau mengatasi masalah terkait pengukuran kinerja?

**Financial:** “Sudah cukup puas, tapi tidak menutup kemungkinan menggunakan metode baru yang mungkin lebih baik”

**Non-financial:** “Kalau kayak survey itu kan sifat toolsnya kan selalu berubah, kita tentu lakukan upgrade juga, tidak melulu data tools kita gunakan untuk selamanya gak akan. Kita menerima dengan yang namanya perubahan.”

- Jika perlu metode baru atau modifikasi, metode apa yang kira-kira akan dipakai dan modifikasi seperti apa yang akan diterapkan?

“Untuk kebutuhan pengembangan metode, kita mengikuti trend atau kebutuhan pengembangan bank.”

## 10. Financial aspect which are currently measures

- Apa saja aspek keuangan di bank yang diukur dan yang mana yang menjadi prioritas?

“Selayaknya industry perbankan semua aspek keuangan pastinya diukur, mulai dari asset, aktiva produktif, kewajiban, equitas, pendapatan bunga, pendapatan operasional, beban, dan laba.”

### 11. Non-financial aspect which are currently measures

- Apa saja aspek non-keuangan di bank yang perlu diukur dan dicapai oleh bank saat ini?

**“Ada juga diukur dan itu memang requirement, seperti kepuasan pelanggan, quality service, CSR, dan sosial lingkungan. Untuk keterangan lebih lanjut, bisa di baca di laporan keuangan 2010.”**

### 12. Fulfillment of the objective to use management accounting system in performance measures

- Apakah dengan menggunakan akuntansi manajemen berhasil membuat tujuan pengukuran kinerja tercapai?

**Financial: “Ya, cukup tercapailah. Tujuannya kan untuk mengungkap terhadap pencapaian kinerja, tapi kami tetap keep upgrade toolsnya walaupun untuk sekarang kita masih menggunakan analysis variance.”**

