

Research on the optimization measures of balanced scorecard in enterprise management

Le Zhang

School of Business, Xi'an International Studies University, Xi'an, China

Abstract: *The Balanced Scorecard is a performance evaluation system proposed by Robert Kaplan and David Norton of Harvard Business School in the early 1990s as a "future approach to organizational performance measurement" and is considered a milestone in the development of performance management theory. It is currently used by more than 50% of the top 500 companies in the world. This paper analyzes the current situation of the application of the balanced scorecard in enterprises, analyzes the factors influencing the implementation of the balanced scorecard, and proposes the optimization measures of the balanced scorecard in enterprise management.*

Keywords: *balanced scorecard, enterprise management, optimization measures*

1. The content and advantages and disadvantages of the balanced scorecard

1.1 The meaning of balanced scorecard

The Balanced Scorecard breaks with the traditional performance management approach that focuses only on financial metrics. It argues that the traditional financial accounting model can only measure what has happened in the past, but cannot assess the organization's forward-looking investments. In the industrial age, a management approach that focuses on financial metrics is still valid, but in the information society, the traditional performance management approach is not comprehensive. Organizations must gain momentum for continuous growth by investing in customers, suppliers, employees, organizational processes, technology, and innovation. Based on this understanding, the balanced scorecard approach suggests that organizations should examine their performance from four perspectives: the innovation and learning perspective, the internal process perspective, the customer perspective, and the financial perspective.

The balanced scorecard reflects many aspects such as the balance between financial and non-financial measures, the balance between long-term and short-term goals, the balance between external and internal, the balance between results and processes, and the balance between management performance and operational performance. Therefore, it can reflect the comprehensive management situation of the organization, make the performance evaluation tend to be balanced and perfect, and facilitate the long-term development of the organization [1-2].

1.2 Advantages and disadvantages of the balanced scorecard

The advantages of the Balanced Scorecard are that it can overcome the short-term behavior of financial assessment methods; make the whole organization act in a consistent manner and serve strategic goals; effectively translate the organization's strategy into performance indicators and actions at all levels of the organization; help employees at all levels communicate and understand the organization's goals and strategies; facilitate the learning and growth of the organization and employees and the development of core competencies; achieve long-term organizational development; and improve the overall management of the organization through the implementation of the BSC organization's overall management level. Specifically from the following four points.

1) Balanced Scorecard is a systematic strategic management system based on system theory. The Balanced Scorecard is a core strategic management and implementation tool, which is a strategic management and implementation system that effectively combines the objectives of the four perspectives and initial action plans through design and implementation based on a consensus of the overall corporate development strategy. Its main purpose is to translate corporate strategy into concrete actions to create a competitive advantage for the company.

2) The balanced scorecard is an advanced performance measurement tool. The Balanced Scorecard divides strategy into four different perspectives of operational objectives and designs appropriate performance measures according to these four perspectives. Therefore, it not only provides enterprises with various information necessary for effective operation and overcomes the interference of information complexity and asymmetry, but more importantly, it provides enterprises with quantifiable, measurable, and assessable indicators, which is more conducive to comprehensive and systematic monitoring and promoting the achievement of corporate strategy and vision.

3) Balanced Scorecard as a communication tool. It is the most fundamental and powerful feature of the entire system. A well-designed, clear and effective performance indicator clearly describes the company's designated strategy and makes the abstract vision and strategy concrete.

4) Cause and effect relationship between Balanced Scorecard performance indicators. The difference between the Balanced Scorecard and other performance management systems lies in the focus on cause and effect relationships. The balanced scorecard is not only a management tool, but also a management idea: only quantifiable indicators can be assessed, and the indicators to be assessed must be quantified; the achievement of the organization's vision should be assessed in many aspects, not only financial elements, but also including customers, business processes, learning and growth [3-4].

The disadvantages of using the Balanced Scorecard are mainly in the following four aspects.

1) The difficulty in using the balanced scorecard is trying to "automate" it. There are some items in the balanced scorecard that are difficult to interpret or measure, especially non-financial indicators that are often difficult to establish.

2) Determining performance metrics is often more difficult than one might think. Business managers should focus on the cause-and-effect relationships in their strategies so that they can integrate them with their metrics. While managers often understand the link between customer satisfaction, employee satisfaction and financial performance, the Balanced Scorecard does not guide managers on how to improve performance to meet desired strategic goals.

3) When the organizational strategy or structure changes, the balanced scorecard should be realigned with it, and the negative impact comes with it, because it takes a lot of time and resources to keep the balanced scorecard updated and effective at all times.

