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Design of Financial Performance Measurement System in Faculty of Teaching and Education, Islamic University of North Sumatera



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Asnawati Matondang

*Islamic University of North Sumatera, Medan,
Indonesia.*

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ABSTRACT

The challenges of globalization and the increasing universities competitiveness cause increasing problems faced by a university like FKIP UISU Medan. Vision and Mission which has long been established by FKIP UISU is one reference that can be used to face various challenges, but vision and mission are not only as an ornament but also need other tools. Vision and mission require performance measurement system and ironically such system was still not the main concern. This study aims to develop a performance measurement system using Balanced Scorecard in FKIP UISU Medan based on financial perspective. The performance of FKIP UISU from the financial perspective is still able to give financial benefit. However, for the next five years, FKIP UISU can target a financial profit rate of 75 percent of the current profit rate. Currently, FKIP USA's financial performance is based on tuition fee, while sources such as fee management from cooperative activities with government and private institutions in research, community service, professional work and scientific publications have not been explored. These sources within the next five years are expected to contribute relatively large to the financial performance improvement of FKIP UISU

INTRODUCTION

There is increasing public demand for efforts to improve the quality of college graduates in the country, in line with efforts made by the government and private. The Ministry of National Education of the Republic of Indonesia, for example, has established a body that aims to oversee the quality and efficiency of higher education, namely the National Accreditation Board of Higher Education (BAN-PT) which established under the Decree of the Minister of National Education of 1994. However, BAN-PT just starting to make accreditation in 1996 with a focus on the assessment of several components, namely: (i) curriculum, (ii) quality and number of education personnel, (iii) student state, (iv) education implementation, (V) facilities and infrastructure, (vi) academic administrative management, (vii) personnel, (viii) finance, and (ix) housekeeping (Book 1 of Academic Paper Accreditation System of Master Program, National Accreditation Board of Higher Education, 2002).

The presence of BAN is not necessarily able to support the better quality of college graduates, as expected. Criticism from various parties, both academic and pragmatic, proves that the presence of BAN as an institution that will help universities to improve the quality or performance is not optimal (Kompas, 26 April 2005).

It must be admitted that the performance measurement system in public service institutions is still just a discourse and has not been fully used as one of the main elements in moving the organization wheel. It is the contrast to the business entity that strongly emphasizes the existence of performance measurement systems to deal with very quickly dynamics (Niven, 2005).

Implementation of balanced scorecard method in performance measurement system for non-profit institutions in Indonesia is still limited as discourse and has not received the positive response (Imelda, 2004). In fact, in many countries, the balanced scorecard method has been widely used by non-profit institutions because the method has been proven able to help non-profit institutions to improve their performance, even able to improve its performance very quickly compared to conventional methods (Niven, 2005).

Furthermore, Niven (2006) states that the balanced scorecard method has more flexible ability to translate the vision and mission of non-profit institutions. If in the business institutions the balance of financial and non-financial performance is expected to be more emphasized on the

profitability aspect, then the concept of the balanced scorecard is still able to fulfill it. Likewise in non-profit institutions, it could be the non-profit orientation is preferred or otherwise. So the concept of balanced scorecard depends on the vision and mission of the institution that is if an institution prioritizes on financial gain than nonfinancial performance is directed to support on achieving financial benefits.

FKIP UISU has established its Vision and mission but not yet had a performance measurement system. It is the time to immediately build a performance measurement system in order to avoid or have a much better capability in facing the challenges ahead.

RESEARCH METHODS

1. Research Design

In accordance with the research problem, namely requirement to establish a model in the form of a document that serves as a reference for determining the performance in FKIP UISU, the research design must produce a quantitative measure. Therefore, the design used must also be related to the quantitative approach.

In this context, the quantitative approach uses a different research design and adapted to the balanced scorecard concept on financial perspective basis

2. Population and Sample

2.1. Research Population

The approach should be adjusted to the Balanced Scorecard concept that requires financial data sources (regarding documents or calculations of all income and expenses) and non-financial (regarding student satisfaction as customer) and managers (lecturer and the staff), internal business processes (perceptions and activities output documents, such as the number of graduates, the average GPA of alumni, the amount of research, community service, scientific publications, other seminars / scientific activities) then the research population is the whole elements in FKIP UISU, namely all official documents, Structural Officials, Functional Officials, employees and students within the UISU.

