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## The Balanced Scorecard Implementation, Integrated Approach and the Quality of Its Measurement

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### Abstract

The BSC approach is used and recommended extensively as well as the continuous development. Since, it had been introduced, many researchers have been widely investigated and revealed the advantages and disadvantages of the approach that related to communication, integration and indicators measurement. Consequently, this paper determines to solve those barriers and find out the effective of practical solutions that require; (1) the needs of translating and cascading strategy throughout an organization channels effectively; (2) the critical role of efficiently integrating approaches in operational procedure; (3) The design and use of indicators and its measurement.

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### 1. Introduction

The Balanced Scorecard (BSC), one of the efficiency management frameworks is used and recommended extensively. In 1992, the BSC had been introduced in the Harvard Business Review article as a tool for measuring business performance (Kaplan and Norton, 1992, p. 2). It is used by top managers to help to formulate organization's strategy and how to measure their performance. The four perspectives, both financial and non-financial, have been proposed in consideration. Each of perspectives can be briefly identified, as follows: Learning and Growth perspective; what employee's capabilities, information system, and organizational capabilities? Do we need to

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improve our processes and customer relationship? The customer perspective; how do we create value for our customers? The internal processes perspective; at which processes must we excel to meet our customer and shareholder expectations? Financial Perspective; how the success is measured by our shareholders?

The BSC assists managers to highlight four dimensions and to understand cross-functional relationships that can ultimately lead to improvement, problem-solving and decision-making (Kaplan-Norton 1992, p. 71 - 79). Once linkages are understood, strategic objectives can be further translated into actionable measures to help organizations to improve performance (Kaplan-Norton, 2000). In 2001, the BSC had been refined when Kaplan and Norton realized that the formulation of the strategy was equally important as the implementation of the action. They proposed five leaderships and management processes for successful strategy execution, helping to create “strategy focused organization” (SFO) (Kaplan-Norton, 2001). The SFO is focused on the linkages between the strategy of implementation and that of communications and links to the entire organization. In addition, the approach is driven by the motivation of their employees to carry out the strategy as a continual process. In 2008, the recent refinement was focused on companies’ link in strategic planning with operational execution (Kaplan-Norton, 2008). It encourages organizational implementation by adding three vital processes: plan operations, monitor and learn and test and adaptation of the strategy.

Although the BSC is well designed and developed continuously, it had been discovered the lack of crucial information, competitive environment and shareholder orientation (Speckbacher, G. et al. 2003; p. 361 - 387). What’s more, the definition of BSC is unclear and the diverse integration might missing users on crucial issues. Since BSC had introduced, however, it has been wildly investigated on positive performance’s implementation. In contrast, unsuccessful implementation only in a few cases are available. For instance: (1) The investigation of BSC implementation in the electrical business showed, it had no positive impact of applying BSC on the financial growth (Neely, et, al. 2010, p. 46 - 70); (2) The unawareness of strategic revision leads implementation to failure in SMEs, Thailand. (Rompho, 2011, p. 39 - 46); (3) Organizations have only been moderately successful in their implementing. However, the learning and growth perspective does not carry out the organizations to achieve organization change and strategies (Lailian, C.-Kathy, H. 2001, p. 1 - 9).

In this regard, the paper aims to give a comprehensive account for (1) to analyze efficiency strategic communication by translating and cascading throughout an organization; (2) to analyze the role of the integrated financial and non-financial approaches; (3) to examine the quality of indicators and performance measurement.

## **2. Literature review**

To implement BSC effectively requires sufficient management tools and procedures (Ahn, H, 2001, p. 402), in order to provide accurate, timely information as well as communicate them throughout an organization. The efficiency of choosing proper channels enables a firm to increase the efficiency of communication and the transformation of information technologies (Noraila, Md Zin, et al. 2013, p. 199). In addition, the strategy needs to communicate and make sure everyone aware of the organization strategy and understands what to do to get that point (Norreklit H, 2003, p. 65 - 88), (Putakarn, P., 2011, p. 36). As well as the responsible units must be filtered down to middle managers and with lower level employees on the front lines and in the back offices ( A. Atkinson et al. 2012, p. 15 - 435). Maintenance with effective of strategy’s communication should be continuously reviewed, assessed, and updated to reflect new competitive, markets, and technological conditions (Kaplan-Norton, 2009, pp. 2-32). Furthermore, the quality of communication must reflect the environmental competition.

However, the previous studies revealed that the BSC method does not have any monitoring and control on competitors and technological development which is crucial for managers to making a better decision. There are deficiencies in the methods used in consolidating BSC perspective or the performance indicators that act as different measurement units under each of BSC perspectives (Yuksel; 2010, p. 35). Similarly, it does not analyse the effect of other factors that may also contribute to the performance improvement (Lin Z et al., p.1-15). So there are many firms in the area of implementing only, but not for monitoring and control external environment (Kenerry, Neely, A., 2002).

What’s more, the design of the indicators is used inappropriately, it might be too few, too many, and not relevant or deliver too late to make decisions (Keely, 2001, Nopadol, 2011, p. 39 - 46). The improvement goals are arbitrarily negotiated rather than being based on stakeholder requirements. They are poorly defined metrics, incorrectly

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