Journal of Expert Systems (JES)
Vol. 1, No. 1, 2012

www.worldsciencepublisher.org

Balanced Vision from Balanced Scorecard for Corporate Strategic Management

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Abstract: The Balanced Scorecard is a framework for strategic performance management that has been designed to help an organisation to monitor its performance and manage the execution of its strategy. The concept of Balanced Scorecard is very much significant in the present era of emerging intense global competition. The Balanced Scorecard is an organizational framework for implementing and managing strategy at all levels of an enterprise by linking objectives, initiatives and measures to an organization's strategy. This article tries to evaluate the various facets of Balance Scorecard approach in corporate strategic management. Despite theoretical superiority and richness, the Balanced Scorecard approach for measuring corporate performance has some practical complexities which are mostly associated with its development and implementation. A strategic orientation driven by actual shareholders' needs and expectations, focused on the organization's mission and supported by an integrated performance-measurement system like the Balanced Scorecard can greatly support the management in routing their organization in right direction and facing the competitive challenges of contemporary period.

Keywords: Balanced scorecard; strategy; Strategic decision-making; Performance management.

1. Introduction

The Balanced Scorecard is a framework for strategic performance management that has been designed to help an organisation to monitor its performance and manage the execution of its strategy. The concept of Balanced Scorecard is very much significant in the present era of emerging intense global competition. The organizations are facing increasingly knowledgeable and demanding customers and activist shareholders which has changed the competitive environment from competition based on ability to invest in and manage physical (or tangible) assets to competition based on knowledge and the ability to exploit intangible and soft assets (like human capital, information systems, intellectual capital, brand development, research and development etc.).In a recent world-wide study on management tool usage, the Balanced Scorecard was found to be the sixth most extensively used management tool across the world which also had one of the highest overall satisfaction ratings. In its simplest form, the Balanced Scorecard breaks performance monitoring into four interconnected perspectives: Financial, Customer, Internal Processes and Learning & Growth.

More than half of major companies in the US, Europe and Asia are using Balanced Scorecard approaches. The official figures vary slightly but the Gartner Group suggests that over 50% of large US firms have adopted the BSC. A recent global study by Bain & Co finds that the Balanced Scorecard is one of the top-ten most widely used management tools around the world. The widest use of the BSC approach has traditionally been in the US, the UK and Northern Europe, but there is very strong growth in Balanced Scorecard adoption in South America, the Middle East and Asia. In this changed business paradigms, the Balanced Scorecard throws an insight into an organization's performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes and organizational growth, learning and innovation, and enables organizations to track short-term financial and operating results while monitoring progress for future growth, development and success.

This article tries to evaluate the various facets of Balance Scorecard approach in corporate strategic management.

2. Concept of Balanced Scorecard

'A strategy is irrelevant if you can't implement it'. That's the collective realization of the business world after decades of obsession with strategy and strategic thinking. That realization has led to a voracious market for ideas on execution, alignment around strategy and predictable achievement of strategic results. The long-term success of

any organization is determined by the capabilities and the competencies it has developed. One of the tools for organizational appraisal that is gaining immense popularity is the Balanced Scorecard, developed by Robert S Kaplan and David P Norton in 1992. The concept of 'Balanced Scorecard' was first introduced in the journal "Harvard Business Review" (January-February, 1992) by Robert S. Kaplan and David P. Norton. The basic idea behind the introduction of the Balanced Scorecard was that the traditional financial measures (like ROI, EPS etc.) alone cannot provide a clear and comprehensive performance target or focus attention on all the critical areas of the business that bear significant impact on its long-term survival, growth and development, rather it requires a balanced presentation of financial as well as operational measures. The Balanced Scorecard is an organizational framework for implementing and managing strategy at all levels of an enterprise by linking objectives, initiatives and measures to an organization's strategy. The Balanced Scorecard is a strategic management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. When fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. The scorecard provides an enterprise view of an organization's overall performance. The scorecard integrates financial measures like ROI, RI, Dividend yield, EPS etc. with other key performance indicators around customer perspectives, internal business processes and organizational growth, learning and innovation. Kaplan and Norton developed the Balanced Scorecard (BSC) with masters in management accounting, to provide four perspectives in management and evaluation of Evaluation of Balanced Scorecard. There are two broad streams in literature: one acknowledges and advocates BSC through success stories and the other stream seeks scientific evidence of whether balanced scorecard implementation is actually linked to improved organisational performance. Kaplan and Norton have included some glowing success stories in their 1996 book, Translating Strategy into Action – The Balanced Scorecard. They describe BSC as ''balanced'', between objective outcome measures and subjective performance drivers of outcome measures. The authors also claim that BSC has a great impact when deployed to drive organisational change (Kaplan and Norton, 1996, p. 13). The authors further argue that the emphasis on ''cause and effect'' in constructing a scorecard introduces dynamic systems thinking (Kaplan and Norton, 1996, p. 15). A few uncritical proponents (Gumbus and Lyons, 2002; Latshaw and Choi, 2002; Berkman, 2002) agree that BSC is an effective performance measurement tool.

