

Role of Balance Scorecard in Improving Business Decision Making and Effectiveness: An Analytical Study

Omdeep Gupya

Asst. Professor, School of Management, Graphic Era Hill University, Dehradun, Uttarakhand
India 248002

Abstract

A performance management tool known as the Balanced Scorecard (BSC) has the potential to significantly increase India's businesses' efficiency and decision-making. The BSC provides an extensive view of an organization's success by analysing key performance indicators from four separate perspectives: financial, customer, internal processes, and learning and growth. The BSC enables companies in India to more effectively integrate their long-term objectives and strategies into their daily operations. Information on profitability is provided from the financial perspective, while customer happiness and loyalty are gauged from that perspective. The internal processes perspective emphasises the effectiveness of internal procedures, while the learning and growth perspective identifies opportunities for employee advancement. Businesses can better identify their strengths and weaknesses and make changes that will increase overall effectiveness by monitoring performance from all four viewpoints. Organizations can spot opportunities for improvement and take proactive measures to improve their overall performance by monitoring key performance indicators from a variety of angles.

Keywords: *Balanced Scorecard (BSC), Performance Management, Key Performance Indicators (KPIs), Financial Perspective, Customer Perspective*

Introduction

Bhattacharya et al. (2014) emphasised the "Balanced Scorecard (BSC)"s contribution to enhancing the efficiency of green supply chains in India. They showed how the BSC may be

used in a collaborative decision-making approach to measure and prioritise key performance indicators from various angles and to pinpoint areas that need improvement. The approach enables for a more thorough and accurate measurement of performance by adding the usage of fuzzy "Analytical Network Process (ANP)," taking into consideration the intricate interactions among numerous aspects and stakeholders. This has significant repercussions for Indian businesses trying to strike a balance between "economic, environmental, and social issues in their supply chain activities."

Using the Balanced Scorecard to evaluate the effectiveness of supply chain management in Indian manufacturing enterprises is the subject of an in-depth evaluation by Bhagwat and Sharma (2007). They claimed that the BSC is a useful tool for coordinating strategic objectives with ongoing operations, tracking key performance indicators from various angles, and identifying areas for development. An extensive evaluation of performance is possible because to the BSC framework proposed in this study, which incorporates viewpoints on finances, customers, internal company processes, and learning and growth. In addition to demonstrating the value of a comprehensive approach to performance assessment, they made a contribution by offering a methodology for assessing supply chain management performance in India.

Varma et al. (2008) used the "Analytical Hierarchy Process (AHP)" to rank performance measures "Effectiveness of the Petroleum Supply Chains" in India. The significance of including stakeholder preferences and subjective judgements in the performance

measuring process. They observed that the BSC-AHP technique offers a thorough and useful instrument for assessing the performance of supply chains, particularly in the Indian petroleum industry. For Indian businesses hoping to boost the effectiveness of their "supply chains" and their general performance, they have significant implications. The creation of a thorough framework for performance measurement that takes both objective and subjective elements, such as stakeholder preferences, into account is one of the major accomplishments. Businesses can use this framework to find areas for development and streamline their operations by getting a more

accurate and thorough assessment of supply chain performance. Additionally, they offer insights into the unique difficulties the petroleum business in India is currently facing, such as infrastructure limitations and regulatory restrictions, and they offer suggestions for how to overcome these difficulties. Businesses in India, especially those involved in the petroleum sector, will be significantly impacted. Businesses may analyze their performance effectively with the BSC-AHP strategy, pinpoint areas for development, and make wise decisions to optimize their supply chain operations. Figure 1 presents a format of the typical balanced scorecard.

