

## **Design of a Balanced Scorecard on Nonprofit Organizations (Study on Yayasan Pembinaan dan Kesembuhan Batin Malang)**

Syalom

*Student of Magister Program of Management, Faculty of Economics and Business  
Brawijaya University Malang*

---

**Abstract:** *Yayasan Pembinaan dan Kesembuhan Batin (YPKB) is a nonprofit organization engaged in social and religious. As a foundation dealing directly with the public is necessary to take measurements of the performance strategy. Performance measurement use to sustain its social activities by optimizing all resources for improving public services. Balanced Scorecard can be used to measure performance in nonprofit organization. The results showed that Yayasan Pembinaan dan Kesembuhan Batin (YPKB) strategic objectives from four perspectives Balanced Scorecard are: (1) donation growth, (2) budget effectiveness, (3) customer satisfaction, (4) customer complaints, (5) reputation of the foundation, (6) service quality, (7) innovation, (8) ability of employees, (9) employee satisfaction, (10) retention of employees. Based on weighting result, Customers perspectives obtain the highest weighting and financial perspectives obtain the lowest weighting. This suggests that the foundations according to the vision and mission provide a higher level of importance to the public service compared to the increased growth of the donation. A limitation of this study is Yayasan Pembinaan dan Kesembuhan Batin (YPKB) engaged in social and religious aspect, so it is necessary to do research of performance measurement using Balanced Scorecard on nonprofit organizations in other social fields.*

**Keywords:** *nonprofits, balanced scorecard*

---

### **I. Introduction**

The nonprofit organization is an organization that primary purpose is to support an issue or subject in attracting public attention for a non-commercial purpose, without any attention to the things that are for profit (monetary). Thus an organization called non-profit organization if it does not make a profit as the main goal when established (Salusu, 2006:27). Foundation in Law 16 of 2001 article 1, paragraph 1 states that the foundation as a non-profit organization is one of the business activity, defined as a 'legal entity' which consists of wealth are separated and destined to achieve certain goals in the areas of social, religious, and humanitarian, who did not has members.

Foundation as a nonprofit organization dealing directly with the public is essential to measuring the performance of the strategy. Foundations should always maintain the continuity of its activities by optimizing the use of all its resources in improving public services. Strategic planners agree that evaluating the strategy is very important for the life of the organization; timely evaluation may warn the management for any problems or potential problems before it becomes critical (David, 2009:500).

One of measure that can be used non-profit organizations in the evaluation of strategy is the Balanced Scorecard, this method translates the vision and mission into objectives and measures are structured in four perspectives, are financial, customer, internal business processes, and learning and growth (Kaplan and Norton, 2000: 22). Balanced Scorecard can help an organization to translate vision and strategy into action by utilizing a set of financial indicators and non-financial, all of which are connected in a causal relation (Luis and Biromo, 2007: 18). While Gaspersz (2006: 3) states that the Balanced Scorecard is a management system for companies to invest in the long term on customers, growth and learning of workers, including management, internal business processes (system) is intended in order to obtain results in financial terms that allow the development of the business organization rather than managing the bottom line to spur short-term results.

Balanced Scorecard provides a framework and language to communicate the mission and strategy and use the measurements to provide information to employees about the factors that drive the success of current and future so that leaders can direct the organization's existing human resources to work specifically moving towards achieving long-term goals.

Four perspectives that are part of the Balanced Scorecard, among others

- a. Financial perspective
- b. Customer perspective
- c. Internal business processes perspective
- d. Learning and growth perspective

By using four perspectives or existing instruments, Balanced Scorecard may serve as strategic planning

tool to translate the vision, mission, objectives, basic beliefs, basic values, the key to success to success, and strategy into objectives as well as benchmark a comprehensive strategy, coherent, measurable and balanced (Kaplan and Norton, 2000).

