Unit -1: Balanced Scorecard: An Overview

Learning objectives

After reading this unit you will understand:

1. Understand the Balanced Scorecard and its usefulness.
2. Know the origin of Balanced Scorecard.
3. Understand the objectives of Balanced Scorecard.
4. Understand the advantages and limitations of Balanced Scorecard.
5. How the Implementation Process is undertaken.
6. Know what are the features and perspectives of Balanced Scorecard.

Structure

1.1 Introduction

The word 'Strategy' is a military based origin and which is described as a plan of action designed to achieve a particular goal. As the business point of view, strategy is defined as the direction and scope of an organization over the long-term. It also achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets for the stakeholders (Hamel & Prahalad, 1994). Every corporate /Organizations have their own mission and vision. They have also use different strategies in ensuring the achievement of this mission in such a way that will be appropriate to both the management as well as the customers of such Corporate / Organization. Balanced Scorecard is a performance measurement based metric tool and technique. It is used for to achieve the vision or the overall goal of the organizational point of view. Balanced Scorecard approach is more efficient and effective in setting. It also enables the tracking key objectives of the organization. The Balanced Scorecard is used in the organizations in overcoming three fundamental problems: (a) effectively measuring organizational performance,(b) tracking and exploiting the value of intangible assets, and(c) successfully implementing the strategy. Thus, the Balanced Scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations, enterprise worldwide

BSC is developed in a way to make Balanced between business strategy and financial success. It analyses the performance of the organization in four different ways. Further, the four key areas include (a)customer analysis focused on customer satisfaction, (b)financial performance,(c) internal analysis, and(d) learning and growth analysis.

BSC provides the organization with a strategic management system that which Clarifies and encourages consensus about organizational vision and strategy; communicates strategy, objectives, drives and measures of performance, facilitates the linking of strategic objectives to budget, facilitates strategic reviews, especially periodic but also ad hoc, facilitates the identification and promotion of new strategic initiatives, facilitates fine-tuning and amendments of strategy in the light of performance.

Balanced scorecard approach is a system that is designed to divide the company's mission statement into small, but well-defined goals. It helps the company to monitor the performance with respect to the overall goal and objectives set in the mission statement.

1.2. History of Balanced Scorecard

The term ‘Balanced Scorecard’ was coined by Art Schneiderman in 1987. The conceptual groundwork for Balanced Scorecard was developed in the 1980’s and 1990's by academicians and practitioners in several fields such as management accounting, financial and performance measurement. In the early 1900's French academics had developed a performance measurement system based on the financial and non-financial metrics, called as ***Tableau de Bord***. But this is not properly used.

Further, Balanced Scorecard (BSC) has been introduced in the early ‘90s. A new management concept, which is published in form of book on this theme by Dr. Robert Kaplan (professor at the Harvard Business School) and by Dr. David Norton who is a (management consultant), the most popularity of the BSC concept becoming gradually one of the most used management instruments, on international level. This concept first appeared in the article ‘The Balanced Scorecard Measures That Drive Performance’ in the *Harvard Business Review in 1992*. Despite the fact that the Balanced Scorecard only identifies three stakeholders: shareholders (financial performance), customers (customer relations) and employees (internal business process and learning and growth)

1.3. Meaning of Balanced Scorecard

BSC, Balanced Score Card or the Performance Scorecard, as performance measuring and management instrument, groups the financial and non-financial key performance indicators (KPIs) into perspectives i.e. Financial, Customers, Internal Processes, Innovation & Learning. It is one of the most widely used management tools and techniques of today. It is implemented in many large, medium scale corporate /organizations.

1.4. Definition of Balanced Scorecard

The concept of Balanced Scorecard was explained by Kaplan and Norton (1996) as:
Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organization's vision and strategy. The objectives and measures view organizational performance from four perspectives: financial, customer, internal business processes, and learning and growth. These four perspectives provide the framework for the Balanced scorecard.

Kaplan and Norton further added that, ***Corporate executives can now measure how their business units create value for current and future customers and how they must enhance internal capabilities and the investment in people, systems, and procedures necessary to improve future performance.***

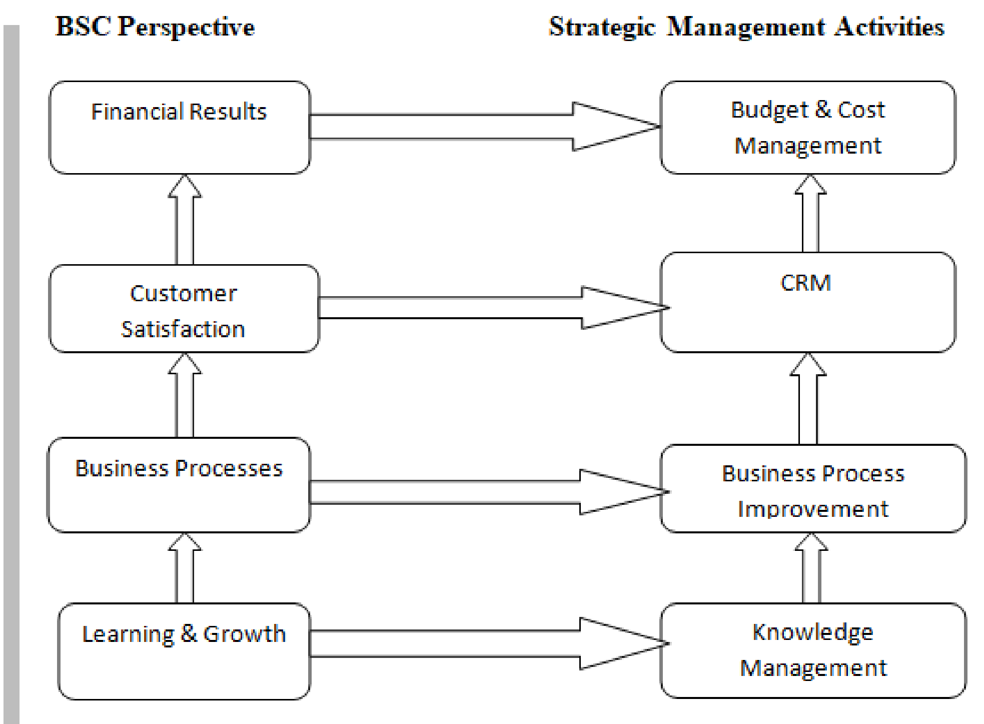
According to Kaplan and Norton (1996c) defined Balanced Scorecard as a framework that helps organizations translates strategy into operational objectives that drive both behavior and performance. According to Kaplan and Norton (1996), the Balanced scorecard can be used to:

a) Clarify and gain consensus about strategy,
b) Communicate strategy throughout the organization,
c) Align departmental and personal goals to the strategy,
d) Link strategic objectives to long-term targets and annual budgets,
e) Identify and align strategic initiatives,
f) Perform periodic and systematic strategic reviews, and
g) Obtain feedback to learn about and improve strategy.

According to Inamdar (2002) defined The Balanced Scorecard strategic management system is comprised of "a framework, core principles and processes that translate an organization's mission and strategy into a comprehensive set of performance measures strategically aligned with initiatives"

1.5 Characteristics of Balanced Scorecard

a) It is called Balanced, because there are some balances in the measurement of techniques.
b) BSC is a Balanced between the financial perspective and non-financial perspective. BSC constitutes a good Balanced between financial and non-financial measures.
c) It is a Balanced between the performance from within and the performance to outside parties / end users.
d) It is a Balanced between the ability and performance in the past and the potential capacity and performance for the future which is about to come for future success.
e) Balanced Scorecard is a bridge the gap between vague mission statements and day-to-day operations in the organization.
f) Balanced Scorecard is an outcome of the strategy formulation process in the organization.
g) BSC is an effective tool which helps to align the activities of the business with the strategy formulation.
h) The top management plays an important role in devising the strategies of the organization with the help of BSC.



(Relation between BSC Perspective and Strategic Management Activities)

1.6 Objectives of Balanced Score Card

a) BSC is a ‘Balanced’ view of organizational performance for success.
b) Balanced Scorecard (BSC) is one of the newest methods of strategic management techniques. In this regard, the first book edited by Robert S. Kaplan and David P. Norton, authors of this method, was published quite recently in year 1996
c) BSC is a Balanced between the short-time goals and the long-time goals.
d) BSC is a relationship between the desired results and the factors, which lead to those results.
e) BSC is the strategy implementation has an impact upon the whole organization, being able to reach up to every employee.
f) Balanced Scorecard is a multiple facet case. There are several theoretical interpretations, as well as many practical approaches.
g) It is the recognition of the individual and the team merits, by facilitating of a link between learning, performance and rewards.
h) The Balanced scorecard (BSC) as a performance tool for evaluating business organizations holistically approach.
i) The Balanced scorecard was devised as a result of the need to incorporate non financial variables to measure performance of an Corporate/ organization.
j) The BSC approach provides a clear prescription is to what companies should measure in order to “Balanced” the implications in all the functional areas, arising out of the strategic intent.
k) BSC is said also to help managers to understand the numerous interrelationships and causal effects of internal and external factors that affect the firm in order to manage their operations much more optimally.
l) The Balanced scorecard provides management with a tool to focus strategy and move the organization in a co-ordinate and transparent manner towards the achievement of its objectives.
m) BSC guides the transformation of the organization’s vision and strategy into a set of performance measures.
n) The Balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system.

1.7. Advantages / Benefits of Balanced Scorecard

1. **Better Strategic Planning** - The Balanced Scorecard provides a powerful framework for building and communicating strategy. The business model is visualised 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.

2. **Improved 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.

3. **Better 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.

4. **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.

5. **Better Strategic Alignment** - 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.

6. **Better Organisational Alignment** - 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.

These are compelling benefits; however, they won't be realised if the Balanced Scorecard is implemented half-heartedly or if too many short cuts are taken during the implementation.

Balanced Scorecard represented/ focused a breakthrough approach, because previous scorecards were largely restricted to financial performance and was not directly linked to strategy of the organization. It is a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

BSC is a performance based strategy to be used for an effective, must contain descriptions of financial aspirations, markets served, processes to be conquered, and, of course, the people who will steadily and skillfully guide the company to success.BSC registered a continuous development process, from a simple instrument for measuring of the performance, to a strategic management system of the organizational performance.

