

# Rebalancing the Balanced Scorecard: A Sequel to Kaplan and Norton

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## Abstract

Despite the widespread support the Balanced Scorecard (BSC) has enjoyed since its introduction by Kaplan and Norton, (1992), the various modifications it has been subjected to (Kaplan and Norton, 1996; 1996a; 2001; 2004; 2008); Niven, 2006; 2008; Olve et al., 1999; Zingales and Hockerts, 2003) and the inroads it has made in the corporate world in its adoption and application (Neely et al, 2004; Johnson and Beiman, 2007; Bengtsson et al. 2000; (cf. Dabhilakar & Bengtsson 2002); Toivanen, 2001; Nielsen & Sorensen 2004), some critics have argued that BSC has failed to balance the interests of the stakeholders, (Gering and Mntambo (2000); that there has been little evidence indicating that its adoption results in improved financial performance, (Angel and Rampersad, 2005); that the cause-effect relationship touted by Kaplan and Norton (1996) is not established; that the great interest towards it is largely due to promotional rhetoric rather than substance as an innovative and practical theory based on sound or logical arguments (Norreklit, 2000; 2003) and that the cause-effect should not be the starting point for strategy scorecards in all circumstances, (Bukh and Malmi, 2001). This paper examines the various arguments that have been put forth in critique of the BSC and is presented in form of a sequel to Kaplan and Norton's work. The author argues for the rebalancing the balanced scorecard in view of the insights presented by various critics.

**Keywords:** The balanced scorecard, learning and growth, financial perspective, customers, business processes, performance measures

## 1. Introduction

Various studies done in the past 25 years indicate that 60-80% of companies fall short of the success predicted from their new strategies (Kaplan and Norton, 2008). This is partly because many companies have no time for strategy and focus on short term survival measures. It is also partly because of disconnect between strategy, operations and ill designed management systems. Little appreciation is made by management that discussions about bad operations inevitably drive out discussions about good strategy implementation, and that breakdown in a company's management system, not managers' lack of ability or effort, causes a company's underperformance. Kaplan and Norton (1992; 1994; 1996; 1996a; 1998; 2002; 2004; 2006; 2008) have sustained the interest in the Balanced Scorecard in the management circles.

Though critics have questioned the robustness of the BSC from various angles such as accounting, management theories on learning and innovation, business processes, customer perspective and others from its lack of research rigour as well as philosophical depth, there has not been, to date, a comprehensive view of the BSC that links all this rich insight into a coherent sequel to the work of Kaplan and Norton. This paper addresses this gap by synthesizing various divergent views from those of Kaplan and Norton. The paper draws from case studies, research rooted in various disciplines and empirical evidence distilled from a BSC practitioner's point of view. The paper follows our first paper that focused on demystifying the Balanced Scorecard (Waruhiu, 2013).

The paper is organized into three sections. The first section deals with the general shortcomings of the Balanced Scorecard. The second section delves into greater depth and insight about the weaknesses of each of the Balanced Scorecard perspectives – learning and growth; internal business processes; customer perspective and finally the financial perspective. The third and final section offers some conclusion and insights on additional considerations future balanced scorecards will have to take into account.

### 1.1 A General Critique of the Balanced Scorecard

There is no common understanding of what is meant by a balanced scorecard. Some organizations have used it a tool for strategic planning (depending on the level of maturity), others have used it as a performance management system while yet others have used it as a management information system aimed at equipping managers with data and information for enhancing decision making. Such variations in use, application and purpose lead to misinterpretation of the BSC by the users, outside its original intention. It is unlikely that the application of BSC in these different approaches would keep the logic in design and application of the BSC the same. We would expect that depending on the context in which BSC is applied, the measures may vary. A balanced scorecard measure in the context of strategic planning would be different from that of a performance management system. Measures are context-specific and infused within an organization's core business. The

originators of BSC make no comment of such variation, and little has been stated on this front in various articles on BSC.

The application of BSC is in different stages of evolution, Spechbacher *et al.*, (2003) and many organizations use the term balanced scorecard as a generic term for their performance management system rather than using the tenets provided for by Kaplan and Norton, (Marr and Schiuma, 2003). Many consultants and even management teams have distorted the original value of the BSC given the multiple uses it is applied to.

