

**The Evaluation of the Impact of using Balanced  
Scorecard on Strategic Performance in Small and  
Medium Enterprises**

By

Abdulsattar M. Alshammari



**Master of Business in Strategy and Innovation Management**

**Galway-Mayo Institute of Technology**

September 2011

## ACKNOWLEDGMENT

I would like to thank almighty Lord for granting me the capability to proceed successfully. I would like to thank my supervisor, colleagues, and all those who helped me in completing this thesis, without their assistance and guidance this could not be possible. Last but not least, I would like to dedicate my thesis to all those who believe in the richness of learning.

## DECLARATION

I adjudge, the content of this dissertation is completely collected and done by unaided effort and the material in it, has not been published ever before. The opinion that is reflected in this dissertation is purely my opinion and does not represent any University's opinion.

Signature:

## **ABSTRACT**

In this research study the BSC significance has been discussed and analyzed, the organizations if implement the BSC model in the organizations only then the performance of the employees as well as the performance of the organizations will get improved. In this research study the mixed methodology has been used, in the quantities research methods the questionnaire are being filled and interviews are also be conducted from the company's managers. In this research study the close ended as well as the open ended questions are being used. Thus after analysis it can be proved that the performance of the organizations and employees can be improved by implementing the BSC model in the organizations.

## TABLE OF CONTENTS

ACKNOWLEDGMENT.....	ii
DECLARATION .....	iii
ABSTRACT.....	iv
TABLE OF CONTENTS.....	v
CHAPTER 1: INTRODUCTION .....	1
<i>Overview</i> .....	1
<i>Background of the Study</i> .....	2
<i>The Balanced Scorecard</i> .....	3
<i>The learning and growth perspective</i> .....	5
<i>The internal business process perspective</i> .....	6
<i>The customer perspective</i> .....	6
<i>The Financial Perspective</i> .....	7
<i>Aims and Objectives</i> .....	8
<i>Aims</i> .....	8
<i>Objectives</i> .....	8
<i>Problem Statement</i> .....	9
<i>Significance of the study</i> .....	9
<i>Layout of the Dissertation</i> .....	9
CHAPTER 2: LITERATURE REVIEW .....	11
<i>Historical Foundations of Balanced Scorecard</i> .....	14
<i>Theoretical background of Balanced Scorecard</i> .....	17
<i>The performance of implementing the BSC</i> .....	22
<i>Importance of Non-financial Performance Measures</i> .....	25
<i>The advantages of adding qualitative perspective with the BSC</i> .....	27
<i>Rise of tire Balanced Scorecard</i> .....	29

<i>The importance of the balanced scorecard technique .....</i>	31
<i>The Problems of the Balanced Scorecard .....</i>	32
<i>The impact of the BSC on the organizations .....</i>	33
<i>The Balanced Scorecard in the Non-Profit Setting .....</i>	37
<i>The BSC's development .....</i>	38
<i>Summary .....</i>	41
<b>CHAPTER 3: METHODOLOGY .....</b>	<b>42</b>
<i>Introduction.....</i>	42
<i>Research Design .....</i>	43
<i>Research Method and Design Appropriateness .....</i>	43
<i>Research Methods .....</i>	44
<i>Quantitative Aspect.....</i>	45
<i>Qualitative Aspects .....</i>	45
<i>Interview Questions .....</i>	46
<i>Instrument .....</i>	47
<i>Questionnaire.....</i>	47
<i>Interview .....</i>	48
<i>Role of the Researcher .....</i>	49
<i>Research Ethics.....</i>	49
<i>Confidentiality.....</i>	50
<i>Informed Consent.....</i>	52
<i>Understanding.....</i>	52
<i>Voluntariness .....</i>	53
<i>Competence.....</i>	53
<i>Limitation of the study .....</i>	53
<i>Literature Search .....</i>	54
<i>Research Time Frame .....</i>	54
<b>CHAPTER 4: ANALYSIS AND DISCUSSION .....</b>	<b>55</b>

<i>Introduction</i> .....	55
<i>Descriptive Analysis of the Questionnaire</i> .....	55
<i>Section 1</i> .....	59
<i>Type of Businesses Surveyed</i> .....	59
<i>Section Two</i> .....	62
<i>How did you know about BSC (Balanced Scorecard)?</i> .....	62
<i>Implementation of BSC (Balanced Scorecard)</i> .....	63
<i>Average number of competitors</i> .....	64
<i>Schedules or Deadlines Regarding the Implementation of BSC</i> .....	64
<i>Section Three</i> .....	65
<i>Financial Returns Satisfy Shareholder Expectations</i> .....	65
<i>Profitability, Economic Value Added</i> .....	66
<i>Sales Growth</i> .....	67
<i>Cash Flow Generated</i> .....	68
<i>Return on capital employed (ROCE or EVA (Economic Value Added))</i> .....	69
<i>Customer Satisfaction and Customer Retention</i> .....	70
<i>Customer Acquisition and Market Share Increase</i> .....	71
<i>Lead-Time Occurs and On Time Delivery (if applicable)</i> .....	72
<i>The Balanced Scorecard provides management with a comprehensive picture of business operations</i> .....	73
<i>Existence of measures of how well the company identifies the customers' future needs</i> .....	74
<i>Creativity and Unexpected Ideas Increase</i> .....	75
<i>Existence of Quality Measures</i> .....	76
<i>Existence of Cycle Time Measures</i> .....	77
<i>Existence of Cost Measures</i> .....	78
<i>Existence of post sales services measures - measures for warranty, repair and treatment of defects and returns</i> .....	79
<i>Increase of Employee Retention</i> .....	80

<i>Increase of Employee Training</i> .....	81
<i>Increase of Employee Skills</i> .....	82
<i>Increase of Employee Satisfaction</i> .....	83
<i>Increase of Employee Morale / System availability &amp; "front line" customer information</i> ..	84
<i>Team member 's cooperation maximized / Team members are focused on helping one another succeed</i> .....	85
<i>Cross organizational team occur - More open channels of communications and Enthusiastic People</i> .....	86
<i>Did the implementation of BSC (Balanced Scorecard) - Transforms strategy into action and desired behaviors?</i> .....	87
<i>Were strategic initiatives that follow "best practices" methodologies followed through the entire organization?</i> .....	87
<i>How satisfied are you with BSC (Balanced Scorecard implementation)?</i> .....	88
<i>Did the implementation of BSC (Balanced Scorecard) bring unique Competitive Advantage such as: reduce time frame, improved decision and better and better solutions, improved process or any other competitive advantage?</i> .....	88
<i>Did the implementation of BSC (Balanced Scorecard) help in the alignment of key performance measures with strategy at all levels of an organization?</i> .....	89
<i>Did the implementation of the methodology facilitate communication and understanding of business goals and strategies at all levels of an organization?</i> .....	89
<i>Did the implementation of the Balanced Scorecard help in reducing the abundant information of the company which IT systems process as essentials?</i> .....	89
<i>Who actually makes the process of monitoring and controlling while implementing BSC (Balanced Scorecard) program?</i> .....	90
<i>In your opinion, do you see that BSC (Balanced Scorecard) added value for your organization? If yes then how? If no then why?</i> .....	90
<i>How can you enhance the implementation of BSC (Balanced Scorecard) in your organization?</i> .....	90
<i>What are the major pitfalls which confronts during the implementation of BSC (Balanced Scorecard) in your organization?</i> .....	91



<i>The Balanced Scorecard provides management with a comprehensive picture of business operations</i> .....	91
<i>What do you like most about BSC (Balanced Scorecard) implementation?</i> .....	92
<i>What most motivates you to implement BSC (Balanced Scorecard) in your organization?</i> .	92
<i>Comparison between small and medium with large enterprises</i> .....	93
<i>Interview</i> .....	97
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS .....	100
<i>Recommendations</i> .....	103
REFERENCES .....	105
APPENDIXES .....	110
<i>Appendix 1 Sample of Questionnaire/ the structured interview questions</i> .....	110

### **List of Figures**

Figure 1 vision translated to internal objectives (Horngren, Foster, & Datar, 2000) .....	5
Figure 2 Business Type.....	59
Figure 3 Organization/ Company type.....	60
Figure 4 Net profit (if applicable).....	61
Figure 5 How did you know about BSC (Balanced Scorecard)? .....	62
Figure 6 How long have you been implementing BSC (Balanced Scorecard) in your organisation? .....	63
Figure 7 Is there any schedules or deadlines you are committed to regarding the implementation of BSC (Balanced Scorecard)? .....	64
Figure 8 Financial returns satisfy shareholder expectations .....	65
Figure 9 Profitability, Economic value added .....	66
Figure 10 Sales Growth .....	67
Figure 11 Cash flow Generated.....	68
Figure 12 Return on capital employed (ROCE) or Economic Value Added (EVA) .....	69
Figure 13 Customer satisfaction .....	70
Figure 14 Customer retention.....	70
Figure 15 Customer acquisition .....	71
Figure 16 Market share increase .....	71
Figure 17 Lead-time occurs.....	72
Figure 18 on time delivery (if applicable) .....	72
Figure 19 The Balanced Scorecard provides management with a comprehensive picture of business operations.....	73
Figure 20 Existence of measures of how well the company identifies the customers' future needs ..	74
Figure 21 Creativity and Unexpected ideas increased.....	75
Figure 22 Existence of quality measures.....	76
Figure 23 Existence of cycle time measures .....	77
Figure 24 Existence of cost measures.....	78

Figure 25 Existence of post sales services measures - measures for warranty, repair and treatment of defects and returns.....	79
Figure 26 Increase of employee retention.....	80
Figure 27 Increase of employee training .....	81
Figure 28 Increase of employee skills .....	82
Figure 29 Increase of employee satisfaction .....	83
Figure 30 Increase of employee morale .....	84
Figure 31 System availability & "front line" customer information .....	84
Figure 32 Team members cooperation maximized .....	85
Figure 33 Team members are focused on helping one another succeed.....	85
Figure 34 Cross organizational team occur - More open channels of communications .....	86
Figure 35 Enthusiastic People .....	86
Figure 36 Net Profit of all the respondents types.....	94

### List of Tables

Table 1 List of the companies participated the survey .....	57
---	----

## CHAPTER 1: INTRODUCTION

### Overview

Small and medium scaled enterprises play a vital role in determining the economic standing of any developed or developing country. The businesses apart from value adding to various sectors of the economy are intensively involved in job creation in geographic locations they operate in. The businesses are economically and socially motivated which raises the complexness of their decisions pertaining to the organization. It is a common perception that during decision making processes by SMEs (Small and medium enterprises) significant perspectives are ignored or neglected. These perspectives can range from ethical to any social mission of the organization which claims to be committed. Balanced scorecard is the strategic management tool which ensures incorporation of the perspectives in the decision making process.

Numerous articles and books have not only discussed the vantages of the Balanced Scorecard but its applications in the profitable sectors. Following are the successful users of BSC (Balanced Scorecard):

- AM & R division of Mobil Oil
- Tenneco
- Brown and Root
- AT&T
- Intel
- 3Com

- Elf Atochem

In the service sector, following are the adopters:

- International Accounting firm Ernst and Young
- The Bank of Montreal
- Allstate Corp
- Cigna Insurance's property-and-casualty division

There are various non profitable organizations like Universities and governmental agencies that have adopted BSC (Balanced Scorecard) in order to become more and more efficient.

### **Background of the Study**

Enhancing the strategic work is a key component for driving the firms to succeed in accomplishing the expected opportunities or keeping away from the potential threats which accordingly lead to clarify and breakdown the goals and the requirements of each in the internal environment.

The elite companies employ different performance measurements for analysing, and judging the procedures, workforce, and programs. There is one drawback and that is these programs are fiasco in measuring and monitoring the multiple performance dimensions and only concentrate on the financials measurements.

There are many researchers who developed the balance score card but DR. Robert S. Kaplan and Dr. David P. Norton are the famous researchers who developed module of balance

score card and for using that module they wrote books also. The basic objective was that, the firms can achieve their objectives successfully. According to studies by Dixon, Nanni, & Vollman (1990), Ernst & Young (1998), Neely (1998), and Daly (1996), evaluation system which is based on performance has more validity than the evaluation system which is utterly based on the financials. The main advantage of using balance score card is that the managers can be motivated to take balance view across a range of performance measures

### **The Balanced Scorecard**

The Balanced Scorecard is an incorporated set of financial and non-financial measures employed in a firm's strategy executing procedure which underlines the strategy of communication with the members and for providing feedback for attaining goals of the organization (Mendoza & Zrihen, 2001). The scorecard can be used at different levels for the total organization or a sub-unit, or as a "personal scorecard." The scorecard can be useful in various levels of the organization either in the subunit or as a personal score card. The BSC (Balanced Scorecard) can provide managers with the tools they need to compete in the future and executives the ability to monitor the effectiveness of an organization's strategy. The BSC (Balanced Scorecard) allows an organization to take their mission and strategy; then translate them into a set of performance measures that provide the foundation for a strategic management system. The BSC (Balanced Scorecard) includes the traditional financial objectives, but also includes the objectives that drive financial results.

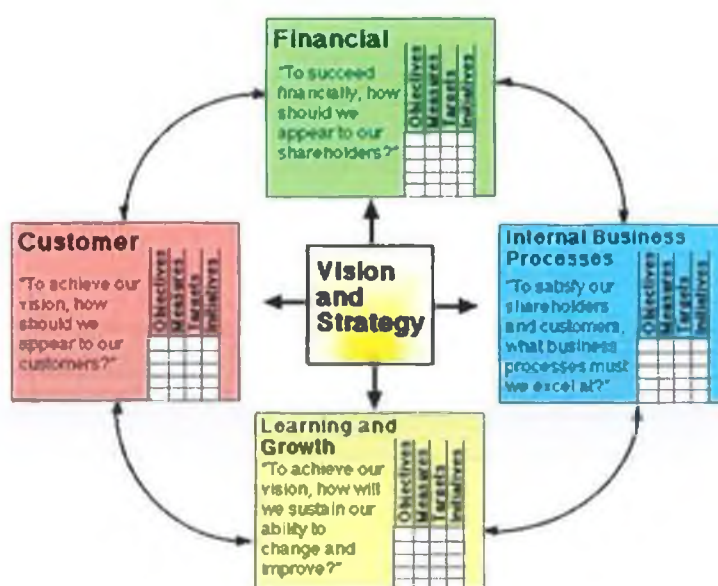
For every level the BSC (Balanced Scorecard) recognizes the main components of operations, formulate objectives for them, and recognizes ways for measuring the progress toward them. The scorecard measures performance across four perspectives: financial, customer,

internal business processes, and learning and growth. It gives an organization the ability to acquire and monitor the intangible assets they will need to be successful in the future. Kaplan and Norton acknowledge all organizations do have financial and non-financial measures, but many only use the non-financial numbers for local level indicators and to work with their customers. Senior managers are really focused on the financial measures and are actually using these numbers for short term goals and tactical feedback. The BSC (Balanced Scorecard) specifically points to the need to communicate both financial and non-financial measures to employees at all levels of an organization.

Birchard (1995) and Kurtzman (1997) report that most US companies seek improvements in performance measurement. Their concern is that measurement systems that focus on the wrong aspects of performance can undermine the enterprise's strategic mission by perpetuating short-sighted business practices (Hoffecker & Goldenberg, 1994). The Balanced Scorecard is based on several underlying notions. First, because financial measures alone do not adequately measure the health of a company, a single-minded pursuit of financial objectives could lead to long-term ruin. Second, because Balanced Scorecard focuses on process, not metrics, it is forward-looking rather than backward-looking. Third, the scorecard is an analytic framework both for translating a company's visions and business strategies into specific, quantifiable goals and for monitoring performance against those goals. When fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise.

There is general agreement that a typical Balanced Scorecard would include the following four components in some form (as shown in Fig. 1): learning and growth perspective,

internal business process perspective, customer perspective, and financial perspective (Horngren, Foster, & Datar, 2000). Inherent in this model is the idea that “gains in the learning and growth perspective lead to improvements in internal business processes, which in turn lead to higher customer satisfaction and market share, and finally to superior financial performance” (Horngren et al., 2000, p. 467). Thus, the Balanced Scorecard scheme is organized and rational and identifies for employees and management the importance of each perspective as a feeder of success into the next perspective.



*Figure 1:* vision translated to internal objectives

The following sections describe the perspective for different fields and sections:

### **The Learning and Growth Perspective**

This perspective includes employee training and corporate cultural attitudes related to individual and organizational self-improvement. In a knowledge-worker organization, people the

only repository of knowledge are the main resource and should be in a continuous learning mode. Frequently cited Balanced Scorecard measures for the learning and growth perspective emphasize employee capabilities (Kaplan and Norton.2007), information systems availability, and motivation and empowerment. Kaplan and Norton (2007) emphasize that learning includes not only training, but also mentoring, ease of communication among workers, and technological tools.

#### **The Internal Business Process Perspective**

Metrics based on this perspective allow managers to evaluate how well their business is running, and whether products and services conform to customer requirements (the mission). These metrics must be carefully designed by those who know these processes most intimately; with firms' unique missions these cannot be developed exclusively by outside consultants. Frequently cited Balanced Scorecard measures for the internal business process perspective include the innovation process, operations process, and post sales service (Sharma, P. 2003).

#### **The Customer Perspective**

Managers increasingly realize the importance of customer focus and customer satisfaction in any business. Dissatisfied customers will find other suppliers who meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even if the current financial picture looks good. In developing metrics for satisfaction, the kinds of customers and the kinds of processes needed to provide a product or service to those customers should be analyzed. Frequently cited Balanced Scorecard measures for the customer perspective



include market share, customer satisfaction, and customer retention percentage (Chabrow, 2002; Holloway, 2002; Needleman, 2003).

### **The Financial Perspective**

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority and with the implementation of a corporate database, more of the processing can be centralized and automated. Frequently cited Balanced Scorecard measures for the financial perspective include operating income, economic value added, and return on investment.

## Aims and Objectives

### Aims

The main aim of this thesis is to evaluate the benefits of using Balanced Scorecard (B.S.C.) in Small and medium enterprises (SMEs) that pertinent to business field in different countries (Mainly in the Kingdome Saudi Arabia).

### Objectives

The main aims of this research can be achieved by satisfying the following objectives:

- To determine the uses of Balanced Scorecard in small and medium businesses.
- To determine the perception regarding Balanced Scorecard Technique in small and medium enterprise.
- To recognize the business needs that persuades the management to bring in Balanced Scorecard technique into their strategic decision making process.
- To explore the difficulties faced in the application of BSC (Balanced Scorecard) in small/medium enterprises.
- Considering customized applications of BSC (Balanced Scorecard) exploring how teams have adjusted to the concept, are building on it and how they intend to ameliorate.
- To determine the causes behind changing the strategy implementation tool to Balanced Scorecard.
- Investigate the significance level of Balanced Scorecard in small and medium businesses' strategy.

- To assess the management support on Balanced Scorecard.
- To compare the large organizations' experience with Balanced Scorecard vs. SMEs.

### **Problem Statement**

The broaden demand for applying the balanced scorecard on strategic performance in Small and medium enterprises businesses has become high significance with the latest developments of various technologies. Hence, the simulation of the benefits of balanced scorecard and checking the results before and after the balanced scorecard is substantial for accomplishing the expected results pertinent to the capacity of the systems.

### **Significance of the Study**

The significance of this research study is that the researcher gets to know about the BSC (Balanced Scorecard) and how its implication evaluates the performance SMEs. The researcher gets to know either by implementing BSC (Balanced Scorecard) the SMEs can efficiently measure the performance of their organizations or not and what more actions should be taken by the management of the organizations in order to make more improvements in the performance evaluation procedure.

### **Layout of the Dissertation**

The thesis has been organized in the following manner:

Chapter 1: Provides the introduction to the study. This chapter sets out the aims and the objectives of the study and defines the problem statement.

Chapter 2: Details the findings from the literature about the historical background of BSC (Balanced Scorecard) and its implication in SMEs for evaluating performance. In this section, the literatures pertinent to the topic of the dissertation and similar studies have been discussed.

Chapter 3: Describes the research methodology followed in carrying out this research. This section discusses the Balanced Scorecard applications and its benefits. This chapter covers the methodology articulation, and justifies the methodology adopted and its linkage to the research.

Chapter 4: Analyses the results obtained from the research and focuses on the analysis of the Small and medium enterprises and then compare the impact of using BSC (Balanced Scorecard) methodology between Small and Medium Businesses against large businesses by analyzing questionnaire for different practical points related to this field, then analysis the data attain from the research methods like interview response from Nortel Company's management.

Chapter 5: It concludes the research study findings which are extracted out from the chapter 4 analysis and discussion. Thus, this chapter includes the conclusions and recommendations for future research based on the findings of research project.

## CHAPTER 2: LITERATURE REVIEW

This paper describes an overview of the theory as well as describing the historical foundation and the development of the theory. Strategy is vital to an organization's success. However, if an organization is unable to effectively implement, communicate and cascade the strategy throughout the organization, companies may have a low rate of success and could experience failure. Harvard Business Review (2005) defined strategy as a well thought out plan to give an organization a competitive advantage through differentiation. Strategy aligns with the mission and values of an organization, where the company desires to be in the future, and how the group plans to get there.

The balanced scorecard was introduced as a performance measurement approach to assess the activity of both tangible and intangible assets of an organization. Kaplan and Norton (1992) described current performance measurements, based on internal financial data, as obsolete and unresponsive to the activity of an organization. The genesis of balanced scorecard also includes activity based costing (ABC) approaches introduced in the 1980's by Johnson and Kaplan (1987). The balanced scorecard approach was introduced to move organizations away from financially biased measurement to a more balanced approach that links four perspectives of an organization's success: financial, customer, internal processes and learning and growth. The balanced scorecard framework has evolved from this multi-perspective performance measurement system to a complex strategy management and control system.

There has been a revolution of performance measurement techniques and frameworks in the last 20 years, and the balanced scorecard framework is by far the most popular; the Hackett Group reports that more than 700 U. S. organizations are mature users (i.e., mature balanced

scorecard users are defined as those companies that use financial and non-financial measures to manage progress on strategy and to manage more than 75% of organization sponsored initiatives or projects) of the balanced scorecard framework. The balanced scorecard has been so widely accepted that an editorial in the Harvard Business Review called it one of the most influential management ideas of the twentieth century. According to Atkinson, Balakrishnan, Booth, Cote, Grout, Malmi, Roberts, Uliana, and Wu (1997), the balanced scorecard is considered one of the most significant developments in management accounting. The first Kaplan and Norton book (1996) has been translated into more than 18 languages. The concept has received much praise and a great deal of usage in the public, private, and non-profit sectors. Strategy-focused consultants have made millions of dollars helping organizations-implement the balanced scorecard framework (Ben 2002, 40).

BSC (Balanced Scorecard) defines as a theory or management approach that was first viewed in the Harvard Business (KAPLAN, R. S. and NORTON, D. P. 1996). The new improvement on this theory appeared in the Kaplan and Norton book. The balance scorecard defined as: "The Balanced Scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system."

To ensure a balance scorecard, the organizational management team copies the mission, vision, and strategy into a scorecard. This scorecard depicts the long term and short term success of the strategy. The scorecard should have the outcome measures which represent the excellent prior performance, and the performance-drivers that lead to the successful future performance.

While the management team have balanced scorecard, then they have the four strategic management team processes, which are:

1. Clarify and translate vision and strategy.
2. Communicate and link strategic objectives and measures.
3. Plan, set targets, and aligns strategic initiatives.
4. Enhance strategic feedback and learning.

The new improvement of this term was doing by the companies which implement the balance scorecard to their strategic management processes. Kaplan and Norton argued that the implementation of the theory has the same importance of the improvement of the strategy. They clarified that the successful implementation leads to the principles of the strategic management (KAPLAN, R. S. and NORTON, D. P. 2001):

1. Translate the strategy to operational terms.
2. Align the organization to the strategy.
3. Make strategy everyone's everyday job.
4. Make strategy a continual process.
5. Mobilize change through executive leadership.

The scorecard is paired with a strategy map to be used as a visual to communicate and correlate the intangible assets to tangible assets. It is a simple map showing how the foundation of people and technology affect process, customer satisfaction and eventually financial measures. It is a communication tool to show employees how their jobs fit in to the organization's strategy (Kaplan 2001, 50).

## Historical Foundations of Balanced Scorecard

The time line for balanced scorecard tracks closely with the timeline for practices in accounting and finance. It is further argued that the absence of detailed literature on application of balanced scorecard technique on SME does not imply that is not successful on them. Most literature due to the absence of primary research is based on the literature available and rational understandings pertaining to management. There are differences between SMEs and Larger firms. Subsequently increasing the number of staff member or workers decreases the efficiency of Small and medium enterprises if it is still being operated under one or two leaders. But when the same organizations are small enough their strengths holds under the direct communication. The absence of bureaucracy is helpful in saving time needed in controlling and standardization.

Analogically the application the Balanced Scorecard is taking from large businesses and applied to smaller. The needs more or less do corroborate while the functioning varies. SME and large enterprise both require the following things:

- Directions which are certainly vague and hit the target.
- The need to know if what the managers are doing is directly in line with the mission of the organization.
- Need is there to know the exact focus and what needs to be prioritized (Henrik Andersen, Ian Cobbold and Gavin Lawrie, 2001).

