Re-thinking balanced scorecard as organisational strategy performance management and measurement

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Abstract: This study focused on designing effective performance management structure continuously premeditated standpoints of balanced scorecard model. The paper's objective complements expounding illusion of performance measurement as espoused by eminent scholars. The varied nature of the literature assessment which was separated into sections is suggestive of the abundance and usefulness of performance measurement; thus its improvement would be adequately understood. The starting-points of all performance measurement initiatives were succinctly studied; then evaluation of performance measurement frameworks was performed; concise examination of the performance management systems and theoretical evaluation of the developing performance measurement. This paper revealed that application of a balanced scorecard in organisations involving the entire overhaul of the existing control system and its implementation is a costly task. Based on the exploratory methodology adopted by this study, some further research areas are recommended.

Keywords: balance scorecard; organisational strategy; performance management; performance measurement; performance; exploratory research; methodology; research areas; strategic issues.

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1 Introduction

Responsibilities for effective organisations' performance have been aggregated. It is essential that establishments know the strategic issues behind its progress and validate the firms' overall achievement. Performance measurement is an indispensable feature of management in business enterprises. Historically, some business establishments continuously devise techniques to measure performance using financial indicators, either by realisation of profit or failure through winding up.

However, these financial indicators, offer minute support to businesses on their worth, since the indicators would not chart progression and expansions perceived by the stakeholders. In a prosperous total quality management companies, business performance could be determined using developments comprehended by the customers, and other stakeholders. Tangen (2004) posit that before an organisation can improve something, it should be capable of measurement and quantified. Additionally, performance improvement results from evaluating it; since, in evaluating firm's improvement, measurement appears to be the leading stage.

It is pertinent to say that, measuring companies' activities and its' accomplishments is the practice of quantification, its influence is to motivate constructive actions en-route to the realisation of the organisations goals. Organisations management have to be mindful that most measures could have adverse implications when imperfectly used and/or applied wrongly. Hence, business managers are advised to be wary of the circumstances and adverse significances prior to embracing performance measures.

The balanced scorecard happens to be a performance measurement apparatus instituted by distinguished scholars (Kaplan and Norton, 1992). "The balanced scorecard consists of financial techniques which convey effects of company's activities previously taken, and it supplements the monetary indicators with operational methods on client contentment and internal processes including company's innovation. Operational methods are key to the future of firm's performance". Kaplan and Norton (2004) posit that balanced scorecard makes available structure linking different measurements and vouch for consideration four perceptions such as client's perception, interior business perception, innovation and learning perception, lastly financial perception.

Having broad-spectrum of corporate stratagem as the basis, companies devise minimum of three goals interrelated to each perception, and introduce explicit procedures supporting organisational objectives. Superlatively, the scorecard supports enterprises to elucidate their notion and translate identified apparition into quantifiable activities that workers could comprehend. Furthermore, it facilitates business firms to stabilise the apprehensions of innumerable investors to enhance enterprise's total performance.

According to McCunn (1998) balanced scorecard is a prevailing perception centred on modest standard: Financial experts' requirement is a stable established performance indicators for effective management of business enterprises. He further posits that "The indicators ought to measure achievement alongside the critical attainment factors of the business, and the balance is the harmonising moderation amid the customary financial and non-financial operational measures". Corporations' activities have continually applied extensive effects on its actions. Consequently, the techniques of perfectly evaluating performance are alleged to be an increasingly vital area for investigation. Actually, performance measurement has subjugate the cognizance of scholars in numerous fields.

Marr and Schiuma (2003) posit that an immense assortment of distinct data in relation to performance measurement are accessible via determinations of some scholars from diverse functional areas and this is thriving as being a significant measure of the business strategy. Further, performance measurement is developing at extensive proportion to struggle for innovative organisational realities. The thought of performance and its assessment is been subjected to changing contemporary enterprises. The organisational atmosphere is attracting attention as cutting edge of performance measurement.

Following sequence of continuous development, performance measurement shows significant roles in:

- determining and tracking improvement against fundamental enterprise goals
- ascertaining prospects for enhancement
- equating performance alongside together with internal and external standards.

The core objective of this study is to complement expounding illusion of performance measurement as advocated by Neely (1999) and Marr and Schiuma (2003). The assorted literature analysis is suggestive of the abundance and usefulness of performance measurement; consequently its improvement would be adequately understood.