Kaplan and Norton have followed up their initial work on the balanced scorecard with a number of publications, expanding their initial theories and integrating performance with strategy (Kaplan & Norton, 1996b; Kaplan, 1998; Kaplan & Norton, 2001a; Kaplan & Norton, 2001b; Kaplan, 2005 and Kaplan & Norton, 2006). From the initial introduction of the balanced scorecard model, various aspects relating to the weightings, the linkages between the drivers of performance and the alignment of strategy, people and performance measures have been elaborated on by different researchers including Ittner *et al.* (2003), Banker, Chang and Pizzini (2004), Cokins (2004), Brewer (2004), Dilla and Steinert (2005) and Dent (2005). Some commentators have suggested that combining the balanced scorecard with other vital management information not reflected in the balanced scorecard might be sound. While BSC is aimed at capturing information that is relevant for decision making, the processes of decision making take place within bounded rationality. External factors affect, and are in turn affected by, the decisions corporate executives make. We espouse that other vital management information may be, for instance, organizational culture, operating (both internal and external) environment as well as changes taking place in the functioning of Governments (as they make, review and implement) their policies as well as the role of chance as stipulated by Porter, (1990).

Bukh *et al.*, (2002) proposed combining the balanced scorecard with an intellectual capital statement and Beasley *et al.*, (2006) suggested combining the balanced scorecard with an enterprise risk management report. While the BSC attempts to accommodate human, information and organizational capital in the learning and growth perspective, it is clear that emphasis given to intellectual capital is shallow, and the attention given to enterprise risk management hardly sufficient. In an operating environment where new risks emerge regularly, it is imperative to have a proactive posture to identifying, analyzing and crafting risk mitigation and management strategies. In rethinking the BSC, a more dynamic environment in which BSC is to be implemented needs to feature. A blend between the BSC, informed by dynamic and rapidly changing contexts is thus a prerequisite in future BSC evolution trajectory.

Shapiro (2002) contends that the BSC does not include stakeholders such as suppliers, intermediaries and regulators, and that this leads to biased scorecards being developed. Neely, (2002) argues that a performance prism methodology would be a good modification to the BSC to overcome this limitation. In essence, this omission plays down the inter-linkage between the behaviour of suppliers, intermediaries and regulators. Today, inter-firm linkages are part of the enterprise network. Within the contexts of increasingly complex supply chains, a network balanced scorecard or supply chain balanced score cards are yet to emerge. We would thus argue that as much as the BSC has been well-celebrated, it is not a panacea to all challenges encountered by firms. We contend that the BSC examines the firm using a closed as opposed to open system approach. This skips the point that in the present modern world, the firm interacts with its external environment more deeply than was the case in the past.

## 1.2 Implementation Challenges

Implementation of the BSC at the corporate level seems simple and straight forward, as does the development of the corporate scorecard. The real challenge begins with the development of measures and extends to the cascading of the BSC to departmental, section, unit and individual level. In the following paragraphs, we examine these challenges and add the insights we have obtained in working with organizations desirous of implementing the BSC. At the level of developing measures, the reification challenge is significant. Many firms establish measures that are inappropriate for what they want to measure a factor that takes the firm's strategic intent off-tangent.

Heinz (2001), Radnor and Lovell (2003) as well as Dinesh and Palmer (1998) identify a number of potential pitfalls when introducing and maintaining the Balanced Scorecard. These ill-defined strategy which produce vacuous and confusing scorecards; management styles that undermine BSC implementation; failure to build holistic performance management systems; too much centralization of measures; lack of integration and attempts to get one generic scorecard to fit the entire organisation. Other challenges include exclusion of stakeholders, failure to act and ignoring local performance. Inflexibility, failure to act, reification are other additional challenges.

