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STUDY OF PERFORMANCE PRISM FRAMEWORK IMPLEMENTATION FOR A COFFEE SHOP IN INDONESIA CASE STUDY: JANJI JIWA KEDUNGMUNDU SEMARANG

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Abstract

There is a rising trend of coffee shop franchise in Indonesia as the younger generation dominates the market segment. With its fierce competition, most of these shops are focusing on elements such as growth, profitability, and competitive advantage. Yet, even when there is a certain need to measure performance, there has not been a clear comprehensive performance management system to be adopted by these establishments.

The purpose of this paper is to conduct a study of implementing comprehensive performance management system for coffee shop franchise in Indonesia from the approach of Performance Prism Framework. This study offers a guideline on how to measure the performance of the company using the five elements of stakeholder satisfaction, stakeholder contribution, strategies, processes, and capabilities. The guideline as the outcome of this study contains important criteria to measure, generic steps on measuring the criteria, and suggested metrics that can be utilized.

The guideline is then proposed to stakeholders of Janji Jiwa Kedungmundu Semarang Coffee Shop as a case study and the reception has been quite positive. There are difficulties for the implementation because the sense of urgency is still considered as low and lack of understanding from stakeholders as well. As a future work suggestion, the study can be enhanced by utilizing other frameworks and to simplify the guideline to increase the understanding and acceptance from stakeholders of the company.

Keywords: Coffee Shop, Franchise, Performance Management System, Performance Prism.

1. Introduction

According to previous survey of *Kementerian Perindustrian Republik Indonesia* (Indonesian Ministry of Industrial, 2013) coffee consumption per capita in Indonesia increased by 7.5 percent in a single year. *Badan Ekonomi Kreatif Republik Indonesia* or *Bekraf* (Indonesian Agency for Creative Economy, 2017) supports the finding by stating that Indonesia's current economy is getting stronger since the turn of the millennium; shown by the rising of consumer spending and domestic manufacturing of value-added products. Bekraf also mentioned that there is a shift in the landscape of coffee consumption in Indonesia. People have more money to spend, change in lifestyle, and the rise of market segment dominated by millenials become drivers of the change.

In order to satisfy the demand of the market and seize the opportunity, the growing rate of coffee shop is immense. Coffee shops are very popular among start-ups with its characteristics that require less investment, less expertise, and involve fewer complications (Bekfraf, 2017). On the

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other hand, with such low barrier to entry, the competition is quite high. Numerous brand has enter the market and it is evident that in many cases, the life span of these coffee shops are extremely low. But as one closes down, the other will rise up. The coffee shop comes in a different category, each has their own focal point and focus of the business. With its strong investment and network, franchise-based coffee shop has been the market leader for several years now, consisting of worldwide brand such as Starbucks Coffee and also the local ones like Kedai Kopi Kulo, Kopi Kenangan, and Kopi Janji Jiwa.

Although the barrier of entry is quite low and the competition is fierce, it is quite interesting that for some players on the coffee shop market, performance measurement is not considered as one of the high priority to focus on. A lot of coffee shops opened up the business without prior strategy or thorough examination of the market environment. For those that are currently operating, there is little to no attention to measure its performance as a feedback; as long as they can do sales and gain revenue, then it is considered as an acceptable situation.

Based on this background, this research conduct a study on Performance Prism (PP) as a performance measurement framework and apply the framework in a case study of Kopi Janji Jiwa in Kedungmundu, Semarang, Indonesia. The PP framework is choosen considering its simplicity and one of the newer framework as well – a second-generation framework as evolvement from traditional measurement like balanced scorecard and such (Neely, 2001).

2. Literature Review

According to previous literature reviews on performance measurement system design (Neely et al, 1995), it is mentioned that performance measurement is a topic that is often discussed but rarely defined. Thus, in latter research (Neely et al, 2003), there are a couple of definition offered for the matter – addressing the definition of performance measurement, a performance measure, and a performance measurement system.

- Performance measurement can be defined as the process of quantifying the efficiency and effectiveness of action.
- A performance measure can be defined as a metric used to quantify the efficiency and/or effectiveness of action.
- A performance measurement system can be defined as the set of metrics used to quantify both the efficiency and effectiveness of actions.

Still from the research of Neely in 2003, it points out a couple of important notes on performance measurement, such as:

- Performance measurement refers to the use of a multi-dimensional set of performance measures;
- Performance measurement cannot be done in isolation. Performance measurement is only relevan within a reference framework;
- Performance measurement has an impact on the environment in which it operates; and
- Performance measurement is now being used to assess the impact of actions on the stakeholders of the organisation whose performance is being measured.

