

British airways company balanced scorecard essay sample

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The BSC is one of the key techniques in strategy formulation and implementation. It communicates, throughout the firm, the strategic goals and objectives and the performance measures that are important in developing, measuring, reviewing and evaluating the strategies and its eventual effectiveness. Therefore, having the BSC applicable at the operational level, with front line employee is important and will ensure strategic success. It is also an essential competence that will help a firm gain a sustainable competitive advantage. British airways company has used the balanced scorecards to succeed in its business of airline.

The entire company use the system to achieve its main objectives in their business. The company use swot analysis to know their strength, weakness and opportunity so that to make some improvement, they learn weakness of other airline companies and take advantages on them. The British airways company use balanced scorecards to improve on total quality management, this is done by ensuring the management of the entire company is working without interruption and of high standard. The company carry out strategy planning by setting the right goals and formulation around the business, this has assisted to maintain their standard of offering services to customers. In terms of financial, balanced scorecards has helped the company to eliminate wastes and the financial results take care on its self

The BSC has enabled the company on its strategic intentions, including value prepositions for its customers, through making the firm a compelling place to do business. The BSC facilitates the establishment of a market focus, building a winning culture, based on performance measurements,

focusing on core businesses and making continuous improvement in productivity and costs thereby bringing forth an organization that is able to recognize when the competitive environment is changing in order to pro actively and enthusiastically adapt to it.

The BSC as enabled the British air ways company to cascades strategy creation, communication and implementation throughout the organization. Companies that have succeeded with the BSC have come to understand that there are different roles and purposes of performance measurement and reporting systems. Traditional financial measurement systems were designed for control; budgets define targets and feed back systems and report variances. The objective is to eliminate variances and meet` budgets. These are excellent approaches to management tactics. The company use BSC on their employees, it use the motto which states “ treat your employees right way and get more power the people” which as real motivated employees morale. The company has always used BSC to employ the qualified staff which have worked hard to maintain the standard of the company. The company has managements who look at innovation, values, resources and process who check the company in fast moving times so that to learn to overcome disruption

The BSC, however, was designed for a different purpose: to communicate. Its underlying premise is the importance of performance measurement surveys and consequently its influences on behavior: “ *what gets measured gets done.* ” The BSC builds on this premise, asserting the implementation of strategy provides a means of communicating the critical success factors to

the organization, thus focusing everyone's effort on the strategy and overseeing organizational performance and transformation. A control system and a communication system are fundamentally different. The control system requires integrity, repeatability and audit ability, while the communication system uses surveys, status reports and anecdotal data to achieve its purpose. The value of the BSC, as a communication system, is that it provides a consistent framework for describing the whole strategy. The BSC does for strategic management what income statements and balance sheets do for financial management. They both communicate financial performance of the firm and provide economic value by providing controls that make everyone in the organization focus on the same goal. Therefore, the BSC must be applicable at all levels of the organization including the first line employees on the shop floor.

Strategic models must be adapted to fit the unique characteristics for an organization so that the organization benefits from the lessons incorporated in the strategic models. In the final analysis, both the organization and the strategic model are evaluated, changed and improved. Thus adopting the BSC at the front line level will not only incorporate the BSC model into the strategic management of the organization, but it will also lead to its increased use to improve employee performance, productivity and financial success and ultimately the overall organization performance.

Anecdotal reviews and empirical data indicate that organizations that have successfully adopted the BSC at all management levels have had continuous impressive performance results. A successful BSC program starts with the

recognition that it is not a “measured” profit change but a project. The single most important condition for the success of the BSC is ownership of the concept by all. The corporate BSC system is important because what gets measured gets done.

Increasing emphasis is being given to corporate performance measurement systems which integrate customer satisfaction, process quality, innovation and financial performance on the realization that non-financial criteria (customer service, process quality, and new product development) are as important as financial criteria in corporate performance measurement systems. Translation of a corporate scorecard into front line employees’ scorecard is becoming essential for the successful implementation of strategy in most firms and at all levels of the organization.

There is an interesting American business management story that moves the creation of the BSC at the shop level. *“In the early 1990’s, John Welch, the chief executive officer of the General Electric (GE) Company and one of the most renowned USA corporate executives in the last two decades presented general goals and objectives for a company which broadly fit the four categories of the BSC system. First, from the customer’s perspectives; customer satisfaction was singled out as a top priority for the GE’s business. Second, from the internal process and productivity perspective, all business groups were required to reduce inventory levels and increase inventory turn over rate. Third, from an innovation, learning and growth perspective, GE’s goal/objectives was to “grow globally through new product development and expansion.” Finally, from a financial perspective the global/objectives*

was to be number one or two in its industry in terms of sales, and profit and hence either increase the stakeholder value creation or exit the business. The task of each business group, division, plant, and each employee was to develop specific plans, goals/objectives and BSC measures to achieve these goals/objectives. The application of these measures, at all levels of the organization gave GE sustainable competitive advantage and made it number one in most industries it does business in today and over several decades.

The process followed by GE can be replicated with local adjustments in any company. High-level objectives and their performance measures can always be used and converted into activities and action plans, which are meaningful to lower level employees. The following are some of the guidelines for developing an “ employee balance scorecard.”

The employee scorecard should be closely integrated with the departmental, company’s and corporate strategies. This keeps the entire organization focused on the same agreed set of goals and objectives and performance results.

Lower level employees should be involved in setting or developing the performance measures. Employee involvement will inspire ownership of the measures and commitment to achieve them. A leading expert in BSC has described this approach as “ open book management”, in which a great deal of financial and non-financial information is shared with employees. By showing employees how their performance influences the bottom line, front

line employees are encouraged to act like owners and earn the future of their jobs.

The union in a harmonized office environment should be involved in the development of the employees' objectives and performance measures. The union needs to be such that the system gives employees more, not less, control over their jobs.

The performance measurement selected must be realistic and timely. Front line employees need information in real time so that they can respond and solve problems on the spot.

The performance measures selected should focus on the critical aspects of performance. Supervisors should use Root cause and Pareto analysis to determine what aspects of the work have the largest and greatest impact on the targeted performance, goals and objectives and use it to develop the performance measures. Root cause analysis should be done on an ongoing basis, as part of the company's continuous improvement efforts. New performance measures that are introduced should be balanced with other scorecard measures. A typical scorecard in a manufacturing plant will probably include measures of quality, volume, and material cost, yields and labor or overtime usage. These indicators need to be balanced and prioritized. It is important not to create too many performance measures that may overload front line employees. Information about the performance measures should be held in a database so that the figures are available and accessed fast enough by all people in different departments and at different

levels of the company. The information should be shared and hence engender a spirit of teamwork. Teamwork will enhance the allergic effect of the performance measure. A hypothetical BSC measurement system for a manufacturing company, attempting to develop performance measures for its front line employees is illustrated below:

Conclusion

The corporate BSC can be a valuable tool in getting all members of an organization to focus on a flow of common business goals and objectives. The employee scorecard is the link between management and employees, which can increase the probability that upper level corporate plans and departmental scorecards are translated into front line performance indicators, goals and objectives, which employees can achieve and consequently assist the company to achieve a sustainable competitive advantage and over time create value for its stakeholders.

Reference:

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