Therefore, a Balanced Scorecard is a framework that focuses on shareholder, customer, internal and learning requirements of a business in order to create a system of linked objectives, measures, targets and initiatives which collectively describe the strategy of an organization and how that strategy can be achieved. It is a very important strategic management tool which helps an organization to not only measure the performance but also decide/manage the strategies which are needed to be adopted/ modified so that the long-term goals are achieved. The application of this tool ensures the consistency of vision and action which is the first step towards the development of a successful organization. Also, its proper implementation can ensure the development of competencies within an organization which will help it to develop a competitive advantage without which it cannot expect to outperform its rivals.

This innovative tool is unique in the following two ways compared to the traditional performance measurement tools:

(i) It takes into account the financial indices as well the non-financial ones in determining the corporate performance level and

(ii) It is not just a performance measurement tool but is also a performance management system.

The aim of the Balanced Scorecard is to direct, help manage and change in support of the longer-term strategy in order to manage performance. The scorecard reflects what the company and the strategies are all about. It acts as a catalyst for bringing in the 'change' element within the organization. This tool is a comprehensive framework which considers the following perspectives and tries to get answers to the following questions –

1. Financial Perspective - How do we look at shareholders?
2. Customer Perspective - How should we appear to our customers?
3. Internal Business Processes Perspective - What must we excel at?
4. Learning and Growth Perspective - Can we continue to improve and create value?

The four Balanced Scorecard perspectives are discussed in the following manner:

1. **Financial perspective:** The measurement indicators related to profitability, such as: sales growth rate, return on investment (ROI), return on assets (ROA), return on equity (ROE), earnings per share (EPS), and economic value added (EVA).The Financial Perspective covers the financial objectives of an organisation and allows managers to track financial success and shareholder value.

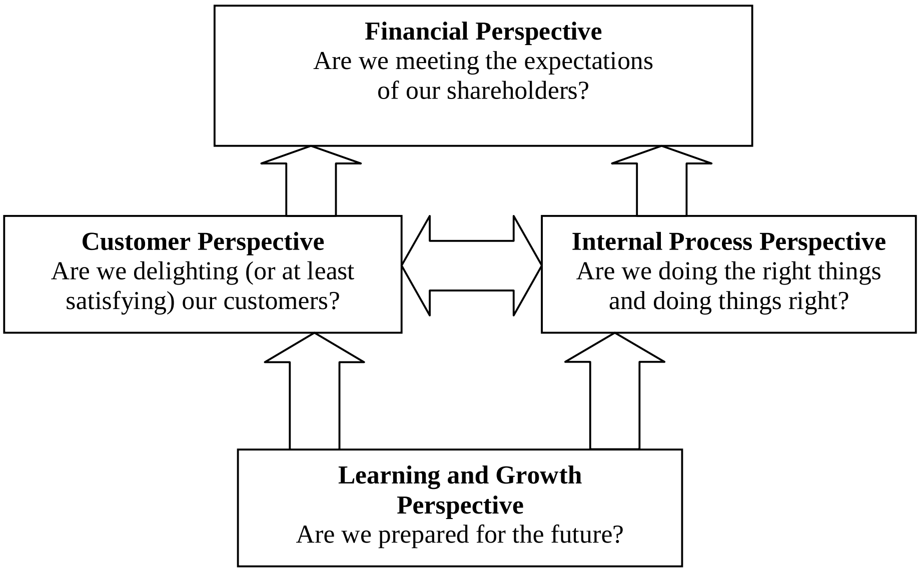
2. **Customer perspective:** The measurement indicators related to customer and market, such as: customer satisfaction, number of customer complaints, customer retention, market growth rate, and market share. The Customer Perspective covers the customer objectives such as customer satisfaction, market share goals as well as product and service attributes.

