The Balanced Score Card (BSC) approach to measuring performance in Service Firms in Nigeria: A Theoretical Perspective

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Abstract: **The paper focuses on the Balanced Score Card (BSC) approach in measuring performance. It examines the non-quantitative measure used in measuring the performance of organisations with particular reference to service oriented businesses. It advocates that service firms should actualise their objectives through a BSC approach with more emphasis on customers' perspective, internal operational process perspective, and learning & growth perspective. Seemingly, competition is rife in every industry, as such for a firm to remain competitive in the service industry, adoption of the Balanced Score Card approach should be a priority. Focusing on financial measures alone (which showcase the past performance of a firm in financial terms) is considered not only inadequate but also insufficient to realise long term success. Thus, it highlights several measures of assessing a firm from different perspectives which are necessary for overall performance in the future. This approach bridges the current and the future. The paper concludes that the adoption of BSC approach would affect decision management systems in a firm by improving upon and changing the traditional information system to be more modern and adaptive, thus creating systems that can be more analytic and agile.**

Keywords: **Balanced Score Card, Decision Management System, Service Firms.**

1. INTRODUCTION

Researches on service business entities in recent time have reported that performance measurement often focus on easily quantifiable measures such as profitability while neglecting other dimensions which are important to competitive success of a firm. Change has not spared disruptions in service firms' processes and activities. The system of performance measurement in organization is not in any way in a state of inertia, but steadily being tweaked to conform to new information need occasioned by change dynamics in the business environment. Interconnectedness of countries through globalization has helped to sustain the world economy which is also having a fair share of the change effect. In the world economy as of today, there are increased challenges of how organisations can successfully implement performance management framework since traditional and quantifiable measures such as profitability are no longer sufficient, whether the firm is a profit or non-profit making organisation, charity or governmental establishment. Performance is the end result of a firm activity for a given period of time, and can be measured against the firm's target, other firms' results in the same industry and over a period for the same firm. Measuring performance enables firms to scan through the operational process and compare goals and objectives with performance. Performance measures are normal and integral part of the management process of any organisation. It enables management to effectively evaluate operational efficiency in the course of business operation (Adeniji, 2008). For example, academic dons would normally measure performance of students by written examinations or course work. However, these primary modes of performance measures are grossly inadequate as there are other factors such as time contact with students, learning attitude of students, regularity of attending classes and the perception of the tutor on how diligent students understood and are following each lesson that could be used to measure students' performance and which are also critical to students productivity (Adeniji, 2008).

Over the years, performance measures in service firms focus primarily on quantifiable measures such as financial performance reported in the annual statements and accounts. These measures are different in several ways; and a firm is at liberty to adopt any that best suits it. Drury (2004) classified the three measures of financial performance into the following: economic value added (EVA), return on investment (ROI) and residual income (RI). A fourth category or measure named return on sale (ROS) was added by the work of Horgren, Datar & Rajan (2013). The computation of these measures of performance is usually based on the information generated from the accounting process. The accounting process only captures the economic event of a firm for a definite period, say a year. However, reducing all activities of a firm to just an accounting number is as hard as walking in the snow without adequate shoes and clothing. From this view point, Horgren et al (2013) argued that performance measures can be grouped into financial and non-financial measures. Hilton (2005) however argues that no successful organisation should rely solely on financial or non-financial measures alone; either of the measures is inadequate to capture all the perspective of the firm.

Balanced scorecard comprises of both measures and has the advantage of measuring overall performance of the firm. It takes into account the financial and the non-financial issues. Although financial performance measures are critical for evaluating past performance which seems most important to owners, creditors and government, non-financial performance measures on the other hand, concentrate on current activities which ultimately drive future financial performance. Thus, this paper critically examines non-financial measures of performance which are not only important but critical to competitive success and attainment of firm's objectives. It advocates the changes to be made to the existing traditional information system in order to accommodate non-financial measures. It argues that financial and quantifiable measures look at the past while non-financial concentrate on the present activities to sustain long term future performance.

2. THE BALANCED SCORECARD APPROACH: MEASURES OF PERFORMANCE

The concept of the balanced scorecard (BSC) is not convoluted but rather straightforward. It was designed by Kaplan & Norton (1992). It identifies four basic perspectives which cover the major strategic areas an organisation should focus upon. The initiative was to apply the model as a guide for defining measures and objectives. It basically expresses those key elements which showcase what is actually going on in a business and the information that management need to know on a day to day basis. As of today, the balanced score card approach which has assisted firms put good measures in place to help serve as a guide to implementing and actualising desired results, has been widely accepted. According to Temile, Jatmiko, Dabor & Enakirerhi (2015), balanced scorecard is described as a management strategic planning system or framework used by various organisations, be it financial or non-financial to align its activities to its mission and objectives. It is a management tool, as well as a measurement criterion that allows a business or an organisation to carefully integrate its goals, by translating its mission and vision into strategic accomplishment. This approach recognises the summary of both financial and non-financial performance. It helps assess performance relative to objectives of the firms where each score is ticked against the objective that relates to it. Thus, the following activities describe this approach:

1. ***Financial Perspective***: Takes a look at the firm from the perspective of owners and past performance

2. ***Customer Perspective***: Examines how the customers see the service of the firm and what could lead to repeat visit and attraction of new customers.

