A Critique of the Balanced Scorecard as a Performance Measurement Tool

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Abstract

Given the dynamic nature of business markets, organizations have witnessed a rapid change in their performance measurement systems in the last three decades with most of the performance measurement tools being more sophisticated. One of the most widespread tools is the Balanced Scorecard (BSC). Within a decade since its emergence, a majority of the Fortune 1000 companies was implementing the BSC. Despite the widespread adoption, a growing body of scholarship finds limitations in the BSC, particularly in its concept, application, and practice. The same body of scholarship contends these limitations could either undermine the effectiveness of the BSC or cause firms to abandon the BSC altogether for better performance measurement alternatives. Hence, the main aim of this paper is to provide a review or rather a critique of the BSC as a performance measurement tool and debating whether the BSC is in fact a universal solution for corporate performance measurement.

Keywords: Balanced Scorecard, Performance Management Tools, Management Control Systems

1. Introduction

Kaplan and Norton developed the concept of the Balanced Scorecard (BSC) in 1992. The objective was to overcome the inadequacies of the traditional financial-based performance measurement tools. Within a decade, a majority of the Fortune 1000 companies was implementing or had already implemented the BSC (Hendricks, 2004; Kraaijenbrink, 2012). Today, thousands of private, public and non-for-profit organizations have implemented the BSC (Kaplan, 2010; Basuony, 2014). Martinsons et al. (1999) link the widespread adoption of the BSC to its multi-dimensional approach to performance measurement. Compared to the traditional performance measurement tools that focused on financial metrics alone, the BSC focuses on three additional performance metrics (customer, internal process, and learning and growth) to provide a holistic performance outlook (Kaplan and Norton, 1992; Kaplan, 2010).

Despite its widespread adoption, the outcomes of implementing the BSC have varied fromsuccessfulto no tangible results to outright unsuccessful (Casey and Peck, 2004; Antonsen, 2010; BizShifts, 2010; Parmenter, 2012). A growing body of scholarshipthusfinds limitations in the BSC, particularly inits concept (Neelyet al., 2004; Kraaijenbrink, 2012; Parmenter, 2012), application (Rillo, 2004; Voelpel et al., 2005; Basuony, 2014), and practice (Molleman, 2007; Antonsen, 2010, Hoque, 2014). The same body of scholarship contends these limitations could either undermine the effectiveness of the BSC or cause firms to abandon the BSC altogether for better performance measurement alternatives. Therefore, motivated by the above, this critique contributes to this body of literature by providing a systematicexamination of the usage, application, benefits and limitations of the concept and practice of BSC and recommends an alternative performance measurement tool.

Based on the above, the remainder of this paper is organized as follows. Section 2 outlines the underpinning conception of the BSC focusing on its usage. Application of the BSC is discussed in Section 3, whereas its benefits are argued in the following section. Conceptual and practice limitations are then debated in Section 5. Finally, valid conclusions are drawn in Section 6.

2. Balance Scorecard Usage

The underpinning conception of the BSC is, "if you cannot measure it, you cannot understand it" (Kaplan, 2010, p. 3). Kaplan and Norton (1992) developed this conception based on multi-company research findings done in 1991 by the Nolan Norton Institute. The findings indicatedthat, despite intangible assets playing an increasingly central role in value creation, firms were not measuring nor integrating intangible assets in their management systems. Thus, the original and core objective of the BSC was to measure and integrate intangible assets intoa firm's performance measurement (Kaplan and Norton, 1992, 2004; Kaplan, 2010). However, since the concept of the BSC is not yet mature, differences in its interpretation and practice have emerged. Depending on interpretation and practice, many organizations have implemented the BSC to support a wide range of strategic organizational objectives. Some firms use the BSCas a strategic management tool to support decision-making at the strategic management level (Martinsonset al., 1999; Murby and Gould, 2005),to improve management of intellectual capital (Bose and Thomas, 2007), to develop employee incentive system (Ciuzaite, 2008) and to manage (Shadbolt et al., 2003). However, A majority of firms use the BSC to measure the overall performance of an organization or to implement a strategy (Basuet al., 2009; Nzuve and Nyaega, 2011).

