

The Approaches and Uses of the Balanced Scorecard- A Comparative Study



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Modern organizations implement various strategies to ensure competitive advantage. Innovative strategies and effective control mechanisms have become a must than a choice. Over the years, the Balanced Score Card (BSC) has emerged as a reliable performance management tool. Many users have customized traditional BSC to suit their situational requirements. This paper undertakes a comparative study of the usage of the BSC in organizations across four sectors- technology, electronics, automobile, pharmaceuticals. The study is based on inputs collected from prior publications. This comparison gives a fair understanding of the innovative methods and best practices of using the BSC.

1. Concept of Balanced Scorecard

Robert S. Kaplan and David P. Norton proposed BSC in 1992 (Kaplan & Norton, 1992, Harvard Business Review) and that was the traditional and raw form of the scorecard. The idea that formulated scorecard was that no single measure would be able to provide a full picture of an organization but if many of the important measures are combined it might make a huge difference. BSC lets managers view all the critical operating steps together, the balanced scorecard allows them to see if results are made in one field by increasing costs in another. (Norton & Kaplan, 1992, *The Balanced Scorecard—Measures That Drive Performance*, p.71). The scorecard converts an Organizations strategies which are bloomed from its vision, mission objectives into actionable form. It helps managers and employees to understand what they have to do to improve an organization's effectiveness also helps to improve communication between them. After the introduction of BSC, many organizations over the years started using it. Kaplan and Norton introduced a basic framework including 4 different perspectives and they are customer, internal business, learning & innovation and finance (Norton & Kaplan, 1992, *The Balanced Scorecard—Measures That Drive Performance*, p.72).

1.1 Customer perspective (How the Customer sees the Company)

Companies give so much importance to the value given to the customers and in turn, Customers have a major role to play in deciding the company's success, so it is crucial to see how the consumer views the product. The balanced scorecard allows managers to turn their general customer service mission statement into clear-cut steps that represent the considerations that apply to consumers. Time performance, quality, and service are the customer concerns (Norton & Kaplan, 1992, *The Balanced Scorecard—Measures That Drive Performance*, p. 73). Lead time calculates the time required by the organization to meet the needs of the customers. Quality tests the customer's view of the product or service they will provide. Performance and service add value to customers. Organizations can establish and decode expectations in terms of time, price, efficiency, and product with the aid of BSC.

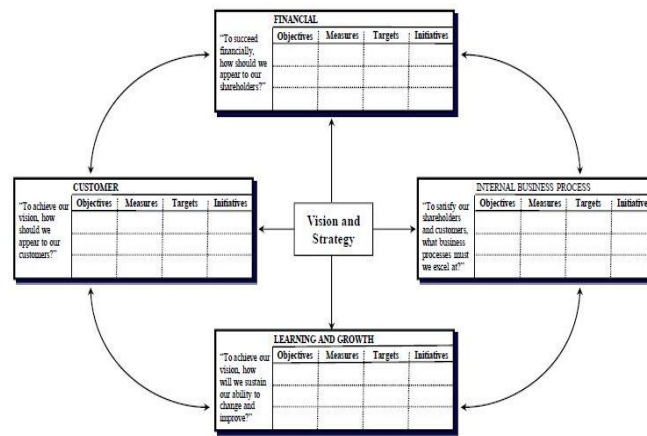
1.2 Internal business (What does the Business have to Compete in?)

Companies must develop themselves to meet with customers' expectations but for that, they have to improvise their internal business. Managers have to give importance to critical internal operations to meet the expectations of the customers'. Cycle time, performance, expertise, and efficiency of workers are important factors to tackle (Kaplan Norton, 1992, *The Balanced Scorecard—Measures That Drive Performance*, p.74). Employees ranging from top to bottom should be having a clear idea of the vision mission objectives of the company thus they could deliver their maximum effort and they could get clear targets of the decisions, actions, and improvements that they should make to deliver the goals. Information systems play a huge role in finding out the error in an organization. If any type of problem is found out in BSC they can easily track and identify the problem area and take immediate action

(See Kaplan, 2010, *Conceptual foundation of balanced scorecard*, p.4)

1.3 Innovation and learning (Can the business continue to grow and make value?)

The world is rapidly changing and organizations are improvising themselves to meet with the global standards. Those who keep up with the pace and renovate themselves and improvise themselves stay in the game the rest will fall unable to cope up with the high standards. The capability of an organization to innovate, learn and improvise itself is linked with the company's value. In short, the company has to increase its operating efficiency, launch new products, and improvise (Norton & Kaplan, 1992, *The Balanced Scorecard—Measures That Drive Performance*, p.75) themselves to penetrate market only then can they make more revenue grow and make more shareholder value.



