

## **The Analysis of Company Performance Based on Malcolm Baldrige with Special Reference to a Hotel in Indonesia**

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— *Review of* —  
**Integrative  
Business &  
Economics**  
— *Research* —

### **ABSTRACT**

This study aims to analyse the company performance of a four-star hotel “XYZ” in Tangerang City, Indonesia. Theoretically, performance is a key concept engaged in by organisations, including governments, private companies and non-profit firms. To improve performance, a first step that is necessary to do is by assessing current condition company performance comprehensively. One of the tools to measure performance is Malcolm Baldrige criteria. In this work, performance is measured on the basis of the Malcolm Baldrige criteria. A qualitative research method is also employed. Results show that the performance of the XYZ Hotel is in the phase of early improvement.

Keywords: XYZ hotel, company performance, Malcolm Baldrige, early improvement

### **1. INTRODUCTION**

The hotel industry in Tangerang City is experiencing rapid growth which is marked by the emergence of new hotels. The Statistic Centre Agency of Tangerang City reported that the contribution of the trade, hotel and restaurant sector to the gross domestic regional income reaches 32.51% (based on the constant price 2015). This growth has the potential to attract businessmen to invest in the hotel sector of Tangerang City. The Statistic Centre Agency also stated that by the end of 2016, 24 four-star hotels had been operating in Tangerang City. Hotels grow rapidly every year due to the high number of tourists that visit Tangerang City. In 2015, the number of visitors reportedly reached 619,162 people, which represents an increase of 40% from 2014.

The XYZ Hotel is one of the four-star hotels in Tangerang City. The hotel exhibits unique characteristics and offers a few rooms. In 2016, the hotel experienced a 25% decrease in domestic guests and a 79% decrease in foreign guests relative to the 2015 data. This condition is inverse to the data from the Statistic Centre Agency which recorded a 20% increase in the number of domestic guests and a 15% increase in the number of foreign guests (based on 2015 data). The decrease in the performance of the XYZ Hotel is an

interesting case that calls for the application of the Malcolm Baldrige criteria.

## 2. LITERATURE REVIEW

### 1. *Concept of Performance Assessment and Measurement*

According to Helfert (1996), company performance is the result of the continuous actions of management that are based on decisions made by individuals. Moerdiyanto (2010) describes company performance as a result of a set of business processes at the cost of various resources. Kaplan and Norton (2005) claim that company performance assessment is a process or a system for assessing company performance on the basis of particular standards. Fahmi (2013) explains that performance assessment is a process of evaluating how good employees are in doing their job compared with standards. Therefore, performance assessment is performed to discover a performance achievement according to established standards.

In relation to performance assessment, company performance is the result of measuring an empirical condition on the basis of various company standards. Moreover, the aim of performance assessment is to motivate personnel to pursue organisation targets and observe standards so as to achieve the results desired by organisations. Another aim of performance assessment for all parties is to let them know the benefits they expect (Rivai and Basri, 2004). Atkinson et al. (1997) identify the role of performance assessment in helping organisation members to manage the value chain.

### 2. *Concept of Quality*

Quality measures the distance of performance produced in line with established standards. Hence, if performance has no quality standard, the result will be biased. The three popular experts who have defined quality are Juran, Deming and Crosby. According to Juran (1999), quality is fitness for use. Deming (1986) states that quality is more than just a product attribute's fitness with consumer demand. In measuring quality, Crosby (1986), who is known in the domain of zero defects and prevention, opposes the implementation of quality measurement statistically. Quality, according to Crosby, is the fulfilment or conformance to requirements of consumers, organisations, suppliers, governments, technologies and markets or competitions. Furthermore, the prevention concept should be applied at the beginning to ensure that the output is cost effective and not time consuming. The combination of the zero defect concept and prevention as a performance standard used in the past traps companies with percentage values.

### 3. *Concept of Malcolm Baldrige*

Various methods are used to carry out company performance assessment, and they include the Balance Scorecard, ISO 9000 and Malcolm Baldrige. Borowski (2008) views Malcolm Baldrige as a complete and perfect method of performance assessment. Malcolm Baldrige is unique relative to other methods. Denis (2006) states that assessment using Malcolm Baldrige can be benefit the study of financial and non-financial performance. Flynn and Saladin (2001) indicate seven aspects of Malcolm Baldrige in performance assessment: leadership, strategic planning, customer focus, measurement analysis,

knowledge management, workforce focus, process focus and business result.