2.2. Research Sample

Based on financial perspective, internal process perspective and learning and growth

perspective, the required sample consists of structural officials, functional officers, and all staff which involved in the management of UIU FKIP. Because the population is relatively small and it is possible to be involved as a whole in the data collection process, the entire population is used as the research sample.

3. Data Collection Technique

Data collection techniques will also be adapted to the Balanced Score Card method that requires data that can meet the perspectives of the above measurements.

4. Research Site

The research was conducted at FKIP UISU Medan. The selection of research sites is based on several considerations, among other: FKIP UISU is one of the oldest faculty in UISU even in the Province of North Sumatera. However, the development is still lagging behind relatively new faculty. In another hand, currently, FKIP UISU is facing a very tight competition with other institutions, coupled with the increasing capacity of State Owned University (PTNs), so pragmatically FKIP UISU must be able to improve them in order not to lag far and can win the competition with honor.

Another consideration is that the application of Balanced Scorecard concept is still very limited to business institutions. FKIP UISU as part of the educational institution is very relevant to be selected as the research location.

5. Analysis Method

The data analysis method used will also be based on the Balanced Scorecard method that requires the fulfillment of measurement to the perspectives mentioned above.

The data analysis technique used to design performance measurement system in FKIP UISU is performed by percentage, ie as the base line in each measurement perspective, determined since the academic year (TA) 2005/2006, so the next measurement is the analysis to determine the upward target for financial gain.

RESULTS AND DISCUSSION

1. Data Analysis

Most of the companies in Indonesia still measure their performance from the financial perspective. Such a measurement system is considered inadequate to the needs of current performance measures. The reason is that the business competition environment is moving quickly, so it does not inform the efforts that must be taken both presently and in the future to improve the company performance (Singgih, Damayanti, Octavia, 2001: 48).

The development of performance measurement systems in various countries, such as United States which have implemented the Balanced Scorecard (BSC) measurement method, has proven empirically capable of significantly enhancing corporate performance compared to conventional measurement systems (Schneiderman, 2004).

Implementation of Balanced Scorecard (BSC) is not only for large scale business enterprises but adaptive to small and medium business size. Even the method is highly recommended to be used in non-profit public organizations. In the United States, all departments have implemented the Balanced Scorecard (BSC), for example, the Department of Energy Federal Procurement System has been applied such system in full since 2003 (Niven, 2004). In Japan, the Nomura Research Institute (NRI) has conducted research on 20 companies that have implemented the Balanced Scorecard (BSC) which found at least five important conclusions showing the benefits of Balanced Scorecard (BSC) compared to conventional performance measurement systems (Morisawa, 2002: 3).

1.1. Dimension of Financial Perspective Performance Measurement

1.1.1. Financial Performance of FKIP UISU by Number of New Student

Performance measurement based on financial perspective in FKIP UISU that can be measured at this time is limited to aspects of college admission because until now FKIP UISU has no income from other sources.

Therefore, the measurement of the financial perfective performance of UIU FKIP at this time can only measure how many students received each year. The new admissions data received at FKIP UISU from 2001 to 2004 showed a decrease in the number of students, from 703 students received in the academic year 2001/2002 decreased to 425 new students in the

academic year 2004/2005 or a decrease of 35.54 percent (Figure 1).

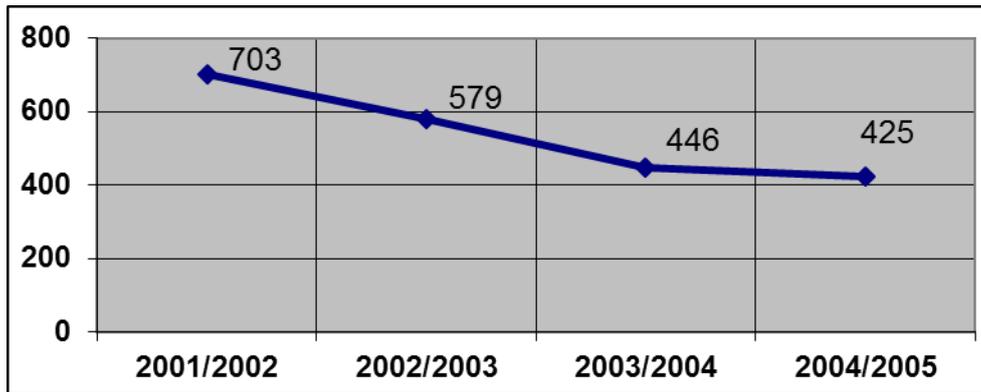


Figure 1: The Number of Students in FKIP UISU For Academic Year 2001/2002 to 2004/2005

