THE BALANCED SCORECARD: FROM CUSTOMER PERSPECTIVE TO STAKEHOLDER PERSPECTIVES

By

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ABSTRACT

THE BALANCED SCORECARD: FROM CUSTOMER PERSPECTIVE TO STAKEHOLDER PERSPECTIVES

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This paper explores the current structure and framework of the Balanced Scorecard (BSC) and its evolution. The pros and cons of the BSC's current framework will be analyzed, followed by a proposal for a new BSC linking to the organization's Vision and Mission statements. By redefining the purpose for an organization's Mission Statement to incorporate sustainability's "triple bottom line," sustainability-related goals can be identified. The Mission Statement then can be linked to the BSC by redefining and better organizing the BSC's perspectives to include these goals.

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INTRODUCTION

During the Industrial Age, most organizations used financial measurements as a way to gauge the overall success, or failure, of their business. Technology played an important role during the industrial age and companies that could embed the new technology into physical, tangible assets ultimately succeeded (Kaplan and Norton 1996b). Companies gained advantages over others by investing in and managing tangible assets such as inventory, property, plant, and equipment (Kaplan and Norton 2001). Tangible assets were easily recorded on a company's Balance Sheet and Income Statement and provided a look into how well the company was doing. However, financial measures are lag indicators that report on the results of past actions, not future actions (Garrison, Noreen, and Brewer 2012). Sole reliance on financial measures also encouraged companies to forgo long-term value creation and focus only on short-term performance (Frigo 2012).

Companies are currently shifting from the industrial age to the information age. Manufacturing and service organizations in the information age require new capabilities in order to achieve competitive success (Kaplan and Norton 1996b). Therefore, companies have turned to intangible assets such as customer relationships, skills and knowledge, high quality processes, problem solving, and innovation to implement their new strategies (Frigo 2012). While financial measures are important, they only report on what has happened in the past and do not provide information on where the company is headed or how it can create future value. The financial measures that companies in the industrial age relied on so heavily would not work with companies in the information age as they needed to create future value through investment in not only technology, but customers and suppliers as well. The accounting model developed during the industrial age is the same model used today and it fails to include a company's intangible assets and the values provided by them. As tangible assets were once the key to competitive advantage, intangible assets have become even more important as to whether a company succeeds or fails. The difficulty of placing a financial value on such assets will prevent them from ever being recognized on a Balance Sheet; yet intangible assets are critical for success in today's and tomorrow's environment (Kaplan and Norton 1996b). The industrial age was shaped by short-term capabilities, technology, and profits (financials), while the information age is shaped by long-term capabilities and customer relationships.

The business pace today has changed dramatically from that of the past and a blend of the two ages is needed. Something is needed that maintains financial measures of past performance (industrial age), and combines them with drivers of future performance (information age). That "something" is called the Balanced Scorecard (BSC). The BSC links non-financial performance measures to traditional financial performance measures allowing organizations to align people to their goals, vision, and strategy, and to get them working together to stay ahead of their competition (Lawson, Hatch, and Desroches 2008).

The purpose of this study is to provide organizations with another way to link their goals and strategies, and ensure that all key stakeholders are being included within their strategic planning process. The literature suggests that the four perspectives (Learning and Growth perspective, Internal Process perspective, Customer perspective, and Financial perspective) can be presented in a group format (much like a four quadrant presentation) or as a causal chain (horizontal line with one perspective after another), much like a value chain of activities. The goals for this study are to:

1. Identify the limitations of the group format,
2. Justify the causal chain format,
3. Propose a new causal chain format that expands the BSC to include a Stakeholder perspective, and
4. Expand the Balanced Scorecard to include sustainability factors.

This study explores why the perspectives are more efficient and effective when ordered in a casual chain format. This study also will look specifically at the Customer perspective and recommend changing the Customer perspective to a Stakeholder perspective. Taking the BSC one step further by expanding the Customer perspective to a multiple stakeholder approach ensures companies are taking into account everyone and everything that make them successful. Included under this “stakeholders” umbrella are: customers, owners, employees, suppliers, and the community, (Atkinson, Waterhouse, and Wells 1997).

This stakeholder list is not complete, though. From a Sustainability perspective, organizations also need to consider how their activities affect the environment. Using a Balanced Scorecard for environmental and social performance measurement can tie performance metrics for sustainability to a company’s strategy (Epstein and Wisner 2001). Adding the environment to the stakeholder list provides a “triple bottom line” focus for the BSC. The triple bottom line involves three stakeholders: people, planet, and profit. The proposed stakeholders include employees and the community within the people component, the environment represents the planet component, and the owners represent the profit component. These multiple stakeholders are all equally important. Thus, managers must take into consideration their needs, as they play a vital role in a company's success.