There is a variance amongst the Small and medium enterprises businesses geographically. The set of cultures, mores and norms a society follows influences how economic institutions operation. Researchers tend to look for similar patterns which are found among a significant



sample that can help generalize. A large number of businesses in Small and medium enterprises can be termed as 'Family Firms' (Sharma, P.2003) especially in the Asian societies (HOFHECKER 1994, 517). These family firms largely depend on expertise available in the family for running the businesses. The stakeholder and management are all under the influence of the family. The decisions usually made in such organizations are based on individual experiences and those in favor of the family collectively or individual members. The decisions are hardly always primarily in the interest of the business. Impact of balanced Scorecard management technique surely holds more here as decision makers are usually hired based on merit and capabilities. Such small organizations have been benefiting from such technique and more impact is to be expected. "Balanced Scorecard has been successfully used to assess the health of organizations using multiple dimensions. Although not specifically designed for Family Firms, these approaches can be used effectively to measure the performance of these firms along economic, operational and social dimensions. (Sharma, P.2003, p.10).

The conceptual groundwork for balanced scorecard was developed in the 1980's and 1990's by academics and practitioners in numerous fields (e.g., management accounting, financial, and performance measurement), the term "Balanced Scorecard" was introduced by Kaplan and Norton (1992). It should be noted that another practice, called tableau de bord, introduced in the early 1900's contained most of the concepts of the balanced scorecard. The early activity in the 1920's was the work of DuPont Corporation in developing return on investment (ROI) calculations that led to the pyramid of financial ratios. The ROI results were followed with a flurry of financial ratios that are still used today as diagnostic tools to measure the financial health of an organization. Post-World War II activity includes a focus on quality initiatives and quality measurement that led to the interest in reporting results that were not

used to support strategic decisions including pricing, outsourcing and identification of process improvement initiatives.

### **Theoretical Background of Balanced Scorecard**

Balanced scorecard has been responsible for creating, expanding, and popularizing a number of terms and concepts that are used in management and strategy literature today. It is important to document some of those terms before beginning this review of the balanced scorecard literature. The term, balanced, can be traced to the Greek playwright, Euripides, who espoused the value of a balanced life, and to the organization trust literature that recommends balanced reporting as a basic requirement of trust in an organization. The term, scorecard, simply refers to an approach of documenting results of an activity. Sporting activities, such as golf, use scorecards to document the performance expectations (e.g., par, yardage, handicap), actual score on a hole, and the overall score of the round (usually considered 18 holes).

Most large organizations have used balanced scorecard as a management tool, amongst these some have found it useful while some failed to extract its usefulness. "For a decade, large firms have subscribed to the Balanced Scorecard approach, with mixed results. Most failures follow an inconsistent or half-hearted application of the Balanced Scorecard, or unwillingness to consider the Balanced Scorecard a dynamic process of self-improvement. Small and medium enterprises firms can benefit from the Balanced Scorecard approach by avoiding pitfalls of large firms whose BSC (Balanced Scorecard) implementations failed." (C. W. Von Berge and Daniel C. Benc, 2011. p.1).

A very large number of publications related to balanced scorecard have appeared in recent times. Harvard Business Review has gone to the limit of calling it the “Most important managements since the last seventy five years” (Meyer 2002). The popularity of Balanced Scorecard related products and its general technique is increasing gradually and is surely on a reasonable standing currently. This can be evaluated from the fact that approximately 50 percent of the Fortune 1,000 companies and around 40 percent of the European counterparts use balanced scorecard in their decision making process (Gumbus, A. and W.Meyer, B. M. (2002). et Lyons,2002). The visibility of balance scorecard technique in developing nations and especially in their Small and medium enterprises is still not claimed by mane. Balanced Scorecard The technique has indeed now been translated in 19 different languages. (Robert, K and Norton, 2001 P.1.).The numbers show that the balanced scorecard related techniques and versions of it are there to stay and shall become a more widely accepted concept.

It so happens when such management techniques are introduced to the corporate world, the more advanced and larger firms are first to adopt them. The lag is created when the relatively smaller scaled organization are late in adopting them. In order to bridge these gaps in management techniques across organizations, it is imperative that smaller firms are encouraged to learn and adapt them. This can only come as result of intervention by the state level or union levels. More training and development programs which highlight the benefits of balanced scorecard can improve the popularity of them amongst smaller organizations. Another important aspect of introducing balanced scorecard in Small and medium enterprises businesses is their involvement in job creation.

Almost every organization claims to have company objectives, mission and vision mentioned on their company profiles. But the question is doing they actually mean that? When most organizations talk about business objectives in their management meetings, the focus is usually on the financial aspects of the company. The focus comes naturally as first aim of every 'Profit Maximizing' organization is to sustain itself. But dominance of profitability in management strategy as the only objective sidelines other if not equally but very important objectives (Vitale Mavrillac 1994, 17). In order to fill this gap between manifested objectives and the management focus, two individuals came up with the concept of 'Balanced Scorecard'. Kaplan and Norton proposed the BSC (Balanced Scorecard) technique as answer to the heavy bias falling on financial aspects of the business in management strategies, performance measurement and focus. "In 1992 Robert S.Kaplan's and David P.Nortons concept of balanced scorecard revolutionized conventional thinking about performance metrics. By going beyond traditional measures of financial performance, the concept has given a generation of managers a better understanding of how their company is really doing" (Robert S.Kaplan and David P.Norton 2007, p.2).

From a management strategy point of view, the aim of balance score card it to bring in the company objectives, mission and vision into perspective though key performance indicators and decision making. The four major broad categories which the four way-BSC (Balanced Scorecard) is partitioned on is

1. Financial
2. Customer Service
3. Internal Business Processes

#### 4. Learning and Growth

Keeping these four perspectives in focus for strategic management and operations by simply ensuring that the focus is not simply on one aspect while ignoring the rest. Most jobs are created by small and medium enterprises, may it be developing or developed nations. This naturally increases the impact affect of applying efficient management techniques to smaller enterprises. More so it is easier to incorporate new techniques of management amongst lesser number of people as compared getting a large number of employees to incorporate it. So when it comes to applying the balanced scorecard. "The smaller number of interested internal parties reduces challenges to effective communication and facilitates corporate-wide team participation (Valerie 2006, 429 ). It is easier to get ten people on board than it is to get ten thousand people on board, and it is easier to identify a party or parties not on board within a group of ten than within a group of ten thousand" (C. W. Von Berge and Daniel C. Benc, 2011. p.5). The impact and application of balanced scorecard technique is hence larger and more widespread when applied to smaller enterprises. Apart from that it is easier to incorporate latest management tools when the group in focus is smaller.

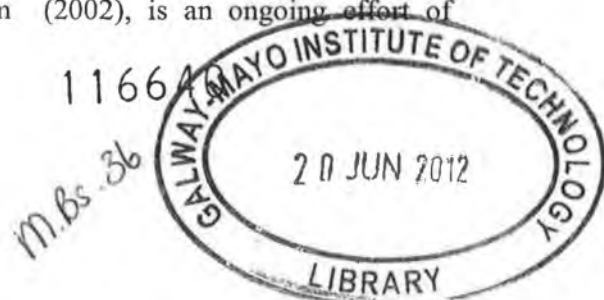
Organizations today have a scorecard for most functions (e.g., HR scorecard, IT scorecard, stakeholder scorecard), but they are often not balanced scorecards. The balanced scorecard refers to a set of performance measures that is used to manage and control the strategy of an organization. The balanced scorecard begins after the vision and strategy of an organization are developed and is meant to ensure that the organization is tracking measures that represent progress in executing the strategy. Kaplan and Norton (1992, 1996) popularized two kinds of measures: lag measures that represent results at the end of a time period and often represent

historical performance, and lead measures 18 that drive or lead to the performance represented by lag measures. Financial measures are often considered lag indicators and are the reason Kaplan began the discussion about a need for measures that represent progress on strategy.

Another issue popularized by Kaplan and Norton (1992, 1996) was the change in relationship between tangible and intangible assets in an organization. According to a Brookings Institute study, the book value of tangible assets of U. S. organizations has dropped from 62% of industrial organizations to 10 to 15% of the market value of information age organizations. Tangible assets include cash, equipment, real estate, and accounts receivable and are managed using financial measures. Intangible assets include customer relationships, innovative products, company routines and processes, employee capabilities, skills, motivation, information technology, and databases. Kaplan and Norton (1992, 1996) argued that it is the intangible assets that create value, and there was no method to measure these assets and link them to the strategy of the organization. The four core perspectives of a balanced scorecard include tangible assets but are focused on the strategy of increasing the value of intangible assets.

The four perspectives of the balanced scorecard should include both lag and lead measures. Kaplan and Norton have provided flexibility in the definition of the four perspectives but have continued to use the same four perspectives since the first introduction of balanced scorecard in 1992.

According to Goia and Pitre (1990), a theory is a coherent explanation of an observed or experienced phenomenon. Marsick (1990) said that good theory should contain rigor and relevance, while van deVen (1989) required validity and utility. Most have assumed that there is some theory building process that, according to Lynham (2002), is an ongoing effort of



confirming, adapting, and applying a theory. The balanced scorecard may be a good example of what Argyris and Schon (1974, 1996) called theories in use and Lynham (2002) called theories in practice. Both theories in use and theories in practice represent a set of continuously improving frameworks of how a phenomenon works as we experience them. Even the earliest documentation of balanced scorecard is devoid of theoretical support.

There does not appear to be any work that would recommend or identify the theory of balanced scorecard. Although there may be no theory of balanced scorecard, both learning organization and stakeholder theory appear to be prominent throughout each of the four core perspectives and the supposed cause and effect relationships among the perspectives. Stakeholder theory is visible in the expanded accountability and responsibility demanded of an organization using balanced scorecard. Organizational learning theory supports all four perspectives--it is central to the learning and growth perspective, but also supports the need for the organization to improve routines and processes in one perspective and require continuous improvement in each of the perspectives. The discussion below expands the link: between balanced scorecard, stakeholder theory, and organization learning theory.

#### **The Performance of Implementing the BSC (Balanced Scorecard)**

A similar study on Balanced Scorecard was carried out in UK focusing on the Manufacturing sector in UK. The study verified the proposed mythology as useful. The competitive environments demand a dynamic and evolving management system. The Balanced Scorecard is a dynamic system, which has been denied by, that adapts to new changes as they are brought in the system. (K Fernandes, Vinesh Raja, Andrew Whalley,2006). A research conducted in China and Taiwan had a sample containing control and experimental companies.

The control group was not implementing Balanced Scorecard while the experimental group was having the Balanced Scorecard system in it. “The result confirmed that implementation of Balanced Scorecard management could effectively enhance accomplishment of strategic goals and performance.” (Der-Jang Chi and Hsu-Feng Hung, 2011).

In this research Technology companies were researched. A company was taken which used the Balanced Scorecard and other ones were taken which were not applying the Balanced Scorecard technique in their organization. The purpose of the research was to establish a relation between company performance and the Balanced Scorecard system. The observations were taken in the longitudinal way. The performances were measured over time. The company which adopted Balanced Scorecard technique was able to improve on the customer care perspective while the control groups were not able to do so. The company also performed marginally and more than marginally better on other perspectives as well. This research was the first of its kind in China and Taiwan; other researches were mostly focused on Western Companies based on which companies in both these countries could not be generalized. The study established that the following could ensure success of Balanced Scorecard according to Der-Jang Chi:

1. The complete buy-in of the whole higher management. This is very important for the sake of formal approval and implementation.
2. Assigning an individual or group which formally implemented and worked on BSC (Balanced Scorecard) method. The company in experimental group was only able to gain when an particular manager was assigned the responsibility for BSC (Balanced Scorecard) application.



3. The support of learned and experience academia is needed to help company implement and modify BSC (Balanced Scorecard) according to organization needs.
4. The benefits and incentives associated with performance need to be especially aligned with BSC (Balanced Scorecard) for it to work.
5. Feedback is also very important during the implementation of Balanced Scorecard process.

Following suggestions were brought forward by the research team regarding the performance measurement system of implementing Balanced Scorecard“(1) In financial perspective: select proper financial evaluation indicators, while in accounting system and execution, it is recommended to adopt Activity-Based Costing (ABC) and responsibility accounting, to allow responsibility division to be more clear, and can better reduce the unnecessary expenditure. The budget preparation shall be sufficiently associated with the BSC (Balanced Scorecard) performance system. In this way, the budget of each department or unit may be reasonably allocated and the corporate resources can be fully utilized. (2) In customer perspective: induce in Customer Relationship Management (CRM) system, strengthen communication with customers; in particular the main customers and potential customers, to understand and conform to their demands in product functions and quality. (3) In internal business process perspective: induce in such systems as Total Quality Management (TQM), International Standard Organization (ISO) 9000 series, and management by objectives (MBO) to facilitate work procedures to conform to standard operation process (SOP), to improve product quality, and so as to increase the work efficiency. (4) In learning and growth perspective: encourage and plan employees to engage in continued learning, formulate active and creative

corporate culture, to become “learning organization”, create new thinking for all corporate members, and increase the corporate competency. Besides, it shall jointly grow with suppliers and customers, to jointly create values. On the other hand, with the human resource management viewpoint, the Balanced Scorecard system shall be associated with incentive system.

### **Importance of Non-financial Performance Measures**

Many observers of business practice have criticized the exclusive use of financial performance measures, which may create a short-term mentality among managers. Financial measures can induce managers to make short-run business decisions that may not be optimal for long-term business success. Managers may strive for short-term financial results at the expense of other areas such as research and development, thus sacrificing long-run success. Financial measures tend to capture the current impact of decisions, missing the link between short-run actions and long-run strategy. Andersen (2001) suggests that traditional profitability measures assess past performance, while strategic long-term performance needs more forward-looking measures. Over the last two decades, professional and academic authors have stressed the need to rely more on non-financial measures of performance. Companies are shifting from financial performance measurement systems to systems containing a broader set of measures (Chabrow 2002, 20). Attention has been focused on value creation through the use of performance measurement systems that examine the drivers of customer value, shareholder value and organizational innovation. Many organizations in America today borrow methods of operation and management tools from the business world. While some of these methods and tools may

seem to be out of place or, at best, a poor fit, others have helped school systems and individual organizations progress. One such example is the balanced scorecard.

The balanced scorecard was first introduced in 1992 to help businesses better monitor performance. The balanced scorecard was designed to translate an organization's strategy into terms that could be understood and acted upon by everyone in the organization. Toward that end, the first balanced scorecard used the language of measurement to define the meaning of strategic concepts such as quality, customer satisfaction, and growth. This important tool gave birth to the development of a one-page strategy summary known as a strategy map. These two tools have worked their way into the field of education. Although not yet widely used, the popularity of the balanced scorecard is growing. The balanced scorecard is built around an organization's mission. Main goal areas that support the mission are identified and strategic objectives are assigned to each. Each strategic objective corresponds to units of measure, trend data, and an annual measurable goal. The use of the balanced scorecard forces school systems and individual organizations to act immediately upon data linked specifically to the goals established within the document itself.

The immediacy of the response elicits the use continuous school improvement model. Many school systems use, for example, the 8-step process of continuous improvement, which identifies problems using data similar to that presented by the balanced scorecard. Resolutions follow a standard problem-solving sequence in which solutions are proposed based on data and various remedies are implemented and monitored. The value of any problem-solving sequence is, however, in applying useful data drawn from a continuing source of information; hence, its connection to the balanced scorecard. Thus, it is not the 8-step process that is important; rather, it

is the kind of sequential decision making that using the balanced scorecard virtually forces on the organization. As the data become available, the school cannot simply turn its collective head and ignore relevant information. The business world has long recognized that in order to function effectively, an organization has to be aligned around its strategy. The challenge is to align management processes and systems to strategy. In response to the need for strategic enterprise management, the Balanced Scorecard Concept was introduced in a 1992 Harvard Business Review article (Callahan 1998, 46).

#### **The Advantages of Adding Qualitative Perspective with the BSC (Balanced Scorecard)**

Corporate social responsibility is a necessity which has to be taken care by all organizations of all types may it be large, medium or small. CSR is indeed being strictly monitored in all developed countries and eventually becoming a compulsion in developing nations as well. As the trade of developing countries is depended on developed ones in a number of ways and most organizations want their suppliers to comply with CSR, the possibility of organizations without CSR have little chance in international trade. The question stand as to how much CSR is catered in the Balanced Scorecard system. It has been the case when financial perspective is very dominant the issue of sustainability becomes vague with the organization. The attention sustainable development demands is hardly met in this way. The business ethics also become questionable when they are attentively not being looked after by organizations. "Recent research activities at the IWOe-HSG have shown that the instrument of the Balanced Scorecard is suitable to integrate qualitative, e.g. environmental and social, aspects into the core management system of companies (see Bieker, Dyllick, Gminder, Hockerts, 2001)." (Thomas Bieker and Bernhard Waxenberger). Both these authors further argue that Balanced Scorecard in

its essence is a functionalist concept regardless of involving so many perspectives. Its dependency on quantitative aspects of performance evaluation limits its performance on the ethics and Corporate Social Responsibility aspect. The need is to involve qualitative perspective which includes CSR. Bieker and Waxenberger claim that research shows that Balanced Scorecard lacks the CSR element. Sustainability related issues are hardly catered for in the technique.

Locating and identifying the shortfalls of Balanced Score Card system, Bieker and Waxenberger propose an advanced level of Balanced Scorecard which is Sustainable Balanced Scorecard (SBSC). The theme includes important aspects such as environment and sustainability which apparently was being left out by the initial Balanced Scorecard technique. Stress is laid on for using SBSC (Sustainable Balanced Scorecard) as a planning tool which incorporates sustainability and environment. Mostly both these are separately handled by separate function of an organization. The importance of SBSC (Sustainable Balanced Scorecard) is even more important for small and medium enterprises as they seldom ever have a function support for sustainability and environment. This would naturally help global sustainability and an environmental friendly work environment for most. Now the five major perspectives would include:

1. Finance
2. Customer
3. Processes
4. Learning
5. Society

## Rise of Tire Balanced Scorecard

In response to the perceived weaknesses in traditional financial performance measurement systems, Kaplan and Norton introduced the Balanced Scorecard. The BSC (Balanced Scorecard) model is claimed to be an effective combination of financial and non-financial measures. The BSC (Balanced Scorecard) explicitly focuses on links among business decisions and outcomes, in an attempt to guide strategy development, implementation and communication. The BSC (Balanced Scorecard) may also provide reliable feedback for purposes of management control and performance evaluation. Atkinson et al. [1997] regard the BSC (Balanced Scorecard) as one of the most significant developments in management accounting. In terms of its adoption and use, Silk [1998] estimates that 60% of the US Fortune 500 companies have implemented or are experimenting with a BSC (Balanced Scorecard). Despite widespread interest in the BSC (Balanced Scorecard), little research has been conducted [Ittner & Larcker, 2001]. The BSC (Balanced Scorecard) is a management system that is potentially better reflective of the modern business environment. Specifically, in today's economy, many intangible assets (such as knowledge) have an important impact on a company's success. Traditional accounting measures do not fully (or sometimes even partially) account for these assets, (e.g., financial measures of performance treat investments in human capital as expenses [Johnson, 1992].)

Numerous studies have shown that financial performance measures are more suited to companies operating in low-complexity and high-certainty environments [Gordon and Narayanan, 1984; Govindarajan, 1984; Govindarajan and Gupta, 1985; Abernethy and Brownell, 1997] than to today's operating environment. By including non-financial measures

specifically targeted at the development, maintenance and growth of intangible assets, the BSC (Balanced Scorecard) is suited to a New Economy firm's business. The BSC (Balanced Scorecard) claims two major improvements over traditional performance measurement systems. First, it identifies four areas that are vital for competitiveness in nearly all organizations and at every level within an organization. The four categories of activity are:

1. Investing in learning and growth activities
2. Improving efficiency of internal processes
3. Providing customer value
4. Increasing financial success

By explicit consideration of all four areas, the BSC (Balanced Scorecard) "balances" how each essential area of corporate performance affects the overall success and health of the company. A second claim of the BSC (Balanced Scorecard) is that it makes explicit the links among leading and lagging measures of financial and non-financial performance. These links, both across areas and among individual measures, are believed to reflect the cause and effect relations underlying the firm's business model. Figure I show the basic relations between BSC (Balanced Scorecard) categories. For example, improvements in learning and growth, such as employee satisfaction, should lead to predictable improvements in operations (such as cycle time) which in turn should lead to quantifiable improvements in customer measures (such as reduced waiting time) and ultimately appear as improvements in financial performance. If this claim is true, the BSC (Balanced Scorecard) model can be used as business decision-making tool. That is, outcomes of decisions could be predicted and assessed prior to execution. The model could also provide feedback on prior decisions and their outcomes.

## **The Importance of the Balanced Scorecard Technique**

The balanced scorecard technique gained popularity as it was realized that taking finance as the only performance indicator for organizational progress was not sufficient. The need is to incorporate more indicators and measures in the decision making process. The argument which promotes the balanced scorecard culture is that most organizations initially only focused on financial aims while ignoring key performance indicators for organization such as customer service, learning and growth and internal business process. "In 1992 Robert S.Kaplan's and David P.Nortons concept of balanced scorecard revolutionized conventional thinking about performance metrics. By going beyond traditional measures of financial performance, the concept has given a generation of managers a better understanding of how their company is really doing" (Robert S.Kaplan and David P.Norton 2007, p.2). Organizations which are not involved in balanced scorecard technique for the purpose of measuring their standings and making their decisions were actually failing to look in the long run. "Their concern is that measurement systems that focus on the wrong aspects of performance can undermine the enterprise's strategic mission by perpetuating short-sighted business practices." (Hoffecker & Goldenberg, 1994). In order to create a perpetual progressive system which incorporated four important variables for measuring performance and making important strategic decisions balanced scorecard technique/method was introduced by two individual from Harvard Business School (Kaplan and Norton.2007).

The Balanced Scorecard system asks for thinking beyond the set financial goals which were usually the agenda of most management meetings. The biggest drawback of working with just financial numbers and aims is that they reflect simply the past behaviour and hardly ever



reflect the current or future picture. They are then just rightly labelled as 'Lag' indicators (Robert, K and Norton, 2001, P.3). The balanced scorecard was in its earlier ages was simply a performance measuring tool, gradually it has become a complete management system which involves elaborate strategic questions pertaining to the organization.

Almost every organization may it be small or large has a set of vision and goals which it claims to be aiming at achieve. Interestingly they are always mentioned with the company name but seldom incorporated in the decision making processes. Balanced scorecard is one simple technique which ensures that these goals and visions are on the table while important strategic decisions are being made. While we acknowledge the impact of Small and medium enterprises businesses in creating relatively far more job opportunities as compared to large companies, it should also be acknowledged that the collective impact when all Small and medium enterprises organizations are more mission/vision inclined will be much greater. Simple math explains that larger number of efficient and mission driven small and medium enterprises will add a lot more marginal social benefit to the society. This naturally increases the importance of balanced scorecard technique for smaller enterprises based on the potential collective impact it can make through them (BERGE BENC 2011, 43).

#### **The Problems of the Balanced Scorecard**

The major difficulties the Indian companies in incorporating Balanced Scorecard has been regarding how to incorporate so many perspectives in decision making. These companies have been following a simple rule in processing. Make profit and be legally right. The simple rule might have helped them sustain but to prosper the need is to look in the long run. The companies are not accustomed to including so many perspectives and had a hard time

establishing how to incorporate them. Similarly another problem they faced was as to how such a cause and relation was established. (Manoj Anand , 2005, pp.11-25). The issue is that the real benefits of Balanced Scorecard are in the long run and in the greater picture. The long run is bound to show only in the long run and hence in order to feel the positive effects of such a strategy, companies shall need to wait the long time and then see the change.

A problem highlighted by Kaplan regarding the thinking patterns of employees is that how a very minute percentage of employees at an organization actually are inclined with the mission of that organization. “However a recent Data suggests that only 5 percent of the workforce understands the company’s strategy, only 25 percent of managers have incentive linked to company’s strategy. 60 percent of organizations don’t even link budgets to strategies and less than 85 percent of executive teams spend less than 1 hour per month discussing strategy” (Kaplan and Norton, 2001).

#### **The Impact of the BSC (Balanced Scorecard) on the Organizations**

Best practice in large organizations suggests that Balanced Scorecard design activity should be a collective effort drawing upon the combined operational and strategic insights of key employees involved with running the business. Failure to use a collective approach may weaken the value of the strategy itself (Simon 1957, Mintzberg 1990) and its implementation due to lack of support from those accountable for executing it (Thomson’s “dominant coalition”: (Thomson 1967). (Henrik Andersen, Ian Cobbold and Gavin Lawrie, 2001, p.5) As small organization already have the minimal number of decision makes/stake holders. The buy-in comes naturally. While the same does not hold true for larger organizations where there are larger number of stakeholders, managers and worker unions.

The balanced scorecards are perhaps the same nature of those in larger organizations. The time being taken for processing is less in small and medium enterprises organizations due to the simplicity of the organizational structure. But the approach needs to be documented and organized as done in larger organizations. Both these types would definitely need collective designing to make the Balanced Scorecard work in the interest of the organization otherwise the efforts would hardly be useful in any sense. The small organizations when growing and transforming to medium organization would require more documentations, controls and balances (Henrik Andersen, Ian Cobbold and Gavin Lawrie, 2001). The element of persuasion is really important in doing implementations. The more persuasive the management or owner is, the more outcome can be achieved. As smaller organizer have usually the stakeholders as the direct managers of the enterprises, their persuasion is more in effort and effective. The primary reason for this is certainly the stake involved.