Source: Data proceed from FKIP UISU 2005

Admission of tuition from students at FKIP UISU is the only source of income. This means that the existence of FKIP UISU and other faculties within the Islamic University of North Sumatera Medan in the future will depend on the number of students, so that if there is a decrease in the number of students, then the future of FKIP UISU is also threatened.

Calculation on the average decline in the number of students for each year from 2001 to 2004 shows that there has been a decrease in the number of students by 92.7% each year. The high decrease in the number of students in FKIP UISU is still not fully realized by the managers as a very bad financial performance, so there is no serious performance management improvement strategy of the program managers.

This phenomenon is an accumulation of various factors, both internal and external. Internal factors are the factor within the organization (FKIP UISU) which triggers the decreasing interest of high school graduates to register to FKIP UISU namely the quality of FKIP UISU bad, lecture process is not conducive and so on. In addition, the performance improvement of the other faculties outside UISU is likely to have much better competitiveness than FKIP UISU. For example, currently, PTN USU and UNIMED have developed a parallel class, independent, extension classes for high school graduates who did not pass the SPMB. Similarly, other private universities continue to improve the lectures facilities with competitive tuition.

The only strategy that has been implemented by FKIP UISU is open a new program, namely AKTA IV with the assumption is able to overcome the decreasing number of students in other programs, so that in the academic year 2004/2005, the decrease in the number of students in FKIP UISU is only 21 persons from the academic year 2003/2004.

The strategy for improving financial performance that is still possible to be conducted by is to increase the student's tuition fee (SPP), both for new and old students. However, such a strategy is not effective due to the high competition among private universities in the province of North Sumatra. It must be admitted that the high tuition fee is not the only one that decreases the interest of the students because it has been proven that several study programs in USU that open parallel, independent and extension classes with higher tuition fee is still in demand. For example, independent class at the Faculty of Law USU set a tuition fee of Rp. 9,000,000,- (nine million rupiah) per year is still in great demand by prospective new students. Similarly with other extension classes such as State Administration, Communications at FISIP USU, Management, Economic Development at FE USU.

1.2. Financial Performance of FKIP UISU by Financial Gain at Academic Year 2005/2006

Currently or the Academic year 2005/2006, the total number of active students in FKIP UISU is 2,153 students. The amount of tuition is Rp.2000.000, for IPS study program (Study Program of Indonesian Language and Literature (PBSI), History Education, and PPKN), Rp. 2.950.000, for Science Program (Mathematics, Chemistry, and Biology) and Rp. 1.750.000, - for Program Akta IV. On average, then the income of FKIP UISU from student tuition fees in the academic year 2005/2006 is $2,153 \text{ students} \times \text{Rp.}2.233.333, - = \text{Rp.}4.808.365.949, -$.

Faculty expenses for operational and development activities include honorarium, transport allowances, leader's salary, structural and personnel, building maintenance costs and purchases of consumables goods (ATK and other supporting equipment).

Table 1: Estimated of Total Teaching Honorarium Expense at FKIP UISU for Academic Year 2005/2006

Sr. No.	Position	SKS	Number of Meeting	Honorarium per SKS	Total Honorarium
1.	Professor	56	32	25.000	44.800.000
2.	Head Lector	454	32	22.500	326.880.000
3.	Lector	418	32	20.000	267.520.000
4.	Expert Assistant	242	32	17.500	135.520.000
Total expense for Teaching Honorarium					774.720.000

Source: Data Proceed from Honorarium Teaching List for Academic Year 2005/2006

The amount of teaching honorarium expenses in the classroom is based on the position and SKS. The total expenses to be issued by FKIP UISU during Academic Year 1005/2006 is Rp.774.720.000, -.