3. **Internal business process perspective:** The measurement indicators related to major impact on organization objectives achievement, such as: flow improvement and innovation, after-sales service flow improvement and innovation, work achievement rate, reduction of delivery delay rate, and product quality

improvement. The Internal Process Perspective covers internal operational goals and outlines the key processes necessary to deliver the customer objectives.

4. **Learning and growth perspective:** The measurement indicators related to the creation of long-term growth and improvement of an organization through manpower, system and organization programs, such as: strengthening of employee potential, strengthening of information system competency, strengthening of authority/responsibility and incentives, strengthening of objective achievement competency, reduction of employee resignations, and employee satisfaction. The Learning and Growth Perspective covers the intangible drivers of future success such as human capital, organisational capital and information capital including skills, training, organisational culture, leadership, systems and databases.

Figure-1



When it was first introduced, the Balanced Scorecard perspectives were presented in a four-box model (see Figure above). Early adopters created Balanced Scorecards that were primarily used as improved performance measurement systems and many organisations produced management dashboards to provide a more comprehensive at a glance view of key performance indicators in these four perspectives.

However, this four box model has now been superseded by a Strategy Map (see Figure below for the generic template), which is at the heart of modern Balanced Scorecards. A Strategy Map places the four perspectives in relation to each other to show that the objectives support each other.

3. Previous studies on balanced scorecard

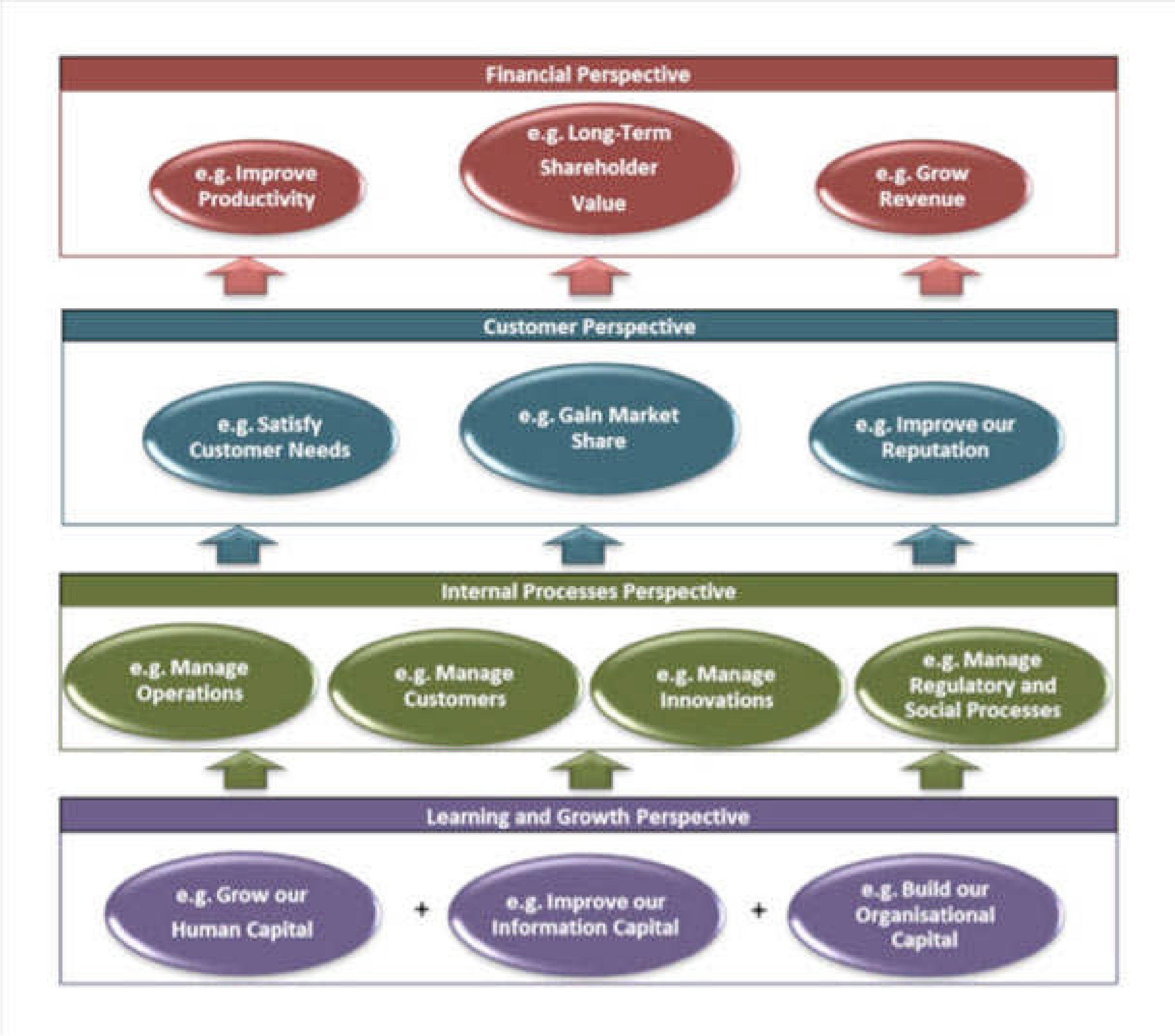
Kaplan (1994) considers Rockwater Co. to elucidate the development process of the BSC, to ensure the realization of company promise and serve as a management tool. Kaplan and Norton (1996a, 1996b) use more cases, including many different industries such as banking and insurance industries, to explain the management structure of linking the strategy of business units to the entire strategy of a company.