Several studies have traced and located challenges of strategy execution as lack of formal systems to help them implement strategy; misalignment between strategies and budgets; vision barrier; structural barriers (Kaplan and Norton, 2008); failures in assumption, failure to communicate and failure to build consensus (Marshall Group, 2011); having the wrong people in leadership positions; unwillingness or inability to change

(Forbes, 2011). Appreciably, the BSC attempts to deal with a number of these failures, but not all. Indeed, Kaplan and Norton distil four major reasons why strategy execution is difficult – vision barrier, resource barrier, management barrier and the people barrier. It is apt to state that this is in order, albeit incomplete. The effect of this is that BSC implementation only addresses some aspects of strategy execution, but fails to provide a comprehensive package of issues that require to be addressed. While the author supports the view that the issues may be clustered into the four perspectives of the BSC, it is in unpacking each perspective that the much celebrated BSC approach begins to show some cracks.

### **1.2.1 Time Constraint**

The BSC can be difficult and time-consuming to implement. Kaplan and Norton originally estimated that it would take an organization a little more than two years to fully implement the system throughout the organization. Some organizations implement it quicker, for others it takes longer. The bottom line is that the balanced scorecard requires a sustained, long-term commitment at all levels in the organization for it to be effective.

The experience we have in assisting organizations implement the BSC demonstrates that top level managers underestimate the time it takes to implement BSC projects. For example, in a meeting we held with a Senior Management team from one of the Central Banks in a country in East Africa on how they would go about implementing the Balanced Scorecard, the team had provided for a period of six months to implement the project. The resources they had set aside for the project were barely sufficient for the project. The commencement of the project was delayed; the project suffered from cost overrun as well as scope and time creep. In another instance for a Revenue Authority, the effort to introduce the BSC started in 2008. To date, the BSC is neither fully understood at all functional levels and nor has it been cascaded to critical nodes in the institution. In another Electoral Body in Central Africa, the project became a still born despite having had a lot of fan fare at the commencement. We contend that BSC implementation may be culture, context and organization-specific. Future rebalanced BSC need to put more emphasis on these aspects.

### **1.2.2 Developing BSC Measures**

We argued in our previous paper that way too many organizations face challenges in developing meaningful measures at the corporate level. This is partly due to human resource constraints – hardly sufficient capacity exists to define these measures in a way that sits well with corporate and institutional setting. This notwithstanding, data is collected, but not necessarily collated in a manner that best supports decision making. Worse still, there are many instances that data needed to operationalize BSC is hardly available and managing using data analytics is a culture that is yet to deeply sink in organizational settings. There is merit in continuously refining the BSC measures as organizations continue to learn and improve their performance, and this is one of the strengths of the BSC in its current form.

Developing valid, reliable, objective, specific, sensitive, operational, controllable, timely, accurate, cost-effective, useful and motivating measures may, from a theoretical point of view, appear easy. Practitioners know too well that this criteria may not be met since some of the features may counter others.

### **1.2.3 Cascading BSC**

Given the capacity challenges that exist at the corporate apex, it would be expected that the magnitude of these challenges increases in scope, depth, diversity as cascading gets underway. It would be envisaged that departmental HR constraints will be higher than those at the corporate level, unit level constraints will exceed those at the departmental level and those at the individual level higher than at any other level. The fact that strategic planning takes place top-down and implementation moves bottom-up creates a major barrier to BSC implementation. Caught between the need to strike a balance between planning and implementation and conscious of the need to escape the analysis-paralysis flu, organizations underestimate the resource requirements (time, financial resources, logistical coordination) that is needed to effectively cascade the BSC. This has led to may aborted BSC implementation efforts. Such botched up efforts lead to corporate hysteria which, when sustained over a period of time, leads to performance inertia.

The scorecard can be used at different levels i.e. the total organisation, sub unit level or at individual employee level. For each level, the system identifies the key components of operations, sets goals for them, and finds ways to measure progress toward achieving these goals. In more than 80% of the organizations we have interacted with, there has been no cascading that has been drilled down to individuals. We have thus made an important observation about BSC. Setting the cascading process rolling is marked with excitement, but drilling the measures to individual performance measurements and linking the BSC to individual scorecards and performance appraisal systems has been difficult. Even Kaplan and Norton have hardly figured compellingly how this linkage takes place.

### **1.2.4 Cost**

Another challenge in implementation is the cost, as stated by Speckbacher, *et al* (2003) who found that 8% of 174 companies from German speaking countries decided not to implement the balanced scorecard because they

could not see the advantages or positive impact given the implementation effort required.

