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BALANCED SCORECARD MODEL¹

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ABSTRACT

With globalization and rapid development of technology, the management structure of organizations is significantly influenced. A successful management of an organization, depends on its use of performance evaluation methods. The use of cost-based performance evaluation methods with just financial concerns, can lead the organization to fail. Therefore, the performance assessment of organizations, in addition to financial concerns should deal with many other intangible aspects. Considered successful globally, and applied by many organizations, the method of balanced scorecard, is an effective method for managing a successful organization. The level of correctness for performance evaluation, provides confidence and stability over managers and also employees. With balanced scorecard method, performance evaluation correctness level can be very high.

In this study, Balanced Scorecard method is examined in all its aspects. The Balanced Scorecard method which has importance in terms of strategic management, differs from many other forms of evaluation methods by handling all the financial and intangible values together in an organization. Thus, by considering all the positive and negative aspects of the method of Balanced Scorecard, its contribution to the organizations that have implemented it, have been investigated. In this study, the Balanced Scorecard effects on the managers and employees, are evaluated.

Keywords: Balanced Scorecard, Performance , Strategic management, Public service, Efficiency and Productivity

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INTRODUCTION

In the industrial era, companies like General Motors, DuPont, Matsushita and General Electric, have developed financial control systems to ensure an efficient distribution of finances and physical capital. These systems have given them the opportunity to monitor and control how efficient they were using their financial and physical capital. However, towards the end of the twentieth century, as the emergence of the information age, the basic assumptions of the previous industrial age have lost their validity (Çakmak, 2005: 260-261). In the current era, institutions are not one-dimensional any more, but they are managed considering the many different aspects and thus new methods began emerge. The Balanced Scorecard method is an outcome of this dynamic.

Corporate performance measurement systems affect the behavior of employees and managers significantly. It's been seen that organizations are turning to financial indicators only, however the financial indicators alone, often prevent continuous improvement and innovation by giving the wrong signals. In response to, it's been stated that it is necessary to waive financial indicators, and adopt production period, error rate and other operational indicators and in this case, financial results will be revealed spontaneously, out of these data. Managers do not have to choose between financial and operational indicators. It was mentioned that in the end, a single aspect of the performance will not cover many critical areas of a business. Because of this, "Balanced Scorecard method" has emerged which addresses many aspects of performance and keeps a balance between these aspects (Yenice, 2007: 97). Balanced Scorecard method is the most commonly used method among personnel evaluation systems in terms of the benefits and accuracy it provides. In this study, Balanced Scorecard method has been studied with all the aspects and its applicability for public organizations has been evaluated.

BALANCED SCORECARD CONCEPT AND ITS HISTORICAL DEVELOPMENT

In the studies conducted in Turkey, as the equivalent of the term Balanced Scorecard (BSC), the terms used are "Corporate report card", "Total (Balanced) Performance

Indicator", "Balance Control Panel", "Balanced Performance Management", "Performance Scorecard", "Balanced point card" (Önemli, 2010: 1). Among these, the "Corporate report card", is the most used phrase.

The performance evaluation models which are aimed at assessing the success of a business, in all its aspects, have to also consider non-financial aspects, alongside the financial ones. Multi-dimensional models have been developed to resolve the deficiencies and shortcomings of the traditional performance appraisal systems. Balanced Scorecard Model, Stakeholder-Based Performance Evaluation Model, Lynch-Cross Performance Pyramid (Agca & Tunçer, 2006: 173) are among some of them. The most preferred of them by the institutions is the Balanced Scorecard method.

Kaplan and Norton have defined Balanced Scorecard as, "To create framework for strategic measurement and management, by turning the mission and strategy of the organization into a detailed set of performance measures" (Kaplan & Norton, 1992: 71). This definition shows how important Balanced Scorecard is for the managements.

It can be specified that the purpose of the Balanced Scorecard; is to align the individual and organizational and inter-departmental goals with the company's mission and vision (Dündar, 2005: 37). This purpose brings the method of Balanced Scorecard ahead of many other performance evaluation methods.

The Balanced Scorecard shows everyone about what the organization is trying to perform both for its shareholders and for its clients as well. However, in order to ensure compliance of the company's overall strategy with the individual performances of employees, Scorecard users usually emphasize three issues which are, communication and training, goal setting, and awards according to performance measurement (Argüden, Sağıdıç, Kaplan & Norton, 2000: 23). These issues are important in terms of the Balanced Scorecard.

Most establishments, can't establish a harmony between their vision and action without a Balanced Scorecard in their efforts to change direction and adopting new strategies and processes. Balanced Scorecard on one hand, creates a framework for the management of the application of the strategy, and on the other hand, it creates the opportunity to change and develop, as a response to the strategy itself, and to the changes of the competitors in the market, and technology. (Argüden, Sağıdıç, Kaplan & Norton, 2000: 33).

