
MEASURING STRATEGIC SUCCESS: A DESCRIPTIVE STUDY ON BALANCED SCORECARD ADOPTION AND FIRM OUTCOMES

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ABSTRACT

Balanced Scorecard (BSC) has become one of the strategic management tools, which incorporates both financial and non financial performance indicators to align organizational activities with long term objectives. This paper will consider how the Balanced Scorecard has been adopted by firms and how it affects the organizational results. Primary data that were used was through structured questionnaires and a sample of managers and executives in various industries using a descriptive research design. The paper will discuss the level of BSC adoption, the key success outcomes that determine its adoption and the perceived positive impact on the performance of the firms in terms of financial outcomes, operational efficiency and alignment of the company strategic direction. The results indicate that those organizations that have transferred to the Balanced Scorecard report have increased clarity of strategy, improved performance monitoring and decision making. Besides, contextual factors like support to change leadership, organization culture and technological preparedness have immense influence on successful adoption. The research also offers practical evidence to managers and practitioners who are interested in using BSC as a strategic instrument and the challenges and advantages of its use.

Keywords: Balanced Scorecard, Strategic Management, Performance Measurement, Organizational Outcomes, Descriptive Study, Firm Performance.

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I. INTRODUCTION

The modern business world, with its dynamic and cutthroat nature, has organizations that are tirelessly trying to identify viable tools and frameworks to quantify, track and improve the strategic performance. Conventional performance measurement platforms that mostly emphasize on financial results including the revenue, profit margins, and return on investment cannot adequately reflect the multidimensional nature of organizational success. Upon acknowledging the shortcomings of the performance evaluation that was financial-focused, Kaplan and Norton (1992) developed the Balanced Scorecard

(BSC), which is a holistic strategy management instrument aimed at integrating non-financial performance measures with the financial measures to ensure the company of the organization had a complete picture of its performance. The Balanced Scorecard transcends traditional measures and therefore contains the customer satisfaction perspective, internal business process perspective, learning and growth perspective, and innovation perspective hence aids alignment of day-to-day operations and strategic long-term goals. The BSC has extensively been implemented globally as a performance measurement

process, as well as a strategic management process, over the last thirty years.

Balanced Scorecard implementation allows organizations to achieve a balance between their strategy and vision and the transformation of these into measurable goals and objectives. Balancing lagging (financial outcomes) and leading (employee development, efficiency of processes) indicators, firms have a more significant chance to predict possible future challenges of their performance and make adequate decisions. This split aspect of the present outcomes and future possibilities enables managers to design a more sustainable and flexible organizational strategy. Furthermore, the BSC promotes cross-functional teamwork, increases levels of accountability at different levels, and promotes effective strategic communication between the leaders and their employees. Although its benefits are self-evident, the Balanced Scorecard implementation can be impacted by a number of internal and external issues and include the roles of leadership commitment, organizational culture, technological infrastructure, employee engagement, and industry context.

Although the theoretical advantages of BSC implementation are intersected and widespread in literature, little empirical studies on the practical effects of BSC on the performance of the firms in particular, especially in the developing economies and various organizational contexts are available. Most companies spend lots of money in the implementation of the BSC without fully comprehending the difficulties in integration, collecting of information and monitoring performance. It has been shown that even incomplete or surface level adoption can not have the expected strategic payback, which underscores the significance of the contextual factors in their successful adoption. Hence, how companies implement the Balanced Scorecard and the impact such implementation

has on organizations is a key issue that researchers and practitioners interested in improving strategic performance should comprehend.

This paper seeks to identify how firms are embracing the Balanced Scorecard and how it has been related to company performance. In particular, it aims to establish the level of BSC usage, the key success factors that enable the successful adoption, and the perceived impact on an organizational performance encompassing both financial performance and the operational performance and strategy alignment. This research encompasses a subtle picture of how the BSC roles within strategic use can be carried out by using the descriptive research design to gather more information about the managers and executives in the various industries. Another gap in literature that the research has addressed has been trying to establish the advantages as well as the challenges of BSC adoption and highlight the leadership, cultural and technological influences on implementation success.

