

THE IMPLEMENTATION AND EVALUATION OF BALANCE SCORECARD IN GARUDA CHINESE FOOD

Aria Bayu Pangestu and Dwi Larso
School of Business and Management
Institut Teknologi Bandung, Indonesia

¹ *capucino.float@gmail.com*, ² *dwilarso@sbm-itb.ac.id*

Abstract

Garuda Chinese Food has a problem in implementing their strategy. Most of their marketing strategy did not work properly as planned. This condition makes Garuda Chinese Food cannot grow well. After a meeting about this situation, the board of director of Garuda Chinese food agrees that they will try to using a performance measurement system to create new strategies for their restaurant. After a big discussion about this system, the board agrees to make a test using this system and record the data about the effectiveness of this new system. Balanced Scorecard method is the strategic approach and performance management system that can translate the company vision and mission into implementation strategies. The objective of this research is to evaluate the effectiveness of the Balance Scorecard system and prove how this system can generate a new and better strategy then before. The Balance Scorecard is a tool to evaluate the performance of a company. With this evaluation, company can create new strategy that more effective and suitable for their situation. The new strategies that generated by evaluating via Balance Scorecard can increase the company performance. Thus, the performance evaluation of Balance Scorecard is recommended.

Keywords: balance scorecard, garuda chinese food, performance management system, effectiveness

Introduction

Every year the amount of fresh graduate in Indonesia is increasing significantly. Fresh graduate makes the selection into the business world today is really tight and many people cannot find a suitable job for them. This imbalance of number of jobs and fresh graduate creates much unemployment. Unemployment is a big problem for a country because unemployment can bring many problem, mostly social and political problem. High rate of unemployment in a country shows the prosperity of that country. According to Mrs. Lila Bangsawan journal, at 2011 number of unemployment in Indonesia is about 12.8 million people (Bangsawan, 2011) and this number show that the unemployment rate in Indonesia is still very high. Unemployment rate in Indonesia is caused by the number of jobs available is not enough this problem triggers the "entrepreneurship syndrome" among the academic institutes. Most of high school and

university in Bandung for example, already add the entrepreneur study in their curriculum. This course creates many teenagers that have passion to create a new business.

The reason of this unemployment is the lack of entrepreneur in Indonesia. However, nowadays entrepreneur rate in teenager is increasing. Many of college student and fresh graduate start their own business. This teenagers that want to start their own business have a very little experience about make their own business. To help them understand about creating business they can read some books about starting business, and talk with an entrepreneur that already passed that phase.

Culinary business is one of the most profitable businesses nowadays. The growth of culinary business in Indonesia is really fast. Today we can find a new restaurant at every corner of our city. Garuda Chinese Food is a Chinese food restaurant established at May 2010. This

restaurant concept is a family restaurant that tries to attract the family customer around the restaurant area. Garuda Chinese Food specialized at giving the 5 star hotel standard food at a really cheap price. This special offer is the biggest strength of Garuda Chinese Food.

Literature Review

Balanced Scorecard method is the strategic approach and performance management system that can translate the company vision and mission into implementation strategies. Balanced Scorecard is a linked framework designed to help the company to clarify their strategy, communicate it, and then align the employees throughout the business to transform the strategies into the measureable actions.

Balance Scorecard can provide some information for the company. These are some information that Balanced Scorecard can provide for the company:

1. Focus-This information can show is that the company doing a right thing or not, not only doing the things right.
2. Accountability- This information gives us the understanding about what is strategically important for our company, what performance level is needed for every division and also the person in charge at every division.
3. Alignment- This information shows us what is the effect of every division and strategies to another division, and creates links between it.
4. Communication- This information can translate your high level strategies into a relevant words and action.

Balanced Scorecard characteristic is the the combination of the financial and non financial aspect that measures each other to shows the target value as the real strategy within a single report. Balanced Scorecard system is not a replacement for a financial or operational system, but this report is the summary of what happened in our company and hows it result compared to the targeted result. Balanced Scorecard provides us the most relevant and real data from the field, and we can using this system to evaluate our action at the real time situation. Balanced Scorecard is also links the process, the result and also the plan and strategies used, so we can evaluate where is the problem coming.

