

# Balanced scorecard and its adaptation to pandemic reality

**Filip Bołtowicz**

Białystok University of Technology, Faculty of Engineering Management

e-mail: filip.boltowicz@gmail.com

## Abstract

The main goal of the work is researching and discovering the methodology of “Balanced scorecard” and trying to propose the possible new methods of use and adaptation of this method to the pandemic reality. It is a concept of monitoring the strategy in a long-term perspective. It uses a coherent system of financial and non-financial indicators for the ongoing assessment of the organization. It is strictly based on the control and management of the company's key factors. However, this does not mean that it is a ready-made solution that does not require any work. For it to work, key factors need to be defined, configured and monitored. Then it is able to identify problems in the organization and areas requiring more attention. This tool has great potential to save many companies from bankruptcy.

## Keywords

balanced scorecard, adaptation, method, epidemic, healthcare

## Introduction

In every business it is critical to achieve the perfect harmony between all the key departments and perspectives in the company. It is not that easy to do it without the proper tools and preparations. In the management society there is a saying stating that “You cannot manage something if You do not measure it”. In that case it proves to be very true as there is no other way to check our results without correctly measuring the key points of the company.

During times as difficult as now it will be critical for companies to correctly choose the goals inside the company and redefine the strategy for the upcoming months and years. With high frequency of changes like right now it is crucial to put the controlling tools into use to stay on track of the company’s performance. For many it might be a good idea to use the methodology of “Balanced scorecard” in order to avoid potential mistakes and wrong choices which might lead to irreversible

damage and bankruptcy of the company. With such volatile market it is very hard to survive and with the use of that method many companies might be able to adapt and overcome those obstacles.

Balanced Scorecard is an interdisciplinary management tool. This it can be used by management for various purposes and its implementation can be adapted to the specifics (size, structure, value and organizational culture) company [Jabłoński and Jabłoński, 2011]. BSC can therefore be part of the strategic management system [Jabłoński and Jabłoński, 2011]. and, in particular, be an important element of the company's internal strategic control system. As Świerk argues, we now have to dealing with the reorientation of all management functions and, consequently, intensive development of strategic management, its functions and tools [Świerk, 2009]. According to Kuc it is the result of rapid changes taking place in the environment of enterprises that cause that management requires reorganization of the tasks and functions assigned to it, and therefore a new look at control. The focus in management and control is shifting for from the analysis of the past to predict the future; from the assessment of achievements towards finding a source of information on threats, analyzing risk factors and minimizing their negative effects. Thus, the internal becomes more and more important strategic control oriented on controlling the process of occurring and possible changes, and control of current results is losing importance [Kuc, 2005, 2011].

## **1. Literature review**

Measuring performance of the company has been present in business right from the beginning and was mainly focused on finances of the company however it has never fully presented the condition of the company because it never took into consideration any other significant perspective mandatory for companies wellbeing [Ahmed et al., 2011]. In the 1980s the focus has moved to aspects like customer satisfaction by the use of tools like Total Quality Management, Six Sigma, Baldrige Award, CAMELS Rating System etc. This has not unfortunately solved the problem of being focused on only one of many sides inside the company. This has been solved in Year 1992 by Kaplan and Norton who introduced the new tool that changed the way companies were managed upside-down [Ahmed et al., 2011].

Thanks to BSC's approach the companies were no longer focused on perfecting one aspect of its working. Instead they were presented with a set of areas which performance was crucial for company and way to evaluate it [Stewart and Carpenter-Hubin, 2000-2001].

### 1.1. BSC's key features

Instead of choosing one of the options or shifting focus between them after some time this method presented four perspectives that needed to be taken into consideration while assessing the work [Ahmed et al., 2011]:

- Financial Perspective,
- Customer Perspective,
- Internal Business Perspective,
- Learning and Growth Perspective.

