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BALANCED SCORE CARD AND ITS USES

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ABSTRACT

The balanced scorecard (BSC) is a management tool designed to improve the productivity of businesses. Developed in 1992 by Kaplan and Norton, it involves setting measurable objectives relating to customers, finances, internal processes, and innovation and learning. As these four areas are interlinked, improvements in one perspective should have a positive effect on the rest, as well as contributing to the achievement of the overall vision of the business.

The BSC has proved popular with the large commercial organizations for which it was originally developed and has been used widely within diverse industry sectors. However, its application in small and medium enterprises has been limited, and there is little documented evidence to demonstrate its effectiveness in smaller businesses, and none for its application in veterinary practice. Here, Catherine Coates describes the concept of the BSC and uses a hypothetical veterinary practice to illustrate how it might be applied in veterinary practice.

I. INTRDUCTION

The balanced scorecard (BSC) is a strategy performance management tool - a semi-standard structured report, supported by design methods and automation tools, that can be used by managers to keep track of the execution of activities by the staff with in their control and to monitor the consequences arising from these actions.

The critical characteristics that define a balanced scorecard are:

[1] Balanced scorecard its focus on the strategic agenda of the organization concerned.

[2] The selection of a small number of data items to monitor.

[3] A mix of financial and non-financial data items.

Balanced scorecard has three generations. The 1st generation used a "4 perspective" approach, the perspectives being Financial, Customer, Internal business processes, and Learning and growth. Although it is still part of academic studies for strategic management, it is obsolete in business management of the implementation of a strategy.

II. HISTORY OF BALANCED SCORE CARD

Organizations have used systems consisting of a mix of financial and non-financial measures to track progress for quite some time. One such system was created by Art Schneiderman in 1987 at Analog Devices, a mid-sized semi-conductor company; the Analog Devices Balanced Scorecard. Schneiderman's design was similar to what is now recognised as a "First Generation" Balanced Scorecard design. In 1990 Art Schneiderman participated in an unrelated research study led by Dr. Robert S. Kaplan in conjunction with US management consultancy Nolan-Norton, and during this study described his work on performance measurement. Subsequently, Kaplan and David P. Norton included anonymous details of this balanced scorecard design in a 1992 article.Kaplan and Norton's article wasn't the only paper on the topic published in early 1992 but the 1992 Kaplan and Norton paper was a popular success, and was quickly followed by a second in 1993. In 1996, the two authors published a book The Balanced Score card. These articles and the first book spread knowledge of the concept of balanced scorecard widely, and has led to Kaplan and Norton being seen as the creators of the concept.

III. USES OF BALANCED SCORE CARD

Balanced scorecard is an example of a closed-loop controller or cybernetic control applied to the management of the implementation of a strategy.Closed-loop or cybernetic control is where actual performance is measured, the measured value is compared to an expected value and based on the difference between the two corrective interventions are made as required. Such control requires three things to be effective a choice of data to measure, the setting of an expected value for the data, and the ability to make a corrective intervention.

Within the strategy management context, all three of these characteristic closed-loop control elements need to be derived from the organization's strategy and also need to reflect the ability of the observer to both monitor performance and subsequently intervene - both of which may be constrained .Initially, Balanced Scorecard emerged as a performance management system, over a period of time it has come to be known as a strategy management system, with its ultimate aim being the achievement of long term financial performance.