**Non-financial: “Sejauh ini, evaluasi non-keuangannya sudah memenuhi standard.”**



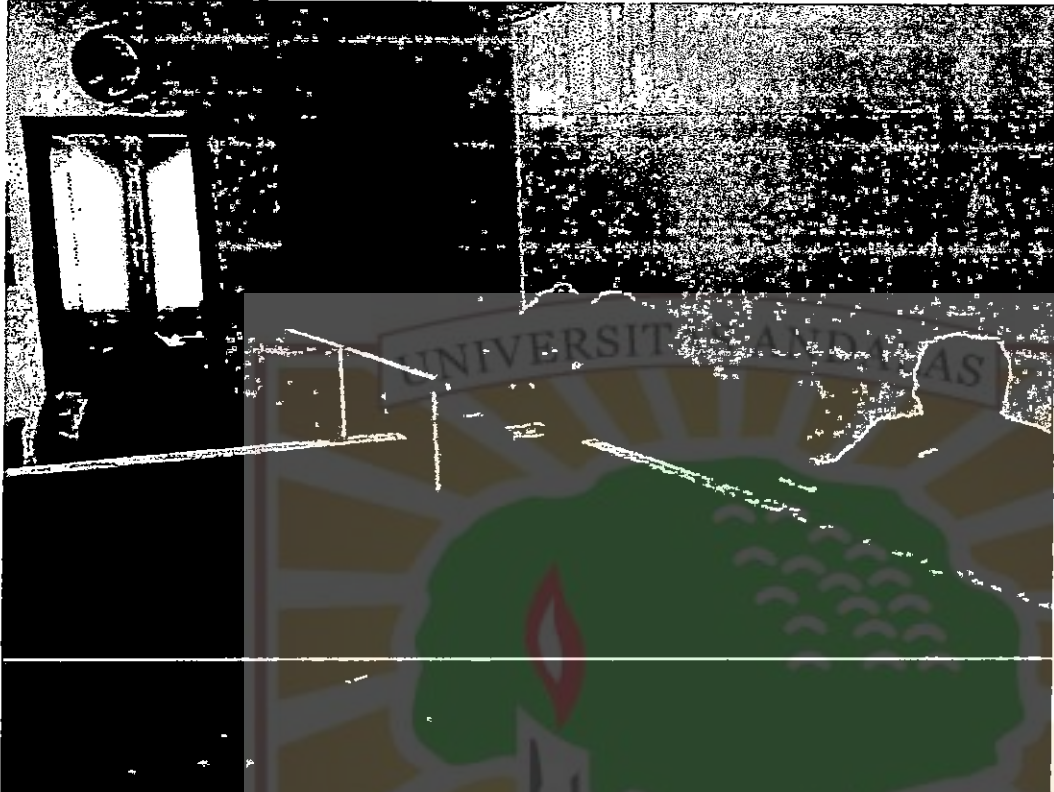
## Keywords Bank X

No	Question	Answers
1.	Number of Employees	1483 Pegawai
2.	Growth in One Year	32,05% (2009-2010)
3.	Importance of Measuring Performance	<b>Financial</b> -Sangat penting. Terutama sebagai motivasi, penentuan <i>reward and punishment</i> , dan alat pengendalian
		<b>Non-financial</b> -Cukup penting, karena merupakan ketentuan dari bank tersebut.
4.	Practices of Performance Measures in The Organization	<b>Financial</b> -Di setiap department. Pengukuran dilakukan tidak hanya pada divisi kerja, tetapi juga cabang-cabang yang ada dan di ukur secara regular.
		<b>Non-financial</b> -Di setiap department. Aspek-aspek non-keuangan seperti CSR, costumer survey, dan lain-lain direalisasikan dan diukur secara terpusat.
5.	Frequency of Performance Measures in The Organization	<b>Financial</b> -Rutin dilakukan setiap tiga bulan sekali dan itu semua ketentuan dari bank X itu sendiri.
		<b>Non-financial</b> -Rutin dilakukan setiap satu kali dalam setahun dan itu semua sesuai dengan persyaratan di Penerapan Sistem Manajemen Mutu ISO 9001: 2008.
6.	Methods to Measuring Performance in The Organization	<b>Financial</b> -Analysis variance, Benchmarking. Benchmarking dilakukan ke masing-masing cabang, dan setiap cabang menggunakan metode pengukuran yang sama.
		<b>Non-financial</b> -Costumer survey, Quality service questionnaire. Diukur secara terintegrasi di bank X pusat.
7.	Problems with Current Method in Measuring The Performance	<b>Financial</b> -Tidak ada masalah.
		<b>Non-financial</b> -Tidak ada masalah
8.	Satisfaction with Current Method in Measuring The Performance	<b>Financial</b> -Cukup Puas.
		<b>Non-financial</b> -Cukup Puas.
9.	Suggestion on Improving The Performance Measures Method	<b>Financial</b> -Sudah cukup puas, tapi tidak menutup kemungkinan dengan penggunaan metode baru yang lebih baik.
		<b>Non-financial</b> -Perlu modifikasi, karena indikator pengukurnya selalu berubah-ubah tergantung perkembangan zaman.
10.	Financial Aspect Which are Currently Measures	Semua aspek keuangan seperti asset, aktiva produktif, kewajiban, equitas, pendapatan bunga, pendapatan operasional, beban, dan laba.