The first and the original use of the BSC was performance measurement (Kaplan and Norton, 1992). When using the BSC to measure performance, firms focus on the four performance metrics– financial, customer, internal process, and learning and growth metrics (Kaplan and Norton, 2002). By measuring the four metrics, the BSC assists firms to track all the important aspects of a firm's strategy as well as achieve continuous improvement of partnership and teamwork.The BSC retained financial metrics as the ultimate measure of a firm's performance. Measuring financial metrics is important to determine whether a firm's strategy and execution are supporting the overall mission of the firm (Murby and Gould, 2005;Madsen and Stenheim, 2014). For private and for-profit organizations, financial metrics focus on profit and market share (business growth) while for public and non-governmental organizations, financial metrics focus on some projected result-oriented measures (Madsen and Stenheim, 2014).The BSC also measures customer perception of the organization since customers provide direct revenues through sales, their perception of the firm is critical to increase and sustain sales (Casey and Peck, 2004).Under customer perspective, the BSC measures – time, quality, performance, and cost (Kaplan and Norton, 1992). The BSC also measures internal process to focus on the activities that enhance customer satisfaction, and innovation and learning to improve the skills of employees and to achieve superior internal business process (Bose and Thomas, 2007).

Martinsonset al.(1999) find many organizations are using the BSC as a strategic management tool. In these organizations, the BSC forms the base for the strategic management system. The BSC provide strategic managers with a deep insight into the overall organization and hence assists them to make informed decisions about long and short-term objectives, internal and external performance, and financial and operational performance. The BSC enables managers to transform strategy into tangible performance measures, align strategy with the overall organization mission and vision, and articulate and monitor organization activities to promote, support and enhance the achievement of a strategy. The BSC is also useful for strategic management to coordinate a wide range of management processes such as performance appraisal, goal setting, resource allocation, and employee learning and development. Bose and Thomas, (2007) add that, the learning and growth perspective is particularly important for strategic management to identify, improve and better the performance of intellectual capital. Growing intellectual capital is critical to develop innovative product designs, production, distribution and promotion and to improve the market value of an organization beyond the value of its tangible asset base.

Another common use of the BSC is project management. Basu et al.(2009) contend the most important aspect of the BSC to project managers is transforming projects tasks into tangible performance measures. The BSC thus assist project managers to track the progress of project execution, identify tasks that are behind schedule, tasks that require more resources and skills and knowledge required to carry out certain tasks. The BSC is also important in project management to provide a more comprehensive picture of the project outside the traditional objectives of time, cost, risk and safety.

The BSCthus enables project managers to focus on intangible drivers and outcomes such as quality. However, in project management, the four categories of the BSC and the relationship between the categories require revision. In projects, customer satisfaction is more important than financial measure and key performance measures are benchmarks, compliance assured, verification planned, work assured and work complete.

Among small-scale organizations, the main use of the BSC is enhancing their chances of survival (Shadbolt et al., 2003;Hoque, 2014). According to Basuony (2014), 68% of small firms having less than five employees and 48% having 5-95 employees fail within the first five years of commencement. The main internal reasons are poor management, owner solely managing all business operations, inadequate financial resources, and the lack of knowledge in planning and controlling business activities. The main external reasons are rapid changes in the external market environment, uncertainty and complexity of the external market environment, intense rivalry and changing macro-economic situations such as recessions. Giannopoulos et al. (2013) argue that the BSC could assist small firm to avoid failure by identifying internal and external factors contributing to business failure. In particular, the BSC could assist small organizations to measure and address internal failure factors and connecting them to internal business processes and learning and growth perspectives. The BSC could also assist small firms to address external factors by aligning them to customer and financial perspectives and link them to internal business processes. However, Basuony (2014) attributes the slow uptake of the BSC among small firms to scarcity of research, the lack of knowledge on the BSC and insufficient capital.