Therefore, based on these definitions, Neely addresses that a performance measurement system can be examined at three different levels:

1. The individual performance measures;
2. The set of performance measures – the performance measurement system as an entity; and
3. The relationship between the performance measurement system and the environment within which it operates.

When we are talking about performance measurement system, it has been changing its shapes throughout the year. On a study of performance measurement and management frameworks (Yadav and Sagar, 2013), it is shown that there is a shift in the perspective; starting from management accounting (narrow), toward a larger financial perspective, and now it is an integrative perspective which also considers strategy and quality beside the financial perspective.
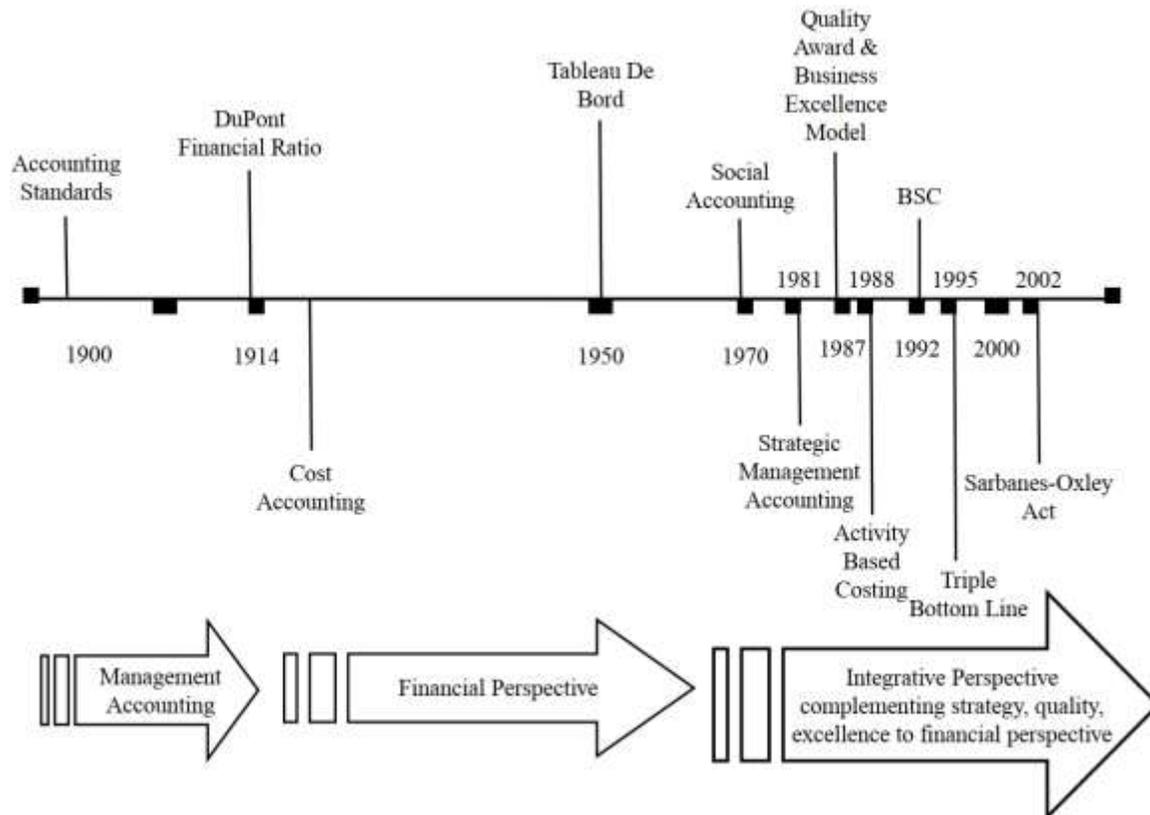

Figure 1: Evolvement of Performance Measurement System (Yadav & Sagar, 2013)

In comparison to other performance measurement systems such as the Balanced Scorecard (BSC) and Malcolm-Baldridge, Performance Prism (PP) framework is considered as the second-generation performance measurement system (Neely, 2003). There are at least two important drivers that shape the need of a better, new generation of performance measurement system:

- Performance measurement needs to be a two-way process; enabling management of the organization to assess stakeholders' contributions to the organization's primary and secondary goals as well as enable stakeholders to assess whether the organization is capable of fulfilling its obligations to them, right now and in the future (Atkinson et al, 1997).
- Customers become more demanding and the market become more competitive. Therefore, a performance measurement system needs greater responsiveness and external focus for activities; not only looking from the within (Kennerley and Neely, 2003).