1.4 Finance Perspective (How the Company is viewed by Customers)

Metrics under financial perspective indicate whether the implementation and formulation of the company's strategy contribute to bottom-line improvement. Revenue and profit are obvious objectives that any organization would list in this perspective measures like operating income, ROI, ROE, market share will come from the finance perspective. For its backward-looking orientation and inability to create value, many have criticized financial initiatives. Many critics go a step further by saying that financial controls do not contribute to customer satisfaction, but these are mostly not accurate because a well-planned financial control process can improve the overall quality management program of a company.

Something wonderful about the scorecard is that the company is interacting with it according to the nature and culture of the market and can add more insight and KPI as they please, which is why companies are now experimenting with different changes to the scorecard. Many have criticized the scorecard (Van Tassel, 1995, Dinesh & Palmer, 1998) but still it is one of the most sought after performance management tool. Given this premise, a comparative study of the usage of balanced scorecards in different organizations could give more insight on the various interpretations of same basic idea.

2. Comparative Study of Approaches and uses Across Organizations

This comparison is based on the published matter available in academic databases, company websites and other credible sources on the worldwide web. All the accessible explanations and essays were read, assessed and analyzed in order to present a compilation and comparison as follows.

2.1 Scorecard at Microsoft

The limitation of conventional balanced scorecards has been recognized in companies like Microsoft which built a brand image as a technology giant (Charles Bloomfield, 2002, *Bringing the Balanced Scorecard to Life: the Microsoft Balanced Scorecard Framework*, p.11) they are:

1. **Initiatives not based on strategy**– Companies will come up with some new financial initiatives, but it will not always be related to Strategy
2. **Failure to connect or inform**– A scorecard must be clearly understood across an organization for maximum effectiveness. Several executive scorecards will be produced, but not cascaded by a corporation. Without good communication, BSC's full benefit cannot be obtained.
3. **Measures linked to compensation too soon** - Binding benefits to the Balanced Scorecard is ok. But several indicators suggest that it might not be a good thing to do that too early in the scorecard lifecycle.
 - Original scorecard is never left unrevised. Therefore, if a company ties rewards to actions that do not promote behavior that they need, a strong instigator has been developed that will cause a blunder.
 - Data may be partial or incorrect, thus unreliable. When remuneration of workers are adversely affected, serious moral issues will occur and the scorecard may be invalidated
 - Determining realistic goals can take time, and penalizing people for failing to reach an unattainable goal would undoubtedly hurt morality and ultimately revenue.
4. **There is no transparency**- High visibility and accountability are important since it assists progress-this is to ensure that each metric, purpose, source of information or initiative must have a leader. The scorecard will not work without this degree of thorough implementation, because none can be blamed for results.
5. **Workers not capable enough**–Although transparency can give a powerful drive for performance enhancement, workers also need the legitimacy, commitment, and essential resources to influence specific initiatives. Therefore, participation and possession will be resisted. Tools and programs need to be made available to achieve success. Employees will need new information tools to help them recognize the causes of the acts they are accountable to take action. Other resources consist of quantitative and early alert programs, anomaly statements and cooperation.
6. **Too many initiatives**- Large, hierarchical organizations typically find it possible to detect overlap or replication between initiatives. An important way to organize and coordinate an organization can be to equate scorecard targets

to existing and expected programs. This approach should consider situations where priorities are poorly assisted. This system removes redundancy, speeds up the implementation of the scorecard, and lets a company organize its programs to better support the agenda, rather than relying on budgeting for strategic financing. Microsoft noticed that conventional scorecards could not integrate their company's technologies into scorecards, so they used software to help them do this

Creating a balanced scorecard requires probing through a vast amount of data which will be hectic for normal people to analyses and comprehend so automation is essential so that it can make the processes faster and decrease the amount of cost happening in making a BSC. Automation may promote rapid change in culture during growth as well as the continuing use of the BSC. If the technology used is instinctive and can be conveniently organized by an individual, it can render the BSC system transparent, promote a social change and enable a wider audience to join. Software's like proprietary business intelligent (BI) products and ERP centric applications and BSC centric applications are used by Microsoft (Charles Bloomfield, 2002, *bringing the Balanced Scorecard to Life: The Microsoft Balanced Scorecard Framework*, p.13). It is found that all three designs have some deficiencies but Microsoft balanced scorecard framework is designed to overcome this issue. The Microsoft BSCF looks forward to enable a company to use the BSC to generate returns on employees, systems, clients, and IT. The BSCF was made to assist in the development of scorecards at all stages and rates of an enterprise to gain early automation advantages without the associated risks. It mixes a range of Windows bundled software and industry standards to simplify the BSC. This provides a set of tools and approaches that help both business users and programmers produce favorable results quicker so that technology is no longer a barrier to overcome in the creation of scorecards, but a weapon to accelerate growth.