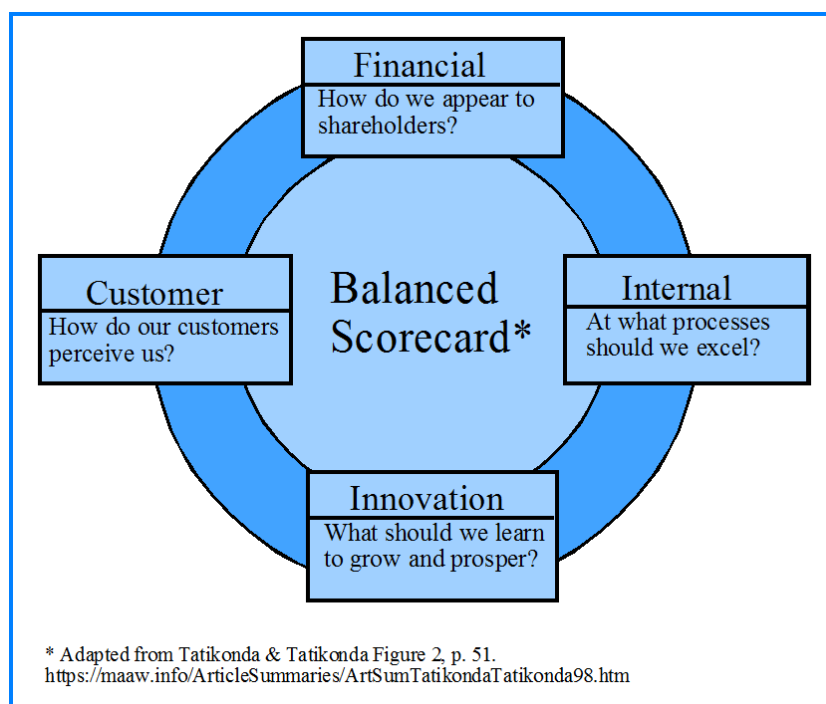


Figure 1 Typical Format of Balanced Scorecard

Literature Review

The implementation of a Balanced Scorecard by "Al-Najjar and Kalaf (2012)" to assessed the performance of a bank brought to light the significance of creating an extensive structure for performance measurement that includes both financial and non-financial indicators. They identified important performance indicators from four perspectives, including financial, customer, internal processes, and

learning and growth, using the Balanced Scorecard method. The report gives suggestions for enhancing banks' performance and offers insights into the difficulties they encounter. They showed important ramifications for Indian banks and other financial institutions, who stand to gain from implementing the balanced scorecard strategy to enhance decision-making and efficiency.

According to Thakkar et al. (2007), an integrated strategy of "Interpretive Structural Modelling (ISM) and Analytic Network Process (ANP)" might be used to create a Balanced Scorecard for assessing the performance of a manufacturing organisation. To order performance indicators from a variety of viewpoints, including financial, customer, internal company processes, and learning and growth, they employ the ANP model. They emphasised the significance of pinpointing the causal connections between various performance indicators and utilising this knowledge to create a more thorough performance measurement framework. They showed how adopting a Balanced Scorecard strategy that includes both financial and non-financial measures may be beneficial for Indian organisations looking to boost performance. The performance of a Balanced Scorecard can be assessed using a benchmarking technique that Punniyamoorthy and Murali (2008) suggested based on four criteria: relevance, measurability, objectivity, and simplicity. It offered insights into the crucial elements that affect a balanced scorecard's effectiveness and included suggestions for enhancing its performance. The significance of creating a Balanced Scorecard that is pertinent to the particular needs and objectives of the organisation and that can be measured objectively was emphasised. It also emphasized how crucial simplicity is in creating a Balanced Scorecard that can be understood and shared throughout the organization. According to Rajesh et al. (2012), "Third Party Logistics Service Providers (3PLs)" can utilise a general "Balanced Scorecard" methodology to assess their performance. They showed how the BSC method may help 3PLs improve both their financial and non-financial performance by aligning their goals and objectives with the organization's overarching strategy. By doing a case study in an Indian 3PL company, the proposed framework was examined and validated. This demonstrated the BSC framework's usefulness as a tool for monitoring

and managing the performance of 3PLs in India.

