

BALANCED SCORECARD: A STRATEGIC MANAGEMENT AND CONTROL TOOL: DOES IT ONLY DEAL WITH STRATEGY? - A PERSPECTIVE FROM MANAGEMENT STUDENTS

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ABSTRACT

The following study is carried out with the purpose to explore the perception of the management students for the overall performance management tool i.e. Balanced Scorecard. It comes under the domain of corporate performance management. This study is an interdisciplinary study having two remote disciplines, i.e. management education and corporate performance management. It is an exploratory study with sample size of 85 individuals; 38 employed and 43 students of management. The result shows no significant difference among the perceptions on different aspects of BSC of the two sample groups, i.e. existing students and management professionals. The results derived can be useful to the B-schools, professors, business organizations and researchers working in the field of academics.

KEY WORDS: Balanced Scorecard, Management Education, Management Students, Performance Management.

INTRODUCTION

There is a century old debate on whether managers are born or trained; whether they are artists or scientists. But the growth of management education and the requirement of skilled managers in business world answer positively to the idea of training and nurturing the individual to become a better manager. The question is whether the learning in the B-school is sufficient for a student to be effective manager in future. It is observed that at B-schools the basic courses are being taught in detail but the specialization area divides the learners in different streams. In this study two disciplines are being studied i.e. Corporate Performance Management and Management Education. Here we are focusing on a holistic tool which is developed by Kaplan and Norton in 1992 known as Balanced Scorecard. Typically it is being considered as pure strategic management tool which is a vague connotation. The myth is to be removed from the students' mind as this tool is as important in HR as in Strategy and as good as in Finance and Marketing. It deals with every aspect of a business organization. There is another argument which gave birth to the tool like balanced scorecard, several performance measurement systems and valuing

intangibles. It goes like that the total value of firm has only 25 percent of financial element in it and the rest 75 percent of the value is contributed by non-financial elements.¹ Thus ROI, M/B ratio, P/E ratio, EPS are not solely the result of financial decisions but also has the input from several other important non-financial drivers to enhance the value. Simons, R.; Davila (1998) also said that the financial ratios, numbers and percentages may be useful but none of these reflect the effective implementation of the business strategy. Thus, in practical world, financial measures are only one part of the whole story of measuring performance

2. Literature:

There are two sets of literature being incorporated. One being the literature on Balanced Scorecard, its need, importance, process, implementation and benefits while other being the literature on management education.

2.1 The Balanced Scorecard:

The literature from Balanced Scorecard majorly used for this study has been described in brief in the Table 2.1a.

Table 2.1a.: Literature on Balanced Scorecard

Title	Author(s)	Outcome
The Performance Measurement Manifesto	Eccles (1991)	Role of relevant information on the overall performance.
Putting the Balanced Scorecard to work	Kaplan, R.S. & Norton, D.P.(1995)	Balanced Scorecard is more than a measurement exercise; it's a management system.
Balanced Scorecard as Strategic Management System	Kaplan, R.S. & Norton, D.P.(1996)	BSC as a new strategic management system.
An investigation of the development, implementation, and effectiveness of the Balanced Scorecard: A field study	Davis, S.B. (2000)	BSC implementation has an effect on the performance but not significantly higher.
The Balanced Scorecard: Judgmental effects of performance measures linked to strategy	Banker et al. (2004)	Importance of understanding the role of nonfinancial measures
The Balanced Scorecard: A Comparative Study Of Accounting Education And Experience On Common Measure Bias And Trust In A Balanced Scorecard	Kaskey (2008)	The problem of managers placing more emphasis on the common measures of the BSC than on the unique measures.
Balanced scorecards: An experimental study of the effects of linking the evaluators' and subordinates' balanced scorecards on performance evaluation	Kang, Gerui. (2008)	Using Management students as a sample to measure the implementation effect of the BSC

¹ From the Introduction of the book Strategy Maps: Converting Intangible Assets into Tangible Outcomes by Kaplan, R.S. & Norton, Page 4.

