

Balanced Scorecard: To Improve Customer Trust

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Abstract: This study will examine performance appraisal model using balanced scorecard model. The background of this study is the development of non-government organizations in Indonesia such as Zakat management institution (Lembaga Amil Zakat-LAZ) that manages zakat (alms and religious tax in Islam), infaq and shadaqah (charity/donation) as civil society. In reality, there is a huge gap between the number of zakat potential (>100 trillion rupiahs) and the small amount of zakat realization (one trillion rupiah). This means that LAZ performance is still under expectation. The method that is used is explanatory research and depth interview. Data collecting technique is Forum Group Discussion (FGD), workshop, interviews and documentation. The results show that balanced scorecard as performance appraisal model can be applied to zakat management organizations.

Key words: Organizational performance, customer trust, balanced scorecard, workshop, Indonesia

INTRODUCTION

The background of this study is an issue that related to the good concept of zakat implementation as personal religious obligation and zakat as a popular public financial component. Regulation Number 23 of 2011 about zakat management has become a stronger legal protection for zakat management in Indonesia. It encourages the achievement of zakat potential that can collect more than 200 trillion rupiahs. However, the gap between zakat potential is as much as 3 trillion. This condition indicates the performance of Zakat management Organization (OPZ) especially non-government zakat management institution (LAZ) which is still low. In fact, if zakat funds can be collected in accordance with its potential it can become a source of income for the government to alleviate poverty through targeted and structured social programs and it has long-term social impacts. To view the comprehensive performance of LAZ, balanced scorecard model is used.

Balanced scorecard model (Howard, 2004) is a model of organization performance assessment that views financial and non-financial perspectives (customers and stakeholders, internal business process and employees and organization capacity). In fact there are still many obstacles that could impede the implementation of balanced scorecard model, in particular on LAZ. Therefore, it is important to know the factors that can influence the application of balanced scorecard model to improve LAZ performance.

Several models can be used for performance assessments. One of them is balanced scorecard. Balance

scorecard is management system, assessing and controlling that can provide a fast, precise and comprehensive insights about business performance to managers. Balanced scorecard is a concept of contemporary performance management that has been applied to public organizations including government organizations such as Zakat management organizations (LAZ and BAZ). Balanced scorecard is considered appropriate for public organization because balanced scorecard does not only emphasize the quantitative and financial aspects but also the qualitative and nonfinancial aspects.

Literature review: Kaplan and Cooper (1998) indicate that balanced scorecard provides the executives a comprehensive framework to translate vision and strategy into a comprehensive and integrated set of performance measures. Balanced Scorecard translates mission and strategy into many objectives and measures that are structured into four perspectives, namely: financial, customers and stakeholders, internal business process as well as employees and organization capacity.

Furthermore, the focus of public organizations is the organization's mission which provides and improves community welfare. This mission is formulated into strategies that can be made to achieve the mission (Howard, 2004).

Customers and stake holders perspective: The reviews customers and stake holder's perspective in public sector organizations are to find out how customers and stake holders see the organization. Customers and stakeholders

in the public sector are mainly people who pay zakat and people who use public service and mustahik (Zakat recipients). Therefore, customers and stake holders perspectives of LAZ focus on fulfilling public satisfaction, especially the Muslim community. Customer and stake holder satisfactions and perspective can be measured using these three categories:

- Citizen satisfaction
- Service coverage
- quality and standards

Financial perspective: Financial perspective in public organizations is to address how organization's increase their revenue and reduce the management cost and our point of view about zakat payers. Financial perspective explains the expectation of muzaki as financial source (especially for LAZ). Thus, LAZ should focus on something that is expected by muzaki (people who pay zakat) who expects the alms and tax are used economically, efficiently, effectively and meet the expectations of transparency and public accountability principals. Therefore, the measurements that can be used for financial perspectives are:

- Efforts to improve collected and enforced ZIS funds
- Effectively of services
- Increase number of ZIS funds
- Increase number of ZIS that is empowered