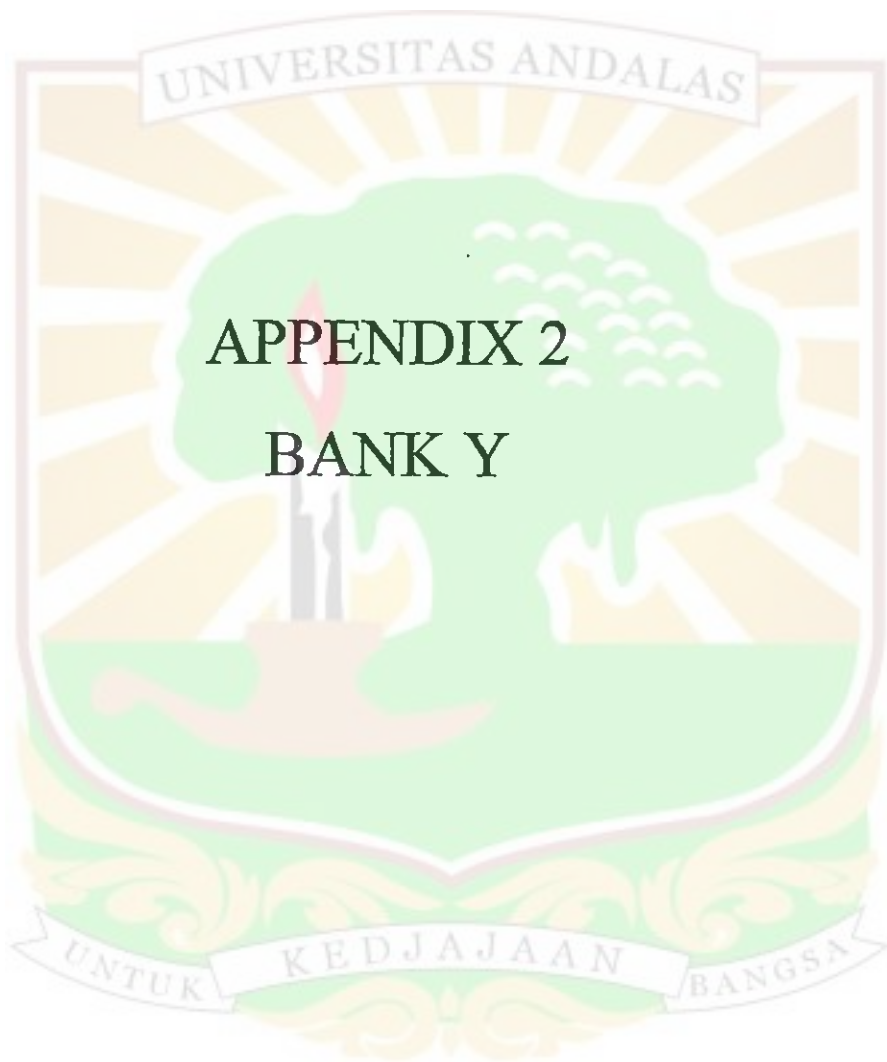
11.	Non-financial Aspect Which are Currently Measures	Kepuasan pelanggan, kualitas servis, Corporate Social Responsibility, dan lingkungan sosial.
12	Fulfillment of The Bank Objective in Performance Measures	<b>Financial</b> -Tercapai, karena sesuai dengan tujuannya untuk mengungkap pencapaian kinerja.
		<b>Non-financial</b> -Tercapai, karena sudah memenuhi standard.



**Bank X Photos**







APPENDIX 2  
BANK Y

# Transkrip Wawancara Bank Y

## 1. Number of Employees

- Berapa jumlah pegawai yang ada di bank ini?  
“Sampai dengan desember 2011, jumlah pegawai PT Bank Y mencapai ± 2100 orang dan beberapa tahun belakangan ini terjadi penambahan pegawai yang cukup besar seiring dengan pengembangan jaringan kantor dan perluasan usaha yang signifikan.”

## 2. Growth in one year

- Berapa pertumbuhan rata-rata yang dialami bank ini dalam kurun waktu 1 tahun?  
“Bank Y setiap tahunnya terus menerus mengalami pertumbuhan dan terakhir pada tahun 2010, pertumbuhan Bank Y mencapai angka 48%, hal ini merupakan prestasi yang sangat menggembarakan berkat kerja keras yang saling bersinergi di setiap lini.”

## 3. Importance of measuring performance

- Menurut bapak/ibu pentingkah pengukuran kinerja di bank ini?  
**Financial:** “Sangat penting, karena ada target yang harus dicapai dan pengukuran kinerja juga dilakukan untuk melihat sejauh mana perkembangan maupun kinerja dari perusahaan. Dari ukuran inilah kita dapat menentukan reward dan punishment bagi pegawai. Disamping itu, perusahaan juga mampu mengambil kebijakan maupun strategi untuk mengatasi kendala-kendala yang ada berkaitan dengan kinerja yang tidak tercapai di masing-masing unit kerja.”  
**Non-financial:** “Sangat penting juga, karena perusahaan kita bergerak di bidang jasa, maka aspek-aspek non-keuangan seperti kepuasan pelanggan harus tetap dijaga. Hubungan sosial masyarakat (CSR) juga kita ikut terlibat dengan member bantuan untuk bidang kesehatan, pendidikan, dan latihan, serta lingkungan sosial.”