4) Balanced scorecards are difficult to implement. A typical balanced scorecard takes 5-6 months to implement and several more months to restructure and regularize, so the total development time often takes a year or more, the metrics can be difficult to quantify, and the measurement methods can produce too many performance measures.

2. Current status of application of balanced scorecard in business management

2.1 Current status of development of balanced scorecard application

After Kaplan and Norton extended the balanced scorecard to the strategic management system of enterprises in 1993, the balanced scorecard began to be widely accepted and recognized by the global business community, and more and more enterprises benefited from the practice program of the balanced scorecard, while the balanced scorecard was also extended to non-profit organizations. In the U.S., for example, relevant statistics show that by 1997, about 60% of the Fortune 500 companies in the U.S. had implemented performance management, while in the so-called financial services industry such as banks and insurance companies, the percentage was even higher, which cannot be said to be unrelated to the overall excellent performance of U.S. companies in the 1990s. On the government side, the BSC was introduced in the early 1990s, and by 1993 the U.S. government passed The Government Performance and Result Act (GPRA). Today, performance management has been established and implemented in nearly all branches of the U.S. federal government, all branches of the military, and most state governments, and the focus has now shifted to implementing performance management at the city and county levels of government[5].

The Balanced Scorecard was first implemented in many companies in the United States and has now been extended to companies in many countries around the world, and in almost every industry, the demand for the Balanced Scorecard is growing exponentially every year in all industries (even in some non-profit organizations). The 2003 Balanced Scorecard Collaborative Pty Ltd survey showed that 73% of companies surveyed worldwide are either implementing or planning to implement the Balanced

Scorecard in the near future; 21% are on the fence about the Balanced Scorecard; and only 6% are not planning to implement the Balanced Scorecard.

2.2 Obstacles to the implementation of balanced scorecard in business management

The balanced score approach is a very complex system because it emphasizes not only the balance between short-term and long-term goals, internal and external factors, but also the convergent factors of results. Its implementation process is bound to encounter difficulties.

1) Cost aspect of implementation

The implementation of the Balanced Scorecard is not a "one-time event", but a continuous process. The Balanced Scorecard requires a company to consider the implementation of strategic objectives in four areas: finance, customers, internal business processes, and learning and growth, and to set detailed and clear objectives and targets for each area. It requires the participation of all members, so that each department and each person has their own balanced scorecard, at a greater cost to the company.

2) Organizational and management system aspects

According to the survey, management spends nearly 85% of its time in routine management meetings dealing with business improvement issues, but less than 15% of its time focusing on strategy and its execution. Too much attention is paid to the functions of each department, but the organization's operations, business processes and resource allocation are not aligned around the strategy.

3) Information exchange

The preparation and implementation of a balanced score involves a large number of performance indicators and analysis, which is a complex process. Therefore, the imperfect management of information and the construction of information infrastructure will become another obstacle to the implementation of a balanced score. This is especially true in Chinese companies. The management of Chinese enterprises has realized the importance of information and paid sufficient attention to it, but in the process of implementation, the construction of information infrastructure is constrained by departments and it is difficult to share information between departments, which not only affects the business process but also is an obstacle to the implementation of the balanced score approach.

4) Awareness of performance appraisal

Any kind of performance system, a performance appraisal, and a performance evaluation is based on the concept first, and can be effectively implemented throughout after a full and correct understanding of the system, appraisal and evaluation. The implementation of the balanced scoring method must be supported not only by top management but also by the management of each natural business unit. Some companies often ignore the importance of education and training when implementing performance evaluation systems. It is the lack of publicity and guidance of performance evaluation concept that leads to low active participation of employees in the process of performance evaluation, which adds a lot of work for management and employees, and at the same time employees do not fully understand the meaning and value of performance evaluation, and often have irresponsible attitudes and behaviors in their work, resulting in performance evaluation being a formality. Although top management clearly recognizes the importance of reaching a strategic consensus, few companies effectively translate strategy into connotations that can and must be understood by basic employees and make it the highest guiding principle for employees.

5) Evaluation indicators and weight setting

Some enterprises' evaluation indexes are biased to sales volume, sales revenue growth, expanding market share and these financial indicators, while non-financial indicators are almost not involved or have no substantial assessment significance, and the indicators are set in a formal way and the indicators are set repeatedly; at the same time, there is a lack of reasonable methods to determine the weights of indicators, and the weights of some indicators account for a relatively small amount in the performance evaluation, and some indicators and weights are directly designated by the higher management, resulting in The evaluation results are obviously subjective and cannot reflect the performance evaluation results objectively, comprehensively and truly.

