

# Balanced Scorecard for the Execution of Strategies in Australian Economy

Hong Zhong

Zhaoqing University

\*Corresponding author. Email: [Chunghung222@126.com](mailto:Chunghung222@126.com)

## ABSTRACT

As potential international trade risks increase, such as political risk, financial risk, and the risk of Covid-19. The study presented in this article examined the balanced scorecard (BSC) as a component of a management control system for the purpose of executing plans in a big mixed economy business. Over the past decades, the Balanced Scorecard (BSC) model has aided companies in establishing activities that are linked with a value-creating strategy. Typically, BSC was originally described as an achievement assessment framework critical to strategy implementation (SI), before developing into a strategic management program. Additionally, BSC works to fulfill the anticipations of shareholders, employees, customers, and to enhance service, internal procedures, training, and innovation. The firm's ownership structure balances the interests of conventional shareholders with those of the administration. The study is innovative in that it analyzes BSC usage and contributions in order to convert a corporate's strategy into set targets linked with the four BSC viewpoints: financial, learning and development, process improvement, and customer.

**Keywords:** *Organizational Planning, Corporate Strategic Planning, Balanced Scorecard, Mixed Economy Company, Management Control System.*

## 1. INTRODUCTION

BSC facilitates the handling of such information by standardizing it into four distinct viewpoints [6]. further emphasize that the BSC's idea of performance assessment and control aims to connect the conventional financial viewpoint with three others focused on customer happiness, process improvement, and staff learning and development. Nevertheless, a study has shown the value of BSC in public and private enterprises, as well as nonprofit groups. Meanwhile, critical examinations of the literature have shown incoherent empirical findings, resulting in the formation of criticism or the lack of theory. Apart from the shortcomings noted in the research, there are study shortages on the usage of such models as a section of the management control system (MCS) and the impact of BSC on SI in MEC, particularly in emerging countries. Therefore, the aim of this study is to examine the impact of using BSC as part of a management control system on strategic implementation at a major Australian mixed economy. Notably, for the article to attain its objectives, this study will focus on the following research questions;

How is MCS used in companies where strategic interests from the Government and other investors must be aggregated?

How to utilize systems that enable SI and promote objective congruence in such companies (being a significant management issue)?

## 2. LITERATURE REVIEW

Johnson and Kaplan (1987) asserted in the mid-eighties that traditional accounting performance metrics, which focused exclusively on physical and financial predictors, were insufficiently reasonable to possible direction felt in an increasingly dynamic, adaptable, and strenuous corporate world involving communications and information computation. BSC was created to assist organizations in establishing practices that provide value to shareholders, meet the expectations of other stakeholders, execute plans, and enhance management services, internal processes, training, and innovation. The MCS is a tool for facilitating the execution of a business's strategy hence it is a critical component of the management activities, as it serves as the foundation for strategy execution and, as a result, for meeting both business and stakeholder goals. Dias Jordão and Casas

Novas [4] believe that strategy implementation is the link between defining desired goals and successfully achieving them. According to Andrews [2], strategy formulation is a process through which senior management evaluates the firm's strengths and limitations in light of its core competencies, environmental possibilities, and cooperative threat. Besides, Porter [12] emphasizes that core competencies are those that often have a broad, beneficial, and desired impact and are built on intellectual assets that differentiate a business from its competitors and propel it to a higher degree of competition. Typically, strategy refers to the overarching direction that the institution establishes explicitly at the corporate, company, as well as segment levels in order to accomplish its goals [4]. Nevertheless, Dias Jordão and Casas Novas argue that Concerns at the organizational level include defining the types of companies that the firm might grow and allocating resources along with them. At the company rank, strategic problems concern the efficacy of the firm in a particular activity, with the goal of encouraging diversity within the business or diversification into various business segments.