## 4. Practices of Performance Measures in the organization

- Bagaimana bank Y mengukur kinerja saat ini? Apakah di semua department atau hanya di fokuskan beberapa department?  
**Financial:** “Pengukuran kinerja dilakukan dengan metode varians, sejauh mana penyimpangan dari target yang telah ditetapkan dan juga untuk beberapa rasio keuangan dengan mengacu kepada benchmark indikator perbankan di setiap cabang.”

**Non-financial:** “Juga diukur, namun alat ukurnya tentulah berbeda dengan pengukuran financial. Untuk non-financial penekanannya lebih kepada kualitas kerja dan ketepatan waktu di setiap cabang.”

- Apa divisi kerja juga diukur kinerjanya?  
“Divisi juga dilakukan evaluasi, tapi ukurannya tentu berbeda dengan cabang. Kalau di cabang ukurannya jelas, seperti target kredit, tabungan, deposito, laba dan lain-lain. Sementara di divisi sifatnya lebih di dalam membuat laporan, standar prosedur maupun aturan-aturan yang sifatnya mendukung cabang dalam mencapai target yang telah ditetapkan.”
- Apakah semua divisi diukur secara reguler?  
“Ya, semua divisi diukur secara reguler.”

#### 5. Frequency of performance measures in the organization

- Seberapa sering bank melakukan pengukuran kinerja?  
**Financial:** “Rutin.”  
**Non-financial:** “Rutin.”
- Jika rutin, seberapa sering dilakukan pengukuran kinerja?  
**Financial:** “Setiap bulan.”  
**Non-financial:** “Setiap bulan.”
- Adakah aturan atau ketentuan terkait frekuensi pengukuran kinerja?  
**Financial:** “Ketentuan berasal dari internal bank Y sendiri dan juga pihak eksternal sesuai kebutuhan bank.”  
**Non-financial:** “Sama seperti yang keuangan tadi, semua bentuk pengukuran kinerja baik keuangan maupun non-keuangan di atur oleh pihak internal bank Y dan juga pihak eksternalnya dan semua itu disesuaikan dengan kebutuhan bank.”

#### 6. Methods to measures performance in the organization

- Metode apa saja yang digunakan bank dalam melakukan pengukuran kinerja?  
**Financial:** “Analysis variance, Benchmarking”  
**Non-financial:** “Service quality dengan mengadakan Mystery Shopper.”
- Jika Benchmarking dilakukan, kemanakah benchmarking tersebut akan dilakukan?  
“Benchmarking dilakukan pada setiap cabang.”
- Samakah metode metode pengukuran kinerja yang dilakukan untuk setiap cabang?  
“Metode pengukurannya sama untuk semua cabang.”

## 7. Problem with Current Method in Measuring The Performance

- Apa saja masalah dalam melakukan pengukuran kinerja dengan menggunakan metode tersebut?

**Financial:** "Sejauh ini tidak ada masalah."

**Non-financial:** "Juga tidak ada masalah."

## 8. Satisfaction with current method

- Puaskah bapak/ibu dengan metoda pengukuran kinerja yang telah diterapkan saat ini?

**Financial:** "Sejauh ini cukup puas."

**Non-financial:** "Sudah lumayan puas."

## 9. Suggestion on improving performance measures method

- Apakah ada solusi atau saran dalam meningkatkan atau mengatasi masalah terkait pengukuran kinerja?

**Financial:** "Sudah puas dengan metode yang dipakai saat ini walaupun tidak menutup kemungkinan akan menerapkan metode yang lebih baik lagi."

**Non-financial:** "Yang perlu dilakukan adalah dengan terus melakukan upgrade terhadap tools yang digunakan sehingga hasilnya up to date."

- Jika perlu metode baru atau modifikasi, metode apa yang kira-kira akan dipakai dan modifikasi seperti apa yang akan diterapkan?