The implementation of successful Balanced Scorecard, in any organization requires sustained management commitment to using it making sure it drives the necessary behavioral/attitude changes within the corporate/organization, starting with the managers/supervisor themselves. With the implemented Balanced Scorecard for translating their strategy into action as well as aligning their operations totally to their business strategy and translate their mission and vision into reality for the corporate/ organizations.

1.8 Perspectives of Balanced Scorecard

The etymology of the word "perspective" is from the Latin *"perspectus", "to look through" or "see clearly,"* which is precisely what we aim to do with a Balanced Scorecard. This also examines the strategy, making it clearer through the lens of different perspectives and viewpoints. The Balanced scorecard is divided into four different perspectives which include (a) financial,(b) customer, (c) internal business processes and(d) learning and growth perspectives.
Kaplan and Norton (1996) also developed the concept of Balanced Scorecard. As, they suggested that vision and strategy of an organization/corporate should be linked with the following four perspectives:

1. Customer Perspective
2. Financial Perspective
3. Internal Business Perspective
4. Learning & Growth Perspective

They elaborate on these perspectives in terms of following key ideas, the following questions should be kept in the mind that:

- ✓ Customer perspective: To achieve our vision, how should we appear to customers?
- ✓ Financial perspective: To succeed financially, how should we appear to our shareholders?
- ✓ Internal business process: To satisfy shareholders and customers, what business processes must we excel at?
- ✓ Learning and growth perspective: To achieve our vision, how will we sustain our ability to change and improve?

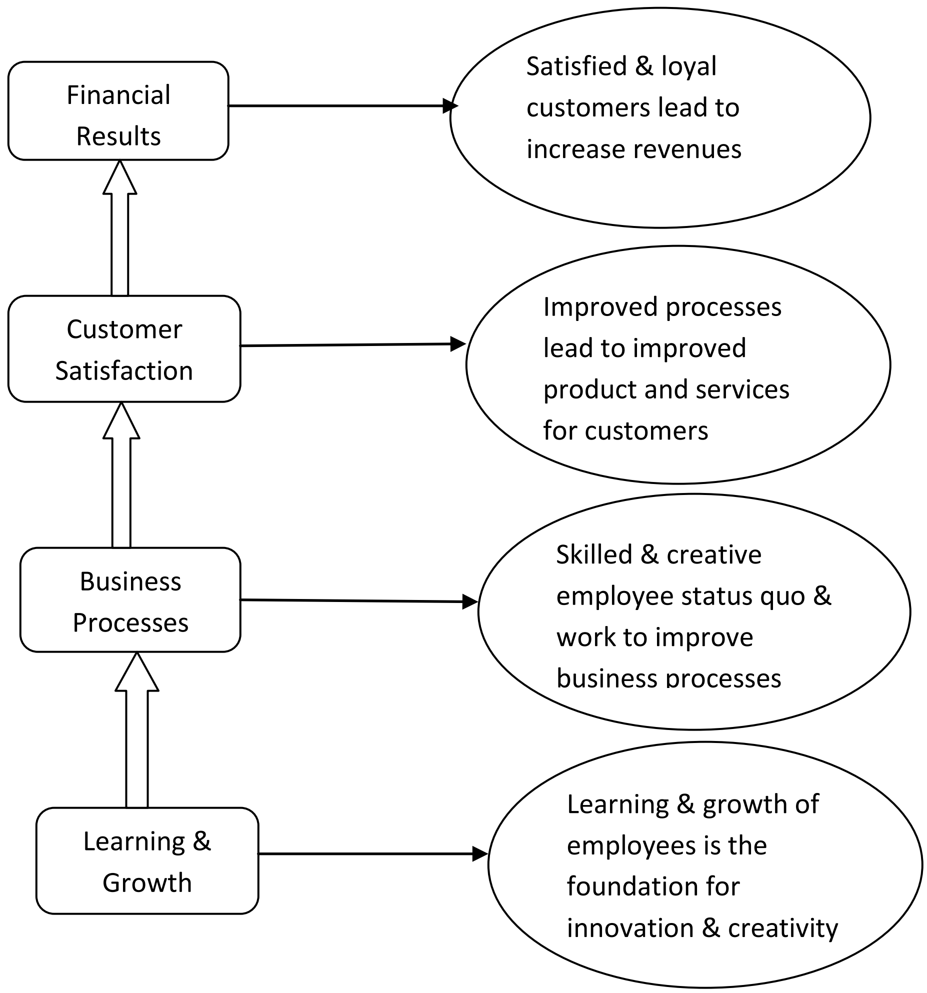
(A) Financial Perspective: According to Kaplan & Norton (1992) the three core financial themes that can drive the business strategy are:

i. Revenue Growth: A revenue growth deals with every action/activity that can increase the revenue base of an organization. This theme focuses on how to increase the number of new products, develop new customer and how to change to a more profitable product (or service) mix.

ii. Cost Reduction: This theme focuses on how to reduce product/service cost per unit and how to reduce selling/general administration cost.

iii. Asset Utilization: this theme measures financial performance such as: Return on investment and Economic value added.

a) order-effectiveness study;
b) design of goods and new customers
c) Bring the highest profits and losses;
d) Extension of company capital and resources;
e) Company profitability;
f) Cost of medium order service;
g) Value of losses on a ground of lost orders;
h) Clients and goods profitability factor;
i) Quality ratio and comparison of incomes and costs;
j) Ratios of planned/real investment income in a time periods;
k) Cash flow and corporate accounting



(Causes and Effects of BSC Perspective)

(B) Customer Perspective: The core objectives of **Customer perspective.** Perspectives are:

i. Increasing the Market Share*:* - The theme is focused on all activities that the organization can employ to improve its share of the market. This may be through advertisement, sales, promotions, low-prize of products and services.

ii. Increasing Customer Retention: This focus of this theme is to ensure that old customers continue to patronize the organization. Further, Strategic measures that can be taken include; improving customer's organizational relationship, responding to customers' complaints/ suggestions, offering after-sale services to customers.

iii. Increasing Customer Acquisition: - the focus here is to increase total sales to new customers. Strategic measures to be taken include giving out free samples to new market segments, penetration of new market segments, and introduction of new products and/or improving on existing old products.

iv. Increasing Customer Satisfaction: - The focus here is on customer-survey satisfaction ratings. Strategic measures that can be taken include administering of questionnaires to customers, monitoring number of repeated patronage by old customers, etc.

Therefore, the main aims of customer perspective are:

A. Acquiring new and perspective customers;
B. Improvement of current customer sales and service;
C. Reducing customer service costs. In order to check whether activities undertaken in these directions are effective some ratios that will allow for quick and reliable evaluation should be determined. Here are some examples of such indicators:

- ✓ The amount of customers that was win over in a time periods;
- ✓ The total and detailed orders value of individual customers in defined report periods;
- ✓ The number and value of lost orders analysed in a time bound periods and customer groups;
- ✓ The factor of customer satisfaction from provision of services provided;
- ✓ The factor of customer value (necessary to apply a customer segmentation which prepares client service process to their specification and needs.

(C) Internal Business Process: Kaplan & Norton (1992) also identified three process value-chains on who to apply the internal process perspectives. These are:

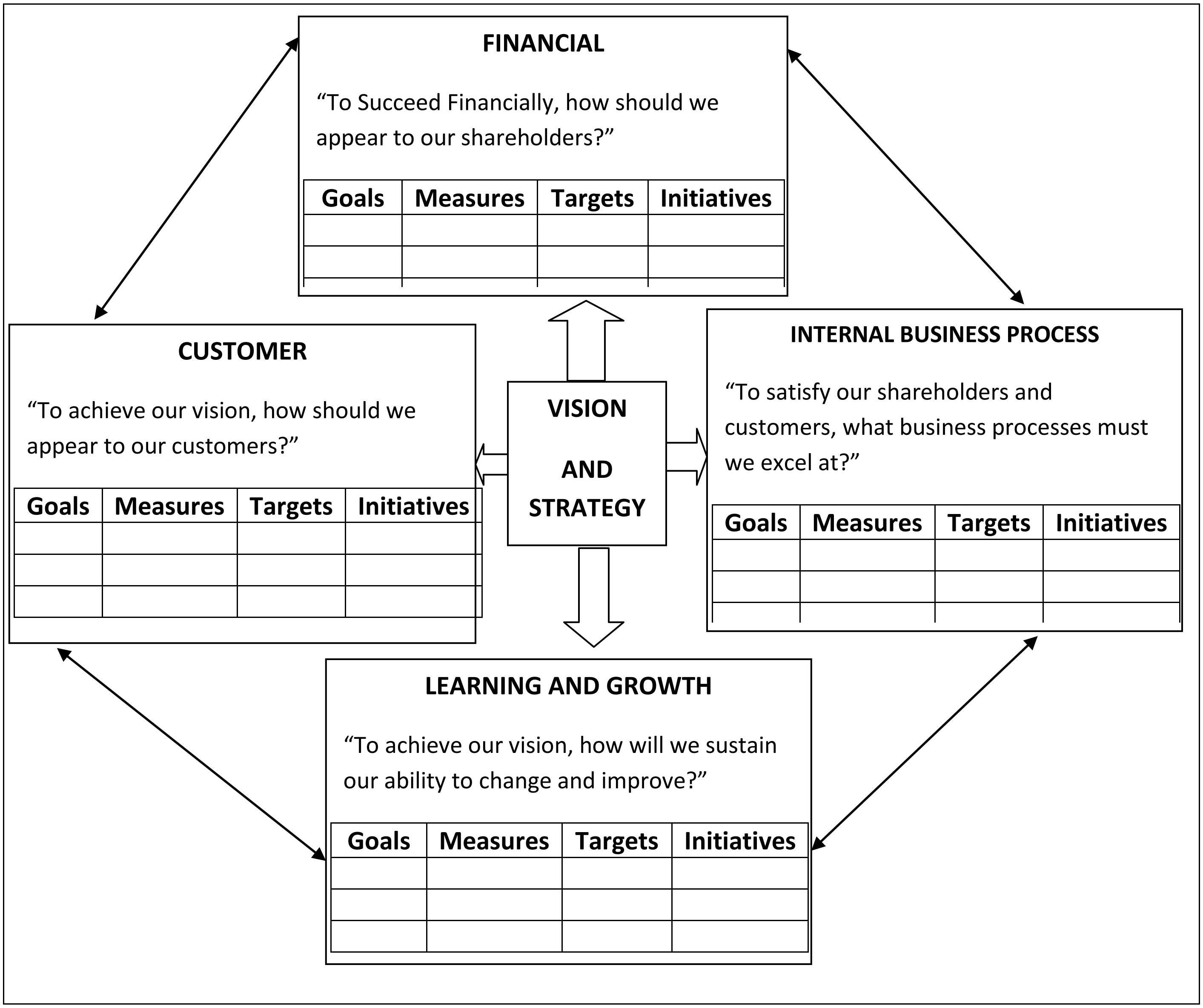
i. Innovation Process: The managers research that the needs of customers and to create the product or service that best meet those needs.