Basic data needed for the balanced scorecard is the corporate strategy, and the role of this scorecard system is to associates the strategies into some activity to implement the strategy and evaluate the result after implementing this action compared to the planned. After this Scorecard shows the GAP between the planned and the real situation, we can re-plan the strategy and also the action that we will do. This check and Re check system makes the Balanced Scorecard have big advantages than using other system.

Balance Scorecard also offers the company to have a detailed view of their performance by framing the strategic objectives within some area that become a company key of performance to be success. This area also called perspectives. There are 4 perspectives that are concerned by the Balanced Scorecard. There are the perspectives:

1. Financial- the generic measure for this area is the return on investment, and all economic value of the company
2. Customer- this area measure the satisfaction, retention, and also the market
3. Internal- The measurement of this area are the quality, response time, cost, new product, the production process etc.
4. Learning and Growth- This area measure the employee satisfaction and the information system availability.

Methodology

The company that becomes the research target is Garuda Chinese food. This company runs a family restaurant business. This restaurant established at May 2010 at Lodaya Street. The motto of this restaurant is to give the five star qualities for their customer with a low price. This restaurant now already runs for 6 months and have some regular customer that loyal to them.

To reach their target this company creates some business and marketing strategies. These Strategies try to attract more customers and also a new business partner. Garuda Chinese Food also opens a catering division. The catering menu of this restaurant can be chosen from the regular menu but also can use made by order system.

Garuda Chinese food is targeting the middle to low segmentation. This targeting based on the people at the surrounding area at Lodaya that

mostly middle to low segmented, and the low and middle segment product can be accepted by high segment with right taste and right branding. Thus, the middle and low segment is growing today. Garuda chinese food is targeting age 8-80. For low age customer they prepare some sweet food such as *ayam saus mentega* and for the elder, they prepare the “sup asparagus” and dimsum.

SWOT of Garuda Chinese food:

Strength, Garuda Chinese Food has a five star rate chef, best supplier, and great work system.

Weakness, the place is conventional, the rent price is high. *Opportunity*, The surrounding area is an urban area, so there are many delivery system targets. *Threat*, other restaurant around the area that have same target market with Garuda Chinese Food.

Company Vision

To become a dynamic and customer friendly family restaurant that gives the best service for the customer

Company Mission

- a. Create a new market that loves to delivery order in Lodaya Area
- b. Create a loyal customer through taste
- c. Gives the customer the new experience and amazing food
- d. Gives profit for the company to grow big enough

Problem Identification

The business and marketing strategies that Garuda Chinese food creates is not working properly. Some of the strategies cannot get the target or cannot reach the calculated result. Seeing this problem the marketing manager offer the Balance Scorecard system as the strategies measurement system to be implemented. However, some of the managers still have doubt of this system and want to test its effectiveness before fully using this system for their business.

Research Objective

The objective of this research is to evaluate the effectiveness of the Balance Scorecard system and prove how this system can generate a new and better strategy then before. This research is conducted to fulfill the vision of the company to give the best service for their customer.

If this system proved useful then this system will become a tool to generate new strategies to attract more customers and also gives this company a bigger income to grow bigger and bigger.

Literature Study

After decide the target, see the problem and decide the objectives, the next step is to do the literature study about the system and analyze the system to be implemented and proved in this research. The literatures that will be used are:

1. Journal
2. Text book
3. Article

Data Gathering

The data that will be used in this research are the data about the operation, marketing and also the sales from the company, before and after using this system.

Data Analysis

When the data collected, it will be compared each other to see the GAP between the performance before using and concern about the performance measurement system and after using this system and calculate how effective this system worked.

Implementation and Result

The first data that I gather at Garuda Chinese food is the implementation of Balance scorecard data. The balanced scorecard is start implemented in Garuda Chinese Food at December 2010. The data recording about the effect will be conduct in 4 months. Two months data about the restaurant growth before using the balanced scorecard system and two months after using balanced scorecard system. The implementation of the balanced scorecard will be using the basic measurement of three segment of business that has effect to Garuda Chinese food, since the management of Garuda Chinese food is still simple. These three segments are Finance, operation and marketing segment.