Many organizations underestimate costs for implementing the BSC. BSC implementation may lead to changes in organizational culture and, as has change management research has demonstrated, it requires having a well-crafted implementation plan, adequate resource allocation and strong leadership. The same is required of successful BSC implementation. Many organizations underestimate the time and resources required.

### **1.2.5 Cause-Effect Relationship Between Measurement Areas**

Nørreklit, (2000, 2003) and Brignall (2002) have argued that the much emphasized cause-effect connection in the BSC may not be established since no cause-effect relationship is established between measurement areas. Nørreklit, (2003) concludes that the great interest towards BSC is largely due to promotional rhetoric rather than BSC's substance as an innovative and practical theory.

These are bold claims given that the cause-effect principle of the BSC is core (Kasurinen, 2002, Bukh *et al.* 2004), having been developed with inspiration from the service management literature (Heskett *et al.* 1997). Generally the cause-and effect relationships are argued to be the feature that distinguishes a balanced scorecard from other kinds of scorecards, whether they are labeled stakeholder scorecards or KPI scorecards (Kaplan & Norton 2001, p. 102–104). Be as it may, (Bukh and Malmi (2001) have argued that Nørreklit's and Brignall's view on cause-and-effect misses the point. We posit that scientific evidence which is robust to test the cause-effect relationship has not been fully explored, and most organizations adopting the BSC rarely test the vertical as well as horizontal cause effect. The exercise of doing so is pretty academic and may, in practical sense, undermine the fact that linearity is more assumed than is reality.

The control model BSC assumes has been questioned, (Nørreklit 2000, 2003), as has the innovativeness of the approach (Bourguignon *et al.* 2004) and the style of argumentation (Nørreklit 2003). While the adoption rates of BSC appear to be high in the Nordic and in many other countries (Chenhall 2004; Ittner *et al.* 2003; Silk 1998; Speckbacher *et al.* 2003) and BSC has been applied as a performance measurement system, it is still somewhat unclear what in practice qualifies a performance measurement system or a business model to be classified as a BSC, and how BSC is actually used, (Bukh and Malmi, 2001).

Bukh and Malmi (*ibid*), have argued that the use of cause-and-effect principle with the BSC may not necessarily prove beneficial if a) an organization does not have a clear strategy, b) there is no understanding or agreement on the underlying causalities, i.e. what actions will produce desired outcomes c) strategy is about improvements in general with no priorities and d) strategy is conceived as a set of decisions or “soft success criteria”. This allegation is also supported by Epstein and Manzoni, (1997) who argue that the use of cause-and-effect principle with the BSC may not necessarily prove beneficial if a) strategic concerns are quickly solvable, either due to an immature state of an organization or dynamic capabilities, and the internal or external political environment poses risk to the dominant coalition and b) in situations where strategic focus in perspectives changes rapidly from one area to another, making use of strategy maps and cause and effect as a basis for a measurement system might be difficult, (Bukh and Malmi, 2001).

We contend that the cause and effect in BSC may not necessarily prove beneficial if BSC is used for external communications. Kaplan and Norton, (2001), in our view, do make unsubstantiated claims that the BSC is especially useful in fast changing environment when no research exists to support such a claim. We further posit that the use of cause-and-effect principle with BSC may not necessarily prove beneficial under the conditions of environmental uncertainty and rapid change.

## **2.0 A Critique of the BSC Perspectives**

Having examined the general limitations of the BSC, it is also important to delve into greater detail of how each of the perspectives sits. In the following sections, we examine each perspective in turn and offer our view.

### **2.1 A Critique of the Learning and Growth Perspective**

The learning and growth perspective of the BSC has been considered the weakest link (Kaplan and Norton, 2004), with Speckbacher *et al.*, (2003) claiming that a third of the BSC users do not even have a learning and growth perspective while others have simply labelled it the people perspective, (Marr, *et al.*, 2004). We posit that this mis-labelling is uncalled for and is a deviation from the original intentions of the BSC authors. Kaplan and Norton, (2004) admit that few organizations have easily figured out how to populate this perspective with meaningful and strategically relevant performance measures. Learning and growth sits in the ambit of Human Resources and as is widely acknowledged, it is only in the recent years that HR is developing quantifiable performance measures.