3. Application of the Balance Scorecard

The BSC has been applied to almost all industry sectors and industry sizes –from manufacturing to services industries, from large to small organizations and from public to the private sector (Giannopoulos et al., 2013). Originally, the application of the BSC framework was more appropriate for organizations using intangible assets to create value (Kaplan and Norton, 1992). However, continued revision of the concept widened its application (Madsen and Stenheim, 2014). Thus, this section discusses the application of the BSC in three organizations – in Fosters Brewing Group as a strategic management tool (Bose and Thomas, 2007),in London Heathrow Airport Terminal 5 Project as a project management tool (Basuet al., 2009), and in small-scale (family farm) business (Shadbolt et al., 2003).

Bose and Thomas (2007) studied the application of the BSC in Fosters Brewing Group in Melbourne Victoria – now acquired by the SABMiller Plc. Fosters Brewing Group was experiencing a decline in performance. The CEO decided to adopt the BSC as a strategic management tool to acquire and to improve intellectual capital, and to retain old markets while capturing new ones.Investing in intellectual capital would enhance innovation of products and features to improve and sustain the brewing firm's value and its competitive advantages. The application of the BSC reversed the declining performance by improving the market value of Fosters Brewing Group. However, implementation of the BSC had several challenges. It took a long time because the BSC's top-down structure placed a greater emphasis on senior management. The departure of some senior management stalled implementation. The changing nature of the business environment – new competitors and changing customer tastes –required several re-conceptualization of the BSC and multiple revisions of key indicators. The final limitation was the application of the BSC was for meta-change initiative, which requires high costs of maintenance and dedicated leadership, either of which could potentially stall the maintenance of the BSC.

Basuet al.(2009) studied the application of the BSC in a major public infrastructure project having multiple stakeholders. The project was the expansion of the Heathrow Airport's Terminal 5. The BSC was adopted because of its flexibility enabled project managers to identify, customize and review performance metrics according to the project's objective. While the application of the BSC was successful, it raised critical issues (limitations) about its applicability to project management. Unlike in a business organization, the success of a project depends on suppliers, the neighborhood communities and the environment. The four categories also refer to abstract issues in a typical project management. The application thus required significant changes in the concept of the BSC. The leading indicators were changed from learning and growth to "benchmarks agreed" (includes some financial measures), and "verification planned and work supervised" (includes supervisor training). The lagging indicators were changed from customer to "handover agreed and work complete" and "inspected & protected'' and ''compliance assured'' (include financial measures).

The reconceptualization of the BSC was a challenge since the four categories were cross-referencing instead of a one-way linear relationship as perceived by the BSC. The other limitation was the exclusion of suppliers and other key stakeholders especially the government and the environment that were key to the success of the project.Shadbolt et al. (2003) studied the application of the BSC to small-scale organizations as a strategic management tool. The study aimed to examine the applicability of the BSC and its impact on improving the success of small-scale organizations. The study finds the application of the BSCassists small-scale organizations to avoid failure and to improve performance by linking external factors to learning and growth perspective, and internal processes to the financial perspective. However, when applying the BSC to a small-scale family-owned farm business, two limitations emerge. The customer perspective was inadequate since farm business puts equal emphasis on the customer and supplier.The customer perspective required re-naming to supply chain perspective. The second limitation was deciding which perspective was more appropriate to address family expectations such as time-off, holidays and children education, which are part of business expenses since the family is both owner and employee. To accommodate family expectations, the financial perspective required expansion to include shareholder (family) interests and renaming financial/shareholder perspective.

4. Benefits of the Balance Scorecard

The main proponents of the BSC, Kaplan and Norton (1992; 2002), assert the BSC has beneficial values to implementing organizations. In the original conception of the BSC, the main benefits were to assist organizations to develop and implement effective business strategies (Kaplan and Norton, 1992). Madsen and Stenheim (2014) add that, despite a large body of scholarship on the BSC criticizing or remaining skeptical about a clear-cut relationship between the BSC and business performance, the widespread practice of the BSC suggests its use has some beneficial values, whether perceived or real, to thousands of organizations that have implemented it. In fact, Rigby and Bilodeau (2013)argue the extremely first and successful spread of the BSC among thousands of organizations two decades after its inception is sufficient evidence that implementing organizations are either satisfied with the concept or at least find some aspects of the concept useful and beneficial to enhance performance.

