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IMPACT OF BALANCED SCORECARD AS A TOOL FOR ORGANIZATIONAL PERFORMANCE (WITH REFERENCE TO INDIAN COMPANIES)

Mohit Jain*

ABSTRACT

The Business World has perceived the Balanced Scorecard as a promising device for the performance measurement of an organization. It assists organizations to redesign system and vision with business exercises and measures genuine organizational performance against present objectives. The reason for BSC is to supplant conventional performance framework by focusing on its perspectives to get more efficient and proficient performance assessment model. This study tried to investigate the impact on organizational performances. This builds the aspects in the study to incorporate monetary perspective, client perspective, interior business measure perspective and learning and development perspective on performance in the organization. This is for setting up a total performance assessment framework and shaping an entire arrangement of performance records to evaluate procedures so the vision and systems of organizations could be accomplished. This study is to investigate the degree to which BSC has been utilized in assembling and administration industry viz-a-viz public and private area in India and to investigate the connection among BSC and its perspective with organizational performance. A survey was created and reactions were gathered from organizations which were isolated based on general society and private area and furthermore assembling and administration industry. Correlation and t-test has been applied to accomplish the objectives. The outcomes got shown a positive connection between the BSC and organizational performance with performance relying upon the four perspectives. The specialists have reasoned that the appropriation of the BSC by organizations can be a way to work on organizational performance. This study will help the business organizations to improve their performance by focusing on the four perspectives of Balanced Scorecard.

***KEYWORDS**: Balanced Scorecard, Organizational Performance, Correlation, t-Test.*

Introduction

The Balanced Scorecard mentioned to as the BSC, is a framework to implement and manage strategy. It balances financial measures with performance measures and objectives related to all other parts of the organisation. It was initially developed by Dr Robert Kaplan and Dr David Norton as a paper in 1992 and afterward officially as a book in 1996. Both the paper and the book prompted its broad achievement. It is fascinating to take note of that in spite of the fact that Kaplan and Norton distributed the primary paper, they were atypically referred to in a work by Art Schneider man who is accepted to be the Balanced Scorecard maker. The BSC isn’t only a scorecard, it is a system. It begins by distinguishing few monetary and non-monetary objectives identified with vital needs. It then, at that point sees measures, setting focuses for the actions lastly essential activities (frequently called initiatives). It is in this last stage where the methodology varies from other vital strategies. It powers an organization to consider how objectives can be estimated and really at that time distinguishes tasks to drive the objectives. This tries not to make exorbitant ventures that no affect the system.

Estimating organizational achievement and carrying out compelling systems for future achievement address persistent difficulties for directors, specialists and advisors (Assisi et. al., 2006). The business world has perceived the Balanced Scorecard (BSC) as a promising apparatus for the performance measurement of an organization at the firm level (Seth and Oyugi, 2013). Neely et.al.

* Assistant Professor, Department of ABST, University of Rajasthan, Jaipur, Rajasthan, India.

(2002) characterizes performance measurement and performance measurement framework. Performance measurement instruments can help organizations in surveying their asset designation practices to characterize how assets can be re-established and conveyed through the suitable channels (Chen and Chen, 2006). Atkinson et.al. (1997) says that customary bookkeeping based performance measurement frameworks are unfitted to current organizations in which the associations with clients, workers, partners, and providers have changed.

Performance measurement is the technique for estimating the skill and viability of past achievement. Performance measurement framework permits acquainted choices to be made and exercises to be taken on the grounds that it lists the proficiency and viability of past activities through the securing, grouping, arranging, examination and understanding on of reasonable information. As the years progressed, the Balanced Scorecard first and foremost presented by Kaplan and Norton (1992), as an instrument for applying techniques (Kaplan and Norton, 1996) and a construction for characterizing the arrangement of organization capital , organization's human, and data with its procedure (Kaplan and Norton, 2004).

The Balanced Scorecard is a client based development and interaction improvement course of action, with its essential focus on driving an organization's change cycle by distinguishing and assessing significant performance measures. Studies on Balanced Scorecard focused on numerous organizations have tracked down that the Balanced Scorecard is a valuable device for focusing and supporting their persistent improvement endeavors (Brewer, 2002; Gumbus and Lyron, 2002). Change is bound to happen when an unmistakable justification it exists. Any change offers both short and long haul sway on organizational performance (Farooq and Hussain, 2011).