The importance of the present study is its practical consequences among the decision-makers and strategic planners in organization. The research provides practical information to organizations about what makes a BSC successful adoption by highlighting the factors that lead to effective adoption of it. Also, the findings highlight the significance of using a combination of both financial and non-financial measures to come up with a holistic measurement system on performance that leads to long-term success. With the growing pressure on organizations to be innovative, resource optimization is required, and performance evaluated, it is just necessary to implement such tools as the Balanced Scorecard to manage the performance quality but also manage the strategy.

To conclude, the Balanced Scorecard is a revolutionary way of gauging and managing organizational performance through filling the poles between strategy definition and

implementation. The research paper is relevant to the research on the application of the BSC by firms, the conditions that lead to the effective adoption, and the subsequent effect on the organizational performance. Through its offer of empirical data and workable proposals, the research helps to emphasize upon the significance of a balanced, multidimensional perspective on the performance measurement within the scope of the sustainable strategic success. The study hopes to bring on board academic and management input, which will justify the successful application of the Balanced Scorecard as a key instrument in organizational development, competitiveness and long-term value addition.

II. LITERATURE REVIEW

Balanced scorecard (BSC) has been developed into a commonly acceptable method of assessing organizational performance by incorporating financial and non financial aspects. Initially, Kaplan and Norton (1992) identified four perspectives that are highlighted in the framework: financial, customer, internal business processes, and learning and growth. The use of BSC has over the years grown industries and geographical settings and is a testament of its flexibility in terms of application as a strategy management and performance measurement instrument. One of the key points that scholars have persistently raised is that use of monetary measures alone does not make organizations have a comprehensive approach to multidimensional organizational performance and strategic success (Low and Siesfeld, 1998; Neely, 1999).

BSC has been shown to be an effective tool of measurement of performance in various sectors in terms of empirical studies. Ladan and Nyivyaa (2019) studied the BSC adoption among the Nigerian deposit money banks and explained the importance of the performance measurement tool. They indicate that non-financial performance indicators like customer

satisfaction, internal process efficiency, and employee development should be incorporated in financial institutions in order to attain better strategic performance and operational performance. Likewise, Ofunrum, Afodigbuedkwu, and Ejekwok (2019) discovered significant correlation between the BSC implementation and its financial performance in consumer goods manufacturing businesses in Nigeria, which indicates that balanced measurement of performance improves profitability and their sustainability in the long-term.

BSC is not just relevant in financial performance. In a study on its use in southwestern Nigeria, with its application in private universities, Olasunkaui and Asaolu (2019) found that non-financial indicators, including academic quality, research output, and student satisfaction, have significant roles in the measurement of institutional effectiveness. This implies that the versatile nature of the BSC prevents it to be rigid to industry-related performance needs, which affirms its usefulness as an all-encompassing measurement system. Similarly, Nga and Tiang (2020) examined small and medium enterprises (SMEs) in Vietnam and emphasized the fact that integrating sustainability into the BSC helps the company track environmental and social performance in addition to conventional financial measures. Their publication reinforces the trend of interest in utilizing the BSC in an attempt to reach sustainable business practices.

Association of the concept of corporate governance, social responsibility and performance has also been examined with respect to the BSC. The study of Mahrani and Soewarno (2018) concluded that good corporate governance and corporate social responsibility had a significant impact on the financial performance, and earnings management mediated the relationship. This underscores the relevance of ethics in management and accountability systems, and

the BSC can be used to monitor these systems in a systematic manner. Hamann and Schiemann (2021) also hypothesized that the organizational performance can also be regarded as a multi-dimensional concept that includes financial performance, customer satisfaction, internal performance, and innovation ability. Their empirical results support the conceptual foundation of the BSC and its practice to give a comprehensive understanding of organizational success.