2.1.1 Facet 1- Personalized Portal

Microsoft understands that each person is different and has their preferences in doing anything so they provide a personalized portal for employees. Created using standard web technologies it is a doorway to employees' work-life (Charles Bloomfield, 2002, *Bringing the Balanced Scorecard to Life: The Microsoft Balanced Scorecard Framework*, p.16) The BSCF portal can easily be customized and changed according to the preference of employee or organizational needs. The portal contains links to email, calendars, etc. and presents the scorecard information to employees in a manageable form to make learning faster. The training method is sequenced to allow employees to practice according to a plan set out by the management department of the scorecard. The website was introduced in the early stages of developing a scorecard to promote training and collaboration. The website provides a dual view of total organizational success and individual performance as the production of the scorecard progresses. If the portal is already there, the BSC within that framework can be enforced

2.1.2 Facet 2- Best Practices

Developing objectives and measures is a tough job. Microsoft takes the strategy of learning from others' experiences and developing the BSC. The system contains components in learning to promote the development and implementation of the scorecard. It includes presentations to teach employees, links to various useful information, process guidelines, FAQs and mistakes to avoid, collection of models to capture complete data on policies, goals, viewpoints and program. Thus a scorecard management group can compile and share knowledge that must ultimately be maintained in a BSC repository on a daily and reliable basis. For these reasons, Microsoft utilizes office technology so that no other computer installation or preparation is needed for employees

2.1.3 Facet 3- Strategy and Metric Management

An agency which implements BSC will have several BSCs at the board, branch, departmental, or individual level. Managing the specifics of plans, priorities, behavior, and expectations is complicated. May calculation may have specific owner, data interpretation, motives for choosing it, etc. After the classification of measures information must be retrieved, it is mostly obtained from a data warehouse which eliminates human error, but in some situations data will not be there so it has to be manually entered. Organizations need an effective, organized way of collecting, processing, summarizing and transmitting all the information poured into the scorecards. After the identification of measurement knowledge has to be collected, it is mostly extracted from a data warehouse that prevents personal error, but in some cases software will not be accessible so it has to be submitted by hand. Organizations need an effective, structured method to collect, store, interpret and distribute the information contained in the scorecards (Charles Bloomfield, 2002, *bringing the Balanced Scorecard to Life: The Microsoft Balanced Scorecard Framework*, p.19). The way things are portrayed has a huge impact on the influence BSC is making. In this case, BSCF has a number of web-based tools to help. The main of the reporting methods is the scorecard overview, defined as Scoreboard which displays the crucial information relevant to each view, goal or calculation at a glance. Second, the policy chart is included to provide a visual description of viewpoints, objectives, behavior, and causal relationships. Second, for each view, a sub-dashboard composed of important information for that viewpoint. The technique matrix is shown here for each viewpoint. Hyperlinks will be there to provide detailed information on any scorecard component.

2.1.4 Facet 4- Business intelligence

The scorecard will be used to improve performance. The scorecard shows where critical analysis is required but fails to recommend what to do. In many instances, variables strongly aggregated or extracted from multiple data points will be

included in the scorecard. To provide this quantitative capability, many business intelligence resources are accessible. The BSC connects to information outlets and several types of analyses of various users that will assist with a thorough test.



Figure 1 Microsoft Balanced Scorecard Framework

(Charles Bloomfield, 2002, *Bringing the Balanced Scorecard to Life: The Microsoft Balanced Scorecard Framework*, p. 28)

2.1.5 Facet 5-Operational and Actionable Tools

The tools used to facilitate action are actionable and operational tools because success depends on providing people with the means to improve their performance. The BSCF profits from the close partnership between assessing measures that motivate people and organizational resources which allow people to make change. Actionable and operational tools might also consist of functionality from Enterprise Resource Management, Customer Relationship Management, or any other operational systems that can be included in the portal to facilitate changes between analytic and operations tasks.

2.1.6 Facet 6- Knowledge Management

Knowledge management skills enable several tangible aspects of the BSC system, extending from primary design research through all BSC lifecycle processes. This demonstrates that a large group of documentation generated in a company was kept track SharePoint Portal Server includes a server such as a digital archive, enabling all approved persons to access documents quickly while providing security, search capacity, version control, and indexing and subscription. The operation of information requires teamwork. Collaboration is important because knowledge workers do not work in isolation. Collaboration resources lead to the return of knowledge workers by improving output and helping to blend the BSC with busy working days.

2.2 Scorecard at Apple Computer

Apple Computer created a BSC to assess senior management on a plan to extend conversations beyond the gross margin, investment returns and market share (Kaplan & Norton, 1993, *putting the balanced scorecard to work*, p.6). A limited steering committee, acquainted with Apple's Executive Management Team's meetings and strategic thinking, chose to focus on metric categories from each of the four viewpoints to choose several metrics from each classification. Apple provided priority to shareholder value for the financial perspective, market share and customer satisfaction for customer perspective, core competencies for internal system perspective and finally, for the creativity and development perspective, employee attitude (Kaplan & Norton, 1993, *putting the balanced scorecard to work*, p.6). The leadership at Apple stressed the following categories:

2.2.1 Customer Satisfaction

Apple has always been considered to be a technology-and product-focused business that has been experimenting with great computers. Only add indicators of customer satisfaction to adjust workers to become a customer-driven company. A customer-survey company, J.D. Power & Associates (Kaplan & Norton, 1993, *putting the balanced scorecard to work*, p.6) knew that its customer base was not homogeneous, however, Apple thought that it had to go beyond J.D. Power & Associates to build unbiased polls that map the world's key market segments. Apple has put in place initiatives that move customer interest.

