



## Business Development Strategy with *Balanced Method Scorecard* (BSC) in Probolinggo Furniture Industrial Village

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**Abstract:** This study aims to analyze the business development strategy implemented by the furniture industry community in Probolinggo using the balanced scorecard (BSC) method. The method used in this study is a qualitative descriptive analysis method by conducting interviews, observations, and data documentation in collecting the necessary data. Interviews were conducted on 12 informants consisting of 5 informants from business owners in Jorong Village, Probolinggo, 3 informants from employees, and 4 from consumers. The results of the study based on the Balanced Scorecard through 4 measurement perspectives show that the financial perspective has decreased in ROI, current ratio, and operating ratio. The growth and learning perspective lacks training for employees and does not utilize technology in the form of social media in its marketing process. The company's readiness in implementing BSC must pay attention to the implementation of a BSC-based performance measurement system by first evaluating the suitability of the characteristics and readiness of the company in implementing BSC. Things that must be prepared are evaluating performance so that it can reflect activities in the company in accordance with the vision, mission, strategy, and objectives that have been set.

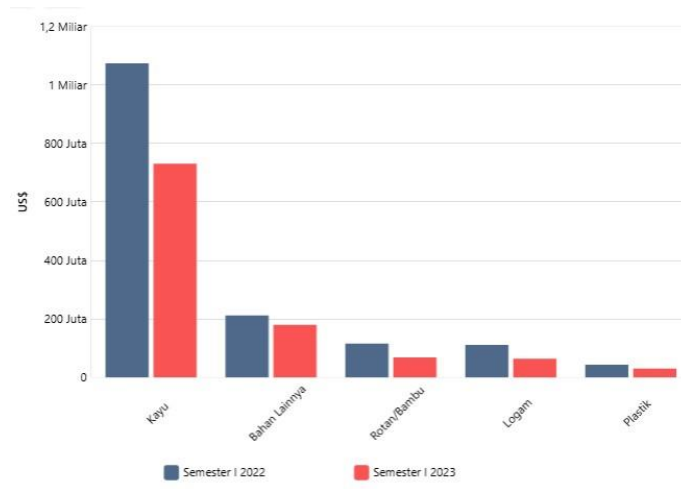
**Keywords:** Balanced Scorecard (BSC), Business Development, Probolinggo Furniture Industry

### 1. INTRODUCTION

Based on data from the Central Statistics Agency (BPS), the export performance of the Indonesian furniture industry weakened in the first semester of 2023. Throughout the first half of 2023, the total volume of national furniture exports reached 253.5 thousand tons, down 26.2% compared to the first semester of 2022. During this period, the export value also decreased by 30.9% to US\$1.07 billion. In the first semester of 2023, the largest export value came from wooden furniture, reaching US\$731.1 million. However, this achievement fell 31.9% compared to the first semester of last year, where the export value of wooden furniture was able to reach US\$1.07 billion.

Export declines also occurred in furniture made from other materials (-15%), rattan/bamboo furniture (-40.5%), metal furniture (-42.4%), and plastic furniture (-30.3%). Meanwhile, in the first semester of 2023, the volume of plastic furniture exports increased significantly (+42.1%), but the export value continued to decline because prices fell on the market. Strategic planning in a business is very important, because strategy is the direction that will be taken in a business. Before establishing a business, the company must plan and calculate

carefully the costs that will be needed such as skilled workers, production equipment to be used and so on.



**Figure 1**

*Source: Central Statistics Agency (2023)*

Business development strategy is very important in developing a business, in order to provide satisfactory performance and achieve the desired success. In Probolinggo Regency, there is a village that is the center of the furniture industry, the village is Jorong Village. It is said to be a furniture industry village because most of its people work as furniture entrepreneurs, both middle to upper and middle to lower. This furniture business has become one of the sources of local economic strength that is able to support the improvement of the economy and community welfare.

The main support for the local community is a business development strategy such as large capital (financial), and also professional human resources. Business development is carried out to maintain business sustainability and obtain maximum profit. In an effort to increase competitiveness with other furniture businesses, the people of Jorong village began to develop their marketing strategy by building communication with consumers to inform about the products and at the same time attract consumer interest in the furniture products made.