Opportunities to increase the rate of teaching honorarium seem to be constrained by the declining number of new students from 2001 to 2004. Meanwhile, the effort to increase the rate of tuition is also very vulnerable to competition among private university (PTS) which most still survive with relatively low tuition fees compared to FKIP UISU.

Table 2: Estimated of Total Cost for Staff and Structural Officials Transport in FKIP UISU for Academic Year 2005/2006

Sr. No.	Position	Person	Cost/absent/Month	Month	Total
1.	Dean	1	330.000	12	3.960.000
2.	Vice Dean	3	330.000	12	11.880.000
3.	Head of Administration	1	330.000	12	3.960.000
4.	Head of Program Study	6	330.000	12	23.760.000
5.	Head of LPPM	1	330.000	12	3.960.000
6.	Head of Information	1	330.000	12	3.960.000
7.	Bureau	6	330.000	12	23.760.000
8.	Program Secretary	1	330.000	12	3.960.000
9.	Head of Library	1	330.000	12	3.960.000
10.	Head of Laboratory	3	330.000	12	11.880.000
11.	Head of Sub.Division	8	330.000	12	31.680.000
12.	Adm Staff	4	330.000	12	15.840.000
13.	Cleaning Service	1	330.000	12	3.960.000
14.	Laboratory Assistant Information Bureau Staff	1	330.000	12	3.960.000
Total Transportation Cost					150.480.000

Source: Data Proceed from Transportation Payroll for Academic Year 2005/2006

Basic calculation of transportation payment in FKIP UISU is Rp. 15.000/present. The effective monthly attendance rate is estimated 22 work days per month and calculated over 12 month period.

The faculty leaders and foundation realized that the rate of transport payment, namely Rp. 15.000, - / present is feasible to be increased to improve the motivation and passion of work in FKIP. However, given the decline in the number of students for each year, the effort to raise the rate has not been a major consideration.

Table 3: Estimated of Salaries for Leader, Structural Officials, Permanent Lecturers and Staff in FKIP UISU for Academic Year 2005/2006

Sr. No.	Position	Person	Salary/Month	Ac year 05/06	Total
1.	Faculty Leader	4	15.800.000	12 month	189.600.000
2.	Permanent Lecturers	13	11.046.308	12 month	132.555.696
3.	Staff	17	13.146.900	12 month	157.762.800
4.	Structural Officials	17	18.000.000	12 month	216.000.000
Total		51	57.993.208	12 month	695.948.496

Source: Data Proceed from Salary Payment for Academic Year 2005/2006, January 2006

On calculation basis, the average of monthly salary received by the position, then the element of faculty leadership on average of Rp. 3.950.000 / month, Permanent Lecturers is Rp. 849.716 / mo, the staff is Rp. 773.347/month and structural officials are Rp.1.058.824/month.

There is a large difference in salaries between faculty leadership and lecturers, staff and other structural officials (see Figure 2). This is a common phenomenon in higher education institutions in Indonesia and does not seem questionable. However, theoretically, the large gap of salaries can lead to internal problems, among others fractionalization symptoms, especially during the election of the head of the faculty and the head of the university. Such conditions are not a support dynamic campus life to improved performance.

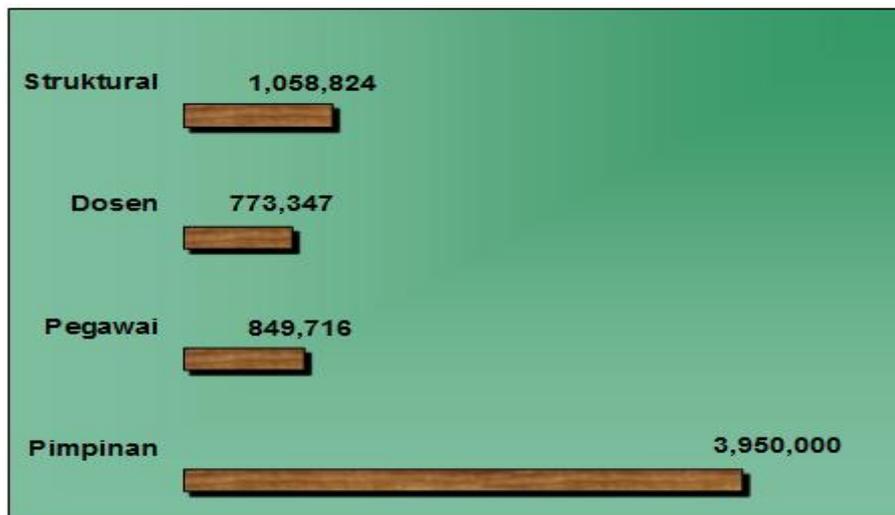


Figure 2: Average Salaries of Leaders, Permanent Lecturers, Structural Officers and staff at FKIP UISU for Academic Year 2005/2006 (Rp)

