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## Barriers to Balanced Scorecard (BSC) Implementation

Herrera-Collins Marco Antonio Henry<sup>1</sup>, Alfaro-Olivera Rosa Liliana<sup>2</sup>, Alarcon-Farfan Veronika<sup>3</sup>, Laredo-Chacón Eduardo Renán<sup>4</sup>, Wong-Vásquez Elsa Milagros<sup>5</sup>

### **Abstract**

*Organizations seek to remain in the market and to do so develop strategies that allow them to do so; the Balanced Scorecard or the balanced scorecard, allows to integrate the strategies to be developed and make an evaluation of how they have been developed. However, it often happens that when the organization tries to develop the Balanced Scorecard, as a strategic tool, it does not have the expected results, discovering costs to the company. It is for this reason that the purpose of this study is to review the information that explains the barriers to the implementation of the Balance Score Card (BSC). In order to fulfill the objective of the investigation, a qualitative investigation was carried out through an interpretative documentary systematic review, which allowed the theoretical support of the conclusions of the document to be given, finding that the implementation of the Balanced Scorecard or the balanced scorecard as The strategy must be carried out based on effective communication of the organization's objectives, support and commitment from senior management, as well as be developed based on an integrated work of the organization.*

**Key words:** *Strategic planning, BSC, evaluation and control, management.*

### **Introduction**

Organizations constantly seek to be efficient and effective in order to achieve their objectives and be able to remain in the market, for this they implement the strategies that they think best and can meet what is proposed. The Balanced Score card has been one of the tools that organizations have used to keep track of their actions with what was planned and thus be able to map the situation of the organization, so that it is aligned with the company's vision.

The fulfillment of short-term objectives will allow the fulfillment of long-term objectives, these objectives must be measurable, consistent, reasonable, challenging, clear, correctly communicated and assumed by the entire organization (David & David, 2017). Strategic evaluation and control are essential to align day-to-day actions, which constitutes the third stage of the strategic process, following the sequential model (D'Alessio, 2013). This part of the process is essential because it provides the feedback needed to make adjustments and corrections that will allow the company to achieve long-term goals and vision (David & David, 2017). Kaplan and Norton propose the BSC, which is a business management methodology that is responsible for aligning the strategy of organizations with management indicators. It is

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<sup>1</sup> Universidad Nacional Mayor de San Marcos, Email: mherreraco@unmsm.edu.pe, Orcid: 0000-0002-8023-061X

<sup>2</sup> Universidad Andina del Cusco, Email: ralfaroo@uandina.edu.pe, Orcid: 0009-0000-3771-5892

<sup>3</sup> Universidad Católica de Santa María, Email: valarcon@ucsm.edu.pe, Orcid: 0000-0002-3348-553X

<sup>4</sup> Universidad Católica de Santa María, Email: valarcon@ucsm.edu.pe, Orcid: 0000-0002-3348-553X

<sup>5</sup> Universidad Tecnológica del Perú, Email: c19528@utp.edu.pe, Orcid: 0009-0008-1404

a business management model that relates business objectives to each other and determines them through various metrics linked to specific action plans that guide the initiatives of each employee until the goals are met. (Kaplan & Norton, 1996a).

However, not all organizations have been successful in implementing the Balanced Scorecard (BSC) and this generates incurring both development and implementation costs, which will be reflected in the company's results.

It is because of the above and considering the importance for organizations to optimize their results and implement a strategic tool that we ask ourselves the following question: How to identify the barriers in the implementation of the Balanced Scorecard (BSC) that could affect the Organization?