Business performance assessment is essential to improve future strategic plans if there are weaknesses in one of the businesses that need to be corrected to achieve goals. The Balanced Scorecard emerged as a transformative tool in the context of business management, which integrates strategic planning and shows a high correlation with organizational improvement in both the short and long term. The implementation of BSC can provide benefits to control management in strategic dimensions, communicate the contribution of each

employee, highlight the benefits of investment in competency development, information technology, and customer relationships (Gomez et al, 2024).

Based on the background, it can be seen that *the Balanced Scorecard* can be used to help plan business development strategies and find problems and appropriate solutions for business sustainability. The research that will be conducted uses the same *Balanced Scorecard* (BSC) method but on objects of a different nature, namely on furniture products that will be analyzed with a qualitative approach and general consumer targets in order to produce consumer decision factors with a wider scope. Seeing these problems, this research is important to do.

## 2. LITERATURE REVIEW

### Strategy

Strategy means implementing a strategy with clear planning, time targets, and objectives (Anwar, 2020). There are two approaches to defining strategy, namely the traditional approach and the new approach. In the traditional approach, strategy is understood as a forward-looking plan. While in the new approach, strategy is better understood as a pattern and is reflective (*backward looking*) (Ahmad, 2020).

The strategy is basically formulated to form a "*response*" to relevant external changes from an organization. These external changes will of course be answered by considering the internal capabilities of an organization. To what extent can an organization take advantage of opportunities and minimize external threats to obtain maximum benefits by utilizing the current advantages of the organization (Sudiantini, 2022).

### Strategy Management

Strategic management is the planning of organizational direction in order to successfully achieve business goals. Strategic management also includes the allocation of human resources and capital, for that also developing strategies to survive in competition on plans that are significantly different from competitors (Monika, 2024). Strategic management is a series of managerial actions that determine the company's performance in the long term. Strategic management includes environmental observation, strategy formulation, (strategic planning or long-term planning), strategy implementation, and evaluation and control.

Strategic management is a way to control an organization effectively and efficiently, down to the front line implementation, in such a way that its goals and objectives are achieved. The goal of strategic management is to improve

- a. Organizational quality
- b. Budgeting efficiency
- c. Use of sources Power
- d. Quality of program evaluation and performance monitoring
- e. Reporting quality

The principle in strategic management is the existence of a strategy formulation that reflects the true goals of the organization; the existence of an implementation strategy that describes how to achieve goals and an evaluation strategy that is able to measure, evaluate and provide feedback on organizational performance (Anwar, 2020).

### **Business Development Strategy**

Developing a business is the responsibility of every entrepreneur or entrepreneur who needs foresight, motivation and creativity. In general, business owners in developing their business must be able to see an opportunity where others are unable to see it, seize the opportunity and start a business (business), and run the business successfully (Supriadi, 2023).

- a. Internal environmental analysis
- b. External environment analysis

### **Balanced Scorecard**

*Balanced Scorecard* is a performance measurement and management system that views the company from four perspectives, namely financial, customer, internal business processes and learning and growth to improve strategic decisions in achieving company goals and provide managers or MSMEs with an understanding of business *performance* (Kaplan & Morton, 1996). The four perspectives in *the Balanced Scorecard* are an inseparable unit, complement each other as performance measurement indicators and have a cause and effect relationship. The financial perspective is the estuary or end result of when other perspectives (Aprizal, 2024). According to Kaplan & Norton, the basic principle of the *Balanced Scorecard* (BSC) is that cause and effect relationships exist across all measures in its four perspectives (Kober & Northcott, 2021).