ii. Operations Process: This process represents the short wave of value creation. It is concerned with producing and delivering existing products and services to customers.

iii. Post-Sales Service Process: It represents the final item in the process value chain for the operations process perspective. It focuses on how responsive the organization is to the customer after the product or service has been delivered. After sale services include warrantee and repair activities, treatment of defect and returns, administration of customer payments and resolution of customer problems/complaints.

- ✓ Improvement of customer placing of orders data flow;
- ✓ Optimization of internal processes connected with client;
- ✓ Optimization of storing warehouse resources. Following ratios might be use to measure the achievement level of appointed aims:
- ➢ Time of order realization counted from the moment of ordering to the moment of commodity collection by customer;
- ➢ Awaiting time for realization of particular production and operation stages;
- ➢ Number of employees participating in production and operation stages;

- ➢ Mean time of awaiting for delivery of goods;
- ➢ Indicators allowing for draw up of logistic limits;
- ➢ Indicators of goods flow/ circulation in warehouse in correlation with needs for goods generated by customers.



(D) Learning and Growth Perspective: This perspective looks at how an employee of an organization learns and grow in his/her career to improve the performance of the organization. Kaplan & Norton (1992) identified two major enabling factors for this perspective to be as follows:

i. Increasing Employee's Capabilities:- This focuses is to ensure that every employee is able to deliver a service that would put the company in the best advantageous position. Strategic measure that can be taken to achieve this include: constant training of staff to master existing ways of doing the job as well as adopting new ways and making staff attend internal and external workshops and seminars on new trends relating to the job and industry.

ii. Increase Motivation, Empowerment and Alignment:-The focuses are to take individual goals into consideration when formulating organizational goals to bring these in alignment. Strategic measures that can be taken include: (a) training existing staff to acquire new knowledge of the job rather than replace them with new staff and (b) welcoming individual suggestions on ways to improve existing products/processes or developing newer and better ones. The important points as follows:

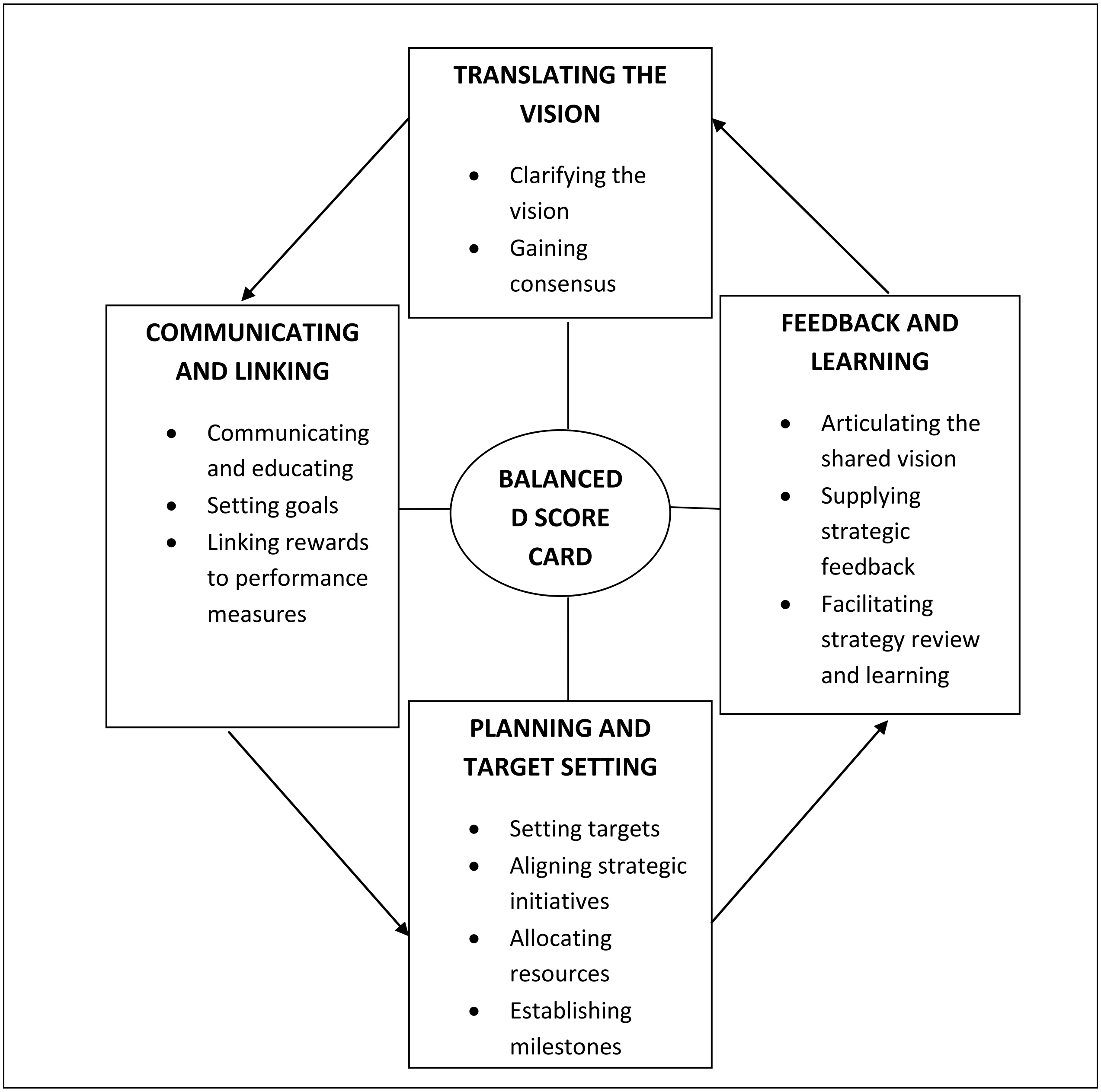
a. Improved service territory range;
b. Increase of labour efficiency and Productivity;
c. Use of investment into new technologies and devices;
d. Increase of company market superiority;
e. Gaining new and keeping present high-qualified workers. Assessment of presented aims can be performed on a base of examination of such ratios:

- ✓ Factors of costs/profits from performed marketing campaigns;
- ✓ Volume of new foreign customers in a defined time periods;
- ✓ Differences of department's work consumption, processes, operations of new technologies and devices implementation;
- ✓ Costs of goods import; standardized company position with reference to competition.

1.9 Implementation Process of BSC

The Balanced Score Card, BSC can be implementation process as follows:

a) Translating the vision and gaining consensus;
b) Communicating the objectives, setting goals and linking strategies;
c) Setting targets, allocating resources and establishing milestones;
d) Providing feedback and learning
e) The most frequently cited factors, necessary for implementation success, include:
f) Top management commitment and leadership ;
g) Departmental, middle manager and employee participation;
h) Culture of performance excellence;
i) Training and education;
j) Keeping it relatively simple, easy to use and understand;
k) Clarity of vision, strategy and outcome;
l) Link of the BSC to incentives;
m) Resources to implement the system



1.10 Disadvantages/ Limitations/ Weaknesses of Balanced Scorecard

Although, BSC has successfully implemented in worldwide in any organizations. As it is a measurement system, the BSC has attracted criticism from a variety. Most of these criticisms came from the academic community. This Section will explain the most important critical points of the BSC. A poorly designed Balanced Scorecard may lead to its failure in an organization. A poor design includes: (a)too few measures in each perspective; (b) too many indicators without identifying the critical few;(c) Failure of measures selected to depict the organization's strategy.

There are **five important limitations** to the original Balanced Scorecard Model: (**i.)** It fails to adequately highlight the contributions that employees and suppliers make to help the company achieve its objectives. (**ii.)** It does not identify the role of the community in defining the environment within which the company works. (**iii.)** It does not identify performance measures to assess stakeholders" contribution. (**iv.)** It fails to account for the importance of "motivated employees", which is particularly critical in the service sector. (**v.)** The distinction between means and ends is not well defined. Further, there are many more as follows:

i. The causality relationships:

This is between the areas of measurement in the BSC are unidirectional and too simplistic. BSC has depended on the relationship between customer loyalty and financial performance as example of these limitations. The lack of cause-and-effect relationship is crucial because invalid assumptions in a feed-forward control system will cause individual companies to anticipate performance indicators, which are actually faulty.

ii. The BSC neglects the time dimension:

This critical point of the BSC starts from the assumption that the linkage between different points of time must be understood. In this point of view, BSC does not explain the role of time in its cause-and-effect relationships. BSC does not incorporate the time dimension in the cause-and-effect relationships, and it also does not separate cause-and-effect relationships in time.

iii. The lack of the validation:

It also the reliance of BSC on few measures makes a critical point of BSC. The advantage of checking just a few number measures became disadvantage when not the right numbers are selected for the BSC. This critical point of view depends on that BSC lacks the mechanism for maintaining the relevance of defined measures. This leads to reduce the validation of BSC and the possibility to miss some critical measures. BSC has a good coverage of the dimensions of the performance, but it provides no mechanism for maintaining the relevance of defined measures.

iv. The lack of the integration between top-levels and operational levels:

BSC fails to identify performance measurements as two-ways process. One of the critical points of BSC is its lack of the integration between the top and operational levels which may leads to strategic problematic. This critical point refers to the ability of low levels to understand the implantation of BSC. Furthermore, the absence of the integration limits the use of BSC from the higher levels only. As a result, the strategic plans of the organization may fail because of the weakness of the coherence and the integration between the organization's levels.

v. An internally focus.