Finance Segment

In finance segment I will concern about the sales and how about increasing the profit for the

company. This segment will evaluate the financial condition of the Garuda Chinese Food and see the growth of financial sector. This part will be calculating the significantly of our strategy into our income.

Operation Segment

This segment will more be concern about the effectiveness of the operating system that Garuda Chinese Food doing. The goal of evaluating this segment is to makes our cost of operation and our waste become less. If we can maximize this segment, then our capital will be optionally used for the operating process.

Marketing Segment

This segment will evaluate how effective the marketing strategy we apply and how it can generate enough profit for the financial of company. This segment also can become a test for a marketing strategy, and shows how the strategy works. To implement this strategy, first of all we have to identify the main problem that happened in Garuda Chinese Food and set the measurement for that point that we have to concern. Here are the lists of point that will be concerned for Garuda Chinese Food.

Table 1. BSC part 1

Goal Area/ Perspective	Strategic Objective	Performance Measure	Unit of Measure
Finance	Increase Sales	sales per day	rupiah
	increase profit by tax percentage	amount of tax gap to get profit	%
	increase customer awareness	amount customer per week	unit
Marketing	increase the effectiveness of ads	amount of customer come with coupon in flyer the result of survey about ads	unit %
	reduce production cost	electricity & water cost price of raw material	rupiah rupiah
Operation		amount of waste time to deliver the food	% minute
	improve delivery service	amount of delivery order	unit

After we set the objective and the measure of the targeted result, we have to see the current condition of each measure and set the target for each measurement, so we can set the strategy we will use to fulfill the target. Here is the actual and targeted point condition:

Table 2. BSC part 2

Goal Area/ Perspective	Performance Measure	Target	Actual
Finance	sales per day	600.000	350000
	amount of tax gap to get profit	50%	10%
Marketing	amount customer per week	300	200
	amount of customer come with coupon in flyer	100	22
	the result of survey about ads	100% ware	10%
Operation	electricity and water cost	<300.000	310.000
	price of raw material	<1500000	1650000
	amount of waste	10%	25%
	time to deliver the food	<5minutes	6-10 minutes
	amount of delivery order	20/day	13-17

After knowing this sets of target and the measurement that Garuda Chinese Food have to fulfill, then the company starts to generate their new strategies. These new strategies included the new marketing method, which using internet, new rule on re-stock the ingredient, and new promotion for the customer.

Financial Result

Before implementation of the BSC system, the financial condition of Garuda Chinese food is bad. At the first month of data recording, Garuda Chinese Food only generate Rp. 85.050,- nett income. This amount is really low if compared to the investment made. Before the implementation, many of company strategies are failed. One of the failed strategies is the Friday madness promotion. Friday madness promotion concept is to gives a coupon for the customer every purchase of Rp50.000,-. This coupon can be used to buy carp dishes at really cheap price at Friday, but the strategy fail, because only a few customer want to buy more than Rp50.000,-.

Table 3. Financial Condition Before Implementation

Financial Aspect	Amount
product sales	10450800
fix cost	6000000
variable cost	5254300
other expense	120000
other income	1008550
nett income	85050

This month we still using the old flyer and using the old marketing strategies. We still have a loyal customer. However, we are not getting much new customer. The dine-in service is the biggest contributor in this month by contributes 60% of overall sales. The Nett income in this

month is really low because Garuda had a problem on pricing strategy. Garuda made a big mistake of calculate the price of raw material. The raw material costs 50,27% of the sales, and this is still big ratio for culinary business.

After the BSC implementation the financial condition is start to getting better. This condition can be happening because the new strategy is successfully running. This strategy is the time attack discount promotion. For every purchase at 11.00 to 14.00 every customer will get 10% discount. This promotion is successful because a lot of customer using this opportunity to get lunch, so at the lunch the restaurant will get a lot of order.