2.2 Management Education:

Table 2.2a:Literature on Management Education

Title	Author(s)	Outcomes
Alternative Theory of Management Education	Richard Thorpe (1990)	What managers actually do and the skills and competencies required to do it, The idea of Action Learning
Assuring quality in management education: the Indian context	R. Jagadeesh (2000)	The number of institutes supplying the required number of management graduates satisfying the needs of the industries happens to be quite low.
Investment management education: Is there a gap between the perceptions of academics and of practitioners?	H.P. Wolmarans (2001)	Determining whether gaps exist between the areas that academics regard to be important and the areas that practitioners regard as such.
Legitimizing irrelevance: management education in higher education institutions	David Crowther, Chris Carter, (2002)	The development of the subject matter taught is in danger of becoming irrelevant to the needs of the customers purported to be served (i.e. present and future business managers)
Investigating management education: Seeking competitive advantage in a brave new world	2003 (A viewpoint)	Three characteristics: credible instructors, practicality, blend of methods and plan for application is desired

2.3 Literature Gap:

BSC coined to mitigate the short-term myopia of the executives regarding their performance and evaluation. There are several studies conducted on the effect of BSC on the performance of the employees/executives/managers. As BSC is the performance measurement, evaluation and management tool that is offered as a course in management education; it is relevant if the relationship is developed and perception is gauged from the upcoming professionals and the existing management professionals and compare them. Thus, this study tries to identify and reveal the perceptions and implementation difficulties about BSC from these two sample sets.

3. Methodology:

3.1 Research Objective:

The research objective of the study is “**To know the perception of management students regarding the Balanced Scorecard**”. In detail it is to be studied whether the current students and the passed out students perceive BSC as strategic management tool solely. Here the difference in the perception based on their occupation would be examined. It is also to be checked whether students give more weight to financial performance indicators for a business evaluation. BSC implementation difficulty is one idea to be examined. Further to that “at what stage Balanced scorecard should be introduced” is also a facet of research objective.

3.2 Research Questions:

First: What is Balanced Scorecard: A strategic management tool, a management control system tool or an overall performance management tool?

Second: Can a business be evaluated only on the basis of financial numbers?

Third: Is practical implementation of BSC in business difficult?

Fourth: Is there a need to introduce the concept and tool of Balanced Scorecard in the initial phase of management course?

Hypothesis 1: H0: BSC is a strategic management tool, a management control tool or an overall performance management tool.

Hypothesis 2: H0: Business evaluation is possible solely on financial numbers.

Hypothesis 3:H0: Implementing BSC is practically easy.

Hypothesis 4:H0: Introducing BSC in the initial phase of management course is necessary.

The research methodology followed for the study is summarized below in Table 3.

Table 3: Research Methodology

Research Design	Exploratory study
Sample frame:	All the students pursuing management course who are at advanced level, i.e. 2 nd year as well as those who have completed their management studies.
Sampling method	Non-probability, convenient
Sample size	85
Research Instrument	Questionnaire
Research Method	Online Survey, Personal Interview
Analytical tools	Two tailed t Test for two independent samples, Non-Parametric Test: Chi-Square statistics

4. Descriptive Statistics:

The sample for the study is the individuals who have the exposure to management courses i.e. current management students as well as those who are employed after completing their management courses. The subsequent tables show the demographic characteristics about the sample. The tables are resulted from SPSS software.

Table 4.1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	14	16.5	16.5	16.5
	Male	71	83.5	83.5	100.0
	Total	85	100.0	100.0	

Table 4.2: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<23	26	30.6	30.6	30.6
	24-27	46	54.1	54.1	84.7
	28-30	11	12.9	12.9	97.6
	30+	2	2.4	2.4	100.0
	Total	85	100.0	100.0	

Table 4.3: Current Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed	38	44.7	44.7	44.7
	Other	1	1.2	1.2	45.9
	Own a business	1	1.2	1.2	47.1
	Student	43	50.6	50.6	97.6
	Student+working	2	2.4	2.4	100.0
	Total	85	100.0	100.0	

Table 4.4: Work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<1 year	11	12.9	12.9	12.9
	>3 years	18	21.2	21.2	34.1
	0	26	30.6	30.6	64.7
	1-2 years	13	15.3	15.3	80.0
	2-3 years	17	20.0	20.0	100.0

5. Results and Interpretation:

For testing the hypothesis two statistical tests have been used in the study. The first test is **t-Test** that is used to compare the differences in means of two sample sets. This test is done because the objective is to know the perception differences if any between two major sample sets. The second test is non-parametric test. The survey gives nonparametric data and to get the results the **chi-square** test is taken for measuring averages and concluding overall result.

