

16th Annual Conference on Finance and Accounting, ACFA Prague 2015, 29th May 2015

## The Balanced Scorecard Implementation, Integrated Approach and the Quality of Its Measurement

Nattarinee Kopecka<sup>a\*</sup>

<sup>a</sup>University of Economics, Prague; Department of Management Accounting, W. Churchill Sq. 4, Prague 130 67, Czech Republic

---

### Abstract

The BSC approach is used and recommended extensively as well as the continuous development. Since, it had been introduced, many researchers have been widely investigated and revealed the advantages and disadvantages of the approach that related to communication, integration and indicators measurement. Consequently, this paper determines to solve those barriers and find out the effective of practical solutions that require; (1) the needs of translating and cascading strategy throughout an organization channels effectively; (2) the critical role of efficiently integrating approaches in operational procedure; (3) The design and use of indicators and its measurement.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of University of Economics, Prague, Faculty of Finance and Accounting

**Keywords:** BSC implementation; Integrated approach; Performance measurement; Cascading process

---

### 1. Introduction

The Balanced Scorecard (BSC), one of the efficiency management frameworks is used and recommended extensively. In 1992, the BSC had been introduced in the Harvard Business Review article as a tool for measuring business performance (Kaplan and Norton, 1992, p. 2). It is used by top managers to help to formulate organization's strategy and how to measure their performance. The four perspectives, both financial and non-financial, have been proposed in consideration. Each of perspectives can be briefly identified, as follows: Learning and Growth perspective; what employee's capabilities, information system, and organizational capabilities? Do we need to

---

\* Corresponding author.

E-mail address: [sujira07@live.com](mailto:sujira07@live.com)

improve our processes and customer relationship? The customer perspective; how do we create value for our customers? The internal processes perspective; at which processes must we excel to meet our customer and shareholder expectations? Financial Perspective; how the success is measured by our shareholders?

The BSC assists managers to highlight four dimensions and to understand cross-functional relationships that can ultimately lead to improvement, problem-solving and decision-making (Kaplan-Norton 1992, p. 71 - 79). Once linkages are understood, strategic objectives can be further translated into actionable measures to help organizations to improve performance (Kaplan-Norton, 2000). In 2001, the BSC had been refined when Kaplan and Norton realized that the formulation of the strategy was equally important as the implementation of the action. They proposed five leaderships and management processes for successful strategy execution, helping to create “strategy focused organization” (SFO) (Kaplan-Norton, 2001). The SFO is focused on the linkages between the strategy of implementation and that of communications and links to the entire organization. In addition, the approach is driven by the motivation of their employees to carry out the strategy as a continual process. In 2008, the recent refinement was focused on companies’ link in strategic planning with operational execution (Kaplan-Norton, 2008). It encourages organizational implementation by adding three vital processes: plan operations, monitor and learn and test and adaptation of the strategy.

Although the BSC is well designed and developed continuously, it had been discovered the lack of crucial information, competitive environment and shareholder orientation (Speckbacher, G. et al. 2003; p. 361 - 387). What’s more, the definition of BSC is unclear and the diverse integration might missing users on crucial issues. Since BSC had introduced, however, it has been wildly investigated on positive performance’s implementation. In contrast, unsuccessful implementation only in a few cases are available. For instance: (1) The investigation of BSC implementation in the electrical business showed, it had no positive impact of applying BSC on the financial growth (Neely, et, al. 2010, p. 46 - 70); (2) The unawareness of strategic revision leads implementation to failure in SMEs, Thailand. (Rompho, 2011, p. 39 - 46); (3) Organizations have only been moderately successful in their implementing. However, the learning and growth perspective does not carry out the organizations to achieve organization change and strategies (Lailian, C.-Kathy, H. 2001, p. 1 - 9).

In this regard, the paper aims to give a comprehensive account for (1) to analyze efficiency strategic communication by translating and cascading throughout an organization; (2) to analyze the role of the integrated financial and non-financial approaches; (3) to examine the quality of indicators and performance measurement.