The methodology adopted for this study is exploratory and qualitative content analysis using secondary data and theoretical assumptions to make deductions on how organisations can strategically implement the uses of balance scorecard, performance management and measurement to determine the viability of firms' operations and accomplishments.

Due to result of the thriving performance measurement study, companies are in comprehensive dilemma. Marr and Schiuma (2003) put forward dimensions of enquiries in deterring improvements of performance measurement. The fact remains that performance measurement is not possessed by scholars in any specific discipline and has led to reluctance to dispense with the traditional functional precincts when study is performed on topic. All the same it is astonishing that companies find the field of performance measurement so problematic to manage.

2 Literature review

In discussing the perception of performance management, Amaratunga and Baldry (2002) refer to it as the practice of using performance measurement materials to influence constructive transformation in managerial culture, systems and procedures, by facilitating the achievement of established performance goals, apportioning and prioritising means or directions toward meeting these goals. Performance measurement and performance management are trajectory and management precedes measurement, which creates the circumstance for its existence (Folan and Browne, 2005).

Bititci et al. (1997) posit performance management to be a process which business enterprise managers use to measure organisational activities according to its enterprise and functional strategies and objectives. Performance management sets structured and methodical way of progressive review, goal setting; communication, identifying and remunerating achievement and executing workers' development programs. It is a constant procedure that is accepted from the time an employee joins a company until he leaves. Performance management in HR is designed at humanising the global company activities by improving specific performance within the context of a team. Performance management drives for optimal performance by way of setting the precise anticipations, collaborating efficiently, describing unblemished roles, and setting realisable objectives. These include actions that warrant firms' objectives are regularly, effectively and efficiently accomplished.

Performance management has the main aim of ensuring that an enterprise and its functional areas are actively and jointly operating towards achieving set objectives. Performance management has wide-ranging applications, namely: employees' performance, corporate performance, or outcome/performance measures. Performance management structure comprises performance measurement systems, but not on the other approach around.

Armstrong (2009) states that performance management is an efficient process for refining managerial performance and developing the activities of individual employee and groups. It is a method of attaining enhanced outcome by accepting and handling enactments within an established context of premeditated objectives, principles and capability requirements. The author here expounds the tenacity of performance management that centres on managers' responsibility to clarify organisational objectives that would be accomplished for the growth and survival of the organisation in long run.

It can therefore be inferred from the above-mentioned that performance management:

- is an integration of individual goals to corporate's goals
- is concerned with effective process of continuous employee development
- entails performance improvement to attain individual, group and organisational effectiveness
- creates a climate of communication and involvement of managers and employees in defining expectations and disseminate information on the organisation's mission, values and objectives
- indicates ways through which many firms ensure that managers do what good managers ought to do, ensure workers are abreast on what they should be doing, have the expertise doing it and complete it to an adequate standard to the benefits of the stakeholders.

It is for the reason that performance management aligning most of the subsystems to accomplish effects the emphasis on performance management would upset the managing the organisation's overall performance. A business enterprise could accomplish an objective of actual performance management via unceasing operating in the undermentioned activities:

- ascertaining and selecting preferred results
- instituting ways of apportioning improvements towards set objectives
- setting criteria for evaluating the achieved targets
- tracking and evaluating advancements on results
- periodically reviewing progress
- intervening to improve progress where needed (Kaplan and Norton, 2001).

To design effective performance management scheme is to focus on four premeditated standpoints of the balanced scorecard model, which is the instrument used in relationships with the firms' vision and strategy.

Performance measurement emphases outcomes, consents users to analyse results via graphic representation analysis, etc. However, what they do not make known is the method which separate bosses passes through in putting in place the preliminary standards; the necessary activities needed; estimated condition of the corporate environs for which those activities were considered; if the activities are essentially added to attainment of goals. Lacking understanding, measures are paramount to ambiguous, while circumstance determines reactions considered that could be detrimental to prospects of the company (Neely, 2002).

Performance measurement is a technique used by establishments to monitor significant parts of their schedules, structures, and developments. Indicators are composed to reveal developments, and the information used to determine companies' decisions. As usual, performance is evaluated and equated to companies' goals. Measurement outcomes make available data on how companies existing activities are functioning and how its resources are distributed to enhance the programs' productivities and efficacy. Performance measurement is recognised all over the organisational fundamental capacities of finance, operations, and services. As information technology (IT) is extensively incorporated into organisational operations, sustenance of performance measurement becomes very vital in business firms. Organisation chooses to quantify its activities because performance measurement presents dependable method to determine how organisation's present system is operational (Dylan, 2015).

