Islamic value to the modification of BSC model (a case study in evaluating company performance)

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Abstract. Halal is the key word for the Muslim community in consuming goods or services. Providing halal products is the main focus for companies with the largest consumers from the Muslim community. Halal is not only from the ingredients but also from the process in its production. The purpose of this study is to design a model of performance measurement for a company in order to provide halal products. Balance Score Card (BSC) is used as a framework. BSC as a performance measurement system has advantages not only focus on financial aspect but also non finance. Islamic values are incorporated into four perspective of BSC. They are: Selection of sharia financial institutions in financial perspective, payment method by consumer in consumer perspective, number of product with halal certificate and menu clarify in internal business process perspective, then accuracy of payroll time in learning and growth perspective. The modified BSC model obtains 17 Key Performance Indicators (KPI). The model is applied in a culinary industry (restaurant). Structured questionnaires and scheduled interviews are used to collect the important data. The result show that these industry fail to meet 8 from total 17 KPI so performance achievement is only 70.81%, and only reach 22.58% in Islamic value aspect. This is recorded by the company as an input to improve their performance in order to compete in halal food business.

Keywords: Modified, BSC, Islamic values, Halal, Culinary

1. Introduction
Fashion, food and housing is a basic need of people. Thus, as man's physiological needs are adequately fulfilled, he will develop safety needs [4]. Therefore, business in this sector will always increase and develop at any time. Restaurants as the driving force of the food business as human daily needs are included. Food for Muslims is very important. Every Muslim must make sure what they eat is in appropriate with the religion rules or in other terms called Halal. Thus, food that are made of/or contain liquor, pork, blood of dead animal become Haram for the Muslims [9]. With a large number of restaurants, encourage all parties -like owner, government, Islamic institution- to concern on food issues, so it will be saved to be consumed by everyone. On food products, halal is not only related to the ingredient of the food, but also the business process to make that product.

The concept of halal must be completely understood by consumers or managers to achieve a good quality of life. The demand for halal food needs to be responded by the business owner. In the halal food industry began to develop - especially in Asian countries - halal standardization, traceability system and halal science center [11]. All processes to produce products especially for the needs of Muslim consumers must meet the halal criteria. The halal criteria are from the nature, origin, and method of processing the product made [5]. Every company engaged in the field of food should pay attention to all aspects of the business process to ensure halal products presented. This research is not
only focus on calculation how many products are guaranteed as a halal food with the logo of halal from legal institution but also concern to measure how some principles in Islam can be applied in the whole process to serve a product for customer. In the rule of Islam, it is called by Thoyyib. That is why, in the rest of this paper the halal words is changed to Islamic value in order to avoid misunderstanding.

Restaurants as a kind of food company needs to measure their business performance to know and measure whether they have proceed with principles of Islamic value or not. To measure the performance, there is one method of planning and implementation that can be approached to, it is Balanced Scorecard method (BSC). Numerous companies and industries have adopted BSC, which meets several management needs. Numerous companies and industries have adopted BSC, which meets several management needs because it can evaluate any organizations by using not only financial indicators but also considering non-financial indicators. (BSC) methodology focuses on major critical issues of modern business organizations: the effective measurement of corporate performance and the evaluation of the successful implementation of corporate strategy. Principles of Islamic value can be added as some indicators in BSC perspective. So that we get the modified BSC that contain some Islamic value.

Many previous studies used a modified BSC to measure company performance. Modified BSC using sustainability concept was used to assess relationships between CSR and business performances to support the goals of the case hotels. Modified BSC using Fuzzy Multiple Criteria Decision Making (FMCDM) approach was develop to size a banking performance evaluation. BSC and AHP were also combined to measure a telecommunication company. BSC was not only used to measure company performance but also can be used to select supplier. BSC is common and suitable method to present performance of company because it can be applied not only organization but also in non-organization. BSC also success implemented in some sectors of organization like educational, IT, SME, medical, hotels, etc.

The aim of this research is to build a modification model of BSC with Islamic value indicators. This modification BSC is designed to fulfil the requirement of performance measurement that need halal aspect in it. Then, the next step is applying the model in a case study to measure the performance of a food company. Performance resulted is used to suggest the improvement for the company.

