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CONCEPTUAL ANALYSIS AND PRACTICE OF CORPORATE PERFORMANCE MEASUREMENT

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ABSTRACT: This study aims to analyze the concept and practice of accounting performance measurement in the context of modern corporate strategic management. In an increasingly complex and competitive business environment, performance measurement can no longer rely solely on financial indicators such as profit or financial ratios. The research method used is library research, by reviewing academic literature, books, scientific journals, and related accounting standards. The analysis technique is carried out through content analysis to identify key themes in performance measurement, as well as to compare the approaches used in practice. The results of the study show that although financial indicators remain dominant, many companies are starting to adopt a more strategic approach by integrating non-financial aspects such as customer satisfaction, process efficiency, and organizational learning. The implementation of the Balanced Scorecard has been shown to provide clarity in strategic direction, while information technology such as ERP and BI accelerate the process of real-time performance evaluation.

Keywords:Accounting performance measurement, Balanced Scorecard, financial ratios, information technology, strategic management

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INTRODUCTION

In the era of globalization and increasingly competitive business competition, accounting performance measurement plays a central role in ensuring the effectiveness and efficiency of organizational management. Information generated from the accounting process is not only a reporting tool, but also a basis for strategic decision-making for management, investors, and other stakeholders (Warren, C. S., Reeve, J. M., & Duchac, 2020). Good financial performance reflects the achievement of organizational goals and resilience in facing risks and market dynamics.

Initially, accounting performance measurement was more focused on traditional financial indicators such as net income, cash flow, and financial ratios. Although important, this approach was considered unable to provide a comprehensive picture of company performance, especially in non-financial aspects such as customer satisfaction, internal process efficiency, and innovation capacity. This encouraged the development of a more comprehensive performance measurement framework, one of which was through the Balanced Scorecard introduced by Kaplan (2004). This approach combines financial and non-financial dimensions to reflect the balance of short-term and long-term performance.

In addition, advances in information technology have driven a paradigm shift in accounting performance measurement systems. The use of systems such as Enterprise Resource Planning (ERP) and Business Intelligence (BI) allows organizations to perform real-time data analysis, increasing the speed, accuracy, and transparency of reporting (Davenport, 1998). Companies that are able to optimally utilize this technology will be more resilient in facing changes in the business environment and have a competitive advantage.

Not only in the private sector, accounting performance measurement also plays an important role in the public sector, including financial institutions such as banking. Bank financial reports are used to assess the level of financial health, comply with regulations, and build public trust. Instruments such as the Return on Assets (ROA), Capital Adequacy Ratio (CAR), and Non-Performing Loans (NPL) ratios are important measuring tools in measuring the efficiency and solvency of financial institutions.

Thus, an in-depth study of accounting performance measurement is very relevant to be further developed, considering its vital role in modern organizational governance. This article aims to analyze the main approaches in accounting performance measurement, the challenges of their implementation, and the importance of integrating technology and non- financial indicators in forming an effective and sustainable measurement system.

LITERATURE REVIEW

1. The Concept of Accounting Performance Measurement

Accounting performance measurement is a systematic process to assess the extent to which an organization has succeeded in achieving its goals using accounting indicators that can be measured quantitatively and qualitatively. In the context of strategic management, this measurement not only serves as a tool for evaluating past performance, but also as a basis for planning for continuous improvement (Anthony, R. N., & Govindrajan, 2007).

This concept has evolved along with demands for accountability, transparency, and results orientation in organizational management. In the modern era, the measure of organizational success is no longer only seen from net profit, but also from how much the organization is able to create added value for stakeholders, maintain internal process efficiency, and manage risks appropriately (Otley, 2020). Therefore, a performance measurement system must be designed comprehensively, considering financial and operational aspects.

According to Simons (2000) an effective measurement system must be participatory, flexible, and integrated with the management information system. This means that performance measurement is not just an administrative activity, but an integral part of the organization's strategy that plays an important role in creating organizational learning and long-term performance improvement.