A research carried out in the hotel industry, focusing especially on small hotels inquired the application of Balanced Scorecard technique and its usefulness of the technique (Nigel Evans, 2005). The findings of the research established that detailed application of Balances Scorecard technique is yet not done, while the usefulness of it is certainly there. "Findings – In reviewing the literature it is clear that a source relating to the more detailed implementation issues of strategy (which is where BSC (Balanced Scorecard) can be cited) is relatively scarce. Furthermore the strategy literature relating to the hospitality sector is relatively weakly developed. However, the reports are available which indicate the usefulness of a Balanced Scorecard approach, albeit modified to suit individual circumstances, but also point to potential pitfalls in its implementation. The primary research conducted indicates that a wide variety of measures are currently being used and that many hoteliers are using measures from all four of the

category groupings identified in the BSC (Balanced Scorecard) framework.” (Nigel Evans, 2005). Hotels are one example where all the four dimensions 1) Financial 2) Customer Satisfaction 3) Operations 4) Learning and Growth perhaps equally matter. The customization to suit individual circumstances and requirements is expected and positive impact is perhaps highly dependent on it. The limitations of such a research are that is just one sector whose findings cannot be applied to a lot of other sectors moreover they sample size is always arguable. The expertise of hoteliers perhaps varies from location to location and within locations as well. The expertise would more so depend on the educational background and experience of individuals.

Another study which focuses on impact of balanced scorecard technique establishes its influence over manufacturing sector. The study focused on how such a strategic alignment process can help improve on the organizations performance. The research finding explains a positive relation between strategic alignment as set by balanced scorecard technique and the performance of the organization. The study further calls for more commitment and application of balanced scorecards among manufacturing executives which improves the motivational aspect and empowerment. Similarly aligning the compensation plans with the scorecards is further helpful. (Valerie Decoene, Werner Bruggeman, 2006). The limitations once again fall on generalizing the whole manufacturing industry which is not advisable from just a simple study as this. The sample used has limitation in terms of number, geographic location and representation overall.

There are certain limitations of using balanced scorecard technique with small and medium enterprises businesses as well. For instance it takes a reasonable amount of time to establish the ‘right measures’. Trying to ensure that these are the right measure can take up to

several months and even year according to Kaplan. (Meyer 2002). Secondly, again the problem occurs when there is the case of dynamic organization which keeps on evolving quickly. Such a trait though encourages but adds difficulties to the measurement parameter set in balanced scorecards. This arise the very critical issue of compensation which is determined by performance. Once the performance criteria changes so often, it becomes difficult to update them and adopt them. This would certainly hold true in small and medium enterprises organizations where there is lack of human resource teams to update compensations and other performance indicators. Some difficulties pertaining to measuring indicators are:

1. There are too many measures which need to be catered for. This certainly is asking a lot to companies which are catering to many other needs of the organization.
2. The time and ability to figure them out and incorporating them is not possible for every organization.
3. There are hardly many non-financial measures out there. It is easy to figure out financial measures but non-financial measures are rare.
4. All these measures are always changing with time in order to keep up with them for considering the limitations of time and cost.
5. It is so that compensating people on a single measure creates problems but having more measures created even more problems (Meyer 2002, p.7-8).
6. Individuals have difficulty assigning weights and there is little clarity as to what the cause and relation is. (Manoj Anand , 2005, pp.11-25). Assigning weights within these perspectives and establishing the relation there is even more difficult.

## The Balanced Scorecard in the Non-Profit Setting

Beginning in 1996, the balanced scorecard was applied to non-profit organizations as well. Shortly after the founding of the Social Enterprise program at Harvard Business School, Kaplan approached United Way of America, United Way of Southeastern New England, and several other organizations as prospective pilot sites for applying the balanced scorecard in society's "third sector." Like its corporate counterpart, the non-profit balanced scorecard required total commitment on the part of the executive leadership team. Strategy rather than job description was placed at the center of the nonprofit system. And there was emphasis on "the value of communicating to all units and individuals, aligning them to the strategy, and encouraging them to find innovative ways to achieve strategic outcomes in their daily operations." Kaplan (2002) made the valid argument that success in this sector should be measured by how well the organizations provided benefits to their constituents, not by financial performance based on donations, expenditures, and operating expense ratios. Since financial success was not the primary goal, nonprofits found it necessary to modify the balanced scorecard framework. The mission of the organization was elevated; that is, it was featured and measured at the highest level of the scorecard. After all, "a nonprofit agency's mission represents accountability to society, the rationale for its existence and ongoing support" (Kaplan, 2002, p. 4). In addition, nonprofits had to expand the definition of customer. Both the donor and recipient perspectives could be included in the non profit balanced scorecard. The value of the balanced scorecard as a tool for organizational improvement is clear.

## The BSC's development

It is important to note that the balanced scorecard does not necessarily need to be introduced to a working organization only. The same technique can be applied to new organizations which will be better organized; mission oriented and most importantly shall attract more financing due to the planning which is done on the Balanced Scorecard technique. "Although the discussion so far has focused on introducing Balanced Scorecard thinking to an established SME, this is not a pre-requisite. Adopting the Balanced Scorecard approach during the planning stages of a business venture has its distinct advantages in terms of its ability to help a management team clearly articulate the goals of the venture, and the activities that will realize the goals. It also will highlight areas with the greatest need for change, and may prove useful in securing the necessary external backing for the business" (Andersen, H. et al. 2001. P 8).

The balanced scorecard technique is gradually increasing its popularity amongst small and medium enterprises. The popularity has is already peaking with larger industries, which can afford and have the relevant departments to update managerial decision making strategies. The small and medium enterprises take in learning new techniques and updates. As for the impact, the studies up till now have shown a positive relation of such strategic alignment with the organizational performance. The improvements are visible in individual performances and performances by organizations as a whole. The buy-in of stakeholders and management for Balanced Scorecard is very important, as the number of stakeholders and supervisors is less in small and medium enterprises the buy-in is easy and quicker to come by. It is also concluded that the application process of BSC (Balanced Scorecard) is more or less the same with large businesses and small and medium businesses, while the impact varies. Research conducted in the

hotels industry and manufacturing industry have both shown a positive impact of balanced scorecard technique. This holds true specifically in case of small and medium enterprises as the logic holds when smaller number of individuals communicates the quality of communication is certainly higher. Similarly when fewer individuals need to be trained, educated and updated with management techniques, it is easier to do so.

The adaptation of balanced scorecard technique is not just limited to developed nations. The techniques are being used by developing nations as well. For instance the “The Balanced Scorecard adoption rate is 45.28 per cent in corporate India which compares favourably with 43.90 per cent in the US.” (Manoj Anand , 2005, pp.11-25). Mr Anand came up with many other multitude of interesting finding which are insightful to the literature on BSC (Balanced Scorecard) application in India. The priority for perspective in India is given as per following in the Descending order:

1. Financial.
2. Customers’ Perspective.
3. Shareholders’ Perspective.
4. Internal Business Perspective.
5. Learning and Growth Perspective.

This shows that companies do prioritize financial viability above all other perspectives despite using the balanced scorecard technique. It can also be said that it is highly expected that perhaps financial profitability eventually leads to good performance in all other fronts. The rationales brought forward could be that only a profitable company can afford to keep the shareholders and customers satisfied. Similarly the cost to learn and grow also demands



substantial expenses. A small and medium enterprise can be thought of as stressing more on this rationale, as it does not have such economies of scale or the capability to run other competitors out of business.

Apart from keeping a balance between the perspectives the Balanced Scorecard gave a clear benefit when companies were able to identify cost cutting opportunity.”Most companies claimed that the implementation of the Balanced Scorecard has led to the identification of cost reduction opportunities in their organizations which, in turn, has resulted in improvement in the bottom line” (Manoj Anand, 2005, pp.11-25). Mr Anand and his team carried out a nationwide survey which involved questionnaire based survey. The survey was carried out with categorized 575 companies private and public. A reasonable response was received in order to back the findings of the research and back them.

The research mainly established that the cost reduction has actually helped the bottom line. Furthermore there is a much greater acceptance for Balanced Scorecard as a management tool and hence the number of firms incorporating it and implementing strategies via it is going to increase in the future. Even today the percentage of corporate companies with BSC (Balanced Scorecard) in India is greater than that of USA according to the survey.

## Summary

The literature available which describes the application of Balanced Scorecard on small and medium enterprises is limited. This does not in any way imply that the application of Balanced Scorecard on small and medium businesses is not as useful as for that of large businesses. The impact on what literature is available, analogical reasoning and rationality. The resources also included researches which established findings based on primary research. The limitations of balanced scorecard are there for small and medium businesses as well as large ones. The case of family firms is looked upon as a type of organization where the incorporation of balanced scorecard technique is more needed. It is expected that the positive impacts arising out of these firms would be higher as well. One of the outstanding limitations is the case of a dynamic organization. The cost, time and expertise required to repeatedly update/change the balanced scorecard are expected to be relatively high as compared to the benefits associated with it. Given the current trends and findings, customized application of balanced scorecard technique is positively affecting the organizations performance. The impact is relatively more visible, feasible and greater on smaller enterprises. The need is for widespread promotions, training and development for smaller enterprises. This roles needs to be taken over by management trainers and the states in order to bring the right positive impact of balanced scorecard techniques. Further additions like social responsibility (CSR), environmental and sustainability are essentials for the Balanced Scorecard to survive. Small and medium enterprises are rarely if ever concerned with the CSR and environment issues; for the sake of long run sustainability taking onboard the CSR aspect with small and medium enterprises is very important. Hence Sustainable Balanced Scorecard is management tool which targets both the private and social perspectives.

## CHAPTER 3: METHODOLOGY

### Introduction

A number of researches have been carried out on Balanced Scorecards model, but there is still a certain lack of research on the application of Balanced Scorecard technique in small and medium enterprises. The aim of this paper is to explore the optimal research methodology which could be applied to gauge the usefulness of Balanced Scorecard as a strategic management tool by small and medium enterprises. In this research the businesses are the Offshore Outsourcing Companies operating in the sub-continent providing administrative services to foreign organizations. The choice of the business type and location is mainly because these businesses satisfy the requirement in terms of the company's size, approachable easily (Large presence on the world wide web) and moreover, the growing popularity of offshore outsourcing calls for a focused research on them.

The Balanced Scorecard started as a card which gave an overall picture (Keeping important perspective in focus) of company's performance. It was initially brought in to set off the over emphasis one financial performance and bring in the other three perspectives as performance indicator. It was later brought in as a management strategic tool which translated these performance indicators into decision making (From long term goals translating onto short term decisions) and hence reflecting in operations.

## **Research Design**

In order to attain the most appropriate result, the researcher has to employ the suitable research method in the research study. Research methodology is a documented process for the management of projects that contain procedures, definitions & explanations of techniques used to collect, analyze, store & present the information as a part of research process. For this research study, the mixed methodology research methods were used. In the mixed methodology, the qualitative as well as the quantitative research methods were used, in the qualitative research method the interviews were conducted from the management of the companies.

The research is more exploratory in nature than descriptive. It determined the perception of BSC (Balanced Scorecard) and its application process, its usefulness and repercussions of its incorporation in the organization's decision making. It has also explored the reasons for most repeated outcome (qualitative insights would come into play). In this research study, the following perceptions have been discussed:

1. The responsibility of implementing and supervising Balanced Scorecard
2. How to enhance the application of BSC (Balanced Scorecard)?

Hence the research has been explored multiple objectives through different research tools and a mixed research approach.

## **Research Method and Design Appropriateness**

Research methods comprise mixed method approaches. Researchers choose study designs that facilitate data gathering and analysis relevant to a problem of interest. Whereas quantitative designs enable researchers to examine variable-variable relationships, a qualitative inquiry is an

effective means by which researchers gain insight into contextual factors specific to a central phenomenon.

### Research Methods

There are two research approaches that have been used in this research study i.e. quantitative and qualitative research methods. While the quantitative aspect has been standardized and applied to all the organizations in focus, on the other hand qualitative research has conducted on some specific companies for instance the outliers in the quantitative findings. The findings has been corroborated and qualitative analysis has applied over quantitative output in order to display a more clear and holistic picture.

The respondents have been approached through open ended and structured interview. Due to the large presence of such organizations over the World Wide Web, technology has an important role to play in approaching the organizations.

- Questioners have been uploaded to ([www.surveymonkey.net](http://www.surveymonkey.net)) which has incorporated the balanced scorecard techniques. So most of the companies, users can access the link and fill out the survey in an easy way.
- On the other hand, there is interview related to Nortel Company, where this survey is achieved using direct interview by the person who is responsible of implementing the BSC (Balanced Scorecard) in Nortel Company (Deirdre Corcoran), the results of this survey is shown at the end of this chapter.

### **Quantitative Aspect**

The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships (Asymmetric, 2011).

The quantitative aspects of the research inquiry would be the average size of number of employees in the company, average age of these businesses, net profit earned by them, time since incorporation of BSC (Balanced Scorecard).

The quantitative analysis has also been laid upon the number of respondents terming the BSC (Balanced Scorecard) technique as Satisfactory or not Satisfactory to their company needs. Other statistics have been obtained if the sample response size seems satisfactory to quantitative needs.

### **Qualitative Aspects**

“Qualitative research is used to help the researcher to understand how people feel and why they feel as they do. It is concerned with collecting in-depth information asking questions such as why do you say that? Samples size is smaller as compared with quantitative projects that include much larger samples. Depth interviews or group discussions are two common methods used for collecting qualitative information (Asymmetric 2011). Qualitative aspects of the research have included in-depth research based on structured interview.

## **Interview Questions**

Following are some interview questions that have been asked from the management of Nortel Company about the incorporation of BSC (Balanced Scorecard) for evaluating performance:

1. What were the major difficulties you faced during incorporating BSC (Balanced Scorecard) in the company?
2. What is your level of satisfaction associated with BSC (Balanced Scorecard) implication?

The aims of conducting interviews from the management of the Nortel Company are as following:

- To find out the reasons behind changing the strategy implementation tool to Balanced Scorecard.
- Investigate the importance level of Balanced Scorecard in small and medium businesses' strategy.
- The reason behind using Balanced Scorecards.
- The management support and belief on Balanced Scorecard.
- To get an access on the available documents that provides in-depth understanding of the methodology.

## Instrument

For this research study the instruments used for collecting the most appropriate data are via questionnaire and interviews.

### Questionnaire

A questionnaire is a structured technique for collecting primary data. It is generally a series of written questions for which the respondents has to provide the answers (Bell 1999). While authors such as Kervin (1999) offer a very narrow definition of questionnaires (whereby the person answering the questions actually records his or her own answers), deVaus (1996) sees a questionnaire in a much wider context (namely as a technique in which various persons are asked to answer the same set of questions) (Ben Beiske 2002).

The first part of the questionnaires consists of six questions and asks for particular details regarding the type of organizations, its size, its profitability and other details regarding it. The Second part which consists of five questions deals with how/when/why the respondents became associated with the BSC (Balanced Scorecard) techniques. Where did they get the information regarding it, what influenced them to incorporate it? The third section consists of four divisions (the first division has five questions, the second has six questions, the third has seven questions and the fourth has twelve questions) it deals with respondents' opinion about implementing the BSC (Balance Score Card), in quantitative manner (closed questions). The fourth section consists of twelve questions and represents respondents' opinion about implementing the BSC (Balanced Scorecard) in descriptive manner (open questions). The advantage of using questionnaire is that it answers the research objectives clearly at very minimum cost. The questionnaire can be sent to



a large number of potential respondents from amongst which interview participants can be filtered out.

The questionnaire has been sent by sending the page link of the questionnaire to several strategic planning's managers and businesses' owners in Saudi Arabia who asked whether to distribute it to other strategic planning's managers, supervisors, and some businesses' owners who are using the balanced scorecard. Also, the balanced scorecard institute has been asked to cooperate with the researcher on sending the questionnaire to the companies which use this balanced scorecard because of their closeness from these companies on holding conferences, training, and consulting.

The accumulated organizations that received the link of the questionnaire were 63 companies, 39 responds received, 34 out of the 39 were from SMEs (14 small and 20 medium enterprises) which have been used to do the first part of the analysis. The remaining five respondents were large enterprises and those questionnaires were used to compare the impact of using BSC (Balanced Scorecard) methodology in large enterprises against SMEs to compare the practices and to find out any gaps/ lessons could be observed.

Almost all of the organizations that participated in the questionnaire were Saudi's companies and consisted of foreign companies, although some companies for the sake of their privacy refused to reveal their companies' names.

### **Interview**

Qualitative Interviewing is an adventure in learning about different countries' teachings, their cultural views, their problems and solutions, and how their practices are similar and

different. It is a process of finding out what others feel and think about their worlds. The result is to understand the major points of their message and then compares their opinions with the objectives of the research (Rubin, Herbert & Rubin, Irene, 1995).

In this research study the researcher has interviewed with the management of the Nortel Company who are responsible for implementing the BSC (Balanced Scorecard) in their organization.

### **Role of the Researcher**

In this research study, the role of the researcher is significant. The researcher in order to get the most appropriate results needs to have a grip on Balances Scorecard methodology. The interviewees have expected to engage BSC (Balanced Scorecard) experts in discussion during interviews. He researcher has to describe relevant aspects of self, biases and assumptions, expectations, and relevant history. Also keep track of personal reactions, insights into self and past, in a separate journal - personal notes (Qualitative Research 2011).

### **Research Ethics**

Neumann argued that when conducting a research, participants should understand their roles and expectations related to the study of interest. Primary investigators use informed consent to help candidates decide whether to abstain from or participate in a research study. A researcher who subscribes to inform consent should inform study participants about the purpose of the study, expectations during data collection, and commitment to confidentiality after data collection. Since the data is related to Balanced Scorecard, it was very difficult to collect results so the researcher agrees with the supervisor to get ten surveys.

All the general research ethics should be maintained while performing the research but some of the more important research ethics which must be taken care of are:

- Informed Consent is necessary when the interview is being conducted. The consent can be obtained in oral or written depending upon convenience and need.
- The objectives of the research should be mentioned to the respondents.
- Privacy and confidentiality maintained at all times. Even while representing the analysis the respondent real name/organization should be not used without permission. Only in the interview the real names can be mentioned only with the written consent of the Company.

### **Confidentiality**

Creswell stressed the importance of confidentiality in the research. Respecting a participant's right to privacy and confidentiality is an important element of social science research. Honouring the rights and privacy requirements of study participants is crucial to creating an open atmosphere during data collection. To maintain confidentiality, alphanumeric codes replaced the names of study participants for purposes of identification and discussion. The key to the coding system must be secured in a locked filing cabinet in a home office with other study documents. Three years following the completion of the study, all research materials should undergo destruction to preserve confidentiality. Because participation was voluntary, study participants must have the freedom to opt out of the research for any reason before or during the interview process or filling questionnaire process. At the beginning of each interview or writing answer of each question, participants should have the assurances that they can terminate the sessions, for any reason, without penalty or pressure to continue discussions.

Participants should also receive a verbal reminder of the audio taped interview format, the confidential nature of the research process, and the commitment to maintaining privacy following the completion of the study. Open-ended interviews should be commenced only after participants give verbal approval to proceed with the question and answer process. To ensure compliance with ethical research principles, record maintenance and participant confidentiality must be occurred concomitantly with data collection and should continue for a period of 3 years. During the 3-year period following the conclusion of the research process, all study materials and recordings must reside in a locked filing cabinet in a home or office. Only the principal investigator must have access to the study materials and filing cabinet keys should remain in a safety deposit box at a local bank.

The most serious ethical problem that exploits researchers during the investigation is the use of knowledge that cannot be avoided. That is why the researcher should consider the ethical reasoning while conducting the research study. The researchers should take the transparent actions and consider a wider range of queries pertinent to aim and objective of the study's validity and its reliability. Following are some questions that should be consider while conducting any research study:

1. What is the reason for choosing this topic?
2. What are the sources of funding this research study?
3. To what level does the topic state or support methodology?
4. In what ways the issues of representation, validity, bias, and reliability are being discussed?

5. What is the role of the research? In what ways do these support the purpose of the study?

### **Informed Consent**

In the study, each participant should receive a copy of the informed consent, which comprises an informed consent letter and an informed consent form. The contents of the informed consent form for the study must include the introduction to the study, the purpose of the study, qualifying criteria for participation, and the format of data collection (Pimple 2008, 66). The informed consent form must also contain a signature page, key contact information, and statements related to the voluntary nature of participation. Participants who met the study qualifications should receive informed consent forms by e-mail. Individuals who agreed to participate in the study (a) must provide the e-mail scanned copies of signed informed consent documents or (b) must fax signed informed consent documents. Once received, informed consent documents must be stored in a locked filing cabinet in a home office. Three years following the completion of the study, informed consent forms must undergo destruction to preserve confidentiality.

### **Understanding**

The researcher must communicate with the participants in a way that they clearly understand what the researcher wants to explain. The researcher should not use any technical language; he must use the lay language in the informed consent document so that the participants can easily understand what is written in the document (Callahan, 1998).

### **Voluntariness**

The participants of the research must participate in the research without any force or payment. They must participate voluntarily free of any kind of promises or greediness of benefits (Callahan, 1998).

### **Competence**

The participant of the research must be competent to show their consent. In case of any mishap or any other reason if the participant cannot show their consent then a designated surrogate must be provided. In some emergency cases, consent may be waived due to the lack of a competent participant and a surrogate (Callahan, 1998).

### **Limitation of the study**

One of the limitations of the research study is the nature of the companies. As the focus is on one particular type of business, applying the same findings on other small and medium businesses cannot give authenticated results for the SMEs those companies' nature are different. As the niche in focus is of the services sector, the finding can be applied to other businesses in the services sector with a reasonable amount of confidence. The other limitation that has been involved in this research study is the limitation of using questionnaire as an instrument in for finding out appropriate results. The limitations of using questionnaire are the lack of replies, commitment/seriousness levels to the research, closed ended answers and lack of details. These limitations can be offset with the help of interviews/focus group discussions and interviews.

## **Literature Search**

The researcher should use the most suitable sources for collecting data for the research study in order to get the authenticated results. In this research study, the data was collected from various online libraries, peer reviewed, and different websites etc. Proquest, Ebsco host, emerald, JSTOR, Ingenta Connect, Science Direct are the libraries used in this research study for collecting the appropriate results. The official websites of Nortel Company was also used. The data had also been collected from questionnaires and different statistical analyzes based on the responses of the questionnaires, as well as, from the responses of interviews which were conducted from the managers of Nortel Company.

## **Research Time Frame**

The main challenge in the research is the time frame, for completing this research study the time frame was limited. On the other hand, the respondents were given flexibility to file the questionnaire within two weeks time duration. Around fourteen days had been given to the respondents in order to cover different companies that deal with Balanced Scorecard.

## CHAPTER 4: ANALYSIS AND DISCUSSION

### Introduction

This chapter provides the full analysis of the data collected from Saudi Arabian companies which are responsible for implementing the BSC (Balanced Scorecard) for measuring performance of the organization. The data was collected in 4 sections. Firstly, the data from users were collected through a survey, the respondents who filled questionnaires. Secondly, interviews were conducted with managers of Nortel Company. The managers' response and users' response were analyzed in detail separately. In the third phase, the descriptive analysis of literature review was done. At last the chapter concludes by an overall summary of the chapter.

### Descriptive Analysis of the Questionnaire

The questionnaire was designed to obtain perceptions regarding the implementation of Balanced Scorecard (BSC) in the organizations for evaluating the performance. It intended to obtain the precise expectations organizations with Balanced scored methodology had in their mind. Along with inquiring the perceptions which lead to adoption of BSC (Balanced Scorecard), the questionnaire also inquires about its performance up till now. The main objectives can be divided as per following:

1. To analyze how, when and why the organization choose Balanced Scorecard Methodology. The factors which persuaded them to choose it are as following:
  - Financial Perceptive.
  - Customer Satisfaction Perceptive.
  - Internal Business Process Perspective.



- Learning and Development Perspective.
- 2. Obtain opinions regarding BSC (Quantitative/Closed Ended Questions).
- 3. To gain insight as to how thoroughly organizations are implementing BSC (Balanced Scorecard) and what opinions employees have regarding it.
- 4. Obtain an idea regarding the type of organizations which are implementing BSC (Age, Profit etc).

The response part is analyzed in the following two sections. The first one contains responses obtained for the closed ended/Multiple type questions and the second part contains response analysis for the open ended questions. At the end of the report original (The way it was taken out in the field) questionnaire is attached. The graphs contain the number of respondents that choose the option on the Y axis (Left hand side) and the percentage it makes of the total on the Y Axis (Right hand Side). The X axis contains the response choices available to the respondents for the particular question. The following table (Table 1) illustrates all the companies that participate in the survey, the splitting related to their types: Small, Medium and Large.

	<b>Small</b> <b>Below € 10,000,000 (or)</b> <b>below SR1,000,000</b>	<b>Medium</b> <b>Between € 10,000,000-</b> <b>€50,000,000 (or) between</b> <b>SR1,000,000-10,000,000</b>	<b>Large</b> <b>More than € 50,000,000 (or)</b> <b>SR10,000,000</b>
<b>1</b>	<b>GCC</b>	<b>Saudi Aramco</b>	<b>Confidential</b>
<b>2</b>	Aswaq Albaha	Confidential	Mobily
<b>3</b>	<b>THE BEST</b>	<b>Jerneh Insurance Berhad</b>	<b>MAC</b>
<b>4</b>	Nabatyat	Saudi Aramco Shell Refinery (SASREF)	Marafiq
<b>5</b>	<b>Saudi Petrochemical</b>	<b>Al-Sharqiah</b>	<b>SABIC</b>
<b>6</b>	Confidential	Al-Khalaf Trading	
<b>7</b>	<b>Hassad</b>	<b>Confidential</b>	
<b>8</b>	P&D	Q.tel	
<b>9</b>	<b>Buaineen supermarkets</b>	<b>Samad Pet.</b>	
<b>10</b>	Hrbi constructions comp.	Arrazi	
<b>11</b>	<b>S.B.G.</b>	<b>Alshuwaii</b>	
<b>12</b>	<b>NAMA CHEMICALS</b>	<b>Sahara Petrochemical</b> <b>Company</b>	
<b>13</b>	<b>N. Municipality</b>	<b>Saudi Iron &amp; Steel Company</b> <b>(HADEED )</b>	
<b>14</b>	Confidential	Q.P.	