The remainder of this paper is organized as follows: the research question outlining the purpose of this paper, a literature review discussing the group format BSC and identifying its limitations, followed by a justification for using a causal chain format, and then proposing a new causal chain format that expands the BSC to include a stakeholder perspective as well as sustainability factors.

Research Questions

First, how can the causal relationships between the Balanced Scorecard perspectives be better understood by changing the Balanced Scorecard's organization? Second, given this new organization, how can replacing the Customer perspective with a Stakeholder perspective expand the Balanced Scorecard to integrate organizational sustainability?

REVIEW OF LITERATURE

The Balanced Scorecard

The BSC is defined as a strategic management tool that helps measure, monitor, and communicate a strategic plan and goals throughout an organization in a way that is understood by everyone (Lawson et al. 2008). The BSC takes an organization's vision and strategy and translates them into a coherent and linked set of performance measures providing executives with a comprehensive framework of their company (Kaplan and Norton 1996a). Organizations are using the BSC to provide a quick look into whether or not they are achieving their goals and strategy. It also helps organizations communicate goals and strategies to employees, which aligns employees' behavior with the organization's, and gets everybody on the same page working towards the same goals. The BSC should not be used as a controlling system but as a communication, informing, and learning system (Kaplan and Norton 1996b). Top management can use the BSC to translate its strategy into performance measures that employees can easily understand. To help measure performance, the BSC is organized into four perspectives: Learning and Growth perspective, Internal Process perspective, Customer perspective, and Financial perspective (Atkinson, Kaplan, Matsumura, and Young 2012).

Learning and Growth Perspective

The Learning and Growth perspective addresses if companies can continue to improve and create value (Emett and Tayler 2013). The objectives in this perspective describe the infrastructure needed to achieve the objectives of the other three perspectives (Figge et al. 2002). Kaplan and Norton (1996b) offer three principal categories for the learning and growth perspective: employee capabilities, information systems capabilities, and motivation, empowerment, and alignment.

Employee capabilities refer to the reskilling of employees from reacting to customer needs to predicting and/or anticipating them. In order for employees to be efficient, they need timely and accurate information on customers and on product feedback so that they can eliminate defects, extra cost, and waste from the production system. Information systems are required for employees to improve processes. In order for employees to contribute to the overall success of a company, they need to be given the freedom to make decisions on their own.

It's important that the company and employees have their goals aligned with the objectives stated in the BSC. In sum, the Learning and Growth perspective focuses on the continual learning and training of employees, the development of new products, and the improvement of existing products (Neill, Stovall, and Perkins 2003).

Internal Process Perspective

The Internal Process perspective looks to address what companies must excel at in order to meet customer and shareholder expectations (Atkinson et al. 2012). Kaplan and Norton (1996b) propose a value-chain model that encompasses three business processes: innovation, operations, and post-sale service. During the innovation process, businesses identify and create new products and services to meet customer needs. The operations process involves building and delivering the products and services to customers. The post-sale service process takes place after a product or service has been delivered or sold to a customer. This process involves offering support to the customer should they need help. In sum, the Internal Process perspective describes what a company must do internally to satisfy and meet customer and shareholder expectations (Mackey and Thomas 2000).

Customer Perspective

The Customer perspective addresses how a company creates value for its customers (Atkinson et al. 2012). The first step is to define its customer/market segments (Figge, Hahn, Schaltegger and Wagner 2002). Once a company has identified its market segment, Kaplan and Norton (1996a) suggest it selects two sets of measures: generic measures (market share, customer retention, customer acquisition, customer satisfaction, and customer profitability) and performance drivers (product/service attributes, customer relationship, and image and reputation). Companies then must determine what customers value and define how they differentiate (performance drivers) themselves from other companies to retain, attract, and satisfy (generic measures) their target customers (Kaplan and Norton 2001). In sum, the Customer perspective uses a value proposition to describe the product, price, and image that a company offers.

Financial Perspective

The Financial perspective addresses how a company appears to its shareholders (Emett and Tayler 2013). Financial perspectives differ between businesses depending on what stage of the business cycle they are in. Kaplan and Norton (1996b) identify three stages: growth, sustain, and harvest.

Businesses in the early stage of the business cycle are considered to be growth businesses. They generally operate with negative cash flows as they are investing for the future and their financial objectives emphasize sales growth. The majority of businesses are in the sustain stage where the focus is on maintaining and growing market share. Their financial objectives relate to profitability by using measures such as operating income and gross margin. The harvest stage is for business to gain and collect on the investments they made during the growth and sustain stages. The financial objective in this stage is cash flow.