This was the basic set of perspective that needed to be taken into consideration while designing goals for the company. This was not a closed methodology however because company could adapt it to its own needs and adding perspectives that needed more focus in that particular case. For example, they could split customer measures into local customers and international customers etc. It was dependent on the needs of the firm. Each of those perspectives had their separate [Nørreklit, 2000]: objectives, measures, targets, initiatives.

However, it did not mean they have no influence on each other. As presented in Fig. 1 each perspective had influence on the next one and is needed to increase the performance of the other one.

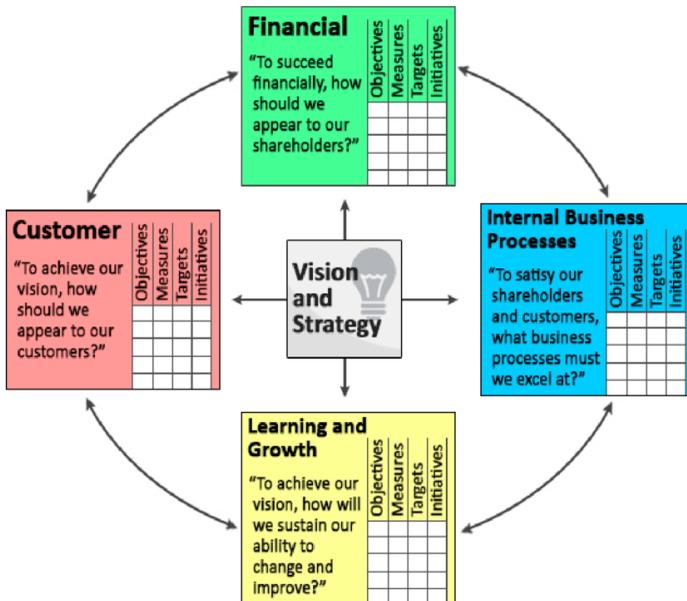


Fig. 1. Balance Score Card

Source: [Maya, 2016].

As we can see the main point of the method is companies “Vision and strategy”. When correctly described it can be the foundation for creation of perspectives inside the company which are affected by it. As all the perspectives are gathered around the main point, they all correlate with each other and have simultaneous impact. If one of the perspectives is being neglected the whole system is falling apart because of its symbiosis. This provides balance between key financial and non – financial measures.

With that knowledge and having the perspectives correctly chosen we can shift our focus to improving each particular side of the equation. Each of the perspectives answers a particular question [Olson and Slater, 2002]:

- Financial – how our investors see us?
- Customer – how our customers see us?
- Internal processes – what should we be best at?
- Learning and growth – how can we improve and create value?

Within each perspective we define a small number of strategic objectives which help set a particular set of targets to achieve and give us a frequent measuring point to check how well our company is doing and whether our set goals are achieved or not. The most important part of keeping track of our progress is measuring the objectives inside the company. To do that we need to identify measures for each category of our work. There are two types of measures [Krawczyk, 2014]: leading measures and trailing measures.

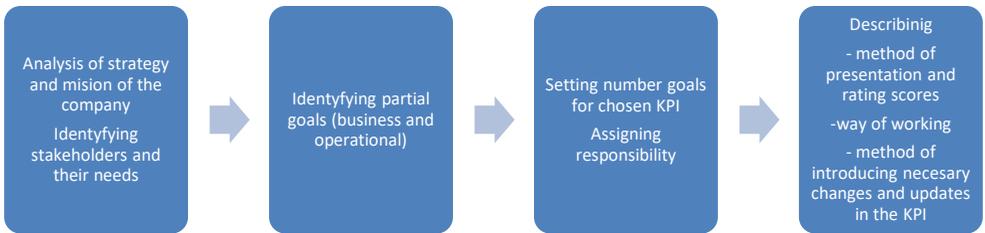
The first type is based around our main objective and tells us whether our goal has been accomplished or not and how far from accomplishing our goal are we. The second type of measures is based around the things we do to accomplish our objectives and tells us how much we do and what effect it brings us. It is important however not to set too many objectives at once. With too many objectives to focus on it is extremely hard to keep track of all of them. The best number of objectives to set is between 3 and 4 [Krawczyk, 2014]. That gives us the highest chance of completing all of them successfully. Increasing the number of objectives will likely not improve the number of them completed but rather decrease them.