6) Application of assessment results

The final result of performance evaluation is to make a comprehensive evaluation of the overall operation and management of the enterprise, and to find out the shortcomings in operation and

management, and then to improve the performance of the enterprise to win the market competition. The results of performance evaluation in some companies are only used for the formulation of salary and promotion of employees, and there is a lack of a comprehensive employment structure and effective planning of employees' career. This does not provide clear guidance for poorly performing departments and employees with problems, and does not help much to improve their performance and work ability, nor does it promote the development of the business unit[6-7].

3. Influencing factors of implementing balanced scorecard

Chinese companies are influenced by various factors when applying the balanced scorecard. The size of the company, the attitude of the executives, and the standardization of the system all affect the effectiveness of the application of the balanced scorecard.

1) Enterprise size

Numerous studies have shown that the adoption of Balanced Scorecard in small-scale enterprises lags behind that of large-scale enterprises. This is because large companies tend to be ahead of smaller companies in terms of capital, technology, people and management. It requires a clear strategic goal and four dimensions of finance, customer, internal business process, learning and growth to design the performance index system, which is a very large project and requires a lot of time and financial support, as well as training of senior management on the knowledge related to balanced scorecard. Large enterprises may have certain advantages in mobilizing and integrating resources to make the balanced scorecard land safely. On the other hand, large scale enterprises involve more businesses, complicated internal processes, more management levels and more functional departments, so in order to better manage each department and clearly assess the performance of each department, large scale enterprises are more inclined to apply Balanced Scorecard before small scale enterprises.

2) Whether the balanced scorecard is standardized

The Balanced Scorecard is based on the western scientific and standardized enterprise management system. The introduction and application of the Balanced Scorecard is a long-term, systematic and complex process, which, if successfully applied, can help enterprises conduct more comprehensive performance appraisals and achieve strategic goals. However, there is a prerequisite for the application of Balanced Scorecard, which requires that the company that introduces Balanced Scorecard itself has a better management system. Without this prerequisite, it is difficult for the balanced scorecard to be successful.

3) Attitude of senior management

Top management usually has the right to make decisions on which management system to use. If senior managers have a good understanding and knowledge of the Balanced Scorecard and believe that the Balanced Scorecard is applicable to their own companies, they will create the conditions and environment for the implementation of the Balanced Scorecard in their companies and provide the resources necessary for the Balanced Scorecard. The introduction of the Balanced Scorecard is a long-term process that takes at least two to three years. It not only requires managers to have the courage to introduce the balanced scorecard, but also to ensure that there are enough resources to guarantee the smooth implementation of the balanced scorecard. At the same time, the introduction of balanced scorecard will affect all departments of the company, which requires managers to coordinate and communicate well with all departments. At the same time, since the balanced scorecard serves the strategic objectives of the company, the top management has to adjust and revise the balanced scorecard in time when the strategy changes with the environment.

4. Optimization measures of balanced scorecard in enterprise management

4.1 The implementation principles and steps of the balanced scorecard

A well-structured balanced scorecard should contain a series of linked objectives and measures that are not only coherent but also mutually reinforcing. To build a balanced scorecard that is evaluated against strategy, three principles must be followed: cause and effect; outcome measures and performance drivers; and financial linkage. These three principles link the balanced scorecard to corporate strategy, with a chain of cause and effect representing how current processes and decisions will positively impact future core results. The purpose of these measures is to represent to the organization new workflow norms

and to establish a logical process of strategic priorities, strategic outcomes, and performance drivers for the transformation of corporate processes.

After clarifying the company's vision and strategy, the Balanced Scorecard is designed with four major components: financial, customer, internal processes, and learning and growth components, the next level is to assess the critical success factors of the company, and the last level is to design critical evaluation indicators linked to the strategy. In the process of practical application, companies need to consider the industry environment, their own strengths and weaknesses, their development stage, their size and strength, etc. To summarize the experience of successful implementation of the balanced scorecard, it generally includes the following steps.

1) Establish and advocate the company's vision and strategy. The company should first establish the vision and strategy so that each department can use some performance measures to accomplish the company's vision and strategy; in addition, you can also consider establishing departmental-level strategies. At the same time, set up a balanced scorecard team or committee to explain the company's vision and strategy and establish specific goals in four areas: finance, customers, internal processes, and learning and growth.

