

Aspects Relating to the Perspective and Management Strategies of the Balanced Scorecard Method

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Abstract

This article aims to highlight the way in which the Balanced Scorecard management system achieves the measured performances and the strategic objectives for each perspective, together with their graphical presentation showing the relationship between cause and effect.

The performance measurement can be done using several key performance indices, namely: sales volume, market share and customer satisfaction index. The perspectives and managerial strategies within the Balanced Scorecard method included in this paper are presented theoretically.

Key words: strategic objective, balanced scorecard method, performance

J.E.L. classification: M41

1. Introduction

Balanced Scorecard represents through its evolution from managerial accounting a management system and a strategic planning tool, used both in the industry and in their business environment. (Danescu, 2012).

The BSC method comes from a study conducted by David N. Norton and Robert S. Kaplan, in 1990, on 12 renowned companies, as a result of the dissatisfaction of the companies regarding the modalities and the instruments used to measure the performances. Norton and Kaplan argue that performance development is based solely on measuring financial indices whose results are based on previous results. In the field of current affairs, this type of information may be insufficient or misleading.

In 2006, P. Niven says that "Balanced Scorecard assists organizations in overcoming three key aspects: measuring the efficiency of the organization, increasing intangible assets and challenging the implementation of the strategy". BSC is a verification system, and also a strategic evaluation system.

Balanced scorecard (BSC) can play the role of a strategic management system, whose implementation makes available to entities the way they manage their strategy and long – term operations.

2. Theoretical background. Performance achieved using the Balanced Scorecard method

Measuring success through the classic methods based on financial benchmarks led to uselessness until the 1980s when new approaches like total quality management (TQM) or the JIT (Just in time) method emerged. With the advent of new approaches, there is a lack of a classical structure regarding the indices used in the past, not offering a foresight of the future, as well as the immeasurability of elements such as product value, customer satisfaction, competitiveness, market share, staff morale, customer evolution, and they have no flexibility. (Jusoh, 2008)

The present systems of evaluation of the success include besides the financial indices and a series of non – financial indices, and the important advantages held in relation to their integrity in the organizational program are: simplicity, easy to use, adaptable format and support in order to improve the performance. (Ghalayini & Noble, 1996).

Through the BSC it is possible to extend the focus of a manager on a wider set of financial and non-financial measures, in order to define a more complete picture of the company's performance (Kaplan and Norton, 1992; 1996).The indices used to measure the performance of the BCS model, both financial and non-financial, use four perspectives related to a cause-effect relationship (Kaplan and Norton, 1992; Collis, Holt and Hussey, 2012):

Customer perspective - how do customers see themselves?

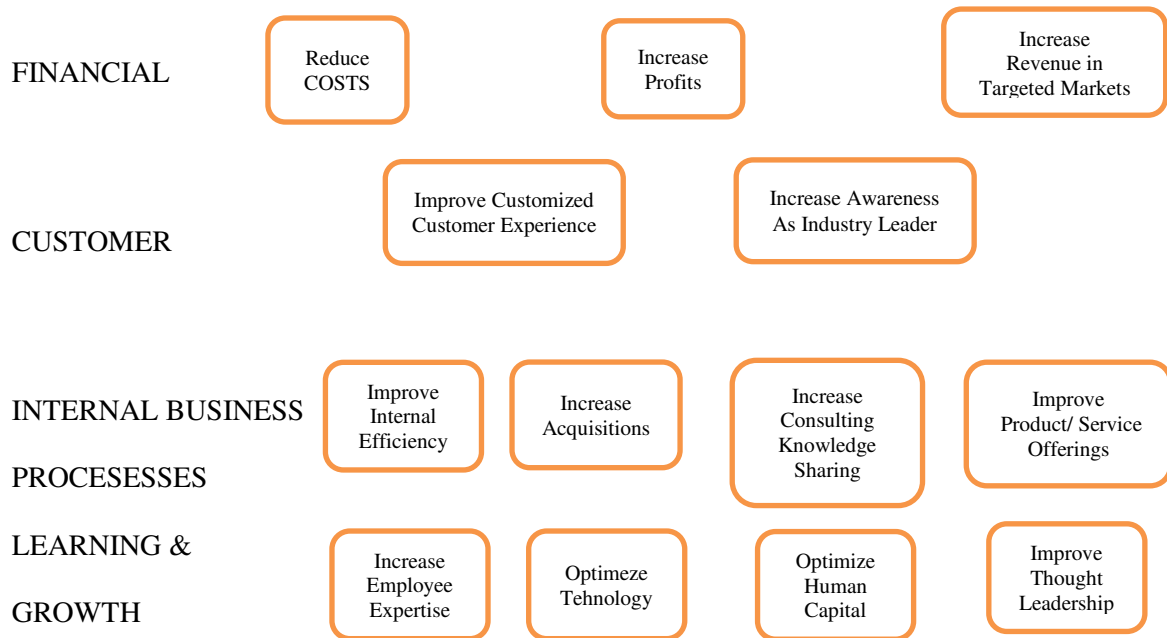
Internal Business Perspective - What should it excel at?

