Journal of Environment and Earth Science
ISSN 2224-3216 (Paper) ISSN 2225-0948 (Online)
Vol 2, No.9, 2012
www.iiste.org

BALANCED SCORECARD: WEAKNESSES, STRENGTHS, and ITS ABILITY as PERFORMANCE MANAGEMENT SYSTEM VERSUS OTHER PERFORMANCE MANAGEMENT SYSTEMS

Milad Abdelnabi Salem[1]
School of Technology and Logistic Management, College of Business, University Utara Malaysia
Sintok, 06010 Kedah, Malaysia
Tel: 0060175513458, E-mail: Sagat7420032003@yahoo.com
Dr. Norlena Hasnan[2]
School of Technology and Logistic Management, College of Business, University Utara Malaysia
E-mail: mnhnh69@yahoo.co.uk
Dr. Nor Hasni Osman[3]
E-mail: has1218@uum.edu.my
School of Technology and Logistic Management, College of Business, University Utara Malaysia

Abstract
Since the last decades, the performance management has become a legislative requirement for the private and public sectors. Companies are looking to find the tool that a can measure the performance effectively. One of the attractive areas subject to be measured is the social and environmental considerations. This paper provides theoretical discussion of the BSC and compares it with other different measurement systems. Moreover, it evaluates the ability of BSC to incorporate the social and environmental issues. The paper concluded that although the criticisms of BSC, it has many advantages versus other performance systems. It also strongly suggested the ability to BSC to incorporate the social and environmental issues, which can open the door for coming studies to consider such issue.

Key words: Balanced Scorecard, performance management systems, social and environmental issues.

1. Introduction

Performance measurement has been a popular topic for both industrialists and academics. The different approaches of management research areas have given different definitions of performance management system. It defined as *"the process, a metric, or the set of metrics, which used to quantity both the efficiency and the effectiveness of actions"* (Bournce, Nelly, Mills 2003: p4). However, the quantity only the efficiency and the effectiveness dimensions of actions could be too limited (www.balancedscorecardreview.com).

Bititci, Carrie, Mcdevitt (1997) define the performance management system as *"The performance management system is the information system which is at the heart of the performance management process, and it is of critical importance to the effective and efficient functioning of the performance management"* (p 522).

Performance management system defined by Artelly (2001) as

> *"the performance management system is the heart and soul of the performance-based management process. Flowing from the organizational mission and the strategic planning process, it provides the data that will be collected, analyzed, reported, and, ultimately used to make sound business decisions"*. (p1)

The aim of any performance measurement system is the improvement of the performance. The company cannot manage what cannot measure. Therefore, it is important for any organization to measure its activities to determine the strengths and the weakness in its operations. During the history of business, there are many performance management systems, which have been used to evaluate the performance of the organizations. However, some of these systems' measures suffer from their inability to cover all the elements associated with the successful of the organization, which in turn led to the absence of critical and important elements in the measurement operation. Mohobbot (2004) summarized the weaknesses of the traditional accounting management systems in the following weaknesses: (1) Lack predictive ability to explain future performance. (2) They are not actionable, providing little information on root causes or solutions to problems. (3) One of these elements is the linkage between these systems and the strategy of the organization. (4) Too aggregated and summarized to guide management actions. (5) Give inadequate considerations to difficult quantify "intangible" assets such as intellectual capital. (6) Do not capture key business changes until it is too late. (7) Reward short-term or incorrect behaviour. In addition, these measurements lack to the linkage to the strategy of the organizations.