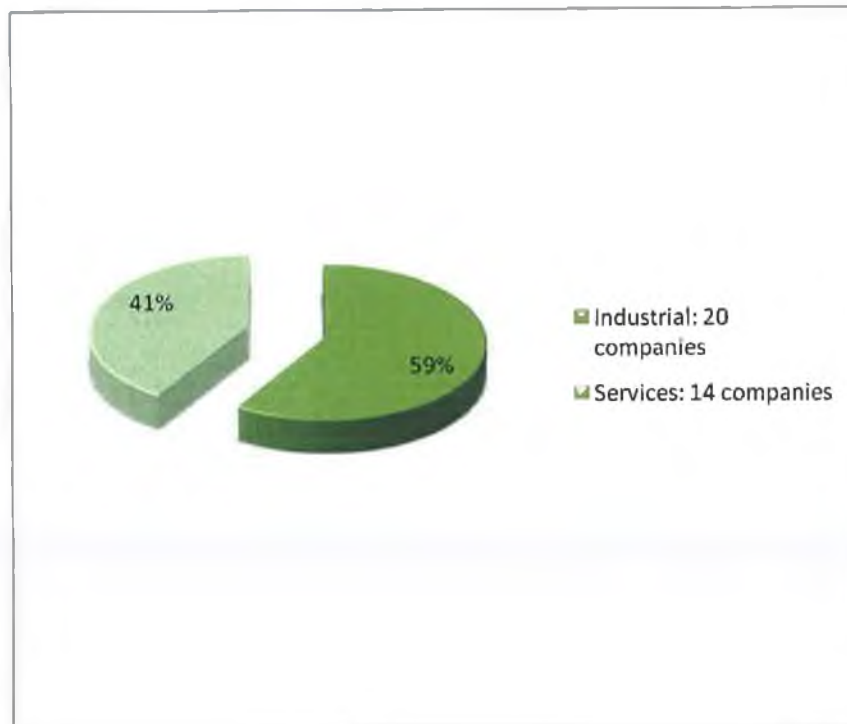
15		Olayan-Dammam	
16		Fairhaven Crowne	
17		Nalco Saudi Co.	
18		Al-Mana Hospital (Jubail)	
19		Almuasat	
20		Sharaaco	

*Table 1: List of the companies participated the survey*

## Section 1

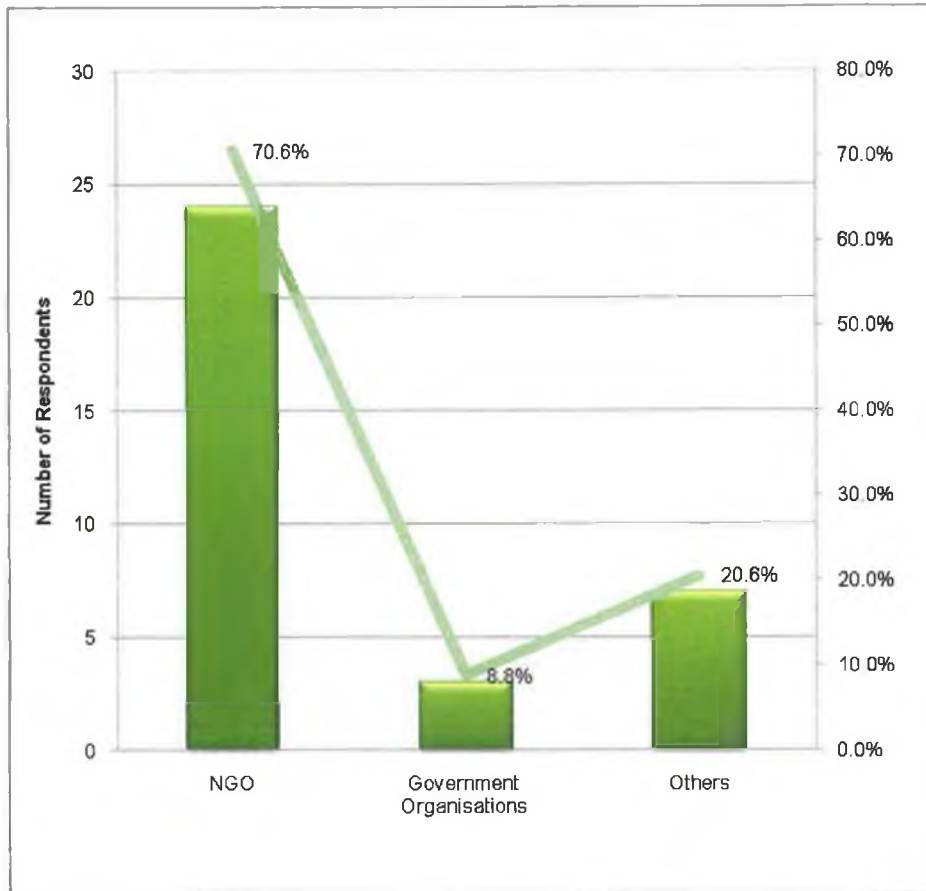
This section gives brief information about the participated (SMEs) organizations

### Type of Businesses Surveyed



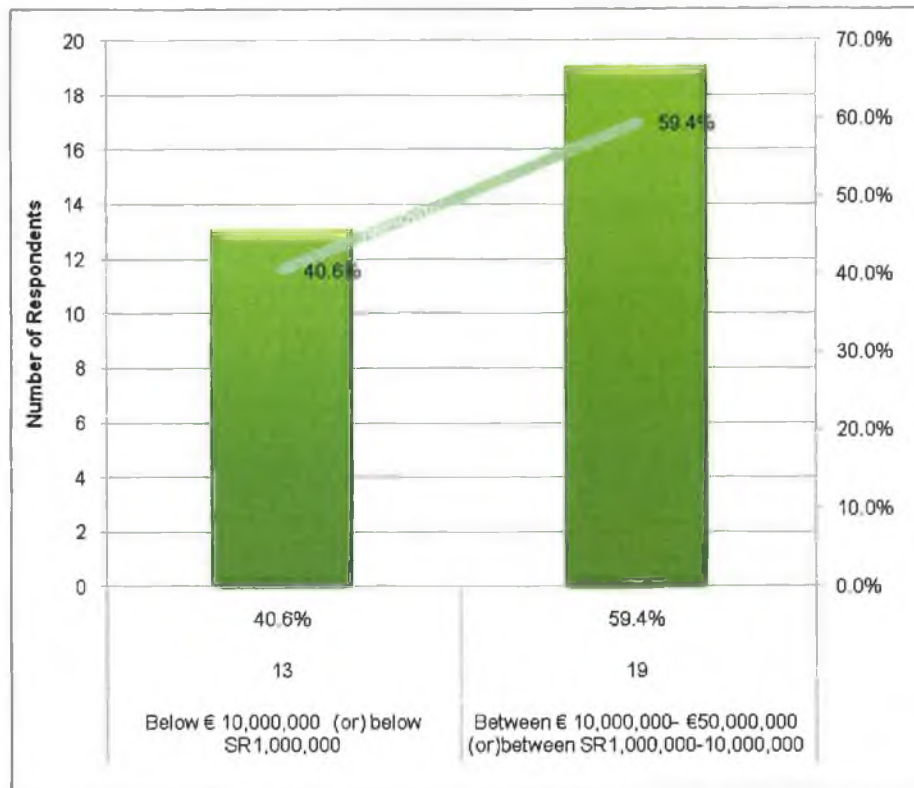
*Figure 2: Business Type (SMEs)*

The SMEs respondents belonged to mixed types of businesses from Services to Industrial related businesses. The ratio was tilted towards the Industrial sector with 59 percent (20 companies) respondents from it and the remaining 41 percent (14 companies) from the Services Sector Type of Organizations.



*Figure 3: Organization/ Company type (SMEs)*

Majority of the SMEs organizations were Non Government Organizations totalling to approximately 70.6 percent (24 companies). Amongst the remaining 8.8 percent (2 organisations) were Government organizations and 20.6 percent (7 companies) were others.



*Figure 4: Net profit (if applicable) of the SMEs.*

Around 40.6 % (13 companies) respondents who belonged to Profit maximizing organizations attributed their organization making profit less than € 10,000,000 (SR1,000,000), while in around 59.4% (19 companies) were making profits between € 10,000,000- €50,000,000 (or) between SR1,000,000-10,000,000.

## Section Two

This section gives some knowledge about (How, When, Why) did the (SMEs) choose to implement the BSC (BALANCED SCORECARD).

### How did you know about BSC (Balanced Scorecard)?

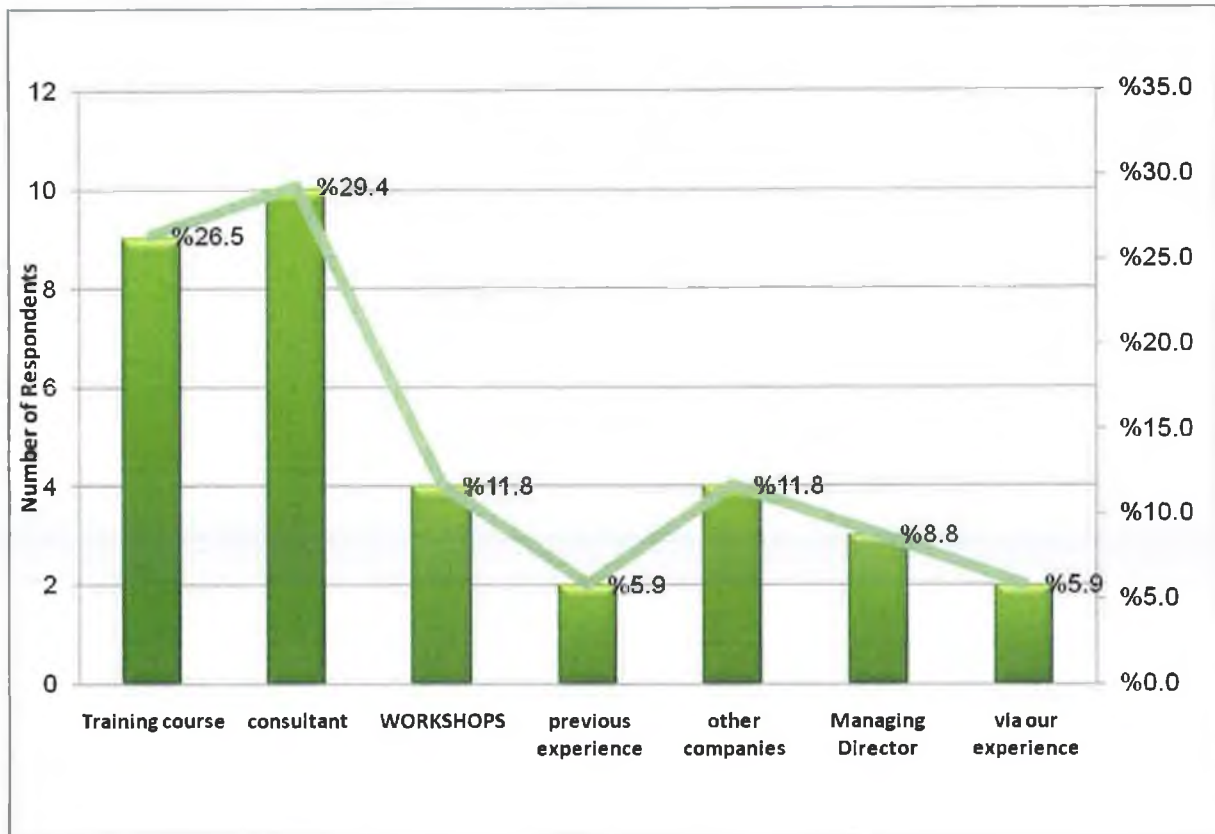


Figure 5: How did you know about BSC (Balanced Scorecard)?

Individuals had mostly learned about BSC (Balanced Scorecard) from either a training course or from consultants coming to their organization for training and development. Few of the respondents had heard regarding BSC (Balanced Scorecard) from workshops, previous experience, other companies or MDs.

### Implementation of BSC (Balanced Scorecard)

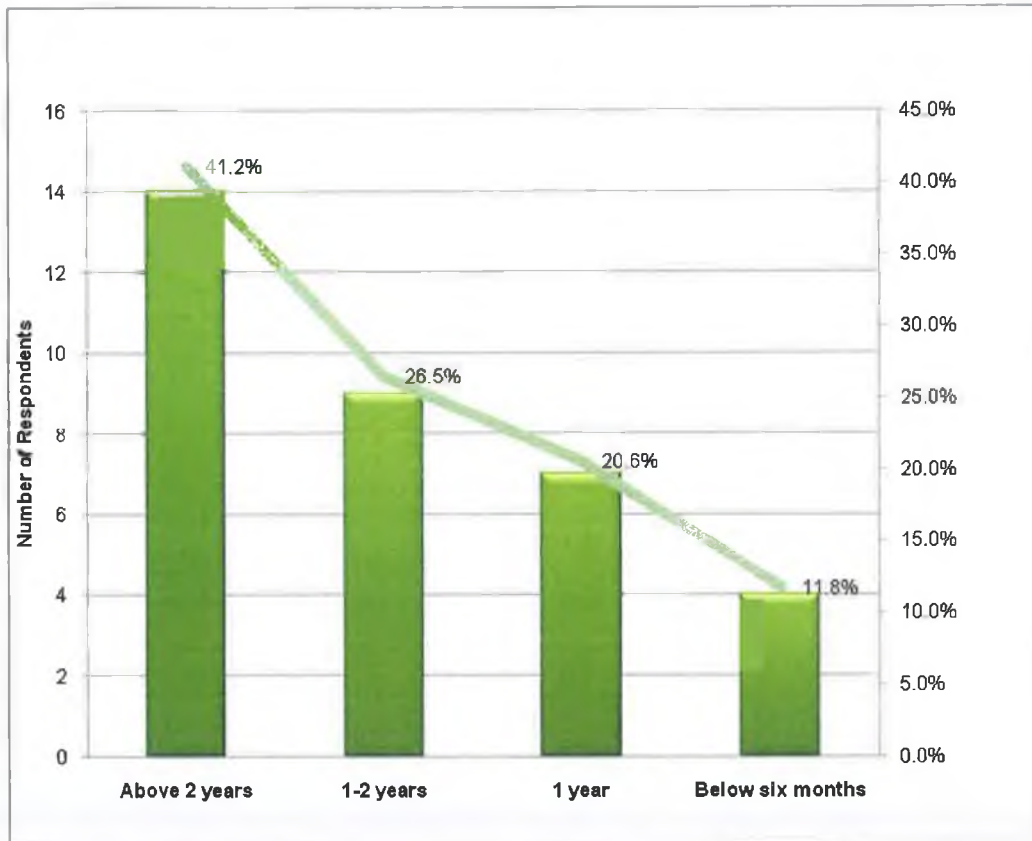


Figure 6: How long have you been implementing BSC (Balanced Scorecard) in your organization?

Almost 41.2 percent (14 companies) of the organizations had implemented BSC (Balanced Scorecard) at least two years back; the remaining majority of 47.1 Percent (16 companies) have had experience of 1 year to 2 years. Only 11 percent (4 companies) had less than 12 months experience with BSC (Balanced Scorecard).



### Average number of competitors

The respondents replied that they have average of 4 to 5 competitors but the rest of the respondents replied that they have so many competitors that they cannot count and give average numbers of competitors.

### Schedules or Deadlines Regarding the Implementation of BSC (Balanced Scorecard)

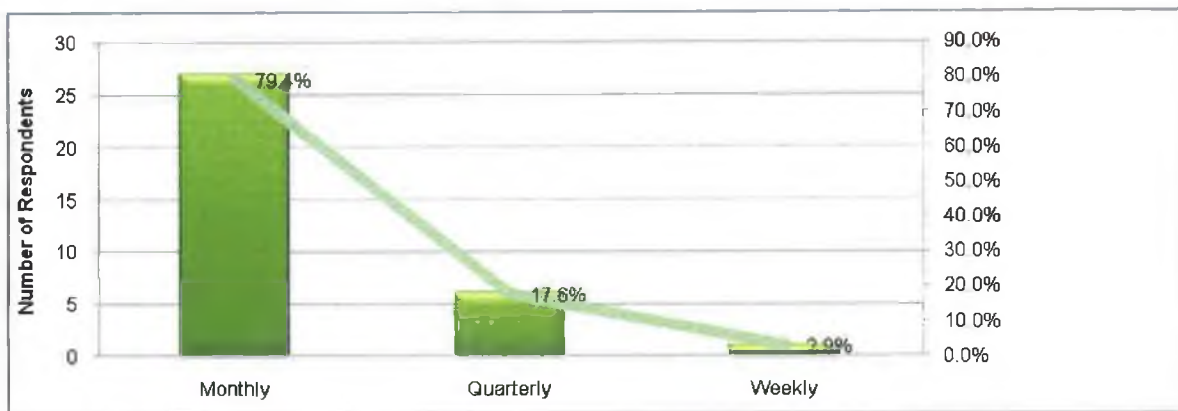


Figure 7: Is there any schedules or deadlines you are committed to regarding the implementation of BSC (Balanced Scorecard)?

Most of the respondents (27 companies) were committed to monthly implementation of Balanced Scorecard implementation deadline in their organization. Only around 20 percent (7 companies) were implemented it weekly or quarterly. The reason for this could be the way BSC (Balanced Scorecard) methodology is conveyed to the companies or how they perceive the optimal deadline for implanting BSC (Balanced Scorecard) based on their own understanding. There were few responses (Less than 10 percent (2 companies)) which said that there was a different time limit for different departments (In addition to their previous answer), for some it was weekly, for some quarterly/monthly or even both.

### Section Three

This section represents the (SMEs) organizations opinion about implementing the BSC (Balanced Scorecard), in quantitative manner (closed questions). Please rate the influence of the following factors in your decision about the benefits of implementing BSC (Balanced Scorecard) in your organization using the following likert key:

A = extremely significant

B = Very significant

C = Significant

D = Insignificant

E = No effect at all

#### Financial Returns Satisfy Shareholder Expectations

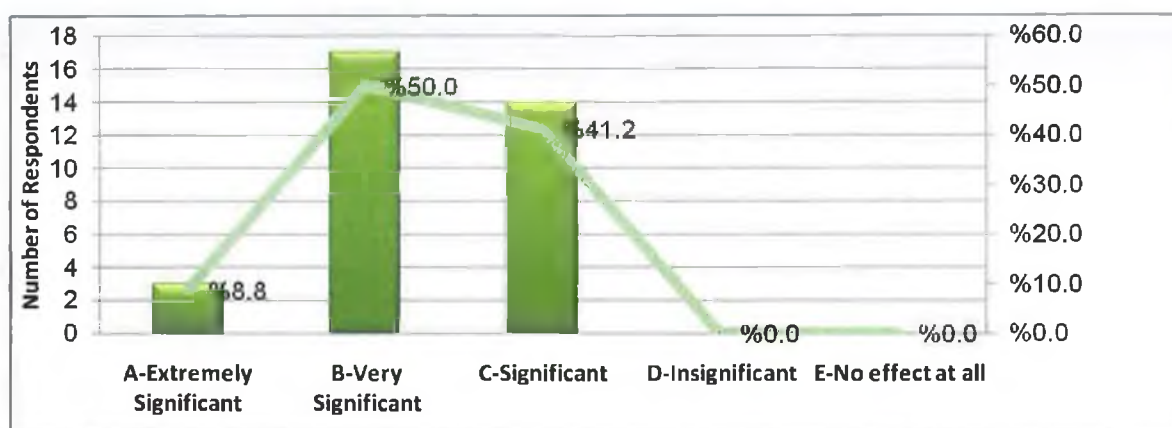


Figure 8: Financial returns satisfy shareholder expectations (SMEs)

The response regarding shareholder satisfaction from financial returns was mostly between Very Significant and Significant, 41.2 percent (14 companies) reported it as being a

significant factor while 50 percent (17 companies) saw it as very significant factor. No one claimed it as an insignificant factor for the implementing the BSC (Balanced Scorecard) in their organizations.

**Profitability, Economic Value Added**

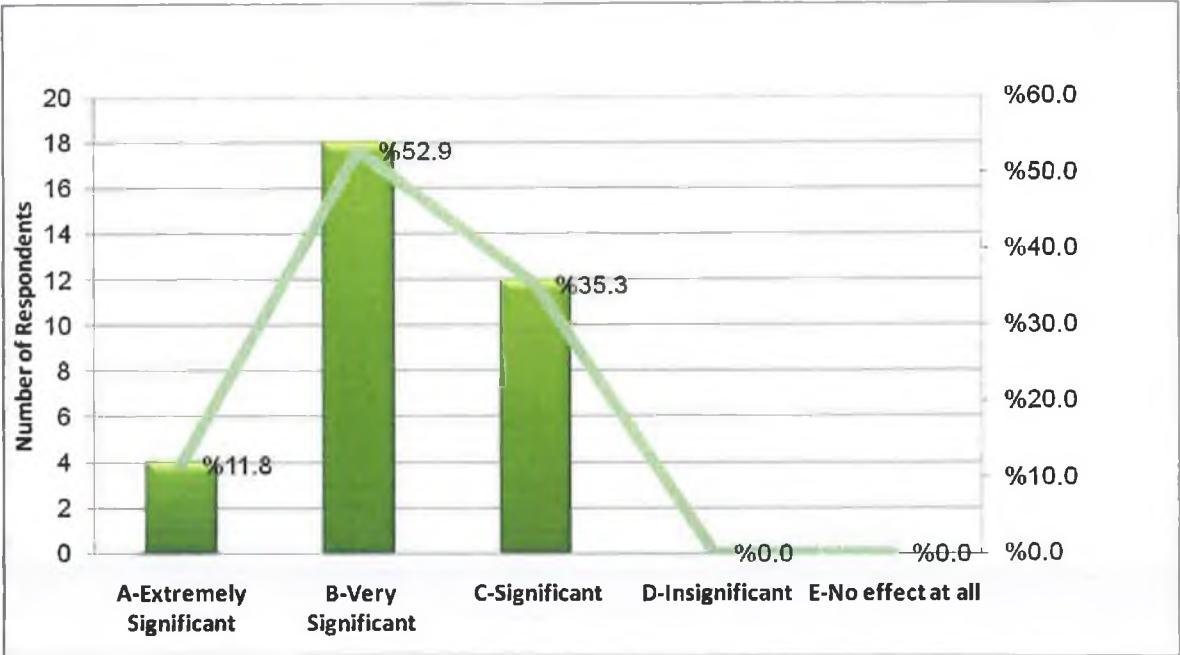


Figure 9: Profitability, Economic value added (SMEs)

Around 52.9 percent (18 companies) of the (SMEs) respondents replied that implementation of BSC (Balanced Scorecard) gives profitability and added economic value. There were 35.3 percent (12 companies) respondents who replied that found it just a significant factor. This shows that profitability is expected to increase due to implementation of BSC (Balanced Scorecard). No one thought of profitability and economic value adding as insignificant factor.

## Sales Growth

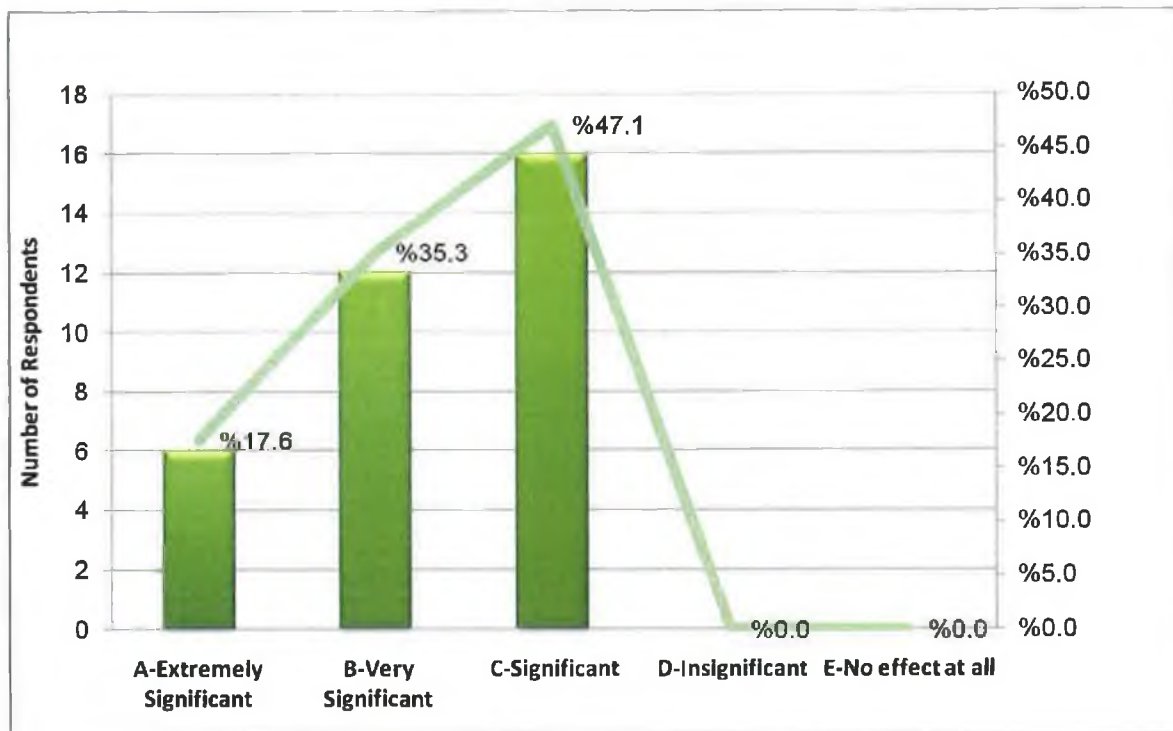


Figure 10: Sales Growth (SMEs)

Almost all respondents expected Sales growth from the implementation of BSC (Balanced Scorecard). Around 47.1 Percent (16 companies) believed it as a significant factor, 35.3 percent (12 companies) as very significant and 17.6 percent (6 companies) as extremely significant factor for implementing Balanced Scorecard in their organizations.