Internal business process perspective: Internal business process perspective seeks to build organizational excellence through continuous improvement of internal business processes. Strategic objectives in internal business process perspective are to support customers and stakeholders perspective and financial perspective. In order to improve the performance internal business process perspective, public sector organizations must identify and measure the organizatio's core competencies, identify the main processes of service, identify the main technologies that are needed to be owned and must determine performance measures and performance targets. The measurements that can be used for internal business process perspective are as follows:

- Innovation of product
- Management information system

Employees and organization capacity perspectives: Internal business process perspective and customers and stakeholders perspective in a balanced scorecard identify

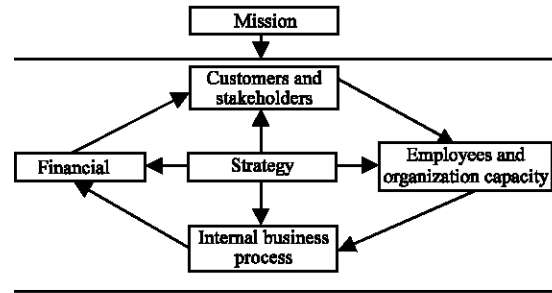


Fig. 1: Balanced scorecardon public organizations

the parameters to build organizational excellence. Targets and measurement of success will continue to change as time goes on. Therefore, organizations must be able to innovate, create and learn. Organizations need to make continuous improvements and create sustainable growth. Strategic goals and objectives that are set on employees and organization capacity perspectives that will affect the other perspectives; internal business process perspective and customers and stakeholders perspective (Fig. 1). The performance measurement of employees and organization capacityperspective can be used to measure:

- Skill coverage
- Income and welfare personnel
- Personnel satisfaction

MATERIALS AND METHODS

Descriptive analysis is used as research method. Descriptive analysis explains the performance assessment using balanced scorecard model for zakat management organizations. To describe broadly, multiple data collection techniques are used, i.e., questionnaires, interviews and documentation. Meanwhile, data testing that are conducted are validity and reliability tests. The results of both tests are all valid and all reliable. The target population in this study is non government zakat management institutions that are registered in Zakat forum (FoZ) as active member that consists of LAZNAS and LAZDA that are registered as active members of FoZ. Sampling determining technique is proportional stratified random sample. The determination of samples use the slovin formula with the error rate (d) of 0.05 is 44 (n). Of fifty LAZ as population targets, 41 LAZ that consists of 14 LAZNAS (National LAZ) and 27 LAZDA (Regional LAZ) filled in the questionnaire. While nine LAZ did not want to become population target/research respondents.

RESULTS AND DISCUSSION

Description of research variables: Organizational performance has four indicators with the average score of respondent’s opinions as follows: customers and stake holders, financial, internal business process and employees and organization capacity. Performance measuring with balanced scorecard is measured using four dimensions and is composed into 15 questions. The average score of respondent’s ratings of each question in each dimension (Table 1).

The average total score of the respondent opinions on (LAZ) organizational performance variables using balanced scorecard is between (7.98-8.43) which indicates that most LAZ that are listed in FoZ are good.

Customers and stakeholders perspectives in public sector organizations are aimed at finding out how customers and stakeholders see the organizations. Therefore, customers and stake holders perspective for LAZ focus on the satisfaction of muzaki and mustahik and community. To assess this perspective can be seen from the following aspects.

Customers will be satisfied when they have been served well and they receive the value in accordance with customer’s expectations. The level of customer satisfaction can be seen from the number of customers, especially muzaki who return to LAZ. The LAZ performance that is measured by the number of muzaki who return to distribute zakat from tends to increase every year.

In addition, a measure of satisfaction can be seen from service coverage provided by LAZ. The programs that are offered by LAZ can be used to see the scope of services offered by LAZ. In general the same programs are offered which cover economic, social, health, education and disaster service programs but there are many varieties of programs offered. Based on research, most Laz have covered local and remote areas in Indonesia. Some LAZs such as dompet dhuafa, Rumah Zakat Indonesia and PKPU have provided international service by giving donations to neighbor countries who suffered from natural disaster for example donations for Japan when there was earthquake and tsunami. Other than that they have broader service coverage. They distribute zakat to Muslim and non-Muslim recipients (mustahik).