The targets that businesses determined, should not be purely on financial level, as in the traditional view. All of the resources should be linked to business strategy, and should be converted into an understandable state. Establishments require a system that can measure the realization ratio of the strategies. (Bekmezci, 2010: 2008). Otherwise, the identification of targets that are impossible to materialize, causes the institution to loose time and adds nothing of value to the establishment.

It is possible to think Balanced Scorecard, like the indicators and dials on the cockpit of a plane. Pilots need detailed information about many different aspects of the flight for a complicated work like flying and directing a plane. Fuel, speed, altitude, endurance, destination and the summary of foreseen conditions for the existing environment are some of the information that is required. In such a case, relying on only one tool can lead to fatal consequences. So today, for a job as complicated as managing an organization, managers' performance have to be assessed in real time and in multiple areas. (Argüden, Sağdıç, Kaplan & Norton, 2000: 37). With balanced scorecard, many aspects can be dealt with so a successful management can be carried out.

According to the creators of The Balanced Scorecard (Balanced Corporate Report card) Kaplan and Norton, just like in the contemporary social life; companies in the business world is in a revolutionary change. The competitive environment of the industrial age, has given its place to a new competitive environment of the information age. In the industrial era which lasted from 1850 to about 1975, the success of the companies used to vary, depending on their ratios of benefiting from scale and opportunity economies. Technology was important, but in the end, the companies that eventually achieved success, were the ones that used technology, in an efficient method to produce standard products in large quantities. (Çakmak, 2005: 260). In this regard, Balanced Scorecard method emerged and it is important in terms adapting to technological developments.

In financial accounting, numbers such as profitability, balance sheet, sales, costs, production, are used for performance measurement. Focusing only the financial data to measure organizational performance creates a one-sided perspective in collective activities and makes effective coordination difficult. The biggest lacking of traditional performance measurement systems are the one sided financial criteria concerning only monetary policy, its limited contribution, and its providing no data to the organ-

ization regarding the customer satisfaction and needs of the customers (akt. Bekmezci, 2010: 207). Created or lost values A-as a result of the behaviors of managers do not appear in the financial statements. To measure business performance; internal business operations, market position, business strategy, R & D and other direct issues concerning customers, their influence with each other and contribution to strategies should be put in concrete terms. With such an approach, financial measures and information will be used together to shape the future, performance criteria will be balanced and achieving business objectives will be possible for the organization (Bekmezci, 2010: 207).

Balanced Scorecard provides the opportunity for the companies to integrate financial performance measures they have recorded in the past, with the future performance factors. Balanced Scorecard objectives and measures, are determined by taking the company's vision and strategy into consideration. With the objectives and measurements contained in the Balanced Scorecard, company's performance is evaluated from four different angles. These angles are finance, customers, internal functioning methods, learning and growth (Önemli, 2010: 42).

Financial Aspect

Financial aspects of the Balanced Scorecard, is about how the establishment is seen by the shareholders and from a financial point, how will it succeed. It is the aspect that lets to focus on other angles' objectives and criteria. So, the financial impact of the developments on the other 3 angles have to be identified clearly. The objectives and criteria in this angle, aims to reflect the importance of all the activities within a profit-oriented business. In BSC application, different financial aspects and criteria could be developed for different parts of the business. However, these goals and criteria have to be consistent with the strategies, and must not contradict with it (Kuğu & Kırlı, 2013: 305). If public sector, organizations are not profit oriented or they don't have any stock. But in the public sector, as in the private sector, to provide the best service at the least cost, comes as one of the main objectives. Instead of profit as an indicator of performance in the public sector, the use of efficiency and effectiveness as indicators (Yenice, 2007: 98) can be regarded as a more accurate method.

Client (citizen) Aspect

Client aspect, includes the results of applied strategies either successful or unsuccessful. Managers, before determining customer satisfaction as the goal, they are obliged to convert the company strategy, as specific targets to customers within the client aspect of the Balanced Scorecard. If this is done, implementation of business strategies are not possible (Kuğu & Kırkı, 2013: 306). With this angle, the important thing is how the company sees its customers. A client evaluates a business performance based on four different points. These can be listed as time, quality, service and cost performance. The Balanced Scorecard approach, while achieving competitive advantage, also helps the establishment to accomplish client strategies. In this way, while the managers compare their performances against industry leadership and standards, they find the opportunity to assess their performance through the eyes of customers (Tarım, 2004: 237). This angle reveals the reasons why Balanced Scorecard is mostly preferred.

Because in the public sector, the organizers of the services, payers of services and the ones that benefit from it are different groups unlike the private sector, the question of "who is the client" could get quite confusing at times. With this method, because everybody that benefit from the services, either directly or indirectly, are accepted as clients (Yenice, 2007: 98) Balanced Scorecard method is often used to provide substantial benefits to public institutions.