Based on the above review of concepts, this paper opined that there is need in Nigerian economy for clarity and comprehensive analysis of firm's professional practices. Other circumstances are: to introduce reference point; make resolutions centred on concrete proof; determine deviations which lead to enhancements and recognise improved performance.

2.1 *Performance measurement*

Performance measurement compacts precisely with performance analysis. These are measurable gauges organisations adopt in scrutinising financial statements to ensure set objectives are accomplished. Characteristically, these comprehensive variation of criteria such as: Financial transactions, Client evaluations, Procedural assessment and human resource assessments. The stated criteria enable organisations to recognise if they are on pathway towards achieving their goals. With these actualities, organisations know how to take action on the available reports within and outside enterprise. However, this can further be elucidated as this study looks at performance management. Performance measurement examines how organisations track the progress of the strategy already put in place, performance management examines how an organisation manages the strategy already put in place (Neely et al., 2002).

According to Neely et al. (2002) the management process entails regular meeting of the entire management team of the company to deliberate the organisational issues and performance results. Entire management team considers the actions to take to enhance performance and determine where tasks link into the results. Thus, performance measures may tell where firms stand at present, the activities to take that could increase future results of the enterprise. Leadership teams identifies why organisations are unable to measure achievements and employees in charge for the actual action.

2.2 Performance measurement to performance management

Dylan (2015) identified the following as strategic action steps that aid development of enterprise which basically depends on performance measures to take appropriate action.

- Management buy in. This is a properly palpable, however extremely significant paramount stride. The leadership team needs to reach agreement on the vital step and determine how to get it through.
- Have someone champion the process. Like the first action step, organisations require 'champion' on the management team to stimulate the exact techniques of performance management and make certain the measurements are practical – able and viable too.
- The meeting calendar should contain performance management. Organisations should avoid supplementary meeting to the leadership team's calendar; rather, all issues could be deliberated at the scheduled meeting, dialogue on performance measures and what organisations could do to achieve positive results.
- Organisations require to communicate to the stakeholders the key measures and request from the team members how they can contribute to accomplish the set objective. The HR unit could take new hires and align individual goals to the company's goals and measure its' performance as appropriate.

According to Dylan (2015) performance measurement and performance management could all-encompassing comparable. However, notwithstanding their similarity, they are utterly distinct strategic practices. The Balanced Scorecard initiators, played massive role in advocating for these terms. Kaplan and Norton (1996) propagate issues of Balanced Scorecard titled "translating strategy into action" and "the strategy focused organisation" in year 2000; where reconnoitered notion of performance management was put forward. Literature articulated by what method it merely could not adequately decent devise to the conventional methods; since it is desirable for enterprises to devise a procedure for assessing the identified measures of organisational progress. Kaplan and Norton (1996) provide precise approach trajectory to organisations advancement, without any method of evaluating the results. Conversely, performance management provides approach to firms aimed at doing something about performance measures as organisations continue throughout the year.

3 The balanced scorecard

Reasons underpinning the expansion for adoption of balanced scorecard are the evolving discontent that accustomed financial evaluation methods of organisational operations within a given period. The accounting evaluation methods have drawbacks because of interim interpretation of organisational activities. The swing in the direction of tractability, weak in production structures within different organisations reinforced the requirements for performance measurement becoming all-encompassing, integrating tangible and intangible assets in measuring organisational operations. The balanced scorecard delivers enhanced valuation of organisational activities since it helps firms to trace operational effects while instantaneously monitoring enhancement of capabilities and acquiring intangible assets needed for additional enlargement (Kaplan and Norton (1996).

Innovative scorecard designed is in four strategic consortiums measures of performance. These were referred to as 'standpoints' by Kaplan and Norton (1996), and assumed appropriate in tracking the strategic teamsters of both current and future assessment of the assets of the organisation. The standpoints concentrated on the accomplishments of an organisation in four perceptions such as client's perception, interior business perception, innovation and learning perception, lastly financial perception.