Therefore, the PP framework is developed (Neely, 2002). The PP framework provides a structure to allow executives and managements to answer five fundamental questions:

1. Who are our stakeholders and what do they want and need?
2. What do we want and need from our stakeholders?
3. What strategies do we need to put in place to satisfy these sets of wants and needs?
4. What processes do we need to put in place to satisfy these sets of wants and needs?

5. What capabilities – bundles of people, practices, technology, and infrastructure – do we need to put in place to allow us to operate our processes more effectively and efficiently?

The answer to all these questions shape up the basic of PP framework which consists of five elements: stakeholder needs, stakeholder contributions, strategies, processes, and capabilities.
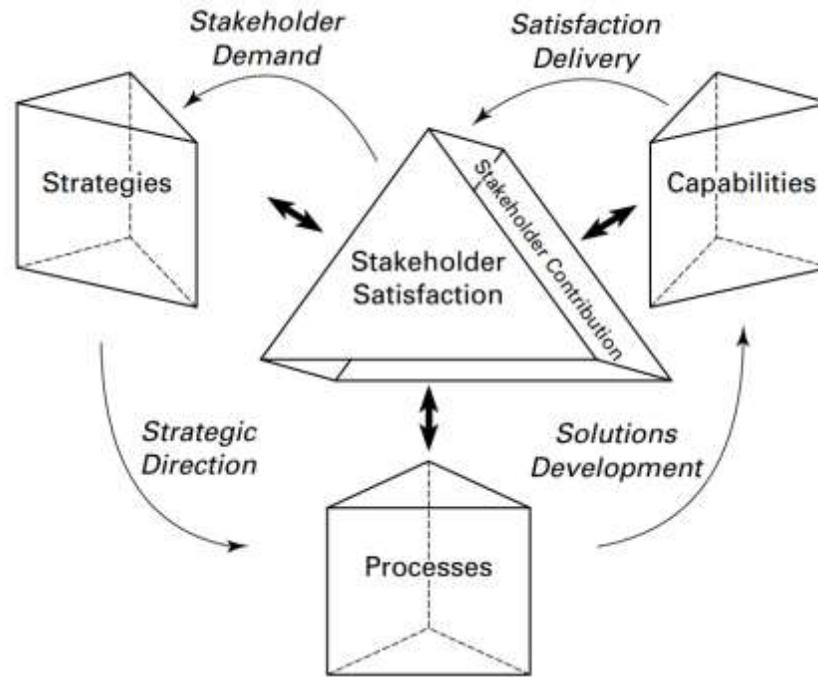

Figure 2: The Performance Prism Framework (Neely, 2002)

The most appealing factor of PP lies in the intrinsically logical juxtaposition of the five components of the three-dimensional framework (Neely, 2001), which enable a couple of advantages:

- There are interrelationships between the element;
- PP's comprehensiveness and adaptability allowing different entry point;
- The inherent ability to drill below the surface to greater levels of detail when additional prompts are needed; and
- The fact that stakeholders are addressed in a wholly original and radical way.

Although a lot of the previous study cases conducted by Neely, et al is focusing on large organization, there is also evidence that PP framework with its focus on stakeholders' contributions and needs can also be implemented in micro, small, and mediums enterprises (MSMEs) as a performance measurement system (Severgnini, Galdamez, and Moraes, 2017).

3. Methodology

The methodology to conduct the study consists of these steps:

1. Literature review
   The first step is to conduct review from various literatures, including books, journals, papers, and websites. The aim of this step is to gain more knowledge and understanding regarding two topics: the first one is about the PP framework that will be used throughout

the study, and the second is to assess the current situation about coffee shop business environment in Indonesian context. The result is presented on the first two chapters of this paper, the introduction and literature review section.

2. Preliminary assessment interview
   Before conducting the thorough assessment, the preliminary assessment interview is conducted. The purpose of the interview is to gain more information about several important aspects that will be used in accordance to the PP framework, such as the stakeholders, strategy, processes, and capabilities. The method that is being used here is informal interview with the owner as well as day-to-day operational manager of the Kopi Janji Jiwa, asking several questions, but without directly giving the cue to the PP framework as to keep the objective aspect from the answers.