2.2.2 Core Competencies

Company managers of Apple wanted workers to focus heavily on a few important competencies: user-friendly environments, software frameworks that are really powerful, and efficient distribution systems. Senior managers, though, acknowledged that calculating performance through these measures of professionalism could be challenging. As a consequence, the company deals with statistical measurements of these capabilities that are difficult to measure

2.2.3 Employee Commitment and Alignment

Apple administers a detailed workforce survey in each of its departments every two years; polls are performed more regularly with randomly selected workers. The survey questions reflect on how well workers grasp the philosophy of the organization and whether or not they are asked to deliver outcomes under that approach. The survey results are shown in terms of both the actual level of worker responses and the overall response pattern.

2.2.4 Market Share

Senior management needed to reach a vital market share threshold not only for the apparent revenue increases, but also to attract and keep software developers to Apple platforms.

2.2.5 Shareholder Value

Considered as an indicator of performance. The formula is included to counter the prior focus on gross margin and growth in revenue, initiatives that ignored the improvements needed today to breed success for the future. The shareholder value indicator, on the other side, quantifies the impact on business growth and production of the planned acquisitions. A lion's share of Apple's enterprise is vertically structured — marketing, product design, and worldwide production and services — and shareholder value can only be measured at a hierarchical scale for the entire company. Nonetheless, the indicator assists senior managers in each leading organizational unit in determining the effect of their operations on the value of the entire company and in evaluating new business undertakings..

These five performance indicators were created recently, they helped the senior managers of Apple concentrate their approach in many ways. Next, Apple's BSC primarily serves as a scheduling tool, rather than as a control device. In other terms, Apple uses the steps to target the "long wave" of corporate success, not to make improvements in service. Throughout fact, Apple's indicators can be pushed horizontally and vertically into each operating enterprise with the absence of shareholder value. Vertically viewed, each variable can be broken down into its components to analyze how each part relates to the overall working. Horizontally viewed, the steps will describe how development and production, for example, include an area such as customer satisfaction (Kaplan & Norton, 1993, *putting the balanced scorecard to work*, p. 8). Apple has also noted that its BSC also helped develop a vocabulary of observable outcomes for how projects can be implemented and leveraged. Apple uses the scorecard as a method of long-term success management, not as a mechanism for making improvements inactivity. Apple's five performance indicators are deemed a source of reference to best-in-class organizations. These are used now to create business strategies and are integrated into the pay packages for senior executives.

2.3 Scorecard at Philips Electronics

The reason for establishing the BSC at Philips Electronics originated from top-down to all departments and businesses worldwide as a guideline from the Management board in Europe. The management team at Philips Electronics does this to perform quarterly performance assessments around the globe and facilitate corporate training and continuous improvement (Gumbus, Andra, and Bridget Lyons, *The Balanced Scorecard at Philips Electronics*, Strategic Finance 84.5, 2002, p.45-49). The core belief of Philips in designing their balanced scorecard is that the foundation for deciding how to produce future results is to understand what drives present efficiency. With this in mind, Philips developed the scorecard to provide a shared understanding of the organizational priorities and strategy of the company for the future their operating principle in the project was to assess variables critical to the accomplishment of the strategic objectives of the organization.

The method also helped Philips Electronics concentrate on aspects that are crucial for their success in business, integrating many metrics that assess their sales, activities, and laboratories (Gumbus, Andra, and Bridget Lyons, *The Balanced Scorecard at Philips Electronics*, Strategic Finance 84.5, 2002, p.47). The company variables that are essential for value creation, which is known as the four primary performance factors (CSFs) on the Philips Electronics BSC, are:

- Competence (technology, knowledge, leadership, and teamwork),
- Processes (drivers for performance),
- Customers (value propositions), and
- Financial (value, growth, and productivity).

The digital scorecard from Philips Electronics has three grades. The edge is the review card for the strategy, the second is the review card for the operations, and business unit card.