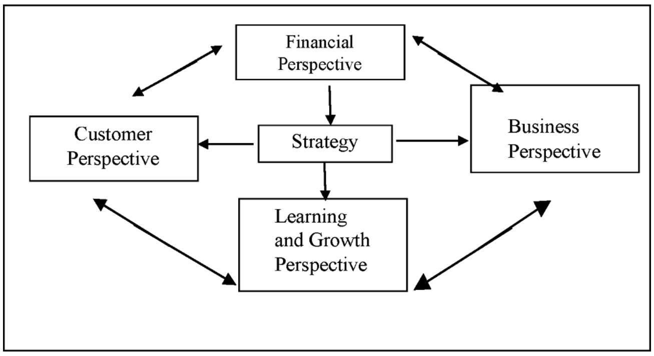
The financial perception focuses continuously how companies appear to their stakeholders who consider the organisation's financial intents. The evaluation methods for assessing organisational intents to ascertain if the operational intents are accomplished highlights some indicators, usually earnings figures, sales figures, return on investment (ROI) etc.

The client's perception centres continuously on what essentially enterprises should prepare to placate clients in achieving company's goals. The reaction here is that, management at first need to ascertain company's target market share and spell out its marketing intentions. Methods preferred for clients' perceptions emphasise the attainments of the organisation goals and sustaining its target market. They are two varieties of methods such as: outcome methods and driver methods. Outcome methods are: measures of client contentment, customers' sustainability, clients' success etc. The outcome methods could split into: teamster methods, namely measure concerning prime periods, arranged distribution, product worth and cost etc. Precisely, driver methods preferred is influenced by the needs of the clients in particular market, which might vary from companies' products (Wade, 2013).

The interior business standpoint deliberates on problems, what essentially would the organisations implement within that will encourage production tactic to accomplish organisational monetary intentions? Distinct outcomes measures include recommendations from Kaplan and Norton that enterprises could focus on the internal processes that impact client's satisfaction. Adopting this critical process as base, management should develop goals that will assist the firm to meet clients' expectations and influence employee actions.

Discussing learning and growth perception, the result measure emphasis issue of structure the companies should have which could generate long-term growth and improvement. Conversely, competences requires to enhance or attained needed marks for clients' satisfaction is developed. Recently some scholars realised the importance of intellectual capital such as employee skills etc., which organisations have failed to disclose in their annual financial statements; notwithstanding unquestionable value assessment of the asset. Accounting experts are worried about nondisclosure of these most valuable intangible assets in accounting statement (Kaplan and Norton, 1996). The four standpoints can be epitomised and interlinked in a diagram. The company's stratagem underlines the entire concept and four standpoints are drawn from this approach (Figure 1).

Figure 1 Four perspective as an interlinked hierarchy



Source: Authors Drawing, 2019

Perfect understanding of overview of organisational financial operations entails a mixture of measures. Financial measures lean towards lagging; thus, other methods preferred for remaining perceptions require prominent methods. Broadly, aftermath methods lean towards lagging. Once organisations approve suitable objectives and methods selected for the perceptions, company activities are evaluated comparing financial and non-financial achievement with each target fixed for a specific company (Kersnar, 1999).

3.1 Benefits on adopting balanced scorecard

Kaplan and Norton (1996) enumerate advantages for applying balanced scorecard in evaluating company's performance. These benefits include:

- At first it appears worthwhile device designed for measuring firm's operations since it incorporates financial/non-financial information on organisations' activities. Recently, organisations realised that it enhances communication in firm's preferred approach accordingly. This has relationship to management by objectives (MBO).
- Operational application usually involves the enlargement of technologically advanced apparatuses.
- It is useful in company restructuring. It supports corporate changes, helps clarify organisational objectives and serve as a vital achievement factors for the newly formed teams.
- The balanced scorecard is used as a premeditated management tool; it was advocated that it performs vital roles in the investment evaluation process (Kaplan and Norton, 1996). It uses traditional practices of stock evaluation.

3.2 Precincts of the balanced scorecard

Jensen (2001) identified the following as the limitations of balance scorecard.

It determined ambitious agenda; the concept is of the view that it could be appropriate for organisations that have elongated prime period as appropriate (Kersnar, 1999).

However, its assurances to outline philosophy of enterprises seem extremely difficult to attain. Precise basis and outcome interactions appear to be complex because the teamster and result measurement of various standpoints remain interlinked. Illustration, client contentment seems function of various teamsters, namely staff contentment, manufacturing life cycle etc. Additionally, these criticisms and assertions present an added stable assessment of companies' or management's activities via integrating together tangible and intangible assets in a comprehensible manner.

