Chapter Two
Literature Review

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Plenty of literature is available on Balanced Scorecard, its implementation in various industries and process of implementation. In this chapter researcher has tried to put the relevant articles in various journals. The literature available is of various natures like supportive or criticizing, implementation in various industries, some on performance measures and perspectives, historical or theoretical etc. In this literature review it has been classified under suitable heads.

2.1 Literature Review on History of Balanced Scorecard.

(Bible, Kerr and Zanini, 2006) has fairly given an idea about history of Balanced Scorecard. In the year 1990 Kaplan and Norton started working on a research project sponsored by KPMG. They worked on 12 companies to get the results and gradually published their findings. While their working with companies, KN were working with Analog and they mentioned in their landmark article as NYSE listed Electronics Company. (Schneiderman, www.schneiderman.com) claims that he has derived idea of Balanced Scorecard with the help of his Half Life Method. He has added many of his presentation during those days on his website.

(Paranjpe, Rossiter and Pantano, 2006) has identified that BSC still prevails as a dominant factor in performance measurement system. Successful implementations, however, are much less prevalent and translating BSC to concrete action is still a problem area. (Halchani, 2005) claims performance management can be in many forms right from catering the needs of customers to handling issues in its environment. Performance Management involves both qualitative and quantitative aspects. Some different focus given in by (Fink Marr and Sibe 2005) To survive and grow in an era of continuous change, organizations must identify upcoming opportunities and threats early enough and address them in their strategic planning.
Knowledge based analysis of Scorecard with principles of Peter Drucker is made by (Harlow 2008). The late Peter Drucker said that “knowledge has become the key economic resource and the dominant—and perhaps even the only—source of competitive advantage.” The firm specific concept of intellectual capital was introduced in the early 1990s which connected the idea of a firm’s knowledge to the concept of firm intellectual capital to address valuation of intangibles. Balanced Scorecard is praised well by (Libby, Salterio and Webb 2004). It was found that managers ignore one of the key scorecard features, the inclusion of measures that are unique to the strategic objective. (Hanson Towle 2000) expressed that Proponents say it isn’t just another management tool fad that will dissipate over time. (Zannini 2006) differentiates balanced scorecard system from other systems (McCunn 1998) described Robert Kaplan and David Norton compared running a business to flying a plane, airspeed, altitude, heading and Fuel level are just a few of pieces of Information required. Yet managers rely only on financial aspect of an Organisation whereas (Marr and Adams 2004) praised Learning and growth aspects of the balanced scorecard. (Hult, Adams, and Mena 2008) express that Reliance is more on Resource based view of the firm. A basic tenet of Resource Based View is that the top-performing firms are those that are able to develop, obtain or exploit strategic resources in a much convenient way. Going further (Frigo 2002) expressed balanced Scorecard to be used as a true strategy scorecard it can help management not only execute strategy but also refine it, and change the focus as required. (Scholey 2005) emphasised on qualitative aspects of Balanced Scorecard and claimed that the only tool which focuses on qualitative aspects of the business. (McDevitt, Giapponi Soloman 2008) gave academic perspective of Balanced Scorecard. The balanced scorecard was developed and adopted by “for-profit” companies such as Rockwater, and FMC Corporation (Kaplan and Norton, 1993). Its usefulness has also been recognized by public and private non-profit organizations. Applications of the balanced scorecard in the healthcare industry (Oliveira, 2001), and in government and public sector organizations have been successfully implemented (Griffiths, 2003).
2.2 Literature Review on Cases and Results obtained from Balanced Scorecard

