

Performance Measurement Using Balanced Scorecard for Non-Profit Organization: A Case Report

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Abstract

Every organization has a goal, and a performance management system is required to increase the probability of the organization achieving its goals. As most organizations focus on bottom line measurements and organizational growth, the case is different for nonprofit organizations whose measurement focus is on stakeholder satisfaction and social impact. Nonprofit organizations also have the luxury of not needing to retain remaining unused funds for growth as the unused funds will be returned to donors. The application of performance management systems in nonprofit organizations is still at a minimum. The Balanced Scorecard (BSC) is one of the most well known performance management system tools for corporations. Some perspectives in BSC such as customer may not be appropriate to nonprofit organizations and further modification needs to be done to find the best framework for performance management. This paper aims to develop and propose a performance management system framework in the case study of Common Room Networks Foundation. Common Room is a nonprofit organization based in Bandung, Indonesia, who become agents that bridge the interests of the beneficiaries of the local-based Internet development program. The study will begin with interviews to collect existing organization performance measurements, map the strategic objectives according to perspectives, and determine the Key Performance Indicator (KPI) that best measures the success of the organization. It is hoped that this framework can be applied to any nonprofit organization of any specialization.

Keywords: balanced scorecard; nonprofit organization; performance management system; internet development; rural communities.

INTRODUCTION

In the last two years, Indonesia has experienced rapid growth in internet penetration caused by the COVID-19 pandemic, where most activities, mobility and direct interactions between people are limited and communication has been forced to switch to digital mode, so that the internet plays an increasingly important role. Based on a survey conducted by Indonesia Internet Service Provider Association or (APJII, 2022) between January and February 2022, there was a significant increase in internet penetration from before the COVID-19 pandemic in 2018, which was 64.80% to current, namely in 2021-2022, which was 77.02%. The number of people connected to the internet is currently 210,026,769 people out of Indonesia's total population of 272,682,600 people. In addition, (APJII, 2022) notes that there has been a structural change in internet use in Indonesia.

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90.21% of respondents explained their reason for using the internet was to work or study from home.

Despite Indonesia's entry into the G20 represents the country's good economic performance, the country's progress is still uneven, especially in rapid internet growth or penetration. There are still differences regarding access to digital information. Since the start of his first term as president in 2014, President Joko Widodo (Jokowi) has attempted to address this issue by announcing a policy of "building from the periphery," which emphasizes development in the 3T region (tertinggal, terdepan, terluar), i.e. the country's least developed, frontier, and remotest areas. Government initiatives to build digital technology infrastructure include the completion of the Palapa Ring "sky highway" project, which will give access to the internet and hopefully bridge the digital divide between urban and rural areas.



Figure 1. Illustration of Palapa Ring Internet Network (Image source: https://en.wikipedia.org/wiki/File:Palapa_Ring_Project.png)

However, after the Palapa Ring was completed, there were problems with network distribution and internet connectivity to remote areas is still a joint work that needs to be completed, especially for rural areas and remote places (last mile users). In this case, although most parts of Indonesia can already be reached by internet infrastructure through the Palapa Ring project, the challenge of the digital divide is still a real problem experienced by some Indonesian people. 43.37% of respondents explained the reason they don't use the internet is because there is no internet connection in their area.

Statistics show that the highest internet penetration is still in the land of Java (78.39%) and the lowest is in the land of Papua (68.03%). By province, Jakarta has the highest internet penetration and West Sulawesi is the lowest with the percentage of (57.58%) (APJII, 2022).



Figure 2. Network coverage of the five largest telecommunications companies in Indonesia (Imagesource: <https://www.nperf.com/en/map/ID/-/-/signal/>)

The distribution of network coverage hotspots for the 5 largest telecommunications companies in Indonesia in the figure above reflects the distribution of internet network growth in Indonesia (Iwana, Hidayat, Dinanti, & Onitsuka, 2022). For the time being, most of the areas for growth are concentrated in Java Island, although there is a significant gap between the northern and southern regions of Java Island. In general, internet network access in Java is mostly available in the northern region. Distribution of internet access is also available in several areas on the island of Sumatra, Kalimantan Island and Sulawesi Island, although the access density is much different from Java Island. Meanwhile, internet access is also available in several areas of Eastern Indonesia, although with very limited distribution and capacity and only in certain areas. This difference not only reflects the digital divide on the internet infrastructure side, but also includes bandwidth costs. The cost of bandwidth on the island of Java, meanwhile, is much cheaper when compared to other areas outside Java.

