Abstract

The Performance Measurement and Value Driver of Economic Value Added Analysis in BRI Bank Branch Office Warung Buncit Jakarta (Kikie Surya Amalia)

The purposes of this research were to analyze performance in BRI Bank Branch Office Warung Buncit with the economic value added (EVA) concept, identify value drivers that influence EVA, develop a strategy to maximize each value driver, identify the performance of the value drivers and overall formulate a recommendation that will be suitable for the development of the branch office.

The types of data used in this research were primary and secondary data. Primary data include focus group discussions with the upper top management of BRI Bank Branch Office Warung Buncit.

The result of this research showed that based on the economic value added concept, performance in the year 2003 was better than performance in the year 2004 with the EVA value in 2003 Rp. 1,656 million and EVA value in 2004 Rp. –83 million. The EVA score gave an indication that in 2003, Bank BRI Branch Office Warung Buncit had enough profit to cost all of the expenses including capital charges.

By using the balanced scorecard approach, management could identify the real value drivers and key performance indicators of EVA. The result showed that value drivers of EVA included income (weight of importance 41.67%), operating expenses (weight of importance 33.33%), capital (weight of importance 25%), customer satisfaction (weight of importance 100%), process efficiency (weight of importance 35%), service time (weight of importance 35%), the time it takes to respond to complaints (weight of importance 30%), employees’ satisfaction (weight of importance 41.67%), employees education and training (weight of importance 31.67%) and discipline (weight of importance 26.67%). The main strategy to maximize performance with EVA as the main priority was to increase profit, consider capital charges, increase customer satisfaction, increase process efficiency, increase quality service, increase employee motivation, increase employee competence and increase employee discipline. The performance of each value drivers were represented by comparing targets and the realization of its key performance indicators.

This research concludes that in order to maximize EVA, BRI Bank Branch Office Warung Buncit should act as a financial intermediary therefore consider significantly expanding credit loans and fee based income. BRI Bank should also recalculate targets of each KPI by developing a new formula that considered the cost of capital. This research recommends that BRI Bank should reconsider calculating FTP, reanalyze credit schemes. The EVA concept also recommends an institution to not only measure EVA but also, have EVA-based mindset, EVA-based compensation system and EVA based management.

Key Words: economic value added, value drivers, financial intermediary, loan expansion