

Implementation of Balance Scorecard: A Literature Review

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ABSTRACT:

The balanced scorecard involves measuring four main aspects of a business: Learning and growth, business processes, customers, and finance. BSCs allow companies to pool information in a single report, to provide information into service and quality in addition to financial performance, and to help improve efficiencies. A strategic planning framework that companies use to assign priority to their products, projects, and services; communicate about their targets; and plan their routine activities. A balanced scorecard is a strategic planning framework that companies use to assign priority to their products, projects, and services; communicate about their targets or goals; and plan their routine activities. The scorecard enables companies to monitor and measure the success of their strategies to determine how well they have performed.

Keywords: Balance Scorecard; Performance Management Systems; Strategic Management; Management Control System; Strategic alignment.

I. INTRODUCTION:

The balanced scorecard emerges as a dynamic and versatile strategic management tool designed to help organizations navigate the complex landscape of performance measurement and strategic execution. Originating from the seminal work of Robert S. Kaplan and David P. Norton in the early 1990s, the balanced scorecard has evolved into a widely adopted framework that goes beyond the traditional emphasis on financial metrics. Its distinctive feature lies in the integration of multiple perspectives, including financial, customer, internal processes, and learning and growth, providing a comprehensive view of an organization's health and performance. In essence

the balanced scorecard serves as a bridge between an organization's strategic objectives and day to day activities that drive success. By aligning key performance indicators (KPIs) across various perspectives, it facilitates a strategic dialogue within the organization and ensures that every level is contributing to the realization of overarching goals. This introduction sets the groundwork for a deeper exploration of how the balanced scorecard has become instrumental in fostering strategic clarity, improving decision-making, and enhancing overall organizational performance.

II. LITERATURE REVIEW

- ❖ Research on application of balanced scorecard in Small Medium Enterprise (SME) has failed and there is a research gap in implementation of Balance scorecard. (Rompho, 2011)
- ❖ This paper aims to talk about the strategy known as "The balanced scorecard". It will discuss why balanced scorecard systems are becoming more important, investigate the challenges organizations encounter when creating and using these systems, and share lessons from Australian organizations that have used the balanced scorecard. Challenges related to understanding, commitment, customer focus, accountability, culture change and adaptability. (Chavan, 2009)
- ❖ This study concludes that accounting research should focus on how accounting is used in today's business and aim to make practical improvements. (Nørreklit et al., 2012)
- ❖ In this paper the researchers aim to find and examine the benefits and positive impacts that come from using the balance scorecard. (Surgonda Patil Assistant Professor, 2019)

- ❖ This paper talks about the balanced scorecard, which gained a lot of attention from researchers and businesspeople since it was introduced. Many articles and events discuss the BSC, but there's not much research on how its used in the hospitality and tourism industry. The paper concludes that there's not much research on how balanced scorecard used in the hospitality and tourism industry. **(Fatima & Elbanna, 2020)**

(Charu N Thakur, Dr Nayantara Padhi ,2022):

This paper says that while the balanced scorecard is a flexible and useful system for measuring performance in telecom industry, it's not simple to introduce in any organization. Besides careful planning there are many challenges during implementation that can cause the whole system to fail.

This paper discusses that not all businesses using information and technology are doing it well. Even when organizations have these systems in place, they might not be very effective or efficient. This paper uses a strategic planning model by (Ward and Peppard,) focusing on how well the organization align its strategies and the impact it has on staying competitive. **(Setiawan & Yulianto, 2017)**

(Dr. Prashant Surgonda Patil ,2019):

The researcher analysed how the balanced scorecard is used as a tool for management control in a medium scaled textile industry that contributes to the organization.

This research states that balance scorecard is a performance measurement and strategic management system which can be used by any company whether it is small, medium or a large company. It has its significance for its ability to integrate both financial and non-financial aspects of the company. **(Giannopoulos et al., 2013)**

- ❖ In this paper Kaplan gave his insights on the five papers of balanced scorecard about his papers published on balanced scorecard. In this paper the author observes a tendency in academic discussions surrounding the balanced scorecard to overlook its significance in the implementation of strategic initiatives. **(Kaplan, 2012)**
- ❖ The main aim of this article is to find out the application of the balanced scorecard in a Greek public health sector. This result of this article shows that the outcomes of implementing the balanced scorecard are positive. The results show that the hospital

successfully completed projects related to building design and electromechanical studies that had been ongoing for nearly a decade. **(Koumpouros, 2013)**