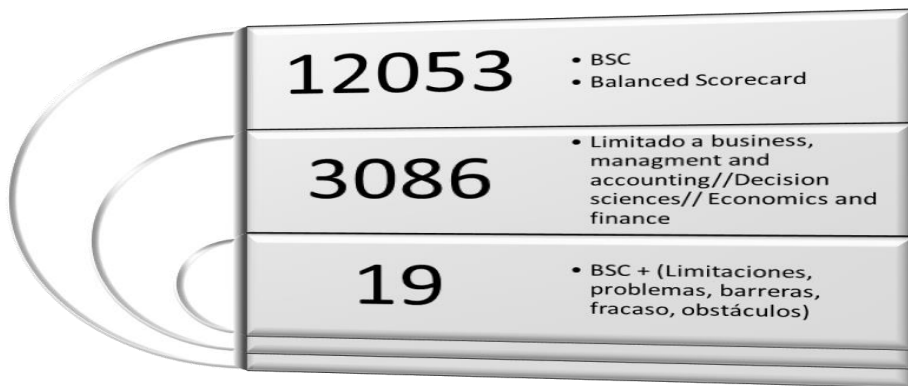
To answer the question posed, we will review some of the research presented by the authors on the subject and then, based on the information collected, present the findings found.

## Methodology

The research has a qualitative, documentary-type interpretive design through a systematic review.

The search for the documents was carried out through the specialized database Scopus, finding 12,053 documents for which the filters were made according to the keywords (See Figure 1) which reduced to 3,086 articles and finally remained in 19 articles, when the search was refined using the terms "BSC + Limitations, barriers, failures, obstacles"

**Figure 1:** Systematic Review: Barriers to Implementation in original language: Spanish.



**Note:** Authors' Own Elaboration.

## Results

The Balanced Scorecard, according to Scaramussa (2010), is a complete management system that allows the integration of both aspects of strategic direction and the performance evaluation of the business. One of the most prominent indicators for years, and perhaps the most kept in mind for organizational evaluation, has been the financial aspect. Today it could be said that the needs have taken a turn and there are other priorities that are aimed at having the ability to achieve excellent results, based on having an integrative strategic planning of the different aspects of the company, which represents a revolution in relation to the traditional managerial

approach: that is, assuming self-control. However, the Balanced Scorecard (CMI) preserves the financial measurement as a summary of the managerial performance, in which a series of measurements are involved in a general and comprehensive way, linking customers, internal processes and employees. "The Balanced Scorecard did not originate from the concepts of strategic management", but was born by the Americans Robert Kaplan and David Norton, with the idea of designing a strategy that would make it possible to measure the satisfaction of the end customer. This strategy consists of four indicators:

- Customer
- Internal Business
- Innovation & Learning
- Financial perspective

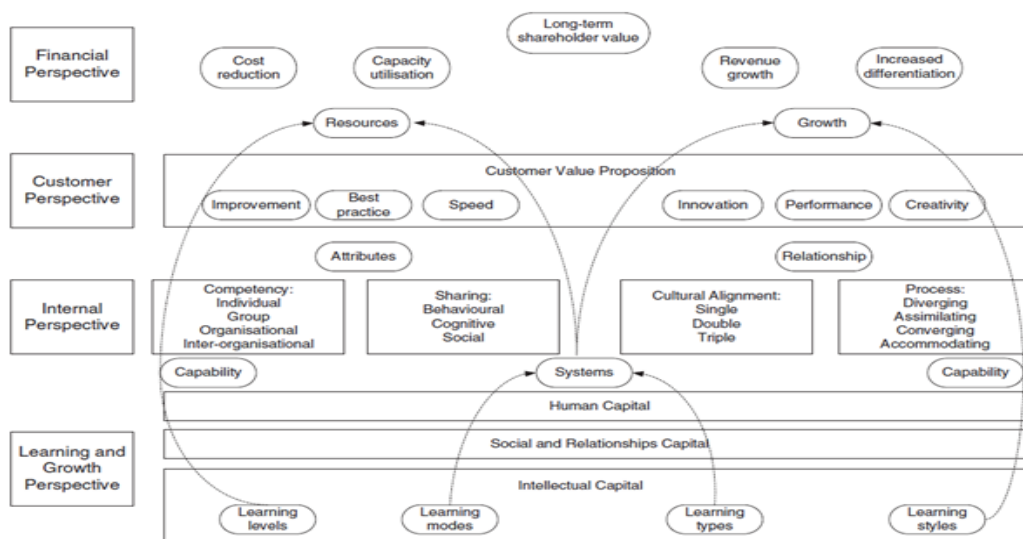
Approximately 20 years after the creation of the Balanced Scorecard (hereinafter, BSC), the BSC is the sixth most widely used management tool by organizations (Rigby and Biledau, 2011). The aim of this article is to identify the key factors for the implementation of a BSC in organizations. To this end, the authors analysed two cases of BSC implementation: one of success and the other of failure. The findings were categorized by responses to the following questions: What was implemented? Findings: The four key factors for the successful implementation of the BSC identified in this study, which complement the existing literature on the topic, are: previous experience of project leaders; linking the BSC to available resources; coherence between organizational structure and strategy; and finally, conduct a pilot test. Keywords: balanced scorecard, strategic management, performance indicators, decision making, case study. Where was it implemented? Who implemented it? How did you implement it? and Why was it implemented? The four key factors for the successful implementation of the BSC identified in this study, which complement the existing literature on the topic, are: previous experience of those responsible for the project; linking the BSC to available resources; coherence between organizational structure and strategy; and finally, conduct a pilot test. Pham et al., 2022)