Kaplan and Norton (1992; 2002) contend the BSC derives its benefits from overcoming the inadequacies of the traditional financial-based performance measurement tools. The traditional performance measurement methods such as the return on investment, net present value, internal rate of return, and payback period focused exclusively on financial metrics. These methods faced two serious limitations. First, financial metrics measures past performance and uses the findings to inform future business strategies. Measuring past performance does not take into account current changes in the business environment and risks a firm missing potentially lucrative emerging opportunities. Second, financial measures are periodic performance measures since they are quarterly, semi-annual, or annual performance measures. Periodic measures means an organization has to wait for a certain period to elapse to evaluate or to develop strategies to improve performance. Since the current business environment (including budgets and their roles)changes from time to time, periodic measures become less effective in evaluating and remedying performance. By overcoming the two inadequacies, the BSC provides managers with three additional performance metrics to evaluate the overall organization performance as well as thepast, present and future performance.

Madsen and Stenheim (2014) support that the BSC has an overall positive effect on the performance of an organization but finds not all aspects of the BSC are beneficial. While some aspects or uses of the BSC assist to improve performance, others hamper performance. However, Madsen and Stenheim (2014) observe that the differential outcomes of the BSC are because the concept is still developing. They argue that, academics and practitioners should understand that the BSC is not a mature concept and its interpretation and use varies across scholars and practitioners respectively. Because of the interpretive and practice variations, different organizations have implemented the BSC to achieve different purposes especially to improve performance or to improve strategic management. As a result, the BSC has different benefits to organizations depending on the purpose of the implementation. The variations notwithstanding, Madsen and Stenheim (2014) find three common benefits of the BSC to management. First, the BSC assists managers to focus on strategy, structure and vision. The focus is important for management to understand and to guide strategy implementation. Second, the BSC integrates financial and non-financial-based metrics to assist managers to focus on the entire business process and ensure current business activities and events contribute to customer values and to the long-term organizational strategy.

Third, the BSC assist managers to monitor the execution of a strategy by mapping cause-and-effect linkages between employee activities and strategy implementation. Basuony (2014) also finds the BSC benefits organizations but the benefits lean towards large organizations. The main benefitis solving problems associated with organizational characteristics such as changes in organization structure, specialization and different hierarchical levels. The associated problems are communication, coordination and control. The BSC solves these problems through its five principles: translating strategy into operations; aligning organization to strategy; integrating strategy into employees' everyday tasks; making strategy a continuous process; and mobilize change through top leadership (Kaplan and Norton, 2002). Basuony (2014) observes aligning organization to the strategy assists in solving the problem of communication especially formal reporting and bureaucracywhereas making the organization strategy an everyday job solves the problem of communication and coordination. Further, as a control system, the BSC assists large organizations to achieve their strategies by enabling management to articulate, communicate, and monitor strategy implementation. While small firms have not had equal benefits, Shadbolt et al.(2003) find the BSC could assist them to reduce their high failure rates. According to Giannopoulos et al. (2013), the BSC has the potential to assist small organization to connect internal factors to internal business process, and learning and growth perspectives, and external factors to customers and financial perspectives to enhance chances of success.

Casey and Peck (2004) also support that the BSC benefits organization. The BSC benefits organizations by providing managers with a deeper insight into business operations and into different ways to create value. In particular, strategy maps provide managers with a visual illustration of the inter-relationships between employee activities and strategy implementation. The process of developing strategy maps in itself provides the management with a deep insight into business operations and the potential areas to focus to create value. Thus, strategy maps are especially beneficial to organizations that use the BSC as a strategic management tool. The benefits come from strategy maps providing a common language and a common frame of reference, facilitating discussion, communication and visualization of the organization strategy and channels or activities required to achieve the strategy. Furthermore, Nazim (2015) adds that the BSC improves achievement of strategy since it transforms a strategy into tangible performance metrics, which managers can track, alter or speed up. It also enables managers to align strategy vertically, from strategic management to operational management as well as horizontally between employees to ensure operations activities promote and support strategy execution.

