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A STUDY AND REVIEW OF LITERATURE OF APPLICATION OF BALANCED SCORE CARD TO SECURITY FORCES

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Abstract

Balanced scorecard(BSC) is a modern tool of management to control and implement strategy in the organizations. It has benefitted private, public, government, non government commercial organizations in improving their organizational effectiveness.BSC has also been applied in the service industry.

The security forces are unique in comparison to commercial organizations and have certain peculiarities being nonproductive in nature and not driven by profit making.They can be termed as service oriented organization providing safety to citizens of the state and allowing government to carry out its functions within the national boundaries and beyond.

It is imperative that security forces must apply BSC to their organizations in executing their vision, mission and goals. It is essential that the security forces bring changes and carry out

necessary modifications in their mindset, procedure, and drills. The inherent rigidity must be shed to enable it to absorb the BSC to enhance effectiveness.

An improved and upgraded BSC tool with necessary modifications for the security forces is the requirement of the day. The model must be tested by carrying out survey to derive logical results and findings. The findings must be tested by application of research tools to generate confidence in the environment about application of BSC to security forces.

Through this paper it is proposed to introduce this innovative concept of application of BSC in the security forces. The concept is being put to test through a research study undertaken by the same author.

Introduction

The Balanced Scorecard (BSC) is a system that is used extensively in all types of organizations all over the world to align business activities to the vision and strategy of the organization and monitor organizational performance against strategic goals. It was originated by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton as a performance measurement framework. The BSC has evolved now into a full strategic planning and management system. The “new” Balanced Scorecard transforms an organization’s strategic plan from a passive document into the “activity report” for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly implement their strategies.

History and Evolution of BSC

Organizations use systems consisting of a mix of financial and non-financial measures to track progress. One such system was created by Art Schneiderman in 1987, which was a "First Generation" Balanced Scorecard design. In 1990 Art Schneiderman participated in a joint research study on the subject led by Dr. Robert S. Kaplan.

Subsequently, Robert Kaplan and David P. Norton wrote several articles on this topic and also published a book titled “The Balanced Scorecard”. The articles

and the book spread the concept and earlier models. The four perspectives of the initial Balanced Scorecard are:-

- Financial perspective
- Customer perspective
- Internal business perspective
- Organizational capacity and learning perspective

Kaplan and Norton wrote a second book, "The Strategy Focused Organization", which emphasized the "Strategic Linkage Model" or strategy map. This led to evolution of second generation Balanced Scorecards. The third generation refined the second generation for more relevance and functionality to strategic objectives with major difference being incorporation of vision statements.

Balanced Score Card and Strategy Implementation

The BSC satisfies the claim of being an efficient control tool for strategy implementation. The BSC can certainly help organizational heads to combine and unite the various organizational functions towards vision and destination statements called pre-defined strategic goals. A good strategy formation is a must for successful implementation of BSC, failing which, the problems may arise. An organization may still effectively implement the flawed strategy. Such a strategy may have limitations as all aspects of environment may not have been included.

For example the exclusion of government agencies from stake-holders criteria; only the customers and shareholders may have been considered. Kaplan and Norton suggested organizations to enlarge and add number of perspectives. However, no substantive criteria are given to managers about the limit to number of perspectives but in the overall context it must prove beneficial to the organizations. It is necessary to question not only how effectively the strategy has been implemented but also the criteria used for defining the strategy.

Design of a balanced scorecard is about taking into consideration of financial and non-financial measures and attaching goals and targets to them, so that when they are reassessed it is possible to find out whether current performance 'meets targets and goals'. By sounding managers, about areas where performance deviates from expectations, they can be alerted to focus their attention on such areas, and as a result, have an improved performance within the part of the organization .

The original thinking behind a balanced scorecard was on information relating to the implementation of a strategy. There has since then been a blurring of the boundaries between conventional strategic planning, control activities and design of a balanced scorecard. The four steps required to design a balanced scorecard by 2000 were :

1. Translating the vision into operational goals and objectives;
2. Communicating and sharing the vision and link it to individual performance;
3. Planning of Business ;benchmarking and index setting
4. Feedback and learning, and changing the strategy accordingly.

These steps go beyond the task of identifying financial and non-financial measures, but give the requirement for design process to fit the broader thinking about how the eventual balanced scorecard will gel with the wider business management process.

