Implementation of Balanced Scorecard in Corporate Strategic Management

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ABSTRACT

This study looks into how the Balanced Scorecard (BSC) was implemented in a West Javan manufacturing company and how it affected strategic management and organizational performance. A mixed-methods approach was used, integrating quantitative data obtained from surveys and performance measures with qualitative data from in-depth interviews and document analysis. The qualitative results draw attention to the intricate implementation process, which includes communication tactics, strategic goal-setting, and ongoing modification. Difficulties were noted, including resistance to change and worries about an increase in workload. Positive employee attitudes, greater alignment with company goals, and advancements in financial and operational measures are all indicated by the quantitative outcomes. The study offers insightful information to companies thinking about implementing BSC, highlighting the significance of open communication, staff involvement, and ongoing adaption for success.

Keywords: BSC, Corporate Strategic Management

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1. INTRODUCTION

An organization’s actions may be coordinated with its vision and strategy by using the Balanced Scorecard (BSC), a strategic management tool. In addition to offering performance metrics, it offers a framework that assists planners in determining what has to be done and monitored. Executives can effectively implement their plans thanks to it [1].

The financial, customer, internal process, and learning and growth views are the four interrelated viewpoints into which the BSC method breaks down an organization’s goals. Every perspective has different objectives and metrics. Operating income, return on capital employed, and economic value added are a few examples of the metrics used in the financial viewpoint [2]–[6]. Customer retention rates and satisfaction are the main concerns from the customer’s standpoint. Measures including cost, throughput, and quality are examined from the internal process perspective. Finally, employee happiness and retention, together with skills and capacities, are the main foci of the learning and growth approach [1].

The BSC is not just a measurement system but a management system that can motivate breakthrough improvements in such
critical areas as product, process, customer, and market development. It provides the framework and the language that executives can use to communicate their strategy to all levels of the organization and to describe the links between the strategy and the measures that everyone can understand [1]. In a study conducted on the economic company SOMIPHOS, it was found that there is a statistically significant relationship of knowledge management to the strategic performance in the institution under study. This suggests that the BSC can be an effective tool in aligning knowledge management initiatives with the strategic objectives of an organization, thereby enhancing its performance [1].

The Balanced Scorecard (BSC) is a strategic management instrument that facilitates organizational navigation within the intricate global business environment by effectively matching operational activities with strategic objectives. The framework presented offers a complete approach that considers multiple perspectives, allowing firms to attain sustainable growth and gain a competitive edge.

The Balanced Scorecard (BSC) is a strategic management paradigm that was initially proposed by Kaplan and Norton during the early 1990s. The approach outlined offers a thorough framework for evaluating and overseeing performance, with a particular emphasis on key performance indicators that have a direct impact on the overall organizational strategy. [7]. The BSC includes four key perspectives: financial, customer, internal processes, and learning and growth [8].

The financial perspective focuses on financial performance measures that are traditionally used by organizations. The customer perspective emphasizes the importance of customer satisfaction and measures how well an organization is meeting the needs of its customers. The internal processes perspective looks at the efficiency and effectiveness of an organization’s operations. Lastly, the learning and growth perspective focuses on the organization’s ability to innovate and improve [7]. Despite its widespread adoption, the BSC has faced criticism. Some argue that it fails to balance the interests of stakeholders, lacks evidence indicating that its adoption results in improved financial performance, and that the cause-effect relationship touted by Kaplan and Norton is not established [9]. Others argue that the BSC’s focus on financial metrics can lead to a misfit between customer experience and financial performance [8].

In response to these criticisms, some have suggested modifications to the BSC. For example, the Sustainability Balanced Scorecard (SBSC) incorporates sustainability issues into the BSC framework. This can be done by adding additional performance perspectives to deal with strategically important sustainability issues, incorporating sustainability aspects within the original four performance perspectives, or a combination of both [7]. The BSC has also been adapted for use in different sectors. For instance, it has been used to assess the institutional sustainability of educational institutions [10], and a framework has been developed for its application in public schools [11]. Furthermore, the BSC methodology has been integrated into the strategic management process for big data initiatives [12].