Kaplan and Norton (2000: 169) added four stages to be undertaken by the company to use the Balanced Scorecard known as the four components of strategic management system are:

1. Formulating, transforming the vision and strategy of the company
  - *Shared Vision is the foundation for strategic learning.*
  - *The strategy is the starting point or reference for the overall management process.*
2. Communicating, linking the goals and benchmarks strategic management.
  - The entire target company should be aligned from upper management to the people at the bottom.
  - Education and open communication about the strategy is the basis for the empowerment of employees.
  - Compensation system must be connected from the strategy.
3. Planning, setting targets, and aligning the strategic initiatives.
  - Stretch Targets created and approved.
  - Strategic initiatives are clearly identified.
  - Investment determined by the strategy.
  - The annual budget linked to long-term planning.
4. Enhancing feedback and strategic learning
  - Feedback system is used to test the hypothesis in which the strategy is based.
  - The establishment of a team problem solving.
  - Strategy development conducted sustainable.

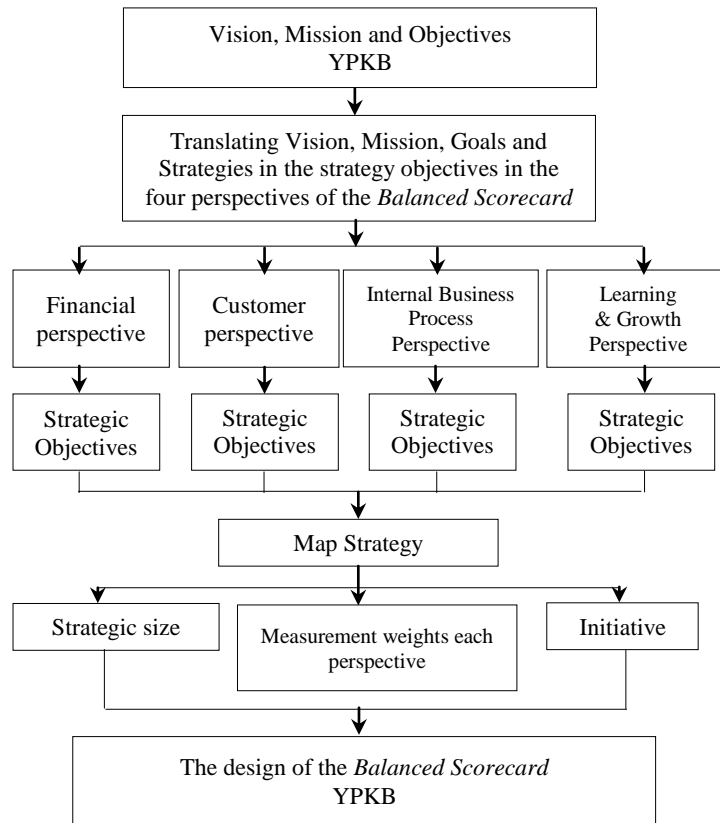
Balanced Scorecard was originally used by the organization or company profits, but in its development the method can also be used on non-profit organizations. Of course, these changes require adjustments from the original concept of the Balanced Scorecard. On profit organizations of financial perspective is the original purpose, being the non-profit organizations customer satisfaction is the goal of beginning. Nevertheless, research on the application of the Balanced Scorecard as a performance assessment tool is still rarely done so interesting to study further application in non-profit organizations (Rohm 2003).

From the perspectives of the Balanced Scorecard can be seen that each perspective interplay and united with a vision and mission that became a hold together. In a non-profit organization as a Balanced Scorecard performance measurement methods need to understand that each perspective has a weight of each priority that must be considered. Regardless of which perspective has the highest weight some previous research states that the customer's perspective is an element that should be prioritized in nonprofit organizations. Perspectives on the customer is then made Balanced Scorecard suitable to be applied in a non-profit organization because of the non-profit organization, the customer becomes an important concern (Larsson and Kinunnen, 2007).