One of the criticisms of BSC is that its framework encourages the focus on internal aspects. The BSC is incapable to answer the questions related to the competitors‟ movements. Additionally, the BSC does not evaluate the significant changes in external conditions. The management should assess how the external changes affect the implementation of BSC and that it does not consider the extended value chain in which employee and supplier contributions are highlighted. There are some stakeholders who are not incorporated in the BSC such as suppliers and public authorities, which may be important to some firms.

vi. Ineffective to corporate sustainability.

The traditional BSC-concept is not effective enough to contribute to corporate sustainability.

1.11 Let's Sum-up

This strategic plan is elaborated with clear definitions and measures, targets and initiatives. The operational plans are derived from the strategic plan. Thus, the strategy map and Balanced scorecard template is designed. The process of developing BSC template links the strategic objectives and measures to the vision. BSC originated as a performance measurement, but quickly evolved into a widely accepted performance management and strategy implementation tool. BSC provides a clear focus for achieving organizational objectives. The measurement-based strategic management system, originated by Robert Kaplan and David Norton, which provides a method of aligning business activities to the strategy, and monitoring performance of strategic goals over time. This is a typical Balanced scorecard depicts four perspectives: financial, customer, internal business, and innovation and learning. Balanced scorecards have several advantages as a measurement system. The advantage is that they incorporate nonfinancial measures of performance. Another advantage of the Balanced scorecard is integrating long-term and short-term objectives.

1.12 Key Terms

- ✓ **Balanced Score Card**: It is a Performance Scorecard, as performance measuring and management instrument, groups the financial and non-financial key performance indicators (KPIs) into perspectives i.e. Financial, Customers, Internal Processes, Innovation & Learning
- ✓ **Themes:** Themes are inherent in the strategy and provide an insight into how an organization would carry out its mission. There are basic themes consisting of a collection of objectives across perspectives which enable execution of the theme.
- ✓ **Objectives:** This highlights critical factors to the success of the organization which must certainly be achieved.

- ✓ **Measures**: It means what gets measured gets achieved. The measures help organization determine its success in executing strategy. The two fundamental purposes served by measures are organizational motivation and objective evaluation of the strategy as well as strategic learning.
- ✓ **Targets:** Targets also help define the level of performance or the rate of improvement that is needed.
- ✓ **Initiatives**: These are key action programs that are required for to achieve the objectives.
- ✓ **Financial measure:** It is the most important for the company's shareholders. It is also focused on a bird's-eye view of all about the corporate/ company's profitability.
- ✓ **Customer perspective**: It includes metric used to measure customer satisfaction which is very important in maintaining a healthy business relationship.
- ✓ **Internal processes**: These are focused on measuring the life cycle of the project launched, till its completion.
- ✓ **Innovation and improvement**: these focuses on driving improvement in all aspects of the business. It is a much wider term in terms of its application.

1.13 Self–Assessment Questions

1. What do you mean by balanced scorecard approach?
2. What are the different perspectives/ dimensions of balanced scorecard?

1.14 Further Readings

- Kaplan, R. S., & Norton, D. P. (2000). The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment. Boston: Harvard Business School Press.

- Robert S. Kaplan (2010). Conceptual Foundations of the Balanced Scorecard. Harvard Business School, Harvard University.

- Manoj Anand, B S Sahay, and Subhashish Saha.(2005) Balanced Scorecard in Indian Companies. Vikalpa, Volume 30, No 2, April - June 2005, pp.11.

- Kaplan R.S. and Norton, D.P .(2004). Strategy Maps: Converting Intangible Assets into Tangible Outcomes. Harvard Business School Press.

- Kaplan R.S. and Norton D.P.(1996a). Translating strategy into action the Balanced Scorecard. Harvard Business School Press, Boston.

- Kaplan R.S. and Norton D.P.(1996b). Using the Balanced Scorecard as a strategic management system Journal: Harvard Business Review.

1.15. Model Questions

1. Discuss the A visual representation of the Strategic objectives with causal linkages among strategic objectives in four perspectives, known as strategy map diagram.
2. What is Balanced Score Card? Discuss the Perspectives of Balanced Score Card in detail by the Kalpan and Notron concept?

1.16. Answers to Self–Assessment Questions

1. What is Balanced Score Card?

Ans: It is a Performance Scorecard, as performance measuring and management instrument, groups the financial and non-financial key performance indicators (KPIs) into perspectives i.e. Financial, Customers, Internal Processes, Innovation & Learning. It is one of the most widely used management tools today. It is implemented in many large organizations.

Balanced Scorecard is a strategy management system that helps managers to translate organization strategy into operational objectives and implement it. BSC framework looks at the strategy from four different perspectives i.e. financial, customer, internal business processes and learning and growth. Thus, it brings in the necessary clarity to strategy. Further, implementation of BSC ensures that strategy gets communicated to all the employees suitably to facilitate implementation by them. Measuring organizational performance through BSC reviews remain integral to BSC concept.

2. What are the Perspectives of Balanced Score Card?

Ans.: There are four perspectives of Balanced Score card such as (a) *Financial measures*: finance, accounting, top management and sales; (b) *Internal performance measures*: production, design, quality assurance, engineering, purchasing and logistics; (c) *Customer and marketplace measures*: sales, marketing and customer service; (d) *Human resource measures*: human resources, training, health and safety etc.

Financial measures. These metrics drive performance over the short term because actions taken to improve financial measures show results quickly. Examples include revenue, profit and cash flow. Financial measures are important because they represent the immediate survival of the organization. They are usually considered the starting point for any balanced scorecard.

The Balanced Scorecard	
Financial measures	Internal performance measures
Customer and marketplace measures	Human resource measures

Adapted from The Balanced Scorecard (Robert S. Kaplan and David P. Norton, Harvard Business School Press, 1996)

Internal performance measures**.** These drive achievement in the medium term because actions take longer to show results. Further, the examples include (a) efficiency, (b) innovation and (c) inventory turnover. Internal performance measures to show up on financial and accounting reports. but It also indicate how perfect the corporate / organization manages its internal processes. Further, the success on internal performance measures will have a direct, positive effect on financial measures, but the effect may take a number of months to appear.

Customer and marketplace measures**.** These drive success over the medium to long term because actions might take months or years to show tangible results. Examples include customer perceptions, brand loyalty and market share. Customer and marketplace measures look at success through the eyes of customers, a point of view that is often ignored or minimized. These directly affect financial measures but shift gradually over time. Once customer perceptions begin to move, their momentum is hard to control. This underlies the importance of having a strong grip on what customers really think and what the organization plans to do about it.

Human Resource measures**.** The success over Human Resource Measures is the long term planning. This is because actions might take time in form of years to show tangible results. Further, the examples which include: (a) hours of training per employee, (b) employee survey results and (c) employee retention rates. Human resource measures are possibly the furthest removed from financial measures because they're often difficult to trace back to bottom-line numbers. But make no mistake as how well an organization manages its human resources certainly affects financial success.

Unit-2: Balanced Scorecard Approach to Strategy

Learning objectives

After reading this unit you will be able to:

1. Understand the implementation of Balanced Scorecard.
2. Understand the purpose of Balanced Scorecard Implementation.
3. Know the use of Balanced Scorecard in Different Sectors.
4. Know Balanced Scorecard Approach in Corporate Sector.
5. Understand BSC Cases in Organisations.

Structure

2.1 Introduction

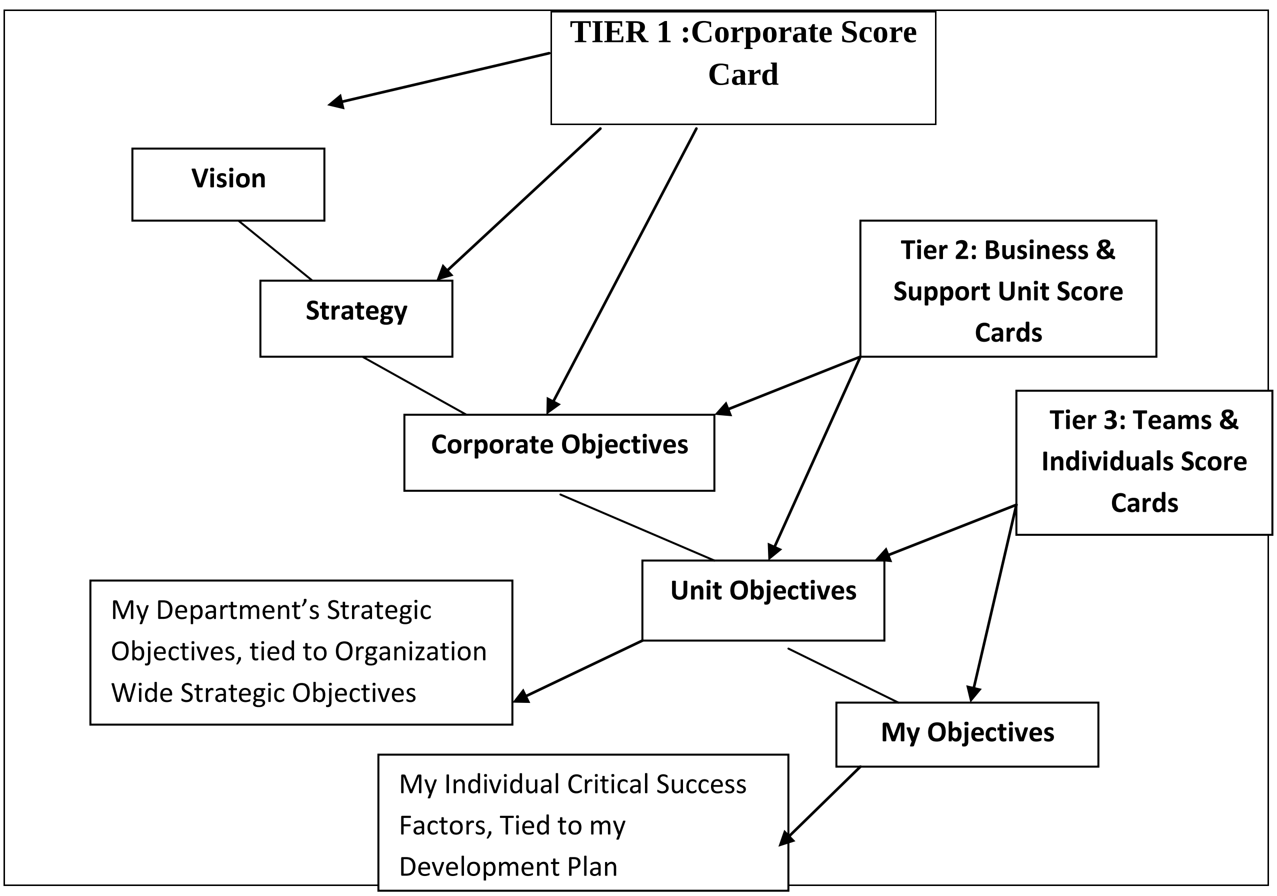
Balanced Scorecard is a management tool and technique to convert strategy into actions. ***Balanced Scorecard as a "Strategic Performance Management System" Further, Balanced Scorecard / Performance Scorecard as a Component Part of the Strategic Performance Management System***. Further, Industries and businesses are use many tools to improve their performance like Pareto chart, cause and effect diagram, failure mode and effect analysis, 5S, Kaizen are some examples of such tools and technique. In recent/ today's world, the hard work does not count, but only smart work does. Thus, tools yield faster results, assist thinking process and facilitate analysis. Balanced scorecard is a tool and technique that also uses other tools like Ishikawa diagram, SWOT (Strength, Weakness, Opportunities and Threats) analysis.