Martinsons et al. (1999) also took into account the case study method to explore the result of a corporate information system operation department in implementing the BSC, by adopting four perspectives: corporate value, user orientation, internal process, and future preparation to measure and evaluate the performance of the information system.

Hoque and James (2000) studied 66 Australian manufacturing companies that put into practice the BSC, and the resulting corporate performance. Organizational performance was a self-reported measure relative to peers within the same industry. The study measured performance as a composite score on self reported assessments of ROI, sales margin, capacity utilization, customer satisfaction and quality relative to industry peers. The result shows that both show a highly positive relationship. The authors took note that while their study relates the use of non-financial measures to performance, their survey fails to capture actual reliance on the BSC or the strength of the causal relationships that are so important to BSC implementation.

Ahn (2001) focused on a case study of a strategic business unit (SBU) of a large automation product supplier in Switzerland, in a world-leading position in implementing the BSC. The study result points out that implementing the BSC does not only contribute substantial aid to the realization of performance goals, but can also further achieve advantages in management, for example: planning and budgeting of strategy-oriented action plans, integrating the BSC into the process of company control, contributing to strategy communication, etc. The study also points to the BSC as a comprehensive management tool.

Figure-2



Olson and Slater (2002), via a questionnaire investigation of more than 200 senior managers in service and manufacturing firms, surveyed their recognition of corporate implementing of the BSC. The result shows that the performances in such perspectives as financial, customer, internal business process, and learning and growth, all improved, particular in the perspective of customer satisfaction.

Braam and Nijssen (2004) engaged in the BSC implementation performance investigation of 41 B to B (business-to-business) companies in the Netherlands, by using objective performance standard – ROI and subjective performance standard – questionnaire investigation; the research result shows that both objective and subjective performance measurement indicators show positive rises.

Davis and Albright (2004) applied a quasi-experiment design for two different American banking organizations, to study the relationship of each branch bank implementing (experimental group), and without implementing (control group) the BSC, as well as financial performance, and found the performance of the banking organizations implementing the BSC far exceeded that of the banking organizations without implementing the BSC. However, the author were not able to obtain the detailed data for any of the non-financial measures appearing on BSC, thereby making causal inferences between financial and specific non-financial measures at the study is impossible.

Papalexandris et al. (2004) studied one Greek software firm implementing the BSC and found that the said firm, after implementing the BSC for one year, showed considerable progress in performance in four perspectives: 1. Financial; 2. Customer; 3. internal shows that BSC can serve as a measurement system for a strategic information system.

Chia and Hoon (2000) studied the procedures for promoting the BSC, and the BSC item and the criteria establishment process of two large merchandise circulation firms in Singapore. The result shows that the promotion of the BSC system contributes to clarification of company vision and preparation for the intended business process, and learning and growth. The application of BSC fields included e-business environment (Bremser and Chung, 2005), airport management (Fernandes and Pacheco, 2007), small and medium size manufacturing organization (Fernandes et al., 2006), integration management system (Bobrek and Sokovic, 2006) and information technology (IT) performance management (Stewart, 2007). Also, Assiri et al. (2006) presented a roadmap for BSC implementation and identified a series of critical factors that must be carefully considered to ensure successful implementation of BSC.

Moreover, Wong-On-Wing et al. (2007) applied BSC to reduce the conflict between top management and divisional managers because of the failure of the former to evaluate and consider strategy effectiveness in performance evaluation. The theoretical comments of the above authors and empirical studies provide considerable support for this study in theoretical foundation, research method and the entire research framework.