## **3. RESEARCH METHODS**

This study uses a qualitative design with a case study approach. Qualitative research methods are based on philosophy, because they are used to research natural object conditions. Where researchers are key instruments, the purpose of using qualitative research is to be able

to understand in depth about business development studies with the balanced scorecard method in industrial centers located in Jorong Village, Leces District, Probolinggo Regency . So that it is expected to provide solutions so that the problems revealed can be resolved, and can find new strategic formulation concepts that can strengthen theories or revise and add to existing theories, this can contribute to the development of science. The purposive approach is used to determine informants who are specifically selected based on research objectives, not based on strata, positions, guidelines or regions, so that the right informants can be determined according to the main problems being studied. So the key informants chosen are furniture business owners in one of the Seatra Furniture Industry Villages in Probolinggo, several employees and consumers. This type of research uses primary and secondary data. Some data collection techniques used by researchers are interviews , observation, documentation, and audiovisual. The steps in conducting data analysis are divided into several stages such as data collection, data reduction, data presentation, and conclusions. The triangulation technique used by researchers is source triangulation which compares and rechecks the degree of trustworthiness of information obtained through different times and tools, such as: Triangulation with Sources and Triangulation with Methods,

#### **4. RESEARCH RESULTS AND DISCUSSION**

As a center of furniture industry village in Probolinggo Regency, the people of Jorong Village produce various kinds of furniture products made from wood. In the furniture production process and the quality of raw materials are very much taken into account and maintained. The market share that has been achieved by the people of Jorong Village has touched the market in the areas of Probolinggo, Lumajang, Situbondo, Bondowoso, Jember, and Surabaya. These furniture business actors collaborate with wood suppliers from Kalimantan and Bali to support the supply of raw materials for production.

Furniture business actors in Jorong Village have a vision of becoming furniture producers by producing quality, innovative products, and being able to grow healthily and independently. The strategies used by the community are *market interpretation*, *market development*, and *product development* , the implementation of these strategies is attempted by business actors to meet market demand .

*balanced scorecard* method in business development in the furniture industry in Jorong Village as a tool for conducting research. The application of the *balanced scorecard method* in this business measures performance and management systems through four perspectives.

**Table 1** Furniture Industry Performance Measurement Results Table With  
*Balanced Scorecard*

<b>Perspective</b>	<b>Indicator</b>	<b>Assessment Results</b>	<b>Category</b>
Finance	<i>Return On Investment (ROI)</i>	ROI up and down	Not good
	<i>Profit Margin</i>	<i>Profit margin</i> stable at 20%	Good
	<i>Operating Ratio</i>	<i>Operating ratio</i> increases	Not good
	<i>Current Ratio</i>	<i>The current ratio</i> goes up and down erratically	Not good
Customer	Customer satisfaction	Customers are very satisfied with the quality, service and products.	Good
Internal Business	Product Development	Always innovate in producing products	Good
	Service	Do good service	Good
	After Sales Service	Warranty products and customer complaint handling	Good
Growth and Learning	Employee Capabilities	There is no special training for employees	Not good
	Information System Productivity	Not yet utilizing social media information systems.	Not good

From the table it can be concluded that the problems that occur in performance are in the growth and learning sections that affect finance. The performance results in the table above will help the management of the furniture company in measuring its operational performance.

From the findings obtained during field research as explained in the previous section, performance measurement in the furniture business using the *balanced scorecard method* with some results still does not match the characteristics of the BSC. These furniture entrepreneurs have a clear vision, mission and goals with a planning function that has been running well. However, when viewed from technical aspects such as interrelated and specific indicators, information system support and human resource competencies that are still less in accordance with the characteristics of the BSC.

**Table 2** Company Characteristics and *Balanced Scorecard Concept Compliance Table*

No.	Characteristics of BSC	Characteristics of a furniture company	Appropriate / not appropriate
1.	Companies must have sufficient understanding of the BSC system.	Business actors are not aware of the BSC system	It is not in accordance with
2.	Companies must have a clear and actionable vision and mission.	Vision and mission already exist	In accordance
3.	Companies must have sufficient capital to implement the BSC system.	Furniture entrepreneurs have sufficient capital	In accordance
4.	Companies must integrate the relationship between financial and non-financial performance measurements.	There is no measurement of financial and non-financial performance	It is not in accordance with
1.	Companies must have adequate information technology systems	Business actors do not yet have and utilize technology	It is not in accordance with
2.	Companies must have short-term and long-term planning	Have short-term and long-term planning	In accordance
3.	Have support from all parties in the company	Lack of support from all parties	It is not in accordance with
4.	Companies must have adequate and measurable performance measurement indicators.	Does not yet have complete performance measurement indicators	It is not in accordance with
5.	Companies must have clear targets in their performance measurement indicators.	Do not have sales targets to measure performance indicators	It is not in accordance with
6.	Companies need to have competent workers	The workforce is still less competent	It is not in accordance with

