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Knowledge and Use of the Balanced Scorecard Method in the Businesses in the Slovak Republic

Ing. Ľubica Lesáková^{a*}, Ing. Katarína Dubcová^b

^a*Faculty of Economics, Matej Bel University, Tajovského 10, 975 90 Banská Bystrica, Slovak Republic*

^b*Faculty of Economics, Matej Bel University, Tajovského 10, 975 90 Banská Bystrica, Slovak Republic*

Abstract

The Balanced Scorecard method (BSC) has emerged since the late 1990s (as proposed by Kaplan and Norton) as one of the most successful concepts in the field of strategic performance management. It has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. Balanced Scorecard is used by many successful businesses all around the world. Main aim of the paper is to present the results of primary research focused on detecting the current state of the knowledge and use of the Balanced Scorecard method in businesses in the Slovak Republic. In the first part of the paper is presented the essence of the BSC method, formulated are the main benefits connected with the Balanced Scorecard implementation into the strategic management of the businesses. These benefits are defined according to the content analysis of domestic and foreign literature. Following the goal of the article next part presents the results of the empirical research based on the questionnaire survey. Results are connected with the evaluation of the six hypothesis defined in regard of the established goal of the paper. Formulated will be presumptions to improve the state of utilizing the BSC method by Slovak businesses. For the fulfillment of settled objectives we have used several scientific methods of examination, namely the method of analysis, synthesis, induction, deduction, abstraction, generalization as well as statistical methods.

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* Corresponding author. Tel.: +421-48-446-2716; fax: +98-133-312-7567.

E-mail address: lubica.lesakova@umb.sk

1. Introduction

One of the management tools that is gaining high popularity in business practice is the Balanced Scorecard (BSC). The BSC was developed by Robert Kaplan and David Norton in 1992 as an alternative to traditional performance measurement approaches that focus solely on financial indicators and are based purely on a business's past performance. During the years the Balanced Scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. It can be defined as a strategic planning and management system that is used to arrange business activities based on the vision and strategy of the businesses, to make effective internal and external communication processes and to monitor and improve organization performance against the overall strategic goals. The Balanced Scorecard can be considered as a management system which is formed based on the logic of the management circle (plan-do-check-act) (Kaplan & Norton, 2010).

2. Balanced Scorecard : A Strategic Management Tool

The Balanced Scorecard is considered as a management system that provides a ground for businesses to clarify their vision and strategic plans and convert them into action. It provides sufficient feedback about both internal processes and external business outcomes to endlessly modify strategic performances. It turns strategic planning which is considered as an academic exercise into the (nerve) centre of an enterprise as soon as it fully implemented (Kaplan & Norton, 2007).

The aim of the Balanced Scorecard is to direct, help manage and change in support of the longer-term strategy in order to manage performance. The scorecard reflects what the businesses and the strategies are all about. It acts as a catalyst for bringing the "change" element within the businesses. BSC creates a comprehensive framework which considers the following perspectives and tries to get answers to the following questions: 1. Financial perspective (how do we look at shareholders?); 2. Customer perspective (how should we appear to our customers?); 3. Internal business processes perspective (what must we excel at?); 4. Learning and growth perspective (can we continue to improve and create value?). This tool is considering not only the financial results which are important, but also those factors which actually drive businesses towards future success. Moreover, the Balanced Scorecard exerts a tension to other areas in order to provide, balance, and improve a total view about the financial performance (Evans, 2002). The framework tries to bring a balance and link between the: financial and the non-financial indicators, tangible and the intangible measures, internal and the external aspects and leading and the lagging indicators.

The main benefit of managing with a combination of financial and non-financial information is that the use of leading, non-financial indicators facilitates proactive control and the ability to take preventive action (De Waal, 2013). A balanced set of key financial and non-financial (CSF) critical success factors and KPIs (key performance indicators) enables management to focus on the really important issues that drive business performance and to monitor the achievement of strategic goals more closely. Using non-financial information improves the analysis capabilities of managers because they can identify the root causes of financial performance.

Lesáková (2004) states, that BSC method is not just a grouping of important indicators of performance evaluation. Its consistent application provides a modern way of management, because it helps to align the businesses activities with the business processes of company's value creation. Synek (2011) indicates the BSC to a method of strategic management which role is to align the interests of management with the interests of employees and the strategic goals with the operational management. Author supports exploitability of the method for linking the strategy with the daily decision making process. Armstrong (2007) compared the method to the waterfall. The author claims that the BSC method passes through the businesses as a waterfall to ensure the measurement of the activities that contribute to the achievement of the overall businesses strategy. The idea captures the essence of the current importance of the BSC method in the strategic management of the company. There are several authors that in their work deal with the BSC method in the strategic business management and with identification of problems emerging through its implementation in business (De Waal, 2013; Evans, 2002; Gavurová, 2012; Horváth & Partners, 2002; Kaplan & Norton, 2007; Lang, 2007; Karabašová, 2010; Virtanen, 2009). Properly understood and

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