



BUSINESS SUCCESS EVALUATION MODEL FOR MSMEs: PERFORMANCE AND STRATEGY

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ABSTRACT

The development and growth of Micro, Small, and Medium Enterprises (MSMEs) serve as one of the driving forces of economic growth. The success or failure of an MSME is determined by performance measurement. This study assesses UMKM Amplang Tari's performance using the Balanced Scorecard, focusing on financial, customer, internal business processes, and growth and learning perspectives. The analysis results indicate good cost efficiency, with a Gross Profit Margin of 66% and a Net Profit Margin of 50%, although the Return on Investment (48%) still has room for improvement. A high customer complaint rate (80%) and low customer retention (57%) highlight the need for service improvements. Operationally, high product quality (97%) and on-time delivery (100%) are strengths, but program implementation (67%) requires enhancement. Employee training investment is relatively good (80%), but its impact on innovation needs to be ensured. Recommended improvements include investment optimization, service quality enhancement, strengthening marketing strategies, and product innovation. By implementing these strategies, MSMEs can improve efficiency, customer satisfaction, and competitiveness in the market.

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1. INTRODUCTION

Based on Law No. 3 of 2014 on Industry, the industrial sector in Indonesia has become an economic pillar and plays a significant role in supporting the government's efforts to advance the industry. In the National Industrial Development Master Plan (RIPIN) for 2015–2035, the development of Industrial Growth Centers (WPPI), industrial allocation areas, industrial estates, and small and medium-sized industrial (IKM) centers are part of this project. In national and regional economic development, the industrial sector, particularly small and medium-sized industries, plays a crucial and strategic role, as it absorbs more labor than other sectors. The Ministry of Industry (Kemperin) recorded that the small and medium-sized industrial sector employed up to 12.39 million workers, equivalent to 66.25% of the total workforce in the industrial sector.

This condition is also observed in the industrial sector of Tarakan City, where the number of small and medium-sized industrial business units has been increasing. Therefore, this industry is expected to continue growing and contributing to improving the living standards of the surrounding community. Below is data on the growth of small and medium-sized industrial business units in Tarakan City from 2016 to 2022.

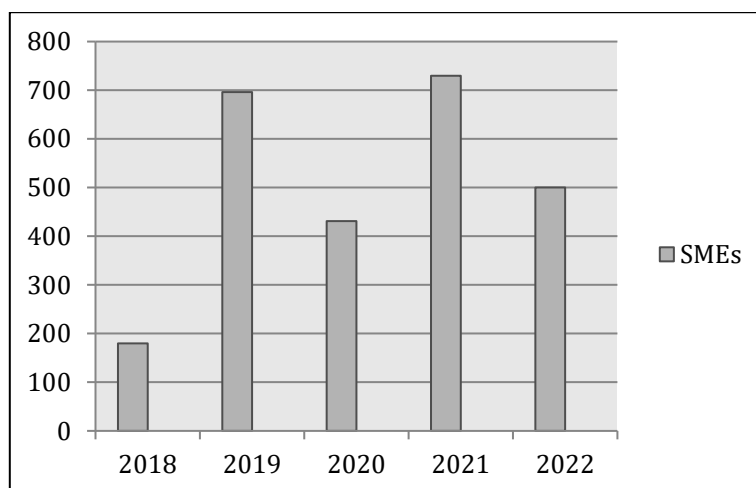


Figure 1. SMEs Growth

Source: Department of Industry and Manpower (2024)

Based on the data on the growth of Small and Medium Industries (IKM) in Tarakan City, it is evident that the city has a significant number of IKM units that have grown substantially from 2016 to 2022. This increase positively impacts the economic growth of the community in North Kalimantan Province, particularly in Tarakan City. A notable increase in IKM growth occurred in 2019, reaching 696 units, reflecting a 286,7% rise compared to the previous year (2018), which had only 180 units. Another significant increase was observed in 2021, with IKM units growing by 69,4%, reaching 730 units compared to 431 units in 2020. According to the Department of Industry and Manpower in Tarakan City, this significant growth was driven by various factors, including government support for small and medium-sized business registrations. However, in certain years, the growth rate of IKM was relatively low due to some small and medium industries ceasing production or temporarily suspending operations, primarily due to rising raw material costs.

The research on MSMEs in Tarakan City is essential as it highlights their significant contribution to the local economy. MSMEs play a crucial role in job creation, income generation, and overall economic development, particularly in North Kalimantan. Their rapid growth, as evidenced by the increase in industrial business units, demonstrates their potential to enhance regional economic resilience. Additionally, MSMEs contribute to strengthening local supply chains and promoting entrepreneurship. Therefore, further analysis of their impact on employment rates, GDP contribution, and business sustainability would provide a clearer picture of their economic significance in Tarakan City.