One of the most attractive issues nowadays is the role that corporations play with regard to environmental and social issues. It is becoming increasingly common for a company's image to depend as much on its environmental and social issues than on its financial performance (Keogh & Polonsky, 1998). This is in response to stakeholders' pressure, governments' regulations, and the pursuit of economic profit. Therefore, it becomes critical for corporations to find appropriate performance measurement systems that enable them to evaluate the social and environmental activities (Wanger, 2007). Thomas (2003) mentioned that, so far environmental sustainability remains largely separated from the traditional strategies and management systems, which are geared nearly solely towards financial performance indicators

Although many companies have implemented environmental and/or social management systems in order to manage and control sustainability, yet, these management systems often fall short in company practices. This due to that these management systems are often run on an operating level, and lack the linkage of the strategic planning and management of the company (Thomas, 2003). Moreover, some systems such ISO 14001 are imposed by self-objectives determined by the company itself. For instance, it is possible for a company performing poorly to be certified under ISO 14001 as long as it has established an acceptable program to reach its-self imposed objectives. Thus, two companies with very different levels of environmental performance can be certified as good companies (Federal Facilities Council Report, 1999). In general, such systems focus on the operational levels of organizations and do not link to the strategic objectives.

Accordingly, there is a need to find a tool that has the ability to measure the impacts, influence and the leverage of the organizational activities, and other long-term goals in general. Environmental management is not integrated with strategic management in many cases (Wanger, 2007). The importance of such objectives has resulted in the emergency of several management systems such as the Balanced Scorecard, the EFQM Excellence Model, Performance Pyramid, Performance Prism, Shareholder Value, and Blue Ocean Strategy, which can be used to maintain the strategic objectives of the company including environmental ones (chapter three discusses these systems). However, with regard to environmental issues, many studies have confirmed the ability of the Balanced Scorecard Model to integrate these issues with the strategic level concerns of the companies (Kaplan & Norton, 1996; Epstien & Winser, 2001; Figge et al, 2002; David & Todd, 2006; Margarita, 2008; Margrine & Lins, 2007; Pederson, 2008; Sardinha, Reijnders, Lansilueto & Jarvenpa, 2008). For instance, Gminder and Bieker (2002) concluded that, the integration of BSC into business management of accompany can reduce the problems related to environmental and social issues.

The aforementioned issue leads this paper to point the light on Balanced Scorecard as one of the most famous performance measurement tool, that give the management the ability to measure its performance from different aspects at the same time with a strong linkage to its strategy. This paper considers BSC and compares it with some performance management systems. It also provides a discussion of the limitation of BSC as articulated in previous literature.

2. Balanced Scorecard (BSC) Approach

Kaplan and Norton introduced BSC in 1992 as reflect of the inadequacy of traditional management systems, and their dependence on financial measures which are lag indicators, that report on the outcomes from past actions. Additionally, some traditional measurement systems, which incorporate nonfinancial measures, are lake the linkage to the strategy of an organization.

Banker, Chang, Pizzini (2004) explained BSC as *"an essential aspect of the BSC is the articulation of linkage between performance measures and strategy objectives, once linkage is understood, strategic objectives can be further translated into actionable measures to help organizations improve performance".* (p 2)

The BSC focus on measure the performance from four perspectives, financial, customers, internal processes, and learning and growth activities as shown in figure (1). Each of these perspectives provides relevant feedback as how well the strategic plan is executing, so that adjustments can be made as necessary. Kaplan and Norton (1996) believed that, the four perspectives of the BSC can make balance between many important things, such as, between outcomes desired and the performance drivers of those outcomes, and between hard objectives and more subjective measures. Although the Balanced Scorecard emphasis primarily the financial dimension, the toll can integrate other sustainability aspects such as social and environmental ones (Figge, Tobias, Stefen, & Markus, 2001; Sigma, 2003; Epstein & Winser 2001)