However unlike the theory that there are researches at *The Rehabilitation Center* in the field of rehabilitation suggested that the level of interest from the customer perspective and financial perspective is the same (Martello, 2008). In the profit organization's financial perspective is important because the higher *net income*, the better the performance but in the case of this study is based on considerations that *The Rehabilitation Center* at the time was experiencing a financial crisis so score weighting from a financial perspective becomes equal to the financial perspective.

Based on the above phenomenon appears the desire of researchers to conduct research on the evaluation of the strategy by implementing the use of the Balanced Scorecard. Implementation of Balanced Scorecard in nonprofits assessed accordingly because Balanced Scorecard provides an overview not only of the financial organization's quantitative, but also qualitative non-financial terms. This is in line with non-profit organizations that are not only used as financial perspective measures of performance, but the service tends to be qualitative and nonfinancial. Researchers also want to examine further the level of importance of the Balanced Scorecard perspectives. We hope this research can have an impact on improving performance *Yayasan Pembinaan dan Kesembuhan Batin here in after abbreviated YPKB*.

**Figure 1. Conceptual Framework Research**



Source: Secondary Data, 2014

## II. Research Methods

This type of research used in this research is descriptive. The research was conducted within the YPKB. This object was taken because the YPKB is a nonprofit organization that has the vision, mission, and has implemented a strategic management process. So it is necessary for the performance evaluation shows the extent to which the vision, mission and strategy of the Foundation can be achieved. The Appropriate instruments to measure evaluation performance YPKB is the Balanced Scorecard. The research was conducted in the year 2014-2015.

Informants in this study is the founder of YPKB and YPKB chairman, the selection of informants was based master entire service programs as well as the problems experienced by YPKB well in the past, the present, and in the future as well as control of the whole business planning, program, budget, staffing, as well as the overall management of the foundation.

Method of data collection is interview, documentation, and literature. Strategy evaluation tool used is the Balanced Scorecard and methods of weighting each perspective of the Balanced Scorecard using paired comparison Method.

## III. Discussion

### 3.1 Strategic Targets

The strategic goal is a certain ideal conditions to be achieved by the company in the future by using strategies are predetermined based on various considerations that exist. Target strategies are more specific of the vision and mission of the organization.

**Table 1. Vision and Mission of YPKB**

Vision	Develop Mandate Lord Jesus; make all nations disciples of the Lord.
Mission	1. Serve with the full truth and mercy to those who are crushed and heartbroken. 2. Bring everyone to the introduction of privately with the Lord so as to have strong self-confidence and self-correct images.

Source: Secondary Data, 2014

The organization will determine strategic targets are a top priority and have a direct positive influence on other strategic targets in developing the service to the community. From the above mission can be defined strategic targets of the company, thus assess the performance of the company required outcome indicators are a benchmark to determine the success of the organization in realizing target existing strategy. Therefore, the researchers shared resource determining key indicators as a means to evaluate the overall performance of the foundation.

### **3.2 Financial perspective**

Benchmarks to assess the success of the Recovery and Healing Mind Foundation in achieving its strategic objectives, namely:

a. The increase in the growth of donations

Given YPKB is a non-profit organization; profit is not the purpose of the foundation but to carry out the operations necessary donations from the public. Therefore, the priority target of the strategy is to improve the growth of donations. Outcome indicators used to measure the success rate YPKB can be seen from the percentage increase in donations from year to year.

b. Effectiveness the use of budget

Growth in profitability was considered essential to meet the interests of the foundation services as much as possible. Advantages can be used to measure the effectiveness and efficiency of the foundation.

### **3.3 Customer perspective**

Patients and their families play an important role in the foundation, because the service of the patient's recovery and healing the soul is the main aim of this foundation is established, strategic targets to be achieved in the customer's perspective by the foundation is to improve patient and family satisfaction, minimize complaints patients and their families, and to build a good image and reputation in the eyes of the patient and the patient's family.

a. Patient and Family Satisfaction patient.