The stage a company is in within the business cycle determines what its objectives are. In sum, the Financial perspective tells managers if their strategy and objectives are contributing to the bottom-line and thus, increasing shareholder value (Atkinson et al. 2012).

Balanced Scorecard as a Group of Perspectives

The Balanced Scorecard measures a company's performance across four perspectives: Learning and Growth perspective, Internal Process perspective, Customer perspective, and Financial perspective (Atkinson et al. 2012). These four perspectives allow managers to plan, implement, and achieve their strategies and objectives. The early version of the BSC presented the four perspectives in a group (see Figure 1).

Figure 1: BSC as Four Groups (from: Emett and Tayler 2013).

This early four-group presentation provided managers with a starting point in that it gave them balance. The measures represent a balance between external measures for shareholders and customers, and internal measures of critical business processes, innovation, and learning and growth (Kaplan & Norton 1996b). Based on the work by Emett and Taylor (2013), this format provides strategic objectives and measures within an organization that managers might otherwise overlook (the measures in Figure 1 are examples).

This model, however, fails to demonstrate how the strategic objectives link together with the company's overall strategy, and help accomplish their goals. There is no interconnected relationship between the four perspectives, nor does it provide the linkage managers need to implement their strategy. For example, if financial results are the main concern, why should managers be concerned with learning and growth? This version does not provide that important information and the connections that link the perspectives together. Linkages are needed to develop an integrated strategy and this framework fails to provide the necessary linkages.

Balanced Scorecard as a Causal Chain

The problems faced with the four-group framework, such as lack of linkages and no clear relationship between perspectives, were addressed over time as the BSC evolved. Kaplan and Norton began recommending that the perspectives be linked together (Emett and Tayler 2013; Frigo 2012). This led to the development of the causal chain format (Figure 2).

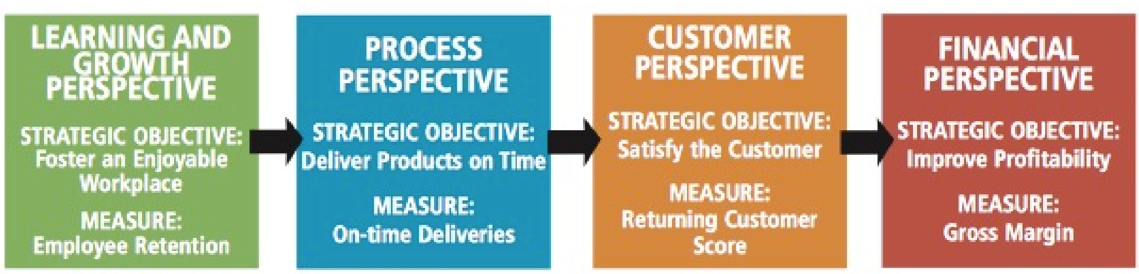

Figure 2: BSC as a Causal Chain (from: Emett and Tayler 2013).

This format helps managers make and improve decisions by including both lagging and leading measures of value for each perspective (Epstein and Wisner 2001). Lagging indicators are those that are made in the current and past periods, such as in the Financial perspective, and indicate whether or not the objectives in each perspective were achieved (Atkinson et al. 2012; Figge et al. 2002). In contrast, the three remaining perspectives are leading indicators, and are more closely linked to operations, helping businesses manage their future performance (Bieker and Waxenberger 2002; Epstein and Wisner 2001).

The four perspectives and the lagging and leading indicators connect through cause and effect chains (Epstein and Wisner 2001). This will not only show how the causal relationships are relevant within perspectives, but also how they are relevant between them. Referring back to Figure 2, the Learning and Growth perspective impacts the Internal Process perspective therefore impacting the Customer and Financial perspective; as improving customer needs has a positive impact on financial performance.

The causal chain framework suggests performance in one perspective causes performance in another. Lawson et al. (2008) describe the linkage as, "If employees are learning and growing their knowledge and skill sets, internal processes will continue to improve, in turn, producing happy customers, which will generate sales and keep the company financially stable" (page 53). In order to fully understand the linkages between the four perspectives, a strategy map was proposed to help translate the vision and strategy into a visual representation of the cause and effect linkages (Atkinson et al. 2012). Supplementing the BSC with a strategy map provided the missing information the group format did not address. A strategy map (Figure 3) follows the logical linkages of the BSC and provides a visual of the cause-and-effect linkages of objectives across the four perspectives. Strategy maps are built from the top down, starting with the end result (Financial perspective) and mapping the paths that lead to it (Kaplan and Norton 2001).