## 2. Literature review

To implement BSC effectively requires sufficient management tools and procedures (Ahn, H, 2001, p. 402), in order to provide accurate, timely information as well as communicate them throughout an organization. The efficiency of choosing proper channels enables a firm to increase the efficiency of communication and the transformation of information technologies (Noraila, Md Zin, et al. 2013, p. 199). In addition, the strategy needs to communicate and make sure everyone aware of the organization strategy and understands what to do to get that point (Norreklit H, 2003, p. 65 - 88), (Putakarn, P., 2011, p. 36). As well as the responsible units must be filtered down to middle managers and with lower level employees on the front lines and in the back offices ( A. Atkinson et al. 2012, p. 15 - 435). Maintenance with effective of strategy’s communication should be continuously reviewed, assessed, and updated to reflect new competitive, markets, and technological conditions (Kaplan-Norton, 2009, pp. 2-32). Furthermore, the quality of communication must reflect the environmental competition.

However, the previous studies revealed that the BSC method does not have any monitoring and control on competitors and technological development which is crucial for managers to making a better decision. There are deficiencies in the methods used in consolidating BSC perspective or the performance indicators that act as different measurement units under each of BSC perspectives (Yuksel; 2010, p. 35). Similarly, it does not analyse the effect of other factors that may also contribute to the performance improvement (Lin Z et al., p.1-15). So there are many firms in the area of implementing only, but not for monitoring and control external environment (Kenerry, Neely, A., 2002).

What’s more, the design of the indicators is used inappropriately, it might be too few, too many, and not relevant or deliver too late to make decisions (Keely, 2001, Nopadol, 2011, p. 39 - 46). The improvement goals are arbitrarily negotiated rather than being based on stakeholder requirements. They are poorly defined metrics, incorrectly

identifying non-financial measures as primary drivers for future stakeholders orientation that high-performance measurements require both objective and subjective (Van der Stedt et al., 2006, p.185-205).

However, the BSC is an integrative management system to develop and implement the strategy, and to align to other management functions (Kaplan, R. S., Wisner, 2009); to orient stakeholders, therefore, requires the integration of management control system to incorporate essential components of planning, execution, measurement, feedback and incentive (Anthony, R., Govindarajan, V., 2004). It is necessary that firms must understand its position and choose the appropriate integration that reflects internal and external environment that enable the firms to be one of the best in the market.

### 3. Methodology

The comparison is the principle method which permeates the paper development. It manifests itself in the following sections:

- In comparison of those literal sources that are primarily oriented on positive contributions with those which describe problems and obstacles connected with the BSC implementation and usage;
- In the confrontation of the sources that are based more on theoretical evaluations of the BSC strengths and weaknesses with those that deal more with practical aspects of the BSC implementation and usage;
- In a comparison of the sources that evaluate the efficiency of the BSC implementation with the papers which are concentrated more on the pre-conditions, instruments and methods of successful BSC implementation.

Besides this principle method, the paper is also based on

- Descriptive methods, which are used especially in the evaluation of steps which are crucial to the efficient BSC implementation; and
- Generalization which is used in the formulation of the project conclusions.
- All above stated methods are integrated with the system approach. So it is also used in the following two sections:
- In the content of solved topics where it has been intended the researchers to investigate all substantial issues of the BSC efficient implementation and usage, including relations to relevant pre-conditions, instruments, and methods; and
- In the expression of relations between investigated sections and the project conclusions.

### 4. The strategy formulation and the BSC cascading for implementation

#### 4.1. The Vision and Mission Strategy

The successful adoption of the BSC in the business needs to be clear in the strategy.

First, creating a competitive advantage by positioning the company in its external environment where its internal resources and capabilities deliver something to company's customers, which are better than, or different from its competitors. Second, having a clear strategy provides clear guidance, where internal resources should be allocated and enabled to all organizational units and employees, to make decisions and to implement policies, consistent with achieving and sustaining company's competitive (Atkinson A, 2012, pp 15-435).

The chief executive officer and administrative one are responsible for the financial performance and the achievement of non-financial goals. In addition, they fulfil a firm's image and social responsibility, and also they set objectives and formulate strategies reaching up to the activity over a functional area of the business. The BSC helps to the top management to link a firm's strategy by focusing on the four perspectives; they might answer the questions as are: (1) Customers: How do we create value for our customers? (2) Learning and Growth: What employee's capabilities, information systems, and organizational capabilities do we need for continual improvement of our processes and customer relationships? (3) Internal management: At which processes BSC must be excellent to

meet our customer's and shareholder's expectations? (4) Financial: How the success is measured by our shareholders. The executive team needs to understand the impact of macroeconomics and industry.

