

Designing Model of Performance Measurement System of Small and Medium Scale Industry Employees in Ciamis Regency

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Abstract

The purpose of this research is to design performance measurement system of small and medium scale industry (IKM) employee of woven bamboo handicrafts in Ciamis Regency. The method used is the Human Resources Scorecard that can describe the vision, mission and strategy into action human resources that can be measured its contribution. The design result shows that the performance measurement system consists of 32 key performance indicator (KPI) covering 9 KPI Financial, 8 KPI Customer, 9 KPI Internal Business Process and 6 KPI Learning and Growth which is divided into 3 categories, namely Strategy Objectives, Initiative and Activity Program. The category with the highest performance score is Strategy Objectives. Implementation result of IKM performance measurement system with scoring system using OMAX method shows that the value achieved by IKM employee is 5.16. This result can form the basis for IKM managers in determining the improvement plan.

Keywords: IKM woven bamboo, human resources scorecard, KPI

1. Introduction

Small and medium scale industries (IKM) is one of the companies that are part of strengthening the state's economy. Proven when the economic crisis occurs, IKM still exist even better than large-scale companies. It is this strength that needs to be a concern and study so that IKM position as a solid part of business stays and can continue to grow. Good business management with work processes in accordance with the standards and regular work activities, management of employees, and relationships with outside parties must be considered for IKM to grow better.

IKM have a very strategic position, potential and role in realizing national development goals (Ridwan, et al, 2014), and play an important role in the Indonesian economy, both in terms of number of businesses and job creation (Nurmianto, et al, 2012; Prasnowo, et al, 2017) and as sources of livelihood (Sulistyo, 2010). Increasing the productivity of IKM is a must to continue to survive, so that efforts to increase the productivity of IKM become something very important (Hadi, et al, 2014).

IKM woven bamboo handicrafts is one of IKM which produce various handicraft with bamboo raw material. Many products produced by this IKM with an attractive design and shape and not inferior to other products on the market. But currently in measuring employee performance is still done traditionally and has not been measured properly. Performance appraisal is based solely on the observation of the owner of the company without any concept or standardized formulation, so that the performance appraisal results have not shown the actual performance of IKM employees.

Measuring the performance of a company within a period or period of time is necessary for the achievement of the company in the period can be known, whether it has achieved performance expectation (Suliantoro and Galuh, 2007). Performance measurement as a monitoring program (as a process), products or services produced (as an output), and the results or impact of products or services (Sulisworo and Darmawati, 2011).

Performance measurement is one of the processes in the management control system by comparing and evaluating the plans made and the results achieved, analyzing the deviations that occur and make improvements (Rusindiyanto, 2009). Measurement performance systems lead civil servants to perceive positively what public organization do and how perform task (Gesuele and Romanelli, 2015). Organizational performance as a comprehensive process means different synergistically to the general performance (Tatar, 2013).

Employees are a valuable human resource for a company and become the key to success of the company (Rusindiyanto, 2009). Having the right person is the utmost importance to the survival and success of any organization (Ntwari and Kule, 2016). Human resources are the most important factor in attaining the highest levels of organizational success and also creating competitive advantage in the market (Islam, 2015). Human resource competency becomes key factor that needs an overall improvement (Subbarao and Prasad, 2011).

The design to measure the performance of SME employees is needed to improve the role of employees in achieving the vision and mission of the company, as well as to improve the ability of IKM in achieving high profits and in competing in the market.

Based on the above description, the purpose of this study is to design a model of performance measurement system of SME employees in Ciamis Regency.

2. Theoretical Framework

The rapid development of technology and the changing of times make the competition between the same

companies become increasingly tight (Avianda, et al, 2014), also the competition in producing products in accordance with the desired by consumers (Rahmatullah, et al, 2017). One of the challenges faced by business organization to subsist the dynamic environment is the ability to manage human resources effectively (Setyaningdyah, et al, 2013). Today, organizations are competing in complex environments so that it is vital (Anwar, et al, 2012).