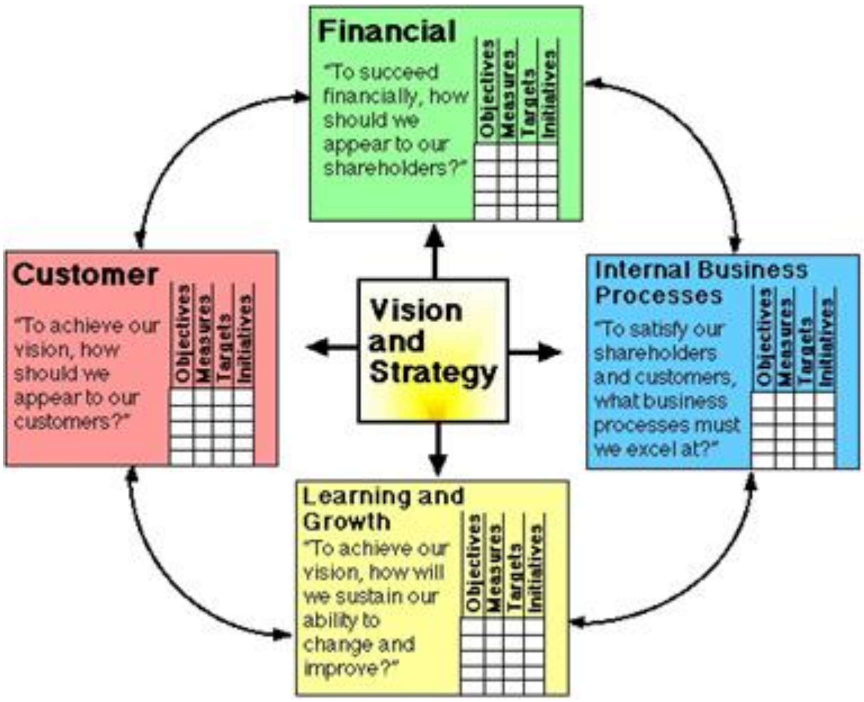
- clarify and update strategy
- communicate strategy throughout the company
- align unit and individual goals with strategy
- Link strategic objectives to long term targets and annual budgets
- identify and align strategic initiatives.
- conduct periodic performance reviews to learn about and improve strategy.

IV. BALANCED SCORE CARD QUARANTS

The Balanced Scorecard consists of four interrelated quadrants, each containing measures for a distinct perspective. These perspectives are:

- financial
- customer
- internal processes
- learning and growth
- These four perspectives are designed to cover the whole of the organization’s activities, both internally and externally, current and future.

Fig1



V. FINANCIAL PERSPECTIVE

The financial perspective is a key factor of any performance measurement system because an organisation's financial performance is fundamental to its success. Measures reflecting financial performance include the number of debtors, creditors, cash flow, profitability and return on investment. The main problems with financial measures are as follows.

• They are based on past data. Financial measures show what has happened but they may not tell us what is currently happening. They are not necessarily a good indicator of future performance.

• They are short termist and do not focus on the organisation's long term financial strategy.

VI.CUSTOMER PERSPECTIVE

These are measures that have a direct impact on customers. They could include time taken to process a phone call, the number of customer complaints, results of customer surveys or volume of repeat customers. The customer and customer satisfaction have had a growing importance in business. Businesses recognise that if customers are not satisfied, they will find other suppliers to meet their needs.

VII. BUSINESS PERSPECTIVE

These are measures of key business processes, such as time taken in production, re-work costs or time to process an order. These internal business focused measures allow the organisation to measure how well the business is operating and whether its products and services meet customer requirements.

VIII. LEARNING AND GROWTH PERSPECTIVE

These are measures that highlight an organization's development and learning ability. They might include the number of training days, the number of qualified staff or total hours spent on staff training. This perspective includes staff training and attitudes to organizational culture related to both individual and corporate self-improvement. This quadrant recognises that in a knowledge worker organization, people are the greatest resource. Kaplan and Norton focus upon the fact that 'learning' is more than 'training'.

IX. CONCLUSION

Balanced scorecard methodology is an useful tool not onlyfor production organizations but also for services ones from a wide range of areas. As evaluatedin the paper, the main objectives of the scorecard is direct the high level managers' attention tothe decisions in which excelling can brings the organization to the position over its completionwhile information's overload is not needed. Measures selected by balanced scorecard not onlyhelp the organization stayed focus on their objectives but also provide instruction for the nextsteps. Especially, the balanced scorecard also act as a driving force that motivates the change inthe organization. The fact has proved that the scorecard is more potential than other tools used inmanagement which cannot be utilized easily to adapt the service organizations. In other words,the scorecard is not a template, it can flexibly vary from businesses in general or evenindustrywide in specific.This makes the balanced scorecard more powerful than other tools.Even business units can customize the scorecard to fit with its strategy, technology, and culture.Last but not least, the scorecard function is not just a measurement system, it can act as astrategic management system and is considered as "the cornerstone of the successful business incurrent and future".

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