The Malcolm Baldrige criteria are built on related values and core concepts. The 11 values and core concepts of the Malcolm Baldrige business criteria are as follows:

1. **Visionary leadership** is the ability to anticipate the future. The leader's view towards the future must be formulated into a vision.
2. **Customer-driven excellence** relates to customers who purchase products that are affordable and able to fulfil their needs.
3. **Organisational and personal learning** occurs if the company hires competent people.
4. **Valuing workforce members and partners** is indicated by the support of employees and business partners.
5. **Agility** is the capability of a company to adapt to changes and survive.
6. **Focus on the future** is seen in managing the performance of a company that is related to future management and adapting to what might happen in the future.
7. **Managing for innovation** refers to the innovation and creativity of the management that will overtake that of the competition.
8. **Management by fact** is indicated by the practice of relying on facts and data in the decision-making process.
9. **Societal responsibility** is reflected in a social environment that highly influences organisational success, and this case, organisations are concerned about their surrounding social environment.
10. **Focus on results and creating value** indicates that a company's output and value creation process are better than those of its competitors.
11. **System perspective** is reflected in the number of aspects to be understood as a system.

The 11 values and core concepts summarised into 7 criteria are known as the Baldrige Criteria for Performance Excellence (Flynn and Saladin, 2001). The seven items are leadership; strategic planning; customer and market focus; measurement, analysis and knowledge management; workforce focus; process focus; and business result. Flynn and Saladin describe each criterion as follows.

- 1) Leadership refers to how leaders guide the management system in an organisation and examine organisational performance.
- 2) Strategic planning indicates how an organisation sets strategic targets, including how to consider strategic challenges and summarise main strategic targets and organisational purposes.
- 3) Customer and market focus show how an organisation decides on requirements, goals and preferences from customers to guarantee the continuity of products and service and to build new opportunities.
- 4) Measurement, analysis and knowledge management show how an organisation measures, analyses, aligns and fixes data and information on performance according to every level in each division of the organisation.
- 5) Workforce focus indicates how compensation, career path and work practices can lead to the highest performance in an organisation.
- 6) Process focus shows how an organisation identifies and manages its main process of creating customer value and achieving success and business growth.
- 7) Business result summarises the outcome of the main performance of products or

services, customer focus, finance, market, human resources, organisational effectiveness, leadership and responsibility to the public.

The Malcolm Baldrige method is implemented via self-assessment through a survey based on the approach, deployment, learning and integration (ADLI) approach. *Approach* refers to (a) the method used to finish the process, (b) the appropriateness of the selected method in accordance with the condition of the business environment and the requirement of the criterion item, (c) the effectiveness of using the method and (d) the selection of repeated method according to the systematised data and information. *Deployment* refers to how far (a) the selected approach is used in line with relevant and important organisational requirements, (b) the method is applied consistently and (c) the method is utilised by all related work units. *Learning* refers to (a) perfecting the approach used through the cycle of evaluation and improvement, (b) the chosen method being innovative to encourage breakthrough or change and (c) the effort of sharing between work units and relevant innovation processes.

*Integration* refers to how far (a) the chosen method is in line with the identified needs and other process items of the organisation; (b) the different processes among work units, information systems, measurements and improvements complete one another; and (c) all plans, processes, results, analyses, learnings and actions done across functions and work units run harmoniously to achieve company targets. The evaluation of the ADLI-based assessment is performed by weighting the values, and the results are shown in Table 1.

Table 1. Weighting Malcolm Baldrige Assessment

Categories and Items	Point	Values
<b>1. Leadership</b>		120
1.1 Senior Leadership	70	
1.2 Governance and Social Responsibilities	50	
<b>2. Strategic Planning</b>		85
2.1 Strategy Development	40	
2.2 Strategy Implementation	45	
<b>3. Customer Focus</b>		85
3.1 Voice of the Customer	45	
3.2 Customer Engagement	40	
<b>4. Measurement, Analysis and Knowledge Management</b>		90
4.1 Measurement, Analysis and Improvement of Organisational Performance	45	
4.2 Management of Information, Knowledge and Information Technology	45	
<b>5. Workforce Focus</b>		85
5.1 Workforce Environment	40	
5.2 Workforce Engagement	45	
<b>6. Operation Focus</b>		85
6.1 Work System	45	
6.2 Work Process	40	

<b>7. Result</b>		450
7.1 Product and Process Outcomes	120	
7.2 Customer-Focused Outcomes	90	
7.3 Workforce-Focused Outcomes	80	
7.4 Leadership and Governance Outcomes	80	
7.5 Financial and Market Outcomes	80	
<b>TOTAL</b>		1000

Source: Flynn and Saladin (2001)

Table 2 shows the level of predicates of organisational performance toward value weighting based on the Malcolm Baldrige criteria.