2. Method

2.1 Key Performance Indicators (KPI)

KPI is formulated from some previous literature. Using four BSC perspective, KPI is developed into 17 indicators. Islamic values is inserted and combined with original indicators in each perspective of BSC. In financial perspective, Islamic value is interpreted into one indicator. It is percentage or Sharia Bank used. In customer perspective, there is percentage of order transaction as Islamic value. Islam teach its adherent who do buy and sell activities to pay the price upfront. Those rule could represent Islamic value in customer perspective. Learning and growth perspective brings three indicators as representation of Islamic values. There are 1) Percentage of defect product, 2) Percentage of Halal Certified Product, and 3) Clarity of the menu. The last perspective, internal business process perspective covers one Islamic value. It is called payroll time. Payroll time is the time when a worker is paid, this indicator is one of the factors of employee satisfaction. A good paying time according to Islam is timely in accordance with the employment agreement.

2.2 Data Collection

There are 17 modified KPI in four perspective of BSC. The next step is collecting data to measure achievement of each indicators. Data is collected from several different ways depend on its indicator. Questionnaire, interview, and document collection is developed to collect all the data needed. Technique to collect data for each indicators is shown in the following table:
Table 1. KPI and Data Collection Method

| Perspective            | Strategic Target                  | Key Performance Indicator (KPI) | Lagging Indicator       | Leading Indicator        | Data Collection Method |
|------------------------|-----------------------------------|--------------------------------|-------------------------|--------------------------|------------------------|
| **Financial**          | Increasing Sales                  | Sales Growth                   | Sales Worth             | Net Income               | Document               |
|                        | Company Ability To Earn Net Profit| Net Profit Margin             | Sales                    | Net profit               | Document               |
|                        | Measuring Profitability Level to  | Return On Equity              | Investment              | Number of Bank           | Document               |
|                        | Capital Investment                |                                |                         |                          |                        |
|                        | Selecting Sharia Financial Banking| Percentage of Sharia Banking   | Number of Bank           |                          | Document               |
|                        | Increasing Customer Satisfaction  | Customer Satisfaction Index    | Customer Satisfaction   |                          | Survey                 |
|                        | Measuring Payment Order System    | Percentage of Upfront Order   | Number of Order         |                          | Survey                 |
|                        | based on Islamic Value            | Transaction                    | Payment                 |                          |                        |
|                        | Increasing Product Quality        | Defect Product                 | Number of Defect Product|                          | Survey                 |
|                        | Increasing Service Quality        | Service Time                   | Customer Service Time    |                          | Survey                 |
|                        | Measuring Payment Order System    |                                |                          |                          |                        |
|                        | based on Islamic Value            |                                |                          |                          |                        |
| **Customer**           | Increasing Innovation             | Innovation in Menu             | Number of New Product    |                          | Interview              |
|                        | Increasing Customer Trust         | Halal Certified Product        | Number of Halal Certified Product |                          | Document               |
|                        | Increasing Menu Clarity           | Clarity of Product Menu        | Number of Menu With Price List |                          | Document               |
|                        | Increasing Employee Capability    | Employee Training              | Employee Soft Training   |                          | Interview              |
|                        | Increasing Employee Motivation    | Employee Retention             | Employee Hard Training   |                          | Interview              |
| **Learning and**       | Measuring Payroll Accuracy        | Employee Payroll Accuracy      | Payroll accuracy time    |                          | Survey                 |
| **Growth**             |                                   |                                |                         |                          |                        |

3. Result

3.1. Measuring KPI Performance

3.1.1 Financial Perspective

In financial perspective, there are four indicator to be measured. Sales growth is measured from the formula below:

\[
Sales Growth = \frac{Sales (Th-x) - Sales (Th-x)}{Sales (Th-x)} \times 100\% \tag{1}
\]

The data from company document and sales growth calculation is shown in the following table:
Table 2. Sales Growth Average Calculation

| Year | Sales          | Sales Growth (%) | Average Sales Growth |
|------|----------------|------------------|----------------------|
| 2013 | Rp 5.311.000.000,- | -                | 41.45%               |
| 2014 | Rp 7.620.000.000,- | 43.47%           | 41.45%               |
| 2015 | Rp 10.625.000.000,- | 39.43%           |                      |

The second indicator is net profit margin. Measuring this indicator uses the formula below:

\[
Net \text{ Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100\%
\]  

(2)

Data from company document and net profit margin calculation is shown in the following table:

Table 3. Net Profit Margin Average Calculation

| Year | Net Profit | Sales          | Net Profit Margin | Average |
|------|------------|----------------|-------------------|---------|
| 2013 | Rp 570.900.000,- | Rp 5.311.000.000,- | 10.74%           | 10.88%  |
| 2014 | Rp 806.400.000,- | Rp 7.620.000.000,- | 10.58%           | 10.88%  |
| 2015 | Rp 1.202.800.000,- | Rp 10.625.000.000,- | 11.32%           |         |

Return of Equity (ROE) as third indicators is measured from percentage of net profit to capital investment. All data from company and ROE calculation is shown in the following table:

Table 4. Return of Equity Calculation

| Year | Laba Bersih | Modal         | ROE       | Average |
|------|------------|---------------|-----------|---------|
| 2013 | Rp 570.900.000,- | Rp 1.468.000.000,- | 38.88%   |         |
| 2014 | Rp 806.400.000,- | Rp 2.141.000.000,- | 37.66%   | 42.50%  |
| 2015 | Rp 1.202.800.000,- | Rp 2.359.000.000,- | 50.98%   |         |

The forth indicator in financial perspective at once as a representative of Islamic value is percentage of Sharia Banking Used. This company deposits its capital in three different bank. None of these bank is categorized as sharia bank. So, performance for this indicator is 0%.

3.1.2 Customer Perspective

Customer perspective brings two KPI in it. The first is customer satisfaction. Questioners are spread to measure the score of this indicators. From 50 questioner with 28 question using RATER aspect, 49 are valid. 76.2% from customer felt satisfy with the company service. But, because the target from the company itself is 95%, it can be said that the company still under the target. The second KPI is Percentage of Upfront Order Transaction. In Islamic value, customer is suggested to pay the order in front of transaction. In this restaurant case, customer should pay the order before they eat their food and drink. The target of this indicator is 100% but in this company all order is paid in the back. So, the achievement of this indicator is only 0%.

3.1.3 Internal Process Business Perspective

In the perspective of internal business process there are five indicators covered to show company performance. That are product defect, service time, innovation menu, percentage of halal certified product and product menu clarity.

There is no defect food and drink served to the customer, so the achievement in this indicator is 100%. In KPI service time, primary data is taken by counting service time in 30 sample order. Service time average is 9.6 minutes from target 15 minutes. But from 30 data, there are 4 service order more than 15 minutes. So the achievement of this indicator is only 83%. Next KPI is innovation in menu. Every
year, this company committed to create one new menu. This commitment is achieved by company. So the score for this KPI is 100%. The last KPI is clarity of menu. This is belong to Islamic value KPI because in Islamic rules sale and purchase must be done on the basis of clarity. Knowing number, type, and price of food and drink represent its clarity. From 51 kind of food and drink in menu, there is only 27 written with explanation of price. SO the performance of this KPI is 52.94%.

3.1.4 Learning and Growth Perspective
This perspective covers the most number of KPI. The first is number of employee training. There are two kind of training. The company provides not only hard skill training but also soft skill training like teamwork and spiritual training. By providing this two king of training, the company could reach 100% performance for this KPI. The second is about employee retention. To measure employee loyalty this formula is used:

\[
\text{Employee Retention} = \frac{\text{Employee Resign}}{\text{Number of Employee}} \times 100\% \tag{3}
\]

All data about employee and retention calculation is shown in the following table:

| Year | Number of Turnover | Number of Employee | Employee Retention | Average |
|------|--------------------|--------------------|--------------------|---------|
| 2013 | 0                  | 131                | 0,00 %             |         |
| 2014 | 3                  | 128                | 2,34 %             | 1.31 %  |
| 2015 | 2                  | 126                | 1,58 %             |         |

The company target for this KPI is 0% of retention, so it can be said that the company still could not fulfill the KPI. The third is Employee satisfaction. About 15 employee were questioned by questioner and the level of satisfaction is 75.42%. The fourth KPI is work accident. For the company record there is no work accident along last three years. SO that the performance of this KPI is 100%. The fifth is employee productivity. This formula is used to calculate it:

\[
\text{Employee Productivity} = \frac{\text{Nett Profit}}{\text{Number of Employee}} \tag{4}
\]