By the current times, the Balanced Scorecard's universal truth /appeal as a management approach /perspective is well established. BSC (Balance Score Card) provides a visual framework that integrates the organization's strategic objectives across these four perspectives. Balanced scorecard helps organizations to streamline vision and strategy with business activities and measures actual organizational performance against preset goals. In addition this instrument is used to assess financial processes, customer relations, internal business processes and learning and growth characters of an organization. Indian organizations have incorporated the dimensions of BSC as a performance measurement tools and techniques and use it to create change and improve performance. It's root in practical application provides a means of measuring organizational performance in the new age. Further, it is well known that, the BSC is a strategic management system involving strategic goal setting and performance reporting across four perspectives: financial, customer, internal business processes, and learning and growth.

2.2 Importance for the Organisation

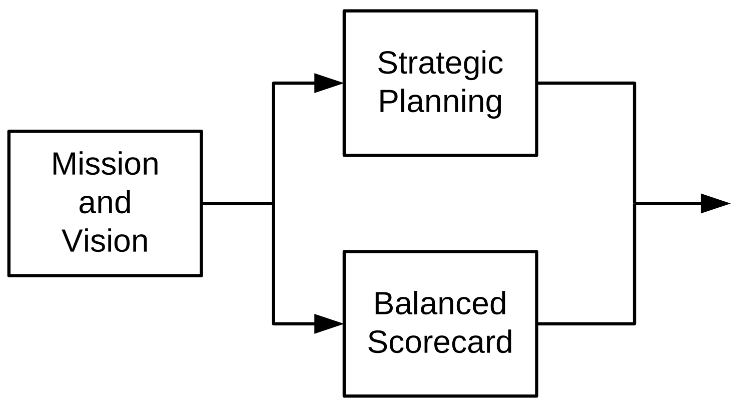
The Balanced Scorecard (BSC) is an applied management tool and technique that provides stakeholders to end users with a comprehensive measure of how the organization is progressing towards the achievement of its strategic mission, vision and goals. The BSC is widely acknowledged to have moved beyond the original ideology. It has now become a strategic change management and performance management process. The approach used in the combination of different study on evolution of balance score card and its applications in various sectors/organizations/ areas.

(**Align Business Unit & Individual Objectives with Corporate Strategy)**



Why is it necessary and doing a right manner?

- To achieve strategic mission, vision and objectives.
- To provide quality with fewer resources.
- To eliminate non-value added efforts.
- To align customer priorities and expectations with the customer.
- To track progress and growth.
- To evaluate process changes in different scenario.
- To continually improve for success in future.
- To increase accountability.
    - Mission – What we do
    - Vision – What we aspire to be
    - Strategies – How we accomplish our goals
    - Measures – Indicators of our progress



2.3 Purpose of Balanced Scorecard Implementation

The Balanced Scorecard was introduced as one of the newest management tools. The purpose was to allow organizations to be better able to use their intangible assets. The balanced scorecard is to be used as a supplement to traditional financial measures. It measures performance from three additional perspectives; customers, internal business processes, and learning and growth. The scorecard can help top-level management link the long-term strategy with the short-term actions. Managers using a balanced scorecard do not only have to rely on the short-term financial results as indicators of the company's progress.
It brings in other indicators that provide information about how the short-term results have affected the long-term strategy.

The scorecard allows managers to introduce four new processes;

1. Translating the vision
2. Communicating and linking
3. Business planning and
4. Feedback and learning

Translating the vision is a means of expressing the mission/vision statements with an integrated set of objectives and measures. This forces the top management to develop operational measures, which requires them to discuss, and eventually agree on, a means of achieving the goals of the company.

Communicating and linking is a process that facilitates the communication of strategies throughout the entire organization. Departmental and individual objectives must be aligned with the strategy through evaluation procedures and incentives. To have goal congruence between the individual employees and the company, scorecard users engage in three activities: communicating and educating, setting goals, and linking rewards to performance measures which are in turn linked to the overall strategy.

Communicating and educating is achieved by maintaining policies that ensure all employees are aware of the strategies of the organization. Also, it is important for the lower level employees to be able to communicate upwards about whether or not the strategies are realistic from the competitive or operational perspective.

Setting goals alone is not sufficient to change employee's mind-set. One technique to ensure the objectives related to the goals are achieved is the use of a **personal scorecard**. It is simply a card that has information that describes corporate objectives, measures, and targets. Employees would carry it with them. This allows employees to better translate these objectives into meaningful tasks that will help reach these goals.

Linking rewards to performance is an important incentive to help an organization achieve its purpose. What the balanced scorecard adds to the traditional means of linking rewards to financial performance is that it takes a more holistic look at the organization. It ensures that the correct criteria are used as a measure of performance before rewards are given. The idea is that, if you are not using the correct indicators to evaluate performance, there is a high risk in rewarding this behaviour.

Business planning is the third process used by managers with the balanced scorecard. By using the scorecard, businesses will integrate their strategic planning and budgeting processes. This makes sure that the budgets support the strategies of the company. The users of the scorecard pick measures that represent each of the four perspectives, and then set targets for each. Then they will decide which specific actions will help them in reaching those targets. Using short-term milestones to evaluate the progress toward the strategic goal is what results from using the balanced scorecard.

The fourth, and final, process is feedback and learning. With the balanced scorecard in place managers can monitor feedback and relate this to the strategy. The first three processes are very important, but they demand a constant objective. Any deviation from the plan is considered a defect. By adding the feedback and learning process, the scorecard becomes balanced by providing real time information to enhance strategic learning.

The balanced scorecard supplies three essential items to strategic learning.

1. It articulates the vision. The **holistic vision** is communicated to the entire organization, and the individual efforts are linked to business unit objectives.

2. The scorecard supplies a **strategic feedback** system. This system views the strategies as hypotheses, and should be able to test, validate, and modify these hypotheses.

3. The balanced scorecard **facilitates strategy review**. Instead of using periodic meetings to evaluate past performances as the traditional financial review process does, scorecard users' review the feedback in a way to gain a better understanding of if the strategy is being reached, how is it being reached, and should the strategy be modified based on new information. This gives the organization a forward focus.

The balanced scorecard facilitates an organization's plan to align management processes and focuses with the long-term strategy of the company. Without the scorecard it would be nearly impossible to maintain a consistency of vision and action while attempting to introduce new strategies and processes. "The balanced scorecard provides a framework for managing the implementation of a strategy, while also allowing the strategy to evolve in response to changes in the company's competitive, market, and technological environments."

2.4 Use of Balanced Scorecard in the Corporate Sector

a. It is helpful to the managerial executives as it provides an insight on the critical drivers of the organizational success.
b. Further, the management can use the knowledge to question and learn from the strategy. It improves the bottom line by reducing process cost and improving productivity and mission effectiveness.
c. By deploying this BSC technique, the management can ensure that everyone in the organization is focusing on the aligned goals and objectives.
d. Measurement of process efficiency provides a rational basis for selecting what business process improvements to make first through BSC.
e. BSC allows managers to identify best practices in an organization and expand their usage elsewhere.
f. The visibility provided by a measurement system supports better and faster budget decisions and control of processes in the organization. This means it can reduce risk.