The t-test for measuring and comparing means of two independent samples provides the results as shown in Table 5.1 below. It provides the answers to two of the four hypotheses.

5.1 t-Test:

Table 5.1a: Group Statistics (Mean on a scale of 1=ofcourse and 5 = not at all)

BSC is..	Occupation (1=Employed, 2=Student)	N	Mean	Std. Deviation	Std. Error Mean
Used to implement strategy	1	38	2.4211	1.22213	.19826
	2	43	2.8837	1.51515	.23106
Used in measuring performance	1	38	3.1053	1.62397	.26344
	2	43	3.5814	1.40123	.21369
An overall performance management tool	1	38	1.5526	.68566	.11123
	2	43	1.4186	.62612	.09548
Only good in concepts	1	38	2.7105	1.01096	.16400
	2	43	3.4419	1.27806	.19490
BSC's Implementation in practical business is difficult	1	38	2.3158	1.04248	.16911
	2	43	2.9535	1.23353	.18811
To be taught in B- schools with rigor and practicality	1	38	2.0263	1.15048	.18663
	2	43	1.8605	1.03697	.15814

The above comparable means suggests that almost all the respondents equally perceive BSC as an overall performance management tool. They perceive BSC as it may not be a tool for measuring performance. There is a bit more difference about the perception of BSC as a conceptual tool and has limited applicability. Employed respondents perceive it may be a good tool in concepts while students' voice for it may not be good only in concepts. For other criteria, the result shows very minimal differences among the two respondent groups and lean on positive side of the scale.

Table 5.1b: t-Test Statistics

	Levene's Test for Equality of Variances		t-test for Equality of Means: $\mu_1=\mu_2$ ($\alpha=0.05,df=79$, two-tailed, Critical value:1.990)						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% CI	
								Lower	Upper
Strategy implementation	6.953	.010	-1.500	79	.138	-.46267	.30851	-1.07674	.15141
Performance measurement	5.237	.025	-1.417	79	.161	-.47613	.33612	-1.14516	.19289
Performance management	1.480	.227	.919	79	.361	.13403	.14576	-.15611	.42416
Implementation in practical business is difficult	4.761	.032	-2.495	79	.015	-6.37699	.25560	-1.14646	-.12894

The result for the above table is interpreted below:

Hypotheses (H0)	t-Test result	Interpretation
1. BSC is a strategic management tool, a management control tool or an overall performance management tool	H0: Not rejected(for strategic mgt tool and management control tool) H0: Rejected (for performance management tool)	There is no significant difference between the perceptions of two classes of samples when BSC is considered as strategic tool or control system tool. Only for the case BSC as a of performance management tool there is a significant difference between two samples.
3. Implementing BSC is practically easy	H0: Rejected	BSC implementation is not easy

Starting with the first hypothesis, it can be concluded that almost all the students whether they are pursuing the management course or are employed, they strongly perceive BSC as a management control tool. It may occur due to the introduction of BSC in the course of Management Control System (MCS). Overall the hypothesis is not rejected except for a component of performance management tool. Students and management executives still do not perceive BSC as an overall performance management tool. It is surprising to observe that although they strongly perceive it to be a management control system tool, the result for perceiving it as performance management tool and a strategic management tool is lower.

When the respondents have been asked about the utility and implementation possibility, they have the consensus to the notion of ‘good in theory only’. The test result indicates that the BSC concepts are good only in theory and it is very difficult to implement them in practical business situations.

5.2 Chi-Square Analysis:

The second test is Chi-Square test for nonparametric data. The following tables starting from Table 5.2a, 5.2b, 5.2c, 5.2d and 5.2e provides the descriptive statistics about the sample and the averages of three out of four hypotheses. The results drawn from Ch-Square statistics yield the overall scenario about the total sample and do not draw any conclusions about the differences in the sample.