The success of small and medium industries is crucial for several reasons. First, they tend to generate productive employment more effectively. Second, they frequently enhance their productivity through investment and by keeping up with technological advancements. Moreover, small and medium industries are expected to have a competitive advantage in flexibility compared to larger enterprises (Gherghina et al., 2020; Herr & Nettekoven, 2018; Tambunan, 2019). Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the economy, particularly in developing countries like Indonesia. MSMEs contribute to job creation, improved community welfare, and the strengthening of national economic competitiveness. However, amid increasing competition and the challenges of globalization, MSMEs need an effective evaluation tool to comprehensively measure their business success (satpathy et al., 2025; Vásquez et al., 2021).

Despite their importance, small and medium industries still face several challenges. Common issues include limited capital, difficulties in obtaining high-quality and affordable raw materials, shortages of skilled human resources, lack of market information, and challenges in selecting optimal business locations (Salsabila et al., 2024; Surya et al., 2021). Business success is defined as a company's ability to achieve its goals (Chungyalpa & Rosing, 2025). Several factors influence business success, including capital, workforce, networking capabilities, and business location (Basit et al., 2024; Sánchez-García et al., 2023; Somwethee et al., 2025).

So far, many MSMEs in developing countries, including Indonesia, still use financial indicators such as revenue and profitability as the sole measures of business success. This approach has limitations as it does not reflect other factors that also contribute to long-term success, such as customer loyalty, internal business process efficiency, and organizational learning capabilities. With the increasing complexity of competition in the era of globalization, MSMEs require a more comprehensive evaluation framework to assess their performance from multiple perspectives.

One evaluation tool that can be used is the Balanced Scorecard (BSC), which measures business performance from four main perspectives: financial, customer, internal business processes, and learning and growth. This approach allows MSMEs to identify their strengths and weaknesses more broadly and develop more effective strategies for sustainable growth. However, there is still a research gap in the application of the Balanced Scorecard to MSMEs in developing countries, particularly in the context of small and medium industries in Indonesia. Previous studies have mainly focused on the implementation of BSC in large companies or corporate sectors, while studies highlighting the application of BSC in MSMEs remain limited. Furthermore, few studies have empirically analyzed the impact of the Balanced Scorecard implementation on MSME business performance in non-financial aspects, such as customer satisfaction and operational efficiency.

This study aims to fill this gap by developing a business success evaluation model for MSMEs based on the Balanced Scorecard. Using this approach, the study will contribute to the existing literature on MSME performance measurement in developing countries by providing more comprehensive insights into business success factors that are not solely focused on financial aspects. The findings of this study are expected to serve as a reference for MSME owners and other stakeholders in designing more effective and sustainable business strategies.

Until now, many MSMEs have focused solely on financial indicators, such as revenue and profitability, when assessing business performance. However, this approach does not fully reflect all aspects of business success. Therefore, a more comprehensive evaluation method is needed, such as the Balanced Scorecard (BSC). The Balanced Scorecard is a strategic management tool that measures business performance from four key perspectives: financial, customer, internal business processes, and learning and growth. This approach goes beyond financial results to consider other factors crucial for long-term business sustainability. By implementing the Balanced Scorecard, MSMEs can identify their strengths and weaknesses, enabling them to develop more effective strategies for sustainable growth. The success of a business is influenced by several factors, including production performance, an increase in sales volume, and ultimately, an increase in profit volume. Additionally, business expansion is also a reflection of success. Achieving business goals is one form of performance in small-scale industries, which can be seen through profit growth and the acquisition of business assets. However, business success is not only measured in physical terms but also in terms of entrepreneurial spirit and satisfaction, both internally and externally, particularly from consumers.

On the other hand, the criteria for business success include increased company profits, increased sales volume, increased workforce, and increased revenue (Surya et al., 2021; Zaman et al., 2025). Based on these definitions and criteria, a business is considered successful if it has a competitive advantage over similar businesses at the same level. A business is deemed successful if it generates profit; however, profit alone is not the only determinant of business success. Therefore, it can be concluded that business success is the realization of a company's goals, which can be observed from various perspectives, such as increased capital, revenue, sales, production volume, and workforce.

Performance is defined as the final output or result achieved. However, performance is not only about what has been accomplished but also how those goals are achieved. Performance refers to the operational effectiveness of an organization, which is periodically assessed based on predetermined standards, targets, and criteria (Irwan, 2018). The better the performance, the more effectively the organization achieves its goals. An organization is considered to have optimal performance when it achieves beneficial outcomes.