One of the factors that can affect competitive advantage is internal factors of company which include resources used and performance of output resulting from process based on company strategy design (Damar, et al, 2017). Without a strategic plan, management and the organization, as well as objectives as outlined in the organization's strategic plan (Brauns, 2013).

Each company is required to be able to execute its strategy in facing competition and use human resources more effectively and efficiently, so that the company's vision, mission and strategy can be implemented and run as expected (Queen, et al, 2013). The organization is forced to measure the performance of the organization and contribute to the stability organization in today's competitive environment (Iveta, 2012).

Performance appraisal commonly done by firms is a measurement with a traditional approach sourced from corporate financial information only, resulting in conclusions that are oriented to short-term interests (Marselia, et al, 2017). The concept of Human Resources Scorecard is very important for companies to improve and improve employee's performance in order to follow the development of the industrial world that requires companies to pursue mutual opportunities to advance and maintain the company's survival (Sitorus, et al, 2017). Human resources scorecard outlines the mission, vision, strategy into action of human resources that can be measured for its contribution (Queen, et al, 2013) and has a purpose to translate the mission of a separate organization into a whole (Stefanovska and Soklevski, 2014).

Analytic Hierarchy Process (AHP) is a decision support developed by Thomas L. Saaty in the 1970s. Its development is based on human judgment ability to construct hierarchical perception of a multi-criteria problem (Setiawan, et al, 2014). AHP is a Multi Criteria Decision Making (MCDM) technique that represents a complex decision (Hussein, et al., 2013). It is a powerful decision making methodology for determining priorities between different criteria (Srichetta and Thurachon, 2012; Noercholis, 2012; Srisawat and Payakpate, 2016). AHP acts as an analytics tool, not to seek the truth (Adianto, et al, 2014). Calculations with the AHP method are faster than manual calculations so they can be more efficient and the accuracy of the data is near perfect (Darmanto, et al, 2014).

AHP is the most widely used technique in decision making due to its promising accuracy, simplicity, theoretical robustness, and ability to handle both qualitative and quantitative criteria (Muhisn, et al, 2015; Bagla, et al, 2013). The essence of the AHP that human judgments, and not just the underlying information, can be used in performing the evaluations (Ameri, 2013). AHP helps to make bias in decision-making (Abu-Sarhan, 2011; Balubaid and Alamoudi, 2015).

The Key Performance Indicator (KPI) is an indicator that presents a set of measures that focus on the organizational performance aspects that are most important for the organization's current and future success (Adianto, et al, 2014). KPI are a company's strategy, as revealed by balanced scorecard (Musyoki, 2015).

Objective Matrix (OMAX) is a partial productivity measurement system developed to monitor productivity in every part of the company with productivity criteria that match the existence of that part (Adianto, et al, 2014). The advantages of the OMAX model in measuring company productivity include: (1) Relatively simple and easy to understand, (2) Easy to implement and does not require any special skills, (3) Data is easy to obtain, and (4) More flexible (Adianto, et al, 2014). The OMAX method measures productivity by assessing performance on each part of the company objectively while looking for factors causing productivity decline if found (Hamidah, et al, 2013).

3. Research Methodology

The method used in this research is survey method in the field to get the data needed in making model of design of IKM performance measurement system. Data analysis was done by using human resources scorecard approach. The data used consist of primary data and secondary data.

This research was conducted in five phases, namely: (1) Preliminary study, is a study of existing condition at IKM at this time related to performance measurement system of employee; (2) Design of employee performance measurement and analysis by using human resources scorecard; (3) A weighted phase with AHP covering pairwise comparisons between KPIs, calculating inconsistency ratios, and weighting for each KPI; (4) Scoring phase using OMAX, and (5) Analytical phase including analysis of achievement of IKM employee performance as well as action plan for performance improvement based on KPI that need to be improved immediately.

4. Results and Discussion

4.1. Results of KPI Achievement Measurements

Data collection is done by distributing questionnaires to business owners and employees of IKM. The target achievement for all KPIs is scale five, while the lower limit is one. The results of the measurement of achievement of KPI can be seen in Table 1.