The Balanced Scorecard is also an example of a tool that can be used as an early warning system (EWS). Both in BSC and EWS monitors many important parameters and indicators examining the internal and external environment of the enterprise. And the meters used in the Balanced Scorecard meet the criteria of the measures used in many early warning systems [Skowronek-Mielczarek and Leszczyński, 2007]. Their understanding, ability to interpret and observe allow observing the trends in the environment, better adapt the individual to ever faster changes, and consequently increase the efficiency of operations [Skowronek-Mielczarek and

Leszczyński, 2007]. The above boils down to control. After all, control is nothing more than systematic management action, including [Winiarska, 2010].

## 1.2. KPI

Another thing important with the topic of “Balanced scorecard” is KPI. Key Performance Indicators (KPI) are defined as financial and non – financial measures used by the organization in controlling processes of measuring the level of completion of the set objectives [Grycuk, 2010]. Use of this methodology allows us for an easy way of monitoring our scorecard. The process of creating a KPI is presented on Fig. 2.



**Fig. 2.** The process of creating a KPI

Source: [Grycuk, 2010].

Using KPI we can set clear, measurable and meaningful goals that will improve the way our company operates. This method also allows for quick revision of the set goals and updating them if such need occurs [Grycuk, 2010].

## 2. BSC in Healthcare system

In health care organizations, cause-effect relationships also take place differently between individual perspectives and measures. For example, financial goals do not belong to main priorities, although obtaining funds for ongoing operations and development is also an important element of the strategy. In addition, in organizations financed from public funds, the amount of funds raised is not always dependent on customer / patient satisfaction, but from resources financial means at the disposal of the payer. Patient satisfaction only translates into queuing extension. A public or

non-profit organization implementing BSC and by designing the strategy map can approach financial perspective in two ways [Lewandowski, 2009]: leave the financial perspective in the project BSC; transform the financial perspective into a financial resource management perspective that will focus on management-related measures liquidity, budget and acquiring adequate activity and development funds. This perspective it should not be at the "top" of the strategy map, but below as the basis for achieving the social goals [Lewandowski, 2009].

In healthcare system there are four key points that institutions must follow [Bielicki and Ciesielski 2012]:

- access to health services must be equal,
- the financing of medical services must be based on the principle of solidarity,
- the quality of medical services should be promoted,
- when making decisions about health care, you should look after its future development.

Looking at that we can immediately notice that in the pandemic reality those rules are not followed and for example refusing treatment for older people.

According to Jarosiński [2009] the use of a balanced scorecard in hospital management can provide many benefits, including:

- effective strategy implementation through systemic management integration strategic and operational,
- translating the strategy into specific goals,
- the ability to constantly monitor the strategy, current information on to what extent the assumed strategy has been implemented,
- increase in hospital value,
- simple description and effective communication of strategies at all levels of the hospital,
- functioning of the future-oriented hospital control system,
- focusing all hospital resources on achieving the set strategic goals,
- linking the strategy with daily tasks and individual operations employees and branches.

### **3. Balanced Scorecard in times of pandemic**

During the difficult times such as pandemic it is very important to keep the business going and adapt it to the new reality. The risk that COVID-19 has brought to our society is not yet to be defined. Nobody is able to predict how long the situation will last, what the consequences will be and how to deal with the aftermath of the

whole situation. Using the correct tools might give a company a huge advantage over its competitors. This is a time that needs a lot of work and involvement from companies and to let them survive on the market. Using “Balanced Scorecard” and “KPI” we can add additional points that are important in the current situation and its necessary to monitor them. This can help a lot in the Medical branch of the especially.