4. Cause-and-Effect Logic

The Balanced Scorecard is a strategic management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. When fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. The scorecard provides an enterprise view of an organization's overall performance. The scorecard integrates financial measures like ROI, RI, Dividend yield, EPS etc. with other key performance indicators around customer perspectives, internal business processes and organizational growth, learning and innovation. The Balanced Scorecard relies on the concept of Strategy developed by Michael Porter. Porter argues that the essence of formulating a competitive strategy lies in relating a company to the competitive forces in the industry in which it competes. The scorecard translates the vision and strategy of a business unit into objectives and measures in four different areas: the financial, customer, internal business process and learning and growth perspective. The financial perspective identifies how the company wishes to be viewed by its shareholders. The customer perspective determines how the company wishes to be viewed by its customers. The internal business process perspective describes the business processes at which the company has to be particularly proficient in order to satisfy its shareholders and customers. The organizational learning and growth perspective involves the changes and improvements which the company needs to realize if it is to make its vision come true. A strategy is a set of hypotheses about cause and effect. The measurement system should make the relationships (hypotheses) among objectives (and measures) in the various perspectives explicit, so that they can be managed and validated. The chain of cause and effect should pervade all four perspectives of a BSC.

Return-on-capital-employed (ROCE) may be a scorecard measure in the financial perspective. The driver of this measure could be expanded sales to new and existing customers as a result of a high degree of loyalty among those customers. Thus, new customers and customer loyalty is included on the scorecard in the customer perspective because it is expected to have a strong influence on ROCE. A market analysis may have revealed that there is a need for consultancy. In this case, providing consultancy is expected to lead to new customers and higher customer loyalty, which, in turn, is expected to lead to higher financial performance. So new customers, customer loyalty and consultancy (which could be measured by the number of consultancy projects that have been carried out) are incorporated into the customer perspective of the scorecard.

The process continues by asking which internal processes for the engineering company are necessary in order to practice consultancy. To achieve this, the business may need new quality consultancy products. The new products must first be developed and afterwards tested on quality. Developed consultancy products and process quality on consultancy products are factors that could be scorecard measures in the internal perspective. The engineering company can develop consultancy products by training its operating employees in the required skills. If the company also engages experienced consultants, this will shorten the development time of the consultancy products. These experienced consultants can act as mentor for the trained employees. Experienced consultants and trained employees for consultancy are objectives that would be candidates for the learning and growth perspective. Now the entire chain of cause-and-effect relationships can be established as a vertical vector through the four BSC perspectives (see Figure 3):

Figure-3: Balanced Scorecard Cause - Effect Hypothesis

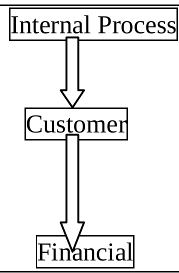
1. Knowledge & skills of employees is the foundation of all innovation and improvements.

Learning and growth

2. Skilled and empowered employees will improve the ways they work.

3. Improved work processes will lead to increased customer satisfaction.

4. Increased customer satisfaction will lead to better financial results.



A Strategy Map highlights that delivering the right performance in the one perspective (e.g. financial success) can only be achieved by delivering the objectives in the other perspectives (e.g. delivering what customers want). For example:

- The objectives in the Learning and Growth Perspective (e.g. developing the right competencies) underpin the objectives in the Internal Process Perspective (e.g. delivering high quality business processes).
- The objectives in the Internal Process Perspective (e.g. delivering high quality business processes) underpin the objectives in the Customer Perspectives (e.g. gaining market share and repeat business).
- Delivering the customer objectives should then lead to the achievement of the financial objectives in the Financial Perspective.

Strategy maps therefore outline what an organisations wants to accomplish (financial and customer objectives) and how it plans to accomplish it (internal process and learning and growth objectives). This cause-and-effect logic is one of the most important elements of best-practice Balanced Scorecards. It allows companies to create a truly integrated set of strategic objectives on a single page. For a large number of real-world best practice examples please visit our case study section.
The danger with the initial four-box model was that companies can easily create a number of objectives and measures for each perspective without ever linking them. This can lead to silo activities as well as a strategy that is not cohesive or integrated.

5. Functions and goals to be achieved through BSC

Kaplan and Norton (1996a, 1996b) also point out that the implementation of the BSC is to attain the following goals:
(a) Clarify and translate vision and strategy;
(b) communicate and link objectives and measures;
(c) plan, set targets, and align strategic initiatives; and
(d) enhance strategic feedback and learning.