By measuring customer perspective YPKB still not adequately monitor the performance indicators that lead to customer satisfaction. Customer satisfaction can be done through customer surveys conducted periodically by taking a representative sample of customers.

b. Strengthening Imagery Products and Services

Besides the quality attributes related services, customers are also assessing the product of (brand image) and foundation relationships with its customers.

c. Level of Customer Complaint

Complaint management is a tool that can be used to establish communication with the patient or the patient's family and obtain feedback on the level of satisfaction of the patient or the patient's family to the service of the Foundation.

### **3.4 Internal Business Process Perspective**

YPKB has a series of specific processes to create value for patients and their families. In accordance with the vision and mission, the foundation required in order to provide the best service for patients and their families. Thus, the strategic targets which include internal operational processes are the increased standard of service operations and the development of innovation in the service.

a. Increased operating standards of service

Increased operating standards of service the internal operational processes critical for YPKB consists of processes for planning development programs and processes to deliver services such guidance.

b. The development of innovation in service

In this process, YPKB dig an understanding of the core needs of the patient and create a new service program that patients need. Process innovation in the foundation are usually discussed by the chairman of the foundation with the builder or employees so that each new service program decision has fulfilled the terms of service which is based on the patient's needs.

### **3.5 Growth and Learning Process**

The process of learning and growth is a necessary process to build an organization in the workplace harmonious and balanced. The focus of learning and growth perspective is the foundation of human resources. Human resources are an important factor for the foundation to grow and develop.

a. Increasing the capabilities and expertise of employees

A benchmark that can be used to demonstrate the successful achievement of strategic targets improving the quality and capability of employees is productivity. It is a measure the result of a thorough influence to improve employee morale, innovation, and satisfy customers.

b. Increase employee satisfaction

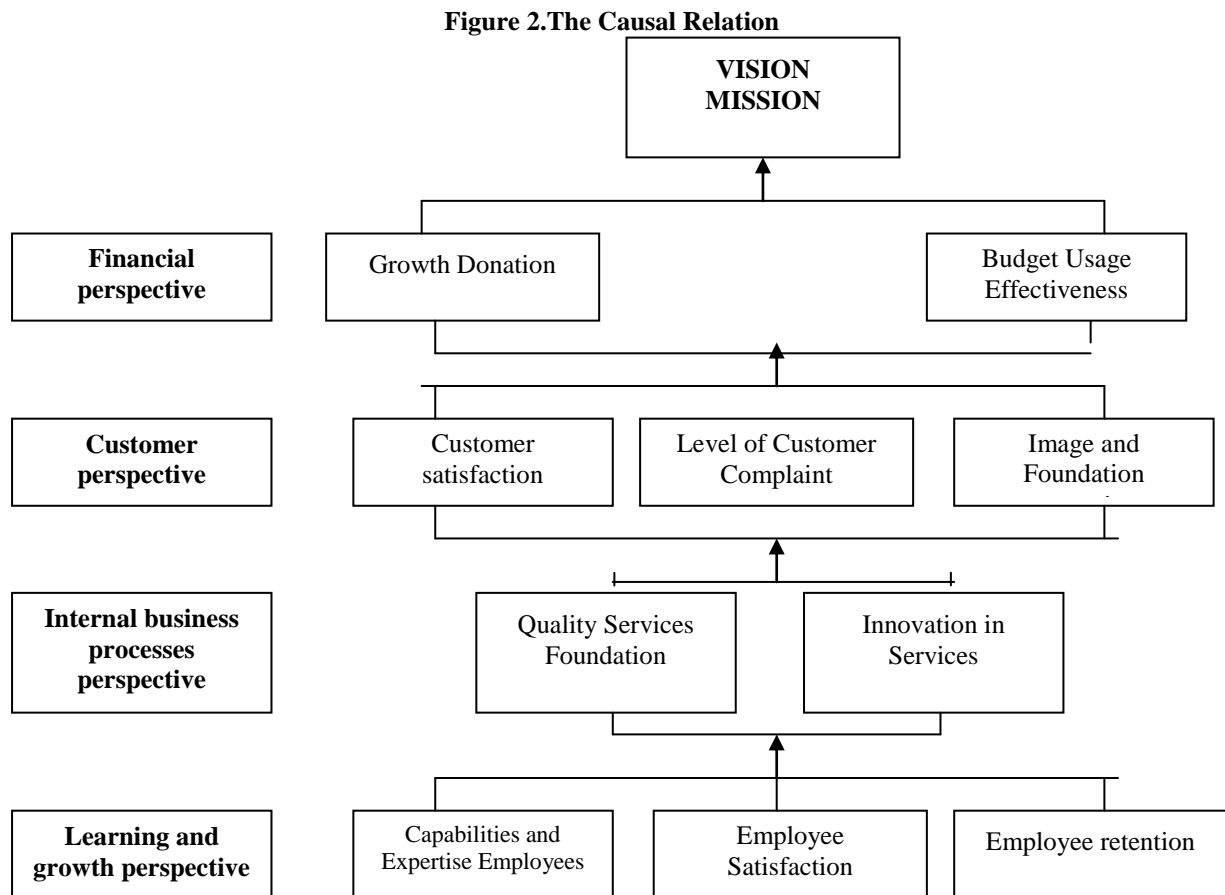
These indicators are used on the assumption that the level of employee satisfaction has a positive influence on the increase in employee commitment.