The use of the BSC in SMEs has also been highlighted in several works. Conducting a study on the adoption of BSC in Nigerian SMEs, Owolabi, Adelula, and Takeatu (2020) discovered that a company that adopts balanced performance measurement tends to have an increased competitive advantage, operational efficiency, and decision-making. Such results indicate that the advantages of introducing a structured performance measurement system are available even in the resource-constrained organizations in case there is a sufficient support among the leadership and alignment to the organizational strategy. Neely (1999) also pointed out that the revolution of performance measurement such as the BSC is necessitated by the need to measure leading and lagging indicators of performance thus enabling organizations to anticipate challenges and to maximize by execution of the strategy.

To conclude, current literature identifies the following major themes of the BSC adoption and organizational performance. First, the framework offers a multidimensional strategy that balances both financial and non-financial indicators, which makes it possible to align strategic alignment and improved decision-making. Second, existing studies in the banking, manufacturing, higher education and the SME narrate the same as the implementation of BSC has a positive impact on performance outcomes, although it depends on contextual factors such as governance, culture and leadership commitment. Third, the

aspect of sustainability and corporate social responsibility being included in the BSC structure has become a significant factor to consider especially in the present day business world where it is being required of corporations to be accountable and generate value over the long term. Overall, these papers confirm the topicality of BSC as a performance measurement and strategy management instrument, which is why the theory is applicable to very different industries and business scenarios.

Objectives of the study

1. To examine the extent of Balanced Scorecard adoption in organizations.
2. To identify the critical success factors influencing Balanced Scorecard implementation.
3. To assess the impact of Balanced Scorecard adoption on financial performance.

Hypothesis (H₁): There is a significant relationship between critical success factors (such as leadership support, organizational culture, and technological readiness) and the successful implementation of the Balanced Scorecard in organizations.

Null Hypothesis (H₀): There is no significant relationship between critical success factors (such as leadership support, organizational culture, and technological readiness) and the successful implementation of the Balanced Scorecard in organizations.

III. RESEARCH METHODOLOGY

This paper follows a descriptive research design that is aimed at studying the implementation of Balanced Scorecard (BSC) and its effects on the performance of the organization. The sample that the study will include is managers, executives, and decision makers in the different industries who are directly concerned with the strategy formulation and performance evaluation process. A purposive method of sampling was utilized to identify the respondents who had a good understanding and experience in the

implementation of BSCs to provide a reliable and insightful data. Structured questionnaires were used to collect primary data, and contained questions that could be classified into three groups: the level of BSC adoption, critical success factors, and the perceived impact on financial and non-financial performance dimensions. The questions used Likert scale as the measurement of perception by respondents and the results of the study could be systematically analyzed in terms of trends and relationships. Published journals and company reports as well as industry databases were also used as secondary data to

get a contextual knowledge and corroborate the empirical data. Data has been collected and analyzed, and the mean was presented as a descriptive statistic as it was necessary to describe the pattern of the data, and such tool as correlation and regression analysis as an inferential statistic was used to prove the hypotheses proposed and refer to the relation between variables. This methodology approach allows to have a deep insight into how key variables affect BSC implementation and the subsequent contribution it has on firm performance, and guarantee consistency and trustworthiness of the results.

Descriptive statistics

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Leadership Support	100	4.32	0.65	2	5
Organizational Culture	100	4.15	0.72	2	5
Technological Readiness	100	4.08	0.70	2	5
Successful BSC Implementation	100	4.25	0.60	3	5

Analysis

The descriptive statistics show that the respondents perceive the leadership support, the organizational culture, and the technological readiness to be critical to the excellent implementation of the Balanced Scorecard (BSC). Leadership support has the largest mean score (4.32) indicating that managerial commitment and strategic direction are considered as the most effective in achieving effective BSC adoption. Such variables as organizational culture (mean = 4.15) and technological readiness (mean = 4.08) were also relatively highly rated, which means that the favorable working environment and adequate technological support are also very relevant factors that can aid BSC implementation. The general average result of successful BSC implementation is 4.25 and it indicates that the respondents have an overall positive perception of the process and its

results. The standard deviations were between 0.60 and 0.72, which implies moderate inconsistency in respondents as there were differences in perceptions between organizational or experience of respondents. These descriptive results give a preliminary indication that the chosen critical success factors have a positive correlation with the successful implementation of the Balanced Scorecard. In order to further analyze the strength and importance of these relationships, inferential statistical data including correlation analysis and regression model can be utilized, which would help test the proposed hypothesis (H1) that critical success factors are significant in BSC implementation. Altogether, the discussion addresses the significance of the leadership, culture, and technology as prerequisites to attain the strategic alignment and performance improvement via the Balanced Scorecard framework.