Internal process aspect

Goals and objectives of this aspect will have to be compatible with the aspect of the customer. This aspect includes activities to ensure excellence. Observations and findings towards the effective/ineffective functioning of the business can be made in this aspect (Kuğu and Kırkı, 2013: 306). In the public sector as in the private sector, small or large organizations, all have different business processes. The Balanced Scorecard method measures the results of this business processes, and helps to pick the best alternative which will help realize the establishment vision and increasing of the outcomes. (Yenice, 2007: 98). This insider view enables the establishment to provide specific indicators for the success of the measurement on all areas and defining self-sufficiency (Tarım, 2004: 237). In this respect, the success of Balanced Scorecard can be seen both for the managers and employees.

Learning and Development Aspect

It evaluates businesses regarding progress, innovation and learning ability which leads them to be able to focus on the future. It provides answers for the question of "how to create value and sustain it in the establishment". (Tarım, 2004: 237). Innovation, learning and development capacity in terms of the realization of the company's long-term goals are very important issues. Companies by developing new products or trying to find ways to rapidly produce their existing products, want to increase their market share in the long run. For this reason, in order to realize the organization's goals, it is important to increase the ability of employees, and keep them motivated. Ensuring the mentioned four dimensions at the same time which are important for Balanced Scorecard, will ensure the realization of the objectives and targets of companies or public institutions. When only one aspect of performance is measured, people by changing their behavior, only care for the aspect that is measured. With Balanced Scorecard method by considering many aspects of performance, focusing only on financial or short-term indicators are avoided (Yenice, 2007: 99). Objectives in the learning and development aspect, provide the infrastructure required for the realization of the ambitious goals determined in other aspects, (Karadal & Çelikdin, 2013: 144-145), and thus a successful management is ensured this way.

APPLICABILITY OF THE BALANCED SCORECARD IN THE PUBLIC ORGANIZATIONS

In these modern times, for the companies operating in both manufacturing and service to be successful, they need new capabilities and power. In the modern age, companies should discover how important intangible value for companies and they should make use of their abilities with their financial assets, in that direction. There are potential benefits of intangible values to a company. These benefits can be considered as to keep loyalty of existing customers, to maintain effective and efficient service which can bring new customer base and to form good customer relationship in order to find new markets, to develop a new products and services demanded by the target client. At the same time, high-quality products and services at lower costs and shorter lead times and production, information technology, databases and expansion of the systems (Lighter, 2005: 261) are among the benefits that Balanced Scorecard adds to public organizations.

The Balanced Scorecard process is more than a tactical or operational measurement system. Innovative organizations, in order to execute their strategies for long-term operating periods, use BSC as a strategic management tool (Dinçer, 2009: 61). The main benefit of the Balanced Scorecard is its ability to transform the vision and strategy of a company into concrete objectives and criteria. BSC indicators are used to better adopt business strategies to employees and measure the success of implementation. In order to turn corporate purposes into operational concepts BSC applications should be deployed in all parts of the business. By evaluating each sections relevant factors with BSC, appropriate criteria are determined, and these criteria are converted to a form compatible with the strategic objectives. If used correctly, BSC strengthens business strategy and opens the way for the formation of reliable results. Rightly planned BSC applications allow setting out of the strategic goals on the way of success, more clearly. Therefore, calling BSC only a performance evaluation method would be wrong, BSC can also be considered as a roadmap for the future (Gökmen, 2009: 15). This shows that the same level of success can also be achieved in public organizations with BSC.

In the information society, the increased importance of in the long-term, sustainable success, makes strategic management process, the key to success. In particular, considering problems that the companies experience on transferring of strategies to employees, implementation and performance measurement, a well-designed Balanced Scorecard helps businesses to solve these problems. For the method to be successful, business needs should be accurately identified, the Balance Scorecard needs to be properly designed which contains the performance criteria that reflects the company strategy in a concept of cause and effect, and the measurement should be correct and realistic. (Güner, 2008: 258) These are the topics that public organizations contemplated as basic issues.

One-dimensional methods and criteria will measure the performance only partially, but won't be able to assign performance targets and will prevent the company from focusing on the critical areas of business. For example, only profitable business performance metrics will give partial information about the performance, but will not cover customer satisfaction, organizational development, and information on intellectual capital (Kuğu & Kırlı, 2013: 303). These are very important in terms of Balanced Scorecard applicability in public organizations. As in the private businesses,

addressing performance evaluations in public organizations with only one dimension, can be considered as a futile act in the name of forming a successful management. Although public organizations are non-profit, the use of Balanced Scorecard will make a significant contribution to them.

CONCLUSION

The Balanced Scorecard as it is important for businesses, is also a very important performance evaluation method for public organizations. In public organizations, there is this assumption that suggests that there is no understanding of a client concept. However, everybody who benefit from public services can be considered as clients. The logic of profit in public organizations, is determined with emphasis on the efficiency and effectiveness of public services. There are different business processes in public organizations as in private businesses. Therefore, Balanced Scorecard method is of great importance for public organizations also. Because Balanced Scorecard method evaluates organizations not based only on one aspect, but all the aspects available, it is one of the commonly used methods for performance evaluation. Performance evaluation of public organizations should have a high rate of accuracy. Therefore, considering all the available aspects, Balanced Scorecard implementation will contribute significantly to public organizations, managers and employees.

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