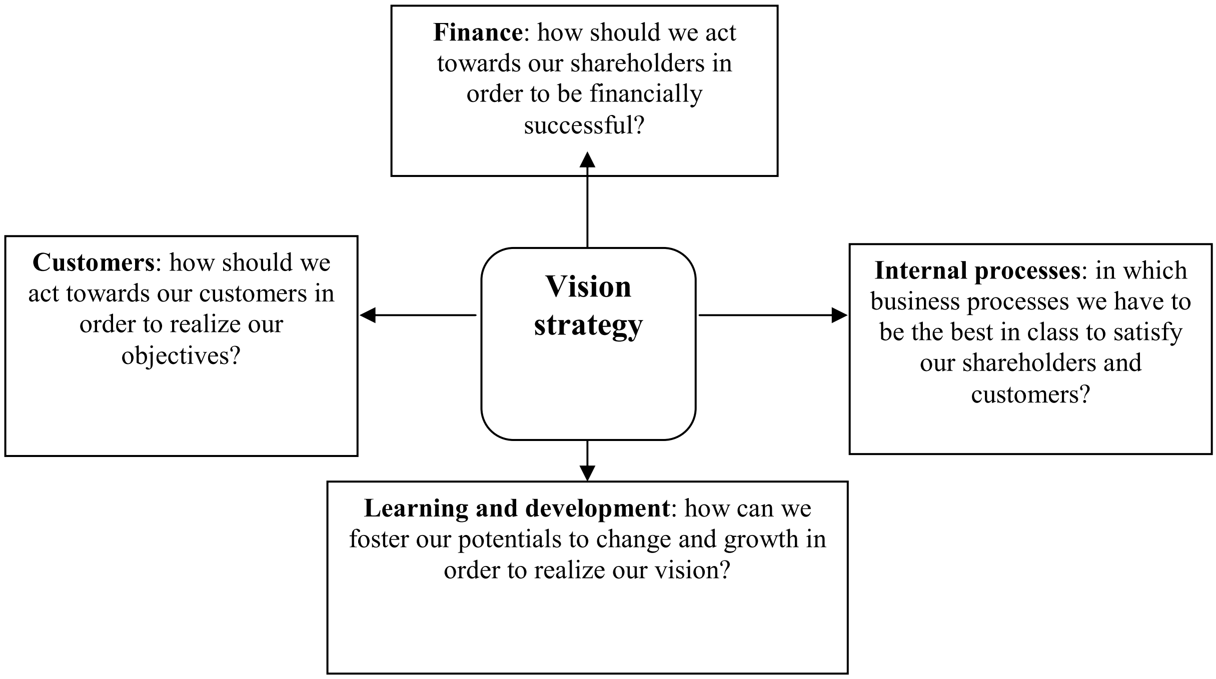

Figure 1:The Balanced Scorecard
Source: Kaplan and Norton (1996, P.9)

3. BSC and Other Performance Management Systems

Many performance management systems have been adopted by organizations to maintain their performance. These systems assist organizations in a number of different ways, each having its strengths and weaknesses. This section illustrates some of the management systems and tries to compare it with the BSC approach.

3.1 Balanced Scorecard versus TQM

The BSC and TQM are similar tools, which use to integrate the performance management and control systems, both tools have similar aspects such as focusing on communication, reducing the cost, and emphasizing the importance of organizations to manage the system and not the people, and both tools need to be supported by the top management in the organization.

With regard to the history, TQM is older than BSC. According to Mika, Harni, Kulmala (Without publishing date) the basis of TQM as Japanese born philosophy was created in the 1960, Whereas, BSC was created by Kaplan and Norton in the 1992.

Both TQM and BSC aim to improve the performance of an organization. However, the major difference between the BSC and TQM is the emphasis of each of tools. The BSC more emphasizes on financial objects. According to Schwartz and Jay (2010) that Kaplan and Norton stress that financial object, represents the long-term goals of an organization. They added that BSC uses traditional financial objects relating to profitability, asset returns, and revenue enhancements, whereas, TQM does not diminish the importance of financial solvency but focuses more on the system of the organization, the concept of empowering people, and employees involvement. As a result, when BSC focuses on whole organization, TQM focuses more on internal processes. According to (www.BalancedScorecard.org) the biggest difference between BSC and TQM that, BSC takes a holistic (organizational-wide) view of performance, where TQM tends to emphasize improvements to internal business processes. However, BSC can support the adoption of TQM. Zahirul (2003), concluded that "*TQM does not consider employees in its search for continuous improvement, but the BSC does. Therefore, by adopting a BSC a firm that has adopted TQM may overcome this oversight which should increase employee satisfaction and subsequently* organizational *performance*." (p 563)

3.2 Balanced Scorecard versus ISO 14001

ISO 14001 was created by the International Organization of Standardization. It is defined as environmental management system guidelines to improve the environmental management. ISO14001 defines the requirements for establishing, implementing, and operating an environmental management system.