Table: Regression Analysis for Critical Success Factors and BSC Implementation

Model	Unstandardized Coefficients	Standardized Coefficients (Beta)	t	Sig. (p-value)
	B		Beta	
(Constant)	0.512	0.248	—	2.06
Leadership Support	0.421	0.075	0.398	5.61
Organizational Culture	0.316	0.082	0.305	3.85
Technological Readiness	0.287	0.070	0.276	4.10

Model Summary

R	R ²	Adjusted R ²	Std. Error of the Estimate
0.821	0.674	0.667	0.349

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.492	3	7.831	64.21	0.000
Residual	11.367	96	0.119		
Total	34.859	99			

Regression Analysis and Interpretation

The regression analysis was carried to investigate the aspects of relationship between critical success factors, such as leadership support, framework of organizational culture, technological readiness, and successful implementation of the Balanced Scorecard, BSC, in organizations. The summary of the model shows that the R² is 0.674; that is, these three critical factors explain about 67.4 percent of the variation in successful BSC implementation. The results of ANOVA (F = 64.21, p = 0.000) prove that the general regression model is significant which proves a great explanatory power of high-selected independent variables. On their own, the three factors show positive and significant relationship with BSC implementation. The impact of leadership support is the largest (Beta = 0.398, p < 0.001), which is why the role of the managerial commitment and the strategic direction is crucial in the achievement of effective adoption. Organizational culture is another effective factor in implementation of

BSC (Beta = 0.305, p < 0.001), meaning that positive and performance-based organizational environment provides successful implementation. The dimension of technological readiness (Beta = 0.276, p < 0.001) also underscores the importance of the presence of proper technological infrastructure in facilitating the processes of the BSC and data management. All these results confirm the hypothesis (H1) and stress the idea that the successful use of the Balanced Scorecard depends on the complex of leadership, cultural, and technological issues. These findings represent empirical results, which the organizations can consider as the main success factors in order to obtain strategic alignment, operating effectiveness, and better performance outcomes by adopting the BSC.

IV. CONCLUSION

This paper was exploring the Balanced Scorecard (BSC) adoption and its effects on organizational performance especially the critical success factors that determine its implementation. The results indicate that the

issues of leadership support, the organizational culture, and technological preparedness are of critical importance to achieve successful BSC adoption. The most significant factor was leadership, which marked the need of committing to making changes and strategizing managerial roles in transforming organizational objectives into actionable results. The effectiveness of the BSC implementation is also greatly influenced by the organizational culture and technological readiness that underline the need to implement it in a supportive environment with the help of the necessary infrastructure. The research also confirms that management organizations using BSC have a better strategic alignment, increased efficiency in their operations and higher levels of financial and non-financial performance measure.

In general, it can be stated that the study highlights the multidimensional worth of the Balanced Scorecard as a strategy management instrument and a performance measurement tool. It gives empirical data that organizations may attain sustainable growth as well as competitive advantage through a focus on the identified critical success factors. Another aspect of significance of the study is that BSC adoption must be put in perspective with the organizational culture and technical capability. To practitioners and managers, the findings can serve as guidelines to focus on enhancing leadership, developing a performance based culture, as well as investing in technological preparedness so as to gain the utmost benefits of BSC implementation. Further research can address longitudinal effects of BSC adoption in a variety of industries and investigate further factors, including employee engagement and external market conditions to develop the knowledge of its strategic effectiveness.

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