

## BALANCED SCORECARD IN SERVICE OPERATION SCENARIO

MEETU KAUL

Independent Researcher

### ABSTRACT

The studies for large service operation organizations where Balance Scorecard is quite commonly used. Is abundantly available. The literature is limited for small service operation organizations and the literature available mainly focused on the uses and limitations of the Balanced Scorecard..To understand the success story, the study was conducted using one service operation organization that succeeds in its attempt to implement the Balanced Scorecard successfully. Data was collected for this study via interviews and researcher observations. Four in-depth interviews were conducted with Business Head, Process Owner, Senior Manager and one with the employee who is directly responsible for the design and implementation of the Balanced Scorecard. The researcher also observed and facilitated the design and implementation of the Balanced Scorecard in the company over the same period. The results reveal that active participation of management was a major factor leading to the success of the Balanced Scorecard in Service operation organization. The more opportunity the support organization has to increase the value of the solution to the customer, higher perceived value translates to higher satisfaction, revenue and profit

**KEYWORDS:** Balanced Scorecard, perceived value

### INTRODUCTION

The Balanced Scorecard retains traditional financial measures, but financial measures tell the story of past events, that is adequate for companies for which investments in long term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however for guiding and evaluating the journey that information companies must make to create future value through investment in customers, suppliers, employees, processes, technology and innovation. Developed by Kaplan and Norton in 1992 (Kaplan and Norton, 1992) is one of the most widely used management tools today. By 2004 about 57% of global companies were working with the balanced scorecard (according to Bain). Much of the information in the commercial sector is proprietary, because it relates to the strategies of specific companies. Public-sector (government) organizations are usually not concerned with proprietary information. The exact figures vary slightly but the Gartner Group suggests that over 50% of large US firms had adopted the Balanced Score Card by the end of 2010.A study by Bain & Co finds that about 44% of organisations in North America use the Balanced Scorecard and a study in Germany, Switzerland, and Austria finds that 26% of firms use Balanced Scorecards. The widest use of the Balanced Scorecard approach can be found in the US, the UK, Northern Europe and Japan. The Balanced Scorecard is not without limitations. There is a slight problem with all these balanced scorecard usage numbers. The problem is that the term 'Balanced Scorecard' has become a synonym for almost any system of performance measurement and management. The fact that the Balanced Score Card concept has changed from a measurement framework to a strategic management approach with Strategy Maps makes it difficult to get realistic figures.

This study attempts to use the Balanced Scorecard in Service Operation Scenario to improve the Customer Satisfaction which also focuses on the limitations of using it. The paper begins with the introduction of the Balanced Scorecard followed by reviews of the literature studying the implementation of the Balanced Scorecard. Later the research methodologies are described, followed by the background of the case study for this research. Findings are then reported, along with the research and practical implications of this study. The paper closes with the conclusions.

### **What is the Balanced Scorecard?**

The Balanced Scorecard is a strategic performance management framework that enables organisations to identify, manage and measure its strategic objectives. Initially introduced by Drs Robert Kaplan and David Norton in a Harvard Business Review (HBR) article in 1992, the Balanced Scorecard was chosen by HBR one of the most influential business ideas in the magazine's 75 year history from 1925-2000. Like most good ideas, the scorecard is conceptually simple. Kaplan and Norton identified four generic perspectives that cover the main strategic focus areas of a company. The idea is to use this model as a template for designing strategic objectives, measures, targets and initiatives within each of the following perspectives:

**The Financial Perspective:** Covers the financial objectives of an organization and enables managers to track financial success and shareholder value.

How is my business delivering against its financial goals?

**The Customer Perspective:** Covers the customer objectives such as customer satisfaction, market share goals as well as product and service attributes.

How is my business delivering value to customers? How valuable are those customers?

**The Internal Process Perspective:** Covers internal operational goals and outlines the key processes necessary to deliver the customer objectives.

How effectively is my business executing the right processes to support our business goals?