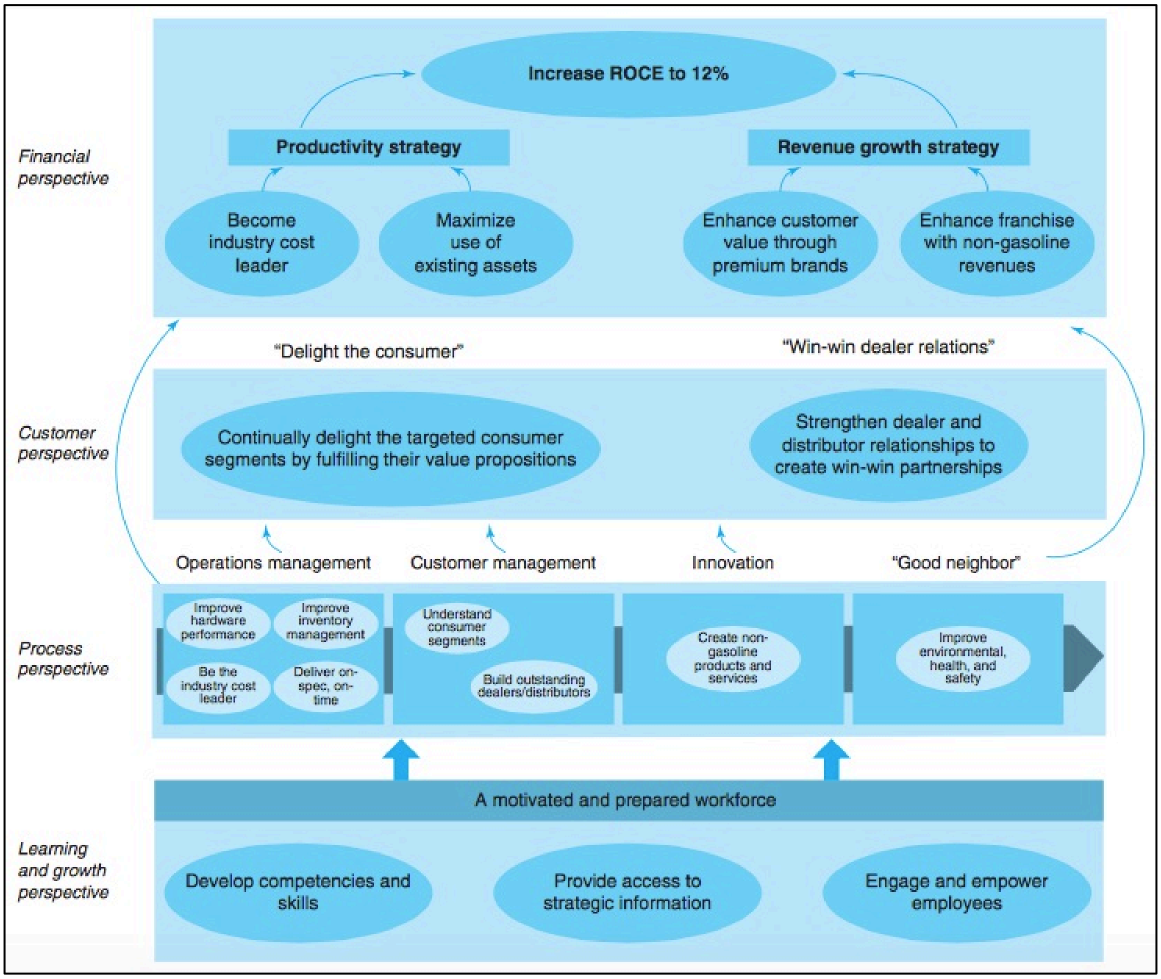

Figure 3: Strategy Map (from: Atkinson et al. 2012).

A BSC strategy map should tell the story of a business unit's strategy by explicitly showing the cause-and-effect relationships between perspectives (Kaplan and Norton 1996a). Starting with the Financial perspective, the goal is increase return on capital employed (ROCE) to 12%. To achieve this, the organization used two strategies:

productivity and revenue growth. Improving productivity involved becoming an industry leader and maximizing utilization of existing assets. Improving revenue growth involved enhancing customer value and generating non-gasoline revenues. These objectives and measures should produce the increase of ROCE to 12% if objectives and measures are followed and met.