Marr and Adams, (*ibid*) have argued that Kaplan and Norton's attempt to include the human capital, information capital and organization capital in the learning and growth perspective – aimed at emphasizing the primacy of intangible assets in value generation – fails to acknowledge the large body of literature on intangible assets and produces an inconsistent, incomplete and potentially very confusing classification of intangible assets. This then puts into question the validity and usefulness of the BSC framework.

Marr, (2004) observes that the concept of intangible assets is discussed by various authors from different perspectives including accounting, strategy, human resource management, information systems, knowledge management and that these different perspectives can lead to different emphasis in the definitions, Marr *et al.*, (2004). Hall, (1989; 1992) introduces the concept to the strategic management field, defining intangible assets as those key value drivers whose essence is an idea or knowledge, and whose nature can be defined and recorded in some way. On the other hand, Edvinsson, (1997) mentions a financial focus (history), a customer focus and a process focus (today), a renewal and development focus (tomorrow) and adds an integrating human focus (human perspective). Itami, (1991) uses the term invisible assets and includes technology, consumer trust, brand image, corporate culture and management skills while Broking, (1996) breaks intellectual capital into market assets, human centred assets, intellectual property assets and infrastructure assets and Roos *et al.*, (1997) breaks it into human capital (competence, attitude and intellectual agility) and structural capital (relationships, organization, renewal and development).

Roos *et al.* (1997) and Edvinsson, (1997) comment on aspects of human capital and structural capital, but differ on the components of structural capital. This is largely because Edvinsson, (1997) breaks structural capital into customer capital and organizational capital. He argues that organization capital is the result of innovation capital and process capital. Sveiby, (1997) categorizes intangible assets into external structure (brands, customer and supplier relationships), internal structure (management, legal structure, manual systems, attitudes, R&D, software) and individual competence (education and experience).

It is evident that there are as many definitions of intangible assets as there are authors on the subject, a factor that prompted MERITUM Guidelines (2002) to develop a three pronged overall framework consisting of human capital, organizational (structural) capital and relational capital.

Neely *et al.*, (2003) argue that the concept of intangible assets has huge potential to displace complacent balanced scorecard thinking. Kaplan and Norton fail to consider the wealth of literature on intangible assets in their learning and growth perspective, and they make no references to the independent research done on some of the intangible assets and the principal components – human capital, knowledge management, information technology, organizational cultures, stakeholder relationships, brands and reputation management. We contend that Kaplan and Norton's definition of intangible assets differs from the existing classifications, is incomplete and confusing.

Kaplan and Norton, (2004) separate information capital from organizational capital, a departure from the way most scholars of intangible assets treat this phenomenon. While Kaplan and Norton view information capital as primarily being IT-oriented, it is common understanding that not all of it is, and that even that which is IT-based depends on the inputs into the system, which is driven and guided by human capital. Indeed, some elements of IT portfolio that Kaplan and Norton refer to (such as central servers and hardware) are in fact tangible assets. Thus, Kaplan and Norton fail to acknowledge the interdependence of the three types of capital – human, IT and organizational.

Relationship capital which has been emphasized by many scholars of intangible assets is completely missing in Kaplan and Norton's definition of intangible assets. An organization's relationship with its stakeholders (Roos and Roos, 1997) ought to have been included.

Marr and Adams, (2004) have criticised Kaplan and Norton's inclusion of intangible assets as an attempt to capitalize on the emerging popularity of intangible assets in contemporary management theory. Norrekliit, (2000) has contended that if Kaplan and Norton were to change their balanced scorecard framework to accommodate all intangible assets, the entire causal logic of the BSC would be questionable. Overlooking some important aspects of intangible assets leaves unresolved gaps in the explanation of the learning and growth perspective of the balanced scorecard. The BSC lacks attention to the demands of multiple stakeholders – a significant feature of modern business environment or complex ecosystem, Neely *et al.*, (2002).

The evolution of established management approaches to meet contemporary needs is laudable, but a redefinition of fundamental concepts to inadequately fit an existing framework causes confusion.

