

The implementation of balanced scorecard in a chinese car insurance company

[Business](#), [Company](#)



It was decided that the best tool to gather data about stakeholders' thoughts with regard to the Balanced Score Card system in Tian-an Car Insurance Company would be through interviews. A detailed questionnaire and data on the findings is found in the Appendix. 4. 3. Findings. The researcher found out that the implementation of the Balanced Score Card system did not succeed in this company. The reason for failure was not due to the technical nature of the BSC as a system but rather due to how it was implemented.

Of great interest were the comments from four of the Tian-an Car Insurance Company branch managers interviewed. Three of the managers interviewed work with the Shanghai branch and one manager with the We Zhou branch. From the managers' responses it became apparent that there were serious inadequacies in the way the BSC system was implemented. The findings below are arranged in three parts. First, the question that was posed by the researcher, second the answers that the managers gave and finally an interpretation of the findings.

The findings follow a certain sequence that is intended to reveal the order in which the change agent should have implemented the BSC system so as to attain success. It has been found that implementation should have started with a consideration of the company's strategy, followed by acceptance by every player, training, motivation and communication. 4. 3. 1. The current status in the company with regard to the BSC: The researcher posed the following question: "Is the company currently using balanced scorecard as a performance measurement system"?

A manager answered that Tian-an Car Insurance Company “ started to use it in June 2008”, but somewhere along the way they started experiencing “ some problems” which forced them to stop to using it. Reasons given for stopping were that; “ we found it is not really suitable for us”, and that “ the duration for implementation was 8 months. ” This finding reveals a lack of appreciation of the BSC system. The BSC as research has shown; is superior to ‘ traditional financial performance measures that worked well for the industrial era.

’ This is a holistic system that complements the financial measures with operational measures on customer satisfaction, internal processes, and improvement activities -operational measures that are the drivers of future financial performance. (Kaplan and Norton 1992) If the Japanese can successfully transplant their auto plants to America using processes that are superior to the ‘ American’ way of doing things then there is no way that the BSC can be faulted in the Chinese business set-up. (Franchesco & Gold 2005)

4. 3. 2. How the BSC was introduced to the company:

The response to the interview question: “ Why would you choose it (BSC) as the performance measurement system at the beginning? ” reveals a fundamental flaw that led to the failure of the BSC system in this company. The Car insurance sales manager (S) replied that one of their old customers who was employed in an agency that was applying the BSC successfully recommended it to Tian-an Car Insurance Company. S somehow convinced the other branch managers F and H most likely because the company did not have any performance measurement system.

Management had a rosy idea of the BSC; that it was “ successful and famous in the world. ” They did not take time to figure out how to implement the system but rushed to poach the change agent who apparently lacked the professional ability to implement such a system in a brand new environment. A successful BSC system implementation requires that the spirit of the system be tuned with the business strategy. Before any action is taken top management must fall in love with the idea, and it has to be in sync with the mission and vision of the company.

From the strategic level the change agent has to convince all stakeholders and through actively involving them in the formulation of divisional Key Performance Indicators (KPIs) make every one to like and own the system. The managers do not even talk about how the employees fare with the system. This shows that information was not being shared from all sides in the company.

4. 3. 3. The BSC as a solution: Despite the management’s failure to implement the BSC system, when the question: “ Why not to use it? ” was posed, the We Zhou branch sales manager (O) opined that “ we believed the balanced scorecard would increase our profit” though, he had “ heard about some negative opinions about balanced scorecard. ” This positive perception shows that there is hope that the BSC system can be properly implemented in the company. The fact that he associates the BSC system with “ increase [in] our profit” shows that they are yet to grasp the basic BSC truth that; improved financial performance is a product of a company that has worked on the following key BSC perspectives: innovation and learning, internal business processes, and customer care.

(Kaplan and Norton 1992) 4. 3. 4. Training is core to a successful implementation of the BSC system: The training aspect of BSC is two pronged. A thorough knowledge and understanding of the how the system works is a must. Stake holders have to be trained on how to develop individual KPIs, how and individual employee's efforts ultimately contributes towards the company's bottom line and how the individual stake holder can benefit from adhering the BSC requirements. Secondly a key perspective of the BSC is innovation and learning.