Control and management control systems (MCS) research focuses on one critical phase in the managing process as it serves as the foundation for delivering on strategies and meeting managerial and customer goals [4]. A control tactic that is coherent with the goal of increasing employee involvement in the management activities is an opportunity to attain a comparative edge from a strategic standpoint and a manner to direct the entire group towards the administration's purpose from an organizational standpoint. Srimai, Radford and Wright [14] provide a complete strategy to manage based on a study of the research on MCS from which entails a systematic approach to the business with the goal of meeting the expectations of various stakeholders within the firm to the greatest extent feasible. Besides, Srimai et al note that an MCS is intended to promote a company's success by including a large number of people in the management process with the goal of achieving both individual and corporate goals. Since the eighties, developments in the corporate climate have pushed businesses into a more open, multinational, and dynamic setting [4]. As a consequence, their MCS are required to include additional indices in addition to the usual economic, monetary, as well as performance metrics. Among these new indicators, there are those relating to organizational ethos, surrounding variables, competitiveness, management partners' needs, and, in specific, customer experience with goods, services, and practices. Typically, the new methods advocated for corporate productivity assessment techniques and the integration of overt and covert control methods in order to maximize the potential of policy-making procedures. Additionally, recent MCS have included informal methods to urge employees to act in line with

management expectations [10]. In this way, the paradigm presented by BSC may be seen as a component of the MCS owing to its integration of formal and informal control views, as well as its critical role in the process of strategy implementation.

Numerous studies have concentrated on specific facets of BSC, its organizational and managerial consequences [16]. However, empirical research on BSC is limited, and many of the model's premises have received little support from the scientific community. According to Johanson [5], the BSC model's systematized connections are logical - and not causal - connections. Other writers, on the other hand, noted that the arrangement of predictors inside the four viewpoints and such connections may contribute to the managerial process's advantages [4]. Following the criticism, it is noted that the researcher community supports the importance of BSC in SI. Kaplan and Norton [6] think that BSC may be used to convert an organization's purpose and strategy into a set of metrics that can be used to evaluate and manage performance and the organization. Nevertheless, BSC assumes that effectiveness in SI is contingent upon individual dedication and the development of productivity metrics that are consistent with the organization's and all stakeholders' anticipations. According to Niven [11], the BSC assists companies in disseminating their strategic plans across all levels, guiding people's activities toward current and future performance improvement through four distinct viewpoints. Allison and Kaye [1] argue that performance assessment serves as a crucial connection between planning, which includes defining objectives and creating methods for achieving them, and control, which guarantees that the institution's members continue to work toward achieving those objectives. They say that BSC is a behavior assessment method that may assist individuals in selecting main and secondary performance measurements, as well as in comprehending their goals and development throughout the process.

The BSC's perception as a model implies that, if implemented, it allows companies that adopt it to make continual improvements throughout time. Kaplan and Norton [6] purported that companies may develop their BSC to achieve more coherence and simplicity in carrying out their responsibilities, focused on the encounters of other enterprises that have previously used this approach. The emphasis on the productivity measuring procedure places the organization's strategy at the center. This goal demonstrates that the BSC's measurements may result in worldwide advances in strategic management. Yet; the effective implementation of such a model requires the participation of all stakeholders in accordance with the strategic planning objectives and priorities. One of the primary advantages of using this approach is that it would concentrate on strategies (which would form the foundation of the company) that may result in better performance and

innovation, while also connecting these strategies to senior management objectives.

In research conducted in a petrochemical sector organization that adopted the BSC, da Silva Carvalho and Tostes [3] emphasized the need of defining the company's positioning in relation to its purpose, vision, and strategy. According to Nuintin, before implementing the BSC, the organization must identify its reasons for being, its objectives, and the means by which it will achieve them. According to the author, this model enables managers to determine the causes and consequences of transactions and choices made in order to accomplish the desired outcomes. Nuintin found that, even in the highly specialized world of agriculture, it is feasible to implement the BSC model effectively. According to, Kaplan and Norton [6], the BSC approach is focused on the firm's strategy and how it is translated into objectives, activities, and measurements. These scholars further argue that, the application of BSC aids in the management of critical resources necessary for future performance. Implementing performance measurements from a BSC viewpoint entails four steps: the translation of the corporate vision; communication and goal alignment; business planning; and evaluation and learning. As a result, this approach enables the firm's operational procedures and management to be aligned with a long-term global and comprehensive plan. This enables the short-term, through control actions, to be evaluated, as well as the efficacy of decision-making in relation to the BSC's four perspectives. This model, when considered as a section of an MCS, helps to the firm's vision and goals be defined consistently. Additionally, this approach may enable strategy execution and required changes aimed at increasing the company's competitiveness by integrating all sectors.