5. Conceptual and Practice Limitations

The persistence of problems encountered during implementation, high rates of implementation failure and considerable variations in both interpretation and practice of the BSC demonstrates serious limitations in concept and in practice (Pessanha and Prochnik, 2006). It is expected at the second decade since conception, the concept of the BSCwould have matured and its application easily replicated across organizations, which is not the case (Parmenter, 2012). Moreover, despite three conceptual revisions and three generations of the BSC, the concept still attracts considerable number of studies criticizing its concept and application. This criticism therefore exploresthe limitations of the BSC in concept and in practice based on findings from existing studies on the BSC.

At the conceptual level, Kraaijenbrink (2012) criticizes Kaplan and Norton forthe dishonesty of owning a concept that the management of Analog Devices, an engineering and manufacturing firm, had developed earlier. In the criticism, Kraaijenbrink (2012) posits the BSC is well suited for engineering firmsand less for other industry types especially service industries. For instance, the internal process may not be relevant for a consulting firm yet the BSC asserts all the four performance metrics are important. Kraaijenbrink (2012) also disagrees with practitioner-oriented literature suggestions that the BSC improves strategy awareness, communication, execution and achievement. While not doubting the positive results, Kraaijenbrink (2012) links them to other factors such as increased attention to strategy that the BSC influences rather than to the BSC itself.

Neely et al. (2004) share similar observations with Kraaijenbrink (2012). In a comparative study on the performance of an electrical firm that has implemented the BSC with a similar electrical firm in the same location, Neely et al. (2004) find the BSC had positive impact on sales, gross profit and net profit, and its removal had negative impact sales, gross profit and net profit. However, further analysis indicates the related electrical firm that had not implemented the BSC had achieved similar financial returns. The study suspected that factors other than the BSC might have interacted to influence the positive financial returns.

For the case of the negative impact of removal of the BSC on sales, gross profit and net profit, Neely et al. (2004) finds that implementation of the BSC was time intensive for employees and consumed the time they would have otherwise used to execute their assigned responsibilities. Pessanha and Prochnik (2006)criticize the objectives and the definition of measures of the BSC. The criticism point out that Kaplan and Norton suggestions for the selection of strategic objectives and performance measures leave out several interests of important stakeholders. In fact, the conception of the BSC only caters for the interests of the shareholders while ignoring the interests of other key stakeholders such as suppliers, the government, and the environment. Despite Kaplan and Norton noting the importance of including new perspectives to cater for interests of all stakeholders, they fail to discuss implementation of additional perspectives and the cause and effect linkages between the additional perspectives and performance measures. In addition to stakeholders, Pessanha and Prochnik (2006) criticize the lack of explicit involvement and engagement with the employee in its definition of objectives and measures. While the internal process, and learning and growth performance metrics involves employees, it does not include employee support and at times, the BSC is unfamiliar to the employees.

Parmenter (2012) criticizes how the BSC develops and defines performance measures. The criticism faults Casey, Peck (2004) observation that BSC transforms strategy into tangible performance measures by arguing that, the BSC does not define KPIs adequately, and hence hampers identification. The criticism compares BSC Key Performance Indicators (KPIs) to the Winning (Key Performance Indicators) KPIs methodology and find faults in the approach the BSC conceptualizes performance measures.The Winning KPIs indicate the primary role of performance measures is to assist managers to focus on the critical success factors but the BSC perceive the primary role of performance measures is to monitor and to evaluate the performance of strategies. Moreover, the BSC does not indicate critical success factors nor defines them. Since critical success factors are key to finding KPIs, the BSC does not assist managers to identify KPIs. The Winning KPIs suggests KPIs should be non-financial but support financial indicators, and should be less than ten, but the BSC conceptualizes all KPIs including financial ones as performance indicators, which could be more than ten creating challenges in implementation.