Employees have to be trained on the production processes, about new products and customer care. As some one put it ' a knowledgeable employee is more productive because he has the tools and know-how, he deals better with clients, and he is more likely to come up with new product development ideas which are key to sustaining the profitability of the company. The honest answers three managers give in response to the interview question: " At the time you started using it did you have any training on this program? " shows that lack of training greatly contributed to the failure of the BSC system to take off.

The Car insurance sales manager (S) admitted that management " did not set a particular training program" to educate all players about the BSC system. The " once-a-month-meetings and " booklets" are insufficient. The responses of the Human resources manager (H) show a common thread. That he has heard some negative tales about the BSC. This manager has ' just seen' the BSC booklet; and ' thinks' it's a bright idea. This is not the right attitude! And coming from management for that! It just shows how the initial

introduction was flawed. That 'employee' did not do a proper job as 'change agent' in changing the mindset of the workers.

That is why this manager feels that the company does not "have enough time to train [their] ours employee about the tool." 4. 3. 5. A reward system must be embedded in the balanced scorecard system: When asked: "Do you have any reward system related to the balanced scorecard?" The Car insurance financial manager (F): replied that "Maybe, he thought the reward is about the target to set about each department." The Human resources manager (H): candidly said "No, there is no directly reward system about balanced scorecard." Absence of a reward system is yet another serious flaw revealed in this interview.

As a best practices rule for BSC, the reward system should be embedded in the BSC. Every player in the system should know the rewards associated with achieving the goals outlined as well as the penalties for underperformance. When brainstorming on performance indicators consensus should be sought for rewards such as bonus, leave days, vacations, promotions, and so on for good performance on one side, and penalties such as warnings, fines and termination for poor performance. Added responsibilities and promotions and career paths are good rewards for good performers.

4. 3. 6. As a performance measurement system, the BSC is rated as better than most others: Despite implementation problems, the managers gave very encouraging views when asked to rate the BSC in the following question: "In your experience, how do you feel about the balanced

scorecard as a performance measurement system? ” Advantages of the BSC system were outlined as follows: The Car insurance sales manager (S) correctly responded that: “ it clearly gives detailed information of the company’s performance in both financial and non-financial areas.

” “ It shows the detailed strength and weakness of the overall company. The Car insurance financial manager (F): seconded that with the BSC it is easy to pinpoint “ what areas we need to focus on. ” Because of its robustness; F also revealed that “ our shareholders decided to use balanced scorecard to measure the performance instead of only looking at the financial figures. ” Human resources manager (H) affirmed that he knew that the BSC “ is a good tool to measure the performance” while O the We Zhou branch manager knows that this too has “ a lot of advantages.

” On the flip side the managers made the following comments against the BSC system: S said that “ the target part makes our employees very dissatisfied. They feel it is not fair. ” F did not see any “ short-term benefits” accruing from application of the BSC system. H observed that “ a lot of complaints had been raised by employees regularly. ” O “ thought” that he wouldn’t “ recommend [the] company to apply BSC because the tools concept “ is not mature in china. ” The negativity stems from poor implementation.

The reason why employees see the targets as too high to achieve and hence due to frustration “ feel that it is unfair” is because their targets were apparently developed by management. Management wrongly uses the BSC as a ‘ control’ tool instead of applying it as a performance measurement tool.

If the users of the system are not allowed to choose the targets they can reasonably achieve BSC can change from a friendly system that urges employees to higher levels of achievement to a demanding beast that stresses and drains employees' power.

With so many multinationals relocating production plants to China and advancement in information technology turning the world into a global village, the opinion that the BSC concept is not mature in China does not wash. 4. 3. 7. Company specific problems that lead to the failure of the implementation: Internal constraints that lead failure in implementing the BSC system in Tian-an Car Insurance Company were brought out when the following research question was posed: " Why did you stop to use it, is there any disadvantages you can find?

