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PERFORMANCE MANAGEMENT ANALYSIS: A STUDY OF MEASURING BUSINESS PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN JEMBER REGENCY, INDONESIA

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Abstract—This study aims to describe the business performance assessment using the application of a tool known as Performance Management Analysis (PMA) for small and medium-sized enterprises in Jember Regency. With this tool, the SMEs can evaluate their business performance based on subjective performance measures. This study uses nine dimensions of PMA as well as studies conducted by the University of Amsterdam. The research sample was determined purposefully by researchers with a consideration of the ease of access available. The average of small and medium-sized enterprises in Jember Regency has given equal attention to the two dimensions measured, namely structural and behavioral dimensions in the performance management system. The average score for all aspects is 3.6 only. On a scale of 1-10, this score shows a situation where the respondent's perception of the use of a performance management scheme in their company has not been running well and optimally. They agreed that the situation should be improved so that the average PMA score could reach 7.3, as expected. Therefore, the results of the analysis show that small and medium-sized enterprises need to get additional clear insights about the fields that need attention to develop their business. The results of this study also provide information about the relationship between business managers and the application of a performance management scheme in each business entity which can encourage positive behavior of business people based on the results of their performance analysis and the consequences that can be felt to improve business performance.

Keywords— Performance Management, SME's, Jember Regency

I. INTRODUCTION

In Indonesia, national development in the economic field is a top priority, especially in regard to the empowerment of small and medium-sized enterprises (SMEs) which have indeed been proven to be a solution to various economic problems, such as poverty and high unemployment. The decisive role of SMEs has also been revealed by Demirbag (2006), namely the direct impact of the development of SMEs on the economic development of both developed and developing countries. Thus, the performance of SMEs must run effectively and efficiently by implementing a performance management system to obtain accurate information about the productivity of employees and companies. Performance management systems can be said to be useful if the system is used continuously by managers and successfully improves organizational performance (Propper and Wilson, 2003; Said et al, 2003; Davis, 2004; Epstein, 2004; Marr, 2004) and there is a positive correlation between the structure of performance management system and behavior based on organizational performance (Lipe and Salterio, 2000; Martins, 2000).

Ideally, the implementation of SME business performance measurements must be done objectively. However, actual conditions indicate that SME business performance data are not always well-identified, so that subjective performance measures can be used as alternatives, namely performance appraisal based on the perceptions of business owners / managers (Covin and Slevin, 1989; 1990; Beel, 2000; Rokhayati, 2015). Other studies also show that subjective measures can be used to assess the performance of a group of SMEs whose goals and measurement criteria are not uniform (Lee and Miller, 1996), and have high levels of validity and reliability (Luo, 1999). The results of subjective performance measurements also correlate closely with objective measures (Chandler and Hanks cited in Luo,

1999). Information on non-financial (subjective) data of SMEs is more accessible to obtain than financial data because SMEs often do not have complete financial reports (Covin, 1988).

Based on the real conditions faced by SMEs in general, this study presents the results of a survey of the business performance of SMEs in Jember Regency by using a subjective analysis tool in measuring their performance of SMEs. The analysis tool is Performance Management Analysis or PMA. The performance management system can be done by applying PMA as the analysis is one of the choices that can be used to determine the performance standards of each job (de Waal, 2004).

II. LITERATURE REVIEW

Performance Management Analysis (PMA) is a subjective analytical tool for measuring the performance of SMEs that try to see the structural and behavioral aspects of performance management. The nine dimensions used in PMA can be explained in Table 1.

TABLE 1. NINE DIMENSIONS OF PERFORMANCE MANAGEMENT ANALYSIS

Dimension	Type	Description
Responsibility Structure	Structural	The leadership style and instruction is clear, the duties and responsibilities have been determined and practiced consistently at all management levels
Content	Structural	The company uses financial and non-financial performance assessments through the use of key performance indicators
Integrity	Structural	The information of performance appraisal is reliable, timely and consistent
Manageability	Structural	Reports of activity and performance management systems through the ICT system are detail and easy to access, use, and secure
Accountability	Behavioral	Awareness of business people to be responsible for the results of key performance indicators both their own and the organization's overall responsibilities
Leadership Style	Behavioral	Leaders of SMEs are interested and involved in efforts to improve organizational member performance and stimulate social and proactive behavior. At the same time, the leaders consistently accompanies members of the organization whose performance is not optimal
Action Orientation	Behavioral	Information related to performance is integrated into the daily activities of members of the organization so that if problems arise, they can be immediately addressed for corrective actions as well as preventive measures
Communication	Behavioral	Communication and knowledge sharing (top-down and bottom-up) is carried out periodically between units within the organization.
Alignment		Human resource management is one of management systems that aligned All essential factors for organizations is regularly evaluated and rewarded or sanctioned

(Reference: de Waal, 2006)

The structural dimensions relate to performance management content and the implementation process in the organization while the behavioral dimensions relate to the way the organization's personnel / human resources implement performance management. The structural side relates to structures that are important to implement when organizations implement performance management, including success determinants, key performance indicators, and, often, balanced scorecard components. The side of behavior is related to the activities of members of the organization and their active role in the performance management system. PMA uses the principle that the structural and behavioral side have the same degree of attention if a company wants to create a work environment where people are encouraged to do the best of all their abilities for the progress of the company.