For the Customer perspective, the objectives were to fulfill their consumers' value propositions and to create win-win partnerships in order to strengthen dealer and distributor relationships. If the organization is able to meet these objectives, it should see a positive effect on its financials because happy consumers continue to buy from organizations that treat them well. If the organization is unable to meet these objectives, their financials will suffer.

Notice, however, the outcome of the Customer perspective, "Delight the consumer" is not explicitly linked to the Financial perspective. All we have is a general belief that if consumers are delighted, they should buy more products. No arrow identifies this linkage explicitly. What the strategy map shows us is specifics within each perspective, but not the logical cause-and-effect linkage between these two perspectives.

The Internal Process perspective identifies four important areas (operations management, customer management, innovation, and "good neighbor") with specific objectives for each one. All eight objectives, therefore, should support the relationship between internal value chain processes and customers. However, for example, in the Customer perspective, no specific value propositions are presented that can be linked to internal process activities. Therefore, it is not clear how the operations management objectives directly link to customer delight.

Interestingly, the arrow linking the Internal Processes perspective to the Financial perspective seems logical. Improving hardware performance and inventory management, for example, should result in lower costs, supporting the Financial perspective objective of industry cost leadership. But this linkage bypasses the Customer perspective, which questions the cause-effect linkage from internal processes through customers to financial outcomes.

The Learning and Growth perspective is the foundation of the BSC. This organization identified three objectives within this perspective. These objectives identified employee attributes (competencies, strategic information, and empowerment) necessary to improve internal processes. On the surface, this linkage seems obvious. However, the critical internal value chain processes that need to be monitored are the drivers for specific learning and growth activities. In the Figure 3 illustration the arrows between these two perspectives should be going in the opposite direction.

DISCUSSION AND ANALYSIS

The current BSC causal chain framework is: Learning and Growth perspective, Internal Process perspective, Customer perspective, and Financial perspective. In the current framework, even when supplemented with a strategy map, the logic breaks down between the perspectives. For example in Figure 3, the framework suggests that new competencies acquired by empowered employees will cause better internal process control, which in turn, will cause consumer delight and better financial performance. The flaw in this linkage can be seen in the following example:

> At Mountain Gate Manufacturing, workers received raises for each new skill learned so individuals learned new skills that interested them (e.g., sewing). But not all new skills added value to the product from their customer's point-of-view. The logical problem with starting the Balanced Scorecard with the Learning and Growth perspective is there are no guidelines focusing learning and growth on the internal processes needing improvement. There also is no linkage justifying which internal value chain processes need improvement. Improved processes do not lead to happier customers unless improvements add value to customers (Dr. Michael Thomas, personal communication, October 29, 2014).

This observation demonstrates why the BSC chain should not begin with the Learning and Growth perspective. It also argues the Internal Processes perspective should precede Learning and Growth in order to provide direction for continuous improvement activities.

New Causal Chain Order

Linking the perspectives together in a logical cause-effect manner is effectively creating a value chain for the strategic planning process. Which “value” should drive (cause/lead to) the others? If an organization does not provide value to its customers, it will not be able to sustain itself in the long run. Therefore, the Customer perspective must precede the Internal Process perspective, as customer needs should determine what companies do.

This logically leads to a different causal chain. Critical internal processes are those processes that add value to customers. Thus, understanding how to create customer value determines which internal value chain processes are critical to control. This argues the Customer perspective must precede the Internal Processes perspective.

A key function of management is to monitor and control day-to-day activities looking for ways to continuously improve. Thus, the Internal Processes perspective drives (should precede) the Continuous Improvement (Learning and Growth) perspective. Congruent with Total Quality Management’s (TQM) Cost-of-Quality reporting, the Financial perspective should recognize the financial resources necessary to fund activities leading to the preceding perspectives goals (Mackey and Thomas 2000). Rather than reporting on overall measures of company performance (already provided in the financial statements), the Financial perspective should provide funding goals for the activities creating sustainable value.

Expanding the Customer Perspective into a Triple Bottom Line Stakeholder Perspective

Organizations needs to be accountable not only to their customers, but to everyone and everything that has a stake in, or can influence an organization's performance (Atkinson et al. 1997). Stakeholders include customers, owners, employees, suppliers, and the community. Satisfying customers is not good enough to assure long-run sustainability. Without the support from all stakeholders, organizations will find it more difficult to achieve their objectives. Thus, the Customer perspective needs to include all stakeholders.

The Stakeholder perspective needs to be expanded, though, to include the triple bottom line and environmental sustainability. The triple bottom line is a measure of sustainability that incorporates three dimensions: people, planet, and profits, also known as the "three P's" (Slaper and Hall 2011). From a Sustainability perspective, organizations need to consider their impact on the environment and on society. A sustainable business is one that meets the needs of its stakeholders without compromising its ability also to meet their needs in the future (Hubbard 2009).