3. ***Internal Operation Perspective***: It takes into account of the activities the firm must excel in order to enhance customers perspective of the firm

4. ***Learning and growth perspective***: It is concerned with how a firm will continually improve and create value

The outlook of the approach indicates a blend of both financial or quantitative measure (1) and non-quantitative measures (2-4). As established earlier, non-quantitative measures are necessary and they concentrate on evaluation of current activities in order to enhance future financial performance. The plank upon which this argument revolves is that, except an organization key areas are given prominence, future long term financial performance cannot be guaranteed. In other words, the going concern of a firm will be at risk and can be threatened seriously. As such, a service firm should not ignore the non-quantitative or non-financial measures of performance if they intend to be sustainable in the long term. We look at the non-quantitative measures from three different angles or perspectives in the context of service firms:

2.1. Customers' Perspective

Customers are very crucial to any organization. Their satisfaction is of priority to any service rendering firm. The role of customers' is placed as a top priority under the firm balanced scorecard. Without customers, a service firm can hardly sustain itself in the market both in the short and long run. Temile et al (2015) advocated that current management philosophies have indicated the increasing importance of customer focus by ensuring high customer satisfaction in any organisation. For example, if a firm operates in the hotel and tourism industry, customers are likely going to make a repeat visit should they, from their perspective, are satisfied with the performance of the hotel during their short stay. Also, customers' opinions cannot be discountenance but are very crucial, especially in an economy where client ask their peers before visiting companies' websites for information. Customers' perspective has remained an important focus of a firm, especially service firm. The consideration prompted Horgren et al (2013) to measure a firm performance from customers' perspective based on three key dimensions which are: Market shares in different geographical locations, customers' satisfaction and average number of repeat visits

2.1.1 Market Shares in Different Geographical Locations

Hilton (2005) argued that the share of selected markets in different geographical location is crucial. It is a key performance measures which focuses on how well valued the services of the firm is to customers. For example, Mr Biggs taste of food should be the same everywhere due to its standardised operational procedure. Thus, its ability to penetrate different geographical locations and take proportionate market shares is a strong indication of its performance. This is because a repeat visit by a satisfied customer is likely and new customers can be attracted but sustainability of the inflow of customers depends on the quality of service rendered. A classic example is the arrival of the popular retail firm in Asaba, Delta State. It was projected that this will take active market share from other retail outlets in the capital. However, after few weeks of arrival, it was noticed that these smaller retail outlets were booming while the number of the big retail shop's customers (which earlier flocked in to test this new big retail outlet) was on the declined until it became steady. This is might not be unconnected with disparity in prices of items but most especially about standardization of services and local contents these shops offer compared with those of big retail shop. Thus it is imperative that service firms should give priority attention about competitive pricing and standardization of service in order to have and sustain market share in a market that is increasingly competitive.

2.1.2 Customers Satisfaction

Customers' satisfaction increases the level of patronage. A survey of how customers' view service rendered by a firm should be undertaken to determine customer satisfaction. This becomes an important performance measure. When services are provided, the responses of the service receivers are crucial to determining how well the firm is doing. Thus, Hilton (2005) asserted that firms should adopt a survey approach in determining how satisfied customers are with its services. In this regard, service firms, for instance those in the hotel and hospitality industry, are required to always provide a customised form or note in the customer's room, giving the customer opportunity to assess their service by filling in their responses on how they feel about the service rendered when leaving the hotel. This method of feedback enables management to assess from the customer's perspective, how well they have performed in service rendition to customers during their short visit or stay.

2.1.3 Average Number of Repeat Visits

It is natural for a person to repeat what he enjoys doing in any circumstance. Consequently, a highly satisfied customer will likely make a repeat visit to the organisation again. Thus, tracking the number of repeat visit for the same customers become an important measures of performance. Service firms as a matter of policy should be able to develop mechanism to track the number of repeat visits and frequency of such visits. A high level of repeat visits and frequencies signal high performance for the firm while a low level of repeat visits signals something negative about the firm's service, although it depends whether the customer lives within that geographical location or on a one time visit. Thus, performance measures should accurately take cognizance of these factors.