In a qualitative study of a public health organization in Australia, Khalid et al. (2022) identified that the internal barriers that generate resistance to the incorporation of environmental performance dimensions in the BSC are: The existing role of environmental disclosure, insufficient BSC knowledge on sustainability, lack of support from BSC champions, organizational culture, and limited environmental engagement practices. Proposed solutions to support decisions to integrate environmental performance into the BSC are: Recruiting sustainability experts, articulating financial motivations, and acknowledging external pressures.

On the other hand, Abdalla et al. (2022) in a qualitative research with interviews with 12 banks in Sudan, found that the main barriers to the implementation of BSC in the country's banking sector are: Lack of motivation and commitment from senior management, lack of awareness, lack of training, the high cost of implementing BSC, the claim of sufficiency of the current system, difficulties in measuring the prospects of the BSC, and insufficient IT support. The findings suggest that the Central Bank of Sudan should encourage senior management in the banking sector to consider the use of BSC as a priority and include it within their strategic plans, initiate budgets, and other resources for better implementation of BSC (Gowindasamy and Jantan, 2018, as cited by Abdalla). The study also found some common barriers with other studies, such as a lack of motivation and commitment from senior management.

Massingham et al., (2019) propose a BSC perspective of learning and growth, redefining the concept of integrated thinking (learning) and more fully connecting that learning with future value creation (growth). A new BSC strategy map illustrates how this revised perspective of learning and growth interacts with BSC's other three perspectives to create long-term shareholder value through knowledge management and growth within an organization, the authors encourage further discussion on how to report and disclose information on intangible assets, driven by a new conceptual strategy for organizational learning that fully supports the BSC's ability to aid integrated thinking and future value creation for the integrated information framework. One of the criticisms highlighted in the study is that the BSC is too abstract to capture value creation, subjective, and too dependent on the designer.

**Figure 2:** The New BSC Learning & Growth Strategy Map for Integrated Reporting.



**Note:** Taken from "Improving Integrated Reporting: A New Learning and Growth Perspective for the Balanced Scorecard" (p, 16), by Massingham et al., 2019.

Madsen and Stenheim (2014) in a qualitative study with Scandinavian BSC users, identify four problem areas in their implementation: First, the conceptual issues are related to understanding the most complex part of the BSC concept, such as cause-and-effect relationships and the development of strategy maps, and how to modify and adapt the standard BSC model to fit the organization. Second, the technical issues are related to technical infrastructure, software, and too much focus on measurement. Thirdly, social problems are related to the incompatibility between the BSC and the organisational culture, lack of participation of the members of the organisation and the lack of commitment of senior management. Finally, political issues are related to the underestimation of time and resources needed to implement the concept, lack of a champion concept, difficulties in maintaining continuity during adverse times, and different types of organizational resistance to the concept.