Critical success indicators for each of the card's four perspectives — competence, procedures, consumers, and financial — were rendered at the business unit stage. We provided guidelines for the implementation of CSFs at the company's lower levels, specifying that departments should choose CSFs for which the organization has a major obligation for command. The execution of the business strategy is checked by these CSFs — key BSC metrics. The growing business unit's management team formed a general agreement on which CSFs from the competition categorize the business unit. Through evaluating consumer survey data, which expressed perceived performance relative to the cost of competing products, they used a value map to determine customer critical success factors. System CSFs have been developed to decide whether system changes can provide customer requirements competence CSFs were recognized by determining what human resources and competencies were required to deliver the other three perspectives of the card. Standard financial reporting metrics were used as financial CSFs. The next step was to define key indicators at the level of the business unit to evaluate critical success drivers for each business unit. Assumptions regarding process-results relationships have been quantified and output indicators have been identified. Targets were then calculated based on the current year's difference between actual and target results plus two to four years in the future. The criteria: precise, tangible, optimistic, reasonable, and time-phased goals must be established. Targets are based on an analysis of market size, customer base, and potential for development, brand equity, and quality of world-class.

Examples of business unit-level metrics include

FINANCIAL	PROCESSES
<ul style="list-style-type: none"> • Economic profit realized • Income from operations • Working capital • Inventory turns • Operations cash flow 	<ul style="list-style-type: none"> • Percentage reduction in process cycle time • Number of engineering changes • Order response time • Process capability • Capacity utilization
CUSTOMERS	COMPETENCE
<ul style="list-style-type: none"> • Market share • Repeat order rate • Complaints • Brand index • Rank in customer survey 	<ul style="list-style-type: none"> • Leadership competence • Training days per employee • Quality improvement team participation • Percentage of patent protected turnover

(Gumbus, Andra, and Bridget Lyons, *The Balanced Scorecard at Philips Electronics*, Strategic Finance 84.5, 2002, p.48). Through cascading the card from the organizational level to the level of the business unit, six main metrics have been regularly illuminated for all business units (Singh & Kumar, 2007)

- Profitable revenue growth,
- Customer delight,
- Employee satisfaction,
- Drive to operational excellence,
- Organizational development,
- IT support.

This main drivers are linked both to each other and to the four CSF of the BSC. Organizational advancement and IT help drive the perspective of competence; consumer happiness and employee satisfaction drive the client perspective; organizational efficiency drives the system perspective and sustainable revenue growth drives the financial perspective. And every quarter the BSC indicators are The BSC at Philips Medical Systems North America (PMSNA) acted as a resource for working on their strategic goal of becoming a \$1 billion business by 2001. used as the accounting method to measure the quality of each business unit (Gumbus, Andra, and Bridget Lyons, *The Balanced Scorecard at Philips Electronics*, Strategic Finance 84.5, 2002, p.48).

This directed a cultural change campaign concurrently to improve responsibility for performance. The BSC is supposed to eventually replace the quarterly reporting calls to the field office where transactions are measured against forecast figures. The development of an organizational scorecard for action plans and monitoring outcomes in real-time is another achievement for the card in this section. Information was automatically moved from internal reporting systems and submitted to the immediately accessible electronic BSC database comprising the new results. The automated stream of data collected by the Gallup Organization into the electronic BSC study in a similar fashion will be a future advancement in customer service and satisfaction monitoring the BSC helps workers to know just what they have to do to affect outcomes regularly. The BSC facilitates common practice exchange which establishes a global interaction system. Every card segment has a holder who can be approached by employees to discuss performance plans and product repairs. The BSC represents an increase in Philips' previous "Yellow Pages." Approximately 22,000 workers have agreed to freely exchange task awareness and preferences using the Philips Yellow Pages, out of 250,000 employees. Employees working on similar tasks can use the Yellow Pages on the company intranet to express success and failure

2.4 Scorecard at Volkswagen do Brasil

Volkswagen do Brasil (VWB) suffered losses for eight consecutive years, lost market share massively established a bloated division and created an environment of anxiety and confusion among the employees. Thomas Schally was appointed CEO in 2007. Issues that Schally had to address may be divided into external and internal ones. Before confronting internal issues, external obstacles had to be analyzed. (Kaplan & Ricardo Reisen de Pinho, 2010, Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard, p.1). First Schally had to handle the immense decrease in domestic market share that proceeded ceaselessly over the years. This led to an all-time low in 2003 with a twenty-one forgoing Japanese and French manufacturers.

VWB additionally struggled to stick out to their export-led strategy and maintaining production-minimum because of the appreciation of the Brazilian currency, with respect to the dollar and euro, along with will increase within the native labor and raw materials expenses, as Schally pointed it out. Another downside was that VWB couldn't increase costs on shipped merchandise, attributable to stiff competition in automotive worldwide (Kaplan & Ricardo Reisen de Pinho, 2010, *Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard*, p.2). As a result, the company's excess capability costs wouldn't be covered by deficient export margins. Internal wise Schally had involved with inefficient processes on the shop-floor and administration, like reliance on value reduction, worker layoffs, and capability curtailment. All the same, the most important obstacle would be the commitment and engagement of the workers. Employee's work dedication negatively mirrored within the scale of absenteeism, company identification and concepts for improvement showed Schally that it was midday for VWB to undertake tremendous cultural and strategic modification.