Learning and innovation perspective - Can we continue to improve and create value?

Financial perspective - How do we look at shareholders? (Kaplan and Norton, 1992)

Presenting perspectives in another form with the aim of achieving strategic objectives. For the first time, we can see that the general strategy of the companies is established.

Figure no. 1 – Strategy map

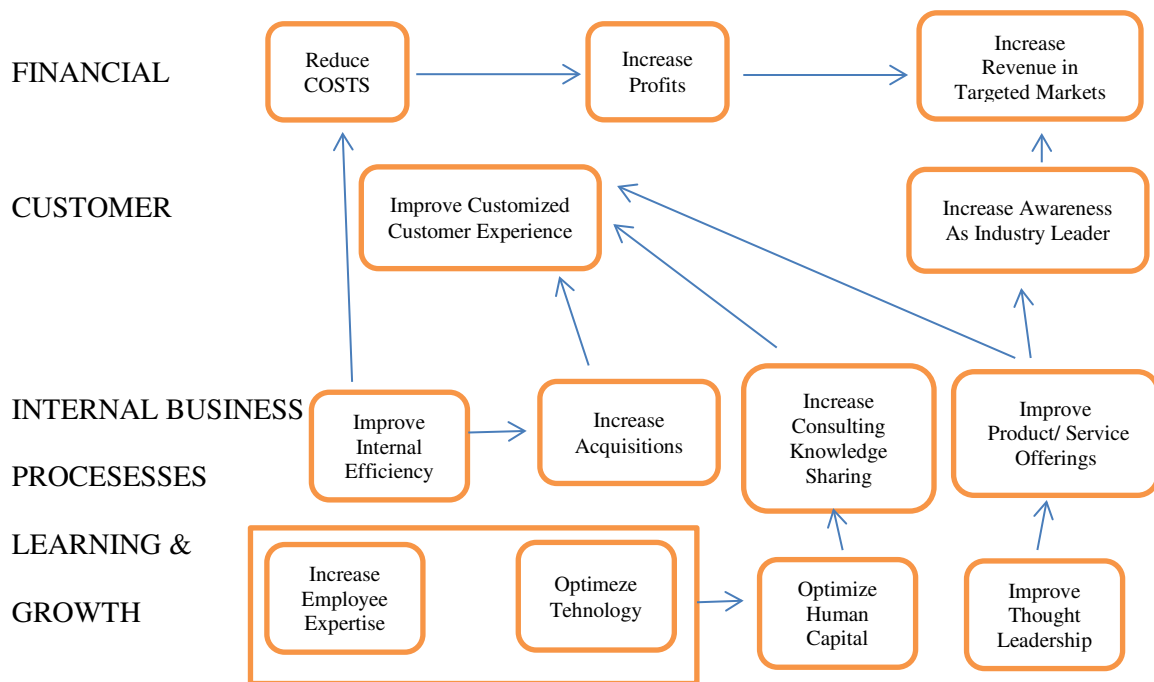


Source: <https://balancedscorecards.com/balanced-scorecard/>

The graphical presentation of the connection, also called strategic map between the strategic objectives and perspectives, is realized with the help of arrows that show us the cause-effect relationship. The last step in creating the strategic map is the drawing of arrows between strategic objectives. After drawing the arrows you can read the strategic flow starting from the bottom to the top.