Apart from market share, customer satisfaction and repeat visit by customers that dominate discussion in the literature, Hilton (2005) added customer's complaints, new customers and customer's contact to customer perspective of evaluating the firm. A service firm's ability to attract new customers is an indication of its performance; such would likely raise the financial performance of the firm. Secondly, the speed at which customers complaints are attended to, is also a determinant of performance. It shows improved service delivery and tends to boost customers' confidence in such organisation. Lastly, where the firm has a way of rendering after service appreciation to customers, such is likely to determine the frequency of visits in future. For example, the customers to God is Good Motors, a transport company operating in Delta State, have made known their minds that the text messages the company sent thanking them for the patronage of its services was a significant determining factor in their subsequent repeat visit and continued use of the firm service, notwithstanding its higher prices in comparison with other transport companies' prices operating the same routes. It is therefore important to stress the fact that service firms should as a matter of policy indulge in after service appreciation to customer as it has been found to cause repeat visits and even unconsciously lead to customer loyalty in the long run.

2.2 Internal Business Operation Perspective

This aspect focuses on the internal perspective of a business. Temile et al (2015) opined that managers need to always keep an eye on how well their business is going. They have to embark on operations that can add or create value to the overall growth of the organisation. This perspective assist service firms to measure how best it can deliver improved and quality relationship with deep social value to customers it serves. Internal business operation is important because it is concerned with how effective and efficient any company's service would be. It is the internal operation of a firm that translates to quality service, customers' satisfaction and breaking into new markets. Where the internal process is found to be weak, products or services from such processes are likely going to be weak and underperforming. According to Horgren et al (2013), internal business service in a service firm has to do with the following: The time taken for customers to make reservation and to check in which is a key performance measure of how efficient the firm is and how responsive it is to the need of customers. For example in airline firms, the simplicity, convenience or otherwise of booking reservation, payment and check in time at the airport would likely determine, outside the prices they offer, a customer's come back or repeat visit.

For hotel and tourism industry, the cleanliness of the hotel room, quality of room service, time taken to clean the room, time taken to respond to room call, quality of restaurant experience, number of additional room services a customer has access to such as fax service, video gaming for relaxation, wireless internet service and exercise and gemming facilities are crucial to the satisfaction a customer derives and ultimately lead to the firm's performance. In addition, the time taken to plan and build new hotel, new terminal in the case of an airport is key to measuring performance. Heathrow airport, for example is the busiest airport in the UK because of the facilities available even though there are very close by airports such as Gatwick, yet passengers would ultimately want to land in Heathrow instead of Gatwick, notwithstanding that both are located in the city of London. Service firms are therefore, encouraged as a matter of importance not to gloss over the potency of internal processes as it constitutes an important factor in determining the quality of service, which value addition cannot be ignored. It has become a criterion in the measuring of performance. It presents opportunity for innovativeness for new products and remodelling of existing products through re-engineering of processes or re-modifications when the need arises.

2.3. Learning and Growth Perspective

For any organisation to grow it has to be dynamic. This measurement or perspective incorporates training of employees and empowering them with adequate knowledge that will enable them cope with future changes and improvement (Poll, 2001). Horgren, Datar and Rajan (2013) argued that in the balanced scorecard approach, the firm goal is to make improvement in the learning and growth perspective that will lead to improvement in the internal business process perspective and in turn will results in improvement in the customer and financial perspectives. The learning perspective, although interwoven with other perspectives, has become a very crucial measure of performance in recent time. This perspective is concerned with the training of employees, particularly on the functionality of the service firms and by giving them the right orientation required and good approach to serve customers. The impression a customer gets when he first approaches an employee would likely determine the longevity of business relationship with the firm. The perspective also measures employees' education and skill level. The level of education and skills are important determinants of quality of service rendered. For example, the North-West Filling Station newly opened along Asaba–Onitsha express way, Asaba Delta State of Nigeria has most of its pump attendants well trained and educated. This is noticeable in the way and manner of approach, and quality service they render to customers who purchase petroleum products from the station. The ease and swiftness coupled with candour with which customers are served, have made customers to engage in repeat purchases from the station. It is incumbent therefore, that, for service firms to enjoy repeated visits from customers, the need to equip employees with more skills and competence in delivery service cannot be overemphasized.

Other measures of learning and growth are employees' turnover, employees' satisfaction, number of hour of training and information system available. Employees' turnover is important to organisational performance. For example in a service firm such as a secondary and primary school, high turnover of employees means instability and can cause low level of employees' satisfaction. This in turn affects learning due to frequent changes and interruption of the learning pattern or learning curve. This will subsequently affect the output of the school which are the students. Thus, how good and efficient the learning and growth in an organisation is determines how successful that firm would be. The learning and growth is a significant aspect of the BSC which was developed from an existing theory of Strength, Weaknesses, Opportunity and Threats (SWOT) analysis. Service firms are required to be mindful of the rate of employee turnover as it can cause disaffection among employees and capable of disrupting the learning experience and process expected to be improving over time, which in turn, can affect service production and delivery to customers.