The cognitive stage associated with the transformation of the company's strategic vision and mission into its strategic objectives is one of the most crucial and vulnerable stages of strategic management, as management faces the problem of developing a coordinated collective opinion on the content of the goals being formed and the problem of objective evaluation of their effectiveness. The difficulties here are due to the phenomenological characteristics of the stage,

such as the informal nature of the transformation procedure, the multi-criteria nature of the objectives, numerous uncertainties and risks exacerbated by the greater variability of business environments, cognitive barriers caused by linguistic discrepancies, and differences in the professional experience of strategy developers. Such characteristics of the scenario ultimately lead to ambiguous decisions regarding the content of the goals and ambiguous evaluations of their effectiveness. In these circumstances, traditional support tools (numerous versions of expert methods, brainstorming, Norton and Kaplan BSCs, SMART technology, etc.) face serious limitations. Karayev (2019), proposes a cognitive technology to form a coordinated set of the company's business objectives that, to a large extent, takes into account the characteristics of the given stage. The technology is a unique procedure that integrates the capabilities of traditional support tools and expands the creative potential of support based on psycho-semantic models and non-metric multidimensional scaling methods. The results of a study carried out in several companies show that cognitive technologies open up new perspectives for the analysis of objectives. They can serve as a useful complement to existing support tools and contribute to the design of more effective and realistic trading strategies

Ito, (2022) conducted an Action Research study referring to the problems faced by the director of the Bethlehem Hospital office in implementing the balanced scorecard (BSC) and sheds light on the steps the author took to remedy these problems. Initially, the hospital director developed the BSC at the corporate level without impacting the departmental levels; independently, lower-level managers developed their departmental strategy maps but failed to connect them to the hospital's corporate BSC. In addition, the director had some problems linking the hospital's BSC with the electronic medical record system; therefore, he developed the electronic medical record system independently of the BSC. To mitigate these issues, the author redesigned the corporate BSC with the goal of cascading its aggregate measures and strategic initiatives to its departmental levels to align the departments' goals with those of the company and ensure the successful implementation of the BSC.

Martinsons et al. (1999) address corporate performance evaluation by supplementing financial accounting data with objective-related measures from the following perspectives: customer, internal business process, and learning and growth, explaining that the concept of BSC can be adapted to help those managing business functions, organizational units, and individual projects. In this case, it develops a balanced scorecard for information systems (IS) that measures and evaluates IS activities from the following perspectives: business value, user orientation, internal process, and future readiness. It concludes that an IS balanced scorecard can be the basis for a strategic IS management system, provided certain development guidelines are followed, appropriate metrics are identified, and key implementation hurdles are overcome.

Wang et al., (2010) propose a model to measure the acceptable performance of high-tech firms based on financial interaction, customers, internal business process, and learning and growth perspective. The HBSC structure integrated with non-additive fuzzy integral was employed to design, develop and implement high-tech enterprises relevant to performance measurement to overcome the interaction between the various perspectives. Sixteen samples from eight high-tech companies are used throughout the study to explain how model execution works.

Using the proposed model, fuzzy evaluation of the decision-maker and the interaction between various evaluation criteria can be an approach to the performance evaluation of the aggregation, thus ensuring a more effective and accurate performance evaluation and decision-making. In light of this empirical evidence, the results provide guidance for measuring the performance of high-tech firms both in identifying appropriate metrics and overcoming key

implementation hurdles to improve the firm's operational efficiency and thus assist for future strategic adjustments.

Kaplan and Norton (1997) identified four barriers to effective strategy implementation: (i) Non executable visions and strategies, (ii) Strategies not associated with the goals of departments, teams, and individuals, (iii) Strategies not associated with long- and short-term resource allocation, and (iv) Tactical, not strategic, feedback.

According to what was reviewed by Luo and Xeng (2013), the BSC has the following limitations for its implementation in emerging economies, especially in the case of China, which would be: i) Ambiguity between cause and effect, for example; Improving the customer's perspective might not necessarily improve financial results. ii) strategic control barriers, this point refers to the fact that the BSC is designed by the management, with the participation of the rest of the organization being limited and also access to information about the environment and the strategy in general.

## **Discussion**

When Kaplan and Norton (1996) proposed the systematization of strategic management by integrating it with the evaluation of organizational performance, they conceived a tool based on a betting card (strategic objectives) in which each play (strategic initiative) had a hope of success (goal) and as the draws were given, the obtaining of successful moves (measurement of indicators) was checked. Now, the bets on this booklet are formulated according to the nature, desires and behavior of the player (mission, vision, values); so basically their proposal is based on a game, on the monitoring of it, hence the English conception of the Balanced Scorecard. With this, it is assumed that the manager is the main bettor, the integrating element of the game, so his focus, dedication and concentration are key in the formulation of the combination of bets and the types of games chosen, so his abilities of directing strategies and evaluating performance in the game are fundamental in an efficient management of the betting portfolio.