ISO14001 has many advantages of organizations regarding to environmental aspects. However, it has many weaknesses, such as, that ISO14001 describes the management system and does not describe how to address environmental management issues, its lack to integrate the full legal requirements and company policies, and the need to consideration of environmental factors by every decision. Otherwise, environmental management system certification could be affected. (www.leyhill.com)

The main difference between BSC and ISO14001 is that BSC is a strategy management tool, which focuses on whole of the organization, Whereas, ISO14001 is system that focuses on environmental issues, with regardless to the other aspects that may affected by the environmental aspects. In brief, ISO14001 is run on the operating level, and does not linked to the strategic planning and management of the company.

3.3 BSC versus the Performance Pyramid

The Performance Pyramid was introduced by Cross and Lynch (1992). It focuses on the linkage of organization's strategy with its operations within four levels, which seem to fit into each other in the achievement of objectives. According to Stefan (2004), the development of company's Performance Pyramid starts with defining an overall corporate vision at the first level, which translated into specific business unit objectives. The second level is concerning the setting of short-term targets and long-term goals. The business operating system links top-level to day-to-day operational measures. Finally, four key performance measures (quality, cycle time, delivery, waste) are using at departments and work centers on a daily basis. Although the Performance Pyramid includes financial and non-financial measures, also it considers the integration of corporate objectives with operational performance indicators. It faces many critical points, Miral and Mark (2005) note that the Performance Pyramid does not explicitly integrate the concept of continuous improvements, does not provide any mechanisms to identify key performance indicators, and also the model has not been empirically tested.

The Pyramid Performance and BSC are two excellent methods of strategically driven performance management systems, and both models uses strategy maps to explain the relationships between the aspects of the performance. However, BSC is more effective than The Pyramid Performance in the use of the strategic map. According to Hasnan (2006), the success map of the Pyramid Performance is more difficult to understand than the strategy map of BSC. In the strategy map of BSC everybody can understand the cause and effect of logical mapping and direction towards the strategy objectives.

3.4 BSC versus Performance Prism

The Performance Prism was created by Nelly and Adam (2000); it presents itself as performance management system alternative to be used by organizations. According to Frederico and Cavenghi (2009) that the Performance Prism focuses on stakeholders involved in the environment of an organization through five perspectives, considering stakeholders satisfaction, strategies, processes, capabilities, and stakeholders contributions. The organization must consider each of these perspectives. Etienne, Erik, Arjan, (2005) noted that each of these perspectives has question which must be asked to measure the performance of the organization from different sides. In stakeholders' satisfaction, the key question is: who are the key stakeholders, and what do they want and need? The main question of the strategies is: what strategies do we have to put in place to satisfy the wants and needs of stakeholders? Regarding to the processes, the key question is: what critical processes do we require, if we are to execute these strategies? The main question of capabilities is: what capabilities do we need to operate and enhance these processes? In the stakeholders' contributions, the key question is: what contributions do we require from our stakeholders, if we are to maintain and develop these capabilities?

The Performance Prism takes a radically different look at performance measurement, and sets out explicitly to identify how managers can use measurement data to improve business performance. However, the measurement faces some critical points; according to Metawe and Gilman (2005) that the Performance Prism tends to neglect issues such as how the performance measures are going to be realized, hence, little concentration is given to the processes of designing the system. Additionally, Etienne et al (2005), note that there is only little evidence that the Performance Prism works in practice.

3.5 BSC versus the European Foundation Quality Management (EFQM) Excellence Model

EFQM excellence model was developed in 1991 (and revised in 1999), and the model also know as self-assessment or EFQM. The EFQM promoted by European Foundation Quality Management. It is a framework designed to help organizations achieving business excellence through continuous improvement in the management and developing the process to engender wider use of best practice activities. According to Steven (2003), the main objective of EFQM is to improve organizational performance through self-assessment and improvement activity against major benchmark excellent criteria. The EFQM is a practical tool to help organization determining where they are on the path of excellence and assessing the current health of the organization (www.wikipedia.org). The model evaluates the organization's processes and performance against a uniform set of strategic priorities, which facilities the design of process and enables the standardized "benchmarking" of results between different organizations (Henrik, Anderson, & Michael 2000).