### Cash Flow Generated

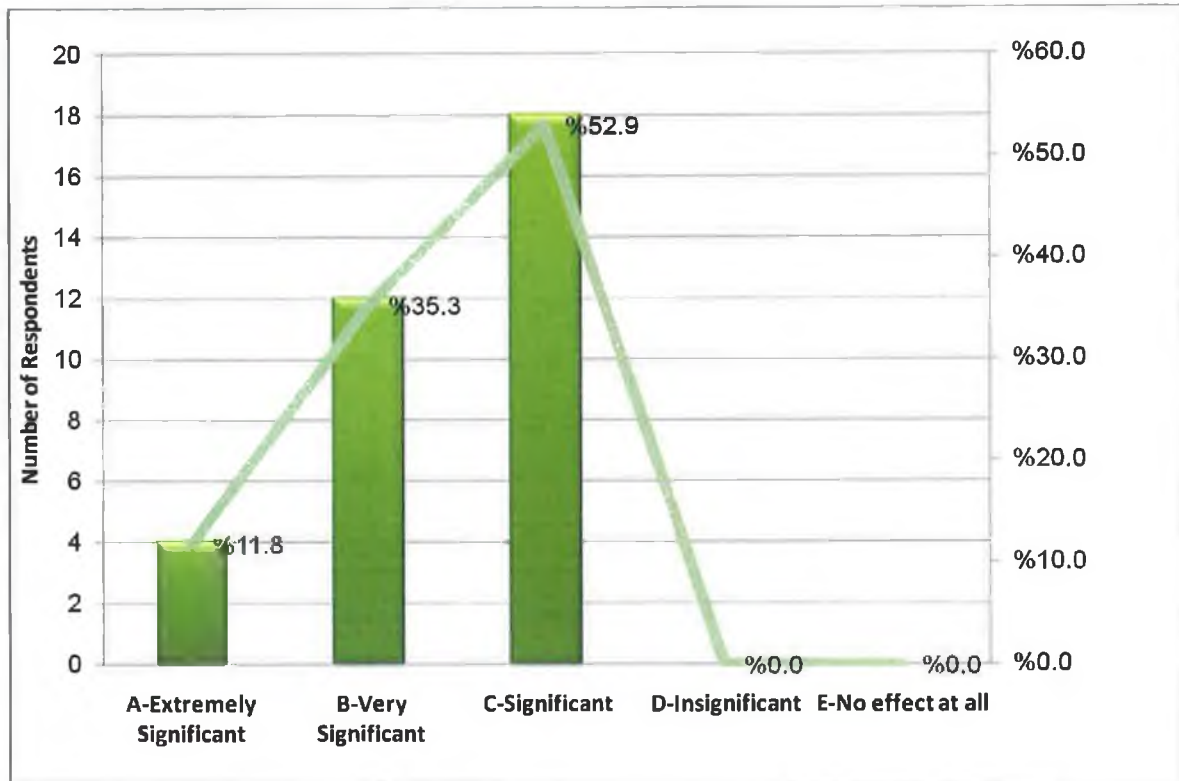


Figure 11: Cash Flow Generated (SMEs)

Majority of the respondents expect cash flow generation from the implementation of BSC (Balanced Scorecard). Most of the respondents found it as just a significant factor (52.9 percent which makes a total of 18 respondents) for them leading to implementation of it. The remaining 12 respondents thought of it as a very significant factor and 4 thought of it as extremely significant factor.

### Return on Capital Employed (ROCE) or Economic Value Added (EVA)

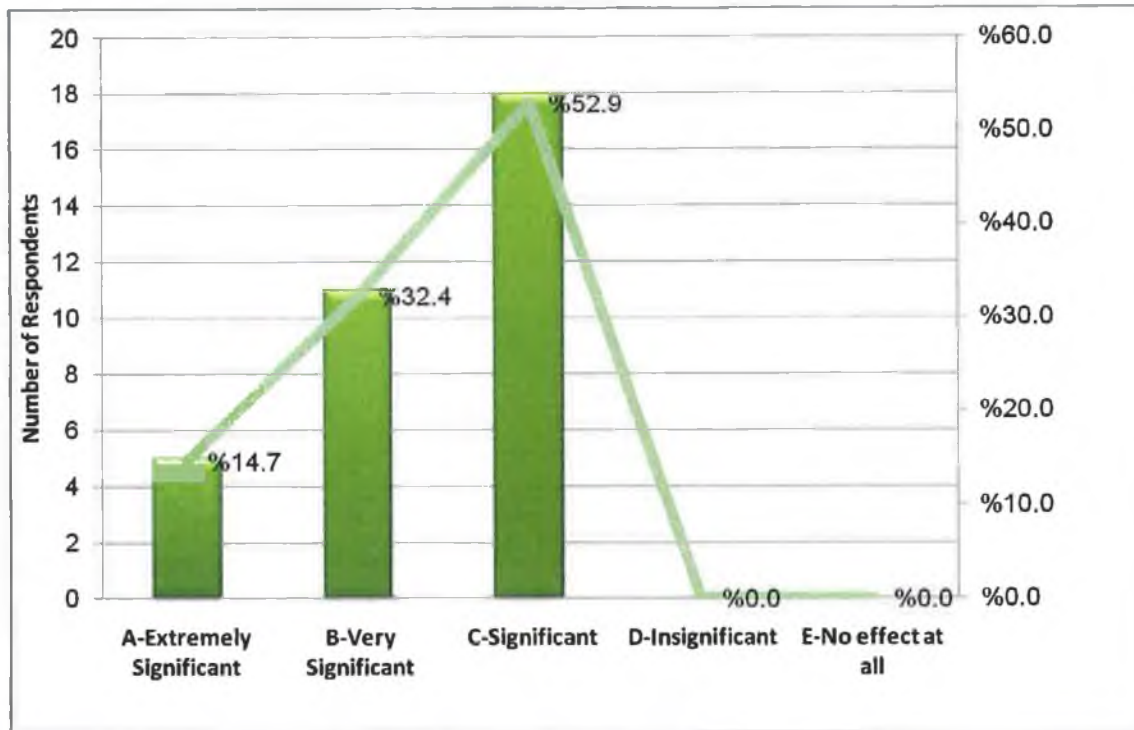


Figure 12: Return on capital employed (ROCE) or Economic Value Added (EVA) (SMEs).

Almost all the respondent felt that Return on Capital has been increased by employing BSC (Balanced Scorecard). Most of the respondents found it just a significant factor and they were 52.9 percent (18 companies) of the total respondents. The remaining 35.3 percent (12 companies) found it as very significant and only 14.7 percent (5 companies) thought of it as extremely significant.

## Customer Satisfaction and Customer Retention

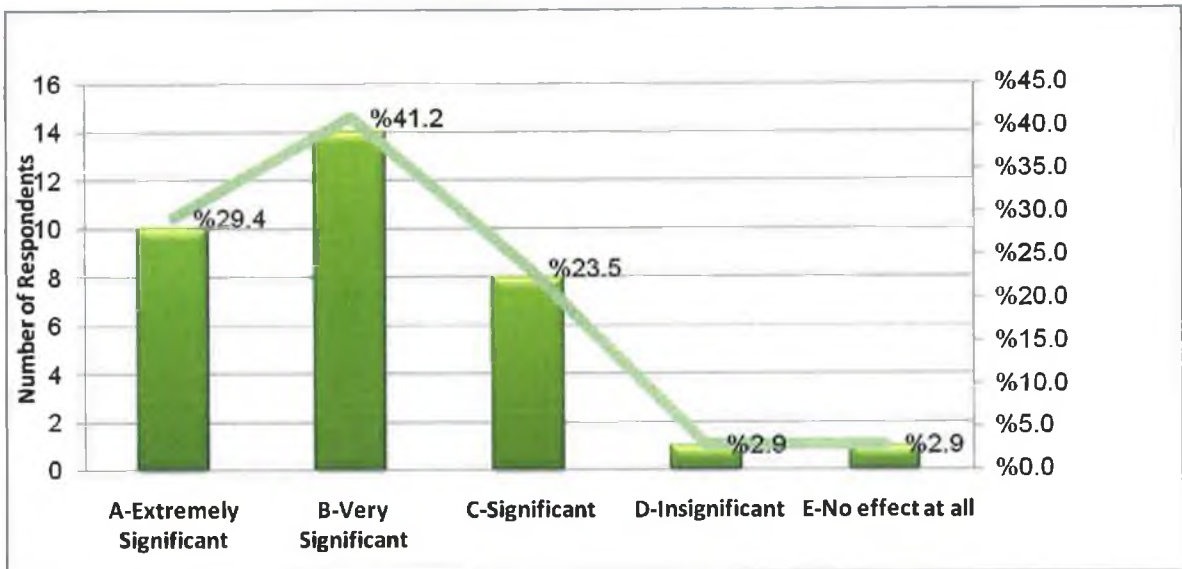


Figure 13: Customer satisfaction (SMEs)

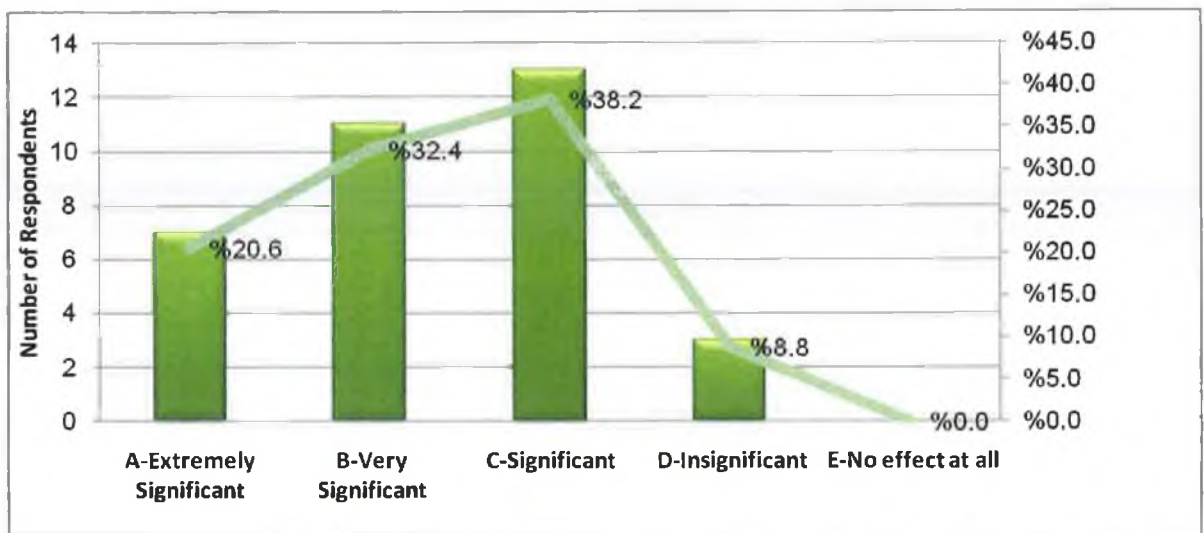


Figure 14: Customer retention (SMEs)

Respondents felt that the implementation of BSC (Balanced Scorecard) in their organization helps towards customer satisfaction and improve client retention. Less than 10 percent (3 companies) of them thought that these were not significant enough factors for the implementation of Balanced Scorecard Methodology in their respective organizations.

## Customer Acquisition and Market Share Increase

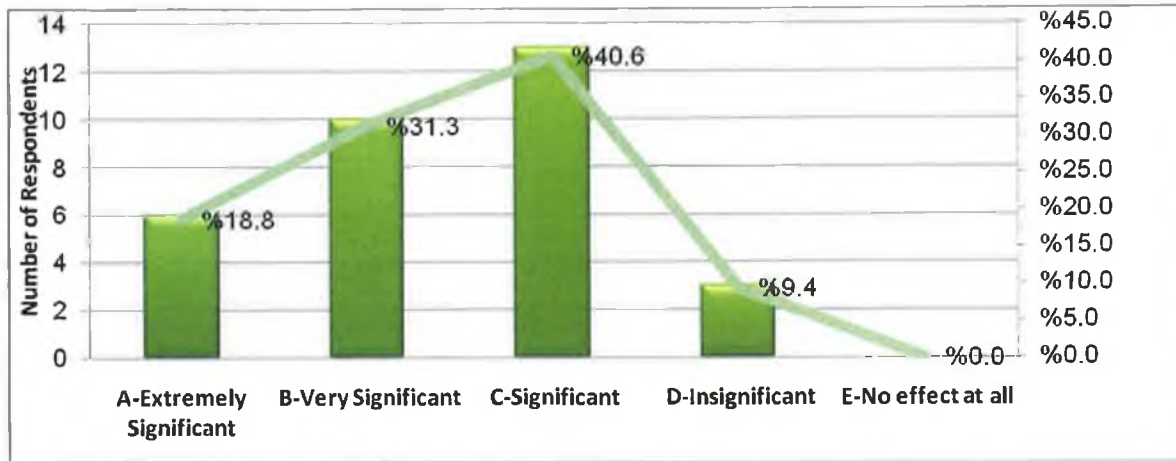


Figure 15: Customer acquisition (SMEs)

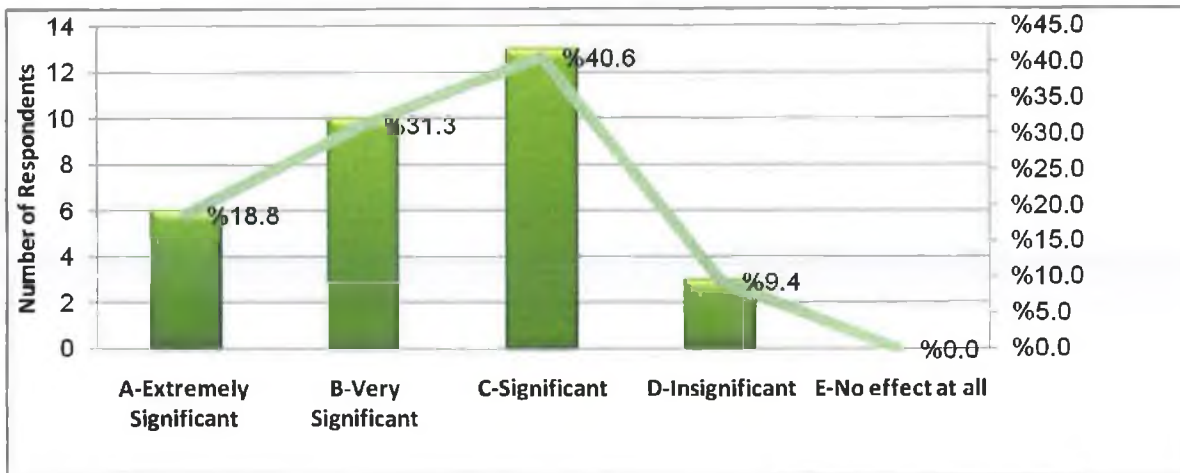
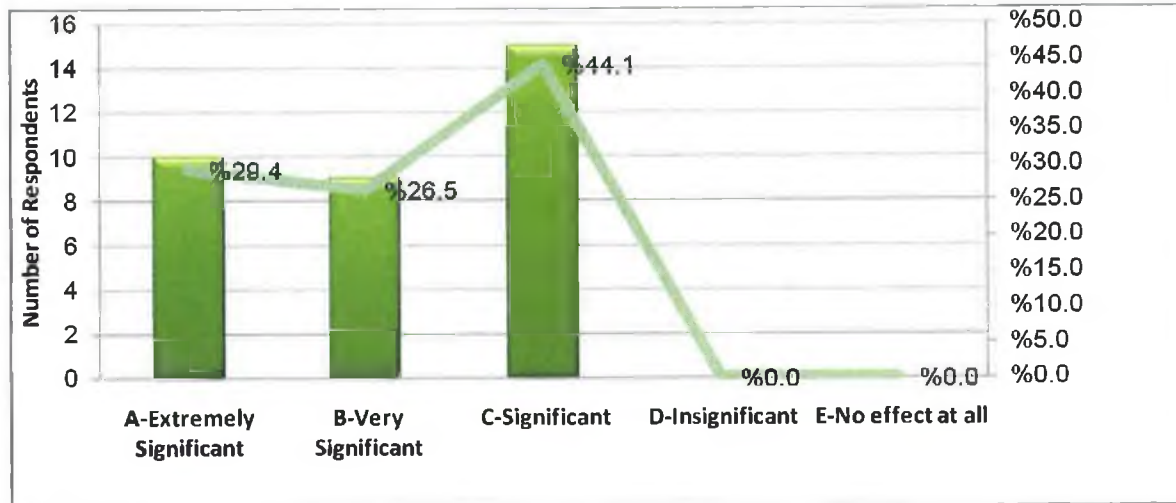


Figure 16: Market share increase (SMEs)

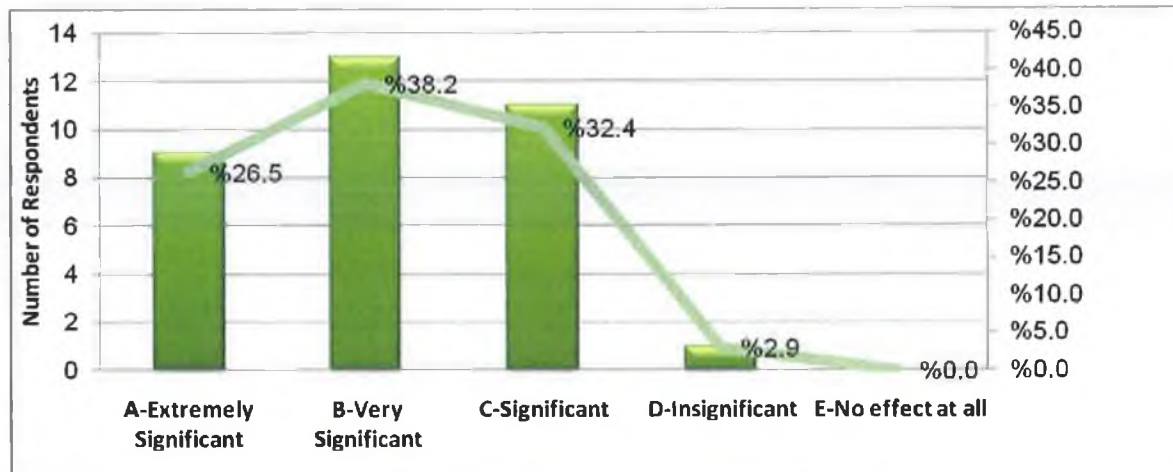
While majority of the respondents did feel that the implementation of BSC (Balanced Scorecard) help in increasing market share but there were minority of 9.4 percent respondents (3 companies) which did not agree with them at all. Moreover 9.4 percent (3 companies) also believed that customer acquisition was not a significant factor for bringing in BSC (Balanced Scorecard).



**Lead-Time Occurs and On Time Delivery (if applicable)**



*Figure 17: Lead-time occurs (SMEs)*



*Figure 18: On time delivery (SMEs)*

Around 10 respondents felt that there is a very significant effect on the time of delivery due to BSC (Balanced Scorecard) implementation; they believed this was an important reason for implementing BSC (Balanced Scorecard) in their organizations. Almost 26.5 percent (9

companies) thought of it as extremely significant and 32.4 percent (11 companies) of them thought of it as just significant enough factors.

**The Balanced Scorecard provides management with a comprehensive picture of business operations**

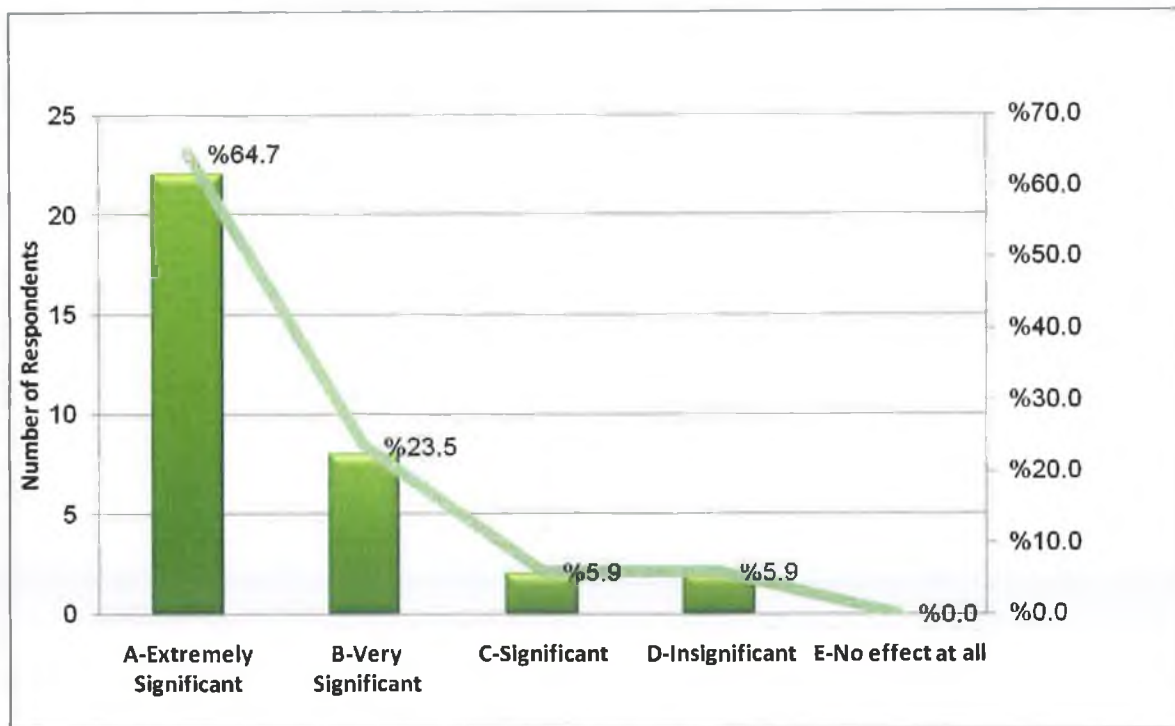


Figure 19: The Balanced Scorecard provides management with a comprehensive picture of business operations (SMEs).

There was a strong perception that BSC (Balanced Scorecard) provided management with comprehensive picture business operations. Around 22 out of the 34 respondents responded that they found it an Extremely Significant contributing towards the decision of implementing BSC (Balanced Scorecard) in their organizations. There were only two individuals who thought that this was an insignificant factor which leads to the bringing in of BSC (Balanced Scorecard).

**Existence of measures of how well the company identifies the customers' future needs**

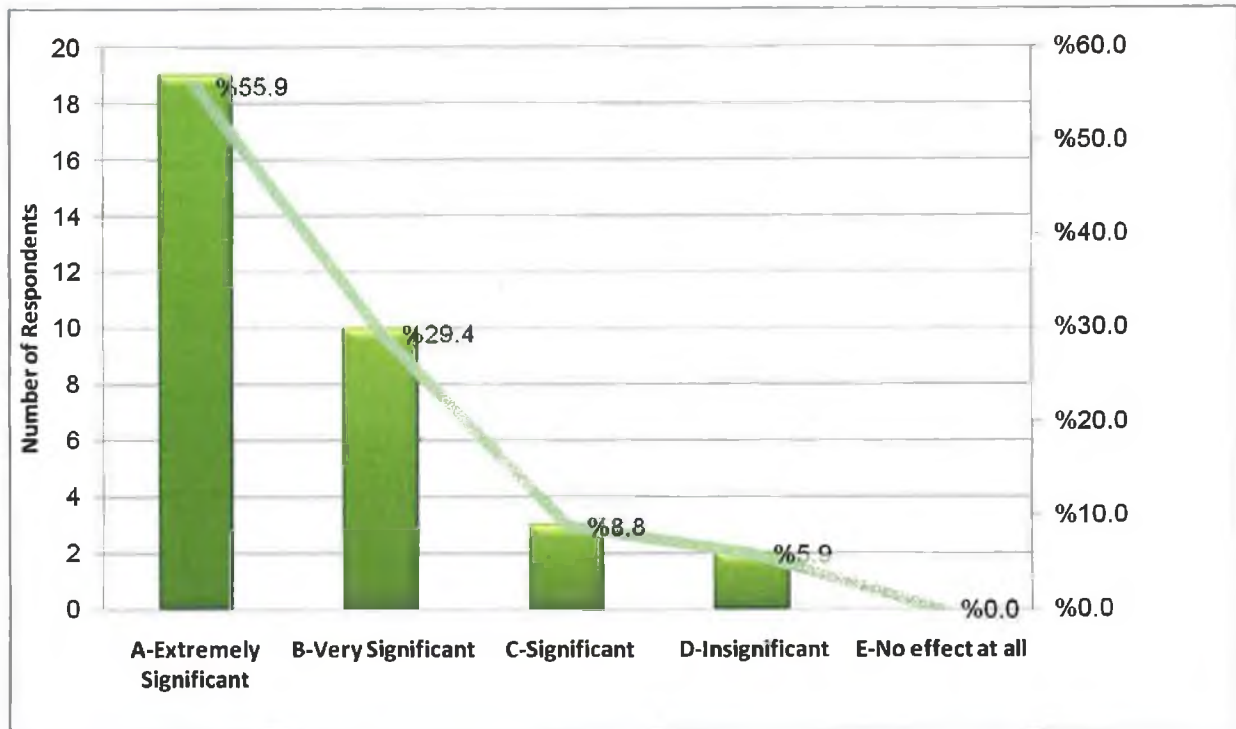


Figure 20: Existence of measures of how well the company identifies the customers' future needs (SMEs).