Although BSC focuses attention on strategic issues and the management of the implementation of strategy. By itself, it has no role in the strategy formulation. In fact, it co-exists with other tools like strategic planning systems etc.

The modern day BSC allows organizations which are nonprofit and service oriented to measure their effectiveness. The various Security forces such as police, Para Military forces and Armed forces are such organizations which can benefit by employing BSC .

Government Uniformed Service Organisations- Peculiarities

Government Uniformed Service Organizations like police, paramilitary, and Armed forces are made up mostly of people i.e. human resource, which is more complex and difficult to manage than the electrical, mechanical, hydraulic and software systems that make up a modern commercial organizations.

Second, the Vision, Mission and Strategy of these organizations are multiple and ambiguous, rather than single and clear. The use of the security forces has ranged from demonstrations to show of force to actual armed intervention

A high degree of flexibility is inherent and incorporated in their mission. For these organizations "strange and unusual" is normal. Unexpected events happen all the time, often shifting organizational priorities and course. As a routine matter, different constituencies have different priorities, obliging executives to juggle conflicting and sometimes irreconcilable demands. Whereas in profit making commercial organizations the things work on a more or less predicted lines.

The security forces can draw lessons from a saying of Von Clausewitz. In his classic work on War, he divides the characteristics of war into the preparation of war and war proper. Preparation for war focuses on efficient management of systems and structures. In peace and war, the successful commander knows how many men he has, how they are organized, how well their equipment is maintained and how well they are trained for combat. The successful commander gathers this information through personal observation or by having his staff collect it for him. The security forces can no longer operate under the old adage "declare then prepare ". Our Nation's security forces, must be continuously prepared to defend the national interests.

A well conceived and aggressively executed appraisal system or performance evaluation is a necessity and a management tool that will provide the security

commanders with the information needed to assess the readiness of their respective security forces .

Balanced score card and security forces

The concept of use of the balanced scorecard for measuring the organizational effectiveness of security forces is being practiced in US for quite long. BSC is still growing in concept in the Indian public sector, and the thought process of developing it in the Indian security forces context is being mooted for the first time. Being still at a nascent stage in government uniformed service sector, it is important for the organizations to be able to understand the different factors affecting the extent to which BSC can be used as a tool for achieving strategies and enhancing its Organizational Effectiveness.

There are important aspects which organizations need to possess prior to application of Balanced score card. The security forces are no exception and must emphasize on following aspects:-

- They must display clarity in their organization's vision, mission and goals. These must be clearly spelt out.
- The sense of organizational belongingness need to be high amongst its Personnel.
- They are in general satisfied with the priorities & directions of their department.
- Each team member is made to feel like a part of the management team.
- The feeling must prevail that they are doing something they consider really worthwhile in their job.
- The organizations must possess a family friendly place to work.
- Acceptance Level of BSC is good.

- Subordinates feel that targets given in Balanced Scorecard (BSC) would help meet its mission and goals.
- They not only own the targets given to them under BSC but also relate to them.
- They feel quality of present BSC is good enough and agree that BSC is a tool to implement strategies, mission and goals.
- They are confident that achievements of BSC will help in their personal growth
- Subordinates are satisfied with remuneration and benefits.
- Motivation and confidence level is high.
- There is a high level of Commitment and Enthusiasm .
- The Participative Leadership is prevalent.
- There is a need for more consultation and change amongst all personnel in the organization.
- The opinion of all personnel for balanced scorecard is very good and it has a deep impact on motivation, satisfaction as well as on organizational commitment.

The presence of all these factors imply that the organizations are ready to adopt BSC as a tool for organizational effectiveness.

Review of literature

Balanced Score Card

Kaplan and Norton (1996). The balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. A balanced scorecard is a central list of

numbers, which show each key part of an organization's success, such as financials, people, operations, suppliers, customers, and support systems. The numbers should measure not just important outcomes, but also the factors, which influence, or drive, those outcomes.

Kaplan and Norton (1996) :Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organization's vision and strategy. The objectives and measures view organizational performance from four perspectives: financial, customer, internal business processes, and learning and growth. These four perspectives provide the framework for the balanced scorecard.

Further, Corporate executives can now measure how their business units create value for current and future customers and how they must enhance internal capabilities and the investment in people, systems, and procedures necessary to improve future performance.