2. Balanced Scorecard in Perfomance Evaluation

Balanced Scorecard (BSC) is a performance measurement tool developed to overcome the weaknesses of conventional financial approaches that tend to be retrospective. BSC combines four interrelated perspectives, namely: financial, customer, internal business processes, and learning and growth.These four perspectives reflect a balance between outcome indicators and cause indicators (Kaplan, R. S., & Norton, 2004). Balanced Scorecard (BSC) implementation enables organizations to align strategic objectives with relevant measurable indicators in each unit. The customer perspective encourages organizations to be more sensitive to market needs, while the internal process perspective emphasizes the importance of efficiency and innovation. The learning and growth perspective focuses onlong-term capabilities, such as the quality of human resources and technological capacity.

In addition to being a measuring tool, the Balanced Scorecard also functions as a strategy communication tool across all levels of the organization. This is especially important in large or multinational organizations with complex structures, where coordination between units is essential. However, the main challenge in implementing the BSC is determining truly representative indicators and collecting non-financial data that can be measured objectively.

The success of the BSC is highly dependent on the commitment of top management and the readiness of the organization to change in a more strategic and measurable direction.

3. Financial Ratios as a Performance Measurement Tool

Financial ratios are analytical tools that link two or more elements in financial statements to produce information about a company's financial condition, profitability, and operational efficiency. These ratios are important because they provide a quantitative picture that is easy to compare between periods or with other companies in the same industry (Van Horne, 2002).

Liquidity ratios (such as Current Ratio) indicate a company's ability to meet short-term obligations. Solvency ratios (such as Debt to Equity Ratio) indicate capital structure and financial risk. Meanwhile, profitability ratios (such as ROA and ROE) are used to measure the efficiency of asset and capital use in generating profits. Activity ratios (such as Total Asset Turnover) describe the efficiency of operational asset utilization.

However, it is important to remember that financial ratios only describe what has happened, not what will happen. In addition, ratios are relative and can be misleading if used without industry context or without considering seasonal factors and company accounting policies. Therefore, in practice, financial ratios should be used as part of a combined approach that includes qualitative analysis and other non-financial indicators (Higgin, 2012).

4. The Role of Information Technology in Performance Measurement

Advances in information technology have revolutionized the way organizations measure and report performance. Systems such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), and Business Intelligence (BI) enable organizations to efficiently collect, integrate, and analyze data. These technologies support real-time reporting, process monitoring, and data-driven decision making.

ERP, for example, allows companies to bring together data from various departments into one integrated system. This helps reduce data inconsistencies and speed up reporting. Meanwhile, BI systems facilitate in- depth analysis through dashboard visualizations, trend reports, and predictive models. With BI, management can dynamically monitor unit performance and respond more quickly to deviations or opportunities (Romneyy, M. B., & Steibart, 2020). The use of information technology also allows the implementation of the concept of real-time performance monitoring, where performance indicators are updated automatically and can be accessed by all levels of management. This increases transparency, accountability, and speed of decision-making. However, the biggest challenge is ensuring that the data used is valid, and that human resources have the ability to interpret the data correctly. Without adequate understanding, technology will only be an administrative tool that lacks strategic value.

METHODOLOGY

This study uses a qualitative approach with a library research method, which aims to examine the concepts, theories, and practices of accounting performance measurement from various literature sources. Secondary data were collected from academic books, scientific journals relevant to the research topic. The analysis technique used is content analysis, namely by identifying main themes such as financial indicators, non-financial approaches, and the role of information technology in performance measurement. The author compiles a synthesis of various findings to form a comprehensive understanding of the practice and direction of development of accounting performance measurement.

RESEARCH RESULT

1. Realization of Accounting Performance Measurement in Companies

The majority of companies still apply atraditional financial-based performance measurement system. The most frequently used indicators include income statements, cash flow statements, and balance sheets. Financial ratios such as ROA, ROE, Current Ratio, and DER are the main tools for measuring profitability, solvency, and efficiency (Van Horne, 2002).

However, using financial indicators alone is not enough to describe the company's overall performance. Many companies face challenges in understanding the root causes of poor performance if they only rely on accounting numbers. Therefore, some companies are starting to expand the scope of their measurements by adding elements of process, organizational behavior, and strategic outcome-based indicators.

In addition, the emergence of awareness of intangible values such as brand reputation, customer loyalty, and innovation capabilities also affect how performance measurements are designed. This indicates that the traditional approach is starting to shift towards a multidimensional approach, although its realization and implementation are still limited to companies that have good information infrastructure and strategic culture.