Only 8.8 percent (3 companies) of respondents perceived BSC (Balanced Scorecard) as only significantly and according to them BSC (Balanced Scorecard) helps in identifying customer needs, almost 90 percent (29 companies) of them replied very significant or extremely significant.

## Creativity and Unexpected Ideas Increase

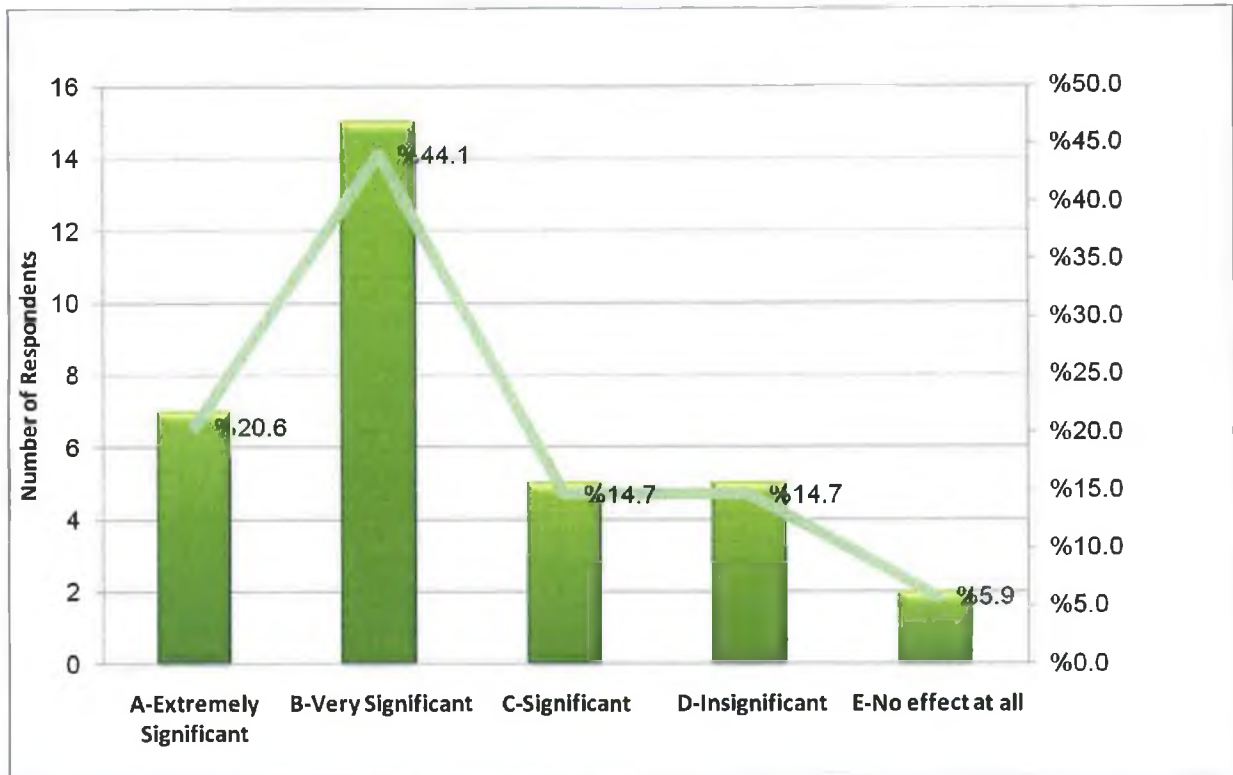


Figure 21: Creativity and Unexpected ideas increased (SMEs)

Only 20 percent respondents (7 companies) thought that Creativity and unexpected ideas were hardly affected by the BSC (Balanced Scorecard) implementation. They thought of it as insignificant factor or a factor which had no link at all with the implementation of balanced scorecard mythology in their organizations. Remaining 80 percent (27 companies) disagreed with them.

## Existence of Quality Measures

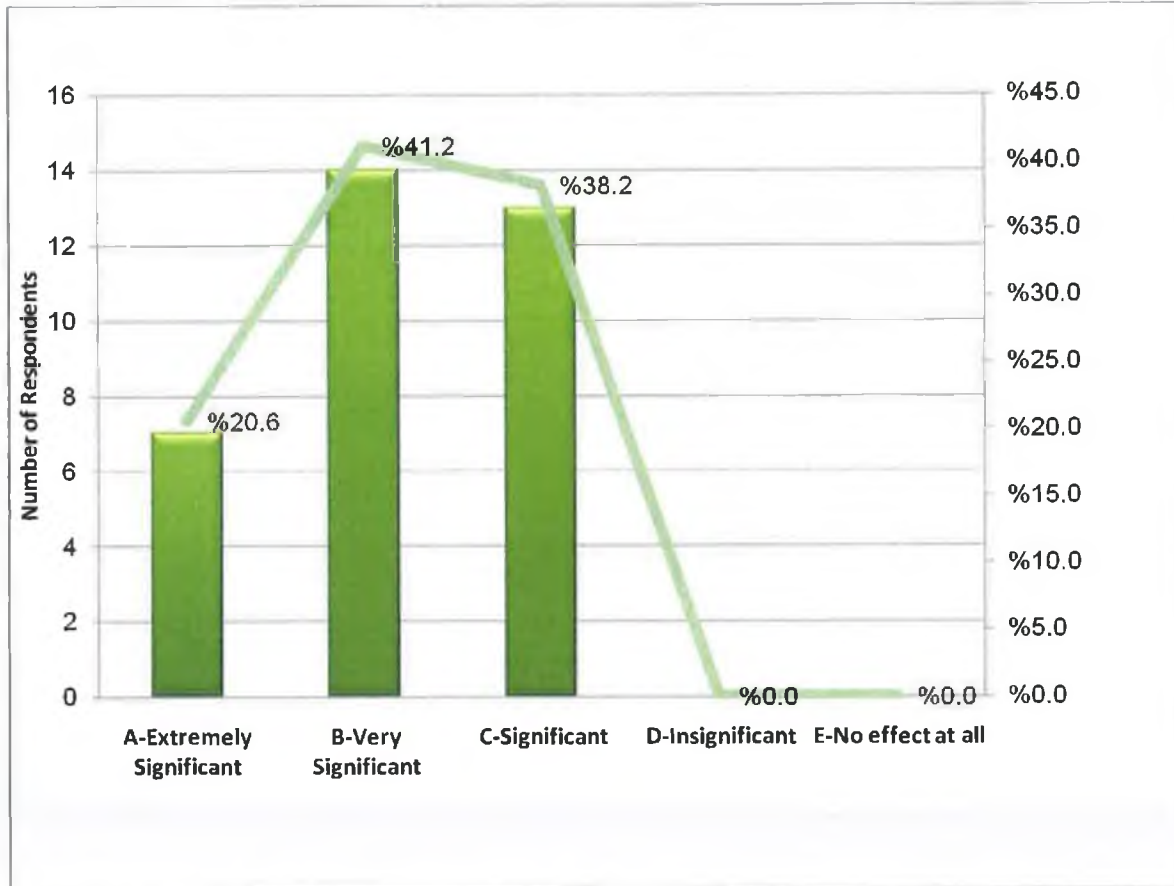


Figure 22: Existence of quality measures (SMEs)

Almost all the respondents felt this was significant or more than a significant motivational factor for implementing BSC (Balanced Scorecard) in their organizations. 41.2 percent (14 companies) believed it as very significant factor, 38.2 (13 companies) as significant and almost 20 (7 companies) believed it as an extremely significant factor for the implementation of Balanced Scorecard.

## Existence of Cycle Time Measures

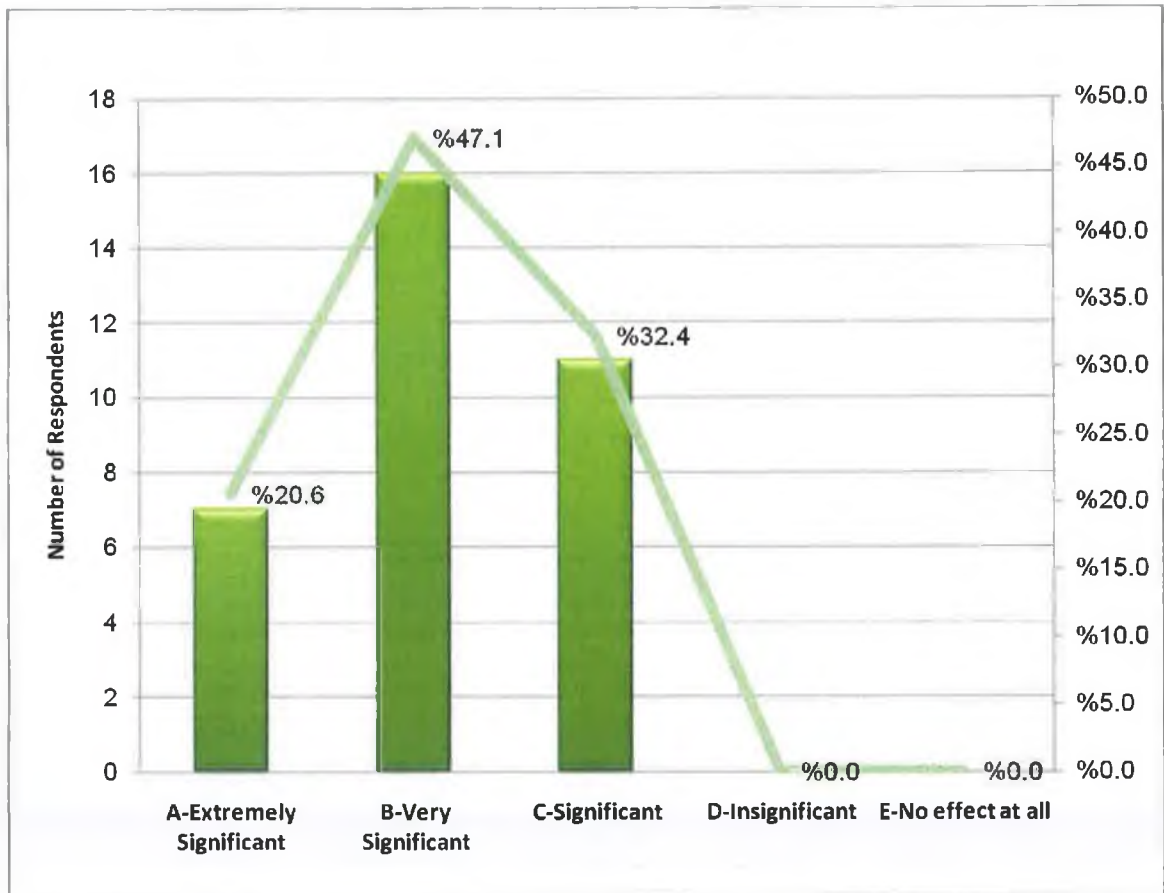


Figure 23: Existence of cycle time measures (SMEs)

Existence of cycle time measures was a very significant factor for 47.1 percent (16 companies) of respondents to bring in BSC (Balanced Scorecard) method in their organizations. The remaining found it either significant or extremely significant factor. No one reported it as an insignificant factor.

### Existence of Cost Measures

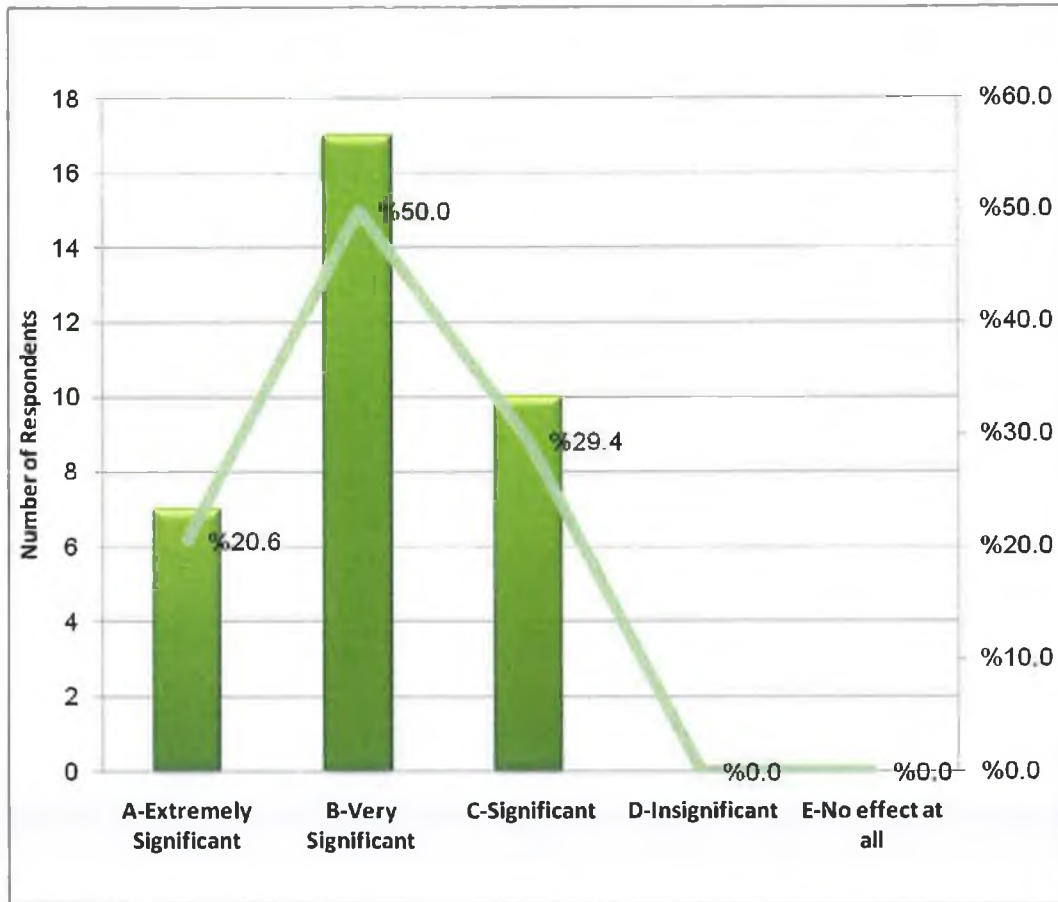
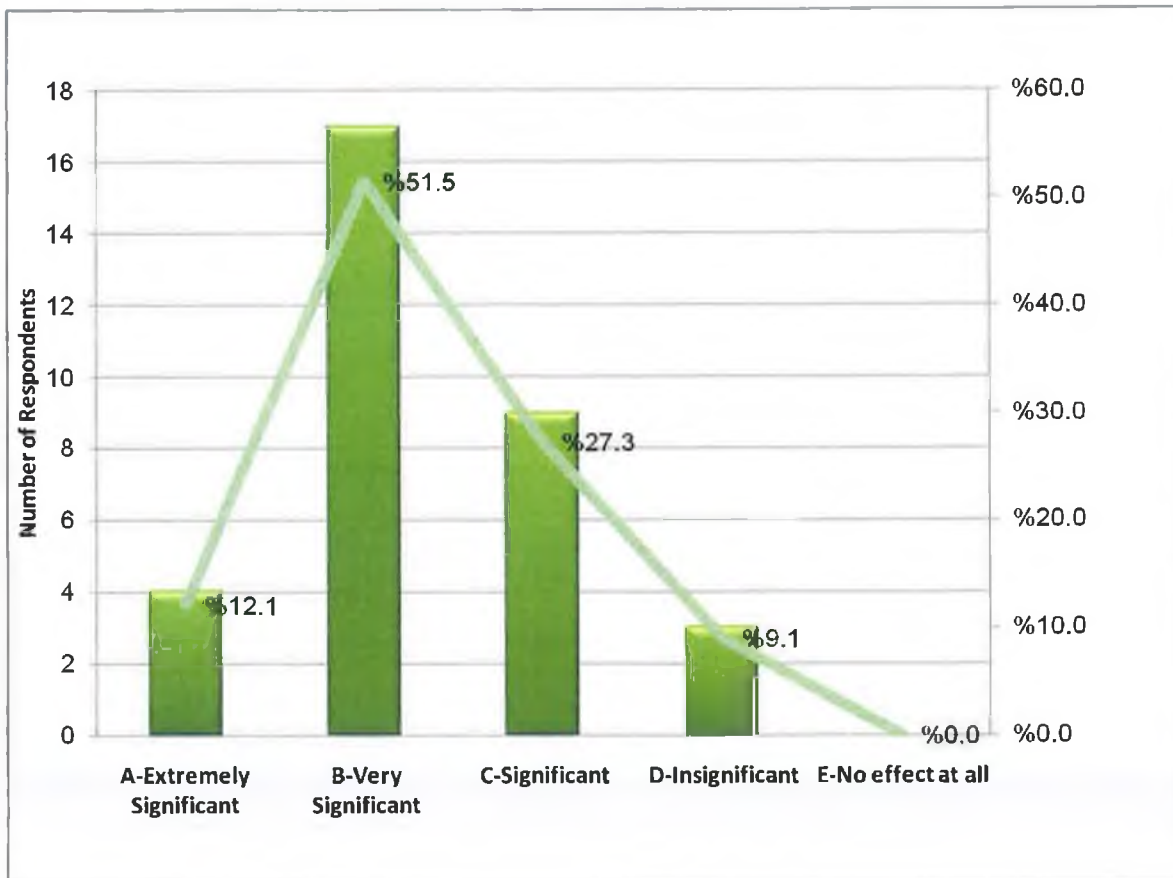


Figure 24: Existence of cost measures (SMEs)

No respondents felt that this was an insignificant factor. All of them thought of that their decision making process has been influenced by implementing BSC (Balanced Scorecard) in their organizations. Almost 29.4 percent (10 Respondents) believed it as only significant, 50 percent (17 Respondents) as very significant and 29.4 percent (10 respondents) believed it as an extremely significant factor for the adoption of BSC (Balanced Scorecard) in their organization. No one believed it as an insignificant factor.

**Existence of post sales services measures - measures for warranty, repair and treatment of defects and returns**



*Figure 25: Existence of post sales services measures - measures for warranty, repair and treatment of defects and returns (SMEs)*

Majority of the respondents almost 51.5 percent (17 respondents) felt that it was a very significant factor in motivating them towards BSC (Balanced Scorecard) implementations. Around 12.1 percent (4 respondents) thought it as extremely significant and 27.3 percent (9 respondents) as only significant factor. Only 9.1 percent (3 respondents) believed it as insignificant.



### Increase of Employee Retention

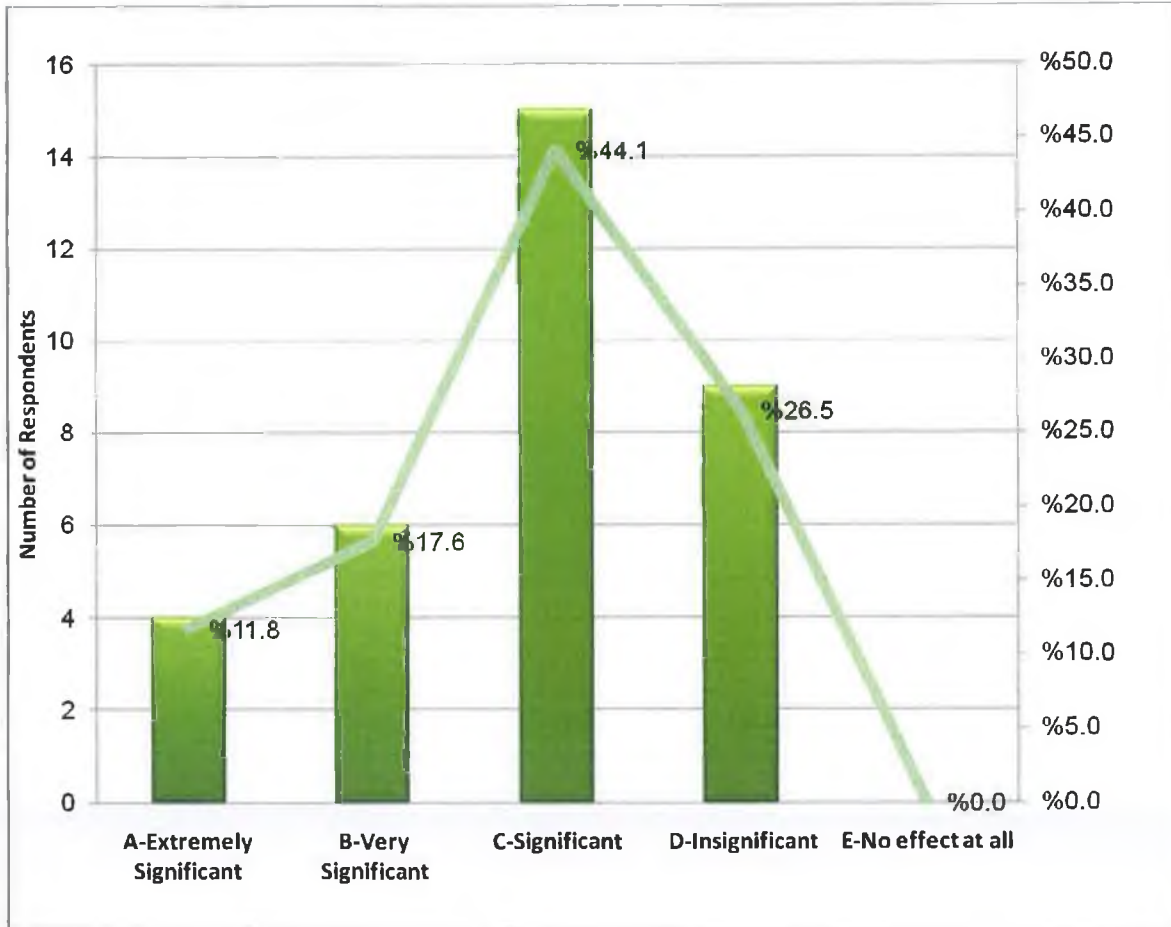


Figure 26: Increase of employee retention (SMEs)

Almost 26.5 Percent (9 respondents) believed that implementation of BSC (Balanced Scorecard) hardly help in employees' retention. The remaining 73.5 percent (25 respondents) thought of it as a significant or more than a significant factor to have BSC (Balanced Scorecard) in their organization.

## Increase of Employee Training

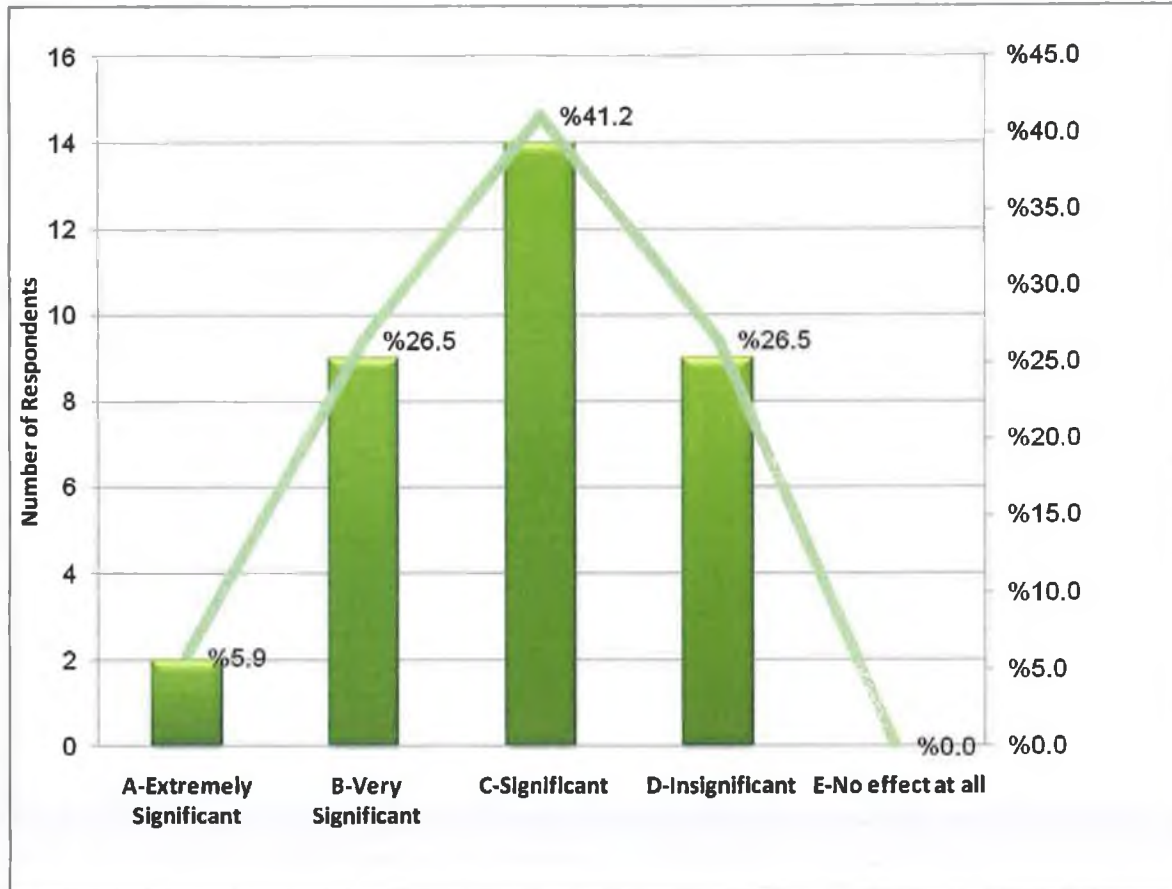


Figure 27: Increase of employee training (SMEs)

Around 73 percent (25 respondents) believed that it is a significant factor to increase the training of the employees but 26.5 percent (9 respondents) thought of it as insignificant which a high enough number is.

