



**Balanced Scorecard Approach as an Alternative for
Performance Measurement System in Siti Rahmah
Hospital Padang**

THESIS

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ABSTRACT

The purpose of this paper is to provide an overview of the usefulness of the Balanced Scorecard in improving Siti Rahmah Hospital management and delivery of health care at reduced cost without loss of quality. This paper describes an approach to designing and implementing a Balanced Scorecard system for measuring performance and productivity in Siti Rahmah Hospital setting. Specific measures of performance criteria are suggested as well as interpreted. Guidelines for measuring productivity are also suggested and interpreted. How these measures may be used by Siti Rahmah Hospital to improve its administration of health care while reducing costs and maintaining quality are described. This paper is aimed to be a useful resource for Siti Rahmah and other hospital management looking to improve their performance and productivity.

The Balanced Scorecard is a management tool that is widely used in the manufacturing industry. This paper fulfills a need by healthcare providers to obtain information on implementing a balanced scorecard system that specifically addresses issues unique to hospitals. This paper also addresses how to measure productivity within a Balanced Scorecard system.

Keywords: Balanced Scorecard, Siti Rahmah Hospital, Performance Measurement System

CHAPTER I

INTRODUCTION

I.1 Background

In the previous years, Performance Measurement system was only based on financial dimension in the form of financial statement. Unfortunately, financial dimension can only explain limited company's past year experiences which mostly related to company's short-term goals. Financial measurements were only able to evaluate company's condition in the current period and failed to predict a better future condition. Financial measurement is mainly used to measure company's tangible assets, and tends to neglect the company's intangible assets such as customer value and human-resources value.

Anthony and Govindarajan (2001) stated the four weaknesses of performance measurement through financial dimension:

1. Performance measurement system only stimulates short-term action that does not give advantages for company's long-term goals.
2. Managers are not motivated to take actions in establishing long term goals advantages, because they are too busy pursuing short term goals.
3. Short term goals might become an issue in the communication between business unit managers and senior managers.
4. Strict financial controls may lead to data manipulation.

Based on the limitation of performance measurement through financial dimension, Robert S. Kaplan and David P. Norton introduced an approach of performance measurement using the Balance Scorecard (BSC). In its application,

Balance Scorecard still use various traditional financial measurement, and add other dimensions which influenced the company's future through investment in costumers, suppliers, workers, business processes, technology, and innovations.

Balanced Scorecard combined the past financial performance with the future performance drivers. Scorecard purposes and measurements are formulated based on the company's vision and strategies. Balanced Scorecard views the company from four different perspectives:

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

Balanced Scorecard is an approach applied to obtain a form of measurement which suits the company needs and strategy in a specific way. That is why Balanced Scorecard application should be considered as ways of translating, communicating, and directing strategies into behavioural activities which will lead the company to a better condition.

According to Mulyadi (2001) there are various factors that indicate the need of Balance scorecard application in a company:

1. Competitive business environment.
2. Management systems that does not suits the business environment condition, in which the company operates.

Highly competitive business environment requires the company to:

1. Developing competitive advantages through Distinctive capability
2. preparing company's mainframe for the future

CHAPTER V

CONCLUSION

V.1 Conclusion

Balanced Scorecard is a measurement system that emphasizes on the balances of various strategic measurements in order to establish the balance of goals realization in organization. Balanced Scorecard is also considered as strategic management tools in stimulating workers to perform and act in the best possible way for the organization.

Generally, Balanced Scorecard holds an important role in:

1. Focusing the organization to achieve their goals
2. Maximizing the role of communication
3. Establishing organization goals
4. Providing strategic feed-back for organization

Every measurement in Balanced Scorecard is aimed to assists strategic aspects of the organization. In designing balanced Scorecard, it is essential for the management to establish a set of measurements which:

1. Reflects the main factors in realizing strategic goals for organization
2. Indicates the cause and effect relation between financial and non-financial measurements in the organization
3. Provides the organization with an evaluation bases

Based on the research conducted in Siti Rahmah Hospital, it can be concluded that Siti Rahmah hospital is ready to apply Balanced Scorecard as their performance measurement system.

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