Sharma (2009) described how the Balanced Scorecard approach was applied in Indian organisations. They observed that by coordinating the goals and objectives of several departments with the overarching organisational strategy, the BSC is a useful instrument for enhancing organisational performance. When adopting the BSC, they advised taking into account the organization's particular requirements and characteristics. For implementing the BSC in Indian firms, they provided a "step-by-step process" that includes developing a strategic map, selecting performance indicators, setting targets, and evaluating performance.

Cebeci (2009) created a fuzzy "Analytic Hierarchy Process (AHP)"-based decision support system as a result of the "Enterprise Resource Planning (ERP)" systems the Indian textile sector required. The Balanced Scorecard idea was used to select the performance metrics for contrasting different ERP systems. They emphasised how the suggested decision support system would help decision-makers choose the optimal "ERP system" for their firm based on a variety of criteria. They stressed the need of taking stakeholder preferences and subjective assessments into account throughout the "decision-making process" and provided examples to highlight the BSC method's advantages while selecting ERP systems for the Indian textile industry. Agrawal et al. (2016) created a "Sustainable balanced scorecard (SBSC)" approach to aid in outsourcing selections for reverse logistics. To examine how different performance measures in the SBSC relate to one another, they employed "graph theory." They stated that the SBSC technique can assist decision-makers in assessing the sustainability performance of outsourcing choices for reverse logistics. They also emphasised the significance of taking sustainability's social, environmental, and economic facets into account when making decisions on outsourcing. Overall, this showed

that the SBSC framework is a useful tool for enhancing business decision-making in the context of sustainability.

Hansen and Schaltegger (2016) identified different sustainability balanced scorecard (SBSC) architectures and assessed them based on their strengths and limitations. They observed that the SBSC is a flexible instrument for assessing and maintaining sustainability performance across a range of organizational scenarios. However, they also emphasized the need for a more integrated and thorough approach to the SBSC that takes into account the social, environmental, and economic components of sustainability. They have significant ramifications for Indian businesses that want to include sustainability into their decision-making processes. Bhagwat and Sharma (2007) used the "Analytical Hierarchy Process (AHP)" technique to assess supply chain management's performance using a balanced scorecard strategy. They showed how crucial it is to take into account various viewpoints and stakeholder needs while developing the balanced scorecard. They found that the AHP-BSC method offers a thorough and useful instrument for assessing the performance of supply chains in the Indian environment. For Indian companies looking to increase the efficiency of their supply chains and their overall performance, they have important consequences. Overall, this showed how the balanced scorecard can help businesses make better decisions and be more productive when it comes to supply chain management.

Conclusion

Organisations can measure and track their performance with the use of the Balanced Scorecard (BSC), a management tool that also helps them make sure that their goals are in line with their vision and mission. A framework for performance evaluation and monitoring in "four important areas: financial, customer, internal processes, and learning and growth" is provided by this complete system. As businesses try to increase the efficacy of their

business decisions, the BSC has grown in significance in India. One of the main advantages of employing the BSC is that it aids organizations in converting their strategy into quantifiable goals and performance measures. As a result, organizations may track their progress towards reaching their strategic goals and make defensible decisions based on up-to-date, reliable information. Organisations are better equipped to spot areas of weakness and take action to strengthen their performance when their strategy and performance indicators are in sync. As businesses try to increase their performance and competitiveness in a market that is changing quickly, the BSC is particularly important in India. The BSC offers organizations a framework for managing performance holistically and comprehensively, and it helps them match their strategies with their vision and mission. Organizations in India can enhance their ability to make business decisions and increase their efficacy, leading to sustainable growth and success. In conclusion, when an organisation wants to increase the effectiveness of its business decisions, the "Balanced Scorecard" is a helpful method. Organizations can achieve sustained development and success in a business climate that is changing quickly by aligning their goals with their performance measures, concentrating on the important factors that contribute to their success, and monitoring their performance holistically and integrated. As a result, the BSC's implementation is crucial for organizations both in India and around the globe.

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