In the business field, from the initial conception of Kaplan and Norton (1996), through Scaramusa (2010), Rigby and Biledau (2011) and David and David (2017), to the definition proposed by Karayev (2019), it is evident that the central axis of a Balanced Scorecard (CMI, already in its generalized meaning in Spanish due to its better semantics) is to monitor the behavior of the strategies implemented in the proposed period while monitoring the behavior of the strategies implemented in the proposed period. Necessary adjustments are made as circumstances are identified that threaten to divert the results of the indicators from the proposed end targets. This conception has also been affected over the years by the evolution of technology and its application in the field of process management and project management, and today it is practically inconceivable to take control of a CMI without the concurrence of the use of technological resources, the more automated, the more automatic better.

However, like everything in human endeavor, obtaining results from the implementation of a CMI depends a lot on the organizational capacity of all levels of management in companies, so it requires a multi-organ strategic planning that considers the competencies of each manager, technician and collaborator involved, in order to guarantee the self-control of the company's processes. This poses inexorable challenges for every manager who wants to take control of a CMI depending on the organizational culture, level of motivation and attitude towards change

on the part of the collaborators, so much so that Khalid et al. (2022), Abdalla et al. (2022), Massingham et al. (2019) and Madsen and Stenheim (2014) agree, although in different terms, in that the most frequent (and hardest) barrier encountered in the implementation of a CMI is the conceptual one, the one by which the lack of knowledge on the part of the tactical and operational levels of the benefits that this tool provides together with the methodology required by its application causes resistance to the control of indicators, lack of support in the efficient collection of information and, in general, poor control processes. Faced with this situation, the solution proposed by Ito (2022), who evidently includes the key factors substantiated by Pham et al. (2022), can be summarized in a divide-and-conquer strategy, in which the distribution of their WCC programming in cascade is positioned as the best alternative in companies with large organizational charts, where the functions are so diverse that a priori they seem incompatible, but that together configure common results for the organization.

Another important aspect that is sometimes little remembered by managers who manage CMIs, especially in small and medium-sized organizations, is the one that Martinsons et al. (1999) emphasize, financial control. Financial accounting also has strategic objectives and management goals, so its corporate performance must be focused on internal business processes and actions taken with external stakeholders (customers, suppliers, State, society). Failure to take this detail into account represents an almost impossible barrier to overcome in order to achieve a successful management of the WCC, so its absence will reflect a plan in which the organization does not learn or grow, which does not consider adaptation to functions, units and projects.

In the current context, the use of technologies in process control is unavoidable, so the integration of all parts of an organizational CMI would be impossible without technological tools, as Wang et al. (2010) argue. Nowadays there are several products on the market, mainly Blockchain tools that automate CMI control processes through web-based applications, so it is vital to evaluate the inclusion of the purchase of licenses in budget plans or at least investigate the existence of free use tools.

The aforementioned factors influence the attitude of people in organizations, attitudinal processes are governed by the prevailing organizational culture, which in turn is influenced by the idiosyncrasies of the society in which the company is immersed. The latter represents a real challenge in societies such as Peru and, in general, Latin America, in which groups of people do not tend to agree easily, which is why the problems of ambiguity between the causes and effects of the application of corporate strategies (which are not usually communicated or explained) are confirmed. causing greater barriers to strategic control. Although Luo and Xeng (2013) have been warning for a decade that these are the main problems to overcome for an efficient implementation of CMIs in societies with emerging economies, these limitations are still in force and become more relevant in the socio-political context that the region is currently experiencing, so training, motivation and promotion of a harmonious organizational culture are fundamental tasks to achieve organizations that learn and grow. In this regard, it is also necessary to be aware that the control of indicators should be oriented towards the measurement of key results and objectives, rather than the simple corroboration of the expected magnitudes.

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