Table 4. Financial Review December 2010

Financial Aspect	Amount
product sales	13500700
fix cost	6000000
variable cost	6275000
other expense	135000
other income	1275500
nett income	2366200

December is the first month that Garuda Chinese Food using the balanced scorecard system as the performance measurement. In this month, Garuda Chinese food gains a lot of improvement. First, the increasing of revenue, and the decreasing at the variable cost that only cost 46,47% from the sales. This improvement makes the nett income increasing significantly. In this month Garuda Chinese Food also apply the tax and service charge, so the income is also increasing. The other expense is increasing because in this month Garuda Chinese Food add new TV unit and new Dispenser to improve their operational system and also gives the customer more added values to buy foods at Garuda Chinese Food. These strategy is generated after doing a mid month evaluation referring to the Balanced scorecard data. After see the data before and after the implementation we will see the different in financial performance of Garuda Chinese Food before and after the implementation.

Table 5. Amount Income Growth Comparison

System used	Amount of income growth
conventional	322650
Balanced Scorecard	1178300

We can barely see the growth that happens because implementing this new system. The growth is increasing significantly from only growing Rp. 322.650,- in a month to growing Rp.1.178.300,- in a month. In term of financial, we can conclude that the balanced scorecard gives a really significant effect for the company.

Operational Result

Before implementation of BSC at Garuda Chinese Food, the operation system is having a problem with the waste. This waste could be happening because of inaccurate restock system. This system miscalculated the average durability of ingredients. Some of the ingredient is having a low durability, for example some vegetables. The operation at the kitchen is also still not effective. There are still many of unnecessary action happen in kitchen.

Table 6. Operational Review October

Operational aspect	Performance
Waste	22%
average time of delivery	9.3 mins
average time of serving	3.7 mins
employee presence	85%

This is the first month of the research recording. At this moment the operation still did not makes improvement, because the system have not implemented yet. The waste level is still high, which is 22% of the total raw material. This high waste caused by the big purchasing and low stock flow. This condition makes many of raw material that have a little durability such as vegetables become rot. The employee presence is also still not good, this because the attendance list just created this month, so many of employee still ignore the attendance list

After implementation of the BSC system the waste is getting better. After evaluate the old system, the company come up with a new system that divide the restock system by the durability. Vegetables restock will be done in short period with a small amount of purchase, and the meat restock will be done in a long period with a big amount of purchase. This new system can decrease the waste of the operation system in Garuda Chinese Food.

Table 7. Operational Review December

Operational aspect	Amount
Waste	15%
average time of delivery	8.2 mins
average time of serving	3 mins
employee presence	90%

After implementation of the balanced scorecard system the waste is decreasing significantly. This phenomenon happened because after review at the balance scorecard in mid month, the operation director decides to lower the purchasing of raw material. the attendance become better because of the new rule that punish the late employee financially. This new rule is significantly changing the attendance. The delivery time can be increased because of the company decide to buy a bicycle for the delivery, so the delivery can be done much faster.

Now we will compare the growth of operational performance before and after implement the balanced scorecard system as the performance measurement. As we can see at the growth after using this system is bigger and more significant. The only problem is about the serving time that not working well. From Balanced Scorecard, the reason of this lack of service time is the number of employee, since more employee works as the delivery man now. However, the company decides not to increase the employee yet, so this increasing in average service time can be happened.

Marketing Result

In the marketing system we will see the effectiveness of the marketing strategy by using data of customer each week and the awareness of the customer to the restaurant. Garuda Chinese Food also regularly spread a flyer with a coupon, and this coupon will become the benchmark of the marketing performance too. At the first month of data recording, the awareness of customer is on the low condition. This condition caused by the restaurant layout and the marketing campaign that do not reach the target market.

Table 8. Marketing Review October

Marketing Aspect	Performance
customer per week	200
people acknowledge	10%
amount of coupon back	22%

In marketing, the aspects that will be measure are the number of customer, the people acknowledgement and the number of flyer coupon that get back to the restaurant. At every flyer, Garuda Chinese Food attaches a discount coupon to attract new customer. However, only 22% of the coupons in the flyer return back to the restaurant. Also, people acknowledgement about Garuda Chinese food is really low. Based on the monthly market awareness research only 10% of the customers know Garuda Chinese Food. This means many of the marketing strategy that did not reach the customer. After evaluating the system by see the BSC result, some of the strategy is re planned. The restaurant is tried to use the push strategy instead of pull strategy. This strategy makes a big difference in customer number, but only affect a little at the customer awareness. The new flyer is also prepared in this month to attract more customers.