2.4 Changes to the Traditional Information System

The measurement of firm performance before the advent and development of the balanced score card (BSC) had been made possible through the traditional information system and this was considered adequate but not so anymore. An information system, whether modern or traditional, simply collects, organise, process, store and disseminate and communicate information about the activities of organisation. This process may involve the collection and filtering of data before further processing for onward transmission. As aptly put, information systems are integral part of an organization, regardless of its size or industry (Decision Management Solutions, 2015). Without which, the coordination and dissemination of organisational services, transactions, products and interaction supplier and customers would be made impossible. This underscores the importance of information system in any organisation. Due to its importance and the need to conform to the needs of the present time and employees' vis-à-vis others interactive needs, this information system has constantly undergone some reforms and upgrades in the past few years. There have been constant upgrade and improvements over the years to ensure that information system capture the reality of the modern world. The newer system developed have the advantages of being more accurate and handle transaction more promptly and quickly. In today's world, graphical user interface has increasingly done in one page what clunky text terminals would do over hundreds of pages. Although information system as we have today are more advanced than century ago, there are still certain parts that need to be improved or changed to enable timely reporting of business performance, especially from the BSC perspective. The expected areas adaptation or change is required in the context of service firms include the following

i. These systems contain a wealth of information about employees, customers, purchases, suppliers and many more. Many systems are able to report this data in a format that humans can understand; however, these systems are unable to adapt or improve on how to behave based on the data. The systems are incapacitated as they cannot learn from the information or events that have already happened (Decision Management Solutions, 2015). With a problem of this nature, there is a need to evolve system that would enable both human and machine to learn from events that have happened in the past. For example, generating results of customers' perspective daily and suggesting what should be done to improve.

ii. Many information system relies on human to kick start them or instruct them on what next to do. In other word, the systems are incapacitated without human intervention on a daily basis. System such AI should be developed which can handle information without human daily intervention instructing it on what to do. In this case, once the system is programmed at the beginning on what to do, it collects data, analyse and give reports from events. For example, a system could be installed in a hotel room which the customer can use at any moment to report their perspective on the service of the hotel and this information transmitted immediately to management.

iii. The technicality involved in system administration makes it difficult and sometimes impossible for non-technical staff to understand. Also, systems most times are too rigorous and non-amenable to changes or improvement when required as any change would have to be routed the IT department. This makes system improvement slow and costly. Although a simpler system, easy to understand is advocated, the need to protect the system and the information necessitating the separation of the IT department from the users of the systems and to ensure there are no such collaborating union between both through the use of system security override this.

iv. Most information systems do not allow comprehensive access to their daily, regular users. The systems usually need approval from supervisors and require them to log in and approve requests. Information on customers' perspectives, learning and growth perspective should be made available to all employees without hindrances. This includes the need to eliminate supervisor's approval for such information to be available. There should be a control room that the results of the generated information should be screened and all employees should see the results and suggested improvement techniques on a daily basis.

The BSC is one notable exception that performs better than the traditional information systems. In recent years, many organizations have developed 'decision management systems to support the implementation of the BSC in order to improve upon and change the traditional information system to a more modern and adaptive system that are more analytic and agile. As such the BSC would be more poised to adapt to the constantly changing and volatile business environment that affects business processes and related activities in the production and delivery of goods and services. Thus would provide relevant information required to properly assess a firm performance from the non-financial perspectives of customer, internal business operation and learning & growth.

3. CONCLUSION

The paper examined the non-quantitative measure used in measuring the performance of organisations with particular reference to service oriented businesses. It focused on three main perspective which are; customers' perspective, internal operational process perspective and the learning and growth perspective. The paper highlighted the inadequacy of the traditional financial measures alone if a firm long term success will not be sacrificed for short term gains and advocated that for firms' objectives to be attained, managers need to focus on the non-financial measures. Seemingly, for a firm to remain competitive in a service industry, it should adopt the BSC approach. If this is not done, it might soon lose touch with its customers and become history by losing customers to more competitive and adaptive firms. The paper also recognized that while financial measures are good because they look at past performance of a firm, which seems more important to shareholders, creditors and government; however, non-financial measures are crucial because they are the vital performance measures of today, necessary for a sound financial performance in the future. Non-financial measures act as a bridge between the current and the future. They bring the future to today, by assuring customers, employees and society that the future holds better service to them. The measures equally, they help to institute shareholders' confidence apart from its numerous benefits to the activities of the organisation. Lastly, the paper advocated the adoption of, in order to truly focus on the BSC approach, a decision management systems' to support BSC in order to improve upon and change the traditional information system to a more modern and adaptive ones by creating systems that are more analytic and agile.

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