3. Criteria development
   Based on the PP framework and the result of the interview, then the important criteria are developed for each of the five dimensions of PP. The criteria that is mentioned here relates with the criteria and measurement of the performance.

4. Step-by-step to measure criteria
   Based on the third step result, then the study will give suggestions on step-by-step that is required by the organization in order to be able to measure the criteria. The steps might be unique from one dimension to the other dimension, and there is no standard way in order to execute it. It means that it may vary from one organization to another in terms of measuring the criteria; it will be customized to suit the organization's needs or preference.

5. Suggested metric
   At the end, it will be better for each criteria and measurement to have a measurable metric in order to be able to measure performance in a quantitative way. For each criteria or measurement, there will be some important metrics that will be suggested for the organization, in order to be more attentive to these criteria and measurements.

6. Experiment on case study
   The hypothetical result from point three up until point five can then be given back to the organization (Kopi Janji Jiwa) in order to test it. The experiment is checked by confirming back to the owner as well as day-to-day operation manager of Kopi Janji Jiwa.

7. Analysis on the feedback
   The experiment will give three important feedbacks: the first one is how relatable or important the criterion or measurement is for the organization. It will be scored from one to ten with one as the lowest (minimal relation/not important at all) while ten is the highest (very relatable/very important). The second feedback is the implementation in the organization so far, measured in percentage. Zero percentage means that the criterion or measurement has not been used at all in the organization, while 100% means that the organization has used the criterion or measurement all the time in order to measure the performance. The third feedback is the willingness or interest of the organization to implement the criterion or measurement in order to measure their performance. It will be scored from one to ten with one is the lowest (not willing to implement at all) and ten is the highest (very interested to implement).

8. Conclusion and future work
   After all the result and feedback is received, at the end a conclusion is formed based on this study effort and some notes will be given for a possibility of future work regarding a same or similar research.

4. Results and Analysis

The first step is to conduct a preliminary assessment interview with the owner and day-to-day operational manager of Kopi Janji Jiwa in order to identify the important stakeholders for the organization.

Table 1: Preliminary Assessment Interview Result

Questions	Answers
Starting this business, are you acting as a single owner or is there other investors to the business?	The ownership scheme is divided between three people; but the day-to-day operational is trusted to me. [...] the other two act more like some sort of investor - placing equity and expect return for the time being
How about the employee?	There are in total six; five act as baristas and servers, while the other one is in charge of cleaning and other domestical activities
In doing the business, how do you get your raw materials and equipment?	[...] most of them supported by the central office, since Janji Jiwa is a franchise. All equipment is standardized and raw materials are sent from the central warehouse
So it is a centralized system?	Pretty much so. [...] no need to deal with tiresome matter such as taxing and regulation deal
Is there no autonomy for each store?	[...] very limited. But in terms of payment, we can also collaborate with other parties such as GoPay, OVO, and Dana. [...] also being set-up by the central office
Any collaboration or alliances so far?	[...] nothing in particular. We just try to maintain harmonious relationship with the environment (since the custom of Indonesia is heavily influenced by 'family-based' relationship) such as other stores around the location, security, parking services, etc
Alright, and on the other side of the hand; what about the customers?	[...] market segment dominated by young people. Students in high school, college. [...] coming to study. A lot of grab-and-go from services such as GoFood and GrabFood. In weekend, people also come to stay for a longer period of time; chatting and enjoying the time

Therefore, we can conclude from the interview that there are at least six important stakeholders for Kopi Janji Jiwa:

1. The other two people acting as investors;
2. The central office of Janji Jiwa;
3. The employees of Janji Jiwa Kedungmundu Semarang (baristas/servers and cleaning);
4. Alliance partners (Gojek, OVO, and Dana for payment and Gojek & Grab for delivery);
5. People around the stores or the environment (security, parking services, etc); and
6. Customers of the store (either dine-in or take-away).