## Increase of Employee Skills

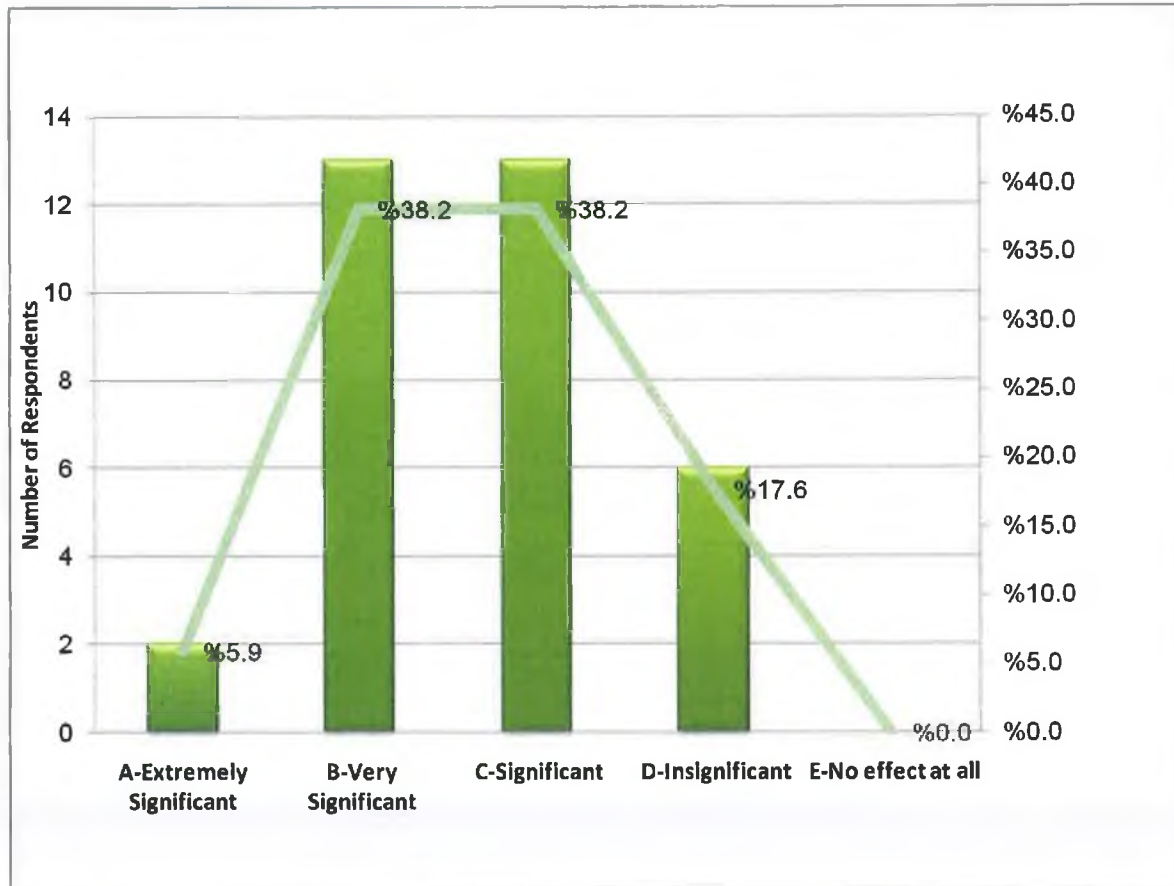


Figure 28: Increase of employees' skills (SMEs)

Majority respondents felt that BSC (Balanced Scorecard) implementation would help in improving the employees' skill. Only 17.6 percent (6 respondents) replied it was not a significant enough factor to implement BSC (Balanced Scorecard).

## Increase of Employee Satisfaction

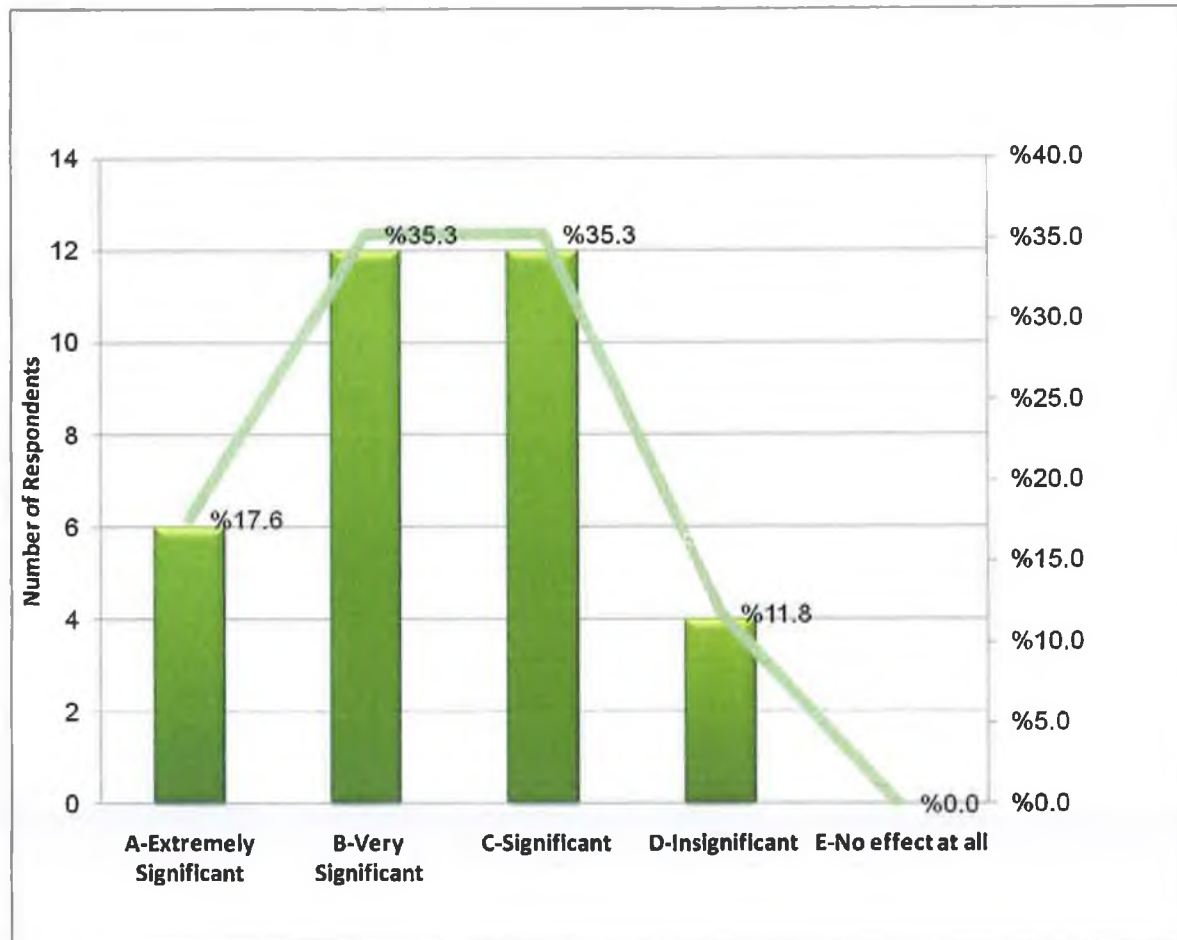


Figure 29: Increase of employees' satisfaction (SMEs)

Around 35.3 percent (12 respondents) felt is as significant factor and again 35.3 percent (12 respondents) thought it as a very significant factor.

**Increase of Employee Morale / System availability & “front line” customer information**

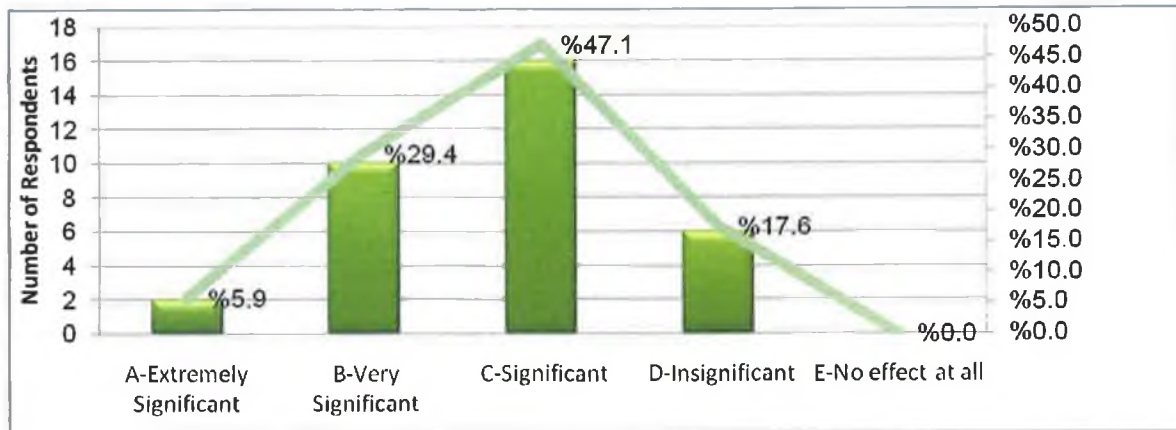


Figure 30: Increase of employee morale (SMEs)

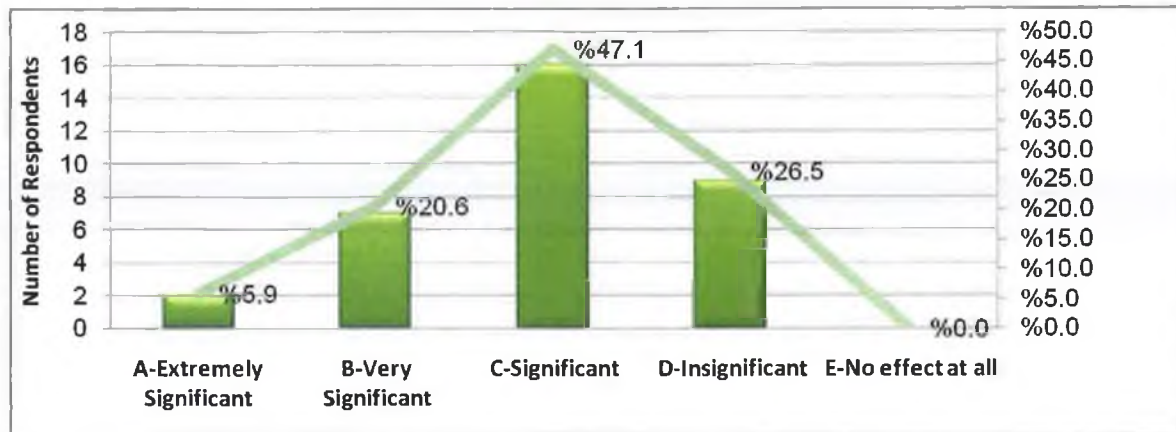


Figure 31: System availability & “front line” customer information (SMEs)

The employee morale is expected to rise from BSC (Balanced Scorecard) and the respondents replied that it is significant or more than a significant factor. On the other hand 26.5 percent (9 respondents) felt that System availability and front line customer information was not significant enough factor for bringing in BSC (Balanced Scorecard) in their operations and for making management strategy.

**Team member's cooperation maximized / Team members are focused on helping one another succeed**

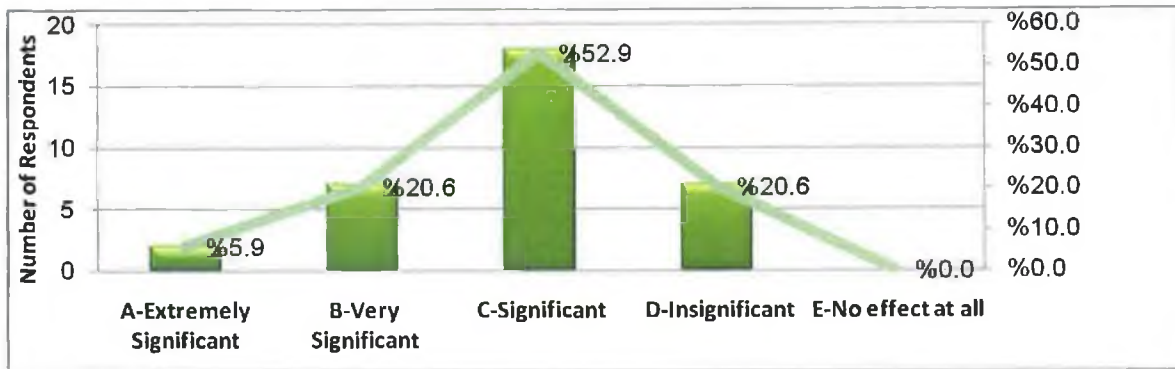


Figure 32: Team members cooperation maximized (SMEs)

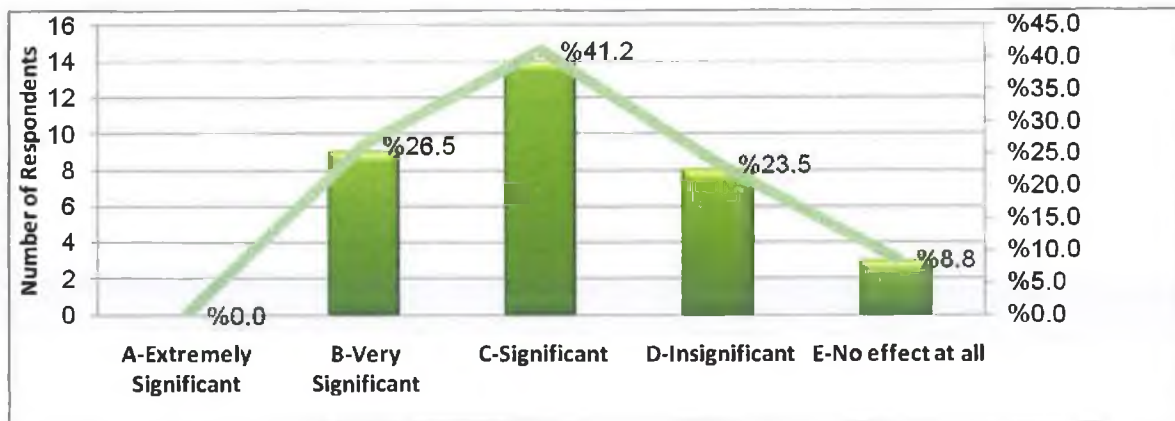


Figure 33: Team members are focused on helping one another succeed (SMEs)

Around 80 Percent (27 respondents) felt that team cooperation improvement due to BSC (Balanced Scorecard) was a significant or more than significant enough factor to integrate balanced scorecard technique in the organizational operations and decision making.

Almost 20.6 percent (respondents) felt that that the effect of BSC (Balanced Scorecard) on cooperation amongst clients was insignificant factor for them to adopt Balanced Scorecard Technique in the strategic decision.

**Cross organizational team occur - More open channels of communications and Enthusiastic People**

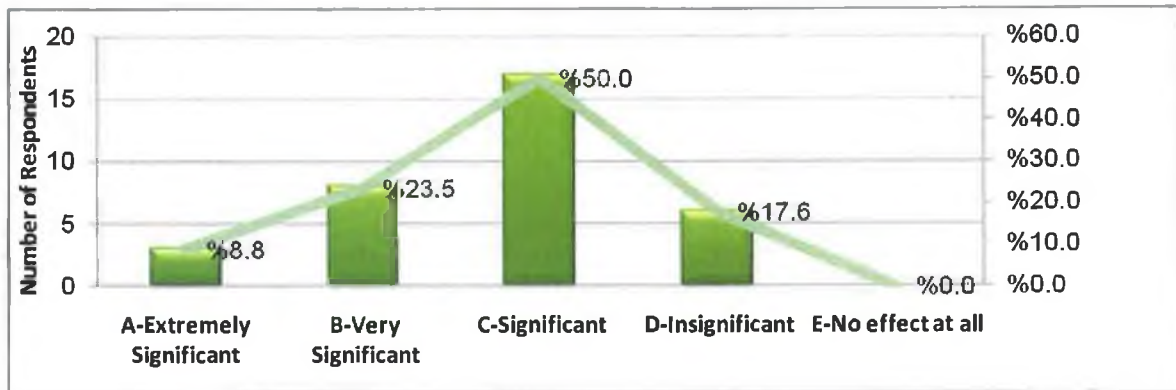


Figure 34: Cross organizational team occur - More open channels of communications (SMEs)

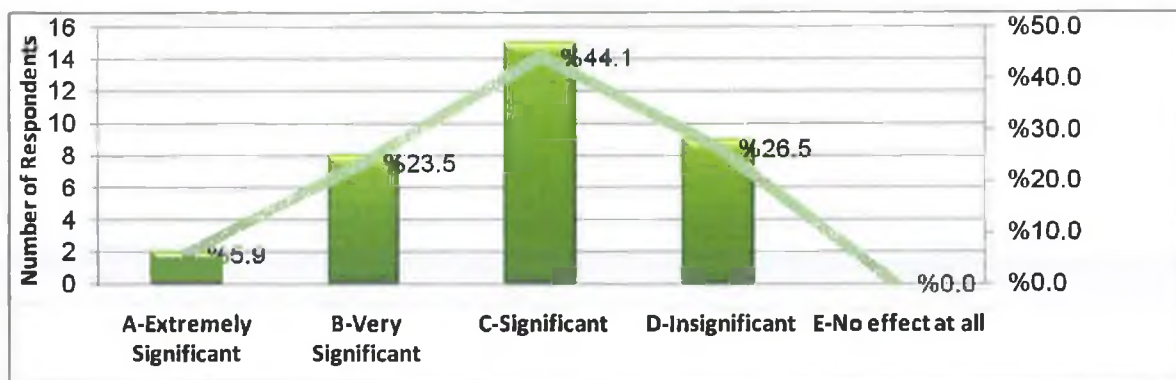


Figure 35: Enthusiastic People (SMEs)

Majority of the respondents felt that implementation of BSC (Balanced Scorecard) in their organizations results in more open communication channels and this is significant or more than significant enough factor for adopting BSC (Balanced Scorecard).

Around 26.5 percent (9 respondents) respondents felt if BSC (Balanced Scorecard) helped improve the enthusiasm of people, it was not a significant enough factor to adopt the technique.

### Open Ended Questions

- *Did the implementation of BSC (Balanced Scorecard) - Transforms strategy into action and desired behaviors?*

Thirty out of thirty four (SMEs) respondents who answered this question agreed with BSC (Balanced Scorecard) transforming strategy into action and desired behaviours. This is reasonably positive response which makes approximately 89 percent of those who answered. There were few individuals who saw a very strong relation and some saw no relation at all. The ones who answered yes gave the following reasons:

- 1) Clarification of the objectives
- 2) Assist in achieving the main goal
- 3) Breaks main objectives into numerous chunks and makes them easier to transform strategy into action and desired behavior.

- *Were strategic initiatives that follow "best practices" methodologies followed through the entire organization?*

Around 89 percent (30 respondents) of the (SMEs) respondents agreed to the notion that strategic initiatives that follow "best practices" followed through the entire organization. Only one individual replied that he was not aware of this notion.



- *How satisfied are you with BSC (Balanced Scorecard implementation)?*

Around 85 percent of the SMEs (29 respondents) remained satisfied with the Balanced Scorecard implementation, rest of the respondents responded that they cannot give any comment because it is too earlier to draw any conclusion or give any comment about it.

- *Did the implementation of BSC (Balanced Scorecard) bring unique Competitive Advantage such as: reduce time frame, improved decision and better and better solutions, improved process or any other competitive advantage?*

The entire number SMEs respondents replied by the implementation of BSC (Balanced Scorecard) resulted in the improvement of the processes, improvement in decisions and better solutions. These are the competitive advantages that have brought by the implementation of BSC (Balanced Scorecard) in the organizations. Reduced time frames were another reasonably popular response amongst the respondents.

The other competitive advantages mentioned by the respondents included:

1. Help measure organization capabilities
2. Improved quality of work with more clear objectives and reduced cost
3. Unite the efforts set clear and ambition sub-goals
4. Improving the overall performance

- *Did the implementation of BSC (Balanced Scorecard) help in the alignment of key performance measures with strategy at all levels of an organization?*

Except one respondent, all the (SMEs) respondents replied that they agreed/strongly agreed that Balanced Scorecard helped in the alignment of the key performance measures with strategy at all levels in the organizations. The reasons for such positive response mentioned were clear objectives along with clear KPIs defined and optimal at all levels.

- *Did the implementation of the methodology facilitate communication and understanding of business goals and strategies at all levels of an organization?*

Except three individuals all other thirty three respondents replied that the implementation of the methodology in the SMEs did facilitate understanding of the business goals and strategies at all levels of an organization. The reasoning given was once again clarity in objective for all individuals working in the organization.

- *Did the implementation of the Balanced Scorecard help in reducing the abundant information of the company which IT systems process as essentials?*

Most of the SMEs respondents thought there was no relationship between the two. The ones who felt that there was a reduction in the abundant information of the company which IT systems processed into essential saw it as very minimal. Only few respondents felt a significant decrease.

- *Who actually makes the process of monitoring and controlling while implementing BSC (Balanced Scorecard) program?*

The response was mixed; the respondents replied that the following departments are actually responsible for monitoring and controlling the BSC (Balanced Scorecard) implementation in the organizations.

1. Operations Department
2. Consultant
3. Top Management/Team Leader
4. Corporate Strategy Department/Business Strategy Department /Strategy Unit

- *In your opinion, do you see that BSC (Balanced Scorecard) added value for your organization? If yes then how? If no then why?*

All SMEs respondents except one replied that they are agreed that BSC (Balanced Scorecard) added value in their organizations. This response mostly influenced by the clarity and alignment of KPIs/ objectives brought in by BSC (Balanced Scorecard) for the departments and employees. They also replied that BSC (Balanced Scorecard) also helps in organizing the actions and enhancing the operational connectivity.

- *How can you enhance the implementation of BSC (Balanced Scorecard) in your organization?*

Individuals claimed that they can enhance the implementation of BSC (Balanced Scorecard) in their organizations by following ways:

1. More Communication, more support, and spreading the knowledge regarding the benefits of BSC (Balanced Scorecard)
  2. Working in Unity
  3. Involving more employees in the implementation
  4. Reviewing and Benchmarking
- *What are the major pitfalls which confronts during the implementation of BSC (Balanced Scorecard) in your organization?*

Those who faced pitfalls in the implementation of BSC (Balanced Scorecard) stated its reasons:

1. Lack of Detail
  2. Time Consuming
  3. High Consultant Costs
  4. Only useful for top management
  5. Very good communication skills required which every employee does not have.
- *The Balanced Scorecard provides management with a comprehensive picture of business operations*

Majority of the SMEs respondents agreed with this statement. They replied that BSC (Balanced Scorecard) provides management clarity in the organizational objectives, straight forwardness, and defining clear consequences of their organization strategies. Only four respondents disagreed with the above statement.

- *What do you like most about BSC (Balanced Scorecard) implementation?*

Respondents responded that they like the following things about BSC (Balanced Scorecard) implementation:

1. It included four important perspectives and translated it into four clear aspects.
2. Linked and aligned the different organizational departments
3. Comprehensiveness along with the cause and effect relationship
4. Linking between prospect and strategy
5. Alignment with the mission, strategy and vision of the organization
6. Enhanced Control

- *What most motivates you to implement BSC (Balanced Scorecard) in your organization?*

The respondents replied that the better quality of work, better translation of strategy, comprehensive performance view, realistic and relevant objectives are those things that motivates them to implement BSC (Balanced Scorecard) in their organizations.

### Comparison between small and medium with large enterprises

This question was asked to get to know the different ways of implementing the BSC (Balanced Scorecard) in their organizations. The gap analysis provides a benchmark especially for the SMEs which is needed for most of the respondents, on the other hand the response also helps in finding the practices use by the organizations (which use or don't use BSC) and to understand the process of BSC (Balanced Scorecard) and to keep developing it for the interest of the organization.

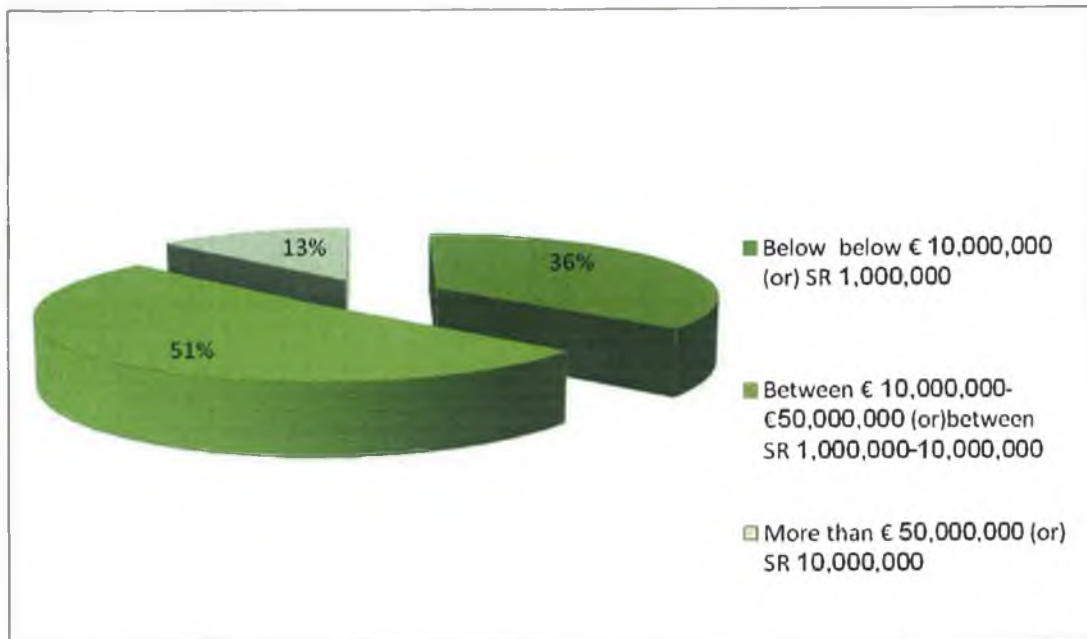
Generally the company size is determined by the number of employees. On the other hand, there are some nations which differentiate the small and medium enterprises on the basis of total revenue/profit values. In Saudi Arabia there are three brackets for profit per year:

1. Below € 10,000,000 (or) below SR1,000,000
2. Between € 10,000,000- €50,000,000 (or) between SR1,000,000-10,000,000
3. More than € 50,000,000 (or) SR10,000,000

#### Assumptions/Classification

For the convenience further classifications have been done:

1. Small Enterprises are enterprises making revenue below € 10,000,000
2. Medium Enterprises are enterprises making revenues between € 10,000,000- €50,000,000
3. Larger Enterprises are enterprises making profits more than € 50,000,000



*Figure 36: Net Profit of all the respondents types*

Generally, in our research segment, not much large scaled enterprises had implemented Balanced Scorecard (5 respondents/ 13 percent), while medium scaled enterprises were only 51 percent (20 respondents) of the total sample and the small scaled enterprises of the 35.8 percent (14 respondents) of the total implemented the BSC (Balanced Scorecard) method in their organizations.