The BSC and the EFQM are tools use measures of organizational performance for the purpose of the improvement, and both tools have been widely adopted and addressed broadly similar issues. However, there are some differences between the two tools. Henrik et.al(2000) point out that the BSC design processes starts with the articulation of a shared strategic vision specific to the organization, and backwards to define the priority strategic activities and outcomes that need to occur to achieve success. In contrary, the EFQM assesses performance against a standard of activities against generic "best practice" standards. This may leads to say that the design of BSC is more complex than the design of EFQM. At the same time, with the respect of the differences between the strategic priorities of the organizations, the measures of BSC are more likely (compared to the EFQM) to provide directly information on an organization's strategic performance. Additionally, BSC designs be necessity must explain uniquely for each organization its managers' plans to drive improved performance, this may makes a BSC approach is more positively to represent the specific strategic issues of the organization.

The EFQM model is a widely used tool, which designed for helping the organizations in their drive towards being more competitive. As well as the resulting EFQM measures can strongly supports comparison if we compare it to BSC. However, there are many critical points of the EFQM model. Henrik et.al (2000) note, that the EFQM is closely defined and relatively static-based on generic strategic priorities. In addition, a partnership study conducted by McAdam and O' Neills(1999) with Norton Ireland Electricity emphasized the limitations of EFQM model as a strategic framework in that it is primarily on assessment of the exiting, rather than a predictor of future strategy. Furthermore, Steven (2003) concluded that there are two major limitations of EFQM: the lack of a strategy direction and the need to focus improvement activity.

3.6 BSC versus Management by Objectives (MBO)

MBO was introduced by Peter Drucker in 1954 in his book (The practice of Management). It bases on the idea that individual's efforts must be put together to reach a common goal. All efforts must put in the same direction, and their contributions must fit together to reduce a whole-without gaps, or unnecessary duplications of efforts. According to Karl (2001), MBO is "*a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members".* (p 8)

MBO has some advantages such as its effect on the motivation of employees, better communication and coordination, clarity of goals, and managers can ensure that objectives of the subordinates are linked to the organization's objectives. (www.en.wikipedia.org)

MBO is different from BSC. In MBO, each goal is determined through consultation between managers and subordinates. A total goal is composed of section's goals, and each section's goal is composed of individual's goals. It emphases on employees participation and takes the employees' motivation into account (Mohobbot, 2004). When MBO requires eight areas in business (market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance, and public responsibility) the BSC requires three to five measures for each of its four areas. This makes MBO is more complex than BSC. Additionally, MBO suffers from some limitations; it emphasizes the setting of goals over the marking of a plan as a driver of outcomes, the neglect of the importance of environmental differences, and the evaluation of employees by comparing them to the "ideal" employees (en.wikipedia.org).

Both BSC and MBO are influenced by Fayol's four functions of management; planning, organizing, leading, and controlling (Karl, 2001). BSC has advantages over MBO because BSC focuses on only four business areas, and within each area focuses only on the most important performance indicators.

3.7 BSC versus Blue Ocean Strategy (BOS)

BOS is a new concept created by Kim and Mauborgone in 2004. It emphasize that companies should focus on finding new market space instead of focusing on battling the competitors in existing market places. The value innovation is the corn stone of BOS. It incorporates the idea that says swim where the ocean is clear, blue and non-competitive. According to Kim and Mauborgone (2005) that" *head –to-head competition results in nothing but a bloody red ocean rivals fight over shrinking profits. Success does not come from battling competitors, but from making the competition irrelevant by creating blue oceans of uncontested market place"* (p.24).

BOS can be defined as "a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant" (Kim, Yang, & Kim, 2008. p.522). This indicates that BOS philosophy depends on that companies should reduce their existing competition, which result in winners and losers. Instead, companies should depend on their innovation abilities to create new market strategies over the existing once.