Table 1. Results of KPI Achievement Measurements

No	Criteria for Strategy Objectives	Scale
1	Increasing the absorption of human resource costs is done well (F1)	2.20
2	Increased employee welfare is done well (F2)	3.26
3	Increased employee satisfaction is done well (C1)	3.73
4	Increased employee commitment is done well (C2)	4.26
5	Improved employee performance performed well (I1)	3.26
6	Improving the quality of relationships between employees and owners is well done (I2)	3.73
7	Increased occupational safety and health for employees has been implemented (I3)	2.73
8	Increasing the ability of employees performing well (L1)	1.73
9	Increased employee knowledge is well executed (L2)	1.26
10	Increasing the absorption of human resource costs is well executed (F11)	2.26
11	Improving the welfare of employees is done well (F21)	2.26
12	Increasing the speed of service for employees is done well (C11)	3.73
13	Minimize the percentage of employee complaints well done (C12)	3.73
14	Minimize the turnover rate of employees is done well (C21)	3.73
15	Evaluate employee performance well done (I11)	3.26
16	Improve communication with employees well done (I21)	4.26
17	Minimize work accident (I31)	2.73
18	Apply training according to company needs (L11)	1.26
19	Increased employee participation in scientific activities (L21)	1.26
20	The suitability of human resource cost allocation (F111)	3.80
21	Optimize training costs for employees (F112)	2.26
22	Recapitulation of financial statements of human resources (F113)	1.73
23	Giving bonuses to employees (F211)	3.26
24	Provision of support facilities in accordance with the needs of employees performed well (F212)	2.26
25	The timeliness of salary receipts is done well (C111)	4.73
26	Recapitulation of number of employee complaints (C121)	1.80
27	Annual recapitulation of number of employees (C211)	2.73
28	Evaluate the activities that have been done (I111)	2.73
29	Implementing the relationship periodically well done (I211)	3.73
30	Recapitulation of work accident data (I311)	1.73
31	Implementation of the training was done well (L111)	1.26
32	Conducting seminars and general discussions worked well (L211)	1.26

4.2. Recapitulation of KPI Performance

The next stage is to do a scoring system using the OMAX method and compare the scale of measurement with the scale of performance. Actual score is a performance close to the actual value. KPI performance recapitulation results are presented in Tables 2 and 3.

Table 2. KPI Performance Recapitulation

No	KPI Performance	Value	No	KPI Performance	Value
1	F1	0.95	17	I31	2.58
2	F2	4.57	18	L11	0.95
3	C1	3.08	19	L21	1.04
4	C2	4.92	20	F111	0.43
5	I1	1.02	21	F112	0.39
6	I2	3.32	22	F113	0.65
7	I3	2.48	23	F211	2.11
8	L1	1.90	24	F212	1.32
9	L2	1.04	25	C111	2.17
10	F11	0.90	26	C121	0.66
11	F21	3.09	27	C211	2.70
12	C11	1.29	28	I111	1.21
13	C12	2.76	29	I211	3.30
14	C21	3.93	30	I311	1.53
15	III	1.07	31	L111	1.60
16	I21	3.13	32	L211	0.40

Table 3. Recapitulation of Total Performance and Weight

No	Performance	Value	Wight
1	KPI Criteria Strategy Objectives	5.79	0.201
2	KPI Criteria Initiative Program	5.36	0.325
3	KPI Criteria Activity	4.77	0.473
4	IKM Employee	5.16	1.000

5. Conclusion

The result of the design of performance measurement system of IKM woven bamboo employee in Ciamis Regency consists of 32 KPI, covering 9 KPI Financial, 8 KPI Customer, 9 KPI Internal Business Process and 6 KPI Learning and Growth which is divided into 3 categories, namely Strategy Objectives, Initiative and Activity Program. The category with the highest performance score is Strategy Objectives. Implementation result of IKM performance measurement system with scoring system using OMAX method shows that the value achieved by IKM employee is 5.16.

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