This performance management analysis allows an organization to assess performance drivers by filling out questionnaires that cover nine dimensions, both from the structural and behavioral side. "Performance boost" is defined as a strong performance orientation of members of the organization that results in the motivation to improve the quality of work sustainably and provide better results. The nine dimensions used in this study are based on various criteria according to the results of several empirical studies as the most important for measuring proper performance management (Lipe and Salterio, 2000; Marchand et al., 2000; Nelly, 2000; Simons, 2000; Bauer et al., 2004; Malina and Selto, 2004).

III. METHODS

This research is a narrative research known as the best research to capture detailed stories or life experiences in one life or life of a number of individuals. The results of this study will tell about the experience of SMEs in evaluating their business performance. The study population was all micro and small business actors or owners in the Jember Regency region because by micro and small businesses comprise more than 90 percent of all businesses in Jember Regency (BPS, 2016). The research sample was taken using a non-probability sampling technique, namely the

convenience sampling method that gives freedom to researchers to choose the desired respondents based on personal considerations (Cooper and Schnider, 2011). In this study, the number of samples was set at 12 SMEs out of a total of 15 SMEs planned based on the completeness of the data obtained. According to de Waal (2004), the number of respondents is limited. For example, an assessment involving between three to five people is sufficient to describe the dimensions of performance management criteria that can accurately improve organizational performance, but, in theory, we still believe a greater number of respondents will be able to produce a better picture of organizational performance management.

The main data types used are primary data obtained by interviewing techniques and using questionnaires as a tool in semi-structured interviews. Respondents, SMEs, conducted performance assessments based on each criterion contained in the nine dimensions of PMA used. Scores were made from one to ten wherein if they think that their company has a poor performance, the score is between one and five, or if the opposite, and it is judged to be good, then the score is between six and ten for each criterion. The next step is to calculate the average score for each measurement dimension by dividing the total score by the number of criteria (there are five criteria for each dimension, and only the dimensions of the responsibility structure have four criteria). After all, respondents completed filling out the questionnaire, the scores of all respondents were averaged per dimension.

IV. RESULTS AND DISCUSSION

Based on the results of the 2016 Economic Census, there were 283,685 business units in Jember Regency. This number increased by 9.20 percent compared to the results of the previous Economic Census in 2006 (BPS, 2016). Two hundred and eighty thousand, seven hundred and forty-five units, or 98.96 percent, are small and medium-sized enterprises (SMEs), while only 2,940 were large businesses or just 1.04 percent. Of the total number, the types of large and retail trade, and the repair and maintenance of cars and motorbikes, are the most widely carried out economic activities, reaching 51.95 percent. The provision of accommodation and ood and drinks ranked next at 15.01 percent, and the processing industry at 12.99 percent. The number of small and medium-sized enterprises in Jember Regency has been able to provide business opportunities and afforded a livelihood for 69.37 percent of the total workforce in Jember Regency or as many as 612,293 people, a very significant contribution compared to large medium-scale businesses whose participation in producing goods and services accounts for only 15.90 percent. Thus, small and medium-sized enterprises have been able to become the foundation of people's livelihoods and, at the same time, are a source of activity that can strengthen the linkages of the nation's economy and, especially, Jember Regency.

In the current performance management system, the most widely used performance measurement indicators are an emphasis on financial data, such as profit (profit) and return on investment (ROI). Only a few measure performances are by including non-financial variables, such as turnover and number of customers (Wood, 2006), or design quality and product development (Laura et al., 1996). Although Ittner (2003) states that performance appraisal can be grouped into the assessment of financial and non-financial performance, quantitative and qualitative, internal and external measurement, and results and effects, the current performance management system is not easy to provide this information. The performance measurement tools that can also be considered are Business Performance Measurement (BPM) Systems (Mann and Kehoe, 1994; Franco-Santos et al., 2007). The primary function of the performance measurement system is to focus the assessment on all aspects of the organization at high and low levels of activity so that it is also suitable when used in measuring the business performance of MSMEs. Constraints faced in implementing a non-financial performance measurement system are that many organizations have difficulty in making accurate forecasts. Forecasts of poor performance cannot be known immediately because, usually, employees are only evaluated once a year through conducting performance interviews. However, many believe that the non-financial performance appraisal process will also increase the company's accountability in the long run. Prediction of business performance in the future will be a reference in making business decisions.

The application of PMA in the assessment of performance management of SMEs in Jember Regency aims to improve the quality of policies and management produced. PMA implementation can also provide information for small and medium enterprises about the efforts needed to improve the quality of their performance. The PMA questionnaire is filled in by the business owner, and the results are displayed in the PMA Radar Diagram in Figure 1 and Table 2.