Healthcare is under a huge pressure and risk right now. Doctors put their lives at risk to help people who need professional care. System of balanced scorecard has been widely used in the medical companies and many articles have been wrote about it. Now this method has a potential to help protect doctors from being infected. By setting the correct KPI’s and monitoring them we can see if doctors are protected enough from getting infected or should we take more protective measures to ensure that they are safe. For example:

- Perspective: Safety of the workers
- Our objective: Having a number of medical workers ready to work at the level of x number at all times
  - How do we measure it?
    - Leading:
      - Conducting tests on every staff member once a week
    - Trailing
      - How much safety supplies have been used by the doctors?
      - How many patients had been coming (ratio of physical to virtual visits)?
      - How many cases of not following safety rules had been reported?

This is an example of how healthcare system can try monitoring the situation of the whole system and try to protect its workers from getting infected. If those measures are monitored regularly and immediately updated and corrected after noticing risks the healthcare system has a high chance of protecting not only its workers but also patients from getting infected.

Another example of way companies can benefit from redefining perspectives and measurements is controlling spending on protective measures during the pandemic time. For example, by controlling the prices of safety supplies and their usefulness they can minimize the cos of the sanitizing products simultaneously increasing its effectiveness by buying the best working products in the cheapest prices and reducing its use. There is a big debate around the world about businesses adding the “COVID tax” to the prices of products and services because of the added cost of

sanitizing products. Many people are against it and treat it as cost of running business etc. By minimizing that cost companies will be able to hide that cost and get away with not raising the price of the product which can be also a great marketing strategy.

- Perspective – financial
- Our objective – minimizing the cost of sanitizing supply
  - How do we measure it?
    - Leading
      - Keeping the cost of sanitizing supply below x% of revenue
    - Trailing
      - How much supplies per worker is being used?
      - How much money per unit of supply costs and can we get it cheaper?
      - What is the cos of supplies per worker?

For the companies that have already used this tool this is a critical moment to redefine, update and improve its use. The KPI they have set in the previous situation might be irrelevant with the current turn of events. By reevaluating the “Balanced scoreboard” right now companies might save themselves from big problems that might be coming their way. Costs associated with sanitizing products and services will become an essential part of expenses in many companies for the foreseeable future so considering them in the expenses might be necessary for many companies.

## **Conclusions**

It is not an easy task to run a company and it's an even more difficult task to run a successful company. There is a lot of factors that impact how well the firm is doing and it's not as straightforward as many people think. In a whole mix of things there are tools like “Balanced Scorecard” that help run the company and show the way forward. This method is basically a complete scheme of what factors are needed in the company and what needs to be taken care of to have good results. It is strictly based around controlling and managing the key factors of the company. It does not mean however that it is a ready solution that needs no work. To make it run properly it needs some attention and time to properly define all the key factors but if set up properly and monitored regularly it immediately shows any problems with the company and shows what areas need more attention. It helps achieve the perfect balance in the company and keeps the focus evenly spread between all the important areas of the company's functioning. Opposite to many other tools it keeps its focus on all the main areas unlike other methods like for example Six Sigma which is strictly focused

on non – financial aspects of the company. It does not mean however that it is perfect. It is one of the most complex tools available.

With the current situation and struggles that many companies go through to survive on the market tools like “Balanced scorecard” can be a perfect support and a road sign of where company’s future should be headed and what should be taken into consideration. It is an extremely difficult task to balance out the company in the regular economic environment, but the current situation adds aspects that most of the companies have never taken into consideration which makes the task even harder. This tool is flexible enough to be adopted to the current situation and helps manage it in a way as if it was a regular instance. It provides a complete scheme of how a company could be ran and what will be the most important goal for the upcoming time. It has proven its worth many times in the healthcare system and has a huge potential to become the tool that saves many companies from bankruptcy.