c. Reduce employee retention

Employees are a valuable asset for the foundation. As a charitable foundation employees are social workers who do not expect wage job. Accordingly became a social worker but an impulse of conscience from each employee so that they are able to serve in YPKB without expecting anything in return thus the need to reduce the retention rate of employees so that operations can continue to run.

**3.6 Map Strategy**

Based on the strategic targets of each perspective of the Balanced Scorecard it will get the causality of each perspective as shown below.



**3.7 Weighting perspective Balanced Scorecard**

Weighting is done to measure how far the level of interest among the variables evaluated measurement. The variables in question will be weighted consist of measurement perspective, strategic targets and indicators of results. Weighting method used in this study paired comparison. The weighting method is used based on the view that this method can measure qualitative statements be quantitative, so as to provide the results of weighting based priority level measured in numbers. This weighting results using percentages. Weighting for each of these perspectives based appraisal Management Company.

Results of weighting each perspective of the Balanced Scorecard can be seen in Table 2 below.

**Table 2. Results Weighting Perspective Balanced Scorecard YPKB**

Perspective	Strategic Objectives	Quality (%)	Size of the Results	Quality (%)
Finance	Increased revenue growth	8,5	The ratio of revenue growth	8,5
	Increasing the effectiveness of the use of budget	8,5	Effectiveness ratio of budget use	8,5
Customer	Increased customer satisfaction	11,88	Customer satisfaction survey	11,88

	The level of customer complaints	10,56	Number of customer complaints	10,56
	Build a good image and reputation in the eyes of customers	10,56	The level of public trust	10,56
Internal Business Processes	Improved quality of service	15,63	Service standards foundation	15,63
	The development of innovation in service	9,37	Ability to identify the market needs	9,37
Growth and Learning	Increased capacity and skills of employees	7,5	Employee productivity	7,5
	Increased employee satisfaction	7,5	Employee satisfaction survey	7,5
	Reducing employee retention	10	Percentage retention rate of employees	10
<b>TOTAL</b>		<b>100</b>		<b>100</b>

Source: Primary Data, 2015

### 3.8 Matrix Design of Balanced Scorecard

Based on the translation of the vision and mission of the YPKB, the determination of strategic targets based on four perspective of Balanced Scorecard, and to know the strategy map and analyze the weighting of the four perspectives of the Balanced Scorecard, the Balanced Scorecard YPKB design matrix can be seen in Table 3.

## IV. Result

Evaluation by using four perspectives Balanced Scorecard shows that the Foundation gives weight to financial perspective by 17%, customer perspective by 33%, internal business process perspective by 25%, and learning and growth perspectives of 25%. In contrast to the profit organization that gives the highest weight on the financial perspective, the Foundation gives a higher weighting on the customer's perspective. This means that foundations give more attention to the customer perspective, in accordance with its role of providing services to the community not to financial foundation.