To help the government to address this gap, two elements of society have also responded, namely non-profit organizations (NPOs) and civil society movements or organizations (CSOs). NPOs, which frequently receive funds from international donor organizations for initiatives to empower civil society, often become government development partners in carrying out its programs. In fact, it is not uncommon for them to

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create their own alternative programs to narrow the existing gap. They work in this specialized sector to advance rural communities' interests and connect them. In order to maximize social returns, non-profit organizations (NPOs) concentrate on fulfilling a social objective and balancing cost-effectiveness with program efficacy.

Many NPOs know that if they want to succeed, they must adopt the methods and terminology used by for-profit businesses. NPOs, which often fulfill a community need, have users, clients, or beneficiaries in contrast to for-profit businesses, which have consumers. NPOs are left to fight for financing, volunteers, and government subsidies without traditional business models to assist them in running their organizations and ensuring they have the resources to serve their communities. NPOs have many stakeholders to consider in their governance matrix, including individual and government funders, regulators, and volunteers, as opposed to for-profit organizations, which often have owners (and shareholders).

An open platform for creativity and innovation, Yayasan Mitra Ruang Kolektif, commonly known as Common Room Networks Foundation (Common Room), was officially recognized as a non-profit organization in 2006 (Maail, n.d.). This organization was established as a Bandung Center for New Media Arts project (active until 2006). Common Room has been attempting to engage with people from various social and cultural backgrounds since it was first developed as a project that spanned interaction and dialogue to promote multidisciplinary collaboration and connect multiple individuals (Nyström, Karlun, Keller, & Andersson Gäre, 2018). Since its inception, Common Room has committed to preserving a place for civic empowerment through art, culture, and ICT/media resources (Lee, Park, & Lee, 2019). Beginning in 2013, Common Room has also actively participated in a joint effort to create urban and rural collaboration platforms that foster creativity, innovation, and social entrepreneurship in local and global contexts. CR organizes the Rural ICT Camp and School of Community Networks (SCN) as part of the program Supporting Community-led Approaches to Addressing the Digital Divide in Indonesia (Danos & Turin, 2021). Rural ICT Camp "intends to shed light on the rural revival movement as a nucleus of environmental and cultural-based innovation supported by the utilization of the internet and digital platforms." Representatives from nine provinces, namely Aceh, West Kalimantan, West Java, West Sulawesi, Lombok, Bali, East Nusa Tenggara, Maluku, and Papua, were invited to come and take part in the activities that were also intended as a method for SCN to be developed.

Problems arise for actors engaged in non-profit organizations because they cannot correctly assess the performance of their organizations (Bryson, 1988). So far, they have only assessed the programs they run without conducting a thorough assessment of their organization (Landoll, 2021). These phenomena can result in an organization lacking in alignment with the organization's goals and strategy, inefficient use of resources, poor decision-making, and a lack of accountability, which can ultimately hinder the organization's success (Beer, Voelpel, Leibold, & Tekie, 2005).

In order to maximize social returns, non-profit organizations (NPOs) like Common Room concentrate on attaining a social objective and balancing cost-effectiveness with program efficacy. Many NPOs know that if they want to succeed, they must adopt the methods and terminology used by for-profit businesses. NPOs, which often fulfill a community need, have users, clients, or beneficiaries in contrast to for-profit businesses, which have consumers. NPOs are left to fight for financing, volunteers, and government subsidies without traditional business models to assist them in running their organizations and ensuring they have the resources to serve their communities. NPOs have many stakeholders to consider in their governance matrix, including individual and government funders, regulators, and volunteers, as opposed to for-profit organizations, which often have owners (and shareholders). These stakeholders use different views and reporting frameworks. Therefore, managing numerous agendas is a difficulty for NPOs. NPOs can better address stakeholders' competing needs when their strategies are tied to performance measures. Finding a method for creating efficient performance measures for non-profit organizations is a challenge.