The performance of an industry refers to the results produced by an organization within a specific period, based on established guidelines and standards (Abubakar et al., 2019; Garrido-Moreno et al., 2024). The objectives of performance evaluation include developing better strategies, measuring financial and non-financial performance in a balanced manner to determine strategies aligned with organizational goals, accommodating the interests of middle and lower-level managers, motivating employees to achieve goal congruence, and serving as an information tool to assess the level of satisfaction based on individual approaches and rational collective expertise.

2. RESEARCH METHODS

This study is a case study focusing on the UMKM Amplang Tari, a pioneering business in processed milkfish products in East Tarakan District. The selection of Amplang Tari as the research object is based on its significant role in developing the local food industry and its potential to drive the growth of UMKM businesses in the region. The urgency of this research lies in the importance of understanding the dynamics of UMKM businesses specializing in traditional food products and the factors influencing their sustainability, including production strategies, marketing, and adaptation to market changes. In analyzing the data, a qualitative research method is employed, with the analysis process conducted before entering the field, during fieldwork, and after the completion of fieldwork. Data is collected through interviews, field notes, and documentation, which are then systematically organized. The analysis process includes data categorization, segmentation into units, pattern identification, and drawing relevant conclusions. This approach enables the study to reveal Amplang Tari's business strategies in addressing industry challenges and how its operational experience can serve as a model for other UMKM businesses in the same sector. Thus, this research not only contributes to academic understanding of qualitative data analysis but also provides practical insights for the development of local UMKM businesses in East Tarakan.

The principle of data analysis techniques is to process and analyze collected data so that it becomes systematic, organized, structured, and meaningful. Miles and Huberman state that qualitative data analysis is carried out interactively and continuously until it is complete, ensuring that the data reaches saturation (Miles & Huberman, 2009).

The Balanced Scorecard, introduced by Kaplan & Norton, is a performance framework that integrates various dimensions, including financial perspective, customer perspective, internal business processes, learning, and growth (Kaplan, 2009; Suárez-Gargallo & Zaragoza-Sáez, 2023). The Balanced Scorecard can be used as a strategic management tool that consists of a series of financial and non-financial performance measurements. The Balanced Scorecard performance measurement can also be considered as a responsibility-based accounting measurement, as it focuses on assessments related to financial standards as benchmarks. Financial performance success can be achieved if a company can adapt to changes in industrial competition. Performance measurement should not only focus on improving financial ratios but also consider non-financial aspects. Thus, performance measurement becomes comprehensive (Lesáková & Dubcová, 2016; Tawse & Tabesh, 2023). The advantage of the Balanced Scorecard approach in strategic planning systems is that it creates a strategy plan with the following characteristics: 1) Comprehensive, the Balanced Scorecard expands the perspectives covered in strategic planning beyond just financial aspects to include customer, internal business processes, and learning and growth perspectives; 2) Coherent, it establishes a cause-and-effect relationship between the outputs generated by the strategy formulation system and those produced by the strategic planning system. The strategic targets formulated in the strategic planning system translate the vision, goals, and strategies developed in the strategy formulation system; 3) Balanced, the balance of strategic targets generated by the strategic planning system ensures the creation of long-term financial performance; and

4) Measurable, the measurability of strategic targets generated by the strategic planning system ensures the achievement of various strategic goals set by the system (Mulyadi, 2001).

According Kaplan, the benefits of the Balanced Scorecard for companies are 1) The Balanced Scorecard integrates industry strategies and vision to achieve both short-term and long-term goals; 2) It allows businesses to be viewed from financial and non-financial perspectives; 3) The Balanced Scorecard enables managers to assess their investments in human resource development, systems, and procedures for improving future industrial performance; 4) A well-designed Balanced Scorecard combines financial performance measurements from past performance with measurements of future industry performance factors (Kaplan, 2009).

The process of filling out the Balanced Scorecard requires a systematic data collection method to ensure accurate and relevant business performance measurement. Data can be gathered through surveys and questionnaires distributed to customers, employees, and other stakeholders to assess customer satisfaction, employee satisfaction, and the effectiveness of internal processes. Additionally, interviews with managers, business owners, and employees are conducted to gain in-depth insights into business strategies, program implementation, and operational challenges. Direct observation of business processes is also an important method for evaluating the effectiveness of procedures and the quality of products or services provided.