**The Learning and Growth Perspective:** covers the intangible drivers of future success such as human capital, organisational capital and information capital including skills, training, organisational culture, leadership, systems and databases.

How are my business and its employees becoming more able to deliver value?

Spechbacher et al. (2003) in their survey of 174 senior management executives from German-speaking countries, namely, Austria, Switzerland, and Germany found that 26 per cent of the firms use the Balanced Scorecard in a limited way at the business unit level or use its incomplete version. The cause-and-effect chains have been found in the scorecard of 50 per cent of the user firms. More than two-third of the Balanced Scorecard user firms have linked their compensation and incentive system to the Balanced Scorecard; one-third of them does not have learning and growth perspectives in their scorecard. The Balanced Scorecard that describes 'strategy by using cause-and-effect relationships and also implements strategy by defining objectives, action plans, results, and connecting incentives with Balanced Scorecard has been found to be used amongst less than seven per cent of the respondent firms. There has been a significant association between Balanced score card usage and firm size based on the number of employees. The Balanced Scorecard has been viewed as a

concept for improved shareholder value management by the respondent firm.

### **Balanced Score Card for Service Operation Organization**

Customer Support Balanced Scorecard: A properly constructed score card should support the company's strategy and consist of a linked series of measures that are consistent and reinforcing. Translates an organization's mission and strategy into a detailed set of performance measures that can provide the guidelines for a strategic measurement and management system. Customer support organizations are asked to perform a difficult balancing act between the two. For Customer Support organizations, there are always increased pressure on the organization— such as reduced cost and increased customer loyalty

### **RESEARCH**

This study does not focus on the success and failures of the balance scorecard. Nor does it focus on the factors that lead to success and failures because different companies have different factors for their success and failures. In this study, the researcher was involved in setting up the Balanced Scorecard from the beginning so this case study was considered. As the research objective is to answer the why and how, the case study approach was selected. Data was collected for study from interviews and researcher observations. Four in-depth interviews were conducted, one with the Process-owner, Senior Manager, Business head, and the person who was directly responsible for the design and implementation of the Balanced Scorecard. The main focus of the interviews was what was the measures drawn to develop a Balanced Scorecard and for implementing a successful Balanced Scorecard in the organization. The process of developing a balanced scorecard begins with defining organization strategy. Once the strategy is understood and agreed upon by stakeholders the next step is to translate the strategy goals into a set of relevant performance measures. Each of the four perspectives in the Balanced Scorecard requires four to six performance measures, resulting in a scorecard with approximately sixteen measures relating to single strategy. These include design of the Balanced Scorecard, clarification of mission, senior management commitment and involvement of employees, communication process, development process, availability of time and resources, and uses of hardware and software system. The researcher recorded all of the data obtained from both interviews and observation and summarised the findings. The findings were then sent back to those interviewed to confirm accuracy of the conclusion as to what happened in their organization. The interviewees agreed with the researcher's conclusion, confirming the validity of the data obtained in this study. The researcher then used this data for further analysis.

### **CASE STUDY**

RT Outsourcing Services Ltd (RT Outsourcing) was established in 1995 as a third party service provider. RT Outsourcing has over 125 process delivery & support centre's located across the country. The company offers repair, logistics and reverse supply chain management services to manufacturers and multi vendors of IT, telecom and consumer electronic products. It also provides integrated customised solutions for front-end customer services with onsite teams and refurbishment centres. The in-house developed online operations management software, CIRIMS (Call Centre Integrated Repair and Inventory Management System) enables RT Outsourcing to monitor. And control its operations, level of SLA agreement for turn-around time (TAT), product failure trends, problem reporting, yields, call logging, etc. The company provides technical support to some of the global enterprises like Microsoft, HP, Nokia, Lenovo, IBM, Samsung, and Dell.