Table 5.2a: Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Interpretation
A business can be evaluated only on the basis of financial numbers	85	3.7059	1.18345	1.00	5.00	Leaning towards disagreement
BSC can be considered as performance management tool	85	2.1412	.96551	1.00	5.00	Leaning towards agreement
BSC can be considered as management control system tool	85	2.2471	.91164	1.00	5.00	Leaning towards agreement
There is a need to introduce the concept and tool of Balanced scorecard in the initial phase of Mgt course	85	2.2235	1.12733	1.00	5.00	Leaning towards agreement

Table 5.2f: Chi-Test Statistics ($\alpha=95\%$)

	A business can be evaluated only on the basis of financial numbers	BSC can be considered as performance management tool	BSC can be considered as management control system tool	There is a need to introduce the concept and tool of Balanced Scorecard in the initial phase of Mgt Course
Chi-Square	0.21765	0.61529	0.76471	0.39059
df	4	4	4	4

The Chi-square test also brings similar results for the first hypothesis. The respondents perceive BSC as management control system tool as well as the overall performance management system. The degree of difference is not that great. The respondents still place importance on financial numbers when business evaluation is concerned.

Hypotheses	Chi-square test result	Interpretation
1. BSC is a strategic management tool, a management control tool or an overall performance management tool	H0 not rejected (Actual:0.69(avg of 0.6153 and 0.7647) Critical:0.7107)	BSC is perceived as management control system tool rather than overall performance management tool.
2. Business evaluation is possible solely on financial numbers	H0 not rejected (Actual:0.2176, Critical:0.7107)	Although respondents know about the BSC they still weigh financial numbers heavier. It is observed in table 3.2 above that the frequency for disagreement to this hypothesis is higher and that is why the actual chi square value falls closer to the rejection region. But statistically it is still under the acceptance region.
4. Introducing BSC in the initial phase of management course is necessary	H0 not rejected (Actual: 0.39059, Critical: 0.7107)	The voice of respondents is to introduce the BSC in the elementary courses of management.

In furtherance, when the respondents have been asked about the ability and sufficiency of financial indicators for managing and controlling a business, the response is positive for the same. It means that although they have been introduced to the non-financial indicators and their importance, they weigh financial indicators more.

The respondents voice for introducing the BSC concepts in initial phase of their course. The argument is as in most of the B-schools it is being introduced in the later phase of the course where several of the students don't opt for it due to specialization differences. This results in a limited exposure to the concept and practicality of it.

6. Managerial Implications:

The managerial implication from the study is of two faceted. First, the concept should be introduced in the initial one year of the two-year management programme. There are several students who are unaware about the concept and its implications in practical business scenario. Thus, such situation will demand extended training for such students at their respective workplace if they would supposedly need to work on this tool. It has a significant impact on the provision of relevant training for Balanced Scorecard specialists. The notion of 'only good in theory' needs attention here from academia.

7. Limitations:

There are few limitations which may have caused the results and their utility.

First and foremost limitation may be related to the sample as there are 44 students and 39 employed individuals being studied. So it may be possible that the results are skewed to the responses of students currently pursuing their management education.

Second limitation is the differences in work experience. Several employed students have less than one year of work experience which make them at par with the individuals who are currently students. Here work experience makes difference as those who have spent more than 1 year may have observed the use of BSC at their workplace.

The last limitation which is resulted in somewhat unclear results is the structure of questionnaire. All the results fell in the acceptance region and somewhere they are contradicting.

8. Conclusion:

The results of the study clearly bring out certain conclusions on the concept clarity, pedagogy, utility of BSC and the difficulties associated with the understanding. To conclude the study, it can be argued that although the concept of BSC is much talked and much appreciated, it lacks its utility as far as the management education is concerned. The reason for difficulty in implementing a BSC in any business situation lies in the above argument. The students don't have any sort of practical exposure to exercise the tool. Thus, it results in their inability to appreciate its utility and importance when they get exposed to it in field. The management students still weigh financial indicators heavier as compared to non-financials. The current management education lacks practical approach and constant updates with rapidly changing business environment. The dynamic learning environment is needed to be created and nurtured by the instructors. The dynamic learning environment involves instructors managing the student expectations and students being self-responsible towards learning. The image of BSC is still ambiguous as far as learners are concerned. Because the existing students do not possess the detailed concept clarity, they face difficulties at the time of implementation.

The study can be extended to other subjects and courses. It can also be developed further by verifying the effects of tenure of work experience and the responses. For this a longitudinal study can be done. Further, the study can be extended as an experimental study by taking two classes of students.

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