2) Design and establishment of performance index system. The main task of this stage is to identify the most meaningful performance indicators for the four specific categories of indicators based on the strategic objectives of the enterprise, combined with the needs of long-term and short-term development of the enterprise. The designed indicators should be communicated from top to bottom, from internal to external, to solicit opinions from all parties and to incorporate suggestions from all parties and levels. After this communication and coordination is completed, the designed indicator system will be balanced so that it can fully reflect and represent the strategic objectives of the company.

3) Strengthen internal communication and education. Use different communication channels such as regular or irregular publications, letters, bulletin boards, banners, meetings, etc. to let managers at all levels know the company's vision, strategy, goals and performance measurement targets.

4) Determine specific numbers for annual, quarterly and monthly performance measures and integrate them with the company's plans and budgets. Pay attention to the cause-effect, driving and connecting relationships between various indicators.

5) Improvement and enhancement of the performance index system. First of all, the balanced scorecard should focus on whether the indicator system is designed scientifically and whether it can truly reflect the actual situation of the enterprise. Secondly, we should pay attention to the incompleteness of the performance evaluation after adopting the balanced scorecard, so as to supplement the new measurement indicators and make the balanced scorecard perfect continuously. Lastly, we should pay attention to the unreasonable points in the designed indicators, and we should resolutely cancel or improve them. Only after such repeated and serious improvements can the balanced scorecard better serve the strategic objectives of the enterprise.

4.2 Optimization measures of balanced scorecard in enterprise management

Although many companies in China have started to import and apply the Balanced Scorecard, its application in China is still in its infancy, and technical and detailed problems will arise in the application process, which need to be solved one by one.

1) Strengthen strategic management and establish a strict and standardized management system

The advantage of Balanced Scorecard is that it puts strategy at the center of management, decomposes clear strategic objectives into performance evaluation indicators according to four dimensions and forms a system, so to introduce Balanced Scorecard, we must strengthen the management of strategy, which is the top priority. Let employees do their daily work according to the performance indicators is the right direction.

The prerequisite for an enterprise to introduce balanced scorecard is that the enterprise must have a scientific and strict management operating system, especially the enterprise should have a high level of cost management, without a scientific and strict management system of the enterprise, the introduction of balanced scorecard for performance management may not be effective, therefore, if the enterprise wants to successfully apply balanced scorecard, the first thing is to standardize the internal management system of the enterprise.

2) Form a team dedicated to the implementation of the balanced scorecard

Establishing a balanced scorecard in an enterprise is a complex technical task that requires a dedicated team to study, control and implement it. One of the keys to establishing a professional team is to select the appropriate personnel, the team should have professionals with the knowledge of strategy, marketing and competition needed to establish an effective balanced scorecard, and the core people in the team should preferably be senior management, this is because the influence of senior management This is because the influence of senior executives is relatively large and it is easy to achieve cross-functional and cross-departmental cooperation, provide the necessary application environment and guide the work of the team. The balanced scorecard professional team lays a solid foundation for the balanced scorecard so that the company can effectively and quickly promote the balanced scorecard.

3) Implementation of the balanced scorecard must focus on future development

The balanced scorecard is a strategic management tool to predict the future, not a compensation management tool to measure the past. Once the balanced scorecard is turned into a basis for compensation, it will inhibit the role of the balanced scorecard in helping to achieve the strategic goals of the company. The Balanced Scorecard can certainly increase performance, but this performance can only have developmental significance if it is closely linked to the implementation of strategy.

4) Achieve employee participation and employee training

The promotion of the Balanced Scorecard is top-down and involves every department and every employee in the company. Therefore, for the Balanced Scorecard to be effective, all employees must be involved, understand the corporate strategy and contribute accordingly. Training can make the company aware of the advantages of the Balanced Scorecard, make employees accept the Balanced Scorecard, make the advantages of the Balanced Scorecard fully play in the company, and communication can understand employees' questions and problems about the Balanced Scorecard and reduce employees' resistance to the application of the Balanced Scorecard.

5) Diversified application of balanced scorecard assessment results

The application of performance appraisal results to personnel adjustment can optimize the staff structure, motivate employees to play their strengths in their areas of expertise, and the competency model of excellent employees, which is the basis for company recruitment. According to the survey data, the application of performance appraisal results in some enterprises is monolithic, mainly focused on the formulation of staff salary and promotion, but less involved in personnel adjustment and the combination with the overall development of employees, which only accounts for less than one-third.

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