Empirical research in electronic company and its sister concern has shown no difference in performance (Neely, Kennerly and Martinez, 2004). Even need for scorecard in business school and demonstration of such scorecard is very common (Papenhausen and Einstein, 2006). (Lawson, Starston and Hatch 2006) has done a worldwide survey of companies using performance management system. South America is leading believer of scorecard with 79% and Europe with least 39%. In Asia Cost Management is top tool for performance management followed by budgetary control, scorecard and strategic planning respectively. (Martinez and Kennerley, 2006) identifies eight advantages of Performance Management. (Johnson 2005) in his findings of a case on Canal Management (public sector organization) mention that Performance Measurement System is largely constructed socially rather than technically. (Evans, 2005) explains his experiences in working with Hilton hotels. (Clark, 2005) in the case of a hospital balanced scorecard suggest that management should reward on the basis of budget expectations drawn on balanced scorecard basis. (Smith and Kim, 2005) studies food and nutrition division of Summa health system and concluded that it helps them. Balanced Scorecard are having a major impact on executive’s strategic decision making by encouraging their use of future oriented, a non-monitory success indicators. It explains how to create a Balanced Scorecard (Rickards 2003) and (Devis, Albright and Brewer 2004) expressed hope that countless organizations worldwide have already implemented Balanced Scorecard, there are undoubtedly many more in the queue that will be turning their attention to application of balanced Scorecard in the coming Years.
2.3 Literature Review on tools, measures and perspectives of Balanced Scorecard.

Performance measurement has its own limitations and there are ways to come out of it. 7 such sins and ways to come out of it are eye openers for followers of performance measurement (Hammer, 2007). (William Casey, 2004) identifies pitfalls in balanced scorecard as diffused accountability, metric madness, vertical misalignment and horizontal misalignment. There are region specific observations also. (Beiman, 2006) identifies 4 barriers for implementation of balanced scorecard in China they are cultural, organizational, performance management and management process. (Voelpel, Leibold and Eckhoff and Davenport 2006) identifies many limitations of balanced scorecard in innovation economy. It includes ignoring changing business environment, static-ism, only as internal document, not considering business eco system etc. (Lebold et al, 2002) suggests systematic scorecard instead of balanced scorecard with changed perspectives.

While seeing various perspectives and measures on balanced scorecard, (Hughes Caldwell and Kathy, 2005) describes importance of group workings on balanced scorecard. They highlight the pros and cons of group development of balanced scorecard with respect to perspectives and measures. (Fink and others, 2005) develop future scorecard with emphasis on internal and external scenarios. They define 3 strategies for such scenario building namely planning oriented, preventive and proactive. (Dias and Reijnders, 2005) studied environmental and social issues related to large Portuguese companies and found disappointment on that front. Further they suggested thematic balanced scorecard to improve the situation.

Balanced scorecard is compared with elephant correct metrics will tell u where to feed. For correct measures 2 questions to be asked always, why measure? And what should be measured? (Lawton,2002). A failure to link the system to strategic planning may be missing link between the winners and losers (Lawson, Stratton and Hatch, 2006). (Weiser, 2006) identified 4 groups formed for strategy execution namely, performance advocates, objective coordinators, editor and the facilitator. In an interview by (Gumbus and Lussier, 2006) covered 3 cases. Hyde Park Electronics
converted to profits from loss making company. Futura industries believe execution of successful strategy has 2 dimensions hiring right people and communication. SGC, a BSCOL hall of fame award winner, added 5th perspective to its scorecard namely core value with 5 star philosophies. (Paul R Niven, 2005) is a famous author Balanced Scorecard and covers an example of Horizon Fitness where communication of strategy has resulted in better financial results. (Dilla and Steinbart, 2005) discovered that decision makers do not equally weight all measures in BSC while making decision. (Brewer, Davis and Bright 2005) has identified a unique way of developing BSC which includes 3 phases and 11 steps. Merchant, while being interview by Waal (2005) and (Hendricks, 2004) point out the criticism that there is no scientific evidence that implementation of balanced scorecard leads to improved performance. (Scholey, 2005) describes 6 steps for development of strategy maps as effective way of communicating and developing strategy. (Wilkes 2005) covers a research on northern European bank for mergers and acquisition.