Table 2. Levels of Predicates and Performance Scores of Malcolm Baldrige

<b>Predicate</b>	<b>Score</b>	<b>Level</b>
<i>Early Development</i>	0–275	<b>Poor</b>
<i>Early Result</i>	276–375	
<i>Early Improvement</i>	376–475	<b>Average</b>
<i>Good Performance</i>	476–575	
<i>Emerging Industry Leader</i>	576–675	
<i>Industry Leader</i>	676–775	<b>Excellent</b>
<i>Benchmark Leader</i>	776–875	
<i>World Leader</i>	876–1000	

Source: quality.nist.gov

Borowski (2008) states that Malcolm Baldrige has been used in various fields of company operations worldwide. In Indonesia, Malcolm Baldrige is used to measure the performance in education (Singgih and Moses, 2008) and manufacturing (Nugroho and Haryanto, 2013). However, no performance measurement using Malcolm Baldrige has been carried out in the field of hospitality.

### 3. RESEARCH METHOD

This study uses a qualitative method. Satori (2010) states that qualitative research is conducted to explore a phenomenon that is descriptive and cannot be quantified. Sukmadinata (2011) explains that qualitative research involves describing and depicting an existing phenomenon that is either naturally or unnaturally occurring.

The main data sources are informants who were selected on the basis of a purposive sampling technique with consideration of those who understand the expectations and hold related experiences (Riduwan, 2014). On the basis of such guidelines, the subjects of this study were identified as the customers and the hotel's personnel. The number of customers was 138. According to Riduwan (2014), the sampling technique based on the Slovin formula is

$$n = \frac{N}{(1 + N \cdot (e)^2)}$$

where:

n = sample size  
N = population size  
e = error tolerance

limit then:

$$\begin{aligned} n &= 138 / (1 + 138 \cdot (10\%)^2) \\ n &= 138 / (1 + 138 \cdot (0.01)) \\ n &= 138 / 2.38 = 57.98 \text{ (rounded) } 58 \end{aligned}$$

The selection of employees for the sample was based on the following criteria: (1) more than two years of experience, (2) minimum managerial position and (3) knowledge on related policies about company activities. The employees who met those criteria included front office personnel, human resources staff, accounting staff and sales managers. Primary data were collected through a questionnaire administered to customers and through interviews with informants. Secondary data were obtained from documents of the company and the Statistic Centre Agency of Tangerang City.

#### 4. RESEARCH FINDINGS AND DISCUSSION

The XYZ Hotel was established in 2012 with the vision of becoming the leading hotel in Tangerang City. Its mission is to provide highly qualified products and services to reach customer expectations through the development of best resources and management. The XYZ Hotel values integrity, commitment, responsibility and teamwork. It maintains a four-star status for its various facilities, including a swimming pool, spa and fitness centre, as well as additional facilities, such as a ballroom and meeting rooms.

##### A. Descriptive Analysis of Performance Measurement

The results of the performance measurement analysis with Malcolm Baldrige based on the seven criteria are as follows.

###### 1. Leadership

The vision and mission of the organisation assigned by the hotel board are regarded by employees as the soul of the organisation. The leader provides directions in interpreting the company's vision and mission. The condition in line with the concept of Malcolm Baldrige is that company leadership should direct the formation of the vision, mission, management and social responsibility of the organisation. To implement these goals, the board of the XYZ Hotel attempts to transform and change the organisational culture and work attitude of the staff.

###### 2. Strategic Planning

The concept of Malcolm Baldrige emphasises the ability of the organisation and board to share strategic planning and translate these plans into key indicators that are easy to understand and implement in daily activities. The result shows that the hotel never implements existing strategic and operational plans and is therefore unable to deal with its competitors.