" Following is a raft of company specific difficulties that the company faced during implementation as per the responses of managers S, H, F and O. • An excess of indicators: poor design of the BSC resulted to so many " indicators" that others were left unaccounted for. • Due to inability to synchronize available resources with demand the company could not sufficiently satisfy the requirements of all the four perspectives. That is why one manager said:" We can not spend too much time on customers and employees' investigation. "

- The fear that questionnaire data collected by company employees from clients would be biased and not the true picture of the BSC perspective " how our Customers view us. "
- A completed balanced scorecard model for the business took too long.
- Expectation of Instant results: " The agent told

us that it need spend some time to see the effect, I think BSC can not help in short-run decision making. " A manager said. The BSC is a performance measurement system that directs decision makers toward long-term value creating activities. It is not meant be a measure of dealing with emergencies.

- The problem of size: " our branch is not large enough, so the advantages were not clearly identified" Said F. " Comparing benefits against costs (to the agent fee), there was no " good value formoney. " A unified approach would have given better results. The company has eight branches!
- Resistance: " I found that there were many complaints from our employees. Someone felt it waste their time to response each indicator" said H. A change management process would have sufficed.
- SBC used as a control tool: management's lack of knowledge on how to use the BSC led to strictly following " targets", and decreasing staff bonuses.

This made " others to doubt their ability" and increased complaints. This was a case of managing staff instead of managing processes.

- After applying the BSC manager O could not fins any noticeable " good performance in the period" 4. 3. 8. Communication is the life blood of a successful BSC system: That poor communication contributed to the failure to implement the BSC system in Tian-an Car Insurance Company is revealed by responses obtained from the question: " Do the managers and employees communicate regularly?

" The Car insurance sales manager (S) said: " Not really, because our employees are really busy. But we have employees' meeting in each Wednesday, we could communicate at that time. " The Car insurance

financial manager (F) said: No, unless at employees' meeting, but I just report some targets and requires. Comments will not be reflected to me. " While the Human resources manager (H) said: " Yes, I communicate with employees regularly and they will have some complaints and suggestions. " This finding suggests that the communications structure in this company is flawed.

It could just be that the company has a top-bottom but no bottom up, horizontal and diagonal communication. Additionally it is evident that complaints are only directed towards the human resource manager. 4. 3. 9. Tian-an Car Insurance Company management have no regrets and would consider implementing the system if given a second chance: The whole rounded nature of the BSC serves as an eye opener to any one who gets a chance to experience it. When a manager was asked: " After you quitted using the BSC, have you tried other performance measurement systems?

" He answered: " No, I think BSC [introduced us to the world of] performance measurement systems. Our employees have increased their knowledge about management performance and when our company becomes large enough, we will consider using it again. " 4. 3. 10. Lessons Learnt: To appreciate the impact of implementing the BSC, Tian-an Car Insurance Company managers gave a raft of lessons learnt that shows the true extend of their new understanding of performance measurement. This was in response to the following question: " Any possible suggestions for using the balanced scorecard in your branch?

” • The Car insurance sales manager (S) said that: “ I think each level of a company should understand their Key Performance Indicators and Targets. The training of balanced scorecard should not be neglected. • Company Car insurance financial manager (F) responded: “ Key Performance Indicators and Targets should be set properly” • The Human resources manager (H) advised: “ I think [a good] training on the balanced scorecard is more important than the other [aspects of the system]. Companies should let their employees understand the whole [BSC] process first.

They should [establish] a feedback [feature to facilitate communication from all directions] so that management and employees can discuss and adjust the targets immediately. ” A proper appraisal mechanism should also be in place. ” The above lessons learnt are excellent and are important ingredients for best practices in the implementation of the BSC system in any company.

4. 4. Conclusion What you measure is what you get. (Kaplan and Norton 1992) Effective managers understand that performance measurement systems that focus on only one aspect like finance and production are not good enough.

They realize that no single measure can provide a clear performance target or focus attention on the critical areas of the business. The balanced score card allows managers to look at the business from four important perspectives: the customer, internal, innovation and learning and financial perspectives. This checks the company from having too many or too few measures. It is a superior system. It is recommended that the Tian-an car insurance company adopts the balanced Score Card system.