Even if a lot of research has been done on the Balanced Scorecard method, there are still points of undiscovered research.

Figure no. 1 – Strategy map



Source: <https://balancedscorecards.com/balanced-scorecard/>

3. Findings

In the market it is very important to take into account the demand-supply-price relationship, where we know that when promotions take place, customer services and relationships with improved distributors lead to increased product sales, which determines a revenue growth strategy. Within an entity whose object of activity is production, it analyzes the efficiency achieved in the operational processes and the processes of management of the company.

The performance measurement is performed using several key performance indices, namely: sales volume, market share and customer satisfaction index.

a. Sales volume

The sales volume index has a special significance for measuring the company's performance in the marketing function. The determination of the sales indicators is made monthly and in the end the amount is calculated over a period of one year.

$$\text{Volume } p = (vSG1 + vSG2 + vSG3 + \dots + vSGn)$$

Volume = the volume of sales accumulated on certain parameters

vSG = sales volume of PT. Greasy Semen

b. Market share

The market share index is made annually, generally equal to the monthly target. The measurement of the market share is a comparison between the volume of sales accumulated at PT. Semen Gresik with the accumulated sales of the company and all its competitors.

$$\text{Volume } p = (vSG1 + vSG2 + vSG3 + \dots + vSGn)$$

$$\text{Volume } p = (vk1 + vk2 + vk3 + \dots + vkn)$$

$$\text{Market share} = \frac{\text{volumul } p}{\text{volumul } p + \text{volumul } k} \times 100$$

Volume p = the volume of sales accumulated in certain parameters

Volume p = the cumulative sales volume of competitors in certain parameters

Market share = market share in certain parameters

vSG = sales volume of PT. Greasy Semen

vk = sales volume of competitors

c. Customer satisfaction index

Customer satisfaction index is the main index measured from the customer's perspective. Customer satisfaction measurement is done by calculating the average of each individual index, which is done annually.

$$Kp = (iA_1 \times \frac{bA1}{100}) + (iA_2 \times \frac{bA2}{100}) + (iA_3 \times \frac{bA3}{100}) + \dots + (iA_n \times \frac{bAn}{100})$$

$$\text{Satisfaction}_p = \frac{(kp1+kp2+kp3+\dots+kp_n)}{n}$$

Satisfaction_p = the average customer satisfaction index in certain parameters

Kp = calculation of the cumulative weight index

iA_n = customer satisfaction index for the sixth aspect

b = seventh aspect

In order to improve the learning and efficiency of the business, it is necessary to improve the customer perspective, which leads to financial profitability, taking into account customer satisfaction (Collis, Holt and Hussey, 2012).

4. Conclusions

The BSC method is simple to use and in the sense of a large number of people who have various economic – industrial preparations.

Improving BSC leads to the development of a strategic management system.

That is why we can notice the existence within the method of the possibility of connecting long-term strategic objectives with short – term actions, taking into account budgetary resources.

Highlighting the importance of the communication process necessary for performance measurement, we can conclude that a successfully implemented BSC in a timely manner helps organizations articulate and communicate their strategy as explicitly as possible, tracking performance levels and identifying superiority over one another;

The situations where excellent results have been achieved due to the impact of the BSC method are on the start – ups and especially on the investors. To benefit as many investors as possible, a company need a detailed financial model in order to successfully apply the strategies that bring value from the business proposal.

In conclusion, it should be mentioned that the use of BSC within the enterprise helps to ensure the right balance between growth and control, profitability, regardless of its size.

It follows from the above that the method interacts with several activities, such as: quality management, refurbishment, redefinition of products or after – sales service and the transformation of general objectives into operational objectives that can be understood by all categories of people.

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