From a financial perspective, an analysis of financial statements such as income statements and balance sheets is used to measure financial aspects, including Return on Investment (ROI), Net Profit Margin (NPM), Current Ratio (CR) and Gross Profit Margin (GPM). Furthermore, company documentation and records, such as annual reports, production data, and customer complaint logs, are utilized to understand internal performance trends and market responses to the business. Through this approach, the Balanced Scorecard can be completed comprehensively, accurately reflecting the business condition and providing a strong foundation for strategic decision-making. In this study use The Balanced Scorecard (BSC) is a performance evaluation method that measures business success from four main perspectives: financial, customer, internal business processes, and learning & growth. Each perspective has Key Performance Indicators (KPIs) used to assess organizational performance. Below is the assessment method and indicators based on the table 1:

Table 1. Balanced Scorecard Perspective Assessment

Perspective	KPI (key performance index)	Value
Financial	Return On Investment	The higher, the better
	Net Profit Margin	A high margin indicates efficiency and profitability
	Gross Profit Margin	Reflects efficiency in production and operations
	Current Ratio	>1 indicates healthy liquidity
Customer	Customer Acquisition	The higher, the better
	Customer Retention	High loyalty indicates successful marketing strategies
	Customer Complaints	The higher, the better (complaints served)
	Deliveri On Time	100% indicates optimal logistics performance
Internal Business Process	Product Quality	The higher, the better
	Implementation Program	The higher, the better
Learning and Growth	Employee Training	The higher, the better
	Employee Retention	High retention indicates job satisfaction and a good work environment
	Employee Complaint	The lower, the better

Source: Mariza (2003)

3. RESULTS AND DISCUSSION

3.1. RESULTS

The Balanced Scorecard is a management system mechanism capable of translating an organization's vision and strategy into real actions in the field. The advantage of the Balanced Scorecard (BSC) approach in measuring organizational performance lies in its ability to produce objective assessments characterized by being comprehensive, coherent, balanced, and measurable. The Balanced Scorecard evaluates UMKM Amplang Tari from four perspectives: the financial perspective, the customer perspective, the internal business process perspective, and the learning and growth perspective.

From a financial perspective, UMKM Amplang Tari must maximize revenue while minimizing expenses. However, without a more in-depth analysis of its financial condition, it is difficult to determine whether the business strategies implemented are effective in increasing revenue or if there are challenges that need to be addressed, such as high production costs, uncompetitive pricing, or limited capital for business expansion. Therefore, a comprehensive evaluation of financial reports, including an analysis of revenue structure, production costs, and net profit, is necessary to gain a clearer understanding of UMKM Amplang Tari's financial position. From a customer perspective, the business identifies its customers and the market segments it wants to enter. The market segment serves as a source of income that contributes to the company's financial goals, and UMKM Amplang Tari focuses on increasing customer satisfaction. From the perspective of customers and market segments, UMKM Amplang Tari has identified its target consumers, but further analysis is needed to ensure that its marketing strategies are appropriately targeted. A deeper understanding of customer preferences, purchasing power, and consumer behavior in choosing processed bandeng products will help design more effective marketing strategies. Additionally, evaluating customer satisfaction through surveys, customer reviews, or repeat sales data is crucial to understanding whether the products and services provided meet consumer expectations. By doing so, UMKM Amplang Tari can adjust its business strategies to not only enhance customer satisfaction but also expand into more potential market segments. Currently, UMKM Amplang Tari operates as a pioneering business in East Tarakan District, focusing on the production of processed milkfish. The products have distinctive characteristics that set them apart from local competitors, with raw materials sourced from local suppliers. However, in its operations, this MSME still faces challenges such as limited product distribution to wider markets and reliance on conventional marketing strategies. Additionally, although the products already have good quality, further improvements in product innovation and diversification are needed to reach a broader market segment. From a human resources perspective, this MSME has implemented initial training for employees to ensure they understand standard operating procedures (SOP) in production. However, the employee performance evaluation system and work motivation need to be enhanced to optimally support business growth. From an internal business process perspective, the business aims to improve product quality, introduce product variations, and expand market share. Meanwhile, from a learning and growth perspective, UMKM Amplang Tari provides quality management training to employees, enhances employee skills and performance based on business needs, and increases production capacity.

As the Balanced Scorecard evolved, it became useful for every stage of strategic management, from strategy formulation to implementation and monitoring (Mulyadi, 2001). Performance measurement using the Balanced Scorecard provides a clear picture of a company's condition, both financially and non-financially. After measuring performance with the Balanced Scorecard, management can better understand the company's development, identifying both strong and weak performance areas.

The four perspectives mentioned earlier are interconnected and form a comprehensive strategic objective. It starts with the learning and growth perspective, where the company formulates strategies to enhance employee productivity and commitment. As employee productivity and commitment increase, the quality of customer service processes also improves. This, in turn, leads to higher customer trust and satisfaction, as seen in the customer perspective.

Ultimately, these improvements affect the financial perspective, reflected in increased sales revenue, enhanced cost-effectiveness, and improved return on investment.

Thus, each perspective plays an integral role and is interdependent. The financial perspective is significantly influenced by the other three perspectives: learning and growth, customer, and internal business process. Increased commitment and productivity within the company lead to higher service quality, ultimately fostering greater customer trust.