According to the studies of many authors, the balanced scorecard (BSC) provides the following functions and characteristics:

(i).The BSC is a performance management tool, used to improve the organization value creation flow with a more integrated viewpoint (Fletcher and Smith, 2004).
(ii). The BSC can clarify mission and long-term strategy, and to translate vision in terms of all the structures in an organization (Bontis et al., 1999).
(iii). The BSC can provide concurrent consideration of both the leading and lagging factors of performance evaluation, both financial and non-financial, internal and external business, qualitative and quantitative measurement, as units of a performance measurement track to
successfully attain corporate strategy, objectives and missions (Barsky and Bermser, 1999; Huefner, 2002; Fletcher and Smith, 2004) that is, to clarify strategy and translate it into action.

(iv). The BSC can help a corporation to manage its changes, and help managers to develop the entire evaluation mode of influencing corporate value (Barsky and Bermser, 1999; Norreklit, 2003; Davis and Albright, 2004).
(v). The BSC can help managers to be able to achieve the organization objectives in making decisions or provide incentives to employees through such financial indicators as net income, ROI, ROE, and ROA (Johnson, 1998; Abran and Buglione, 2003).

(vi). The BSC can help to provide reasonable allocation of rewards and compensation (Banker et al., 2004; Dilla and Steinbart, 2005).
According to the type of BSC suggest by Speckbacker et al. (2003), BSC have three basic types.
(a) Type I BSC: a specific multidimensional framework for strategic performance measurement that combines financial and non-financial strategic measures;
(b) Type II BSC: a Type I BSC that additionally describes strategy by using cause-and-effect relationships;
(c) Type III BSC: a Type II BSC that also implements strategy by defining objectives, action plans, results and connecting incentives with BSC.

6. Key Benefits derived from Balanced Scorecard

The traditional financial measures of corporate performance like ROI, EPS etc. are based exclusively on past performance and results have little predictive value to the management of an organization. But an effective performance measurement system must encompass a blend of both results and process measures so that organizations can not only keep score but also can more reasonably predict what the score will look like. The lagging indicators of performance worked well for the industrial era but they have now become inadequate and often misleading in tracking complex management challenges posed by competitive and rapidly changing business arena. Conventional financial performance measures focus on creation of shareholders value. But, placing too much importance on shareholder value for measurement of management's performance can jeopardize a company's longterm growth and success. The shareholders, as the owner of the company and invest their money in it, can reasonably expect maximum return on their risky investment. Before the commencement of taxation on dividends, this return on investment primarily consisted of dividends but after that commencement appreciation of share price assumed a greater role in providing return on investment because of the favourable tax treatment on capital gains. Moreover, the conventional performance measurement systems generally don't communicate or explain the factors that drive performance. But once the drivers of performance can be identified, performance achievement would be easier. Again, traditional performance measurements systems measure the tangible and financial assets but an organization has to measure and respond to intangible assets of value to the organization because of their substantial effect on the bottom-line. A serious shortcoming of the traditional management systems is their inability to link a firm's long-term strategy with its short-term actions. Most companies' operational and management control system are designed on the basis of financial measures and targets which have little relation to the companies' progress in achieving long-term strategic objectives.

This tool is being used by several organizations throughout the world because of its certain advantages. It translates vision and strategy into action and defines the strategic linkages to integrate performance across organizations. It communicates the objectives and measures to a business unit and provides a basis for compensation for performance. The scorecard provides a feedback to the senior management if the strategy is working. Research has shown that organisations that use a Balanced Scorecard approach tend to outperform organisations without a formal approach to strategic performance management. The key benefits of using a BSC include the following:

(i)Superior Strategy Communication & Execution – The fact that the strategy with all its interrelated objectives is mapped on one piece of paper allows companies to easily communicate strategy internally and externally. We have known for a long time that a picture is worth a thousand words. This 'plan on a page' facilities the understanding of the strategy and helps to engage staff and external stakeholders in the delivery and review of strategy. In the end it is impossible to execute a strategy that is not understood by everybody.

(ii)Ensuring improved Strategic Planning – The Balanced Scorecard provides a powerful framework for building and communicating strategy. The business model is visualized in a Strategy Map which forces managers to think about cause-and-effect relationships. The process of creating a Strategy Map ensures that consensus is reached over a set of interrelated strategic objectives. It means that performance outcomes as well as key enablers or drivers of future performance (such as the intangibles) are identified to create a complete picture of the strategy.