Source: Data processed from the Salary List of Leaders, Permanent Lecturers, Staff and Structural Officials in the FKIP UISU for Academic year 2005/2006, January 2006

Another routine expense is the purchasing cost of consumable goods which includes office stationery materials (ATK), building maintenance materials, student lab materials (laboratory materials), and other facilities and maintenance costs.

Table 4: Estimated of Expense for consumable goods and Facility Maintenance cost at FKIP UISU Academic Year 2005/2006

Sr. No.	Type of Expense	Cost per Month	Month	Total
1.	consumable goods	15.000.000	12	180.000.000
2.	Maintenance cost	10.000.000	12	120.000.000
3.	Laboratory Cost	5.000.000	12	60.000.000
Total		30.000.000	12	360.000.000

Source: FKIP UISU 2006

Total expense for consumables goods, maintenance costs and laboratory operation for a year (academic year 2005/2006) are estimated to 360 million rupiahs. Thus the total expenses to be incurred by FKIP UISU during academic year 2005/2006 can be calculated as follows:

Tabel 5: Total expenses for management cost of FKIP UISU academic year 2005/2006

Sr. No.	Type of expense 2005/2006	Total (Rp)
1.	Teaching Honorarium	774.720.000
2.	Transportation Cost	150.480.000
3.	Salary for Leader, permanent lecturer, staff and	695.948.496
4.	Structural Official	360.000.000
	Consumables goods and maintenance	
Total expense		1.981.148.496

Source: FKIP UISU 2006

Estimation of total expense for management purposes in FKIP UISU for academic year 2005/2006 amounts to Rp.1,981,148,496. Thus the financial performance of FKIP UISU for academic year 2005/2006 can be calculated, ie the amount of income from tuition fee less total expenses = Rp.4.808.365.949 - Rp.1.981.148.496 = Rp.2.827.217.453.

The financial benefits that expected will be obtained by FKIP UISU for academic year 2005/2006 are Rp. 2,827,217,453, actually quite large, but when related to decline in the number of students each year, namely 93 person on average and the increasing competition among private universities as well as more incessant faculties in state owned universities (PTN) opening parallel, extension and new courses then the figure is worrying. For example, USU with 9 faculties on academic year 2006/2007 is expected to add at least 15 program study by opening parallel and extension classes. Likewise with the State Polytechnic Medan which currently being incessantly promoted to all high schools in North Sumatra Province, especially for parallel classes (Mechanical Engineering, Civil, Electrical, Electronics, Energy, Accounting, Secretary, Finance).

In addition, the demands of students on the improvement of service performance of the management in FKIP UISU certainly increase the amount of expense. For example the construction of student bathroom, the separate building from the high school building, and lab equipment that is considered inadequate and feasible, the lack of computer facilities, the comfort of the lecture room and so forth.

The financial benefits of FKIP UISU are still possible due to the limited expense budget intended to improve campus facilities and infrastructure. When a prospective student or community has questioned the quality, FKIP UISU does not have much choice but to equip the campus facilities and infrastructure better. Because if not, then certainly will have a big effect on the acceptance of new students.

The phenomenon of decreasing the community interest to choose a college or faculty that is not responsive to market developments can be seen in several universities in North Sumatra Province, such as University of Sisingamaraja XII and the University of Darma Agung which in 1980 attract students. But in the 1990s, the universities experienced severe degradation. Another example is in UISU itself, namely FISIP UISU which has difficulty to increase the number of students.

Financial performance should not only be based on the acceptance of student tuition fees

because, in line with the vision and mission of FKIP UISU and UISU, other possible sources of revenue are available such as collaborative research activities, community service, scientific publications and professional cooperation with government institutions as well Non-governmental organizations. However, until now FKIP UISU has not recorded any such activity.