Our scorecard on the BSC on this perspective would thus be red in colour, with proposition that today's BSC practitioners and experts must think more incisively if greater value on the learning and growth perspective is to be derived in the application of BSC.

## **2.2 A critique of the customer perspective**

Fleming and Asplund, (2007) argue that customer satisfaction is a flawed and an incomplete measure, seen in the light of current knowledge of psychology, behavioural economics, and neuroscience. The authors argue that the origins of how "customer satisfaction" emerged as the preferred measure are a bit murky as it is evaluated by assessing "conformance to requirements," given its origin from manufacturing settings.

Including customer value proposition in the customer perspective (customer loyalty, friendly, helpful workers) seems to be a misplacement of intangible assets into the customer perspective.

Business leaders, researchers, academics, and management consultants alike have expressed concern that though customer satisfaction may be a necessary foundation for building strong customer relationships, by

itself, it is a relatively poor indicator of future customer behaviour. Measuring customer satisfaction in services is even more intricate given that the multiplicity of the customer experience during the provision of service, the intangibility of services, service indivisibility and inseparability between the service provided and the service provider (affected by personality, mood, mode, knowledge, environment and context) come into play.

Kaplan and Norton suggest that the core customer perspective measures are market share growth, customer acquisition rate, customer retention rate, customer profitability and customer satisfaction. Deconstructing any of these measures equates to opening up a Pandora's box, but it offers interesting practical challenges as we enter the hollow enclave of the extent to which we understand the meaning and measurability of these terms. In essence, what Kaplan and Norton challenges the converts of the Balanced Scorecard to do is to take it up from where they stopped and complete the journey they started. Unfortunately, few efforts have been demonstrated in this regard.

Computational, methodological and construct development issues raise questions on what to include and what to exclude in this perspective. This is made worse by the fact that universal standards on these measures are largely absent. This points to the fact that the customer perspective requires more work, even when seen from this breakthrough and much celebrated performance management approach of the BSC.

Empirical results from a large and growing number of case studies suggest that customers who are *extremely satisfied* -- those who provide the highest rating of overall satisfaction with a company's products or services -- can be classified into two distinct groups: those who are *emotionally satisfied* and those who are *rationally satisfied*.

The BSC metrics leave it to those applying the BSC measures to deal with what to include and what to exclude as they compute the composite score. A deeper consideration of emotional satisfaction and rational satisfaction lacks in most of the measures. We admit that this is a grey area that invites more scholarly scrutiny. In the paragraphs below, we offer some thoughts on some considerations that future scholars may build on.

Emotionally satisfied customers are extremely satisfied with the products and services the company provides and have a strong emotional attachment to the company while rationally satisfied customers, in contrast, are also extremely satisfied with the company but lack the strong emotional connection of customers who are emotionally satisfied.

Examination of the indicators of customer behaviour within these two customer groups, such as customer attrition, frequency of use, share of requirements/share of personal budget used to purchase a company's products or services, and total revenue and spending, among others, brings out a clear and striking pattern. Emotionally satisfied customers deliver enhanced value to an organization. This happens, for example, by buying more products, spending more on those products, or returning more often to or staying longer with the business. Rationally satisfied customers, on the other hand, behave no differently than customers who are dissatisfied.

Very loyal clients who possess abnormally high quality expectations might make small purchases that do not generate profit. While customer profitability is one of the dimensions Kaplan and Norton suggest should be examined, the application of this phenomenon in the public sector would require some creativity, particularly in view of the fact that public sectors are firstly social and secondly economic centric.

In some instances, elements of price, quality, availability, functionality, service, partnership, brand, number of new products, product return rate, and defect rate and on time delivery rate have been suggested as customer perspective measures. This tends to add confusion on what exactly should be measured in the customer perspective. We contend, therefore, that the customer perspective measures require further interrogation and clarity. We indeed posit that many organizations have to be careful and analytical enough to unpack the core customer perspective metrics that best suit their circumstances, and how to compute the composite scores.

Customer perspective of the BSC examined existing customers and makes little mention of non-customers who would in future convert to be customers. While measures that are applicable to current customers may not be different from those that non-customers would seek, it is important, in our view, to incorporate some measures that motivate a firm's efforts to reach out to non-customers and invest in converting them into customers.