#### *4.2. Long-term Objectives and Grand Strategy*

Long term objectives are defined as the results of the firm seeking to achieve over a specified period; typically from three to five years. It should be acceptable, flexible, motivating, suitable, understandable, achievable and measurable over the time. By applying the BSC approach, managers would be able to scope their target (mission) more precisely in four perspectives, as follow; (1) Increase the revenues from expanded sales to existing customers (financial).(2) Offer the complete solutions to our targeted customers (customer).(3) Achieve the excellence implementation in order to fulfil customers' demands through continuous improvements (internal processes).(4)Align the employee's incentives and rewards with the strategy (learning and growth).

Grand Strategy is defined as a comprehensive approach guiding the major actions designed to achieve long-term objectives.

- Customer perspective; the long-term objective means to offer complete solutions to our targeted customers. However, employees should always realize of which position they want to arrive (review the mission). For instance: Low-cost leadership: the grand strategy should be a low-cost supplier; deliver consistently high quality; provide a speedy, easy purchase; offer appropriate selection. Meanwhile Product leadership value: the grand strategy should be offered the high-performance products in order that the firm will be first in the marketplace.
- Learning and Growth perspective aligns employee incentives and rewards with the strategy. The interpretation of this perspective to employees, the firm, should link three groups as follows: (1) Human resources, which focus on development strategy competencies, attract and retain top talents; (2) Information Technology provides applications that support the strategy, develops customer data and information systems; (3) Organization culture and Alignment create customers-centric culture; Align employee' goal to success; Share knowledge about best practices and customers.
- Internal processes Perspective; When a firm clearly shapes their objectives of what they intend to deliver to its shareholders and customers, they will be able to determine how to precise its strategy. The internal process is the core factor of achievement; the four core processes must be excellent: (1) Operation management processes; achieve superior supplier capability, improve the cost, quality, and cycle times of operating; improve asset utilization; deliver goods and services responsively to customers. (2) Customer management processes; acquire new customers; satisfy and retain existing customers; generate growth with customers. (3) Innovation process; develop innovative products and services; achieve excellence in research and development processes. (4) Regulatory and social processes; a firm image of the social and regulatory responsibility that affect them to earn, in the long run. Nowadays, it does not only comply the regulations, but many of them are trying to go beyond them. So that, the social responsibility program (CSR) is extensively applied. It has the effect on customer retention, employee morale, ethic and firm reputation that directly affect performance operations.
- Financial Perspective; The ultimate wanting aims for a firm is a success in competition, which increase its shareholder' and employees' value. By working through two basic approaches, i.e. (1) productivity improvement; essential components are the efficiency of cost reduction by lowering direct and indirect expenses; the efficiency of financial and physical assets utilization. (2) Revenue growth; by generating more revenue and income from existing customers; by generating additional revenues from existing products sold on new markets and creating new products for the new market.

## 5. The BSC approach and strategy implementation (Functional Level)

The implementation in view of the functional level, the mission needs to be identified as corporate objectives and as a tool, connecting long-term, and short-term objectives, so as to arrive the ultimate goals. Within the BSC approach, an organization translates long-term objectives into operational objectives (short-term objectives), actions and measures in throughout of four perspectives. The cause and effect chain links the strategy from top to down, and again reverse from bottom – top within the control system. Team and individual scorecards link day to day work with department goals and corporate visions. Precisely, to facilitate better communication and a clear strategy in practice, the organization needs to design accurate, right and appropriate objectives, indicators and measures, for higher efficiency.

*Firstly*, a strategy map for the top managers has to be established. Still, the objectives look very generic as the organization long-term perspective. The objectives are set into each perspective in different aspects.

*Secondly*, the strategy map for business units must be designed. It must be more precise regarding objectives of each unit.

*Thirdly*, a strategy map for line-level employees must be implemented. The map involves and represents each activity that employees have to do to achieve unit objectives and optimal manager objectives. The translation and communication of four perspectives, requires the particular direction, the revision of customer demands, planning, and budgeting, resource allocation, motivation, feedback, and learning (Kaplan-Norton; 2001; 2006). Firms develop short-term objectives by discussing, reviewing the previous standards and activities, predicting their activity, income, expenses and so forth, which results of cash-in and out-flows that support managers to make their decision. The short-term objectives are generally followed by the action plan that estimates the budget period. Activities are specifically planned who will do, when and how, they follow the budgeting process in order that a firm will be able to allocate its resources.