- ❖ This paper aims on studying the application of balanced scorecard in higher education. In recent years, educational institutions have adopted various methods from commercial organizations to enhance quality. **(Fooladvand et al., 2015)**
- ❖ This article talks about how the banking industry is constantly changing, not only in India but globally. The way banks provide services to customers and stakeholders are crucial for their survival and growth. The balanced scorecard is a specific collection of financial and non-financial measures derived from an organization's vision, mission and strategy. These chosen measures not only assist managers in conveying the results and performance indicators but also help communicate how the organization plan to achieve its vision, mission and strategy to both employees and stake holders. **(Sharma, 2016)**
- ❖ This paper aims to demonstrate how a performance management system called the balanced scorecard can be applied to a business college. The authors use their own business college as an example to illustrate what a successful balanced scorecard might look like. **(Papenhausen & Einstein, 2006)**
- ❖ This paper gives an overview of studies discussing the development of new ways to measure performance. The way we measure performance has changed significantly over time. Accurate comparisons are possible only when looking at similar things. **(MEASUREMENT OF CORPORATE PERFORMANCE THROUGH BALANCED SCORECARD, 2019)**
- ❖ This paper shares the findings of a study that aimed to investigate the performance impact of balanced scorecard. The study used a quasi-experimental design for this purpose. **(Neely, 2008)**
- ❖ **(Manisha Choudhary ,2019):**
 - This paper discusses the use of balanced scorecard, which is a tool in strategic management to evaluate and enhance different aspects of a business. It helps organizations measure and give feedback on their performance.
- ❖ This paper talks about the widespread of the balanced scorecard as a highly regarded tool

for performance management by many organizations globally. According to studies by Bernard marr and Dr. Elijah Ezendu, the balanced scorecard consistently ranks among the top eight management tools worldwide. (Vandana & Sehgal, 2022)

- ❖ This article emphasizes the crucial role of higher education in the progress of any country. Currently, India s ranked third globally in terms of providing higher education , with numerous universities and colleges. (Raju & Prasad, 2018)
- ❖ The article was a part of a research project that involved studying how companies measure performance, especially those where intangible assets are crucial for creating value. (Kaplan, 2010)
- ❖ This paper aims to examine the practical application of the balanced scorecard across various industries. The focus is mainly on theoretical discussions, and the paper relies heavily on existing literature. Here the author compared organizations from 4 different industries and the results have shown to be favourable for implementing balanced scorecard. (Hasan, 2017)
- ❖ The focus of this study is on understanding the academic production and research trends related to the using of balanced scorecard for evaluating the performance of supply chains. This study uses bibliometrics to examine the various papers published in scopus and web of sciences. The study showed that as though there has been few ups and downs, there has been a general increase in studies focusing on balanced scorecard to evaluate the performance of supply chains. (Botelho de Sousa et al., 2020)
- ❖ In this study, the balanced scorecard model is applied to analyse key business strategies in the healthcare industry in China. Their research confirms that the balanced scorecard is highly adaptable and can be effectively implemented in a global scale. (Lee et al., 2023)
- ❖ The study focuses on explaining how the balanced scorecard method is used to access the overall performance of economic unit, specifically in the context of total productive maintenance. Using the total productive maintenance started involves bringing together machines, workers, equipment, and supporting processes to ensure the quality and integrity of production. (Abidmuslim Hraiga et al., 2023)

- ❖ This paper discusses the strategic planning of the South African Revenue Service, which shows similarities to the balanced scorecard approach. The authors found that SARS strategic planning had showed that they are using the BSC approach even though the same is not formally and explicitly acknowledged. (Kumar et al., 2023)

3. Research Objectives

- ❖ To explore use of balance score card on employee performance.
- ❖ To study significance of balance scorecard on organizational productivity.
- ❖ To identify the application of balance scorecard in different industries.

4. Research questions:

- ❖ What are the parameters in balance scorecard?
- ❖ How balance scorecard influences employee performance?
- ❖ What are the industries that uses the balance scorecard to measure its performance?
- ❖ What are the challenges faced by the Organizations in implementation of Balanced Scorecard (BSC)?