Therefore, the financial performance of FKIP UISU in the future either in the short, medium and long term must be determined, that is by setting targets that must be achieved in stages and there should be an increase, as follows:

"In the next 5 years, FKIP UISU must be able to increase its financial profit by at least 75 percent of the financial profit for academic year 2005/2006 and the income sources are not only from college tuition but from research collaboration, community service, professional cooperation and scientific publications.

The main strategy to realize the above financial benefits, of course, is still focused on efforts to increase the number of students. However, in addition to the main strategy, the real opportunities of FKIP UISU to improve financial performance is still wide open, namely by empowering the potential services that have been untapped. For example, the potential of cooperation in the field of research with other agencies (fee management), collaboration with universities in the region, grants competition derived from the Directorate General of DIKNAS R.I., and so forth.

Table 6: Determination of Financial Performance Target FKIP UISU Academic year 2006/2007 s/d 2010/2011

Sr. No.	Academic Year	Financial performance Target		New Student Target (Student)	
		(Rp)	% Baseline	(Student)	% Baseline
	2005/2006	1.693.850.979	0 %	425	0 %
1.	2006/2007	3.251.300.071	15 %	489	15 %
2.	2007/2008	3.738.995.082	30 %	553	30 %
3.	2008/2009	4.299.844.344	45 %	616	45 %
4.	2009/2010	4.944.820.995	60 %	680	60 %
5.	2010/2011	5.686.544.145	75 %	744	75 %

* Financial performance Baseline, FKIP UISU for Academic year 2005/2006= Rp.2.827.217.453,-

* Financial performance Baseline by new student for Academic year 2005/2006= 425 student.

Target setting for the minimum financial performance to be achieved by FKIP UISU as illustrated in Table 6 above is using the assumption that tuition fee for the next five years will not increase, but the expense budget for improving facilities and infrastructure, improving the welfare of faculty staff, staff, officials Structural and functional will certainly increase. If so, then there are two alternatives that must be done by FKIP UISU in the future, namely: The first alternative is tuition fee does not increase, so FKIP UISU must develop another income source from other activities and The second alternative is tuition fees should be increased in order to compensate for the increase of expense budget for the purpose to improve campus facilities, welfare of faculty staff, staff, structural and functional officials.

Whether or not the tuition fees increase, there is no harm to FKIP UISU to immediately start the development of revenue from various sources, namely:

Table 7: Determination of Financial Performance Targets for FKIP UISU Academic Year 2006/2007 to 2010/1011 from Research Activities, Community Service, Professional Cooperation and Scientific Publication

Sr. No.	Academic Year	Financial Performance Targets from other sources			
		Research	Community Service	Professional Cooperation	Scientific Publication
	2005/2006	Not exist	Not exist	Not exist	Not exist
1.	2006/2007	1 activity	1 activity	1 activity	1 activity
2.	2007/2008	5 activities	5 activities	5 activities	5 activities
3.	2008/2009	10 activities	10 activities	10 activities	10 activities
4.	2009/2010	15 activities	15 activities	15 activities	15 activities
5.	2010/2011	20 activities	20 activities	20 activities	20 activities

At a glance, the financial performance target from other sources does seem too high to be achieved, but FKIP UISU should see from a more comprehensive performance aspect, ie all activities aim to empower the existing program study in FKIP UISU. In Academic Year 2006

/ 2007, the Faculty should try to explore the possibilities for these activities to be realized. That is why on Academic Year 2006/2007 the number of activities is only targeted one on each activity.

Then in the second year or Academic Year 2007/2008, each program study should be involved and empowered to seize cooperation opportunities with other agencies or sources of funding, so it is expected that in the second year each the program study is able to perform at least one activity in each activity.

In the third, fourth and fifth year, lecturers on each program study must be fully involved in searching and cooperate with various parties, so that minimum targets can be well achieved.

CONCLUSION

1. The performance of FKIP UISU from the financial perspective is still able to provide financial benefits. However, for the next five years, FKIP UISU can target the level of financial benefits as much as 75 percent of the current level.
2. Currently, the financial performance of FKIP UISU is still depending on tuition fee, whereas sources such as management fee from cooperative activities with government and private institutions in research, community service, professional work and scientific publications have not been explored. For the next five years, these sources are expected to contribute relatively large to the financial performance improvement of FKIP UISU.

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