This study is to investigate the connection between the BSC and organizational performance and to discover the impact of balanced scorecard and its build on organizational performance. Studies are introduced the effective execution of Balanced Scorecard for important organizational performance. Through the writing survey, theories were formed trailed by research plan and investigation. This paper additionally looks at the ramifications for hypothesis and administrative practice.

Review of Literature

Conceptual Framework of Balanced Scorecard

The Balanced Scorecard (BSC) was originally a one-year multi-company study (Kaplan and Norton, 1992). The study determined that in the increasingly complex business environment, dependence on only financial measures was no longer adequate for managing organizations, especially where intellectual capital and knowledge – based assets were critical for success. Kaplan and Norton initially conceived the basic concepts in the early 1990's culminating in their definitive book The Balanced Scorecard: Translating Strategy into Action (Harvard Business Press, 1996). Kaplan and Norton (1996) described Balanced Scorecard as a framework that helps organizations translates strategy into operational objectives that drive both Behaviour and performance. (Kaplan and Norton, 1992) Understood that as the business landscape changed from agricultural to industrial to informational; performance measures must adjust as well. The evidence is characterized by the conversion of intangible (customer satisfaction, information technology and employee skills) rather than intangible assets (plant, property and inventory) into economical advantage (Kaplan and Norton, 2000).

Performance measurement is an essential element of effective planning and control as well as decision-making. The analysis results reveal the effects of strategies and potential opportunities in an organization (Bhagwant and Sharma, 2007). The BSC is balanced in another dimension –not just a balance of measures of critical areas of the organizations, but also a balance of objectives versus accountability (Chavan, 2009). According to the study of Chen et.al. (2008), a DEA-based (Data Envelopment Analysis) assessment of performance measures an analogous view of the firm's well-being as does an analysis of financial tables; however, a Balanced Scorecard based assessment produces a different assessment. The balanced scorecard empowers a company to align its management processes and focuses the entire organization on implementing long-term strategy (Kaplan and Norton, 2007).

There are limitations of business performance observing target system based on the financial targets and necessity to supplement the non-financial goals in the system of evaluation. Researching the proposal to build the target system of evaluating the business performance according to the model of BSC including the financial goals and nonfinancial goals connected with each other according to the relationship of cause and result to describe the strategies to become the operating targets specifically in many aspects: Finance, customer, internal business procedure, training and development (Kaplan & Norton, 1996). In the target system of evaluating the business performance of Enterprises that is necessary to contain the reflecting targets on factors has important influence on successful performance of strategy. Elements have important influence on successful performance of strategy including: the quality of staff, internal business procedure, and satisfaction of customer. The system on evaluating the business performance including the financial goals and non-financial goals have an influence on successful performance of business strategy of enterprises connected together according to the cause and result relationship of BSC (Kaplan & Norton, 2001).

The Balanced Scorecard Strategic Management System is comprised of “a core principles framework and processes that interpret an organization’s mission and strategy into a comprehensive set of performance measures strategically aligned with creativities” (Kaplan, & Reynolds,2002). A vital aspect of the BSC is the articulation of linkages between performance measure and strategic objective (Banker & Konstanz, 2001). Once linkages are understood, strategic objectives can be further translated into actionable measures to help organizations improve performance (Kaplan & Norton, 2001). Balanced Scorecard includes a financial perspective that communicates the effects of actions already taken. It supplements the financial measures with operational measures on customer satisfaction, internal business processes, and the learning and growth and commercial banks activities- operational rules that are the drivers of future financial performance (Kaplan & Norton, 1992).

Balanced Scorecard Perspectives

The BSC has four perspectives that help the manager to reorganize their vision and strategy with organizations activities and processes genuine for organizational performance against present goals.

- **Financial Perspective:** How do we look to shareholders?
- **Customer Perspective:** How do customers see us?
- **Internal Business Process Perspective:** What must we excel at?
- **Learning & Growth Perspective:** Can we continue to improve & create value?

Financial Perspective

The Financial Perspective arrangements with those issues through which an organization can produce monetary development in investor esteem and figures the benefit constituent of the methodology. It addresses the drawn out objective of the organizations to give predominant returns set up on the capital enriched with the unit (Kaplan and Norton, 1996). Financial perspective has been the customary technique for examining organizational achievement and involves such components as deals development, benefit and income per deals visit. Suresh Chander ET. al. (2002) express that each business exists to make benefits financial perspective performance gives a definitive meaning of an organization’s prosperity. In this manner the financial perspective, along these lines, mirrors an organization’s yield models and ought to incorporate both money related measures and worth creation.