METHOD

The steps in this research starts from identifying their vision and mission, then choosing strategies from each perspective in the framework, then determining the Key Performance Indicator (KPI) for implementation.

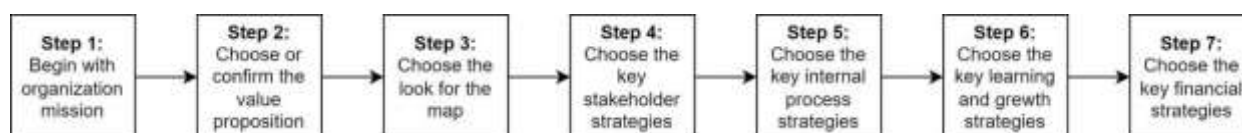


Figure 3. BSC Methodology for NPO

Step 1: Review mission, vision, and strategy

1. Gather input from key stakeholders: To review the organization's mission, vision, and strategy, it is important to gather input from key stakeholders such as employees, board members, beneficiaries, and donors. These stakeholders can provide valuable insights and perspectives on the organization's direction and priorities.
2. Review current mission, vision, and strategy: The next step is to review the organization's current mission, vision, and strategy to determine if they are still relevant and aligned with the organization's goals and objectives. This may involve reviewing documents such as the organization's strategic plan and mission statement.
3. Identify gaps and opportunities: As part of the review process, it is important to identify any gaps or opportunities in the organization's current mission, vision,

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and strategy. This may involve conducting a SWOT (strengths, weaknesses, opportunities, and threats) analysis to identify areas for improvement.

4. Develop a revised mission, vision, and strategy: Based on the input gathered from stakeholders and the review of the current mission, vision, and strategy, the next step is to develop a revised mission, vision, and strategy for the organization. This may involve setting new goals and objectives, and identifying key priorities and action steps for achieving them.
5. Communicate and implement the revised mission, vision, and strategy: Once the revised mission, vision, and strategy have been developed, it is important to communicate these to all stakeholders and implement them in the organization. This may involve updating internal policies and procedures, and providing training and support to ensure that employees understand and are able to contribute to the achievement of the organization's goals.

Step 2: Choose or confirm the value proposition

1. Understand your target audience: To identify a value proposition, it is important to understand the needs, preferences, and pain points of your target audience. This will help to identify the benefits that your products or services can offer that are most relevant and valuable to your customers.
2. Determine your unique selling points: Identify the unique features or benefits of your products or services that set them apart from competitors. These may include things like high quality, convenience, cost savings, or environmental benefits.

Communicate the benefits: Use clear and concise language to communicate the benefits of your products or services to your target audience. Avoid using jargon or technical terms, and focus on how your products or services can solve your customers' problems or meet their needs.

RESULTS AND DISCUSSION

Analysis

The interview results with Common Room in summary is as follows:

Table 1. Interview Result

Question	Answer
What is the vision?	To ensure that technology can be enjoyed by everyone
What is the mission?	To increase capabilities of beneficiaries to access the Internet, to improve
What is the strategy?	The strategy is building communication with stakeholders which are government, academics, business, mass media, and community

What are the programs to accomplish the vision?	The programs include developing the infrastructure prototype of the Internet for community, Sekolah Internet Komunitas, internal employee training, etc.
What are the steps needed to run a program?	Do issue research yearly to see the new current issue, then do FGD about the proposed program, find the relevant partners and donors

Common Room is operating with the ultimate goal of spending the given funds. Therefore, we see this as the financial perspective being at the bottom of the strategy map. In addition, efforts to develop internet infrastructure in the 3T region have several opportunities related to the funding scheme. In implementing the Rural ICT Camp program, there are 3 related funding schemes, including;