### 5.1. The Budgeting Process

Once the short-term objectives were established, it should be communicated to employees through the budgeting formulation. The main purpose of the system of budgets is to support managers on resources allocations for core activities such as sales, production, and operations. Determination of the cash inflows and cash outflows activities results into pro forma financial statement. The vital aspects of the budgeting process must be planned and stated carefully in order that a firm enables to control and monitor implementation, and carry out to their targets.

- *Production plan*; the production plan involves two components: namely sales plan and inventory policy. It is reflected directly in the operational capacity and inventory policy; some firms are producing goods to reach predetermined inventory target. For this reason, skill of employees and capacity of production have to be concerned to avoid the bottleneck. On the other hand, producing goods for actual customer demands that inventory policy is zero: This is the inventory policy for another firm (just in time may applied). In this policy, a firm must have high efficiency of material management, capacity of production (there must not be equipment breakdown), high competency of employees and supplier's retention.
- *Developing the Spending Budgets*; it needs to focus on three components: First, material acquisition, the purchasing team must consider the type of capacity and supplier retention. Apart from, material has to arrive in proper time, and it must be quickly adjusted when the production plan has changed during the time horizon.
- *Handling Infeasible Production Plans*; in the business, everything is uncertain, as well as plans. This is the reason why, tentative demands are forecasted. First: Once firms realized that project's demands exceeded available capacity, the plan must be revised or provides alternatives such as expansion of the capacity to reach the production demands or reduce the plan level of the productions. Second: The HR team prepares the labour hiring and training plan in order to be sure of the capability of employees. The plan usually covers the labour in two activities; expansion and contraction activity. However, firm stimulates labour's capacity by retraining for another activity because it reflects moral, ethical and legal issues. What more, they attempt to avoid layoffs

unless no other alternative can be found. Third: Administrative and discretionary plan: this expenditure component activities support and drive others plans. For instance: research and development (R&D), advertising and training, sell and marketing, and so forth. However, those expenditures are fixed and unaffected by the production volume.

- *Financial Plans*; once the production plan has been developed by managers, they will be able to prepare budgeted financial statements that consist at least of the balance sheet, profit and loss and cash flow. How managers use pro forma financial statement to support their decision, for instance: (1) the balance sheet presents net effect of operation that managers use it for developing the plans to put needed resources in place, to identify potential problems and helps to avoid, or find solution to deal with them, use as a measurement to test the efficiency of the organization's operation processes. (2) Financial statement provides cash-in and outflow in order that the manager can make a decision on how to invest on the exceed cash in-flow, or how to plan to meet any cash shortages.

### 5.2. Human resources strategy and it's empower

The learning and growth perspective is focused on intangible assets which are the powerful source of sustainable competitive advantages (Kaplan-Norton; 2004, p.1). As many researchers have claimed, to measure the intangible assets is the most difficult. However, in the BSC implementation links the intangible assets and measures it by estimation how closely aligned those assets are to the company's strategy which directly connect to value of organization (Kaplan-Norton; 2004, p. 2). In developing of the BSC, the learning and growth perspectives divide intangible assets for implementing and strategy into three categories:

- *Human Capital*: skills, talent, and knowledge that a company's employees possess. Firms must identify the position in which employees with the right skills, talent and knowledge have the biggest impact on enhancing the organization's critical internal processes. Then, they have to set the specific competencies needed to perform each of those strategic jobs. Also, at the last, they need to measure that performance by whether employees have the right kind and level of skills to perform the critical internal processes on the strategy map.
- *Information Capital*: the company's databases, information systems, networks, and technology infrastructure; there are two categories of applications: First, transaction-processing application, such as an ERP system; Second, the analytic application, promoting analysis, interpretations and sharing information. To measure those applications, it means how well the company's strategy IT portfolio of infrastructure and application supports the critical internal processes.
- *Organization Capital*: the company's culture, its leadership, how its people are aligned with its strategic goals, and employee's ability to share knowledge. A firm needs to encourage the organization awareness that bring people deeply aware of internalized mission, vision, and core value. The ultimate goals are aligning to people for sharing of strategic knowledge and build up teamwork throughout an organization.