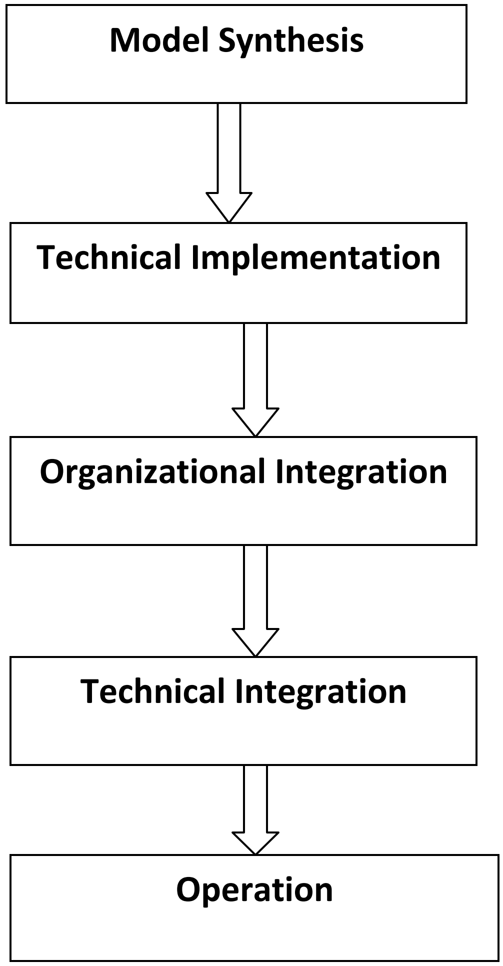
g. Visibility provides accountability and incentives based on real data, not anecdotes and subjective judgments. This serves for reinforcement and the motivation that comes from competition.
h. It permits benchmarking of process performance against outside organizations.
i. A performance measurement system such as the Balanced Scorecard allows an agency to align its strategic activities to the strategic plan. It permits-- often for the first time in real deployment and implementation of the strategy on a continuous basis.
j. The Balanced Scorecard makes it easier for the management to act on various measures. It enables them to move faster at the real issues and these issues, if tackled timely, will definitely result in improvement in quality and productivity.
k. A Balanced Scorecard measures high level issues and presents them easily to the management to act on.

2.5 Implementation of Balanced Scorecard in Different Sectors

The traditional Performance Measurement System appears to be inadequate as it had some drawbacks such as:

1) It rely heavily on financial performance measure
2) It overlooks the elements of non-financial measures, strategies and operations
3) It emphasized on historical data and focus on the short term and
4) It is not able to measure operational results and qualitative performance.

Today companies are facing pressure from domestic and global competitors, high demands for quality and reliable products from customers, high expectations from stakeholders, uses of advanced technology, changing nature of work, changing organizational roles etc. Due to all these changes in business environment traditional performance measurement system is found to be incomplete for guiding and evaluating the performance of companies.



Kaplan and Norton (1992) introduced a concept called Balanced Scorecard, which is a valuable tool in transforming organizations. In India, there are about seventy to eighty companies that follow the Balanced Scorecard and some of these are Castrol lndia Ltd., Godgrej, RPG, Bharti, Dr. Reddy Labs, The Tata's, lCICl Bank Ltd., Taj Group, Batliboi , India Hotels, etc. Further, the following Balanced Scorecard uses in various sectors:

Health Care Sector and Balanced Scorecard

The major problem for implementation of balanced scorecard is conviction at the top level of the organisation. It should have a culture of participation and people involvement. The health care industry faces considerable strategic challenges and strong pressure to be more responsive to customers, demands by improving quality and efficiency. Balanced Scorecards are particularly applicable to hospitals, clinics and health care companies.

For achieve the ultimate Balanced Scorecard in a healthcare organization, Bloomquist and Yeager in the year 2008 proposed certain principles that are as follows:

(a) ‘Be flexible’,

(b) ‘Be consistent’,

(c) ‘Be clear’,

(d)‘Be open’,

(e) ‘Be efficient’,

(f) ‘Be inclusive’, and

(g) ‘Be systematic’.

Education Sector and Balanced Scorecard

Balanced Scorecard provides university administrators with a measurement system that is not only linked to mission and strategy, but also a learning model that maintains continuous improvement and environmental responsiveness. The main stream of colleges and universities has a mission or a vision statement that sets out in broad terms the goals of institution.

BSC as a tool to assess the performance of an educational institution is a growing concept. It is adapted to education based on the **Baldrige Education Criteria for Performance Excellence**, which provide a systems perspective for understanding performance management. They reflect validated, leading-edge management practices against which an organization can measure itself. With their acceptance nationally and internationally as the model for performance excellence, the Criteria represent a common language for sharing best practices among organizations. The Criteria are also the basis for the Malcolm Baldrige National Quality Award process.

(Source: http://www.nist.gov/baldrige/publications/education_criteria.cfm)

School self-evaluation provides an opportunity for the whole school community, including students, parents, and all staff, to reflect on student outcomes in light of their goals, targets, and key improvement strategies from the previous planning cycle. This includes examining teaching and learning strategies, the performance and development culture and other aspects of school operations so that they can be strengthened and supported to improve student outcomes.

Effective schools consistently reflect on their performance as a matter of course. School self-evaluation merely formalizes this process and makes the process accessible to their school communities.

From Balanced Scorecard to Academic Scorecard

Applying the BSC model to academia is a challenge. However, one cannot ignore the fact that designing an academic scorecard provides the opportunity to identify what really matters to customers and stakeholders: why the institution exists, what is important to the institution, and what the institution wants to be.

The traditional BSC model has four perspectives, as mentioned earlier. However, for an educational institute, the Key Performance Indicators (KPI) can be categorized into six perspectives, which are:

a) Pupil achievement
b) Teacher effectiveness
c) Pastoral care
d) Leadership and community service
e) Staff
f) Administration/finance

The indicators have been chosen based on the following criteria:

1. they have to reflect organizational values;
2. they have to be simple;
3. they have to meaningful;
4. they have to be easy to represent visually;
5. they have to facilitate organizational learning;
6. they have to be measurable;
7. they have to support comparisons – intra and inter, both within and outside the school; and
8. they have to permit analysis over at least four years.

In short, indicators of organizational performance should be ordinary rather than exceptional, routinely applied to the rhythms of academic management. The scorecard will then reflect the true picture and will be useful only if the yardsticks used to measure the performance cover the four major areas, namely internal stakeholder, external stakeholder, growth and innovation, and financial performance of the institution.

Every Perspective (KPI) has around 6-8 measurable objectives. A target is set for each objective and reviewed at the end of every six months. For example, under the Leadership and Community Service perspective, one of the objectives is to ensure that all teachers and students put in certain hours of community service. Leadership and Community Service form an integral part at all Indus Schools. The performance of a student is not just measured by his/her classroom performance, but also by the number of hours put in community service and leadership assessment at the Indus School of Leadership. This ensures holistic development of the student. Similarly, under staff, a teacher’s appraisal is not just based on how she teaches in her class. It also considers the number of hours she puts into community service and her assessment at the Indus Leadership Camp. Hence, a 360-degree approach is adopted for measuring performance.

Under administration/facilities, various surveys can be conducted to understand the satisfaction level of parents, students, and staff regarding various facilities provided, e.g., food, transport, etc. The survey results are then interpreted to check for the traffic light attained (red, amber, or green) and an action plan is then formulated for improvisation.

An Academic Scorecard serves as a road map for an academic institution and enables it to focus on its actions, resources, policies, and priorities in order to achieve its mission and strategic goals.

Hospitality Sector and Balanced Scorecard

The use of Balanced Scorecard in hotels stimulates its use within the hotel sector. The description of the Balanced Scorecard as a strategic control tool in the hotel sector.

HOSPITALITY BALANCED SCORECARD			
FINANCIAL	**CUSTOMER**	**INTERNAL PROCESS**	**LEARNING & GROWTH**
Asset turnover Reduce Costs Absorption rate of foreign costumers Absorption rate of business customers .Package price reduced .Political instability .Increased ability to sell advertising .Percent revenue growth .Net profit .Return ratio new customers .Return investments .Ancillary revenues Tariffs The increase in sales to competitors Promoting the sale and new ideas Average increase in room occupancy rates Efficiency	Customer Satisfaction Quality of Service Hotel Image Attractiveness of hotel lobby Conference and the meeting halls Customer Loyalty Convenience of transport Customer Relationship Management Comfort rooms Facade decorations Hotels artificial construct that will contribute to the image New construction	Ability to keep existing customers Reduce the time to handle demand and customer complaints Ability to respond to emergencies Education, sanitation and cleaning operations Quality Products New innovation in products and services Diversity Décor Process speed and fast settling	Employee education Employee satisfaction Employee professional ability Employee knowledge sharing Employee ability to manage emergencies Employee ability to manage emergencies Continuous improvement of the quality of facilities and services Hotel staff behavior Company Vision Competitor Analysis Advertisements in appropriate media Revival Services The possibility of using international cards in hotel Removing restrictions on cultural, social,

Advertising Costs			political and economic

Source: Different Research Papers

2.6 Implementation of BSC in Different Companies

(A) ICICI Bank's Performance and Balanced Scorecard

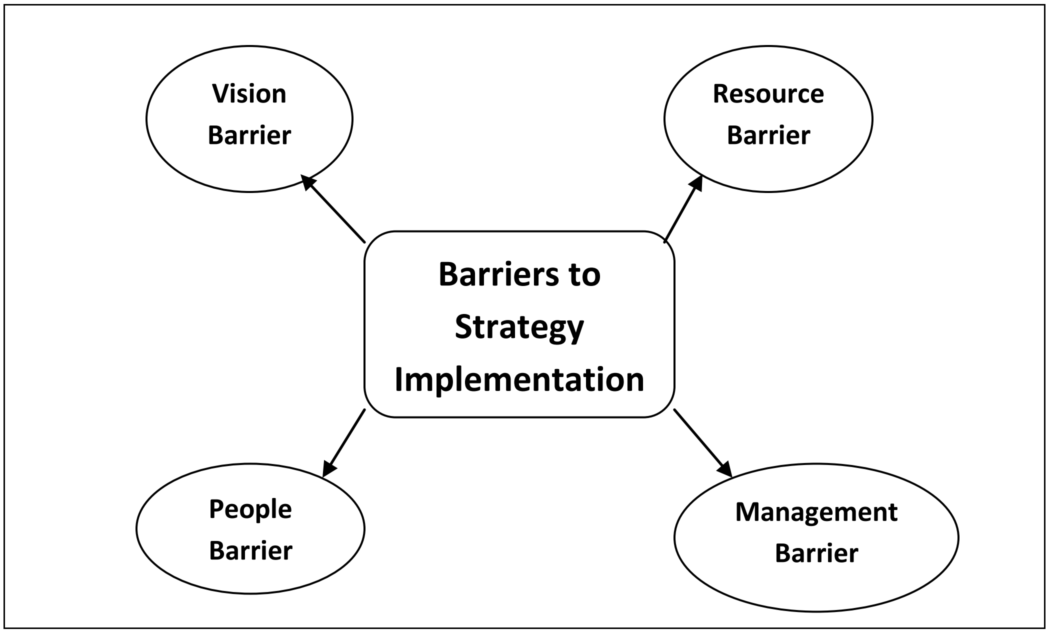
The following are the important points for the Balance Score Card such as (a) Operationalize strategy (b) Aligning employees' goals to that of the organization (c) Ensure focus across multiple perspectives (d) Enable flexibility. Further the key Learning activities such as (i) Performance measures should be output based rather than input based (ii) Scorecard need not be balanced for individuals, but for business units as a whole (iii) Need for scorecard templates. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, self-capability development and behaviours such as integrity and team management. Moreover, the Balanced Scorecard can be a platform for sustained future growth & value creation.