### 3. *Customer Focus*

Customers sense minimal attention in terms of the company's focus on customer needs. This criterion is marked by the hotel's slow response towards complaints. Referring to the Malcolm Baldrige criteria, a company will achieve excellent performance if customers enjoy the services or they buy the products. Juran (1999) adds that the best quality is what is similar to the expectations or needs of the customers. Another indication that the company does not focus on its customers is the number of facilities that do not match what the customers expect, including Wi-Fi access and the number of elevators.

### 4. *Measurement, Analysis and Knowledge Management*

The result shows that the various forms of services given are still limited. The hotel employees are not able to measure their work as no standard is in place. In relation to strategic planning, poor development is observed. While the company has a work plan and a measuring instrument made by each work unit, employees do not implement them properly. Consequently, the company cannot optimise the improvement of employee competence continuously.

### 5. *Workforce Focus*

According to the Malcolm Baldrige criteria, achieving the highest performance entails compensation management, career path and proper work practices. The company is still mainly concerned over the employees' years of service experience, especially for supervisors and managers. No process for promotion and compensation management is clear, and bonuses for employee services remain confidential. Hence, this practice makes the employees less motivated to give their best service for customers.

### 6. *Operation Focus*

Operation focus relates to the main process of the organisation in creating customer value to achieve success and business growth. As Deming (1986) emphasises, the process of improvement should be done continuously towards quality and productivity. This practice will help leaders achieve improvement in quality. The result shows that the main obstacle faced by the company is the maintenance and repair of facilities which is time consuming.

### 7. *Performance Result*

A company is categorised as excellent if its end result is better than that of its competitors. Based on Malcolm Baldrige, the result shows that the ability of company management to increase quality is not optimum relative to that of new hotels that offer attractive prices and facilities.

## *B. Quantitative Calculation of the Level of Company Performance*

The qualitative analysis above is combined with the quantitative calculation of the

Malcolm Baldrige criteria. The result is presented in Table 3.

Table 3. Malcolm Baldrige Calculation for XYZ Hotel in Tangerang City

<b>Category and Item</b>	<b>Point Values</b>	<b>Achievement per Point</b>	<b>Total Point</b>
<b>1. Leadership</b>	120		59
1.1 Senior Leadership	70	28.5	
1.2 Governance and Social Responsibilities	50	30.5	
<b>2. Strategic Planning</b>	85		46
2.1 Strategy Development	40	21	
2.2 Strategy Implementation	45	25	
<b>3. Customer Focus</b>	85		44
3.1 Voice of the Customer	45	26.75	
3.2 Customer Engagement	40	17.25	
<b>4. Measurement, Analysis and Knowledge Management</b>	90		35
4.1 Measurement, Analysis and Improvement of Organisational Performance	45	15	
4.2 Management of Information, Knowledge and Information Technology	45	20	
<b>5. Workforce Focus</b>	85		45
5.1 Workforce Environment	40	25	
5.2 Workforce Engagement	45	20	
<b>6. Operation Focus</b>	85		26.75
6.1 Work System	45	16.25	
6.2 Work Process	40	10.5	
<b>7. Result</b>	450		212
7.1 Product and Process Outcomes	120	40	
7.2 Customer-Focused Outcomes	90	44	
7.3 Workforce-Focused Outcomes	80	48	
7.4 Leadership and Governance Outcomes	80	50	
7.5 Financial and Market Outcomes	80	30	
<b>TOTAL</b>	<b>1000</b>	<b>467.75</b>	<b>467.75</b>

Source: Result of study, 2016

## 5. CONCLUSION AND RECOMMENDATION

According to Denis (2006), performance measurement using the Malcolm Baldrige criteria can be employed to determine the financial and non-financial performance of organisations comprehensively. The result of the analysis of the XYZ Hotel shows that according to the seven criteria of Malcolm Baldrige, operation focus is the main concern of the company board. The study also identifies the work system and processes of the company as its weaknesses.

In the Malcolm Baldrige calculation, the score achieved by the XYZ Hotel is **467.75**. Referring to the interpretation of Malcolm Baldrige, the hotel predicate is early



improvement, and the level is average. Furthermore, the company has an initial method that is systematic, effective and responsive to existing conditions but is not consistent when applied to related work units.

The study suggests that first, the company should use Malcolm Baldrige to increase performance quality and implement strategic plans in the future. *Second*, the hotel should implement quality control over its maintenance, motivation, work system and system operational procedures. Third, increasing performance level with innovative activities, breakthroughs or changes could be done by the harmonious running of the units to support company targets.

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