Village Funds

Village fund allocation priorities are regulated through Permendesa PD TT No. 7 2021 related to the use of village funds. Alleviating the digital divide in rural areas and remote areas is one of the important challenges that forms the basis for the formation of this policy. Through a policy that continues the PD TT Village Regulation No. 13 of 2020, the use of village funds can be allocated for the management of information and communication technology in rural areas and remote places

Universal Service Obligation (USO)

Implementation of Telecommunications and Universal Service Obligations Informatics is a program run by the Ministry Communication and Information (Kemkominfo) implemented by Telecommunications and Information Accessibility Agency (BAKTI), accordingly with the Regulation of the Minister of Communication and Informatics Number 25 of 2015. This program aims to address the information technology gap, support economic activity, strengthen defense and security, and educate the nation through information technology and communication. BAKTI is in charge of not only building ICT facilities in rural areas, but also provides telecommunication services and affordable networks, as well as forming a lane network ecosystem broadband in Indonesia.

Social and Environmental Responsibility (Corporate Social Responsibility/CSR)

Social and Environmental Responsibility is the Company's commitment Limited ("PT") to participate in economic development in a sustainable way to improve the quality of life and the environment beneficial, both for the company itself, the local community, as well as society in general. CSR is regulated in Law No. 40 of 2007 concerning Limited Liability Companies and Government Regulation no. 47 of 2012 concerning Responsibility Limited Liability Company Social and Environment. Based on these regulations, the company has an obligation to carry out community development and empowerment.

For the key stakeholder strategies, the organization's ultimate goal can be seen as giving benefit to beneficiaries, which are people and or communities who receive the

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program. Therefore, the key stakeholder strategy is to improve beneficiaries' connectivity to the Internet. To achieve this objective, Common Room launched programs including digital literacy program, community-based Internet education, provisioning Internet infrastructure, etc. Programs launched need to be researched beforehand to make sure the program reaches the intended audience and solve their internal problem. These are included in the Internal Process perspective, with the strategic objectives being to improve program brainstorming quality, improve training program delivery, and improve Internet infrastructure readiness. To achieve the internal process objectives, the organization from within needs to be capable and competent, particularly from the employee side and the tools side, in this case modules for teaching programs. These are included in the Learning & Growth perspective, with the strategic objectives being to increase employee competency, optimize tools and modules, and create positive organisational culture. Financial perspective is put at the bottom, with one strategic objective is to find financial donors.

From a stakeholder perspective, people's connectivity to the internet can be measured by the number of people connected to the Internet in that region, the number of Internet voucher sales in that region, local support, and digital literacy improvement with the initiatives include expanding the program to other untouched regions, develop community-based internet infrastructure that is supported by local stakeholders, starting from village leaders and officials, residents in the local area, as well as related organizations and institutions, and develop community-based internet infrastructure that is easy for anyone to learn, anywhere.

From an internal perspective, the commonly used measure is Social Return On Investment (SROI). Because SROI depends on the time and fund cost of the program, the initiatives are to streamline both those costs (Gargani, 2017). In addition, the internal perspective can also be seen by the number of installed internet infrastructure, with the initiatives include developing community-based internet infrastructure utilizing simple and easily accessible technology in rural communities and remote places, and managed by residents in rural areas and remote places which have limited capacity and technical equipment.

From a Learning & Growth perspective, employee competency is measured by number of certified employees, modules are measured by number of updated modules, and positive culture is measured by employee turnover (Bristol, Kostelec, & MacDonald, 2018).