Until now, UMKM Amplang Tari has not used a standardized performance measurement system to guide managerial decision-making. The business has primarily evaluated performance based on financial growth alone. However, after implementing the Balanced Scorecard for some time, the results showed a significant difference compared to traditional performance measurement methods. Managers were able to assess company performance more comprehensively, beyond just financial aspects, allowing them to make better decisions for future business growth. Table 2 presents the business evaluation results.

Table 2. Balanced Scorecard Perspective Assessment

Perspective	KPI (key performance index)	Value
Financial	Return On Investment	48%
	Net Profit Margin	50%
	Gross Profit Margin	66%
	Current Ratio	50%
Customer	Customer Acquisition	43%
	Customer Retention	57%
	Customer Complains	80%
	Deliveri On Time	100%
Internal Business Process	Product Quality	97%
	Implementation Program	67%
Learning and Growth	Employee Training	80%
	Employee Retention	80%
	Employee Complaint	10%

Source: Processed Data (2024)

3.2. DISCUSSION

The financial perspective assessment results indicate that UMKM Amplang Tari has a Return on Investment (ROI) of 48%, meaning the investment return rate is still below 50%. Although it is close to this threshold, this value suggests that the company has not yet fully maximized the profits from its invested capital. Several factors may contribute to the suboptimal ROI, including high operational costs, investments in assets that have not yet yielded maximum returns, and inefficiencies in resource management (Haryanto & Mastina, 2024). In addition to internal factors, external conditions such as intense business competition, fluctuating consumer purchasing power, and government regulations may also influence this ROI outcome (Farida & Setiawan, 2022; Rachmania et al., 2012). While the figure is not necessarily poor, there is still room for improvement to ensure that investments generate more optimal returns.

To enhance ROI, Amplang Tari can implement operational efficiencies by reducing production and distribution costs without compromising product quality. Additionally, investment optimization should be pursued by ensuring that every allocated capital contributes significantly to profitability. A more aggressive marketing strategy could also help boost ROI, such as expanding the market, increasing customer loyalty, and optimizing distribution channels to achieve more stable and sustainable revenue.

A Net Profit Margin (NPM) of 50% indicates that half of the revenue, after deducting operational costs, becomes net profit, which is quite good for maintaining financial stability. This figure reflects high operational efficiency, with controlled costs and optimal revenue. However, despite appearing positive, a deeper analysis is needed to understand how this margin is achieved. If the 50% NPM is obtained by reducing essential expenditures such as marketing, employee training, or product innovation, there is a risk of declining competitiveness and

business growth in the long run. Additionally, if the company's revenue relies on high selling prices with low sales volume, there is a potential loss of customers if prices become uncompetitive. Therefore, to maintain and improve NPM, the company needs to enhance cost efficiency by utilizing technology or more cost-effective production methods, diversify revenue sources to avoid dependence on a single product or service line, and optimize pricing strategies to remain competitive without sacrificing profit margins (Judijanto et al., 2023). With the right strategy, the company can sustain profitability while ensuring long-term business growth.

A Gross Profit Margin (GPM) of 66% reflects the company's efficiency in managing production costs relative to revenue, which is considered quite good. This percentage indicates that production costs are relatively low compared to revenue, which could be due to efficiency in raw material procurement, an optimized production process, or an effective pricing strategy. However, the balance between selling price and production cost must still be carefully maintained. If GPM is high but sales volume is low, there is a possibility that excessively high selling prices may reduce competitiveness. Conversely, if a high GPM is achieved through aggressive cost-cutting in production, the risk of declining product quality could affect customer satisfaction and market loyalty. Furthermore, although this figure is relatively good, fluctuations in raw material prices and competitive pressures remain factors that need to be anticipated. Therefore, the company can implement improvement strategies by managing raw material prices through long-term partnerships with suppliers to maintain price stability, enhancing production efficiency using technology or lean manufacturing methods to minimize waste, and adjusting pricing strategies to remain competitive without sacrificing profit margins (Christina & Basri, 2012; Sonar et al., 2022). With this approach, the company can sustain long-term profitability and strengthen its market competitiveness.