The salient differentiating factors amongst the small and medium scaled enterprises are as following:

- Most respondents from small and medium enterprises had learned regarding the Balanced Scorecard methodology from consultants, courses or general readings. On the other hand, respondents who worked from medium scaled enterprises had

learned regarding Balanced Scorecard from consultants, Managing Directors or Upper Management.

- The average period since the implementation of Balanced Scorecard Methodology was higher for medium and large scaled enterprises as compared to small and medium enterprises. This is due to the reason that the larger organizations invest more in learning new management techniques and hence are quicker to come up with new methodologies for strategy making.
- All small and medium enterprises were having monthly deadlines for implementation of Balanced Scorecard. The medium enterprises were having deadline at the end of the month and quarterly. The rationale seems simple for this; smaller organizations are quickly able to assess performance due to small number of employees and because of easy flow of communication. In larger organizations it is difficult to assess all the employees quickly and gives them targets/awards etc.
- There was no defined response pattern for the most likeable thing about Balanced Scorecard due to the size of the company. There was a mixed response from either size of company.
- There was not any trend/pattern in the number of competitors between small and medium enterprises, either of them could have any number of competitors.
- Almost all the respondents agreed that the BSC (Balanced Scorecard) was implemented throughout the organization which included all the employees. The only respondents which did not believe were from the medium/large scaled organizations. The rationale for that could be due to large number of employees it



takes time take to implement, acceptability may also varies or maybe because in larger organizations some departments do not need BSC (Balanced Scorecard).

- There was no such pattern in the satisfaction level or Unique Competitive edge question.
- Smaller enterprises claimed that the IT information flow had no link with the implementation of Balanced Scorecard. This makes sense since smaller enterprises either don't have IT departments or there is hardly much communication flowing from it.

## Interview

As per research ethics and confidentiality policy the managers of the specific company Nortel Company were interviewed and the researcher asked the questions regarding the BSC (Balanced Scorecard) implementation. Following are the specifications of Nortel Company:

Company Name      Nortel Company

Organization Type      Multi National

Company Type      Industrial

Organization Age      More than a decade

Annual Profit      More than €50,000,000 (SR10,000,000)

Competitors      Around 3

Time Since Implementation of BSC (Balanced Scorecard)      More than two years

BSC (Balanced Scorecard) responsible      Deirdre Corcoran

After the interview following are the facts and findings:

Nortel Company is certainly a large company with a large work force. It has been operational and making profits since more than last decades. Implementation of Balanced Scorecard in this case would have required implementing it in a number of departments. The implementation on the massive scale requires informing/communication among employees and the enlightening takes large time. The Balanced Scorecard methodology over here was introduced by the Managing Director. The top managers' interest in such methodologies and

philosophies of management is always an essentiality to bring innovations in the company operations. Since it has been more than two years after the implementation, it is expected that the resources of the company would have become accustomed to and understood its benefits better. The responsible on BSC (Balanced Scorecard) in Nortel Company (Deirdre Corcoran) believed that the four perspectives aspect are the most attractive part of BSC (Balanced Scorecard). The overall feedback was positive and the respondent felt that all three major motivation factors have sub factors as following:

1. Financial Perspective
2. Customer Satisfaction
3. Internal Business processes
4. Learning and development

The overall feedback regarding the BSC (Balanced Scorecard) implementation is that it brings strategy in action, implementation throughout, reduced practices and improved processes. Nortel Company finds help by BSC (Balanced Scorecard) for tracking and driving the growth based on Nortel strategy. It is the most dominant comparative advantage which has brought by BSC (Balanced Scorecard). The respondent believed that more communication and clarity in role expectations have been brought by implementing Balanced Scorecard methodology. Interviewee felt that the value addition to the company was based on the following things:

1. Translate the strategy
2. Allows to align different matrix to get a balanced view
3. Enable to understand the cause and effect.

Despite the size of the company, Deirdre Corcoran felt no decrease in the information flow as a result of BSC (Balanced Scorecard). The major pitfalls reported pertaining to BSC (Balanced Scorecard) were:

1. It takes significant amount of planning and effort for implantation.
2. Difficult to make it applicable to the company.
3. Hard to find benchmark.
4. It needs lots of KPI's.

The reason for these could have been the size of the organization which asked for more planning and effort to implement it across all departments. The need of additional KPIs and extensive benchmarking is a natural aspect of BSC (Balanced Scorecard) which were bound to increase on the first time implementation.

Lastly the enhancement in BSC (Balanced Scorecard) implementation was expected based on the support creation across all departments.

## CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

The Balanced Scorecard started off as a card which gives an overall picture (Keeping important perspective in focus) of Company performance. It was initially brought in to set off the over emphasis on financial performance and bring in the other three perspectives as performance indicators. It was later brought in as a management strategic tool which translated these performance indicators into decision making (From long term goals translating into short term decisions) and hence reflecting in operations. The objective of this questionnaire was to obtain perceptions regarding the implementation of Balanced Scorecard (BSC) over a range of organizations. It intended to obtain the precise expectations organizations with Balanced scorecard methodology had in their mind. Along with inquiring the perceptions which lead to adoption of BSC (Balanced Scorecard), the questionnaire also inquires about its performance up till now. The main objectives can be divided as following:

The research concluded with several useful and interesting findings through the replies obtained from the questionnaires. The first source of information of Balanced Scorecard Methodology for the small and medium enterprises (and even the large enterprises) is usually consultants and training courses. The interaction with these sources is mostly because of official outsourcing of work and trainings arranged by the company human resource departments. Mostly top management, operations department or consultants were making the process of monitoring and controlling while implementing Balanced Scorecard program. Balanced Scorecard is reported to be as a value added to the organization though generally creating more clarity in objectives, useful objective partitioning and organized action plans. The methodology is also bringing in realistic and relevant objectives for employees accordingly. The time span

since the implementation of Balanced Scorecard is increasing via the popularity of the methodology. Almost 41 percent (14 SME respondent) or 49 percent (19 respondent of all the types of businesses) of the companies have been applied the methodology since more than two years. Moreover the time limits pertaining to the implementation of balanced scorecard methodology are based on monthly targets. This has been the case for more than 80 percent of the respondents. All the following aspects i.e. financial, customer satisfaction, internal business process perspective, and learning and growth perspective of Balanced Scorecard have been termed as either significant or more than significant motivational factors leading the small and medium enterprises to the application of it. The BSC (Balanced Scorecard) helps in enhancing the financial aspects of the organizations by increasing profitability, added economic value, and increase sales growth. It also helps in increasing cash flow generation, increase the return on capital employed (ROCE or EVA) (Economic Value Added). BSC (Balanced Scorecard) helps the organizations in attaining the customer satisfaction by customer retention, customer acquisition, market share increments, and lead-time occurs, and on time delivery (if applicable). BSC (Balanced Scorecard) helps the organizations in their internal business process perspective by providing management with a comprehensive picture of business operations. It also helps in measuring of how well the company identifies the customers' future needs, increase in creativity and unexpected ideas, measures the quality, time cycle measurement, measures cost, and measures post sales services, warranty, repair, and treatment of defects and returns. It helps in increasing the learning and growth perspective by increasing of employee satisfaction, alignment of employee incentives with overall organization success factors, and increase of employee morale.

SMEs relationship of 'motivation to implement' Balanced Scorecard methodology with the following factors was not as strong in relation with other factors. The relationship is hence seen a less strong with factors pertaining to employee satisfaction with that of BSC (Balanced Scorecard). It increases employee retention, employee training, employee skills, system availability & "front line" customer information, team members cooperation maximization, team members are focused on helping one another succeed, cross organizational team occur - more open channels of communications, and enthusiastic people. Majority SMEs respondents were satisfied with 'Strategy transforming into actions', they believed that BSC (Balanced Scorecard) was reflecting in the actions of the organization which is a positive sign. They attributed this mainly to the clarity and breaking down in objectives. They believed it was being implemented throughout the organization. Similarly Satisfaction associated with BSC (Balanced Scorecard) was high and mostly were satisfied with it, the others responded by saying the not enough time had passed since the implementation and hence they were in no state to reply as yet.

The unique competitive edges reported due to Balanced Scorecard methodology are the clarity it brings in company objectives and the linkages it makes leading to unity and overall better performance. The responses of the large, Small and Medium Enterprises convey that BSC (Balanced Scorecard) is helping in the alignment of the key performance measures with strategy at all levels. Along with that it was also facilitating communication and better understanding regarding business goals and strategies. There was a weak belief about the SMEs that implementation of BSC (Balanced Scorecard) actually help in reducing the vast amount of IT information. Apart from that the general drawbacks from implementation of BSC (Balanced Scorecard) is seen due to the time it required, high cost (Consultants and Implementation) and that it is only useful for upper management. The concerns are relevant but perhaps with the

increase in time span since the implementation would remove partially if not completely these concerns. The costs and time required will decrease with more benchmarking in place. There is an agreement between the questionnaire of SMEs and Large organizations and the interview results which make the overall information of the research is consistent and provides increase in the credibility for the research. Nortel Company uses the balanced scorecard at the beginning by the personal creativity by using the training and Excel program which decrease the costs in significant way. Using the balanced scorecard is very helpful for the companies, especially the small and medium companies, where the Nortel Company used the Balanced Scorecard although it is large companies, so this research gives an opportunity to the small and medium companies to use the balanced scorecard with very low costs. There are multiple way forward approaches to this research. While some indicate the extension of this project (improving and probing in with more research), the others call in for parallel research studies.

### **Recommendations**

The recommendations in regards to Balanced Scorecard Implementation can be made based on the conclusion provided by the research. The research indicates that their knowledge base regarding Balanced Score Card needs to be improved through more workshops. This would lead to more awareness regarding the methodology. Moreover the linkage between employee satisfactions with balanced scorecard methodology is relatively less strong as indicated by the closed ended parts of the questionnaire. More innovations in this regard are needed to bring in buy in from company employees as it an essential part on which company performance is gauged. As far as the enhancement of Balanced Scorecard Methodology is concerned, it can be improved through more communication, better understanding, and through involvement of more



employees. By using the balanced scorecard is very helpful for the companies, especially the small and medium companies, where the Nortel Company used the Balanced Scorecard although it is large companies, so this research gives an opportunity to the small and medium companies to use the balanced scorecard with very low costs and innovative ways. The number of respondents can be increased as a bigger sample size will give more confidence for the findings. Additional Research tools can be applied to calculate the correlations between different set of variables for quantitative analysis. This would naturally require a bigger sample size and more information for the companies in survey. The variables for locations, type of companies and other demographics can be varied in order to observe the implementation across different settings. The same questionnaires can get answered by a different research team in order to minimize the researchers' bias. The same respondent can be approached to make the observations over time (for example how was BSC (Balanced Scorecard) perceived after 6 months of implementation and then how the responses changed after 12 months?). Research can further be conducted as to the factual growth seen in organization visible in numbers and company profile.

## REFERENCES

- Amaratunga, D., Baldry, D., & Sarshar, M. (2001). Process improvement through performance measurement: The balanced scorecard methodology. *Work Study*, 50, 179-188.
- ANDERSEN, H. et al. 2001. Balanced Scorecard implementation in SMEs: reflection in literature and practice. 2GC Conference Paper. United Kingdom.
- Andra Gumbus and Bridget Lyons. (2002). The Balanced Scorecard at Philips Electronics. *Strategic Finance* . 84 (1), 46
- Asymmetric. (2011). *Quantitative Research Defined*. Available: <http://www.asymmetricinvestmentreturns.com/resource-center/definitions/quantitative-research-defined.html>. Last accessed 20th Aug, 2011
- BEISKE, B. 2002. Research methods: Uses and limitations of questionnaires, interviews, and case studies. In: *Research Methods: Uses and Limitations of Questionnaires, Interviews, and Case Studies*. Manchester: Manchester School of Management Generic Research
- Ben Beiske. (2002). Research methods: Uses and limitations of questionnaires, interviews, and case studies. In: *Research Methods: Uses and Limitations of Questionnaires, Interviews, and Case Studies*. Manchester: Manchester School of Management Generic Research
- BERGE, C. W. V. and BENC, D. C. 2011. A Balanced Scorecard For Small Business.
- Birch, C. (1998). Balanced scorecard points to wins for small firms. *Australian CPA*, 68, 43-45.
- Birchard, B. (1995, October). Making it count. *CFO: The Magazine for Senior Financial Executives*, 11, 42-51.
- Brignall, S., & Ballantine, J. (1996). Performance measurement in service business revisited. *International Journal of Service Industry Management*, 7, 6-31.

C. W. Von Berge and Daniel C. Benc. (1). A Balanced Scorecard For Small Business.

Available:

<http://usasbe.org/knowledge/proceedings/proceedingsDocs/USASBE2004proceedings-Vonbergen.pdf>. Last accessed 6th June 2011.

CALLAHAN, T. C. 1998. *Research Ethics*.

Callahan, T.C. (1998), *Research Ethics*. Available from:, University of Washington Web site:

<http://http://depts.washington.edu/bioethx/topics/resrch.html> [Accessed: August 21, 2011]

Chabrow, E. (2002, September 23). Keep 'em happy. *InformationWeek*, 907, 20-22.

Daly, D. (1996, September). Performance measurement and management. *Management Accounting*, 78, 65-66.

David B. Resnik. (2011). What is Ethics in Research & Why is It Important?. Available:

<http://www.niehs.nih.gov/research/resources/bioethics/whatis.cfm>. Last accessed 20th Aug 2011.

DECOENE, V. and BRUGGEMAN, W. 2006. "Strategic alignment and middle-level managers' motivation in a balanced scorecard setting". *Operations & Production Management*. 26(4). pp. 429 – 448

Dixon, J. R., Nanni, A. J., & Vollman, T. E. (1990). *The new performance challenge: Measuring operations for world class competition*. Homewood, IL: Business One Irwin.

DJS Research Ltd. (2011). What is Qualitative Research? . Available:

[http://www.marketresearchworld.net/index.php?Itemid=64&id=10&option=com\\_content&task=view](http://www.marketresearchworld.net/index.php?Itemid=64&id=10&option=com_content&task=view). Last accessed 20th Aug 2011.

Ernst & Young LLP (1998). *Measures that matter*. Cambridge, MA: Ernst & Young Centre for Business Innovation

EVANS, N. 2005. "Assessing the balanced scorecard as a management tool for hotels". *Contemporary Hospitality Management*. 17(5). pp. 376 – 390

GUMBUS, A. and LYONS, B. 2002. The Balanced Scorecard at Philips Electronics. *Strategic Finance* . 84 (1). pp. 46

HEILA, P. 2000. Using the Balanced Scorecard to Facilitate Strategic Management At an Academic Information Centre. pp. 1-10

Heila,P . (2000). Libri. Using the Balanced Scorecard to Facilitate Strategic Management At an Academic Information Centre. 3 (1) 1-10

Henrik Andersen, Ian Cobbold and Gavin Lawrie. (2001). Balanced Scorecard implementation in SMEs: reflection in literature and practice.2GC Conference Paper, United Kingdom.

HERBERT, R. and IRENE, R. 1995. Qualitative interviewing: The art of hearing data.

HOFFECKER, J. and GOLDENBERG, C. 1994. Using the balanced scorecard to develop companywide performance measures. *Cost Management*. 8. pp. 517

Holloway, A. (2002, October 28). It's all about relationships. *Canadian Business*, 75, 80.

Horngren, C. T., Foster, G., & Srikant, M. D. (2000). Cost accounting: A managerial emphasis [http://www.vectorstudy.com/management\\_theories/balanced\\_scorecard.htm](http://www.vectorstudy.com/management_theories/balanced_scorecard.htm) [Accessed August 20 2011].

Kaplan, r. and Norton, P. 2001. *The Strategy Focused Organization*. pp. 1-50

Kaplan, R. S. and Norton, D. P. 1996. *The balanced scorecard*.

Kaplan, R. S. and Norton, D. P. 2001. *The strategy focused organization*.

- Kaplan, R. S. and Norton, D. P. 2007. Using balanced scorecard as a strategic management system. *Harvard Business Review*. 1(1). pp. 2
- Marshall W.Meyer (2002). *Rethinking Performance Measurement*. South Africa :Cambridge 2-8
- McWilliams, B. (1996). The measures of success. *Across the Board*, 33, 16-20.
- MEYER, M. W. 2002. *Rethinking Performance Measurement*. pp. 2-8
- Needleman, T. (2003, May). Customer satisfaction is supreme. *Internet World*, 9, 6. Neely, A. (1998). *Measuring business performance*. London: Economist Books. Newing, R. (1994). Benefits of a balanced scorecard. *Accountancy*, 114, 52-53.
- Nigel Evans, (2005) "Assessing the balanced scorecard as a management tool for hotels", *International Journal of Contemporary Hospitality Management*, 17 Iss: 5, p 376 – 390
- Qualitative Research. (2011). PART THREE: RESEARCHER ROLES. Available: <http://qualitativeresearch.ratcliffs.net/3.htm>.
- Relyea, S. W. (1998, June). From gutter balls to strikes: UCSD's balanced scorecard program.
- Robert, K and Norton,P (2001). *The Strategy Focused Organization*. Massachusetts: Harvard Business School Press. 1-50.
- Robert.S.Kaplan and David.P.Norton. (2007). Using balanced scorecard as a strategic management system. *Harvard Business Review*. 1 (1), 2.
- Rubin, Herbert & Rubin, Irene. (1995). *Qualitative interviewing: The art of hearing data*. Thousand Oaks, CA: Sage.
- SHARMA, P. 2003. Stakeholders Mapping Technique: Towards Developing of Family Firms Typology. *LAURIER*. 1. pp. 1-5

Valerie Decoene, Werner Bruggeman, (2006) "Strategic alignment and middle-level managers' motivation in a balanced scorecard setting", *International Journal of Operations & Production Management*, Vol. 26 Iss: 4, pp.429 – 448.

Vitale, M., Mavrinac, S., & Hauler, M. (1994). D. H.: The chemical division's balanced scorecard. *Planning Review*, 22, 17-45.

## APPENDIXES

### Appendix 1

Sample of Questionnaire/ the structured interview questions

GALWAY-MAYO INSTITUTE OF TECHNOLOGY

# QUESTIONNAIRE

*Dear Sir/Madam*

*This questionnaire aimed to help the researcher to study the impacts of implementing BSC (BALANCED SCORECARD) Methodology, in order to get MBS (Master of Business in Strategy & Innovation Management) degree. Please also note that your organisation information will be dealt with high privacy, confidentiality and professionalism.*

*This questionnaire includes four sections, regarding the impacts of implementing BSC (BALANCED SCORECARD) in your organisation. Please answer them all.*

**FACTORS AFFECTING THE BENEFITS OF IMPLEMENTING BSC  
(BALANCED SCORECARD) IN A SMALL & MEDIUM  
ORGANIZATIONS**

---

**Section One**

*This section gives brief information about your organization*

1. **Organization/ Company Name**

.....

2. **Business type:**

**Industrial**

**Services**

3. **Organization type:**

**NGOs (Nongovernmental Organization)**

**GOs (Governmental Organization)**

**Others**

4. **Organization Age (years):**

**Less than one**

**(1-5)**

**(5-10)**

**More than 10**

5. **Net profit (if applicable) :**

**Below SR1,000,000 (€ 10,000,000)**

**Between SR1,000,000-10,000,000 (€ 10,000,000- €50,000,000)**

**More than 10,000,000 (€ 50.000.000)**

6. **Number of rivals (competitors)?**

-----  
-----



**Section Two**

*This section gives some knowledge about (How, When, Why) you choose to implement the BSC (BALANCED SCORECARD).*

**1. How did you know about BSC (BALANCED SCORECARD)?**

-----  
-----

**2. How long have you been implementing BSC (BALANCED SCORECARD) in your organization?**

- Below six months
- 1 year
- 1-2 years
- Above 2 years

**3. Is there any schedules or deadlines you are committed to regarding the implementation of BSC (BALANCED SCORECARD)?**

-----  
-----

**4. What do you like most about BSC (BALANCED SCORECARD) implementation?**

-----  
-----

**5. What most motivate you to implement BSC (BALANCED SCORECARD) in your organization?**

-----  
-----

### Section Three

***This section represents your opinion about implementing the BSC (BALANCED SCORECARD), in quantitative manner (closed questions).***

Please rate the influence of the following factors in your decision about the Benefits of implementing BSC (BALANCED SCORECARD) in your organization using the following likerty key:

**A = Extremely significant   B = Very significant   C = Significant   D = Insignificant   E = No effect at all**

		A	B	C	D	E
<b>Financial Perspective</b>						
1.	Financial returns satisfy shareholder expectations					
2.	Profitability, Economic value added					
3.	Sales growth					
4.	Cash flow Generated					
5.	Return on capital employed (ROCE or EVA(Economic Value Added))					
<b>Customer Perspective</b>						
6.	Customer satisfaction.					
7.	Customer retention.					
8.	Customer acquisition.					
9.	Market share increase.					
10.	Lead-time occurs.					
11.	On time delivery (if applicable).					

<b>Internal Business Process Perspective</b>					
12.	The Balanced Scorecard provides management with a comprehensive picture of business operations.				
13.	Existence of measures of how well the company identifies the customers' future needs.				
14.	Creativity and Unexpected Ideas Increased				
15.	Existence of quality measures.				
16.	Existence of cycle time measures.				
17.	Existence of costs measures				
18.	Existence of Post sales service measures - measures for warranty, repair and treatment of defects and returns.				
<b>Learning and growth Perspective</b>					
19.	Increase of employee retention.				
20.	Increase of employee training.				
21.	Increase of employee skills.				
22.	Increase of employee satisfaction				
23.	Alignment of employee incentives with overall organization success factors				
24.	Increase of employee morale.				
25.	System availability & "front line" customer information				
26.	Team members cooperation maximized				
27.	Team members are focused on helping one another succeed				
28.	Provision of strategic feedback and learning.				
29.	Cross organizational team occur - More open channels of communications				
30.	Enthusiastic People.				

*Section Four*

*This section represents your opinion about implementing the BSC (BALANCED SCORECARD) in descriptive manner (open questions).*

- 1. Did the implementation of BSC (BALANCED SCORECARD) - Transforms strategy into action and desired behaviours?**

-----  
-----

- 2. Were strategic initiatives that follow "best practices" methodologies followed through the entire organization?**

-----  
-----

- 3. How satisfied are you with BSC (BALANCED SCORECARD) implementation?**

-----  
-----

- 4. Did the implementation of BSC (BALANCED SCORECARD) give any unique Competitive Advantage such as:**

**a. Reduced Time-frames**

**b. Improved Decisions and Better Solutions**

**c. Improved Processes**

**d. Any other competitive advantages? Please identify:**

-----  
-----

5. Did the implementation of BSC (BALANCED SCORECARD) help align key performance measures with strategy at all levels of an organization?

-----  
-----

6. Did the implementation of the methodology facilitate communication and understanding of business goals and strategies at all levels of an organization.

-----  
-----

7. Did the implementation of the Balanced Scorecard help reduce the vast amount of information the company IT systems process into essentials?

-----  
-----

8. Who actually makes the process of monitoring and controlling while implementing BSC (BALANCED SCORECARD) program?

-----  
-----

9. In your opinion, do you see that BSC (BALANCED SCORECARD) added value for your organization? If the answer is yes how? If No why?

Yes  No

How/ Why -----  
-----

10. How could you enhance the implementation of BSC (BALANCED SCORECARD) in your organization?

-----  
-----

11. What are the major pitfalls concerning the implementation of BSC (BALANCED SCORECARD) in your organization?

-----  
-----

**12. The Balanced Scorecard provides management with a comprehensive picture of business operations.**

**Agree**

**Disagree**

**How** -----

-----

## **Gratitude**

**Dear Sir/Madam,**

**I want to thank you for your time answering the Questionnaire, your participation was much appreciated.**

**Student name: Abdulsattar M. Alshammari**

**Email: a\_abdulsattar@hotmail.com**

**Telephone: Ireland +353833642966 / K.S.A. +966553873664**

**Supervisor name: Ivan McPhillips**

**Programme name: Master of Business in Strategy and Innovation Management**

**College name: Galway-Mayo Institute of Technology**

**Address: Dublin Road, Galway, Ireland**

- **Please feel free to ask any questions regarding any item in the questionnaire.**