Davis(1996). The breaking down of strategic and higher goals into task oriented smaller actions is cascading of goals. The process of cascading of the scorecards aligns the entire organization towards common goals. It breaks the higher level scorecards into lower levels down to the employee scorecard. The lower level employees can focus their efforts towards achievement of higher level strategy and goals.

DerZee and Jong,(1999). Information Technology needs to be integrated into business strategy and BSC to further provide the competitive edge over others in the organization. Due to spread of the organizations, the numerous performance measures in various fields are easily evaluated by information technology means.

Brown, (2000) It is equally important to measure the drivers of performance, while also measuring the financial performance .It is imperative that key goals are laid out and critical success factors are

given towards the achievement of goals and thereafter performance measures are outlined.

BSC as a Change Management Tool

MacBryde, et al., (2014m.) In order to monitor change and transformations in organizations, it is essential to ensure that measures of BSC are aligned with strategic objectives and that the BSC is simple in design to implement in terms of number of measures and administrative steps.

Rampersad, (2005). It is recommended that personal balanced scorecards (PBSC) be developed for employees along the four perspectives of the scorecard from the personal vision, mission, and key roles. Thereafter it is necessary to develop performance measures, targets and improvement actions. This necessitates the first step of change at the individual level.

Chavan, (2009) Implementing BSC may call for substantial cultural change within the organization and the staff must readily adapt to the changes taking place.

Implementation of Scorecards

The vision and strategy of the organization plays a vital role in implementation of the BSC in an organization. The mission and strategy are converted into tangible objectives and measures. These measures are the links between the strategy at the highest level and the operative actions at lower levels. Hence, the selection and monitoring of measures and targets is at the heart of BSC implementation. This process and action objectives while showing performance in real terms.

Morgan (2007) The organization is viewed as a mechanical body and the human behavioral aspect seemed to be ignored. The various independent elements of the organization are assumed to be interlinked

together in a mechanical way which in fact is not true and the human aspect needs to be given due importance.

Cooper and Ezzamel (2003). While discussing the diffusion of BSC, the basic design of BSC and the underlying assumptions is put to test. One of the key parameters is that strategy awareness and alignment of vision, strategy and goals for organizational success. These issues are easier said than done and involves ethical issues. Additionally, there are signs of military like discipline in implementation of these principles. This all assumes that strategy is always doable and that the managers have the necessary empowerment, autonomy and opportunity to lead their teams like warriors. In reality, this may not necessarily be true and could be far away from reality.

Evans, (2005); Sandkuhl et al., (2003); Walker, (1996) . BSC approach can be applied at all the levels. At the corporate level it translates organizational vision and strategy into overall corporate scorecard. At the level of strategic business units (SBU), teams or even individuals, there can be SBU scorecards, team scorecards or individual scorecards respectively .It involves developing the Vision statement for that particular level, which entails identifying key performance indicators, setting goals and targets and then to measure progress at each level .

Simons, (1990) It is for the management to decide which control system should be given attention. It is situation based. Hence, it is not the control tool, but it is the management that decides which control is to be exercised. In other words, it is not the tool which is important but the way it is being used . Based on this reasoning, introduction of new strategic models ie BSC is questioned.

Martinez and Gutierrez (2003). BSC was initially used as a diagnostic control system, it eventually evolved into an interactive tool. It implied

that interactive control is better than the diagnostic systems, and thus differ with the argument put forth by Simons.

Implementing BSC in Public Sector Undertakings

Tonge and Callaghan (1993). There is a growing similarity between the pressures of the public and private sectors in the implementation of BSC. and therefore a need to undertake BSC for government and public sector enterprises.

Chow et al., (1998) The operating environment in public sector is far more complex as compared to the private sector. The BSC provides a clear focus for achieving organizational objectives even in public sector also.

Olve, Roy and Wetter (1999). Due to political short-termism the use of the Balanced Scorecard in public sector organizations is limited and subject to number of challenges.

Aidemark, (2001); Bilkhu-Thompson, 2003; Modell, 2004 The features of BSC have caught the interest of government and public sector enterprises which have to now meet top management aims and objectives while showing performance in real terms.

Niven (2002). If the focus is on customer perspectives rather than financial objectives. Then the Balanced Scorecard adapts well to the public and nonprofit sectors.