III. RESULT & DISCUSSION

Parameters in balanced scorecard:

Developed by Robert S. Kaplan and David P. Norton the balanced scorecard serves as strategic performance management framework. Its primary objective is to synchronize business activities with an organization's vision and strategy. The Balanced scorecard is structured around four interconnected perspectives, each featuring specific key performance indicators. The four perspectives are: Financial perspective, Customer perspective, Internal business process perspective and learning and growth perspective. (Kaplan and Norton 1992).

Balanced scorecard is the amalgamation of financial and non- financial aspects of the organization. It serves as a dynamic amalgamation, aligning individual and collective efforts with the strategic vision of the organization.

Balance Scorecard and employee performance:

The balanced scorecard has a profound influence on employee performance by providing g a structured framework that aligns individual efforts with organizational objectives. Through its emphasis on multiple perspectives, the balanced scorecard encourages a holistic approach to performance management. This framework enables

employees to understand how their daily tasks contribute to broader organizational goals.

Research indicates that implementing the balanced scorecard positively impacts employee performance. Kaplan and Norton 1996 argue that by linking performance measures to the organizational strategy, the balanced scorecard enhances communication, improve focus, and stimulate continuous improvement.

The balanced scorecard has been widely used in manufacturing sector namely textile industry (Dr. Prashant Surgonda Patil ,2019) , plantation industry (Hasan, R.U, and Chyi, T.M ,2017), construction industry (Hasan, R.U, and Chyi, T.M ,2017), and also in service sector namely accounting sector (Hanne Norrekliit, Lennart Norrekliit, Falconer Mitchell, Trond Bjornenak ,2012), banking sector (Bhawna Sharma ,2016) (Hasan, R.U, and Chyi, T.M ,2017), tourism sector (Tahniyath Fatima a, Said Elbanna b ,2020), Information technology sector (Awan Setiawan and Erwin Yulianto ,2017), Education sector (Maryam Fooladvand, Mohammad H Yarmohammadian, Somaye Shahtalebi,2014), (Chris Papenhausen and Walter Einstein ,2006), (Dr. B.S.N. Raju, Mr. K.H.K. Prasad ,2018), Health care industry (Hasan, R.U, and Chyi, T.M ,2017), health care industry in China (Bernard Lee, Anthony S. C. Tsui & Oliver H. M. Yau,2023), supply chain and logistics (Thales Botelho de Sousa, Isotilia Costa Melo, Pedro Henrique de Oliveira, Caio Marcelo Lourenço, Fábio Müller Guerrini and Kleber Francisco Esposto,2020), South African Revenue Service (Atul Kumar1, Vinaydeep Brar, Chetan Chaudhari, Shirish S. Raibagkar,2023).

A research was done to find the implementation of balanced scorecard in small and medium enterprises, the results of this study suggest that while the balanced scorecard concept proves beneficial in numerous large organizations caution is advised when implementing it in smaller enterprises due to the distinct nature of their business operations. (Rompho N,2011).

Implementing the balanced scorecard in organizations presents several challenges that demand thoughtful consideration. There were few papers explaining the challenges faced by the organizations in implementing the balanced scorecard. A research paper examines the difficulties organizations face when making and using these systems, and share insights from Australian organizations that have applied the balanced scorecard (Meena Chavan, 2009). Another research paper explains that even though the balanced scorecard is a flexible and helpful way

to measure performance in the telecom industry ,its not easy to bring into any organization. Apart from careful planning , there are many challenges during implementation that can make the entire system fail (Charu N Thakur, Dr Nayanantara Padhi ,2022).

IV. CONCLUSION:

In conclusion, this article delves into the multifaceted application of the Balanced Scorecard (BSC) framework in assessing and enhancing employee performance, highlighting its pivotal role in shaping organizational productivity across diverse industries. The analysis underscores the versatility of the BSC in providing a comprehensive and strategic approach to evaluating various aspects of employee contributions, fostering a holistic view of performance. Through a thorough exploration of its application in different industries, the study demonstrates the adaptability and effectiveness of the Balanced Scorecard in tailoring performance metrics to the unique challenges and goals of each sector. Ultimately, this research illuminates the significance of the Balanced Scorecard as a dynamic tool for organizations seeking a nuanced and integrated approach to managing and optimizing their workforce, contributing to sustained success and competitiveness in today's dynamic business landscape.

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