Customer Perspective

Numerous organizations have a corporate mission that focuses on customers. Accordingly, an organization’s performance according to its customers’ perspective has become a need for top administration (Kaplan and Norton, 1992). Regular proportions of customer esteem results are portion of the overall industry, customer securing, customer maintenance, customer productivity and customer fulfillment (Kaplan and Norton, 1996). Customer perspective portrays the worth suggestion that the organization will apply to satisfy customers and, thusly, create more deals to the most wanted customer gatherings. The actions chose for the perspective should gauge both the worth conveyed to the customer and the suppositions that come because of the importance proposition (Jensen, 2001). Choosing measures for the Customer Perspective of the Balanced Scorecard relies upon the kind of customers liked and the worth that the organization gives to them (Niven, 2002). This will permit organizations to make techniques predictable with the sort of customers they need to draw in.

Internal Business Process Perspective

This is the most basic perspective for the achievement of an organization. It incorporates inside business measures that guarantee the best of items and administrations (I. M. Pandey, 2005). This perspective focuses on every one of the exercises, and key cycles needed for the organization to dominate at offering the benefit projected by the customers both proficiently and gainfully (Jensen, 2001).

It can incorporate both present moment and long haul objectives (Kaplan and Norton, 1996). This perspective involves the techniques that an organization should create and dominate to be famous. A few organizations will focus on such components as request preparing, conveyance, assembling, and item advancement as specific illustrations (Niven, 2002).

Learning and Growth Perspective

Kaplan and Norton (1992) advocate that organizations are needed to acquaint nonstop upgrades with their current items and cycles and gain the capacity to set up the altogether new item with extended abilities. As the establishment of any technique, this perspective is worried about the immaterial resources of an organization, fundamentally with the interior abilities and capacities that are needed to help the worth making inner cycles (Jensen, 2001).The essential focus of this perspective was laid on investing for future, for example, new hardware's and item innovative work (Kaplan and Norton,1996). Niven (2002) recommended that relying upon the ideal worker abilities and real representative abilities, a portion of the organizations changed their sets of expectations, move workers to different divisions, and additionally carry out motivator data sets, wanted to inspire representatives to convey ideas, get schooling or preparing, as well as gain residency through steady business.

Organizational Performance of Balanced Scorecard

Kaplan and Norton (2001) characterized BSC as a structure that assists organizations with making an interpretation of procedure into dynamic objectives that drive both conduct and performance. The four perspectives of Balanced Scorecard circle the exercises fundamental for business organizations (Husain and Farooq, 2013). The BSC was acquainted in 1992 with give a system to choosing different performance estimates focused on basic parts of the business. A fundamental part of the BSC is the verbalization of linkages between performance measures and key objectives (Banker et al. 2004).

Ittner (2008) conveys an outline of the mathematical proof on the performance upsides of elusive resource measurement. There are a few confirmations that is nonfinancial performance measures are decidedly connected with performance (Ittner and Larcker, 1995; 1997; Abernethy and Lillis, 1995; Chenhall, 1997; Pereira et.al. 1997; Ittner et al., 2003; Kaynak, 2003; Said et al., 2003; Davis and Al-brilliant, 2004). They proposed that organizations embracing performance measurement framework would work on their productivity and corporate performance by distinguishing the essential connections among activities and performance (Buhaovac and Slapnicar, 2007). Xiong ET. al. (2008) analyses the consequences of a review that tracked down that most Chinese firms have utilized non-financial performance measures to keep an upper hand. As indicated by the study of Braam et.al. (2004), Balanced Scorecard practice won't naturally further develop organization performance, yet that the way of its utilization matters: Balanced Scorecard utilize that supplements corporate procedure decidedly impacts organizations performance, while Balanced Scorecard utilize that isn't related with the methodology may diminish it. Thompson and Mathys (2008) advocate the utilization of an Aligned Balanced Scorecard as a way to upgrade the scorecard way to deal with further develop authority viability as an apparatus for growing superior administration frameworks. Some studies infer that numerous organizations have tracked down the Balanced Scorecard a helpful device for focusing and supporting their ceaseless improvement endeavors (Gumbus and Lyron, 2002).