On the financial perspective strategic targets revenue growth and increase effectiveness use of the budget to obtain the same weight that is 8.5%. It shows both the strategic targets have the same level of importance.

At the customer's perspective strategic targets of enhancing customer satisfaction most large weight gain is 11.88% whereas the level of customer complaints and image building in the eyes of each acquire 10.56% weighting. This is because customer satisfaction is the main goal of the Foundation in running the ministry. The success of service YPKB to the Community depends on the satisfaction of patients and their families, therefore increasing customer satisfaction derive the greatest weight.

**Table 3. Matrix Design Balanced Scorecard YPKB**

Perspective	Target	Strategic Size		Initiative
		Results Size	Trigger Size	
Finance	Increase revenue growth Increasing the effectiveness of the use of budget	<ul style="list-style-type: none"> <li>The ratio of revenue growth</li> <li>The effectiveness ratio of the use of budget</li> </ul>	<ul style="list-style-type: none"> <li>The net profit</li> <li>Value of assets</li> <li>Percentage growth in donations</li> </ul>	-
Customer	Increase Customer Satisfaction Level of Customer Complaint Build a good image and reputation in the eyes of customers	<ul style="list-style-type: none"> <li>The Survey of customer satisfaction</li> <li>The number of customer complaints</li> <li>The level of public trust</li> </ul>	<ul style="list-style-type: none"> <li>The Survey of customer satisfaction</li> <li>The percentage of the number of customer complaints</li> <li>The number of new customer visits</li> </ul>	<ul style="list-style-type: none"> <li>Improving the quality of service</li> <li>Build image and good name</li> <li>Building quality relationships with patients and their families</li> </ul>
Internal Business Processes	Improve service quality Develop the innovation in service	<ul style="list-style-type: none"> <li>The Standard of service foundation</li> <li>Ability to identify the market needs</li> </ul>	<ul style="list-style-type: none"> <li>Services provided to the patient's family</li> <li>Programs supporting the foundation services</li> </ul>	<ul style="list-style-type: none"> <li>Implement a standard working properly in accordance with the procedure</li> <li>Development of new programs to support services</li> </ul>
Growth and Learning	Enhance the	<ul style="list-style-type: none"> <li>Productivity of</li> </ul>	<ul style="list-style-type: none"> <li>The number of</li> </ul>	<ul style="list-style-type: none"> <li>Meet the employee</li> </ul>

capabilities and employees expertise	•	employees	employees ratio who joined the training than the overall employee	•	welfare
Increase the employee satisfaction		Satisfaction of employees against workplace			Set clear rules
Reducing employee retention	•	The percentage of employee retention rate	•	The Survey of employee satisfaction	Establish good communication with employees
			•	The number of employees who go out	

Source: Primary Data, 2015

In the internal business process perspective improving the quality of service of most large weight gain is 15.63%, while the development of innovation in the service of obtaining a weighting of 9.37%. Innovation is an important thing to do but the service quality is to be improved foundation today.

In the learning and growth perspective reduce the retention of employees obtain the greatest weighting of 10%, while the increase in the capabilities and expertise of employees as well as increased employee satisfaction are equally obtain a weighting of 7.5%. Reduce the retention of employees of a concern at this time foundation because the percentage of the number of employees out in recent years increased besides looking for employees who want to work socially in the foundation is not easy.

Results of this study are expected to be able to add information to the Foundation in evaluating performance and other non-profit organizations in implementing the Balanced Scorecard. By the implementation of the Balanced Scorecard, the Foundation can see which would have shown the best performance and which part is still to be fixed.

In this study, there are some limitations that can be used for studies to come. Research in this foundation is the new research was first held so researchers have limitations that this research carried out in non-profit organizations engaged in social and religious so it is necessary to do research on the Balanced Scorecard on non-profit organizations in other social fields.