The pattern shown in Figure 1 of the PMA Radar Diagram shows that the average small-scale business in the Regency has given balanced attention to the two dimensions measured, namely the structural dimensions and behavioral dimensions in the performance management system. The average score for all aspects is 3.6. This score, on a scale of 1-10, shows a situation where respondents' perceptions of the use of a performance management system in their company are that it has not run well and optimally. They agreed that the situation must be improved so that the average PMA score could reach 7.3, as expected. The results of calculating the standard deviation reinforce respondents' answers that, among them, there are still

differences of opinion which are very likely due to the growth of the number of small and medium-sized enterprises which has been very significant in the last ten years. The business actors still need sufficient time to organize their business organizations, both in the structural and behavioral dimensions, which will be able to drive the quality of the business performance management system.

Figure 1. PMA Radar Diagram

TABLE 2. PMA SCORE IN THE CURRENT CONDITION AND EXPECTED CONDITIONS

Dimention	Current Condition	Deviation Standart	Expected Condition	Deviation Standart
Responsibility Structure	4,3	1,2	7,5	1,1
Content	3,1	0,9	7,2	0,7
Integrity	3,7	1,2	7,6	0,7
Manageability	3,7	1,1	7,2	1,0
Accountability	3,6	0,8	7,3	0,7
Leadership Style	3,5	1,0	7,3	0,8
Action Orientation	3,6	1,0	6,9	0,8
Communication	3,5	0,8	7,3	1,1
Alignment	3,0	1,5	6,8	0,7
Mean Score	3,6		7,3	

A detailed description of PMA scores from each dimension in this study shows current real conditions. The dimension of the responsibility structure has scored much higher than the average score of 3.6 while the score of content and alignment is lower.

A. Responsibility Structure

The results of calculations in the current real conditions indicate that the score for the responsibility structure (4.3) is higher than the average score (3.6). This condition was mainly triggered by the program of the Jember Regency Cooperative and the SMEs' Office as a government agency that has a responsibility in developing MSMEs. The SMEs development program, through the establishment of Community Micro Credit Institutions (LKMM), was carried out because, so far, there had been no programs for micro-entrepreneurs in Jember Regency. The LKMM has a responsibility to reduce Jember Regency population poverty and financial management of investments for poor groups of people or households that have businesses. The existence of this LKMM has been able to increase the sense of responsibility of LKMM managers and small and medium-sized enterprise actors for their business performance. This program is the starting point of the process of improving the responsibility of business actors in carrying out all their obligations, including the preparation of more detailed and precise tasks and responsibilities, increasing accountability and execution, improving managerial quality, and improving communication with all components in the company.

B. Content

In the "content" dimension, the calculation results show a score that is slightly below the average (3.1). The real conditions at the time of this research are very likely because there are still small and medium-sized enterprises in Jember Regency that have implemented financial and non-financial performance assessments through the use of key performance indicators. Many performance appraisal systems are limited to the evaluation of financial performance. Non-financial performance appraisal has not been carried out because small and medium-sized enterprises consider non-financial information to be a primary need in their business activities. This finding is not in line with that of Henry (2006) who said the measurement of financial performance should not be used as the only reference to measure business performance because it only emphasizes the value of business profits. It can be said that the measurement of financial performance is only able to measure the activities that have already occurred. The problem arises because small and medium-sized enterprises are not sure about this, which makes it difficult for them to anticipate changes and develop an appropriate performance management system. In the end, management information that is less accurate produces little added value.

C. Alignment

From the results of the study based on interviews and filling out the questionnaire, it is known that almost all small and medium-sized enterprises in Jember Regency have not used a performance management system to evaluate the performance of employees or members of organizations involved in business activities. The system of giving rewards and sanctions has not been implemented consistently. This condition is reflected in the score of the calculation results, which are lower than the average score of all dimensions of PMA. The alignment dimension also has the lowest PMA assessment score compared to the other eight dimensional scores. This shows that harmony in

carrying out a performance assessment is something that is not easy to implement. People involved in small and medium-sized enterprises rarely have formal involvement in achieving their performance, the organizational structure is not well understood as regard the duties and authority of each part, and most members of the organization or employees do not make plans for developing personal competencies. Alignment of management activities in a business organization will further guarantee the achievement of business results that can be achieved.

V. CONCLUSION

Over the past few years, SMEs have received high attention from the government, including small and medium-sized enterprises in Jember Regency because of their significant role as a buffer for the country's economy and which is very reliable in the event of a global economic crisis. Various further development programs are designed to develop small and medium-sized enterprises to have a better bargaining position. For this reason, an evaluation of the effectiveness of performance measurement that has been applied is needed because performance management information is beneficial in preparing the next business development plan. Performance Management Analysis (PMA) is one of the business performance appraisal tools that can cover weaknesses that arise when business organizations only assess their financial performance. PMA contains performance appraisals by conducting assessments based on structural dimensions and behavioral dimensions. PMA provides transparent information about what matters need more attention so that the performance management system used can be optimally useful.

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