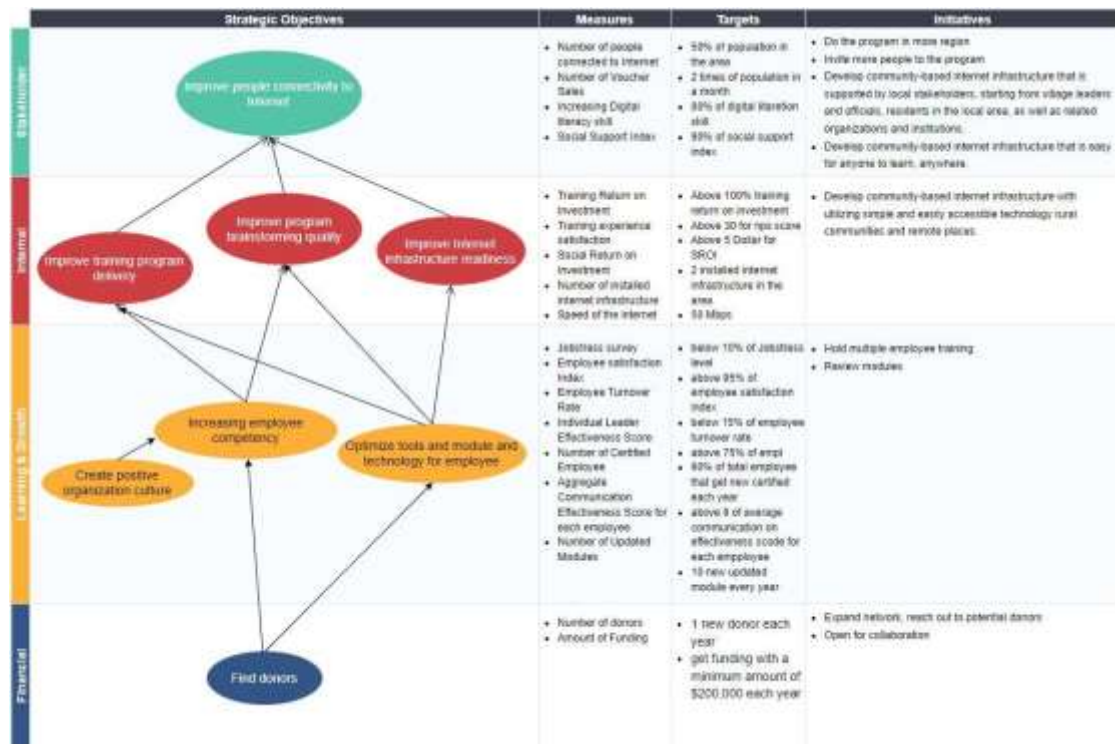


Figure 4. A proposed strategic map for NPOs

In Figure V, The strategic goals connected to a soccer club's mission and vision are specified for each performance standpoint. The performance indicators for assessing the achievement of each of the strategic objectives should be chosen (Yüksel & Coşkun, 2013).

Table 2. A proposed Non-Profit Balanced Scorecard with targets.

Per spe ctive	Strategic Objective	Performance Measure	Weight	Target	Point				
					100	80	60	40	20
Stakeholders' Perspective (30%)	Improve people connectivity to Internet	Number of people connected to Internet	2%	50% of population in the area	More than 50% of the popul ation	40% - 50%	30% - 40%	20% - 30%	10% - 20%
		Number of Voucher Sales	10%	2 times of population in a month	x => 2 times of popul ation	1.5 >= x > 2 times of popu lati	1 >= x > 1.5 times of popu	0.5 >= x > 1 times of popu lation	0 >= x > 0.5 times the popu lati on
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Increasing Digital literacy skill	12%	80%	x >= 80%	60% >= x > 80%	40% >= x > 60%	20% >= x > 40%	0% >= x > 20%
Social Support Index	6%	90%	x >= 90%	70% >= x > 90%	50% >= x > 70%	30% >= x > 50%	10% >= x > 30%
Training Return on Investment	5%	100%	x >= 100%	80% >= x > 100%	60% >= x > 80%	40% >= x > 60%	20% >= x > 40%
Training experience satisfaction	3%	30 for nps score	>= 30	20 >= X > 30	10 >= X > 20	5 >= X > 10	0 >= X > 5
Social Return on Investment	5%	5 Dollar	>= 5 Dollar	4 Doll ar >= X > 5 Doll ar	3 Doll ar >= X > 4 Doll ar	2 Dolla r >= X > 3 Dolla r	1 Doll ar >= X > 2 Doll ar
Number of installed internet infrastructure	4%	2 in the area	2	-	-	-	1
Speed of the internet	3%	50 Mbps	More than 50 Mbps	40 Mbps - 50 Mbps	30 Mbps - 40 Mbps	20 Mbps - 30 Mbps	10 Mbps - 20 Mbps
Jobstress survey	4%	10%	Belo w 10%	10% > x >= 15%	15% > x >= 20%	20% > x >= 23%	23% > x >= 25%
Employee satisfaction Index	4%	95%	x >= 95%	90% >= x > 95%	85% >= x > 90%	80% >= x > 85%	75% >= x > 80%
Employee Turnover Rate	4%	15%	x <= 15%	15% > x >= 18%	18% > x >= 20%	20% > x >= 22%	22% > x >= 25%
Individual Leader Effectiveness Score	6%	75%	x >= 75%	70% > x >= 75%	65% > x >= 70%	60% > x >= 65%	55% > x >= 60%
Number of Certified Employee	6%	90% of total employee	x <= 90%	70% > x >= 90%	90% > x >= 90%	85% > x >= 90%	80% > x >= 90%

