

CHAPTER 1

INTRODUCTION

1.1 Background

PT. Budi Acid Jaya is the biggest player in agri-business market in Indonesia, with 23.1% market share. Compare to other competitors in the same business sector, PT. Budi Acid Jaya has left the others far away behind, and it seems like no one could catch up. But the real problem is BAJ doesn't have any performance measurement system to measure the state of their current performance and to manage the strategy. Though BAJ could be said as the main and the toughest player, but it is really important for the company to understand strategy and to inline with the desire outcomes of the company. One concept for the company to understand is by using balanced scorecard, as Turner says "Its use is widespread among large companies; a survey of 1,430 executives globally revealed that 53% of companies use some form of the BSC."

The main reasons for PT. Budi Acid Jaya needs to implement the BSC is to maintain their state as the main player in the market, and also to control over their strategy continuously. It is also very important for a company to have a good image in people's mind. Thus it also gives many advantages to the company if the company is in a good performance and takes responsibility to the surrounding environment. From the views of consumers proved that quality is an important aspect that brings a company into success.

Measuring and maintaining the performance of a company is very important for managers, to evaluate and plan for the future. Some of the information is used in the systems which were prepared in order to ensure that the work has been done effectively and efficiently. Thus the process of the company's performance growth is always measured through: formal and informal information, information control tasks, budget reports and non financial reports, usage reports and cost control, employee performance reports and so on.

Performance measurement is an act against a variety of activities conducted by the company. The result of these measurements will be able to provide the state and information about the company.

"A number of studies have been published examining which are the most popular tools. Recently, it has been suggested that as a strategy tool, the BSC can influence all elements of the strategy process" (Dyson, Tapinos, & Meadows, 2011)

BSC was made to develop objectives and measures the performance of the organization. The goals set in the balanced scorecard are divided into four perspectives (Kaplan & Norton, 2001) namely:

1. Financial Perspective
2. Customer Value Perspective
3. Internal Business Process Perspective
4. Learning and Growth Perspective

The four categories are interrelated in causal relationships that depend on each other, and they act as a way to translate the strategy into action. Balanced scorecard provide an easy language that make the workers understand and inform them about the objectives and factors that could drive the company into success for current and future.

Overall, the balanced scorecard approach is considered to provide a framework that appropriately explain and describe the vision, mission, and strategy of a company. In this case, PT. Budi Acid Jaya Tbk. is one of the largest business groups within agri-business sector in Indonesia. Though PT. Budi Acid Jaya Tbk. is a big company, but through the interview, the information confirm that the company doesn't have any balanced scorecard system applied.

1.2 Problem Formulation

Current problem being faced by the companies:

Along with the Company's plan and strategy to increase the utilization of product on capacity, during 2009, the company has formulated a strategy and taken several steps to supply the cassava to its factories. By the increase of tapioca starch product on the volume which is also increased the volume of sales by 36% and contributed to growth in sales value during 2009, but the fact that the average selling price of tapioca starch in 2009 was lower than the selling price in 2008.

Currently, PT. Budi Acid Jaya has not been using the balanced scorecard as a tool to measure their performance, and the problems encountered in the use of this

measurement system that were used by the company was not maximum yet. So in this case study, it is expected to be beneficial for the company.

Some problems in this case that needs to be studied in PT. Budi Acid Jaya Tbk., namely:

1. How effective are the existing performance appraisal system currently in PT. Budi Acid Jaya Tbk.?
2. How PT. Budi Acid Jaya could improve their current control system in using Balanced Scorecard implementation?

1.3 Objectives

In this case study, in order to set some goals to answer the problems, these objectives are stated to align the problems with the end result of the final report. And the purposes of the writing are:

1. To determine the performance appraisal system that is currently in the PT. Budi Acid Jaya Tbk.
2. To improve the control system in PT. Budi Acid Jaya by using Balanced Scorecard implementation.

1.4 Benefits

The result of the writing is expected to be useful for:

1. For Companies:

As input for the management of PT. Budi Acid Jaya Tbk. to implement the method of balanced scorecard for performance measurement system.

2. For other parties:

Could be use as additional reference material and knowledge for students and others who want to learn about the concept of balanced scorecard.

1.5 Research Method

The study used in this case is descriptive method and case study approach. Descriptive method aims to describe the nature of something that was in progress at the time the research was done (Rangkuti, 2001).

The study began with a theory of balanced scorecard method as a starting point of thinking. And the secondary theory would be the theories or methods of strategy. Facts, data and information obtained during the study will then processed, analyzed and the conclusion drawn on the basis of current theories.

From the initial information by conducting interviews at PT. Budi Acid Jaya Tbk. there are some problems that need to be fixed for a better future performance. In accordance

with the issues that have been said previously, the scope of this study was limited and focused on:

1. The main problem that is the need of balanced scorecard system for PT. Budi Acid Jaya Tbk.
2. Vision, mission and strategy of the company.

In this study, data used were two years from 2008 to 2009 as a measure of performance.

The data collection techniques used in this study is as follows:

- a. Bibliographical studies and documentation:
 - 1) The data collecting techniques obtaining via references, papers, journals, articles, and any other reading material or books that support and related to the topic and the writings of this thesis.
 - 2) Documentation of data collection techniques by using document relating to the problem examined.
- b. Field study:

Observation of the data collection techniques are carried out by collecting data and information by directly interviewing the manager and other parties if necessary of PT. Budi Acid Jaya Tbk.

1.6 Thesis Structure

This case study was made in a structure describe in a framework as follows:

Chapter 1 INTRODUCTION

This chapter contains an overview of study based on early background of the problem, the scope of the problem, objectives and benefits, case and systematic methods of study used.

Chapter 2 THEORETICAL FOUNDATION

This chapter describes the concepts and theories related to problem-solving methods that are discussed in the case, namely the measurement and assessment of corporate performance using the balanced scorecard model developed by Kaplan and Norton.

Chapter 3 COMPANY PROFILE

This chapter contains company history, business activity, organizational structure and development issues experienced by the company.

Chapter 4 DISCUSSION AND ANALYSIS

This chapter describes the process of analysis and evaluation of the performance measurement system based on the concept of balanced scorecard. Furthermore, the

model made the design of performance measurement systems for PT. Budi Acid Jaya Tbk which has adopted the balanced scorecard concept. The results from the formulation are then analyzed to identify the strength and weaknesses of the systems that have implemented the balanced scorecard concept.

Chapter 5 CONCLUSION AND RECOMMENDATION

This chapter provides the final summary of results of analysis that includes the case study process and results, and provides advice based on research results that are expected to be benefit for the development of the company.