In order to list the important measures, there is a generic step-by-step that can be implemented by Kopi Janji Jiwa. The steps are listed as such:

1. Identify important stakeholders (conducted via the interview);
2. For the needs dimension – pay close attention to the stakeholders need; what do they expect from this Janji Jiwa franchise? (the result can be received from conducting interviews as well as surveys and questionnaires);

3. For the contributions dimension – what can Janji Jiwa get from the stakeholders? (the result can be received by conducting interview with the owner or manager of Kopi Janji Jiwa Kedungmundu and asking for his/her aspiration);
4. For the strategy dimension – what kind of strategy to address the wants and needs? (the result should be received by conducting interview with the strategic planning department of Kopi Janji Jiwa – if any; or directly to the owner, and to the other stakeholder as well);
5. For the processes – which process relate to the execution of the strategy? (the result should be asked to the operational manager or day-to-day caretaker of Kopi Janji Jiwa that possess sufficient knowledge on the business process of the organization – also has to cover all knowledge about the process of the other stakeholders); and
6. For the capabilities – what is the capability that need to be developed and nurtured? (the result should be different from each stakeholder; for internal stakeholder should be conducted through interview with the manager or caretaker, while for external stakeholder can be conducted by observation or through simple survey/questionnaires.

By following these generic steps, the results for the important measures are developed for each of the stakeholders and each of the dimensions. The following tables will list the result as well as the feedback from the organization (from the owner of Kopi Janji Jiwa) regarding three things: the fit to organization, the current implementation level, and the willingness of organization to adapt or implement. Each table serves for a single stakeholder; thus by having six stakeholders, these are the following six tables of the result of the research.

Table 2: Important Measures and Feedback for Investors

Stakeholders: Investors	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	What kind of return do the investor expect from the organization?	10	90%	10
	Is there any sort of reward or bonus if the business is going well?	4	0%	4
	Can the daily management team be trusted by the investors?	9	90%	10
Stakeholders Contributions	How much capital can the organization gain from the investors?	10	90%	10
	Can the investor help in situation concerning credit or risk that need to be taken by the organization?	2	0%	2

Stakeholders: Investors	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
	In terms of facing difficulty; can the management team trust and ask support from the investors?	8	20%	8
Strategies	How is the growth of the organization?	10	90%	10
	How to manage the cost efficiently?	8	80%	10
	Is there any investment or divestment needed?	2	0%	4
Processes	How to increase sales and gain revenues?	10	100%	10
	How to make sure that the revenues can turn into profits?	8	50%	10
Capabilities (Important Metrics)	Business leadership	8	50%	10
	Risk management	2	50%	6
	Product pricing	2	0%	2
	Investor relations	4	50%	4
	Business alliance	6	50%	8

Table 3: Important Measures and Feedback for Janji Jiwa Central Office

Stakeholders: Central Office	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	How much cut from sales that are the portion that has to be given to the central office?	10	100%	10
	Is the monthly royalty cut payment going smooth?	8	100%	8
	Is the Janji Jiwa Kedungmundu keep the good name of the company?	8	75%	8
Stakeholders Contributions	Has all the equipment needed to operate delivered on time in the beginning?	10	100%	8
	How is the condition of the equipment from time to time?	8	80%	8
	How is the supply for raw materials going?	10	80%	10
Strategies	How to calculate the royalty cut?	4	20%	2
	How to manage the inventory for raw material?	10	55%	10

Stakeholders: Central Office	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Processes	How the deliverance of the royalty cut?	4	50%	2
	How the deliverance of raw materials from central warehouse to the franchise store?	10	50%	10
Capabilities (Important Metrics)	Business leadership	8	50%	5
	Sharing experience	10	85%	10
	Goodwill	8	50%	5
	Brand image	8	50%	5

Table 4: Important Measures and Feedback for Janji Jiwa Employees

Stakeholders: Employees	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	Is the employee getting paid fairly and according to the regulation?	10	100%	10
	Is the employee being treated well?	10	100%	10
	Is there any other benefit or reward beside financial term for employees?	6	0%	4
Stakeholders Contributions	Is the employee work according to his/her job description well?	10	100%	10
	Is there any additional value that the employee offers for the growth or development of the organization?	7	25%	7
Strategies	How is the scheduling for employee?	10	100%	10
	How to calculate remuneration?	8	80%	8
	How is the conflict management?	7	25%	8
Processes	How is the compliance of each employee to the day-to-day operational?	10	100%	10
	How is the hiring/lay-off process?	6	100%	10
Capabilities (Important Metrics)	Man-power	10	100%	10
	Shared ideas or experience	7	60%	8
	Communication with customers	10	100%	10

Table 5: Important Measures and Feedback for Janji Jiwa Strategic Alliance Partner