To complete the Stakeholder perspective, the environment needs to be added to the five other stakeholder groups. Adding the environment to the stakeholder list provides the BSC's triple bottom line perspective. The people dimension includes employees and the community, the planet dimension is represented by the environment, and the profit dimension is represented by owners.

The Stakeholder perspective is now complete. The six groups that make up the Stakeholder perspective are: customers, owners, employees, suppliers, the community, and the environment (Figure 4).

STAKEHOLDER PERSPECTIVE

(1) Customers
(2) Owners
(3) Employees
(4) Suppliers
(5) Community
(6) Environment

Figure 4: Key Stakeholders

Because this perspective is made up of many groups, sometimes with conflicting goals, organizations may not be able to develop a strategic plan satisfying all six simultaneously. There is no right or wrong number of measures or groups to include in a year's BSC. However, an organization including too many stakeholder groups within its BSC tends to get distracted from pursuing a focused strategy (Epstein and Wisner 2001). In one year an organization may choose to focus only on one stakeholder, such as suppliers. In another year it may choose to focus on two stakeholders, such as customers and the environment. While all six are of equal importance, organizations need to determine which area(s) is the primary focus and which areas can wait until the following year.

Figure 5 shows the new BSC perspectives in the proposed cause-effect order.

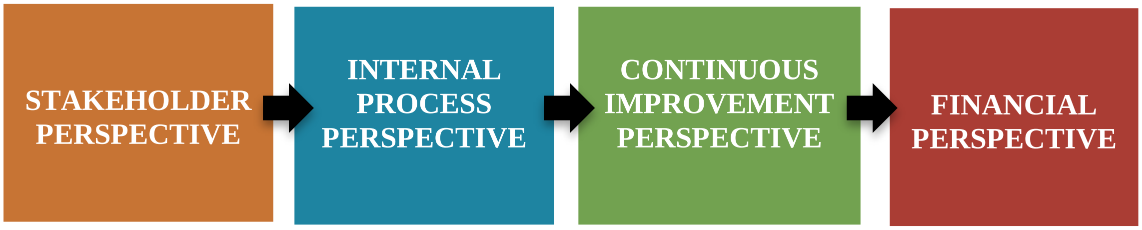

Figure 5: New BSC Causal Chain Order

Linking the Balanced Scorecard to the Strategic Planning Process

Identifying the key stakeholders allows linking the BSC to the other components of an organization's strategic plan. The strategic plan begins with a Vision Statement, where an organization wants to be and what it wants to achieve in the future (Mackey and Thomas 2000). To achieve its vision, the organization must identify its key stakeholders and then develop value propositions for each one. This leads to the need for a Mission Statement. The Mission Statement is a summary of an organization's goals and purpose for existence (Werner and Xu 2012). It is used to communicate the goals and purpose to all employees and stakeholders. Organizations not having a public Mission Statement are less likely to be held accountable by both internal and external stakeholders (Blair, Wharton, and Goodstein 2011).

To be fully effective, the Vision and Mission statements need to be linked to the BSC. How can these strategic planning components be linked together? The logic is organizations cannot achieve their vision unless they add value to their stakeholders. If organizations are not adding value to their stakeholders, stakeholders may not provide the support necessary to realize the organization's vision (its ultimate objectives). Thus, the purpose for its Mission Statement is to provide that linkage by identifying the organization's key stakeholders, and providing value propositions for each stakeholder group.

As noted in the discussion following Figure 4, organizations have limited resources and most likely cannot satisfy all stakeholder needs every year. The value propositions developed in the Mission Statement help identify the critical success factors that should be included in the BSC's Stakeholder perspective. The Stakeholder perspective identifies which stakeholder groups an organization will focus on in the current year.

Summarizing the Linkages

The logical linkages now can be seen throughout the strategic plan: the Vision Statement identifies the organization's ultimate objectives. To achieve these objectives, the organization needs to identify and add value to its key stakeholders identified in the Mission Statement. The critical success factors within the BSC's Stakeholder perspective assure value is being added to them. What is important to the organization's key stakeholders also determines which internal process factors are critical to control so that stakeholder value is realized. Identifying the critical success factors concerning an organization's internal process then leads to the realization of which activities it needs to continuously improve.

