Chapter 26

The Impact of Balance Score Card Implementation on Supply Chain Firms

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ABSTRACT

The objective of this chapter is to understand the level of impact that implementing a balanced score card can have on organisations, and the factors that contribute to such impact; the research agrees that the BSC is an effective performance measurement system. The result of the research suggests that the quality of the knowledge and the understanding of the BSC within an organisation is a major determinant to the level of positive impact that implementing the BSC can have on an organisation. This research concluded that the same principle applies to any performance measurement and performance improvement initiatives, and that non BSC implemented firms are not necessarily worse-off than BSC implemented firms from a performance perspective. Only few numbers of organisations were sampled. These sampled organisations are not a complete representation of the rest. The research acknowledges that the sources of information under which conclusions and assumptions were made were not based on primary sources. It is possible these data may not fully reflect the current state of all sampled organisations in this research.

INTRODUCTION

This research focuses on the balanced score card theory, the balanced score card is regarded by many academics and practitioners as one of the best method of measuring performance. The purpose of this research is to investigate the practical benefits of the BSC and its impact on supply chain firms.

This research investigates and identifies differences between organisations that have implemented the BSC and those that have not. Experiences from people with industry bar ground indicate that many firms have no clearly defined set of performance metrics as a guide in their journey for growth. Those
experiences also suggest that the atmosphere within organisations that do not have clearly defined performance metrics translates into perfunctory existence of functional departments. The absence of such a clearly defined set of performance metrics that may have served as a Hawthorne effect affects the attitude of employees towards their job.

To understand the level of impact that the implementation of the BSC has on organisational performance this study has undertaken to 1.1 Research the current performance record of organisations that have implemented the BSC and identify post implementation impact of the BSC. 1.2 Research the performance of non BSC organisations and analyse the impact and effectiveness of their performance measurement and improvement systems. Then 1.3 compares the performance of BSC organisations against non BSC organisations. Research was conducted taking into account the elements which the BSC theory is built upon, these are Financial, Customer, Business Processes, Learning and Growth.

Research contributions will, based on the findings, establish or dismiss whole or some components of the BSC and/or encourage further research. It will also show the relationship that BSC implementation has on employees’ attitude and performance, and argue for or against, that the BSC is a major contributor of organisational long term competitive sustainability. The research will review literature findings identifying reasons why many supply chain firms are slow in adopting the BSC. It will investigate why some BSC implementation failed, and the cost of implementing BSC if any. It will undertake a literature review of evidence based benefits of the BSC theory.

RESEARCH METHODOLOGY AND DATA COLLECTION

This research is based on archived organisational data from a host of academically written sources. All data collections made were focused on qualitative data. Quantitative data are not the primary focus for this research. It is worth stating that though the concluding view of this study applies inferential statistics, the whole research takes a more descriptive rather than inferential approach. The term supply chain firms were used in a much broader sense to encompass a wider business environment. One of the reasons for doing so is to present a qualitative data analysis of the impact of the BSC implementation on all sampled organisations in the study.

1.1 Research the Current Performance Record of Organisations That Have Implemented The BSC and Identify Post Implementation Impact of the BSC

The need for performance measurement has become a critical part of everyday life, as individuals we continually measure ourselves against a set of criteria. We do this to reconfirm our self concept, identify and maintain our social status and achieve our personal goals. It goes without saying that performance measurement is also widely used in modern business activities to not just measure past versus current organisational output but even more so, to measure organisational performance against the best in class in the wider global business playground.

Before the idea of a balanced approach to measuring organisational performance was introduced and populated by Kaplan and Norton (Muratoglu, 2008) organisational performance measurement was solely judged by the bottom line. This chapter draws attention that 22 years since the call to a shift from a solely financial based performance measurement indicators to a more robust and balanced measurement, the transition has been less than satisfactory (Mcshane etal, 2010 pp.182). There have also been reports of