(iii)Improved Performance Reporting – companies using a Balanced Scorecard approach tend to produce better performance reports than organisations without such a structured approach to performance management. Increasing needs and requirements for transparency can be met if companies create meaningful management reports and dashboards to communicate performance both internally and externally.

(iv)Enhanced Management Information – The Balanced Scorecard approach forces organisations to design key performance indicators for their various strategic objectives. This ensures that companies are measuring what actually matters. Research shows that companies with a BSC approach tend to report higher quality management information and gain increasing benefits from the way this information is used to guide management and decision making.

(v)Better Organisational Alignment – It aligns everyone within an organization so that all employees understand how they support the strategy. well implemented Balanced Scorecards also help to align organisational processes such as budgeting, risk management and analytics with the strategic priorities. This will help to create a truly strategy focused organisation.

(vi)Healthier Strategic Alignment – It aligns the strategic initiatives in order to attain the long-term goals. Organisations with a Balanced Scorecard are able to better align their organisation with the strategic objectives. In order to execute a plan well, organisations need to ensure that all business and support units are working towards the same goals. Cascading the Balanced Scorecard into those units will help to achieve that and link strategy to operations.

These are compelling benefits; however, they won't be realized if the Balanced Scorecard is implemented halfheartedly or if too many short cuts are taken during the implementation. For a more in-depth discussion of the main pitfalls please read the API white paper ‘What is a Balanced Scorecard’. Beside performance measurement, the Balanced Scorecard provides the cornerstone for a new strategic management system. The scorecard enables organizations to introduce new governance and renew process focusing on strategy. It does not rely on short-term financial measures as the sole indicators of performance but it does the following additional functions:

I. Translate strategy to action, making strategy everyone’s job.

II. Manage the intangible assets e.g. customer loyalty, innovation, employee capabilities.

III. Leverage cross functionality without changing the structure of the business.

IV. Measure what matters the critical few vs. the important many in real time, not just after the facts.

V. Create a daily management system for the day-to-day navigation of the business.

7. Indicators of a good balanced scorecard

(i) Executive involvement- strategic decision makers must validate and own the strategy and related measures.

(ii) Cause and effect relationship- every objective selected should be part of a chain of cause and effect linkages that represent the strategy.

(iii) Balance between outcome and leading measures- there should be a balance of outcome measures and leading measures to facilitate anticipatory management.

(iv) Financial leakage- every objective can ultimately be related to financial results.

(v) Leakage of initiatives and measures- each initiative should be based on a gap between baseline and target.

A Balanced Scorecard, however, suffers from some major drawbacks. BSC includes people/employee perspective under learning and growth perspective and supplier should be incorporated within the internal process perspective. People, and suppliers, are excluded and regulators and competitors are ignored . The learning and growth perspective of a BSC has been considered its weakest aspect for a long time, a fact admitted by the authors themselves. In today’s dynamic business environments, awareness about competitors and supplier relationship are vital to survival and success and, as such, need more focus. No mathematical theorem exists that four perspectives are both necessary and sufficient. Environmental and community or social issues/aspects are missing Adding too many perspectives might lead to over quantification and increased computerization expenses. Emphasis on ‘‘cause and effect’’ in constructing a scorecard introduces dynamic systems thinking. This causal relationship is criticized as overly simplified and challenged by academics and practitioners. BSC is static in nature. BSC has a great impact when deployed to drive organizational change. The authors of BSC also imply that BSC usage leads to improvement in organizational performance There is no empirical or scientific evidence that implementation of BSC leads to improved performance implementations, there are many unsuccessful implementations (Venkatraman and Gering, 2000; Olve et al., 2004; Pforsich, 2005; Dent, 2005).

The Balanced Scorecard decomposes the organization’s primary objectives (financial perspective) into customer, internal process and learning and growth objectives (operating perspectives) in a way that is reminiscent of the way that the Dupont formula decomposed the return on capital employed metric into front-line operational measures. But such type of relationship does not necessarily hold between financial and operational measures and operational achievements do not guarantee the improved bottom-line measures; and in that case the management has to reexamine the basic assumptions of their strategy and mission to capitalize the operational achievements.

To make scorecard useful, it should be prepared in conformity with the overall business strategies. Thus, companies may bias their scorecards to the dimensions that closely support their strategic direction. For instance, a company that seeks leadership through customer service would link, or bias, its scorecard measures directly to customer satisfaction objectives and in that case the scorecard would become ‘biased’ rather than ‘balanced’.