The BSC implementation provides the guidance and initiates action and implementation of business strategy. It requires a person who is responsible for those realizations. Employees of each level, division, unit, or individual, need to be empowered in order that every circumstance will support responsively. Especially, in the competitive environment being responsible for customer value, they must indeed meet customers' demands. Employees, who are directly in contact with customers, should be able to solve initial problems in time. Firms, nowadays, allowing for individuals or team flexibility, to make the decision and initiate action in order that companies can ensure that decision-making is consistent with the mission strategy.

### 5.3. Communication Policy

The communication strategy, one of the BSC crucial issue, needs to be addressed. The consistency management of the company requires a different way to communicate them, and for long term strategy it might need continuing



communication while frequent communication is suitable for short term objectives. By cascading the BSC approach, assists the managers to understand the firm objectives and communicates clearer, more efficiently, to others levels. By the key, what you need to communicate to employees, you'd understand your message (objectives) and create it clearer (translate strategy to practice) to the recipient (responsible centres).

The BSC should design the roles how to understand the message among each level effectively. Typically, the organization communication comprises the modality of the communication, continuous and frequent communication, communication mission, and value. Stakeholders need to be aware of their purpose, and they intend to add the value and to compete and understand how it affects them. However, there are many uncertain situations in business, the strategy might be revised during a fiscal period, and plans might be changed in crucial circumstances. For this reason, firms need to establish a simple framework for communication the update strategy consistency for others. The responsible teams/decentralization functions as central guidance and coordinate local scorecards align with corporate objectives.

The successful companies usually transform their strategy of implementation and elevating into corporate-level (Kaplan and Norton, 2005). This method influences responsibility, the behavior of managers of decentralized business units and helps to realize all its potential benefits (Kraus et al., 2010, pp. 265-277). It aims to create a corporate template and to implement it in the scorecards developed at individual units. In addition, a collection of business units could create value as a stand-alone company (Kaplan and Norton, 2006).

#### *5.4. Management by exception (MBE)*

In the business world, nothing is certain, and no matter how the plan was prepared carefully, it can be wrong. When the operational level recognizes that the plan is not followed significantly, and this issue is considered out of the responsibility of the operational level, so the issue will jump up to a higher level to put more attention. Since the BSC approach is applied, the responsibility centres are defined and link it to each indicator directly. The BSC measures assist managers to find out the significance between actual and standard.

For example, Varian analyses of four perspectives compare results to the standard (Benchmark). In addition, it is clarified which level or unit, should take record of the deviation and responsibility for it. However, some crucial problems require particular considerations of a higher level. In this case, firms should consider the management by exception implementation (MBE) in order to solve the crucial problem in time. The framework of MBE should be integrated with the BSC approach. In addition, it supports the BSC implementation efficiently; these are the critical complementary elements that must be in place to make MBE work.

### **6. The indicators and performance measurement**

The performance measurement is one of the crucial issues. It supports managers to make better decisions. The managers require precise, timely, relevant information and so forth. Although the BSC measures designed base on the strategic objectives within four perspectives, it does not reflect the competitors and environmental organizations in the high competitiveness. In general, the performance measurement primarily manages the outcome, and one of its main purposes is to reduce and eliminate overall variations in the work products or processes. The goal is to come into concord sound decisions about actions affecting the product or process and its output.

Two categories of measurement are compared: (1) The qualitative, abstract measurements are too difficult for reliable decisions; (2) the quantitative measurements suit and fit organizations which comprises many principles. So that Firm must be very careful in designing and choosing the measurements in order to avoid a misleading decision. The accuracy of measurement is important, nevertheless striving to maximize, it is not always optimal. Cost and time needed for increasing accuracy should be taken into account and compared with gains resulting from higher accuracy (Petra P, 2012, p.208). Although the optimum's objectives were set, and the execution was followed, an organization might be failed in its purposes; the reasons are the organization might face with overestimate or underestimate targets, as well as, qualitative measurement issues. For this reason, the need of comparing with standard performance, is necessary as well as the measuring the past, present and future performance. In addition, to determine whether the strategy is implemented successfully and whether actual performance is good enough (Petra, P., 2012, p.278).

### *6.1. Comparison of past performance with desired results*

Although the past performance is not indicative of future results, it provides useful information as well as it influences the future decisions. Hence, the requirements for the performance measurement system should enable to track past performance, to record, save, analyse and compare it. As it had been mentioned, different operational levels and businesses have different purposes.