Based on the research findings, Amplang Tari has a Net Profit Margin (NPM) of 50%, Gross Profit Margin (GPM) of 66%, and a Current Ratio (CR) of 50%. Meanwhile, a study by (Pratiwi, 2022) on similar MSMEs reported an NPM of 46%, GPM of 68%, and CR of 34%. In terms of profitability, Amplang Tari demonstrates better performance compared to similar MSMEs, with a higher NPM. This indicates that Amplang Tari is more efficient in managing operational costs, resulting in a higher net profit relative to its revenue. On the other hand, while similar MSMEs have a slightly higher GPM, this does not necessarily translate into greater profitability, as it suggests that their operational costs may be higher. From a liquidity perspective, a significant difference can be observed in the Current Ratio (CR). Amplang Tari has a CR of 50%, which is considerably higher than similar MSMEs, which only have 34%. This means that Amplang Tari has a more stable financial position in meeting its short-term obligations. In contrast, some similar MSMEs may face difficulties in fulfilling their short-term financial obligations if they do not manage their cash flow more effectively. Referring to the Lukviarman in Nurjanah et al. (2021), industry average standard which are GPM of 24.9% and NPM of 3.92%, Amplang Tari's financial performance is above the average standard.

Customer acquisition rate of 43% indicates that the company's efforts in attracting new customers are still not optimal. Several factors that may contribute to this low figure include a lack of brand awareness, where potential customers may not be familiar enough with the products or services offered. Additionally, intense competition can be a challenge, especially if many competitors offer more attractive value propositions. Other contributing factors include pricing or offers that are less competitive, causing potential customers to prefer competitors' products. In the short term, low customer acquisition can hinder revenue growth and affect the company's financial stability. If this situation continues in the long run, business growth could stagnate, and the company risks losing market share.

To address this challenge, the company needs to optimize its digital marketing strategy by leveraging social media, Search Engine Optimization (SEO), and paid advertising to reach more potential customers. Increasing brand awareness through creative campaigns, referral programs, and strategic partnerships can also help expand market reach (Akin, 2024; Zhang et al., 2022). Moreover, improving the value proposition to be more attractive than competitors whether in terms of pricing, features, or customer service will increase product appeal.

Evaluating the customer experience is also crucial to ensure that the purchasing process is smooth and convenient, thereby increasing the likelihood of new customers trying and sticking with the offered products or services. This study shows a customer acquisition rate of 43%. Meanwhile, Pratiwi (2022) emphasizes customer security and comfort as the main strategy for attracting new customers. This focus can add value in maintaining customer loyalty in both domestic and international markets. The study by Nanda et al. (2024) does not explicitly mention the customer acquisition rate, but they have a more target-oriented approach to customer retention.

Customer retention rate of 57% indicates that more than half of the customers remain with the company, but there is still room for improving customer loyalty. With 43% of customers not returning, this could indicate factors hindering customer satisfaction, such as uncompetitive pricing, suboptimal service quality, or an unsatisfactory customer experience. If customer retention is low, the company must constantly seek new customers to replace those who leave, ultimately increasing marketing and customer acquisition costs. Therefore, improvement strategies should focus on enhancing customer service quality to create a better experience and encourage long-term loyalty. Implementing loyalty programs, such as exclusive discounts or incentives for loyal customers, can be an effective way to retain existing customers. Additionally, improving communication and interaction with customers, whether through direct feedback or customer data analysis, will help the company better understand their needs and tailor marketing strategies and services to be more relevant and appealing to customers (Julaeha, 2024). The results of this study show a customer retention rate of 57%, which is lower than that of UMKM Spons in the study by Nanda et al. (2024), which had a customer retention rate of 81.34%. This indicates that UMKM Spons has a higher level of customer loyalty compared to the MSMEs in this study. Meanwhile, UMKM Bintan Snack Millenium (Pratiwi, 2021) employs a customer relationship strategy by evaluating service quality and listening to customer feedback. This approach has the potential to enhance long-term customer loyalty.

A customer complaint resolution rate of 80% indicates that the business has an excellent response to customer feedback and issues. This reflects the company's commitment to maintaining customer satisfaction by addressing and resolving complaints quickly and effectively. The ability to handle complaints not only enhances customer loyalty but also continuously improves product and service quality. Therefore, a high complaint resolution rate serves as an indicator that the business has a responsive customer service system and a customer-oriented improvement strategy. In this study, the customer complaint resolution rate reached 80%, while in UMKM Spons, as reported in the study by Nanda et al. (2024), the resolution rate was higher at 85.18%. This difference indicates that UMKM Spons is more effective in handling customer complaints compared to the MSMEs in this study. Meanwhile, UMKM Bintan Snack Millenium (Pratiwi, 2021) does not explicitly mention the customer complaint rate but emphasizes service evaluation as a key strategy for improving customer satisfaction. One hundred percent on-time delivery performance indicates that the company has an efficient and reliable logistics system capable of fulfilling its commitments to customers. This achievement reflects good coordination across various operational aspects, from inventory management to distribution. However, on-time delivery must be accompanied by good product quality because if products arrive on time but do not meet quality standards, customers may still feel dissatisfied. Therefore, the company must ensure that product quality standards are maintained throughout the delivery process. Additionally, continuous improvements in logistics efficiency should be made to maintain delivery punctuality consistently without compromising other aspects. Providing shipment tracking features can also be a strategic step to enhance transparency and customer trust, ultimately improving the overall customer experience. This study recorded an on-time delivery rate of 100%, indicating optimal logistics performance. Pratiwi (2021) also highlighted that smooth and timely delivery is a key factor in maintaining customer satisfaction. However, the study by Nanda et al. (2024) does not specifically address this aspect.