It is difficult to integrate a company’s scorecard into its planning, budgeting and resource allocation process; especially when scorecard metrics are changed. One way to overcome this problem is that the measures on the scorecard should be the same measures around which planning and targets are set, budgets are developed and projects are prioritized; and in that case the scorecard becomes the agenda for the management process rather than an essential management tool.

In order to make the scorecard more useful and practical it is necessary to assign weights to different measures (both financial and non-financial) on the basis of their importance to the organization for specifying trade-off between financial and non-financial measures. But it is a complicated task. Again, determining goals and corresponding measures under each perspective is also not easy. Thus, the development of Balanced Scorecard requires a lot of skill and expertise of the management, time and expenditure of money and for this reason still now it is the out of reach of most of the small and medium-sized organizations.

To make the scorecard more efficient and useful a large number of both financial and non-financial measures are to be included in it and these should be continually modified on the basis of measurement feedback. It may make the approach complicated and if implemented poorly, the scorecard will most likely contribute to the mass of data under which many organizations are straining to survive. There are some organizations like investment companies to whom Balanced Scorecards have little value as they are interested in improving financial performance only. The creditors, debenture holders and even shareholders of an organization are interested in financial performance rather than operating performance which compels the management to give much emphasis on financial perspective of the organization making the scorecard imbalanced.

A new doctrine of corporate social responsibility (CSR) has become widely accepted in the business world. It is presented as the key to ensuring that business makes its full and due contribution to agreed social goals. An organization, as a “corporate citizen”, has to contribute for the welfare of the society and has to respond to society’s expectations. In this lies the key to commercial success, since profits depend on reputation, which, in turn, depends on being seen to act in a socially responsible way. Thus, CSR will be good for enterprise-profitability and to pursue the goal of “sustainable growth and development”. But this perspective of CSR in missing in Balanced Scorecard while stating the four perspectives.

8. Conclusion

The Balanced Scorecard was designed with the realization that traditional financial measures were not adequate to measure and manage intangible assets. The scorecard added customers, internal business processes and learning and growth perspectives to evaluate the over all corporate performance and to correct that imbalance. This new dimension complemented the conventional financial measures and provided management with a broader perspective around both physical and intangible assets. The scorecard assists management to focus on long-term objectives rather than on the more narrow, short-term, bottom-line financial outcomes. The scorecard’s primary benefit is that it assists to focus everyone’s attention towards the future. Firms achieve the greatest effect when they utilize the scorecard system to drive organizational change. Moreover, utilizing the scorecard, executives can see cause-and-effect relationships that clarify how every objective measurement they choose should be part of a chain of events that leads the corporate goal. The idea of the Balanced Scorecard is simple but extremely powerful if implemented well. If the ideas of the BSC is used to create a unique strategy and visualise it in a cause-and-effect map, align the organisation and its processes to the objectives identified in the strategic map, design meaningful key performance indicators and use them to facilitate learning and improved decision making ,BSC will end up with a powerful tool that should lead to better performance.

Organizations seeking to implement a Balanced Scorecard are striving to become a strategy focused organization. Strategy focused organizations exploit the Balanced Scorecard and technology to become more lively. These organizations attain incremental returns on their customers, processes, employees, and

technologies. Organizations must develop the scorecard to fit their needs. Major challenges occur when developing measures, simplifying the process, handling resistance to change, building in flexibility, communicating organizational weaknesses, gathering data, adapting technology to the process and benchmarking. Considerable time and expense is customarily invested to maintain top management support, keep the scorecard current, and train staff and to maintain a positive organizational culture.

Despite theoretical superiority and richness, the Balanced Scorecard approach for measuring corporate performance has some practical complexities which are mostly associated with its development and implementation; and therefore the concept of Balanced Scorecard (both as a measurement and management technique) developed and written about by Robert S. Kaplan and David P. Norton in 1992, has not widely accepted. To make it more useful it is mandatory to purify the concept and develop a better understanding of the critical success factors for successful operation. By becoming proficient in the approach, organizations can readily access their vision and strategies by measuring performance against established goals. A strategic orientation driven by actual shareholders’ needs and expectations, focused on the organization’s mission and supported by an integrated performance-measurement system like the Balanced Scorecard can greatly support the management in routing their organization in right direction and facing the competitive challenges of contemporary period.

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