In conclusion, while the BSC has its limitations and has faced criticism, it remains a valuable tool for strategic management. Its flexibility allows it to be adapted and modified to suit different organizational contexts and to incorporate emerging issues such as sustainability and big data.

The strategic environment is heterogeneous, which causes differences in how management tools like the Balanced Scorecard are applied among various industries and geographical areas. The use of the Balanced Scorecard at a manufacturing business in a bustling West Javan industrial area is the particular subject of this study. Understanding the complexities involved in integrating the Balanced Scorecard into this industrial business’s strategic management framework is the primary goal.
2. LITERATURE REVIEW

2.1 Balanced Scorecard and Strategic Management Framework

The Balanced Scorecard (BSC) is a strategic management instrument that offers a holistic assessment of an organization’s performance through the incorporation of four distinct perspectives: financial, customer, internal processes, and learning and growth. Every viewpoint possesses a distinct collection of measurements that contribute to the comprehensive evaluation of the organization's performance. The financial perspective encompasses key performance indicators such as the rate of revenue growth, the level of cost efficiency, and the measure of return on investment. These metrics offer a concise representation of the organization's economic sustainability and fiscal well-being. [13], [14].

The customer perspective focuses on metrics related to customer loyalty, satisfaction, and market share. These indicators help align the organization’s strategy with customer needs and expectations, and they reflect the organization’s ability to meet these expectations [13]–[17]. The internal processes perspective promotes the identification of crucial processes within businesses and the establishment of metrics that facilitate ongoing enhancement and innovation. These metrics assess the efficiency and effectiveness of the internal operations of the company [13], [14].

The learning and growth perspective focuses on human capital, technological capabilities, and organizational culture. These indicators measure the organization’s ability to adapt, innovate, and prepare for future success [13], [14]. The BSC has been applied in various sectors, including education and aviation, to improve performance and strategic planning. For instance, in the education sector, the BSC has been used to measure the performance of school principals and improve the management of educational institutions [13], [18], [19]. In the aviation sector, the BSC has been used to enhance strategic planning processes and improve the quality of operations [20], [21].

2.2 Implementation & Challenges of the Balanced Scorecard

Implementing the Balanced Scorecard (BSC) can be challenging, and organizations often face several obstacles during the process. Successful implementation requires strong commitment and support from top management. This includes providing necessary resources, setting clear expectations, and actively participating in the process [22]. Organizations must clearly communicate their strategic objectives and align them with employee roles and responsibilities. This involves ensuring that all employees understand the BSC framework and its relevance to their work [23]. The success of the BSC depends on the enthusiastic participation and buy-in from employees at all levels. Engaging employees in the process of defining and understanding their roles in achieving strategic objectives is crucial [23].

Introducing the BSC often encounters resistance from employees accustomed to traditional performance measurement systems. Overcoming this resistance requires effective change management strategies and communication [24]. Organizations must carefully choose indicators that align with strategic goals and can be measured reliably. This involves identifying appropriate key performance indicators (KPIs) and ensuring that they are relevant and actionable [25]. Implementing the BSC may require advanced information technology systems to collect, analyze, and report performance data. Organizations may face challenges in acquiring or upgrading their IT infrastructure to support the BSC [25].

Employees need to be trained and educated on the BSC framework, its objectives, and how it relates to their work. This may involve providing training sessions, workshops, or other educational resources [26]. To overcome these challenges, organizations should focus on strong leadership support, effective communication, employee engagement, change management...
strategies, careful selection of performance indicators, investment in IT infrastructure, and continuous training and awareness programs [22]–[26].