On the one hand, modern management approach is focused on evaluation of growth and development of capacity;

On the other hand, there are many crucial indicators (internal factors) related to an organization's historical experience (Pearce A., et al, 2015, p 175). As long as the decision is relevant to, it should be taken into consideration. Some crucial issues could be discussed: firms might compare profit margin percentages to the past, or for the innovative products companies should concern on the last model and develop beyond it.

### *6.2. Comparison with competitors; benchmarking*

In the worldwide competition, only firm, who has competencies of using their resources, will survive, e.g. the capability of producing high quality and worthiness's products beyond their competitors. In addition, the necessity is to uncover the strengths and weaknesses of their operations and compare somehow competitors' competencies, quality of products, location, marketing, operating facilities, technical and so forth. Providing strengths and weaknesses that a firm needs to resolve to be the best in the market.

The comparison of an organization performs in a specific activity with the competitors or others doing the same things, is effective and widely used in now a day. The circles of analysis are useful competitor's approaches that help visualize a firm's comparison with the key competitor based on the needs and desired attributes. Customers seek them when buying each company's product or services (Bisbe, J.,-Barrubés J., 2012, p.177).

Firstly, a firm must perceive about the unique value that provide to customers, but competitors do not have; for instance, product features, cost considerations, specific value chain, etc.

Secondly, the point of parity of its competitors, it means a value that others companies are provided and matched by your company. This point represents customer's expectations of features or basis of company's capability. Alternatively, in other word, it is disadvantages or weakness that a firm needs to remedy or seek, other markets or customers serve.

Thirdly, a firm must find out a unique value that its competitors provide to the customers (strength of competitors). What they seek to serve to customers and which strategy is going to build. This part is very important, it must be accurately judged, and otherwise it might lead manager risk on the decision; therefore, this information should be confirmed by customers.

Finally, how to create knowledge, innovative products, and services, which customers seek beyond the competitors? Integration of the benchmarking process with the BSC measurement can bring the significant information supporting managers to make a better decision. Narrowly, the benchmark is a clockwise stream from mission to business result and the downstream from vision to the action plan in the BSC. It revises a mean of the vertical decomposition of vision to the action plan and applies benchmarking implying the horizontal integration of compatible elements of BSC toward evaluation (Shahin, A., Zaira, M., p.15).

## **7. Integration of BSC framework and the vital tools, approaches**

The BSC is an integrated management system to develop and implement the strategy, and to align to other management functions (Kaplan, R. S., Wisner, 2009). Once the vision has been clarified and enhanced, the company has a clear picture of what it needs to achieve. Now it performs an external and internal analysis that includes a comprehensive assessment of its own capabilities and performance relative to those of competitors, as well as its positioning relative to industry trends (Kaplan-Norton, 2008, p47). To formulate the strategy, designed strategy map and execution requires coherent tools and technic and integrated it as an integral part. The integration is one of an important regard that firms should be carefully chosen, considering the nature of value, purposes, resources allocation, and activities behind it.



### 7.1. Formulation Strategy

- *The External analysis (PESTLE framework)*; it is necessary that firms must understand the environmental competition before forming the strategy. For example, based on learning and growth perspective, companies might analyses external situations by applying the PESTLE framework (Political, Economic, Social, Technology, and Legal). The tool enables managers to scope the area of external crucial factors and provides the overview of the different macro-environmental as well as to understand market growth or decline, business position, potential and direction for operations factors that the company has to take into consideration.
- *The Value chain*; firms need to analyse its performance and capabilities. How to create value for its customer and perform better than competitors. Firms can apply the value chain analysis that identify activities and adds the greatest value for its customers. This analysis supports managers to create value proportion.
- *SWOT analysis*; this tool assists managers to find out the help for achieving the organization's vision (strength and opportunity), as well as the harmful for achieving (weakness and treat).
- *Five forces models analysis*; the environmental competition, impact of each aspect that affect firms on competition. The analysis assists managers to understand competitors, market trend, customer demand and so forth.

### 7.2. Strategy Map

- *Shareholder value/Economic value added*; the financial performance method that indicates the operation performance that highlights the return's rate on the cost of capital for a company in the long-term.
- *Enterprise Risk Management and COSO*; the incorporated management tools are reducing the negative factors that can harm a company's ability to execute its strategy. It includes risk management and internal control that highlights on reducing financial operation, technological and market risks.