Identifying the critical success factors for the Financial perspective, however, have been problematic. Management and Accounting research has yet to create a model that can predict financial performance based upon operational performance (Dr. Michael Thomas, personal communication, October 29, 2014). The current model suggests that achieving Stakeholder, Internal Process, and Continuous Improvement perspective goals should lead to improved financial performance in the future. Therefore, the Stakeholder, Internal Process, and Continuous Improvement critical success factors, and their measures, are leading indicators of value, versus the Financial perspective goals as lagging indicators of value (Epstein and Wisner 2001).

Another problem with the Financial perspective measures is an implicit focus on owners. Suggested Financial perspective measures typically relate to profitability (ROI, gross profit, and operating income) and are found on existing financial statements (Kaplan and Norton 1996b). As this information already exists, organizations do not need a Financial perspective that provides the same information.

Instead of duplicating already existing information, the purpose of the Financial perspective will be redefined and will be directly linked to the other perspectives. Therefore, the Financial perspective measures should be linked to the goals within the other perspectives. The Financial perspective measures should also be more specific in order to support the other perspectives' initiatives, as opposed to the current generalized measures. For example, if one Continuous Improvement goal is to provide employee training for quality control inspections, then a Financial perspective goal should be providing the funds necessary for this training. By changing the Financial perspective goals from general financial performance measures to specific measures, the BSC can specifically link the Financial perspective to the other perspectives.

Also consider that the new causal chain format and logic eliminates the need for a strategy map. If all the perspectives, measures, and objectives are linked to each other within the BSC, which can be readily seen in the BSC, the need for a supporting strategy map no longer exists.

A BALANCED SCORECARD EXAMPLE USING MULTREE HOMES

Multree Homes is a family owned business that aims to provide the best manufactured homes in the area. It started out by selling A-Frame house “kits” that included all the materials needed for a customer to assemble a home. Over time, the business evolved into manufacturing two types of homes: a standard home product line and custom homes made-to-order for specific customers.

Multree Homes Vision Statement

Multree Homes will be the industry leader in:

- ***Quality****:* Our stakeholders will believe we offer the highest quality homes available in our market.
- ***Service****:* Within our market, we will be the industry leader in satisfying customer needs and providing customer service.
- ***Cost****:* We will provide the highest quality homes at the lowest costs within our market.
- ***Technological Leadership****:* We will continuously work with our stakeholders in “green” technology development and use.

Multree Homes Mission Statement

Multree Homes recognizes that to realize our vision, we must add value to our key stakeholders. Thus, our mission is to strategically partner with our stakeholders in order to satisfy the following stakeholder-developed value propositions:

- ***Customers:*** We will adopt a Total Quality Management (TQM) strategy with the objectives of eliminating non-conformance costs, and then minimizing conformance costs.
- ***Owners:*** Continuously improving sales and cost savings from eliminating quality problems will provide an adequate cash flow to our owners.
- ***Employees:*** To maintain happy employees, we will provide a high quality, safe workplace, and provide resources so employees can develop and improve skills leading to long-term job security and satisfactory wages.
- ***Suppliers:*** We will enter into strategic partnerships with key suppliers to ensure customer satisfaction through long-term purchasing and service agreements.
- ***Community:*** We will strategically partner with key local organizations that promote a safe community, quality education, and high quality recreational activities.
- ***Environment:*** We will work with key stakeholders within our industry-wide value chain to identify ways we can reduce waste, energy usage, and pollution.

Multree Homes Balanced Scorecard

Stakeholder Perspective Which Stakeholder value-adding activities will we engage in this year?	
Stakeholder	**Focus and critical success factor**
Customers	Internal Processes: Service hot-line and website response quality
Owners	Financial: Cashflow for dividends
Employees	Continuous Improvement: Identification of workplace safety concerns
Suppliers	Internal Processes: Strategic partnerships
Community	Financial: K-12 public school system
Environment	Continuous Improvement: Lumber waste recycling

Figure 6: Multree Homes' BSC Stakeholder Perspective

Internal Processes Perspective Which day-to-day activities are most critical to control?			
Critical success factors	**Key performance measures**	**Goals**	**Specific action plans to accomplish goals**
Service hot-line and website response quality	Customer satisfaction ratings	> 3 on a five-point scale	After each customer service call, provide a quick survey for them to evaluate their satisfaction of our efficiency and effectiveness.
Strategic partnerships	Number of contracts awarded Vendor Performance Index	> 4 10% VPI reduction for 2nd year contract renewals	Form simultaneous engineering team to identify key suppliers affecting product quality. Develop multi-year contracts based on quality/cost improvement. Install 2nd Generation ABC system to monitor supplier-created cost variances.

