

How Can We Improve the Balanced Scorecard?

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Description

How can we improve the Balanced Scorecard (BSC)?

Balanced Scorecard (BSC) is one of the most popular performance measurement tools of the past two decades. However, many current and potential adopters of the BSC are not convinced that the technique is able to present a comprehensive picture of organizations' performance. This commentary paper is aiming to address some of the shortcomings of the BSC in practice and provide some suggestions for its improvement. The BSC links non-financial measures with financial measures in four areas of performance concerned with financials, internal process, customers and innovation and learning [1,2]. The literature on the BSC has noticeably highlighted its effectiveness and its usefulness as performance measurement systems for the businesses [3-13]. The overall assessment is that the BSC can contribute to organizations' performance if fully implemented. It enables organizations to clarify their visions and strategies and translate them into actions. It provides feedback around both the internal business processes and external outcomes to (continuously) improve strategic performance and results. When fully deployed, the BSC transforms strategic planning from an academic exercise into the nerve centre of an enterprise [1,14,15]. Nonetheless, despite its suggested merits, research on the diffusion of the BSC indicates that its adoption rate is lower than those of other managerial tools such ABC [16,17]. So, it is unclear if the BSC suffer from any shortcoming/s that might have contributed to its slow adoption in the current ever-changing environment of the 21st century. To learn more about the issues related to the adoption and the implementation of BSC in practice, we have surveyed more 1000 practitioners in different studies in Australia, New Zealand and the UK over the past 10 years. In these studies, we have investigated the impact of a variety of contextual factors such as attributes of the BSC, characteristics of adopters, characteristics of society, etc. on the adoption of the BSC. We have also explored practitioners' views on the shortcomings of the BSC. While we have found many contextual factors are influencing managers' decisions regarding the adoption of the BSC in practice, according to our findings, ignoring the risks, environmental and sustainability factors as well as neglecting the concerns/rights of other relevant stakeholders (besides customers) are the key shortcomings of the BSC, which could undermine its diffusion in practice. Further studies are recommended to explore how we can develop a comprehensive BSC to incorporate additional parameters such as sustainability, risk and environment

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