Impact of Balanced Scorecard on Organizational Performance

To have the option to settle on an exact choice, supervisors in undertakings overall and business banks specifically need to have precise data, including the financial and non-financial data. Kaplan and Norton (1996a) propose that all enhancements in the non-financial regions after the BSC execution ought to be in the long run connected to monetary performance; in view of their discoveries, it typically requires two, three years for the advancement performance to be accomplished (Kaplan and Norton, 1996c). Applying a Balanced Scorecard will assist the supervisors with assessing the performance of endeavors precisely and extensively. This will assist undertakings with lessening costs, increment income and further develop business performance. There are numerous creators with the consequences of their examination attested this judgment as brought up that is non-financial performance measures are decidedly connected with performance (Abernethy and Lillis, 1995; Chenhall, 1997; Ittner and Larcker, 1997; Ittner and Larcker, 1995; Ittner, Larcker, and Meyer, 2003). They proposed that organizations receiving performance measurement framework would work on their benefit and corporate performance by recognizing the vital connections among activities and performance (Buhovac and Slapnicar, 2007).

Applying an advanced performance estimating framework like BSC generally, particularly utilized for financial and non-financial markets will build the performance of endeavors (Stede, Chow, and Lin, 2006). Braam and Nijssen (2004) accepted that when the undertakings apply a performance assessment framework including the financial and non-financial pointers, it will be more successful however the endeavors alongside the conditions simply apply the financial markets to assess the performance. Zahirul and Wendy (2000) showed that while applying with BSC, BSC's impact on business performance can be discovered obviously.

Objectives of the Study

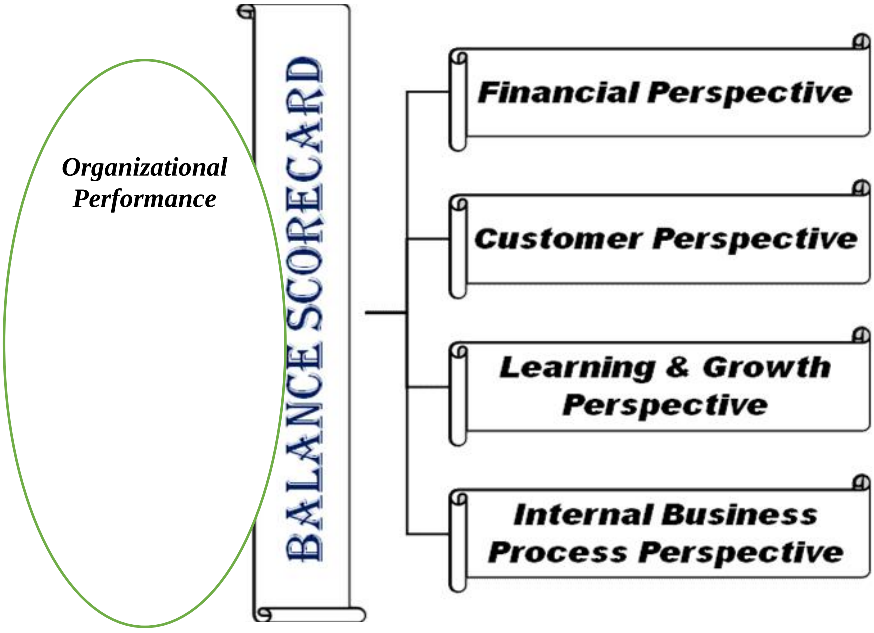
- To explore the extent to which BSC has been used in manufacturing and service industry in India.
- To explore the extent to which BSC has been used in public and private Sector organization in India.
- To explore the relationship between a BSC and its construct on organizational performance.

Research Methodology

Research Model

Research using measureable research technique to control the Impact of Balanced Scorecard as a tool for Organizational Performance (with reference to Indian Companies).The model can be generalized as follows:

Figure 1



Source: Researcher

Hypotheses of the Study

H_1: There is no significant difference on mean scores of Balanced Scorecard on the basis of manufacturing and service industry.

H_2: There is no significant difference on mean scores of organizational performance on the basis of manufacturing and service industry.

H_3: There is no significant difference on mean scores of Balanced Scorecard and organizational performance on the basis of the public and private sector.

H_4: There is significant relationship between Balanced Scorecard and Organizational Performance.

H_5: There is significant relationship between Balanced Scorecard's constructs on Organizational Performance.

Cronbach's Alpha Measure

The collected data will be imported to SPSS 22 application with 20-scale checking of Cronbach's Alpha. Thus, the exploration showed that Cronbach's Alpha score = 0.927 (more noteworthy than 0.7) and the entirety of the 20 factors were consistency fulfilled. Also, from the consequence of Item-Total Statistics, we would keep the entirety of the 20 factors with no disposal. For 5 factors of performance, The Cronbach's Alpha score = 0.942 (more noteworthy than 0.7) and this implied the entirety of the 5 factors were consistency fulfilled. Besides, from the after effects of Item-Total Statistics, we would keep the entirety of the 5 perception factors. At last, by investigation of BSC and size of performance, we could understand that the entirety of the measurement scales were reasonable, reliable and having the measurement implications in examination of Organizational Performance.