- **Financial perspective: Achieve Profitable Growth, What are the financial responsibilities and goals of each individual, department, and/or organizational group?**

- **Customer perspective: Improve Customers Satisfaction, What can each segment of the organization do to increase customer satisfaction?**

- **Departmental / Internal process perspectives: Product Rationalization Product Development, How do we save time, money, or effort, or increase satisfaction or revenue, by changing our processes?**

- **Learning and growth perspective: Create a Culture of High Performance and Team Based Working, What do we need to train on or learn as an individual, department, or organization in order to improve in the other areas?**



(Barriers to Strategy Implementation)

(B) **Standard Chartered Bank's Performance and Balanced Scorecard**:

The following steps were used to develop the BSC for the SCB: Based on the concept of the strategic map, the author's effort was to determine the characteristic of bank's administrative activities so as to develop a cause-effect relationship to relate the bank's objectives to its strategic goals in an attempt to choose the measures relating to each one of the four BSC perspectives. Five measures for every perspective were selected as under:

STANDARD CHARTERED BANK 'S BALANCED SCORECARD			
FINANCIAL	**CUSTOMER**	**INTERNAL PROCESS**	**LEARNING & GROWTH**
Liquidity Ratio, Leverage Ratio, Return on Equity, Net Profit, and Return on Investment	Customer complaints redressed, Growth in customer savings account, growth in safety deposit, growth in current account and Consumer banking net promoter's score	Business per employee, Growth of Banking Services, Credit Growth, process and reliability operational errors and number of suppliers	Number of Employees, Profit per employee, Percentage of employee appraise, Percentage of employee receiving training and employee engagement score.

(C) Godrej-GE Appliances Limited, Mumbai, **and Balanced Scorecard**

It is a consumer appliances manufacturing company had many management initiatives for quality and cost savings. To integrate these management initiatives, the organization implemented Balanced Scorecard framework in 1998. ``***The 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 organisation and how that strategy can be achieved,''*** explains Renaissance Worldwide Consulting executive director, Sanjiv Anand, at the first plenary session of Confederation of Indian Industry's (CII) seventh Quality Summit. Renaissance Worldwide is the implementing partner for the Balanced Scorecard at Godrej GE Appliances Limited. Starting with the company strategy and vision in April 1998. Godrej GE Appliances interviewed a cross-section of people including internal and external customers to arrive at a `linkage diagram', the crux of the Balanced Scorecard process.

The Balanced Scorecard has reaped mixed on the positives side:

- ✓ All the supply chain initiatives tied to the Balanced Scorecard on supplier management have added to the bottom line, with a gross impact of over Rs 9 crore in savings.
- ✓ Close to 72 per cent of the suppliers are below the 1,000 parts per million defects (4.5 Sigma) benchmark.
- ✓ The process has resulted in a strong upstream supply chain and and improved vendor base backbone.
- ✓ Raw material inventory turns have improved from 25 to just 16.
- ✓ Cost Takeout and value engineering process has contributed to over Rs 5crore.
- ✓ The company has reported a profit Rs 21 crore in 1998-99 against Rs 3crore in the previous year 1997-98.

(D) Balanced Scorecard framework at Infosys Technologies

Infosys Technologies Ltd., one of the world's top IT companies implemented the Balanced Scorecard. The implementation of Balanced Scorecard framework at Infosys Technologies, one of the world's top information technology companies, facilitated communication across the entire organization, enhanced the understanding of vision, mission and strategy along with integration of the vision, mission and strategy to the goals and objectives of individuals and departments. Further, it explaining the rationale for implementing the Balanced Scorecard at Infosys Girish Vaidya (head, banking business unit, Infosys) define “we do not want to be seen as a function – focused organization focusing only on economic targets. It is consequently vital that a holistic approach towards implementing strategy be adopted since in an organization every function is important and no role is less significant that the other”. It also acted as an effective basis for resource allocation with focus on both managing current performance as well as long-term value. The following are the Infosys balanced scorecard perspectives are as follows:

INFOSYS BALANCED SCORECARD			
FINANCIAL	**CUSTOMER**	**INTERNAL PROCESS**	**LEARNING & GROWTH**
Attain World Class Cost Competitiveness	Improve Customers Satisfaction	Product Rationalization and Product Development	Create A Culture of High Performance and Team Based Working

Source: Purohit ,Sanjay and Mukherjee, Indranil (2002).“The Balanced Scorecard Aligning IT Implementation to Business Strategy — A Successful Case History”, Infosys View point, April, 2002.

(E) Philips Electronics and Balanced Scorecard

This showed that all units resulted in six common indicators- profitable revenue growth, customer delight, employee satisfaction, and drive to operational excellence, organizational development and information technology supports.

PHILIP’S BALANCED SCORECARD			
FINANCIAL	**CUSTOMER**	**INTERNAL PROCESS**	**LEARNING & GROWTH**
Economic Profit – Income from Operations Working capital Capacity Operational Cash Flows Inventory Turn	Percentage Reduction in Number of Engineering changes Capacity utilization Process capability	Rank in customer survey Repeat order rate Complaints Brand index Quality	Leadership competence Percentage of patent protected turnover Training days per employee Quality improvement team participation

Source: Gumbus, Andra and Lyons,Bridget (2002).“The Balanced Scorecard at Philips Electronics”, Strategic Finance.

(F) Goodlass Nerolac Paints Limited and Balanced Scorecard

This is a leading paint company in India, adopted the concept of Balanced Scorecard for organizing its business strategy and managing enterprise performance. The framework was communicated across the organization which developed into a business review and enterprise performance management framework.

(G) Tata Motors and Balanced Scorecard

The Commercial Vehicle Business Unit (CVBU) of Tata Motors**,** the first Indian company to implement the Balanced Scorecard in India. The implementation of the Balanced Scorecard in

CVBU of Tata Motors focused on defining, cascading and communicating strategies across the organization. The Scorecard incorporated safety, quality, delivery, cost and morale (SQDCM) and also volume, market share, customer satisfaction, dealer satisfaction and receivables (VMCDR).

(H) Public Sector Undertakings and Balanced Scorecard

In PSUs, business is regulated by the targets agreed in the memorandum of understanding (MOU) between the Government of India and its central public sector enterprises (CPSE). The targets are specific to the PSU. Recently, the Department of Public Enterprises (DPE), vide their circular 1 ; emphasized the need to include both financial and non-financial parameters for performance assessment, as per the given guidelines. The pertinent section of the guideline is quoted below: CPSEs such as National Thermal Power Corporation (NTPC), Steel Authority of India Limited (SAIL), Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL), and Hindustan Petroleum Corporation Limited (HPCL) have started adopting BSC. Thus, the increasing usage of BSC in PSUs provided another rationale for conducting an implementation study in the context of Indian PSUs. The study aims to examine the challenges specific to PSUs environment and elucidate the key success factors.

(I) Ethiopian Public Service and Balanced Scorecard

The Balanced Scorecard (BSC) was fully introduced to the Ethiopian government service in 2010. Further, it is adapt it to the Ethiopian public sector.. Some Ethiopian public sector organizations have tried to implement BSC before 2005. Balanced Scorecard as performance management tool was able to attract the attention of organization leaders and managers in Ethiopia.

(J) Air India and Balanced Scorecard

The followings are the strategic decision for improvements such as: (a) Faster Turnaround of flights, (b) Increased Utilization of fleet, (c) Adherence to Schedule. Further, these will help rationalize workforce, fleets and bring in incremental improvements in operational efficiencies, bringing down costs and making Air India more competitive vis-à-vis low cost carriers. Moreover, it adherence to Schedule, will help Air India rebuild customer confidence in the ability of the Airline to perform. The Learning and Development initiatives that need to be taken up and measured are: (a) Alignment of employees with company goals, (b) Cross Functional Training, (c) Team work, (d) Cross functional Training and teams will increase the efficiency of the organization allowing it to make decisions faster and hence respond more quickly to changes. The financial outcomes from these activities are: (a) Profitability, (b) Lower Costs, (c) Increased Revenue, (d) Fewer Planes, (e)The customer outcomes are: Lower Prices, On-Time flights and Frequent flights.

2.7 Let's Sum-Up

Balanced Scorecard helps a company innovate and elevate itself to new heights of performance, by assisting its leaders in making key decisions that are in line with the company's objectives. Balanced scorecard (BSC) is a milestone in an effort to create developed and democratic country. Accordingly, implementing the national policies in line with missions, visions, the country is only possible by measuring all the activities of the Organization. Balanced scorecard is used to accomplish the following management process: clarifying and translating vision and strategies; communicating and linking strategies objective and measure; planning, targets and aligning strategic initiatives and enhancing strategic feedback and learning. To assist the company's strategic and learning processes, the balanced scorecard should be continually updated with current and operationally relevant information. Inputs are needed at all stages of BSC initiative. It should act as a facilitator and has an important role at different stages of the BSC initiative in forms of preparing the initial stages of the BSC programmed, defining and linking measures setting goals, and observing performance, managing strategic initiatives and action plans.

2.8 Key Terms

Balanced Scorecard: It is a tool that translates an organization's mission and strategy into a comprehensive set of performance measures. This also provides the framework for a strategic measurement and management system.