VWB's new strategy was many-sided and consisted primarily of 4 major objectives that guaranteed that VWB would regain position as market leader Brasil and strived for #1 producer of the South American automotive market. To understand the strategy they required to "build a high-performance team that might drive VWB to become South American industry's leader in quality, innovation, sales, and profitability on a property basis". Further "Re-Branding VWB into one with avid and highly-motivated workers (Thomas Bieker, 2002, *Sustainability management with the Balanced Scorecard*) who frequently introduced high performance, innovatively-designed cars and light-weight vehicles", Nonetheless, Josef-Fidelis Senn, Vice President for Human Resources for VWB was named in 2006, Senn claimed that they needed a replacement culture to solve problems when they occurred, remove flaws and minimize health and safety injuries, although these acts cost money and limited short-term production. The last aim to be discussed by the chief committee was to constantly change the inefficient and sluggish business culture of VWB. They had to establish new partnerships with key stakeholders: staff, distributors, and dealers. Another positive side of a transparent understanding of the strategy is that workers will solely fulfill the expectations after they apprehend what has to be done and additional additionally why it has to be done. If all workers may be convinced that everyone is functioning towards a constant goal, it will and can produce a dynamics between workers that enhances team-orientation, group-bonding and dedication to travel the additional mile for team-members, fellow employees and last but not least the underlying strategy's objective.

2.4.1 Benefits achieved through use of BSC

These 2 tools initiated by Schally and Senn (Kaplan & Ricardo Reisen de Pinho, 2010, *Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard*, p.7) facilitate to implement the strategy in many ways. Normally they assist in translating the strategy into objectives, monitor progress and show the correlations between cause and impact. The Strategy Map as an example helped to filter out four dimensions: monetary Challenges, client Challenges, Internal Processes Challenges, and Potential and Growth Challenges and also displays "how intangible assets, like workers, get converted into tangible financial results". All these dimensions have underlying metrics that illustrate what's necessary for gaining control of the obstacle. This strategy map organized and separated key factors VWB had to figure on if the wished to succeed with their overall vision to evolve to #1 automotive manufacturer in South America. During a shell, it translated high-level objectives into unambiguous tasks that may be accomplished and supervised with efficiency. The BSC was the right tool to outline and monitor the outcome. This was extended inside the complete company for all objectives and shop-floor workers might at once show the particular standing of their work. Once issues occurred they can correct quickly and also the accountable project team could work on an answer with shop-floor employees and also the accountable arranger. This trade policy of management reduced production shutdowns considerably and reduced ensuing prices. Without the BSC and Strategy Map, VWB's executive team wouldn't be ready to improve their relationships with all stakeholders in such a timely fashion. VWB required to alter scarce resources and time pressure, since the German Headquarters expected results and not move down their so far inefficient subsidiary in Brasil. In a nutshell, the BSC and Strategy Map brought VWB back on target and altered company strategy and culture staggeringly.

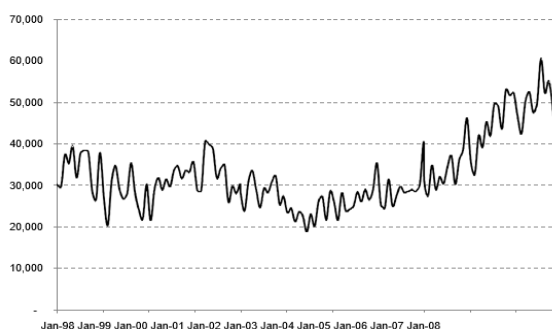


Figure 2 Monthly Sales of Volkswagen do Brasil - Cars and Light Vehicles from January 1998 to December 2008 (in units)
(Exhibit 1, Kaplan & Ricardo Reisen de Pinho, 2010, *Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard*, p.10)

The BSC is doubtless a strong management tool to reorganize company culture and strategy sharply, although it conjointly has its weak spots. Implementing it into an organization is within the starting time consuming until everyone understands the way to work with this tool. Thus management required to coach facilitators that educate their roundabout 20.000 staff. This stresses money resources and capabilities of top-management to address the high structural afford needed to perpetually communicate to, pursue and embody all stakeholders till the BSC is accepted and understood.