2. Implementation of Balanced Scorecard in Practice

Scorecard (BSC) tend to have a clearer strategic direction and a more balanced performance reporting system. The use of the BSC not only helps measure the final results (financial), but also key processes that contribute to future performance, such as employee productivity, service cycle time, and customer satisfaction levels. In the public and non-profit sectors, the implementation of BSC also shows a positive impact in improving operational efficiency and reporting transparency. However, many organizations still have difficulty implementing BSC fully due to limitations in formulating objective and relevant non-financial indicators. In some cases, BSC is only used as a formality and is not really used in daily managerial processes.

However, in general, the implementation of BSC shows a positive tendency towards the formation of an organizational culture that is oriented towards performance and strategic achievement. This is evidence that a structured approach such as BSC can be a solution to the weaknesses of a performance measurement system that is too focused on finance (Niven, n.d.).

3. Effectiveness of Financial Ratios in Decision Making

Financial ratios continue to play an important role as the main measuring tool used by various parties, both internal (management, internal controllers) and external (investors, creditors). This ratio is considered very efficient in providing early signals of a company's financial problems, such as cash flow imbalances, excessive debt levels, or declining profitability (Weston, J. F., & Brigham, 2005).

However, financial ratios also have limitations, especially in their ability to explain the causes or solutions to the conditions being measured. Financial ratios only show symptoms, not the root cause. Therefore, many organizations now use financial ratios as part of an integrated measurement system, not as the only measurement tool. For example, ROA is used in conjunction with non-financial Key Performance Indicators (KPIs), such as customer retention rates or service quality. In addition, the effectiveness of using ratios is highly dependent on the context: industry, macroeconomic conditions, and the company's specific strategy. Without considering this context, financial ratios can be misinterpreted and lead to wrong decision making.

4. The Role of Information Technology in Supporting Performance Measurement

The use of information technology has made a majorcontribution to improving performance measurement systems. ERP and Business Intelligence (BI) systems enable organizations to monitor performance in real time, visualize trends, and analyze deviations from targets. This helps organizations to conduct quick and precise evaluations of business units that require attention. In addition to efficiency, technology also supports transparency and accountability. With good data integration, financial and operational information can be accessed across departments and utilized by all levels of management. Cloud-based systems and big data make it easier to collect previously difficult-to-reach data, such as customer behavior or team productivity(Romneyy, M. B., & Steibart, 2020).

However, the adoption of information technology for performance measurement still faces obstacles such as limited funds, resistance to change, and lack of digital skills among employees. Therefore, the use of technology must be accompanied by training strategies and changes in work culture that support data-based decision making.

DISCUSSION

1. Financial Measurement Nominations in Practice

Most companies today still rely on traditional financial indicators to evaluate performance. This is understandable because indicators such as profit, Return on Assets (ROA), Return on Equity (ROE), and liquidity ratios are quantitative, objective, and in accordance with applicable financial reporting standards. These ratios are also easy to compare between periods or between companies so that they are practical to use by internal and external parties such as investors, creditors, and regulators (Van Horne, 2002).

However, relying entirely on financial indicators causes management to only see the “end result” of operational activities without understanding the process and causal factors behind the achievement or failure. In addition, financial indicators are lagging indicators, which only reflect past conditions and are not necessarily able to predict the future direction of the company. In the long term, this can hinder the company from adapting to external dynamics, including changes in technology, consumer behavior, and market competition. Thus, although important, financial indicators need to be complemented with other approaches that can provide a more comprehensive understanding of the factors driving performance

2. Relevance of Balanced Scorecard in Strategic Performance Evaluation

Balanced Scorecard (BSC) is a solution to the limitations of the financial approach. This model developed by Kaplan and Norton emphasizes the importance of measuring not only the final results, but also the processes and capabilities of the organization that support the achievement of long-term goals(Kaplan, R. S., & Norton, 2004). The four perspectives in the BSC—financial, customer, internal business processes, and learning and growth—represent a balance between results and causes, short-term and long-term, and external and internal dimensions. The implementation of the BSC allows companies to form a structured and aligned strategy with clear measurement indicators. For example, companies that want to increase profits do not only focus on increasing sales, but also on the quality of customer service, efficiency of the production process, and development of employee competencies. With the BSC, these indicators can be measured and evaluated periodically, so that management can make more targeted strategy adjustments. However, the results of the study also show that many companies still experience obstacles in implementing the BSC, especially in formulating relevant and measurable non-financial indicators. In addition, an organizational culture that is not yet accustomed to a strategic and collaborative approach can also be an obstacle to optimal implementation of the BSC. Therefore, the success of BSC implementation is largely determined by top management commitment and adequate information system support.