Table 1: Recapitulation of total score of respondents opinion on organizational performance

Dimension	Average total score respondents opinion	Criteria
Customers and stake holders	7.98	Good
Financial	8.43	Good
Internal business process	8.31	Good
Employees and organization capacity	8.08	Good

Quality of service is determined by the standard of services provided by LAZ. LAZ has tried to make different procedures and services for muzaki and mustahik by keeping their service quality. Service quality can be measured from the Standard Operating Procedure (SOP). Almost all LAZ have implemented SOP although the presentation level varies from one LAZ to others minimize bureaucracy, almost all LAZ are committed to providing easily accessible service for muzaki and mustahik such as providing LAZ outlets that are accessible and easily found by both muzaki and mustahik.

One of the LAZ, dompet dhuafa, established networking with private companies and government institutions in various business fields such as industry, retail, banks etc. The international standards organization on management quality. Based on the data obtained on the field not all LAZ that are studied have ISO but the other LAZ that do not have ISO have made attempts to achieve and acquire ISO.

The other standards that are defined by external organizations such as FoZ the ministry of religious affairs of republic of Indonesia. The targeted LAZ especially LAZ which are the member of FoZ have an obligation to comply with such provisions and will receive sanctions if they break the rules. This happened to the LAZ Ikatan Persaudaraan Haji (Haji brotherhood association) that was liquidated because this LAZ did not comply with the regulations issued by FoZ and ministry of religious affairs.

LAZ as a zakat management organization has an intermediation role by collecting funds from muzaki and empower mustahik. To perform optimum activities of the organization and to fund the programs offered, LAZ must maximize their efforts in collecting funds and balance it by optimizing zakat fund empowerment. Based on research, most LAZ that are studied have good balance between the collected funds and distributed funds. They have a good performance. The confidence level of muzaki and mustahik are the main indicators for LAZ social support and legitimation. Social legitimacy is related to LAZ financial performance. Transparent financial statements, operational efficiency and program innovations are the key factors in building public confidence on LAZ (Robert and Norton, 1996).

The percentage ratio of empowered funds and collected funds (service effectiveness) is 77.64-98.55%. Based on these numbers the level of service effectiveness of LAZ is in the range of effective to very effective as follows:

- The <50% means the service effectiveness is not effective
- The 51-60% means service effectiveness is less effective

- The 61-70% means the service effectiveness is effective
- The 71-80% means the service effectiveness is quite effective
- The 81-95% means the service effectiveness is very effective
- The >95% means the effectiveness of zakat service is less effective

This classification is based on:

- LAZ experience
- Secured available zakat funds
- Incidental programs sustainability
- LAZ ongoing program in the next period

Internal business process perspective for LAZ is what efforts made by the LAZ to build excellence through ongoing internal business process improvement. The strategic goal in internal business process perspective is to support customers, stakeholders perspective and financial perspective. In internal business process perspective, LAZ will identify the key process that must be well managed in order to obtain a good financial condition of LAZ. The factors that are assessed in LAZ internal business process perspective can be seen from Innovation of product. In fact, many LAZ hire expensive consultants to design interesting and original programs that have broad multiplier effects. In order to create proper program variations, LAZ needs much supporting information. Such information can be obtained internally and externally. Internally, LAZ has good management information systems to respond to all managers needs from various management levels. Based on the research, most LAZ that are studied have a management information system with a variety of conditions, namely: fully computerized. A combination of computerized and manual and manual. Information from external sources, are usually obtained from governments, associations, central bureau of statistics and other institutions. Zakat committees (Amil Zakat) are the most important element of LAZ. In general, zakat committee members must meet these requirements: Muslim, trustworthy, knowledgeable about zakat. This qualification can be obtained through ongoing efforts.