Figure 7: Multree Homes' BSC Internal Process Perspective

Continuous Improvement Perspective Which activities do we need to improve?			
Critical success factors	**Key performance measures**	**Goals**	**Specific action plans to accomplish goals**
Identification of workplace safety concerns	Number of improvement projects	> 3	Develop a cross-functional employee team to identify unsafe activities. Prioritize projects and develop budget (also see Financial perspective).
Lumber waste recycling	Percentage of lumber waste recycled	100%	Build storage bins. Sell saw dust and scraps to particleboard manufacturer in Sacramento.

Figure 8: Multree Homes' BSC Continuous Improvement Perspective

Financial Perspective Which financial goals add value to our stakeholders?			
Critical success factors	**Key performance measures**	**Goals**	**Specific action plans to accomplish goals**
Cashflow for dividends	Surplus cashflow per quarter	$250,000 each quarter	Develop a sales and marketing plan to provide the sales volume necessary for an annual $1M dividend distribution, with monthly variance reporting.
Identification of workplace safety concerns	Number of improvement projects funded	> 2	Include within cash budget at least $20,000 for safety improvement projects. Provide quarterly variance report.
K-12 public school system	Paid employee time Direct materials cost	$10,000 $5,000	Develop cost estimate to re-roof the elementary school. Schedule time-off for employees committing to this community volunteer activity. Include cost in annual cash budget.

Figure 9: Multree Homes' BSC Financial Perspective

The Stakeholder perspective (Figure 6) summarizes which key stakeholder groups will be included in this year's strategic plan. Most organizations may find it difficult to satisfy all stakeholders every year. Financial constraints and possibly conflicting stakeholder goals may require organizations to prioritize value-adding projects. In the example above, all stakeholders are included in this year's BSC.

In those years an organization cannot provide for each Mission Statement value proposition, it is recommended the Stakeholder perspective be footnoted explaining the year's priorities, and in which upcoming years the other stakeholders will be included. In this way, the BSC links directly to the Mission Statement's value propositions, as well as providing transparency to all key stakeholders.

CONCLUSION

This study was conducted to propose a new Balanced Scorecard framework providing organizations with a logical process for linking goals and strategies. The proposed framework recommends changing the Customer perspective to a multiple Stakeholder perspective, ensuring an organization is accountable to all entities it must add value to in order to be successful and sustain itself over the long run.

To achieve long-run sustainability, organizations should incorporate the triple bottom line into the BSC. The triple bottom line, also referred to as "the 3 P's", is a measure of sustainability incorporating three dimensions: people, planet, and profit. The new proposed framework includes these dimensions by including them in the BSC's Stakeholder perspective. The people dimension encompasses employees and the community. The environment is recognized as a separate stakeholder, planet. The profit dimension recognizes value to the owners.

The proposed BSC framework also provides logical cause-and-effect linkages between perspectives. The lack of easily identifiable linkages has been argued to be a major weakness in previous models. Additionally, it provides linkages to the organization's Vision and Mission Statements, which did not exist with previous models.

The proposed causal chain begins with the Stakeholder perspective as stakeholder (customers, owners, employees, suppliers, community, and environment) needs should determine what an organization does. Stakeholder expectations determine the internal processes an organization should monitor in order to satisfy their needs. This logically leads to the Continuous Improvement perspective. Through monitoring the critical internal value chain activities that create value to its stakeholders, organizations can better identify those activities needing improvement. Finally, the Financial perspective adds closure to the value-adding strategic plan by providing financial goals and measures to assure that critical activities in the previous perspectives are funded.

Organizations now have a Balanced Scorecard that better links the perspectives, and implements sustainability and the triple bottom line. Another benefit from the proposed format is the linkage of the BSC with the strategic plan. The Vision Statement provides an organization’s long-run objectives. To achieve these objectives, the Mission Statement identifies the organization’s key stakeholders, providing value propositions for each one. The Mission Statement is linked to the BSC by replacing the Customer perspective with a Stakeholder perspective.

This proposed BSC includes a rational process across strategic planning activities. The Vision Statement identifies an organization’s objectives. To achieve these objectives, an organization must identify key stakeholder groups in the Mission Statement, providing value propositions for each group. These key stakeholders become the focus for the Stakeholder perspective within the Balanced Scorecard. By incorporating stakeholder value goals into the first BSC focus, organizations can better identify key Internal Perspective value chain activities that need to be monitored and improved. Thus, the Stakeholder perspective drives the Internal Process perspective, which in turn drives the Continuous Improvement perspective. The Financial perspective is linked to the preceding perspectives by providing funding goals and measures to support other (preceding) perspective goals.

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