The calculation of employee productivity is shown in the following table:

| Year | Number of Employee | Number or Resign Employee | Nett Profit | Employee Productivity |
|------|--------------------|---------------------------|-------------|-----------------------|
| 2013 | 131                | 0                         | Rp 570.900.000,- | Rp. 4.358.000  |
| 2014 | 128                | 3                         | Rp 806.400.000,- | Rp. 6.300.000  |
| 2015 | 126                | 2                         | Rp 1.202.800.000,- | Rp. 9.546.000  |

To know the level of productivity, inflation level is used as comparison. Along 2013 to 2015 the inflation rate is 3%. The average growth of employee productivity from 2013 to 2015 is 48.04%. From these comparison it can be conclude that company is success to fulfill the KPI. The last KPI is belong to Islamic value indicator. It is employee payroll accuracy. Not all of the employee feel satisfy with the payroll system. From the questioner, it is known that there are 6 from 15 employee feel unsatisfied with the payroll time. It means that performance of this KPI is only 60%.
3.2 BSC Score
From all analysis above, it can be calculated the performance score of the company as shown in the following table:

| Perspective                | KPI                                | Target | Performance | Score |
|----------------------------|------------------------------------|--------|-------------|-------|
| **Financial**              | Sales Growth                       | 5%     | 41.45%      | 100%  |
|                            | Net Profit Margin                  | 5%     | 10.88%      | 100%  |
|                            | Return On Equity                   | 12%    | 42.50%      | 100%  |
|                            | Selecting Sharia Financial Banking | 100%   | 0%          | 0%    |
|                            | Customer Satisfaction Index        | 80%    | 76.20%      | 95.25%|
| **Customer**              | Percentage of Upfront Order        | 100%   | 0%          | 0%    |
|                            | Transaction                        |        |             |       |
|                            | Defect Product                     | 0%     | 0%          | 100%  |
| **Internal Business Process** | Service Time                      | 15 min | 9.6 min     | 100%  |
| **Learning and Growth**   | Innovation in Menu                 | 1      | 1           | 100%  |
|                            | Halal Certified Product            | 100%   | 0%          | 0%    |
|                            | Clarity of Product Menu            | 51     | 27          | 52.94%|
|                            | Employee Training                  | 100%   | 100%        | 100%  |
|                            | Employee Retention                 | 100%   | 1,33%       | 1,33% |
|                            | Employee Satisfaction Index        | 80%    | 75.42%      | 94.27%|
|                            | Work Accident                      | 0%     | 0%          | 100%  |
|                            | Employee Productivity              | 3%     | 45.20%      | 100%  |
|                            | Employee Payroll Accuracy          | 100%   | 60%         | 60%   |
| **Total Score**            |                                    |        |             | 70.81%|

4. Conclusion and Discussion
The focus of this research is to measure the company's performance. The results are only relevant for the case study object. Assessment elsewhere will certainly produce different results. Overall prioritization weights of criteria and sub-criteria. This study applies modified BSC that subscribed in determining the performance indicators within each perspective as financial, customer, internal, and company learning and growth as measures of organizational performance. Every perspective contains Islamic value indicator as a part of modification. Result from calculation shows that the company performance is in 70.81%. This score is quite good because still in range 60-80%. But if seen in the achievement of Islamic indicators, from the five indicators, this company is only able to achieve performance 22.58%. This score is categorized as bad category. The results obtained from the calculation have shown to a fact of a real-life problem. A big food company in majority moslem environment is not yet focus on the Islamic operation process. If the company want to fulfil their performance based on Islamic value, they have to repair from the failed indicator. Understanding the impact of each failed indicator may also help management of the company to develop their business as well. First step as a restaurant, the company should register their product to Indonesia Ulema Council (Majelis Ulama Indonesia-MUI) as the only one legal institution who have a legacy to issue halal food certificates. Next step is fixing the business process in internal operation like clarify information to consumers about products written on the menu, pay all the employee salary on time, and starting to use sharia bank as their partners.
However, there are still some limitations of this research and it can be develop in future. First, the KPI that represent Islamic value are only limited in to 6 indicators Next research can develop more indicator related with Islamic value. This can make the modification BSC model more comprehensive. Second, the weight of every indicators is assumed equal. In the real fact, it is possible if the owner or the decision maker feel that some indicators are more important than others. Multi Criteria Decision Making (MCDM) model like TOPSIS, AHP, or ANP can help to weighting the indicators [18]. Weighting process can give suggestion which indicator is prioritized to be improved.

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