2.3 Impact on Strategic Management

The Balanced Scorecard (BSC) is a strategic management tool that helps organizations align their activities with their strategic goals. It provides a framework for managing and measuring performance from multiple perspectives, including financial, customer, internal process, and learning and growth [27], [28].

The BSC enhances strategic focus by linking performance indicators directly to strategic goals. This ensures that everyone in the organization understands the strategic objectives and how their individual contributions support these objectives [28]. For example, in the case of Iraqi SMEs, the adoption of the Agile-Adaptive Balanced Scorecard (AABSC) as part of the Management Accounting System (MAS) has helped strengthen the system and improve decision-making [29]. The BSC also promotes communication across different levels of the organization. It helps in translating and operationalizing strategic objectives, balancing and aligning between areas and departments towards a common goal [30].

Moreover, the BSC contributes to strategic alignment, especially concerning the ability to communicate strategic priorities. It also plays a role in influencing the motivation, awareness, and behavior of employees [30]. The BSC technique has been used to determine the most critical performance-enhancing criteria while accounting for non-financial factors as well. By identifying and evaluating significant factors that influence service quality and assisting in decision-making related to service development, the application of the BSC in the healthcare industry has been found to increase the quality of health services [31]. Similarly, the BSC has been used to assess post-implementation advantages and problems in the Finance and Accounting Outsourcing (FAO) industry [32].

3. METHODS

The present study employed a mixed-approaches research design, which involves the integration of both qualitative and quantitative research methods. The utilization of a mixed methods approach facilitated a thorough comprehension of the application of the Balanced Scorecard (BSC) within specific manufacturing enterprises located in West Java. By integrating the respective merits of qualitative and quantitative data, a comprehensive and multifaceted understanding of the implementation process, the encountered obstacles, and their implications for strategic management and performance may be attained.

The researchers opted for a case study design in order to conduct a comprehensive investigation of the adoption of the Balanced Scorecard in manufacturing enterprises located in West Java. The utilization of the case study approach affords an advantageous avenue for conducting comprehensive investigations into the organizational context, hence enabling a meticulous examination of the complexities and unique aspects of the implementation process.

3.1 Sampling

3.1.1 Case Selection

Manufacturing companies in West Java were purposively selected based on willingness to participate and relevance to the research objectives. The selection criteria included company size, industry, and level of Balanced Scorecard implementation. This purposive sampling ensured that the case study provided rich and meaningful insights into the research questions.

3.1.2 Participant Selection

Key stakeholders in the selected manufacturing companies will be involved in this research. This includes top management, department heads, employees at various levels, and potential customers. In-depth interviews, surveys, and document analysis
will be conducted to collect data from the participants.

3.2 Data Collection
3.2.1 Qualitative Data
Interviews: A series of comprehensive interviews were carried out with key individuals who played a significant role in the implementation of the Balanced Scorecard. This encompasses individuals in senior leadership positions, heads of various departments, and personnel occupying a range of jobs and responsibilities. The interviews will be conducted in a semi-structured format, which offers a degree of flexibility in investigating the viewpoints and experiences of the participants with regards to the implementation process.

The analysis will focus on pertinent documents, including strategic plans, performance reports, and internal communications. The objective of this document analysis is to offer further perspectives on the historical backdrop and progression of the Balanced Scorecard inside the company.

3.2.2 Quantitative Data
In order to collect measurable information about how personnel at various hierarchical levels felt about the implementation of the Balanced Scorecard, surveys were distributed to them. The survey items were designed with the aim of evaluating workers’ understanding of the Balanced Scorecard framework, its suitability for their individual roles, and their viewpoints about the impact of its execution on their duties. A total of 180 employees participated in the study.

Performance metrics: The collection and analysis of key performance indicators from the Balanced Scorecard will be conducted within a designated timeframe. The provided quantitative data offers valuable insights into the variations observed in performance measures prior to and subsequent to the implementation of the Balanced Scorecard.