### 7.3. Integrated implementation

- *Lean manufacturing*; the method focuses on the productivity improvement, defect-free, customer value and so forth. The production performance is the crucial issues to bring customer and create value.
- *TQM/Sig Sigma*; the approach for managing the organization in order that the customer's value and expectations are served.
- *Activity base costing*; the tools determines cost and profitability of production base on the relationship between activities and products. It indicates cost and benefit of processes, products, customers, channel, regions, and units.

## 8. Summary, conclusions, and discussions

Strategies will be successful, not only in the way of the best formulation, but also by targeting the implementation of the best and well-translated strategies towards organizations. However, since strategy implementation is critical to carry out the success of any organization, there is the task to investigate it in particular management approach and find out the solution. In the BSC, like in others approaches, there are advantages and disadvantages. Thus, firms must be very careful of choosing and integrating the best ones.

Firstly, the translation of the strategy toward an organization is based on clear communication, deep control and monitoring of the essential elements. The superior level should always be considered, that every level must understand their goals in order that a firm enables to achieve the ultimate aims.

The management system should be applied (plan control and monitoring), as well as the negotiations of employees at every level, must be communicated. The mission is translated into long-term objectives by focusing on four perspectives, what more, the long-term goals more precisely identify the grand strategy (strategy map). However, the operational levels require more specific directions, so the short-term objectives, which are usually formed for one year or less, have been established through the budgeting process.

The budget is one of the effective communication channels. It translates the long-term objective to short-term ones, in specific crucial functions. The formulation of the budget is based on negotiations with employees who are in the best performance and knowledge. The essential components have been planned, such as sales plan, production plan, and labour plan, administrative expenditures plan, in order that a firm will be able to forecast the financial statements. Furthermore, the cash in- and out- flow are estimated, and they support managers in making a decision.

Once plans are not followed significantly, it will be supported immediately by Management by Exceptions (MBE). This process focuses on the crucial problems whose need particular consideration. However, the implementation processes require responsible centre (corporate levels) whose are immediately responsible for customer's needs, strategy and plans' revision, or any circumstances under the BSC supports.

Secondly, the indicators and measurement should be cleared in detail (objectives and subjects) in order to provide useful information. It should assist managers for controlling, monitoring and corrective plan in particular circumstances. The different levels have different indicators, and some indicators are depicted and generic. A firm might appropriately design of the indicator by comparing the past performance, variance analysis, (profit margin percentage, customer order percentage, the improvement of innovative products, and so forth). By contrast of standard performance in the same industry, for instance benchmarking, a firm might compare the efficiency of products, value proportion of products, and so on.

Furthermore, since a firm must be in the competitive position, the environmental information is necessary. Precise information needs to be compared with standard, or higher (benchmark), what is ongoing in the market, how the innovative products and services trend, should be in the position beyond competitors.

Thirdly, the efficient implementation requires the effective integration of management. Although the BSC provides effective implementation and measurements, it is necessary to feedback and control on environmental competition. In the control system, it is necessary for a firm to know about its competitors and external factors namely, assessment of its own capabilities, positioning of competitors and industry trend and so forth.

This paper investigates the BSC implementation effectively. It is interesting, the BSC have been developed far from the basic concept but, unfortunately, the framework is diverse and unclear on implementation. It might mislead firms on running processes and decision. Consequently, to apply the BSC, firms should consider what the positioning is? Also, choose the best and fit integrated once as well as implementing and measuring effectively. Also, communicate it through the efficiency of communication channels. However, this paper doesn't cover other limitations, for further research the attention should be put on investigation as follows: (1) the future orientation of applying the BSC: (2) the efficiency of intangible assets on the financial measurement for empirical evidence.

## Acknowledgements

Author thanks, Professor Bohumil Kral and Professor Jaroslav Wagner for their comments and suggestions on all the previous versions of this text. This paper has been also prepared under the moral support of my son Alin and technical help of my husband, Lubomir. All are gratefully acknowledged.

## References

- Arash, S. – Zairi, M. (2014): Strategic Management, Benchmarking, and The Balanced Scorecard (BSC). *An International Management Journal*, Vol. 2, Issue 2. Special Edition, pp.1 – 15.
- Atkinson, A. – Kaplan, R. S. – Matsumura, E. – Mark Young, S. (2012): *Management Accounting Information for Decision – Making and Strategy Execution*. 6th Edition. Pearson. Boston, pp.15-435.
- Bisbe, J., Barrubés, J. (2012): The Balanced Scorecard as a management tool for assessing and monitoring strategy implementation in health care organizations. *Rev Esp. Cardiol. (Engl. Ed)*. 2012 Oct; 65(10): pp. 919-27.