Implementing the Balanced Scorecard came from the Business-owner. According to him it gives us better and better alignment between all operating units and focuses on what is important and on result. The balanced score card attempts to bring together the elements that reflects a business strategic position, including product or service quality measures, product and service development times, customer complaints, labour productivity, and so on. The advantage of this approach is that it represents an overall picture of the organizations performance in single report. The researcher was part of the team to set up the Balanced Scorecard for the company. The design stage lasted approximately two weeks. It was first run as a pilot project. The first completed Balanced Scorecard was then put in place after two months. Most of the measures of the Performance Management were found in the alarming situation. Some Initiatives were taken and most of the performance measurement was in control.

## **FINDINGS**

Using the results obtained from the interviews and observation, the factors critical for successful implementation of the Balanced Scorecard in the organization were identified and implemented. The interviews and observation revealed that the major cause for the Success was the company's foresightness and fast implementation on the measures whose results were alarming. In this organization the measures relating to customer support, internal business needs to be revised. For example three months after launching the Balanced Scorecard, the company's product quality was having some major issues in the market due to some poor quality of sub parts. The business-owner then decided to change the supplier which was supplying the poor quality parts which was destroying its market share. The results were very impressive with sales. However this change resulted in changes in several measures dealing with the customer perspective. The measures dealing with the internal business process were also changed to reflect the changes in customer perspectives. In this case study, over a one year-year period, the measures in the Balanced Scorecard were revised various times in order to meet the business objective

## **LIMITATIONS**

Since this paper was related to only one organization of Service operation domain more research is needed to be conducted in many organizations of same type. So that the final picture gets more clear. The case study by nature is aimed at producing analytical generalisation, not statistical generalization (Yin, 2003, p. 32.) The results of this study may be useful for other Service operation organization. However further research in this area is needed in order to make the Balanced Scorecard more applicable to those organizations

## **CONCLUSIONS**

Although the Balanced Scorecard has been implemented in many large organizations successfully, little literature reports its use in small organizations (Andersen et al 2001)... This study therefore attempts to propose one important cause for success of the implementation of Balanced Scorecard in Service operation organization is actively participation of leadership. It is also expected that this study will only be the beginning of more research in this area that will lead to the development of a more sturdy performance measurement framework for Service operation organization.

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## APPENDICES

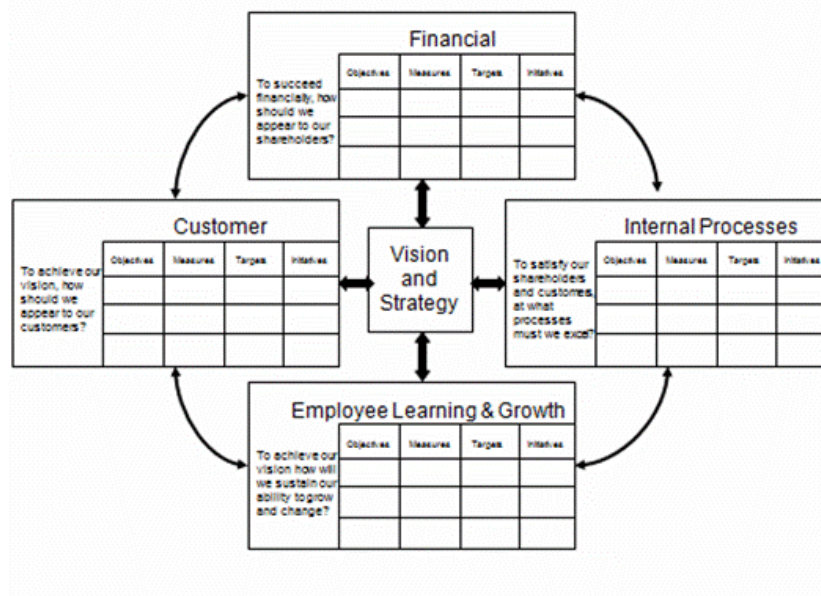


Figure 1: Balanced Scorecard Framework (Kaplan and Norton, 1996)