## Literature

1. Ahmed, Z., Ahmed, Z., Nawaz, M. M., Dost, K. B., Khan, M. A. (2011). *Comparative Significance of the Four Perspectives of Balanced Scorecard*, *Interdisciplinary Journal of Contemporary Research in Business* 3(1), pp. 981-993
2. Bielicki R, Ciesielski T. (2012), *Strategiczna karta wyników jako narzędzie poprawy konkurencyjności jednostek medycznych*, Muzeum Historii Polski
3. Grycuk A. (2010), *Kluczowe wskaźniki efektywności (KPI) jako narzędzie doskonalenia efektywności operacyjnej firm produkcyjnych zorientowanych na Lean*, Miesięcznik TNOiK
4. Intrafocus UK, *Balanced scorecard*, [https://www.youtube.com/watch?v=M\\_IIOlywryw](https://www.youtube.com/watch?v=M_IIOlywryw)
5. Jabłoński A., Jabłoński M. (2011), *Strategiczna karta wyników (Balanced Scorecard). Teoria i praktyka*, Difin, Warszawa
6. Jarosiński M. (2009), *Strategia zakładu opieki zdrowotnej – mrzonka czy konieczność?, Współczesne wyzwania menedżerskie w ochronie zdrowia*, Olsztyńska Wyższa Szkoła Informatyki i Zarządzania im. prof. T. Kotarbińskiego
7. Krawczyk M. (2014), *Balanced Scorecard jako narzędzie oceny i kontroli*, *Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 803, Finanse, Rynki Finansowe, Ubezpieczenia nr 66*, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin
8. Kuc B.R. (2005), *Kontrola w zarządzaniu przyszłością*, Wydawnictwo Menedżerskie PTM, Warszawa
9. Kuc B.R. (2011), *Kontrola menedżerska: przelamywanie barier*, Wydawnictwo Menedżerskie PTM, Warszawa

10. Lewandowski R. (2009), *Zastosowanie Zrównoważonej Karty Wyników i Modelu Doskonałości EFQM w publicznych organizacjach ochrony zdrowia*, Przegląd Organizacji 4, pp. 32-36
11. Nørreklit H. (2000), *The balance on the balanced scorecard—a critical analysis of some of its assumptions*, Management Accounting Research, Academic Press
12. Olson E.M., Slater S.F. (2002), *The balanced scorecard, competitive strategy, and performance*, Business Horizons by Indiana University Kelley School of Business
13. Skowronek-Mielczarek A., Leszczyński Z. (2007), *Controlling, analiza i monitoring w zarządzaniu przedsiębiorstwem*, Difin, Warszawa
14. Stewart A.C., Carpenter-Hubin J. (2000–2001), *The balanced scorecard beyond reports and rankings*, Planning for Higher Education
15. Świerk J. (2009), *Mapa strategii i strategiczna karta wyników w planowaniu działań przedsiębiorstwa. Studium teoretyczno-empiryczne*, Wydawnictwo Uniwersytetu Marii Curie-Skłodowskiej, Lublin
16. Winiarska K. (2010), *Definicja i klasyfikacja kontroli wewnętrznej*, in: K. Winiarska (Ed.), *Kontrola wewnętrzna w jednostkach gospodarczych*, PWE, Warszawa

## Strategiczna karta wyników i jej adaptacja do występowania pandemii

### Streszczenie

Głównym celem artykułu jest przedstawienie Strategicznej Karty Wyników, zwanej również metodą BSC - Balanced Scorecard. To koncepcja monitorowania strategii w długoterminowej perspektywie. Wykorzystuje spójny system finansowych i pozafinansowych wskaźników do bieżącej oceny stanu organizacji. Jest ściśle oparta na kontroli i zarządzaniu kluczowymi czynnikami przedsiębiorstwa. Nie oznacza to jednak, że to gotowe rozwiązanie, które nie wymaga żadnej pracy. Aby działało należy zdefiniować kluczowe czynniki, dokonać konfiguracji i monitorowania. Wtedy jest w stanie wskazać problemy w organizacji oraz obszary wymagające większej uwagi. To narzędzie ma ogromny potencjał, aby uratować wiele firm przed upadłością.

### Słowa kluczowe

Strategiczna karta wyników, adaptacja, metoda, epidemia, sektor zdrowia