- Heinz Ahn (2001): Applying the Balanced Scorecard Concept: an Experience Report, 2001, pp. 441-461. Long Range Planning, 34 (2001), Pergamon, pp. 441-461.
- John A. Pearce II and Richard B. Robinson (2014): Strategic Management planning for domestic & global competition, 14th Edition, Publisher: Mc Graw Hill Education, pp. 175-199.
- Kaplan, R. – Norton, D. (1992): The Balanced Scorecard: Measures that Drive Performance. Harvard Business Reviews, (January-February), 1992, pp. 21-79.
- Kaplan, R. – Norton, D. (2000): The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment. Harvard Business Review, (January-February), 2000, pp. 29-64.
- Kaplan, R. & Norton, D. (2001): The strategy focused organization. How Balanced Scorecard Companies Thrive in the New Business Environment. Boston: HBS Press.
- Kaplan, S.- Norton, D. (2004): Measuring the Strategic Readiness of Intangible Assets. Harvard Business Review, 2004, pp.1-4.
- Kaplan, R. & Norton, D. (2005): Creating the Office of Strategy management, Harvard Business Review, pp. 1-18.
- Kaplan, R. & Norton, D. (2008): The EXECUTION PREMIUM Linking strategy for competition: Linking Strategy to Operation for Competitive Advantage. 2008. Harvard Business Review, pp. 35-281
- Kaplan, R. & Norton, D. (2009): Conceptual Foundations of the Balanced Scorecard. Harvard Business School, 2009, pp. 2-32.
- Kenerly, M. and Neely, A. (2002): Business performance measurement, theory and practice. Cambridge university press.
- Kraus, K. and Lind, J. (2010): The impact of the corporate balanced scorecard on corporate control – A research note, 2010, pp. 265-277.
- Lilian, C. and Kathy, H. (2000): The use of a balanced scorecard in Canadian hospitals. pp. 1-9.
- Lin, Z. – Yu, Z. – Zhang, L. (2014): Performance outcomes of balanced scorecard application in hospital administration in China. China Economic Review 30 (2014), pp. 1-15.
- Niknazar, P. (2009) “Application of integrated DEA-BSC model in strategic management”, 6th International Conference of Management.
- Norreklit, Hanne (2003): The balance of the balanced scorecard a critical analysis of some of its assumption, 2003, No.11, pp. 65-88.
- Norlaila Md Zin, Suzana Sulaiman, and Aliza Ramli, Anuar Nawawi (2013): Performance Measurement and Balanced Scorecard Implementation: Case evidence of a Government-linked Company, Int. Conference on Econ and Business Research, 2013. Procedia Economics and Finance, pp. 199.
- Neely, A. – Dennerley – Martinez, V. (2010): Does the balanced scorecard work; an empirical investigation. 2010, pp. 46-70.
- Petera, P. (2012): Performance measurement and management and It's interlinked with rewarding of Employees. The 13th Annual Doctoral Conference, Vol. I, Faculty of Finance and Accounting, University of Economics, Prague, 2012, pp.208-278.
- Putakarn, P. (2011): Problems and Obstacles from Organizational Management in Using Balanced Scorecard in Bangkok Area. Revenue Office of 18 offices, 2011, pp. 36.
- Rompho, N. (2011): Why the Balanced Scorecard Fails in SMEs: A Case Study, 2011, Vol. 6, No.11, pp. 39-46.
- Shahin, A. – Zairi, M.: Strategic Management, Benchmarking and the Balanced Score Card (BSC): An Integrated Methodology. International Journal of Applied Strategic Management. Volume 2, Issue 2. p.15.
- Speckbacher, G., Bischof, J. (2003): A descriptive analysis on the implementation of Balanced Scorecards in German-speaking countries. Management Accounting Research 14, 2003, pp. 361-387.
- Wim A. Van der Stede, Chee W. Chow, Thomas W.Lin. (2006): Strategy, Choice of Performance Measures, and Performance. Behavioral Research in Accounting, 2006, Vol. 18, pp.185-205.