2.4 Literature Review on Comparison of Balanced Scorecard with other tools, processes and methods etc.

(Calandro Jr. and Lane, 2006) believes that value is created between strategy, performance and risk. In an interesting study (Doolen, Traxler and McBride, 2006) identifies Nelsen Manufacturing Inc. has formulated 4 categories (quality, cost, on time delivery and customer support) for their supplier scorecard. They also have designed and implementation steps for supplier scorecard development. (Knotts, Jones and Udell, 2006) suggest that BSC for supplier can be useful with firm related items but superior management can also insist on product specific measures. (Suresh Chander and Leisten, 2005) derives 2 new perspectives other than normal namely, society and intellectual capital. (Wu, 2005) insists scorecard with the help of its perspectives will help in strengthening management of intellectual capital.

(Hwany and Leitch, 2005) suggest business process reengineering in IT and ITES industry. They suggest 4 new perspectives future readiness, internal process, user
orientation and business value. ERP can be implemented to various quadrants which are based on Ouchi’s framework. Interestingly (Wunder, 2005) suggest that instead of using single loop alignment multinational companies can use double loop alignment where prices of every product from each region are known to other region, specially in the era of globalization. MIS as a financial tool discussed by (Kettuman and Kantola, 2005) in a case of Turku City Govt. funded polytechnic. (Saaty, 1994 and 1995) has identified a system insisting competencies, behavior and outcomes called AHP (Analytical Hierarchy Process). (Sale and Sale 2005) finds that AHP and Balanced Scorecard are complementary with each other. (Crawford and Scaletta 2005) studies DOW’s balanced scorecard where Corporate Social Responsibility (CSR) is incorporated with BSC. DOW has forwarded a concept of Triple Bottom Line. (Kaplan, 2005) describes Mckinsey’s 7 s framework and its linkages with balanced scorecard. He has effectively described all’s’ with perspectives in BSC.

2.5 Literature Review on Implementation of Balanced Scorecard

Implementation of scorecard is important part BSC. There are few articles who has taken cognizance of implementation of scorecard. (Liang and Hou 2007) provides empirical evidence on the dynamic connection of BSC and we demonstrate strategy maps that linked measures and performance drivers together in a cause-and-effect diagram which extends another 2 perspectives. BSC implementation is considered as an investment by (Frezatti 2007) Like any other investment alternative, a decision by a company to invest in a management-accounting artefact requires funds. Moreover, from a traditional view of investment, the benefits of committing to the use of such management accounting artefacts are often less evident than they are for other investment alternatives. Implementation takes lot of time which was considered by Parmenter (2002) It was devised that it should not more that sixteen weeks to implement Balanced Scorecard in any Organisation. SMT Commitment, focuses on critical success factor, KPI, Just do it, don’t get too flash are some points to focus while implementing Balanced Scorecard. In other words he has advised to implement in 16 weeks. Implementation of BSC in Non-Profit organization explained by (Inamdar, Kaplan Jones, Menioff 2000) in their article on National Women health
Quality Initiative where in multiple issues of BSC are considered. While designing dashboard (Morrissey 2006) claimed performance dashboards must be designed around the specific capabilities and goals of each user—not the capabilities and goals of the dashboard technology provider. Dashboards are clearly different from more traditional interactive reporting.

### 2.6 Research Gaps identified from Literature Review

After going through Literature Review following points were noted:

1. **Literature on Implementation and Measures etc.:** There is plenty of literature available on BSC some of them is case specific or some of them are industry specific.

2. **Basic Ideas explained:** In most of the articles basic idea of BSC is explained in detail. There are few who tried to give new perspectives to BSC like Corporate Social Responsibility, Intellectual Capital and Triple Bottom Line by Robert Kaplan himself etc.

3. **Practical Experiences:** In the literature review there is lack of practical experiences on BSC. There few examples like Blue Dart or Wall Mart who has implemented successfully in company or their divisions but barring those not much literature is available about BSC.

4. **Lesser known Balanced Scorecard in India:** There are very few articles, researches available on BSC in Indian companies. B.S Sahay & others (2007) has written some good articles on this but they are very few in numbers to get ideas about implementation of BSC.

5. **Effectiveness of Scorecard:** This is the biggest lack researcher found in whole literature review. In testing effectiveness of BSC, very few took cognizance of Industry wise performance of companies implementing BSC.