Tiers: Usually, the first tier scorecard is the corporate level scorecard and the last tier scorecard is the individual or employee level scorecard.

Balanced Scorecard Perspective: it's a way of regarding situations, facts and judging their relative importance on a proper or accurate point of view or the ability to see in that way.

Corporate scorecard: is a tool that facilitates the implementation of long terms goal and strategies through a mechanism of measurement.

Performance Measure: An indicator of performance that show how successful we are in achieving our outcomes.

Index: It is a combination of several individual measures combined in some way to result in a single, overall indicator of performance.

Performance management: is a systematic process for improving organizational performance by developing the performance of individual and teams. It is a means of getting better results from the organizational, teams and individuals by understating and managing performance with an agreed framework of planned goals and standards.

Objectives: It means what the strategy is to achieve in that perspective.

Measures: It means how the progress for that particular objective will be measured.

Targets: It refer to the target value that company seeks to obtain for each measure.

Initiatives: It means what will be done to facilitate the reaching of the target.

2.9 SELF –ASSESSMENT QUESTIONS

1) What are the procedures to implement the balance scorecard?
2) What are four perspectives of Retail banking activities of the bank?
3) What are the problems which are using by Small Medium Scale Enterprises through Balanced Scorecard?

2.10 Further Readings

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2.11 Model Questions

1. Discuss the implementation of Balance Score Card in different Indian Companies?
2. What is Balance Score Card? Discuss the different Sectors implementation of Corporate Sector?

1) Answers to Self–Assessment Questions

1. **What are the procedures to implement the Balance Scorecard?**

Ans.: Basically, the successful implementation of BSC requires adequate participation of management body, employees and customers. Participation of each and every employee in plan preparation is quite essential to bring about agreement on balanced score card targets at preparation stage. The success of any organization is reflected by its performance which is in turn highly dependent on organization`s strategy. Organizations monitor various performance metrics based on set and approved goals.

The question is the extend to which these goals are aligned and linked with organization vision and strategy. Balanced scorecard has increased in popularity and occupies a prominent position among other management tools used by organizations.

Balanced scorecard is not a tool for strategy formulation; rather it is a description and interpretation of the strategy, founded on assumed causal links between actions and their impacts. BSC consists of four perspectives - financial and nonfinancial measures to guide implementation and evaluation: financial, customer, internal/process, and learning and innovation.

The Balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

2. **What are four perspectives of Retail banking activities of the bank?**

Ans.: There are following four perspectives relating to banks as follows:

(A) Financial Perspectives:

- Effective and efficient Management Information System, MIS used to support risk management, product profitability thereby enhancing the profit margin.
- Information Technology has enabled services has increased capacity utilization of systems and resources therefore generating more revenue generation.

- Messaging the account balanced as the customer withdraws the money from ATM (Automatic Teller Machines).
- It reduces the transactional overload and hence the cost.
- The banks to share information to other banks through ATMs, thereby reducing the investment of banks.
- Mobile financial services which have helped in operating cost reduction.
- Use of new technology has helped banks in minimizing the risks and maximizing returns by investing in different avenues/ channels.

(B) Customer Perspective:

- Establishment of mobile and satellite branches for rural areas.
- Internet technology has helped in allowing the cross border transactions which has helped banks in expanding into new geographical areas.
- Reviewing the product portfolio analysis regularly and identify the changing needs of perspective customers.
- Advising customers on the loan products alternatives by checking their profiles.
- Availability of multi utility ATMs' for every branch (reduced dependency on bank branches for cash) Internet and new technology oriented Mobile Banking Services.
- Availability of services through multiple channels like branches, kiosks, mobile, internet, call centre.
- Availability of non banking services like travel insurance, rewards points, payment for utility services. Further, customized services and increased products in the portfolio to cater to the needs of the perspective customers.

(C)Internal Business Process:

- Introduction of technology into accounting systems eased data entry, extraction and controlling.
- Use of plastic money like credit card and debit cards and E-Wallet etc.
- Efficient security systems like message alert, OTP, One Time Password which has greatly reduced risk of frauds.
- Electronic data processing (EDP) for data transaction and validation real time.
- Quick solution and resolution of customer complaints related to cards, insurance, fund management, accounts, loans etc.
- Introduction of robust payment mechanism like NEFT, RTGS.
- Banks are maintaining, Electronic Customer Relationship Management, E-CRM applications which have all the data related to customers profile which has made it easier to group customers on the basis of same profiles.

(D)Learning and Growth Perspective:

- Management Information System, MIS systems have helped in maintaining the data at a central server thereby making it easier to obtain the information.
- Effective and transparent performance measurement tool in place which has enabled the banks to link rewards like ESOP (Employees Stock Option Plan) to the employees' performance.
- Training of staff, identifying the competency of employees and deploying them accordingly.
- Data mining and Business Intelligence techniques have made it easier to store, track and analyzing the data.

3. What are the problems which are using by Small Medium Scale Enterprises through Balanced Scorecard?

Ans.: SMEs are considered to be as a backbone of the economy of any country. The significance of their continues performance improvement in global economy is deniable. There are different reasons why BSC can be applied in these specific groups of companies: Micro, small and medium enterprises (MSME) sector plays a pivotal role in generating employment, increasing cross-border trade and fostering the spirit of entrepreneurship. Recognizing the important role played by MSMEs in economic development and its sizable contribution to employment and GDP, and realizing that financial access is critical for MSMEs growth and development.

SMEs are to plan for short as well as long term objectives. SMEs' business strategy can positively influence BSC performance measures. With the availability of financial resources moderate the relationship between SMEs' business strategy and BSC performance measures.

Positive points of SMEs through Balanced Scorecard

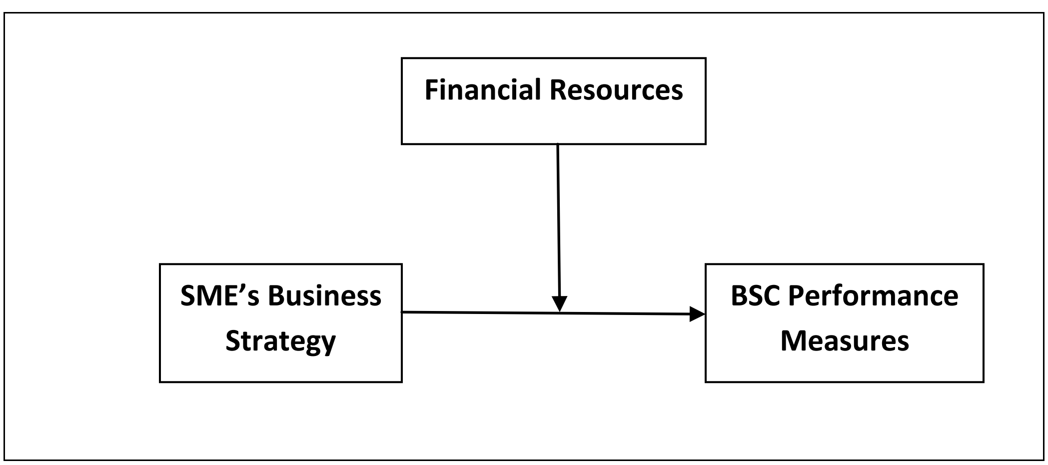
However, with the availability of financial resources can play a great role in this regard. Because the BSC process is comprehensive, SMEs which use this performance measurement system should have adequate resources especially financial resources to be successful. Therefore it is expected that financially rich firms can pass the way from business strategy to BSC performance measurement more successfully compared to financially poor SMEs. Lack of financial resources can prevent SMEs to adopt a broad performance measurement system such as balanced scorecard. BSC is a luxury system for SMEs. The cost of this system can be considered as a fundamental concern for SME mangers. Nowadays, information system which could provide needed data for measures has been used in most SMEs; however, the cost of purchasing and implementing BSC can still be an issue for leaders of SMEs. Nevertheless this cannot be an obstacle for SME leaders to use BSC approach to evaluate their performance. Finally it is of great importance to support SMEs financially so that they could implement a compressive tool such as BSC to evaluate and improve their performance.

Balanced Scorecard (BSC) has four perspectives, which are summarized as follow:

- ✓ **Financial aspect**: This perspective considered how the Corporate/ organizations benefit from their strategic activities.
- ✓ **Customer aspect**: This perspective pays more attention to the issue, which Corporate/ organizations should benefit of their inherent and available resources for the distinction among their competitors.
- ✓ **Internal business process aspect**: This includes all strategic activities within an organization to satisfy stockholder and customer's expectations. Further, the general process is initiated by perception of customer's requirements and operational as well as sales figures.
- ✓ **Growth and learning aspect**: Moreover, any organizations wishes to retain the permanent activity and development should rely on constant growth and innovation.

The following are the challenges for implementation of SMEs are as follows:

1) Lack of senior management commitment
2) Too few individuals involved
3) Keeping the scorecard at the top
4) Overly long development process
5) Treating the Balanced Scorecard as a one-time measurement project
6) Treating the Balanced Scorecard as a systems project
7) Hiring inexperience consultants
8) Introducing the Balanced Scorecard only for compensation.



BSC appeared to be excellent instrument. BSC has destined to capture, describe and translate the strategic goals of the organizations. BSC's goals are fully understood by the whole organization. BSC may also understand about departments or by component parts of the organization, and as well by all individual employees or by groups, for a successful implementation of the strategies. BSC is a performance management instrument, which allows the aligning of the goals from the organization strategy to the goals of the departments implied in the strategy accomplishing, respectively to the key-goals and key-indicators of the employees performances.

In order to implement the Balanced Scorecard, the system, which will be administrating the strategy execution? It is also extensive strategic planning system. Further, it is absolutely necessary to obtain the support of the person with supreme decision authority.

Hence, Balanced Scorecard, in a true sense it is not properly balanced. In addition their framework, it does not include concerns such as Corporate Social Responsibility (CSR), ethical performance of the corporation. Thus, there is a need to develop a new approach to scorecards wherein these dimensions are also taken into consideration while assessing the performance of the corporate. Balanced Scorecard has been in use in the corporate world and corporate world also recognizes the importance of CSR (Corporate Social Responsibility) and good governance.

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