Margarita, (2008) The major difference between the private organizations and public organizations is that the former is profit driven whereas the later is mission driven.

Balanced Scorecard Implementation in Indian Context

Mazumdar(1995) affirmed that the performance of public sector organizations owned by government is only two third as efficient as private sector enterprises.

Joshi, (2001). The financial measures such as ROI, variance analysis, budgetary control were used extensively for performance evaluation and a very small use of surveys on customer satisfaction, supplier evaluation, and non financial measures was done .

Lovelock & Gummesson, (2004) There is an increasing emphasis on servitization and the trend towards service-dominant logic of implementation of Balanced Score Card. Therefore the shift from the profit sector to non profit and service sector.

Anand et al., (2005) The Indian companies appear to be hungry in their adoption of BSC. The BSC adoption rate is nearly 45.28 percent which is better than the global rate of 43.90.

Anand et al, (2005) While implementing BSC, the financial perspective remains most important and the most common difficulties are observed to be determining the causal relationships assigning suitable weights to the relationships between the non financial measures .

Singh and Kumar (2007) The major cases of BSC implementation in India are Godrej-GE Appliances, Philips Electronics, Infosys Technologies, and Tata Consultancy Services.

Farooq and Hussain, (2011), The PSUs move to BSC is mainly on account of the government guidelines from department of public enterprises (DPE). The Indian PSUs incorporate BSC as a performance measurement tool and use it to create change and improve performance. A few PSUs like Bharat Heavy Electrical Limited (BHEL), Steel Authority of India Limited (SAIL), Indian Oil Corporation Limited

(IOCL), Bharat Petroleum Corporation Limited (BPCL), and Hindustan Petroleum Corporation Limited (HPCL).

Kumar and Mishra (2011) add to this by indicating that private and public sector organizations differ significantly on certain HR issues like strategic HR, human resource planning, training and development, safety and industrial relations etc. Recently, Indian government has placed renewed emphasis on enhancing the performance of the PSUs and guidelines have been issued to follow BSC approach for enterprise performance management through MOUs.

Conclusion

It is evident that BSC has been positioned as a management tool to ensure the long term health of the organization. When the strategy is looked at from different perspectives, both the lead and the lag indicators find place on the BSC framework thereby ensuring that the long term initiatives to ensure organizational well-being do not get compromised for the short term success. The BSC tool, besides being a performance management tool, is also established as a communication tool, alignment tool and change management tool. The BSC approach can also be extended to develop individual scorecards for employees. While there are academic studies that emphasize its benefits, there are also studies that have found no significant difference between organizations that implement. Irrespective of the claims of academicians, there is wide acceptance of BSC among practitioners, both in private and public sector. Implementation process has been recognised as a challenging area. It needs more exploration and research, especially in the context of PSUs.

Since use of the balanced scorecard for security forces is vague and at a nascent stage, therefore, it is important to understand the different factors in affecting the change and extent to which BSC can be used as a tool for

achieving organizational strategies and enhancing Organizational Effectiveness.

This paper describes the application of Balanced Scorecards to government uniformed service organizations. The use of Balanced Score cards, allows large organizations to connect various tiers of composite units. This happens with efforts of individual and staff to connect their various hierarchical levels. This is a beginning point and requires much work to create, refine and evolve further strategies related to research and outreach of BSC to these organizations.

The application of Balanced Scorecard is instrumental in showing progress toward strategic objectives. It should be noted that one of the most important aspects of this application process is the alignment of individuals and resources within the organization to create synergy and value. Once alignment of objectives is achieved, new possibilities for cooperation in hierarchy will appear and can be added to the basic strategy maps at all levels.

The sum total of all these efforts at various levels will create an augmented value to the stakeholders at all levels in an organization with the adoption of Balanced Scorecard serving to facilitate this process.

Further research is needed in the investigation of the process of alignment at various levels and value creation in these government uniformed service organizations. The alignment relates to not only strategic objectives but to Balanced Scorecards that cascade across multiple organizational units and subunits.

An effort has been made to apply the Balanced score card to security forces the results of which will be published in the next paper. The author is working on a research study in which the Balanced Scorecard is applied in

conjunction with organizational effectiveness upon security forces in Kashmir valley .