Once uninterested in the downsides, the BSC facilitates distinctive team-bonding, a high level of transparency and potency. As a result of this, each worker is aware of his part within the company's strategy. It provides long-run responsibility for the company's pre-defined objectives and generates valid results through the correct metrics. It's conjointly a universally applicable mensuration tool that displays "Financial and non-financial indicators each at intervals one succinct statement relative to the target price. Besides intensively communicating their BSC and Strategy Map, they established Plasma Screens on the assembly lines wherever employees could monitor the several production steps and being reminded of the corporate strategy by illustrating the Strategy Map and introducing the interactive role game. Additionally, VWB's officials enforced a

scientific method of improvement during which staff got rewarded by contributing their ideas to drive down prices. The most effective ideas were bestowed ahead of roughly 1500 staff, that conjointly driven staff in a very non-financial manner. Another action was a task game supported an interactive learning map, that they educated quite two hundred facilitators that ought to win over and train all 20.000+ staff to participate during this game. Staff received a token for determination issues and respondent queries regarding VWB's strategy. The BSC Management cluster announces the strategy map in each area within the company as a continuing reminder of the company's direction.



Figure 4 Volkswagen do Brasil Strategy Map

(Source: Kaplan & Ricardo Reisende Pinho, 2010, Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard, p. 13)

2.4.2 Compensation and Recognition

In connecting the compensation system to the performance of the workers, VW strengthened the frequent contact and training communications. An executive incentive package related variable pay to the success of each employee, calculated as a percentage of the priorities and achievement of output. For non-executive staff, like shop floor employees by cell managers and administrative staff, VWB had an annual payment for the distribution of findings shared uniformly in absolute terms across the workplace. To identify high-performing individuals for advancement, work turnover, and foreign learning, VWB has created a leadership performance process and these processes are good performance drivers (Benedetta Gesuele, Mauro Romanelli. *Human Resource Measurement: A Balanced Scorecard Approach. Journal of Human Resource Management*, p.31). HR picked persons focused on exceptional performance in the BSC measurements.

2.4.3 Engaging Suppliers and Dealers with the Balanced Scorecard

VW BSC goals give some versatility to adapt to market fluctuations. They retain regular communication with the divisions of procurement, marketing, and technology to discuss ideas, feedback or impacts created by unforeseen market movements and bottlenecks. They constantly evaluate indicators such as the number of cars manufactured against the plan and the cripple [temporary shortage of assembly line components] predictor. The BSC helps us to coordinate the current processes of each region with the overall strategy and with all of these changes taking place their revenue was also increasing.

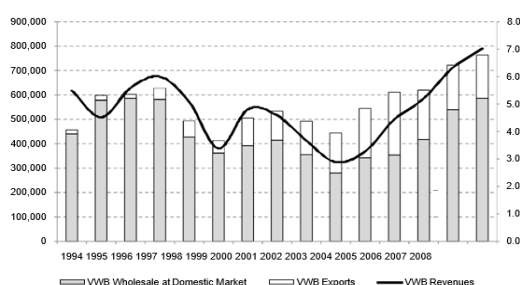


Figure 5 Volkswagen do Brasil's Export and Domestic Sales (in Vehicles) and Revenues (€ billions)

(Source: exhibit 2B, Kaplan & Ricardo Reisen de Pinho, 2010, Volkswagen do Brasil: Driving Strategy with the Balanced Scorecard, p.11)

2.5 Scorecard at Novartis

Novartis is a major pharmaceutical company with Swiss corporate offices and revenues of nearly US\$ 19 billion. The BSC is not used by the business as a whole. This is an especially daunting task, as it is easy to understand, in an environment like Novartis where the HSE (Health, Safety Environment) division and its five corporate-level people have to manage a large network of HSE professionals at different levels in different business units practices (Francesco G.G Zingales & Kai Hockerts, 2003, *Balanced score card & sustainability examples from literature and practices*, p.5). The Corporate HSE team is looking for a resource that would allow them to have closer contact with business unit leadership and not just with their HSE delegates. The BSC shown in the graph is the outcome of this research and how the HSE team can measure the

performance of its actions-and be rewarded for it. This BSC seems to aim more to handle Corporate HSE more coherently than to tie HSE directly to the heart of the enterprise. Nonetheless, when describing the targets and metrics in their scorecard, the Corporate HSE Administrator included the business unit leaders in the debate. It, he claims, improved their awareness of the importance of HSE problems for their companies (Eigenmann, May 31, 2002, Presentation). The next measures are to break down the Corporate HSE BSC into the Business Unit HSE BSCs.

The HSE BSC's four viewpoints adopt essentially the generic framework of the BSC. The High-Performance Organization applies to the HSE division workers' capability and happiness (equivalent to Development and Growth). The viewpoint Systematic execution of HSE specifications goals is linked to the belief that the HSE network's main role(i.e. corporate and business units HSE professionals)is to provide the business units with HSE information/knowledge readily (equivalent to internal processes) when necessary. The Stakeholder Service Quality viewpoint is the equivalent of the customer perspective but applied to a much wider range of key stakeholders. Finally, the Financial Performance Excellence Perspective tends to be a combination of internal productivity steps where there is no clear reference to the company's financial performance.