## V. Conclusions and Recommendations

### 5.1 Conclusions

Based on the description and evaluation described in the previous chapter, the conclusions that can be taken are:

- The strategic goals of the foundation are used in the design of the Balanced Scorecard, among others donations growth, effective use of the budget, customer satisfaction, the level of customer complaints, the image and reputation of the foundation, the foundation of service quality, innovation in services, capabilities and expertise of employees, employee satisfaction, and employee retention.
- Results weighted financial perspective on the foundation obtained the lowest score compared to other perspectives, whereas strategic objective to increase revenue growth, increased activity of budget use, and increase effectiveness the use of budgetary has the same importance. Giving the lowest weighting in the financial perspective is based Foundation the service process does not aim to achieve maximum profit, in addition to the foundation since its inception, the foundation never worry about funding problems because of the belief in God.
- Results weighting customer perspective on the Foundation obtained the highest score compared to other perspectives, whereas strategic objective to increase customer satisfaction has a higher weight than the strategic target level of customer complaints and establish a good image and reputation equally to obtain the same weight. Giving the highest weight on the customer's perspective is based on the vision, mission, as well as the objectives of the Foundation is to care for people in mental disorders and mentally.
- Results weighting internal business perspective and the perspective of growth and learning in Foundation obtained the same big score. Giving equal weight is based on the equal importance of improving the quality of foundation as well as innovative new programs supporting foundation services with a growth rate as well as the learning of the employees of the Foundation.

### 5.2 Recommendations

Based on the results that the evaluation has been done, then the suggestion that the author gave to YPKB are:

- YPKB should always make innovations and breakthroughs in service to improve the quality of service to the community.
- YPKB expected to always maintain consistency in providing services. Have good service should be maintained and improved so that the quality of services provided to be better.
- YPKB expected to always maintain and improve employee satisfaction.
- YPKB expected to maintain performance in order to maintain a good image and reputation in the public

eye.

- e. Performance measures used in this study is dynamic and evolving in line with the demands of society more advanced. Therefore, the design of the Balanced Scorecard should constantly adapt to any changes or performance benchmarks additions.
- f. If this method is applied to the company, YPKB needs to conduct an evaluation of the strategic goals that have been set, at least annually, to adjust the determination of the company target. Strategic initiatives that have been determined to trigger the achievement of strategic objectives, needs to be further elaborated in the program and the company's budget to further clarify the main tasks and corporate functions.
- g. Research on YPKB carried out in non-profit organizations engaged in the social and religious so it is necessary to do research on the Balanced Scorecard on nonprofit organizations in other social fields.

### References

- [1] David, F.R. 2009. Strategic Management. Book 1. Twelfth edition. Salemba Empat. Jakarta
- [2] Gaspersz, Vincent. 2006. Integrated Performance Management System: Balanced Scorecard with Six Sigma for Business and Government Organizations. PT. Gramedia Pustaka Utama. Jakarta.
- [3] Kaplan, R.S., Norton, and D.P., 2000. Balanced Scorecard: Applying the Strategy to Action. Translation: Peter R. Yosi Pasla. Erlangga. Jakarta.
- [4] Larsson, J., Kinnunen, J. 2007. Performance Measurement in Nonprofits (Much to be gained or a waste of resources?). Thesis. Umea University. Swedish
- [5] Luis, S., Biromo, Prima A., 2007. Step by Step in Cascading Scorecard to Functional Scorecards. PT. Gramedia Pustaka Utama. Jakarta.
- [6] Martello, M., Watson, J.G. 2008. Implementing a Balanced Scorecard in a Not-Profit Organization. Journal of Business & Economics Research. Vol.6 No 9, pp 67-80
- [7] Rohm, Howard. 2003. "A Balancing Act Developing and Using Balanced Scorecard Performance Systems"(online). Available: <http://fas.uesf.edu> accessed on 1 September 2014.
- [8] Salusu, J., 2006. The Strategic of Decision Making for Public Organizations and Non Profit Organizations. Grasindo. Jakarta.