Honesty is a moral attitude that must be owned by zakat committee members in performing their duty properly, honestly and in accordance with the provisions. This moral attitude must be built by giving Islamic values to the zakat committee members such spiritual nourishment or Quran recital that is given regularly in each week. Even for a LAZ DPU-DT, spiritual activities become performance evaluation basis such as five times prayers and sunna prayers, sunna fasting, Quran recital

and others. For education aspects, members of zakat committee must hold higher education certificates from associate degree to doctoral programs regarding related fields such as accounting, communication and others. The members of zakat committee will then receive a course about zakat management.

Indonesia Magnificence of Zakat (IMZ) is an institution that provides knowledge about zakat management in Indonesia. IMZ provides associate degree, undergraduate programs and short-term course. IMZ provides a wide range of curriculum that is specified in syllabus that is related to zakat management.

Another, aspect that is measured from employees and organization capacity perspectives is personal income and welfare. This aspect will be directly proportional to the professional demand that is required for a zakat committee member. A more professional zakat committee will receive higher income and better welfare. Based on research result in general LAZ has appreciated the profession of zakat committee as equal to other professions in profitable organizations. The aspects to be considered in determining salary are research ethic, length of research, experience, capabilities and skills.

The salary component reflects the appreciation for zakat committee as a profession that deserves to receive proper and professional salary. The salary received by zakat committee comes from the same components as other professions in Indonesia. This means that in the future each committee member will receive proper welfare from the LAZ where they research (Peter and Pasla, 1996).

Description of consumer trust: The performance of zakat management especially LAZ is expected to improve public trust especially the muzaki and mustahik. Even though consumer trust is not a research variable, through consumer perspective, response can be viewed as customers trust as Sri Fadilah mentions it in her research. It can also become a reflection of consumer trust that is obtained from external data. This means that the data that shows LAZ customers comes from consumer perspective by questionnaires. Meanwhile, customers response as the reflection of consumer trust (mustahik and Muzaki) by the general public are as follows (Table 2). Based on the above data, customer trust on LAZ in Indonesia based on customers perspective are as follows:

- In general, customers have greater trust in LAZ because LAZ has performed its function as an alternative in zakat management
- In general, customers have trust in LAZ because of its integrity in carrying out its function as a zakat management organization
- In general, customers have trust in LAZ because of its good reputation

Table 2: Recapitulation of customer trust based on customers perspective

Factors of customer trust	Average (%)	Trust (%)	Greater trust (%)
The functions of LAZ as an alternative organization to collect and empower the funds	4.50	31.80	63.70
The integrity of zakat committee on LAZ	13.60	45.50	40.90
LAZ reputation	4.50	59.10	36.40
The honest attitude of LAZ staff in performing their duty	13.60	40.90	45.50
The commitment of LAZ committee to the rules	18.10	36.40	45.50
The physical infrastructure quality of LAZ	18.10	63.70	18.20
Steadiness, speed, accuracy, service and accountability of LAZ	9.10	50.00	40.90

- Customers have greater trust in LAZ because the committee members are honest in carrying out their duties
- Customers have greater trust in LAZ because the zakat management committee is committed to the regulations
- In general, customers have trust in LAZ because of the physical infrastructures that belong to LAZ such as buildings, information media and others
- Customers generally have trust in LAZ for its steadiness, speed, accuracy, service and accountability in carrying out its functions

Based on research results related to consumer confidence there is tendency of increasing trust in LAZ as zakat management institutions from year to year. This means that there is a consistency of LAZ consumer confidence based on internal and external data (customer perspective). LAZ should address this information as valuable information in order to maintain what has been done and to improve other things that are desired for muzaki and mustahik.

LAZ should improve management integrity, LAZ's good reputation, LAZ good facilities and service such as steadiness, speed, accuracy and accountability in carrying out its functions (Sirdeshmukh *et al.*, 2002).

CONCLUSION

Based on the previous discussion, conclusions can be explained as follows. Balanced scorecard model is a

model of organization performance assessment which involves financial perspective and non-financial perspective (customers and stakeholders, internal business process and employees and organization capacity) can be implemented in Zakat management organization; dan. Public trust in LAZ can be symbolized as customer trust from muzaki (a person who pays zakat) and mustahik (recipient of zakat). The increasing level of customer (public) trust in LAZ can be described by several aspects.

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