Based on the analysis of the suitability of the BSC concept with the characteristics of the company above, it can be seen that there are 7 main problems that must be considered by furniture business actors to implement BSC. These problems include technical determination of performance indicators, support from the top management team, readiness of human resources and preparation of an integrated information system. These 7 problems are

summarized in table 4.3, a table of alternative recommended solutions that can be a guide in the operationalization of the BSC concept in the field.

**Table 3** Alternative Solution Table

No.	Problem	Alternative Solutions
1.	Don't have enough understanding about BSC	<ul style="list-style-type: none"> <li>• Conducting training related to BSC</li> <li>• Evaluate the company's vision, mission and strategy management to all employees.</li> </ul>
2.	Does not yet have an adequate information technology system	<ul style="list-style-type: none"> <li>• Creating a company database system</li> </ul>
3.	Not yet received overall support	<ul style="list-style-type: none"> <li>• Conduct HR training regarding BSC</li> <li>• Providing incentives and appreciation to employees</li> <li>• Communication regarding the company's vision, mission and strategy to employees</li> <li>• Maintain good communication with all employees</li> </ul>
4.	Measurement of financial and non-financial performance	<ul style="list-style-type: none"> <li>• Complete all company databases</li> <li>• Establish effective performance measurement indicators</li> <li>• Creating a <i>strategy map</i></li> </ul>
5.	No performance measurement yet	<ul style="list-style-type: none"> <li>• Establish effective performance measurement indicators</li> </ul>
6.	Don't have a clear target yet	<ul style="list-style-type: none"> <li>• Set clear and realistic targets</li> <li>• Considering the basis in determining targets</li> </ul>
7.	Do not have good and competent workers	<ul style="list-style-type: none"> <li>• Conduct training regarding BSC</li> <li>• Providing incentives and appreciation to employees</li> <li>• Maintain good communication with employees</li> <li>• Giving punishment fairly</li> <li>• Making rules</li> </ul>

The alternative solutions provided focus on building employee competency, compiling *Standard Operational Procedures (SOP)*, and understanding the BSC concept that will be implemented which can be a guide in the operationalization of the BSC concept. The problems above are the technical weaknesses of furniture business actors in implementing BSC into their business.



## 5. CONCLUSION

The results of measuring the performance of furniture companies using *a balanced scorecard* based on findings in the field and theoretical explanations, it can be concluded that:

### a. Financial perspective

Judging from the ROI figures that have experienced a *fluctuating* (uncertain) decline, and the same thing also happens to the *current ratio* and *operating ratio figures*. The decline tends to affect the company's growth even though the *profit margin figures* get good results.

### b. Customer perspective

The company's ability to provide satisfaction to customers can be seen from the pricing of products according to the quality provided, shopping comfort, giving buyers freedom in choosing raw materials according to *the budget* owned by the customer. It's just that the availability of goods displayed *in* the store is limited because of the limited land owned by the seller.

### c. Internal business perspective

Always innovating by looking at trends on social media and according to customer demand. Purchasing services only use *offline stores*, accept orders for goods according to customer *requests*, accept product exchange services, and accept product repair services. The after-sales service provided is the purchase of products with a warranty with a time span according to the raw materials used in the product.

### d. Growth and learning perspective

There is no special training provided to employees, and they do not utilize technology in the form of social media in their marketing process.

The company's readiness in implementing BSC must pay attention to the implementation of a BSC-based performance measurement system by first evaluating the suitability of the characteristics and readiness of the company in implementing BSC. The things that must be prepared are evaluating performance so that it can reflect activities in the company in accordance with the vision, mission, strategy and objectives that have been set.

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