Initially intended for private businesses, the BSC details the methods necessary to "balance" their productivity. However, there are instances in the literature of how such a framework has been modified for the public sector by prioritizing client, employee, and customer satisfaction up the pyramid to represent the organization's goal of delivering services. The objective was to encourage responsible accountability, outcome assessment, and decision-making that was transparent, effective, and of high quality [4]. It is worth noting that the public sector may have difficulty articulating its strategic approach for a variety of reasons, including poor customer engagement, a dearth of urgency for change, and incapacity to prioritize initiatives. Furthermore, external forces such as political or economic pressures often result in financial limitations without regard for the effect on the company's purpose and vision. Additionally, such demands may cause a shift in emphasis away from long-term strategic vision and toward immediate concerns. In MEC, this issue is exacerbated by the private sector's emphasis on financial outcomes, coupled with the public sector's emphasis on service quality, openness,

and legitimacy. Therefore, a successful assessment system designed for MEC must bring together technical and political considerations with the goal of generating value for all stakeholders [7]. Lastly, the effectiveness of BSC implementation in MEC is contingent upon striking an appropriate balance between short and long-term goals, monetary and non-monetary metrics, pattern and incidence predictors, and, eventually, company performance views.

### **3. DISCUSSION**

The triangulation of information with the necessary documentation demonstrates that implementing the BSC in the company will significantly aid in the execution of the strategy stated in organizational planning. The examination of all levels of statements will demonstrate that the BSC enables constant surveillance of non-financial variables which contribute to the organization's plan, such as predictors of human resources. Typically, it is critical that information about the BSC covers all areas and functions inside the firm's structure since corporate strategy goals unfold via participation panels that approach the operational level. It is critical to explain the BSC model to operational employees in order for them to comprehend the connection between their job and corporate strategy. The BSC is responsible for translating strategy into goals, measurements, targets, and initiatives, as well as for the development of corporate indicators at the supervisory, management, and operational levels [4].

The BSC allows administrators to highlight the triggers and consequences of transactions and choices made to accomplish the desired outcomes. Strategy maps, which are used to translate strategy components, provide critical information to top management in order to monitor strategy implementation. In business maps, such as the one for DBU, the corporate map is fragmented. This map contains a number of strategic objectives that help to the accomplishment of business goals. There are objectives from every angle, ranging from decreasing accidents and improving service quality to enhancing the company's image and increasing shareholder value. As is the case with all business maps, financial metrics such as EBITDA and EVA are at the top of Stewart's [15] map and must be met to fulfill the fundamental views' goals. Additionally, the superintendent of strategic planning will explain the XYZ discussions that will be conducted to address business operation and sustainability. Additionally, workers will be urged to consider how they might offer support to the organization's strategy implementation. The data supplied by strategic activities as well as BSC's support will be sufficient to aid the management body in policy-making since it will connect management performance to the performance needed for the company, as defined by the organization's strategy. Thus, the BSC

will aid managers in comprehending and adhering to the company's senior management plans [9].

#### 4. CONCLUSION

The study reported in this paper examined BSC usage in a major Australian MEC as part of an MCS on SI. Through the use of case studies, it was determined that BSC is a critical model because it enables the monitoring of the monetary and non-monetary variables that support the attainment of corporate strategic goals. This follow-up is the section of a concept for plan management centered on a planned flow of discussions that enables better coherence and concentration, thereby converting the planning and control procedure into a continual one. As previously stated BSC in XYZ works as a component of an MCS because it enables organized strategic planning and prompts changes via a mechanism of strategic notifications that may be triggered in the event of need or opportunities. In XYZ, top management is the focal point and primary user of the paradigm, and via BSC, it manages any part of the business in accordance with its objectives. One significant drawback of this report was the difficulty of generalizing the findings indiscriminately, as well as the potential for bias in both participant statistics and the articles' assessment, irrespective of the methodological potential and the scholars' efforts to conduct an unbiased account. Conversely, it was observed that there is a structure amongst performance measures, with financial metrics at the highest end and the company needing to achieve the grassroots views' goals in order to attain them. However, hierarchies were not the primary target of this review, and further studies are suggested to further explore such problems and get a deeper knowledge of the topic.

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