Stakeholders: Alliance Partner	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	How much cut or shares do the partner get from the business process?	10	100%	10
	Is the organization comply with the agreed regulation?	10	100%	10
	Can the organization be trusted to keep the good name of the partner?	10	100%	8
Stakeholders Contributions	How can the partner elevate the organization business?	6	50%	10
	How can the partner make the business process or activity chain become more efficient?	10	80%	10
Strategies	How is the strategy for partner alliance?	10	80%	10
Processes	How is the agreed business process or alliance between partner and organization?	10	80%	10
Capabilities (Important Metrics)	Business efficiency	10	80%	10
	Customer convenience	10	100%	10
	Customer preference	6	80%	8

Table 6: Important Measures and Feedback for People Around the Store (the Environment)

Stakeholders: Environment	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	Is there something that can be beneficial for the people around the store?	8	50%	8
	Is the situation condusive enough?	8	100%	10
Stakeholders Contributions	Can the organization trust the environment with the help of the people surrounding the store?	8	80%	8
	Can the organization have convenient atmosphere to conduct the business?	10	80%	8
Strategies	How to manage relationship with the people around the store?	9	100%	10
	How to give eventual benefit or services to people around the store?	5	50%	8

Table 7: Important Measures and Feedback for Customers

Stakeholders: Customers	Measures	Fit to Organization	Current Implementation Level	Willingness to Adapt/Implement
Stakeholders Needs	What is the level of customer satisfaction?	10	100%	10
	What is the level of customer complaint?	8	100%	10
	Is the organization deliver good quality products and services?	10	100%	10
Stakeholders Contributions	What is the loyalty of the customer?	10	100%	10
	Is the customer help spreading the word-of-mouth to other potential customer?	10	75%	10
	Is the growth of the customer good?	10	80%	10
Strategies	How to increase variety of the product?	4	20%	7
	How to increase the service to customer?	10	100%	10
	How to retain existing customer?	10	100%	10
	How to get into new market segment?	6	60%	8
Processes	How is the process for a customer to get his/her order? Is it efficient enough?	10	100%	10
	How can the customer order via online channel? Is it convinient enough?	10	100%	10
Capabilities (Important Metrics)	Customer satisfaction	10	100%	10
	Customer loyalty	8	100%	10
	Complaint management	8	100%	10
	Quality management	8	100%	10
	After-sales services	6	80%	8

Analysis is conducted after receiving the result and feedback from the Kopi Janji Jiwa. In general terms, the acceptance is quite positive. A lot of the measurement is fit to organization. Some of the measures are not fit because of certain regulation from the franchise agreement that bond the store and the central office. This example can be taken from the variety of product. Actually, the store is willing to make creative new menu, but this is prohibited by the central office that restrict to sell only the menu that has been listed regular for all the store nation-wide. Also for the royalty cut, this has been stated on the agreement, thus each individual store does not need to calculate anymore but to only follow the regulation.

On the other hand, Kopi Janji Jiwa Kedungmundu Semarang has actually implement some of the measures, but according to the owner, it is still in the informal way. The realization has only occurred after the interview has conducted. Because it is still informal, no proper documentation is being kept by the store; thus creating a chance of threat to forget the data or measurement. It is suggested to Kopi Janji Jiwa to try to make a formal performance measurement.

There are two resistance points according to the owner, though. The first one is about timing. The owner feels that there is little to no time for the store to try to implement formal performance measurement system. There is not enough resource (man-power) to handle the thing. Also, the focus for now is just to gain sales and to increase growth, so the need to implement is actually high, but the owner is still kind of reluctant to implement the system.

The second reason of resistance is the lack of knowledge or understanding about the system. During the interview and assessment period, the owner and manager feels that they can understand after hearing the explanation, but they do not have enough confidence if they have to make the implementation by themselves. According to them, the framework that is being used here (the Performance Prism) is quite simple and easy to understand, but because of the lack of confidence, they are afraid if there are mistakes that are being made and they do not know how to make the correction.

Conclusions

Overall, the hypothetical measurement has been tested and the acceptance level is quite satisfying. There are some issues and resistance from the organization (Kopi Janji Jiwa), but the communication has been established and continual improvement is possible. By utilizing five dimensions in a three-dimensional model, all the external factor (needs and contributions) as well as the internal factor (strategy, process, and capability) from each of the stakeholder can be measured – although there is still room from improvement in the future regarding the result.

Although Performance Prism has been proven to be well understood by the organization, it may be better to try another framework in the future; or make some combination in order to improve the understanding and knowledge from the stakeholder within the organization.

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