3. Financial Ratios as a Diagnostic Tool That Is Still Necessary

Although non-financial measurement approaches are gaining more attention financial ratios still play an important role in the performance analysis process. These ratios serve as diagnostic tools that can help companies identify problem areas or potential improvements. For example, the Debt to Equity (DER) ratio can indicate a company's reliance on debt, while the Current Ratio (CAR) can indicate a company's reflect the ability to meet short-term obligations. However, the interpretation of financial ratios must be done carefully and contextually. A single ratio number does not have a strong meaning without a comparison such as historical trends, industry averages, or internal strategic targets. In addition, the use of financial ratios tends to be reactive and does not explain the root of the problem. For example, a decrease in ROA does not necessarily indicate managerial errors, but could also be due to long-term investments that have not yet generated profits.

Therefore, effective performance measurement must combine financial ratios with non-financial indicators that reflect aspects of the organization's processes, customers, and learning. This combination will provide a comprehensive picture of the company's performance and support more strategic decision making (Higgin, 2012).

4. Integration of Information Technology as a Strengthener of Measurement Systems

In the digital era, the role of information technology cannot be ignored in measuring accounting performance. Information systems such as Enterprise Resource Planning (ERP) have changed the way organizations record, process, and analyze financial and operational data. With ERP, companies can integrate various functions such as accounting, logistics, HR, and production into one integrated system that allows real-time performance analysis. In addition to ERP, Business Intelligence (BI) systems also play an important role in presenting relevant, accurate, and easily accessible data in the form of visual dashboards. The use of BI allows management to see trends, analyze comparisons between units, and make predictions based on historical data. This makes performance measurement not only evaluative, but also predictive and adaptive to change. However, the implementation of an information technology system requires organizational readiness, both in terms of digital infrastructure and HR capabilities.

Organizations that do not have a data-driven culture or good data interpretation capacity are at risk of using technology less than optimally. Therefore, it is important to accompany the implementation of technology with training, strengthening data governance, and integration between finance and IT functions (Romneyy, M. B., & Steibart, 2020).

5. Direction of Improvement of Accounting Performance Measurement System

Based on the previous discussion, the future accounting performance measurement system needs to be directed at a more strategic, integrative, and adaptive approach to change. Companies need to expand the scope of measurement from initially only focusing on financial output to also considering input and processes that support the achievement of these results. Ideal performance measurement must be able to connect the company's strategy with daily activities, involve all levels of the organization, and produce relevant and timely information for decision making. This requires integration between managerial accounting, information systems, and strategic management. In addition, organizations also need to adjust performance indicators to the needs of the industrial sector and the characteristics of each business unit, because not all indicators are universal. With a comprehensive and performance measurement system based on technology, companies can respond to change more quickly, manage risks better, and build sustainable competitive advantages amid global market uncertainty.

CONCLUSION AND RECOMMENDATIONS

Accounting performance measurement is an important element in supporting management effectiveness and achieving strategic organizational goals. The results of the study show that the traditional approach based on financial indicators such as ratios and income statements is still widely used, but has limitations in reflecting strategic and long-term dimensions. Therefore, the Balanced Scorecard approach that integrates financial and non-financial perspectives is a more relevant alternative. Information technology support such as ERP and Business Intelligence has also been shown to increase speed, accuracy, and transparency in performance evaluation. Therefore, companies are advised to integrate financial and non-financial indicators, implement the Balanced Scorecard consistently, develop a reliable accounting information system, improve HR competency in data analysis, and conduct periodic evaluations of the measurement system so that it is always relevant and adaptive to change.

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