Balanced score for the balanced scorecard

The current issue and full text archive of this Journal is available at www. emeraldinsight. com/1463-5771. htm BIJ 15, 4 Balanced score for the balanced scorecard: a benchmarking tool M. Punniyamoorthy Faculty of Production and Operations and Finance, Department of Management Studies, National Institute of Technology, Tiruchirappalli, India, and 420 R.

Murali Faculty of Human Resources and Finance, Department of Management Studies, National Institute of Technology, Tiruchirappalli, India

Abstract Purpose – The purpose of this paper is to create a model called " Balanced score for he balanced score card" and to provide an objective benchmarking indicator for evaluating the achievement of the strategic goals of the company. Design/ methodology/approach – The paper uses the concepts of " Balanced scorecard" proposed by Robert. S. Kaplan and David P. Norton. This paper also adopts the model given by Brown P.

A. and Gibson D. F. and the extension to the model provided by P. V. Raghavan and M. Punniyamoorthy. Preference theory is used to calculate the relative weightage for each factor, using the process of pair wise comparison. The balanced core for balanced scorecard provides a single value by taking into account all the essential objective and subjective factors – be it financial or non-financial. It also provides a suitable weightages for those parameters. The target performance and the actual performance are compared and the analysis is made.

Findings – Information from a leading organization was obtained and the balanced score for a balance scorecard was calculated for that organization. The variations were analyzed through this model. The depth and objectivity

in the analysis is highlighted. Research limitations/implications – This provides a single bench marking measure to evaluate how far the firm had been successful in achieving the strategies. The paper has adopted the preference theory which limits the weightage to be accorded to the factors concerned.

However, further refinement can be provided by the usage of analytic hierarchy process for arriving suitable weightages. Practical implications – The organization can calculate the balanced score by themselves, by assigning appropriate importance to the activities – as they deem fit. It is a tailor made enchmarking information system created by the firm for itself. Originality/value – This is of value to the top management to identify the important activities and setting suitable target measures to be achieved in those activities.

The variations are arrived by comparing the targeted performance with the actual. This will help the firm to Keywords Balanced scorecard, Benchmarking, Corporate strategy, Analytical hierarchy process Paper type Research paper Benchmarking: An International Journal Vol. 15 No. 4, 2008 pp. 420-443 q Emerald Group publishing Limited 1463-5771 DOI 10. 108/14635770810887230 Introduction Businesses houses are continuously striving to be successful amidst the increasingly competitive and constantly changing environments.

To achieve that, they must be willing to adopt any processes and accept any benchmarking standards which would help them in not only doing things right but also in doing the right thing. The bench mark so accepted should be a: . reference or measurement standard for comparison; . performance measurement that is the standard of excellence for a specific business; and . measurable, best-in-class achievement (“ On what is a enchmark? “, available at: http://retailindustry. about. com/library/terms/b/ bld_benchmark. htm). Competition has become so intense that managers do have less time to respond to market situation.

Efficiency in operations and profitability are the key words in driving the organizations today to remain competitive. The rapid technological developments and improvements in communication have forced the manager to deal with a large quantum of data and arrive at the decision, which would produce results comparable to the market standards. This makes the process little too complex. What they perhaps need is some benchmarking indicators to process the data objectively and to come to a conclusion not only correctly but also quickly.

It is observed: Benchmarking is a process used in management and particularly strategic management, in which organizations evaluate various aspects of their processes in relation to best practice, usually within their own sector. This then allows organizations to develop plans on how to adopt such best practice, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which rganizations continually seek to challenge their practices. Benchmarking opens organizations to new methods, ideas and tools to improve their effectiveness.

It helps crack through resistance to change by demonstrating other methods of solving problems than the one currently employed, and demonstrating that they work (“ On best process of benchmarking”, available at: www. managementupdate. info/ benchmarking. htm). Balanced score for the balanced scorecard 421 Therefore, through this paper, we have devised a process of calculating a suitable bench mark fgure called “ Balanced score” through which the achievements of the erformance in the implementation of the strategy by the firm can be evaluated.

The paper uses the concepts of “ Balanced scorecard” proposed by Kaplan and Norton (1992a); and the model adopted by Brown and Gibson (1972) along with the extension measure called “ balanced score”. Need for incorporation of strategic intent in every activity Over the years, the economies have grown leaps and bounds and the companies themselves have outgrown several times. In order to grow further and at a rapid pace, most of them have branched out to become global players.

This had forced them to meet larger competition and high volatility in the business nvironment they operate: Strategy is the direction and scope of an organization over the long term: Which achieves the advantage for the organization through its configuration of resources within a changing environment, to meet the needs of the markets and to fulfill stakeholder expectation (Jhonson and Scholes, 2001). Every act initiated by the competitors or its customers of the company has far reaching consequences.

It may be that any single desire or the ambition by the top management can alter the destiny of the company. 422 Porter (1985) has suggested the five force model and in this model he provides mphasis on all the relevant factors that an organization should consider. He says that for an organization to succeed it needs to take into account the firm, its competitors, its suppliers, its customers and also its substitutes. If all these are not monitored properly and the linkages not understood correctly, then it can impede the performance of an organization.

A study contrasting high- and low-performing organizations yielded the data as shown in Table l. So it becomes imperative for the managers to have the clear understanding of the ultimate performance standards the firm has to achieve. Obviously, mere understanding may not suffice. They should also ensure that the information is properly communicated down the line. Further the top management must be in a position to periodically monitor the progress with regard to the achievement of the strategic goals in order to ensure successful achievement of the strategies.

For making a meaningful evaluation, they must be having some objective measures to review the efficiency of the company taking into account all the dimensions of its operation. It is observed that, in the present day context in any organization the intangible factors drive the tangibles assets. In a report on the Accounting for Intangibles, it was stated that: Human capital and structural capital are an indication of a company's future value and ability to generate financial results.

This is why a more systematic method of reporting on and managing these intangible dimensions is needed (Skandia Reporting Model, 2001). So the present day managers should also be proficient in reviewing the efficiency of the company in all the intangible components of the business operation, viz. in employee satisfaction, quality standards, social obligations, customers and other non- inancial which are very important to the success of an organization. All the above requirements can be only linked effectively with the help of an appropriate strategy. xistence only if it achieves the goals derived out of the strategic thinking process. If the company were to achieve its goals, then it would only mean that all the parameters set for all the functions and activities of the firm are to be accomplished. Porter (1996) further describes: Ultimately, all differences between companies in cost or price derive from hundreds of activities required to create, produce, sell and eliver their products or services [.. .] differentiation arises from both the choice of the activities and how they are performed.