		that get new certified each year		90%	85%	80%	75%
Aggregate Communication Effectiveness Score for each employee	2%	9	$x \leq 9$	$8 > x \geq 9$	$7 > x \geq 8$	$6 > x \geq 7$	$6.5 > x \geq 6$
Number of Updated Modules	4%	10 new updated module every year	$x \geq 10$ modules	$9 > x \geq 10$ modules	$8 > x \geq 9$ modules	$7 > x \geq 8$ modules	$6 > x \geq 7$ modules
Number of donors	10%	1 new donor each year	1 new donor s	-	-	-	-
Amount of Funding	10%	get funding with a minimum amount of \$200,000 each year	$x \geq \text{US\$ } 200,000$	$\text{US\$ } 180,000 > x \geq \text{US\$ } 175,000$	$\text{US\$ } 175,000 > x \geq \text{US\$ } 170,000$	$\text{US\$ } 170,000 > x \geq \text{US\$ } 169,000$	$\text{US\$ } 169,000 > x \geq \text{US\$ } 160,000$

The BSC views depicted in Figure V serve as the foundation for the quantitative BSC model that this study suggests for a non-profit organization. The BSC comprises stakeholders, internal processes, learning and growth, and financial perspectives. Specific performance measurements with weights were used for each strategic objective. Since every non-profit has a unique mission and vision, no one model applies to all of them

CONCLUSION

Aturan keuangan terhadap akuntansi berbasis akrual perusahaan dapat mengambil berbagai tindakan, seperti menerapkan prinsip-prinsip tanggung jawab sosial perusahaan (Corporate Social Responsibility) dalam setiap aspek kegiatan bisnisnya. Hal ini dapat mencakup upaya untuk mengurangi dampak lingkungan dari kegiatan bisnis, meningkatkan kesejahteraan karyawan dan masyarakat sekitar, dan membangun kemitraan dengan pihak-pihak terkait untuk mempromosikan pembangunan berkelanjutan. Selain itu, perusahaan dapat mempertimbangkan dampak sosial dan lingkungan dari kegiatan bisnisnya dalam pengambilan keputusan strategis. Ini dapat mencakup memilih bahan baku yang berkelanjutan, mengembangkan teknologi yang ramah lingkungan, dan menerapkan praktek bisnis yang etis dan transparan. jangka panjang, perusahaan yang mengedepankan kehidupan harmonis dapat memperoleh manfaat dari reputasi yang lebih baik dan meningkatkan daya tarik bagi investor, karyawan, dan pelanggan. Selain itu, perusahaan juga dapat memainkan peran yang

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penting dalam memajukan tujuan pembangunan berkelanjutan secara keseluruhan, termasuk melalui partisipasi dalam inisiatif global dan nasional yang bertujuan untuk mengatasi tantangan lingkungan dan sosial yang kompleks.

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