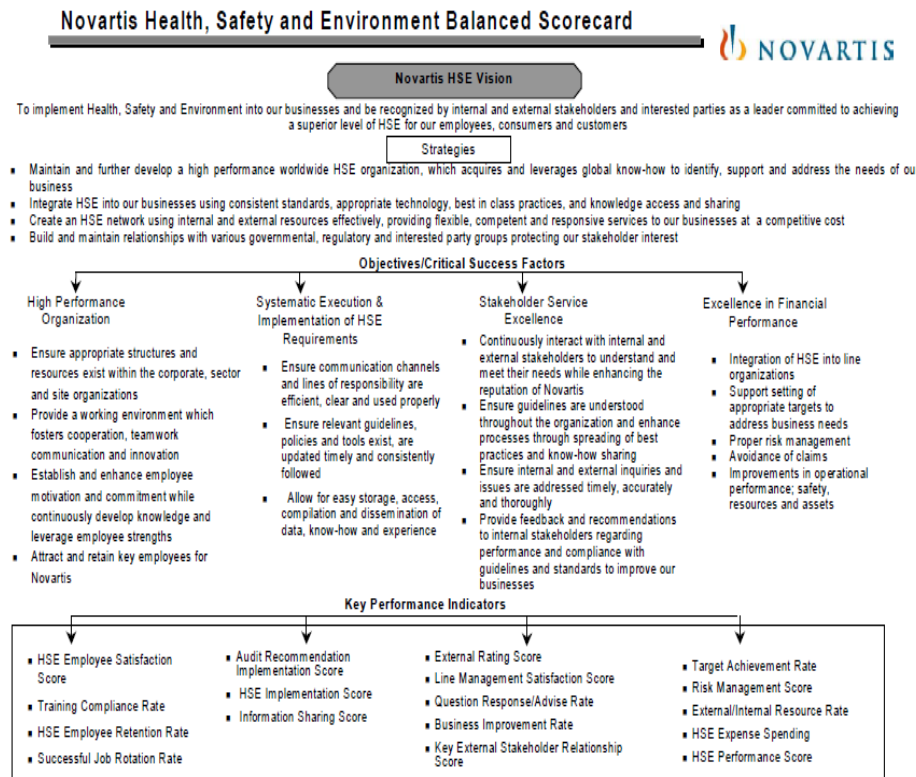


Figure 6 Balanced Scorecard of Novartis

(Source: F. Zingales and K. Hockerts 2003/30/CMER, *Balanced Scorecard and Sustainability: Examples from Literature and Practice*, p.7)

3. Comparison

COMPANY	FINANCIAL PERSPECTIVE	CUSTOMER PERSPECTIVE	INTERNAL PROCESS PERSPECTIVE	LEARNING AND INNOVATION
APPLE	Shareholder value	Market share and customer satisfaction	Core competencies	Employee commitment and alignment
PHILIPS	Value, growth and productivity	Value propositions	Drivers for performance	Knowledge, technology, leadership and teamwork
VOLKSWAGEN	Market share growth, sustainable and positive financial results	Customer expectation, company image	Service orientation, Efficiency in processes, Flexible production and workforce	Performance, sustainable growth
NOVARTIS	Excellence in financial performance-Internal productivity	Stakeholder service quality- key stakeholders	Systematic execution and implementation of HSE requirements - Availability of information	High performance organization- Capability and happiness of workers

This clearly shows how the companies have made changes to the traditional form of the scorecard. It was found that Microsoft has completely automated the BSC and had used 6 different facets for their score card: personalized portal, best practices, strategy and metric management, business intelligence, operational and actionable tools, knowledge management

which helped them in accelerating the growth. The other companies have stuck to the basic premise of the BSC- the four perspectives.

The purpose of introducing the scorecard is also varied for each organization studied. In Novartis, the corporate HSE team saw it as a resource that would allow them to have closer contact with business unit leadership. Volkswagen implemented this to become the leader in Brasil and they needed a new strategy for the same. Philips implemented the BSC in order to perform quarterly performance assessments around the globe and facilitate corporate training and continuous improvement. Apple uses the scorecard as a method of long-term success management for their company.

4. Conclusion

From this study, it is clear that the concept of balanced score card helps out organizations to translate their vision mission objectives into their actions as identified by Kaplan & Norton (1996). For the past few decades the business environment has been very spontaneous and unpredictable and to survive in such conditions organizations had to come up with new strategies. Like Buhaovac & Slapnicar (2007), BSC is effective in many companies. Organizations took it to the next level by making changes to the traditional scorecard and this customization helped them to achieve success and made them stand out from their competitors. Companies that do business in rapidly changing environment should have unique strategies to survive there and companies that are staying on top of the game in their respective environment like Microsoft and Apple in technology industry, Philips in Electronics industry, Volkswagen in automotive and Novartis in pharma industry are using BSC in their companies and it is clearly visible how this framework has helped them in their success. Each of these companies understood the importance of the BSC and used it as an advantage against their competitors. More organizations could benefit by taking inspiration from these success stories.

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