"Untuk kebutuhan pengembangan metode, kita mengikuti trend atau perkembangan metode bank."

## 10. Financial aspect which are currently measures

- Apa saja aspek keuangan di bank yang diukur dan yang mana yang menjadi prioritas?

"Semua aspek keuangan sudah pasti diukur mulai dari: asset, aktiva produktif, laba, kewajiban, ekuitas, biaya operasional serta rasio-rasio lainnya."

## 11. Non-financial aspect which are currently measures

- Apa saja aspek non-keuangan di bank yang perlu diukur dan dicapai oleh bank saat ini?

"Service quality maupun customer satisfaction merupakan aspek non-keuangan yang sangat perlu diukur oleh bank saat ini, mengingat sebagai lembaga yang bergerak di bidang jasa dan keuangan maka dipandang perlu untuk meningkatkan kualitas layanan dan melihat sejauh mana nasabah puas dengan layanan yang kita beri."

**12. Fullfillment of the objective to use management accounting system in performance measures**

- Apakah dengan menggunakan akuntansi manajemen berhasil membuat tujuan pengukuran kinerja tercapai?

**Financial:** “Sejauh ini cukup berhasil, walaupun metode yang kami gunakan masih metode analysis variance dan benchmarking, namun kedepannya kami akan terus melakukan upgrade.”

**Non-financial:** “Evaluasi non-keuangan sejauh ini sudah cukup memenuhi standar sehingga tujuan yang ingin dicapai sejauh ini cukup berhasil.”



## Keyword Bank Y

No	Question	Answers
1.	Number of Employees	2100 Pegawai
2.	Growth in One Year	48% (2009-2010)
3.	Importance of Measuring Performance	<b>Financial</b> -Sangat penting. Terutama untuk melihat sejauh mana perkembangan kinerja perusahaan.
		<b>Non-financial</b> -Sangat penting. Sebagai perusahaan yang bergerak di bidang jasa, aspek-aspek non-keuangan harus tetap dijaga.
4.	Practices of Performance Measures in The Organization	<b>Financial</b> -Di setiap department. Pengukuran dilakukan di semua cabang dan juga divisi.
		<b>Non-financial</b> -Di setiap department. Dilakukan di setiap department dan divisi yang ada di bank tersebut.
5.	Frequency of Performance Measures in The Organization	<b>Financial</b> -Rutin dilakukan setiap sebulan sekali dan itu merupakan ketentuan dari pihak internal dan external bank Y.
		<b>Non-financial</b> -Rutin dilakukan setiap sebulan sekali dan merupakan ketentuan dari pihak internal dan external bank Y dan semua itu disesuaikan dengan kebutuhan bank itu sendiri.
6.	Methods to Measuring Performance in The Organization	<b>Financial</b> -Analysis variance, Benchmarking. Benchmarking dilakukan ke masing-masing cabang, dan setiap cabang menggunakan metode pengukuran yang sama.
		<b>Non-financial</b> -Customer survey, Mystery Shopper
7.	Problems with Current Method in Measuring The Performance	<b>Financial</b> -Tidak ada masalah.
		<b>Non-financial</b> -Tidak ada masalah
8.	Satisfaction with Current Method in Measuring The Performance	<b>Financial</b> -Cukup Puas.
		<b>Non-financial</b> -Cukup Puas.
9.	Suggestion on Improving The Performance Measures Method	<b>Financial</b> -Sudah cukup puas, tapi tidak menutup kemungkinan dengan penggunaan metode baru yang lebih baik.
		<b>Non-financial</b> -Perlu melakukan pengembangan terus menerus terhadap metode yang digunakan agar tidak tertinggal.
10.	Financial Aspect Which are Currently Measures	Semua aspek keuangan seperti asset, aktiva produktif, pendapatan bunga, pendapatan operasional, beban, dan laba.

11.	Non-financial Aspect Which are Currently Measures	Kualitas servis, kepuasan pelanggan, Corporate Social Responsibility, dan lingkungan sosial.
12	Fulfillment of The Objective in Performance Measures	<b>Financial-Tercapai.</b>
		<b>Non-financial-Tercapai</b> , karena sudah memenuhi standard.



# Bank Y Photos