Contrariwise, effective use of the concept seems difficult since several establishments discovered the cost of implementation to be expensive. The perception of it is modest and describes organisations' intents, but its implementation is a costly task and a performance evaluation method proves enormous and expensive (Jensen, 2001). The application of a Balanced Scorecard in organisations involves entire restoration of the prevailing structural device. Notwithstanding the prospective gains derivable via use of balanced scorecard, experts observed some of its tasks remain ineffectual and high failure rates due to fatally flawed implementation (Robson, 2005; Kersnar, 1999).

4 Avoiding potential pitfalls of balanced scorecard

Literature reveals that copious companies implemented several versions of the technique as earlier introduced in

1992 (Lewy and Du Mee, 1998). Their study recommends amongst others that firms should get the approval of the top-level sponsor and the firm's top management team to make certain of effective use of balanced scorecard before application.

Another potential pitfall, which must be minimised according to Lewy and Du Mee (1998) is the failure of it due to adverse implementation process when enterprises misjudged value of preparation necessary throughout the duration of the evaluation. The concept seems easy and user-friendly, but executing it is probably enormous challenge to management.

4.1 The relationship between balanced scorecard and performance management

Model of a balanced scorecard has been well accepted in many organisations (Management Study Guide, 2008). The question now being asked at board and CEO level is why? According to (Management Study Guide (2008) the solutions appear in innumerable parts such as:

4.2 Communication

In some organisations, cascading intents down to the employees is left in the influence of management. These management staff are normally stretched, over worked and other priorities to handle. As a result Balanced Scorecard metrics get overlooked or attended to in hasty meetings. The effect is that performance measurements of an individual's impact to achieving the balanced scorecard are difficult to evaluate.

4.3 Accountabilities

The issue in the application of Balanced Scorecard is that the 'ownership' and responsibilities rest with the management. Devoid of using the entire employees of the company responsible for accomplishing their task in the implementation, advancement could unavoidably be sluggish.

4.4 Performance management and the link to the balanced scorecard

The reasons why executives choose to implement a balanced scorecard is to accomplish their strategy and ensure that each employee plays his or her role in accomplishing goals of the organisation. This system enables management to 'bind' each staff to the strategy and make all workers accountable for the crucial metrics that the staff contribute to.

The mixture of the balanced scorecard approach and performance management signifies that companies make sure employees are held responsible for their assigned task on the balanced scorecard metrics and their accomplishment of activities measured on the metrics. Thus, overall effect is that every employee works towards the required balanced scorecard metrics. Everyone is clear on their role, understands it and goes about doing it. Senior executives notice that employees and managers are focused on achieving their metrics and the overall performance of the metrics increased. Human resource managers' work on linking remuneration to the achievement of metrics and these then increase employees 'buy in' as they get rewarded on the achievement of metrics rather than a subjective review from their managers. The management can now see how the organisation is tracking at all levels. They have visibility through reporting answer to the key question – are we on track or not?

Additionally, Potgietere (2009) posits that there is an enormous amount of literature explaining the cause of failure of business stratagem from attaining organisational intents. The elucidations differ, nonetheless personal scrutiny reveals that the strategies are often very achievable by organisations. In innumerable circumstances, inappropriate apparatuses are utilised to quantify the achievement of the strategy. However, the important issues here are the ideas to have employees appreciate the approach then decipher actions towards achieving organisational intents; if possible compute employees' accomplishment to their intents. Management communicates the approach to managers, other workers inclusive and ensure that they understand the strategy.

5 Performance measurement framework

Performance measurement framework has certainly made prevalent effect on performance measurement literature. According to Kaplan and Norton (1992) the conceptual framework means the energetic arrays of positive recommendations: for instance, the usual measurement could suggest the improvement of a structural framework, or could contribute increase to a procedural framework.

Folan and Browne (2005), Rouse and Putterill (2003) posit that the framework supports the improvement of performance measurement structure, by making clear performance measurement scope, identifying dimensions or understandings and providing primary awareness into interactions amongst the performance measurement dimensions. For all intents and purposes, framework makes available added information on performance measurement than commendation, nevertheless, without thinking of the authentic performance measurement practice. Sink and Tuttle (1989) put forward the first framework procedure of performance measurement and elucidate necessary techniques for performance measurement. These are established on research into links in relation to strategic performance measurement structures in some multinational companies (Zairi, 1994).