A high product quality score of 97% demonstrates that the company has excellent production standards, which can boost customer trust and satisfaction. High-quality products can increase customer loyalty, reduce complaints, and reflect effective quality control and efficient production processes. However, if product quality is already high, yet customer complaints remain at 80%, there may be a mismatch between customer expectations and the product offering. Additionally, high-quality products often come with higher production costs, so the company must ensure that selling prices remain competitive to avoid losing in market competition. If the company focuses too much on quality improvements without considering innovation or cost efficiency, it may face challenges in maintaining competitiveness. To overcome this, market research should be conducted to ensure that product quality aligns with customer needs. Additionally, balancing high standards with profitability can be achieved by optimizing production efficiency. Integrating customer feedback into product development is also a strategic step to ensure that the offered products remain relevant to market trends and consumer needs.

An implementation rate of 67% indicates that most business initiatives or strategies have been executed well, signifying a structured business plan. However, 33% of programs remain unrealized, which may be due to resource constraints, technical challenges, or a lack of coordination in strategy execution. If the unimplemented programs relate to digitalization, innovation, or customer service improvements, it could hinder the company's competitiveness. The gap between planning and execution should also be considered, ensuring that strategies are fully applied in practice. To address this challenge, the company should identify the main obstacles to program implementation, whether related to budget, human resources, or infrastructure. Additionally, strengthening project management systems with clearer targets and stricter progress monitoring can help improve implementation effectiveness. Fostering a culture of innovation and collaboration is also essential, encouraging employees to proactively execute strategies so that programs can be optimally realized and support overall business growth. Study demonstrates strong production quality and structured business planning, but gaps in customer satisfaction and strategy execution remain. To enhance competitiveness, it must align product quality with customer expectations, optimize cost efficiency, and improve implementation effectiveness. The company demonstrates strong production quality and structured business planning, but there are still gaps in customer satisfaction and strategy implementation. To enhance competitiveness, the company must align product quality with customer expectations, optimize cost efficiency, and improve implementation effectiveness. This aligns with the findings of Octaviana et al. (2023) and Syamsiah & Sulastiningsih (2024) on food processing MSMEs in Yogyakarta, which indicate that a well-developed Internal Business Process Perspective, supported by sufficient workforce quantity and capability, leads to improved MSME performance. The study by Witanti & Hadiana (2016) in Cimahi, West Java, also reported a product quality score of 100% and a program implementation rate of 50%. This suggests that MSMEs tend to have internal business KPIs, such as product quality and workforce capability, at an average level due to resource constraints, including financial, technological, and skilled labor limitations. Compared to larger companies, MSMEs often face challenges in enhancing production standards and operational efficiency due to limited investments in innovation and employee training. Additionally, the high operational flexibility of MSMEs makes them more focused on short-term business sustainability rather than continuous improvement, causing KPI achievements in internal aspects to stagnate and struggle to improve significantly.

A high employee training rate (80%) indicates that the company has made strong investments in skill development. Sufficient training can enhance productivity, innovation, and employee motivation, ensuring that they possess relevant skills and are better prepared for market challenges. However, the challenge is if training does not translate into improved performance or innovation, making the program ineffective or misaligned with business needs. In this case, training quality is more important than quantity, as increasing training sessions without a clear strategy may not yield optimal benefits.

Not all employees may apply their training in the workplace, so a stricter evaluation system is needed to ensure its effectiveness. The company should ensure that training programs align with business needs and industry developments. Effective learning methods such as mentoring, hands-on practice, and case studies should be implemented to maximize training benefits. Additionally, post-training evaluations should be conducted regularly to measure its impact on employee performance and adjust training strategies for better optimization.

An employee retention rate of 80% suggests that the company has strong policies for retaining its workforce. High retention rates reflect good job satisfaction, a supportive work environment, and competitive compensation. However, 20% of employees leaving requires further evaluation whether due to limited career growth opportunities, high workload, or other factors. If high retention is not accompanied by business innovation or growth, it could indicate that employees remain in the company without challenges or opportunities for development. To address this, the company should provide clear career development opportunities so that employees not only stay but also continuously grow. Offering performance-based incentives can effectively boost motivation and contributions.