### **2.3 A Critique of Financial Perspective**

While the financial perspective is frequently referred to as an important component of the balanced scorecard, it seems that the development of the financial portion of the balanced scorecard has not moved much beyond the original suggestions of Kaplan and Norton, (*ibid*) which were to focus on cash flow; sales growth; operating income; market share; and return on equity (ROE). A close scrutiny would indicate that two of the five measures mentioned above, namely sales growth and market share, link directly to the customer perspective. One may then argue that the financial perspective measures suggested by the originators of the balanced scorecard could be improved.

Traditional financial measures do not inspire customer satisfaction, internal business processes or even cycle time. It appears that the financials are logical consequences of operational processes. By making fundamental improvements in the operations of the business, the financial numbers follow.

Financial management research and practice just before and since 1992 have resulted in new thinking and refinements to the initial model proposed by Kaplan and Norton (*ibid*). The most important of these developments are the shareholder value analysis (SVA) model developed by Rappaport, (1986); the economic value added (EVA) and market value added (MVA) concepts popularized by Stewart, (1991) and Stern, (1993) which indicate that shareholder value is driven by sales growth, the operating profit margin, the cash tax rate, investment in working capital, investment in fixed assets, the cost of capital and the planning period (the length of time over which the future cash flow projections are made). This suggests that these aspects need to be incorporated in the financial perspective of the balanced scorecard (de Wet, 2012).

The application of the financial perspective in public sector context tends to be cumbersome, incoherent with strategy mapping and difficult to conceptualize in most typical public organizations. It is therefore not surprising that some public sector institutions have renamed this into a different perspective while attempting to keep the BSC logic intact. Kaplan and Norton initially examined financial and regulatory measures, but subsequent work has made little emphasis on regulatory measures.

We are of the view that in the rebalanced BSC, more contemporary financial measures be brought in, with a caveat that measures that are taken may be context specific (as is currently the case) but yet easily understood by the users.

#### **2.4 A critique on Internal Business Process Perspective**

Internal business processes have been measured on the basis of cycle time, process time and process cost aspects. Orders processed and inventory carried as well as new products and services that have been delivered have been used, albeit at varying degrees. Using these measures, the challenges mentioned in the customer perspective are reinvented – having to deconstruct the measures in order to establish the sub-constructs that contribute to the composite measure – for example cycle time. Notably, the sub-constructs would vary from one company to another, and it is appreciated that it is in these diversities the specificity of one organization's balanced scorecard would vary from another company. In the same bit, measures that are more applicable in a given context would also vary, given that measures may be context specific.

It is a clear fact that in order to deliver on its value proposition, the company must develop sound organizational procedures, efficient production systems and on-time delivery schedules. These are types of internal business processes which need to be understood by employees in order to provide high quality goods and services. Different units within the same organization tend to be involved in many different processes – understandably because any organization functions as a system comprising of many processes. Different processes tend to have different measures, and challenges of coming up with corporately agreed upon internal business process measures becomes a lengthy debate.

Our work in BSC across many African countries has convinced us that development of performance metrics is a challenge running through many companies. Even those that are developed require tune up from time to time. This tune-up calls for additional resources such as time and finance. In most settings, these resources are scarce.

#### **3.0 Conclusion**

We have illuminated the limitations of the balanced scorecard. Our view is that given these limitations, the balanced scorecard, as developed by Kaplan and Norton, has offered us a stepping stone in bringing logic in developing balanced measures and simplifying the strategy making process. We do conclude that a time has come when this needs to be upgraded, and a more robust balanced scorecard applied. In doing so, there need not be any re-inventing the wheel. Instead, we need to build upon the original thinking of Kaplan and Norton – whom we salute for great thinking.

We conclude by stating that the rebalanced scorecard needs to be modified to accommodate a fifth perspective which takes into account the interface between the firm and its external environment. Such rebalancing needs to take into account reputational capital, more contemporary financial measures, more refined customer perspective metrics and more specific learning and growth measures. In our subsequent articles, we shall offer insights on how the rebalanced balanced scorecard should take into account.

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