Table 9. Marketing Review December

Marketing Aspect	Performance
customer per week	300
people acknowledge	15%
amount of coupon back	30%

After implementation, the improvement is already seen. Restaurant gets 100 more customers in two month and the acknowledgement is getting better now. This can be happen because the company decides to create and using new flyer that fresher and more attractive, so people acknowledge more. That’s theory is also supported by increasing number of coupon back to the restaurant.

The restaurant this month is makes a big decision. The restaurant is creates a “carp madness promotion” It gives 50% discount of carp dishes but gives minimum purchase at every transaction. This promotion is only for dine in transaction. This campaign increases the awareness of the restaurant significantly. This increased awareness gives restaurant a boost of order in delivery order, so the income is increased dramatically.

Evaluation

BSC system that implemented in this restaurant works well. Most of the evaluated strategies are

getting better. In the finance area, the new strategy for increase profit is works well. The income is increasing significantly and can give the restaurant enough profit to keep survive. The time attack strategy can attract a lot of customer to come and also increasing the dine in contribution in profit..

At operation system, the BSC can find the problem of the current restock system. The old system is tried to keep the stock on hand, so the out of stock will not occurs. However, after evaluate the system and see the BSC about operation to decrease waste, then the restaurant change the system to decrease the waste. The divided restock system is applied to the operation system. This system works well and decreases the waste by 8% in 4 month.

At the marketing division, the BSC see the lack of awareness from customer to the restaurant, which is the reason of the special promotion “carp madness” to be created. After using this new promotion the awareness increased significantly, and this increasing in awareness, is affect the income of the company. Overall, the BSC system is works as the personal controller and evaluator of the company strategy that created. This evaluation gives company the foresight about what is the next step that company should take.

Conclusion

Balanced scorecard is one of the easiest and most effective tools to use at the company to review their performance. Balanced Scorecard help the company to evaluate and find an action they have to do to overcome the problem. After conduct research at Garuda Chinese Food, the mangers of Garuda Chinese Food should not have doubt anymore, because the result of the research is very good.

Balanced scorecard implementation in Garuda Chinese Food proves that the performance measurement system can become a really important part of company.

Garuda Chinese food is a growing stage business. It will face many more problem and obstacle in the future. Using balanced scorecard can help the management to keep evaluating and anticipate the problem and obstacle that will be come. Increasing the awareness of the target and re evaluating our actual position is a common sense of all company. However,

Balanced Scorecard helps us to see that things better.

Balance Scorecard is only a tool to evaluate the strategy and the performance of a company, the one that changes the performance is the new strategy generated by evaluating the Balance Scorecard. The recommendation for Garuda Chinese Food is to always create new strategies to keep growing. The further evaluation and data recording is also needed to keep the condition of company stable in the future.

References

Bangsawan, L. (2011, June 9). *Jobless is not End of Your Life*. Retrieved June 2011, 2011, from <http://business.wikinut.com/Jobless-is-not-End-of-Your-Life/2kkgg6ka/>

Cobbold, I. and Lawrie, G. (2002a). “The Development of the Balanced Scorecard as a Strategic Management Tool”. Performance Measurement Association 2002

Maisel, L.S., “Performance measurement: the balanced scorecard approach”, *Journal of Cost Management*, Vol. 6 No. 2, 1992, pp. 47-52. <http://v6dev.2gc.org/pdf/2GC-FAQ01-090216.pdf>

http://www.valuebasedmanagement.net/method_s_balancedscorecard.html

http://www.activestrategy.com/strategy_executi on/balanced_scorecard_basics.aspx

http://www.businessballs.com/balanced_scorec ard.htm

http://tutor2u.net/business/marketing/promotion _pushpull.asp