A low employee complaint rate (10%) suggests that most employees feel comfortable in their work environment and reflects effective company policies in ensuring employee well-being. However, low complaints do not always indicate high job satisfaction—employees may hesitate to voice concerns due to fear of consequences. Therefore, the company should establish open communication channels like discussion forums, job satisfaction surveys, or one-on-one meetings with managers. Every complaint should be addressed with concrete solutions to ensure employees feel valued and heard. Encouraging a transparent work culture will allow employees to voice suggestions and concerns without fear.

This study shows a relatively high employee training and retention rate (80%), aligning with Pratiwi (2021) findings, which emphasize the importance of initial training and incentives to boost employee motivation. Meanwhile, Limbong (2023) indicates an extremely low employee turnover rate (0.01%), yet customer satisfaction remains relatively low (45%). This suggests that while retention strategies are effective, the effectiveness of employee training and motivation needs further optimization to have a direct impact on customer satisfaction. Therefore, SMEs must align their learning and growth strategies with market demands, ensuring that employee skill development not only enhances internal efficiency but also improves service quality and customer experience.

4. CONCLUSION

Based on the Balanced Scorecard evaluation of UMKM Amplang Tari, it can be concluded that the company has several positive aspects as well as challenges that need to be addressed. From a financial perspective, although the Net Profit Margin (NPM) of 50% and Gross Profit Margin (GPM) of 66% indicate efficiency in production cost management, the Return on Investment (ROI) of 48% still suggests room for improvement in maximizing profits from investments made. From a customer perspective, the high complaint rate (80%) and a customer retention ratio of only 57% indicate customer dissatisfaction that needs to be addressed immediately by improving service quality and customer experience. The internal business process perspective shows success in maintaining product quality (97%) and on-time delivery (100%), but the program implementation rate of only 67% indicates a need for improvement in executing business strategies.

Meanwhile, in the growth and learning perspective, the high employee training rate (80%) and good employee retention rate (80%) reflect substantial investment in human resource development, although it still needs to be ensured that the training provided impacts innovation and productivity improvement. By optimizing marketing strategies, increasing operational efficiency, and improving customer service aspects, UMKM Amplang Tari can enhance its competitiveness and profitability sustainably.

Based on the Balanced Scorecard analysis of UMKM Amplang Tari, several strategic recommendations can be made to improve overall business performance. From a financial perspective, the company can optimize investments by ensuring that the invested capital generates maximum impact on profits and enhance operational efficiency by reducing production and distribution costs without compromising quality. Additionally, revenue diversification should be pursued by developing product variations or expanding market reach to ensure more stable income. From a customer perspective, improving service quality through more responsive customer service development and customer loyalty strategies such as discount programs or exclusive offers can enhance customer retention. Increasing brand awareness through digital marketing strategies can also help attract new customers. From an internal business process perspective, improving program implementation should be achieved by enhancing coordination and project management to ensure business strategies are executed optimally, while maintaining supply chain efficiency to ensure timely delivery and reduce waste. Additionally, continuous product innovation based on customer feedback should be carried out to remain competitive in the market. From a growth and learning perspective, the company can improve training effectiveness by ensuring that training programs directly contribute to increased productivity and innovation. Increasing employee engagement through more open communication and effective feedback channels can also help boost work motivation. Evaluating employee retention is also important to identify the factors causing employee turnover and improve aspects of well-being and career development to create a more conducive work environment. By implementing these strategies, UMKM Amplang Tari can enhance operational efficiency, strengthen customer loyalty, and improve profitability and competitiveness in the market.

To enhance the scientific contribution of this study, it is essential to acknowledge the limitations of the research and suggest directions for future studies. One limitation of this research is its focus on a single MSME, UMKM Amplang Tari, which may not fully represent the broader landscape of MSMEs in Indonesia. Future research could expand the scope by conducting comparative studies across multiple MSMEs in different regions or industries to provide a more comprehensive understanding of business performance using the Balanced Scorecard approach. Additionally, this study primarily relies on quantitative metrics, whereas integrating qualitative insights such as in-depth interviews with business owners, employees, and customers could offer a more nuanced understanding of the factors influencing business success and challenges.

Beyond the specific case of UMKM Amplang Tari, these findings have broader implications for MSME management in Indonesia and other developing countries. The results highlight the critical need for MSMEs to balance financial efficiency with customer satisfaction, operational effectiveness, and human resource development. Policymakers and business support organizations could use these insights to design targeted interventions, such as providing training programs tailored to MSME needs, facilitating access to digital marketing tools, or developing financial assistance schemes to help businesses optimize investments. Furthermore, understanding the challenges faced by UMKM Amplang Tari can serve as a valuable reference for other MSMEs aiming to enhance competitiveness and sustainability in increasingly dynamic market conditions.

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