Lynch and Cross (1991) cited in Folan and Browne (2005) initiated, summarised, categorised and described business activities to be carried out in performance measurement. Similar to Lockamy (1991), Azzone et al. (1991), Kaydos (1991), Wisner and Fawcett (1991) in their various studies focused on developing structural framework for performance measures; while Kaplan and Norton (2001) propounded the idea of a 'balanced' set of methods in contradiction to traditional financial measures. Brown (1996) established an operational structure that segregate input, practice, output and outcome methods (Folan and Browne, 2005).

Hudson et al. (2001) investigated the complications that connect performance measurement and small and medium scale enterprises. They recommend practical structure precisely designed to their yearnings; while, Neely et al. (2002) put forward the structural performance prism that consists of the following: stakeholder satisfaction, strategies, capabilities, and stakeholder contribution. Further, operational background for performance measurement in enterprises geographically dislocated, was put forward by Yeniyurt (2003). This method practises some levels of measurement performance, such as financial; consumer; internal processes; innovation; and corporate culture.

6 Performance measurement systems

In contrast, performance measurement frameworks in existence are very few. Some of the established performance measurement structures in establishments are assemblage of preeminent practices, which were embedded on various performance measurement frameworks, which works everyplace amid certainty. The fundamental necessities meant for a positive performance measurement frameworks include: operational and technical. Other apparatuses include list of methods. In academically-produced performance measurement, the studies by Bradley (1996) and Medori and Steeple (2000) appear indicative of how organisations are essentially approaching the term performance measurement design. Two academic performance measurement are examined in this paper to demonstrate the available performance measurement systems' literature:

- BPR performance measurement system (1996)
- Medori and Steeple's (2000) performance measurement system, etc.

To the best of knowledge of this author, this study unequivocally states that organisational performance evaluation methods did not exist during the system-building process. Implying that the method has to be originated and followed on case study research. Some studies on balanced scorecard performance measurement system design are available in Butler et al. (1997) and Cravens et al. (2000). Additionally, in managing the organisation's strategy, the structure has four stages; Kaplan and Norton's 'scorecard' performance measurement essentially is made up of an extended performance measurement approach concentrating on objectives; targets and initiatives.

In general, the performance measurement according to Bradley (1996) has encompassed new items which include distinctly, pre-defined schedule of performance measures that eliminate most of the presumptions inherent in other methods. As the pre-defined list moderates the aggregate partiality in the performance measurement system process, it equally results in loss of flexibility of the methodology.

Similarly, Medori and Steeple (2000) posited a framework that encompasses the introduction of generally premeditated practical structure for performance measurement, which include:

1 The organisational strategy stands definite for the stakeholders to acknowledged.

2 Strategies should be harmonised alongside economic primacies.

3 Methods should be carefully chosen amid distinct schedule.

4 Examine the prevailing established methods as recorded, related it to newly introduced method to identify in the erstwhile stage. The following rules are applicable: existing congruent methods remain and persistently utilised while, current divergent methods selected are considered irrelevant or worthless to the organisation should be discarded.

5 Application stage – strategic steps are applied by the organisation to implement the replacement method.

6 Intermittent repairs – this final step in the framework reviews the organisation's performance measurement system.

Medori and Steeple (2000) identified two problems with the system and both are similar in nature to earlier encounter by performance measurement as Bradley (1996) proposed.

7 Conclusion and recommendations

The paper reveals that performance management has the main aim of ensuring that an enterprise and its functional areas are actively and jointly operating towards achieving set objectives. It has wide-ranging applications, namely: employees' performance, corporate performance, or outcome/performance measures. Performance management structure comprises performance measurement systems, but not on the other approach around.

The paper elucidates the hallucination of performance measurement adopted by Neely (2002) amid others. The varied nature of literature assessment suggests the abundance and usefulness of performance measurement; consequently, its improvement should be adequately understood and the adoption of balanced scorecard could be comprehended. It is important for managers to note that the performance measurement system utilised should be intermittently appraised and reviewed based on dynamics of the environment and economy changes.

Thus, while much has been learned over the years, further research can still be done to resolve the identified problems encountered by the performance measurement system. This will enhance the adoption of performance measurement and the balanced scorecard by both the private and public sector organisations, non-profit organisations inclusive. Based on this assertion, this paper suggests further research areas such as: recognition of the limitations of balanced scorecard as purely financial measurement of organisations in the health sector of the Nigerian economy. Analysis of balanced scorecard as cybernetic control for management of implementation of a strategy. Arguments for using the profit measure as the all-encompassing measure of the performance of business organisations in the Nigerian Agricultural sector.

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