Factor Analysis

Utilizing Maximum Likelihood technique, the outcomes were given, there were 4 elements gathered, portrayed of 86.42% of the information variety. By Bartlett's Test, we had P-esteem = 0.000 < 0.05 and KMO Test gave the after effect of 0.873 > 0.5, these implied the factors were commonly related in measurements. From that point onward, while turning the components by promax measure, we gathered 4 of Balanced Scorecard factors, including: Financial, Customer, Internal Processes, Learning and Growth. There are 4 elements were portrayed. For the Business Performance Variance, there were 5 perception factors. By factor examination, we closed 01 factor called performance, portrayed 81.26% of information varieties. By Bartlett's Test which gave P-esteem = 0.000 < 0.05 and KMO Test = 0.672 > 0.5, these mean the factors were commonly related in measurements. At last, the consequence of factor examination showed that there were 01 business performance difference and 4 others communicating 4 elements of BSC with high consistency in measurements.

The Impact of the Balanced Scorecard on Performance

To study the impact of the Balanced Scorecard to the performance of the enterprise, the study used a multiple regression model Multiple Linear Regression (MLR), results of the analysis are as follows:

Table 1: Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.733[a]	.537	.519	.75995	.537	30.172	4	104	.000	1.913

Interpretation

$R^2 = 0.537$, implying that 53.7% of the functional contrasts noticed was clarified by change of factors in the model and straight relapse models were developed as per the informational collection up to 53.7%. Durbin-Watson esteem = 1.913 rough to 2, that implied no auto relationship standout chain.

Table 2: ANOVA[a]

Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1Regression	*69.699*	*4*	*17.425*	*30.172*	*.000[b]*
Residual	*60.062*	*104*	*.578*		
Total	*129.761*	*108*			

Interpretation

The analytical results show that the model built with statistical meaning by testing F = 30.172, P-value = 0.000 <0.05, reject the null hypothesis Ho: $\beta j = 0$, the model developed in accordance with the general.

Table 3: Coefficients [a]

Model	*Unstandardized/Standardized Coefficients*			*T*	*Sig.*	*Collinearity Statistics*	
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
1(Constant)	*.254*	*.321*		*.792*	*.030*		
X1	*.280*	*.075*	*.276*	*3.733*	*.000*	*.812*	*1.232*
X2	*.260*	*.067*	*.279*	*3.903*	*.000*	*.868*	*1.152*
X3	*.231*	*.065*	*.260*	*3.533*	*.001*	*.821*	*1.217*
X4	*.241*	*.070*	*.255*	*3.444*	*.001*	*.812*	*1.231*

Interpretation

Researchers such as Hair, Tatham and Black (1998) have said that VIF > 10 will occur multicollinearity. The independent variables in the model are VIF < 10 should satisfy the condition of multicollinearity. The model coefficients βj are p-value is < 0.05, which means that disprove the hypothesis Ho: βj = 0. Thus, this model is appropriate. Thus, the regression model would be:

Y= 0.254 + 0.280*X1+0.231*X2 + 0.260*X3+ 0.241*X4

In this manner, through the above relapse model can be seen that the parts of Balanced Scorecard are influenced co directionally with the performance of the business, which implies that if the more we applied the parts of Balanced Scorecard, the higher of the performance of the greater business will be and the other way around genuinely.

Conclusion

Balanced Scorecard is an advanced management tool that supports for the organizations to transform vision and strategy into short-term and long-term targets and specific measuring rules. This is a comprehensive solution for measuring and evaluating the operating aspects of an organization.

Many companies adopted Balanced Scorecard to improve their organizational performance with the help of their perspectives (Financial, Customer, Internal Business Process, and Learning &Growth). It provides a visual structure for managing the application of strategy while also approving the strategy itself to develop in response to changes in the company's competitive, market, and the technological environment across these four perspectives. The results of the study indicate that Indian organizations have integrated the dimension of Balanced Scorecard(BSC) as a Tool to Influence Organizational Performance. There is significant difference in the use of BSC between manufacturing and service as well as public and private sector organizations in India. There is a positive relationship between Balanced Scorecard and its construct on organizational performance.

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