Voelpel et al. (2005) observe rigidity in the conception of the BSC as a performance measurement tool. While Kaplan and Norton (1992), and Casey and Peck (2004) contend performance measurement is a significant benefit of the BSC, Voelpel et al. (2005) agree and disagree. The BSC enables an organization to transform strategy into tangible performance measures but by limiting performance measures to four categories, itintroduces rigidity. Rigidity is evident when the four performance measurement categories form the basis of defining key success factors. The BSC thus forces managers to put success indicators into one of the four categories. The result is the BSC limits the view of an organization by leaving no room for cross-perspectives that have combined effect on strategy execution. Further, there is the danger of an organization neglecting success indicators that do not fall into any of the four categories. The four categories also risk creating confirmation bias, a situation where mangers only take interest in what they want to measures but ignore changes in the external business environment as evident in the case of Encyclopedia Britannica, which almost went out of business because of sticking to its once successful success factors.

In practice, despite widespread use and practitioner-oriented literature suggesting the BSC has beneficial values especially in enhancing organizational performance and strategy achievement, a large body of academics is skeptical about the relationship between BSC and organizational outcomes. In fact, a leading criticism asserts the widespread practice of the BSC in itself does not demonstrate the BSC is beneficial to organizations (Kraaijenbrink, 2012). In support of this assertion, BizShifts (2010) espouse that, within a decade of its inception, an estimated 44% of organizations worldwide had implemented the BSC; however, only 22% to 50% of these organizations achieved higher return on asset and higher return on equity while an estimated 85% of the organizations experienced problems during implementation. Neely et al. (2004) fault thewidespread practice of the BSC to early studies focusing almost exclusively on the benefits of the BSC vis-à-vis the traditional financial-based performance measurement tools with relatively very few studies examining the impact of the BSC on performance.

Molleman (2007)finds the inflexibility of the BSC a significant limitation towards its implementation. This finding contradicts the observation by Madsen and Stenheim (2014)about the flexibility of the BSC, who argue that the lack of conceptual stability of the BSC presents interpretive space to organizations to implement the BSC according to their business purposes and needs.

However, Molleman (2007) finds the BSC is not sufficiently flexible for application in firms in a highly dynamic business environment. While Kaplan and Norton argue that the BSC assists managers to modify strategies, in a highly dynamic business environment, managers will have to modify their strategies frequently or changing them altogether. The result is increased uncertainty about the usefulness of defined key indicators. Thus, for firms operating in highly dynamic environments requiring frequent changes or modification to strategies, establishing performance measures to go with the modification becomes both difficult and challenging. Moreover, the BSC risks the creation of a static organization. In practice, managers transform strategy into tangible performance measures and align organization activities towards the achievement of the BSC goals. The result is an increased focus on achieving the BSC goals to the exclusion of other goals that go beyond the BSC targets, creating unutilized potential. While an organization achieves the goals of the BSC, the overall potential of the organization is underutilized beyond the targets of the BSC.

Voelpel et al. (2005) and Rillo (2004)find, in practice, the BSC hampers a firm's innovation capability, which it could derive from external networks. The original and successive conceptions of the BSC perceive firms are in isolation and adversarial to competitors. The BSC framework focuses almost exclusively on a firm's internal processes to the exclusion of linkages with related firms and the environment. The main aim of the BSC is enhancing performance and translating strategy into action of the individual firm without consideration of the interlinked and networked business environment. In today's business eco-system, firms collaborate within their networks to improve their own performance. For instance, Microsoft allows partners to create software compatible with their Windows Operating System to increase the perceived value of the Operating System. This kind of innovation driven by external networks is not possible in a firm implementing the BSC.

BizShifts (2010) observes the lack of a bottom line or a unified view of the BSC as a significant limitation during implementation. The concept of the BSC is essentially a list of metrics, which makes implementation difficult and frustrating. Casey and Peck (2004) add that, the initial step of implementing the BSC is expressing a strategy as measurable goals. However, populating the BSC with goals does not mean transforming strategy into goals.Further, the BSC does not clearly describe strategy or goal formulation nor does the BSC claim it does. Moreover, BizShifts (2010) contends the top-down design of the BSC is a conceptual limitation since it puts the success or failure of the BSC squarely on senior management. This design further demonstrates the BSC perceives firms have bureaucratic leadership, hierarchical structures and clearly delineated job responsibilities were the norm, which is not the case. In addition, the BSC is becoming increasingly deficient since one-way linear cause-and-effect relationships are insufficient to describe the complex nature of today's business. For instance, customer perspective is inter-linked with various perspectives such as employee satisfaction, delivery time and product quality. In turn, customer satisfaction could influence employee satisfaction. Thus, the complex and interlinking nature of the business process suggests the way the success indicators are linked in the BSC requires revision to consider the entire system rather than the direct and visible success factors alone.