3.3 Data Analysis
3.3.1 Qualitative Analysis
Thematic Analysis: Thematic analysis was used to qualitative data obtained through document analysis and interviews. In order to provide an organized and thorough knowledge of the implementation process and difficulties encountered, this required finding, evaluating, and reporting patterns (themes) in the data.

3.3.2 Quantitative Analysis
Descriptive Statistics: Quantitative data from the survey will be analyzed using descriptive statistics. This includes measures such as averages, frequencies, and percentages to summarize and describe key features of the data.

4. RESULTS AND DISCUSSION
This section integrates qualitative and quantitative results to provide a comprehensive understanding of Balanced Scorecard (BSC) implementation in selected manufacturing companies in West Java. The discussion explores the implications of the findings, their alignment with existing literature, and their significance for organizational strategy and performance.

4.1 Quantitative Results
4.1.1 Employee Perceptions
Quantitative data from the employee survey showed a generally positive understanding of the Balanced Scorecard (78%). The majority of employees (85%) considered the BSC relevant to their daily tasks. However, there were concerns about increased workload among 35% of respondents. This suggests the need for targeted communication and support strategies to address potential challenges associated with implementation.

4.1.2 Impact on Work
The significant increase in employees’ perceived alignment with organizational goals post BSC implementation (65%) aligns with the expected outcomes of the framework. This suggests that BSC positively influences employees’ understanding of their contribution to the overall goal.
4.1.3 Performance Metrics
Quantitative analysis of performance metrics across financial, customer, internal process, and learning and growth perspectives indicated positive results attributed to BSC implementation. Improvements in revenue growth, cost efficiency, customer satisfaction, and internal processes demonstrate the effectiveness of BSC in improving organizational performance.

4.2 Qualitative Results
4.2.1 Implementation Process
Qualitative findings explored the BSC implementation process. Strategic goal setting and alignment are fundamental, involving top management collaboration. Communication and training play an important role in fostering employee understanding, while integration into daily operations and continuous monitoring ensure adaptability.

4.2.2 Challenges Faced
Resistance to change emerged as a significant challenge during the initial stages, requiring transparent communication and change management strategies. Gaining buy-in from employees was critical, with some employees expressing skepticism about the relevance of BSC to their roles. The selection and measurement of performance indicators was challenging, requiring careful consideration and clear communication.

Discussion
The integration of quantitative and qualitative results provides a holistic view of the impact of the Balanced Scorecard. Positive alignment reported by employees aligns with quantitative improvements in financial and operational metrics, indicating synergy between employee perceptions and organizational results.

Identified challenges, such as resistance to change and concerns about increased workload, underscore the complexity of BSC implementation. Strategies to overcome these challenges should include clear communication, employee engagement, and ongoing support.

Practical Implications
These findings have practical implications for organizations considering or undergoing BSC implementation. The importance of transparent communication, strategies to overcome resistance, and ongoing monitoring and adaptation are critical to success.

Limitations
Limitations of this research include the focus on a single case study, thus limiting generalizability. In addition, self-reported data in the survey may introduce bias, and the relatively short timeframe of the study may not capture long-term sustainability.

Implications and Recommendations
Practitioners can take insights from this study to improve their BSC implementation strategies. Emphasizing transparent communication, addressing employee concerns, and ensuring continuous adaptation are important.

CONCLUSION
The investigation into the application of the Balanced Scorecard in the West Javan manufacturing company has produced insightful information on the challenges associated with changing strategic management practices. Improvements in financial and operational measures, alignment with corporate goals, and employee attitudes are all positively impacted by the integration of qualitative and quantitative data. The implementation process requires focused tactics due to identified challenges such as reluctance to change and concerns about increasing workload. Practical ramifications emphasize how crucial it is to have open lines of communication and constant assistance. The study adds to the growing body of knowledge on the successful use of strategic frameworks such as the Balanced Scorecard by providing both academic insights and useful suggestions as firms continue to navigate strategic management.
REFERENCES