Rillo (2004) observes the limitation of the BSC in dealing with knowledge creation, learning and growth. Although the BSC has a learning and growth perspective that deals with knowledge creation and innovation, the perspective adopts the traditional logic of innovation, where research and development (R&D) deals with innovation but conceals both the process and the innovation itself from competitors. The only difference is the BSC extends the innovation concept from R&D to the entire organization. However, the traditional logic of innovation is changing from closed to open innovation influenced by increasingly inter-linked and networked nature of today's businesses. In fact, in the present knowledge economy increased mobility of knowledge workers, advancement in information and communication technology, and improved accessibility to venture capital places a greater emphasis on the open nature of innovation. The practice of the BSC does not take into account the changing nature of innovation and does not provide for performance measures and interlink ages with external partners in developing innovative ideas and products and the implementation of the innovative ideas. The limitation of the BSC is therefore to include and to measures distributed innovation in a highly interlinked and networked market.

The final limitation in the practice of the BSC is the complexity and resource intensive nature of its implementation. According to Antonsen (2010), implementing the BSC requires an organization to gather new data, which could create work overload for some departments. It could potentially lead to employee resistance and cynicism as well as to managerial resistance due to increased availability of information with the potential to upset the current power balance.

In addition to increased workloads, slightly more than half the companies implementing the BSC have no idea abouthow to identify success factors, developing key performance indicators and cause-and-effect relationships because the BSC does not provide a template nor explicitly define the process.

6. Conclusion

Within two decades of its inception, the use of the BSC is widespread across all industry sectors, from manufacturing to service industries, from large to small businesses and from public to private projects. The strength of the BSC is integrating three non-financial metrics – customer, internal process, and learning and growth – with the traditional financial metrics.The common uses of the BSC are performance measurement, strategic management and project management. The benefits of the BSC include overcoming inadequacies of the traditional financial-based performance measurement tools, providing a holistic performance outlook, transforming strategy into tangible performance measures, aligning organization activities to strategy and providing a deeper insight into business operations and ways of creating value.

Despite the widespread use and benefits, the BSC has serious limitations both in concept and in practice. The evidence isa greater number of organizations implementing the BSC have either failed to achieve their intended objectives or encountered serious problems during implementation.The main limitations include. The concept of the BSC has no clearly defined relationship with organization performance, the objective and definitions of measures exclude key stakeholders, lacks the definition of key success factors necessary for identifying KPIs, and the four categories limits the view of the organization. In practice, the BSC focuses resource to achieve its goals leading to underutilization of organizations' potential beyond the targets of the BSC; hampers inter-organizational innovation; perceives an organization has hierarchical structures, clearly delineated job responsibilities and one-way linear cause-and-effect relationships; and promotes closed innovation. These limitations hamper the effectiveness of the BSC and contribute to some organizations wanting to abandon the BSC altogether for better alternatives (Kraaijenbrink, 2015). A viable alternative to the BSC is Performance Prism (Neely, Adams and Kennerley, 2002).

The Performance Prism has five perspectives compared to four of the BSC. These are stakeholder satisfaction, stakeholder contribution, strategies, processes, and capabilities. The Performance Prism considers the stakeholder perspective as the most important. Organizations have to consider who their key stakeholders are and what they want. Once an organization has addressed the needs and wants of the key stakeholders, then it turns to the strategy perspective. The strategy perspective is aboutthe goals and the roadmap to satisfy those needs and wants. It involves performance measures to track strategy execution, strategy communications, incentivize implementation and monitor implementation (Neely et al., 2002). The Performance Prism is thus a viable alternative to BSC since it solves the problem of the exclusion of stakeholders other than the customer; directs organization to use stakeholder needs to develop goals and strategies to attain those goals; promotes inter-organizational innovation; and clearly defines employee capabilities and engagement (Neely and Adams, 2010;Hoque, 2014).

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