Kim and Mauborgone (2005) point out that there are six key risks impede the development of BOS strategies of the companies. Those are search risk, planning risk, scope risk, business model risk, organizational risk, and management risk. To overcome these risks, Kim and Mauborgone claim that companies should address six principles; reconstruct market boundaries, focus on the big picture, reach beyond existing demand, get the strategic sequence right, overcome key organizational hurdles, and build execution into strategy.

Although the advantages of the BOS, which can be represented in that the strategy promise took over the business world, BOS faces some criticisms. For instance, the nature of competition is that there are no specific actions. This conflicts with the assumption of BOS This due to that in the business world; competitors also strive to obtain the best results of the same type (Herman, 2008). Another critical point of BOS is its level focus. Herman (2008) point out that BOS discusses the differentiation and innovation on the level of strategy, while the focus of most traditional occupation is on the level of products and brands. Moreover, the prospect of raising demand infinitely simply does not exist. When the BOS of the company works; sooner or later someone will copy or even improve its already successful model.

BSC and BOS are strategic management systems. BSC approach focuses on improvement of the strategy of the company to enhance its ability of the competition. It takes a holistic approach to improve the different areas of the company, Whereas, BOS focuses on the enhancement of the company ability to the innovation.

3.8 BSC versus Environmental Shareholder Value (ESV)

ESV is evaluation method which more conductive to economically efficient environmental protection. The concept indicates that environmental activities should be achieved at a minimal cost or additional profits by cost saving. According to Wanger(2007) that ESV is a potential candidate to support the integration of environmental management with the strategy of the company in way that positively influence the economic performance of the company.

Although the ability of ESV to evaluate the environmental management of companies for the purpose of shareholder interests. This concept has many criticisms, which related to the ability to use the concept with the interests of stakeholders. Schaltegger and Figge(1998) notion that ESV covers only one part of environmental management when analyzing the corporate environmental protection. They added that the identity of the impacts of environmental management on shareholder value is one part of shareholder value analysis.

The basic differences between BSC and ESV is that BSC takes into account all stakeholders of the company including shareholders, whereas, the ESV focuses on the aspects of shareholders. This may limits the ability of the concept to evaluate the impacts of environmental activities on the whole organizational performance.

In conclusion, the importance of environmental issues has forced many companies to implement specific environmental management systems. These systems have, however, rarely been integrated with the general management systems of a firm. As a result, environmental management often not linked to the economic success of the firm.

4. Limitations of BSC

Although the successfully emergency of BSC and its wide world in many organizations. As other measurement systems, the BSC has attracted criticism from a variety. Most these criticisms came from the academic community. This section will explain the most important critical points of the BSC.

1- The causality relationships between the areas of measurement in the BSC are unidirectional and too simplistic. Some scholars note that there is no cause-and-effect relationship between some of the suggested areas of measurements in the BSC (Norrekelit, 2003; Mohobbot, 2004; Henk and Kim 2002). Norrekelit (2003) has depended on the relationship between customer loyalty and financial performance as example of these limitations. In his discussion has showed that the lack of cause-and-effect relationship is crucial because invalid assumptions in a feed-forward control system will cause individual companies to anticipate performance indicators, which are actually faulty.

2- The BSC neglects the time dimension. This critical point of the BSC starts from the assumption that the linkage between different points of time must be understood. In this point of view, BSC does not explain the role of time in its cause-and-effect relationships. Norrekelit (2003), notes that BSC does not incorporate the time dimension in the cause-and-effect relationships, and it also does not separate cause-and-effect relationships in time.

3- The lack of the validation; the reliance of BSC on few measures makes a critical point of BSC. Mohobbot (2004) and Henk and Kim (2002) point out that the advantage of checking just a few number measures became disadvantage when not the right numbers are selected for the BSC. This critical point of view depends on that BSC lacks the mechanism for maintaining the relevance of defined measures. This leads to reduce the validation of BSC and the possibility to miss some critical measures. Hondson, Smart, & Bourne (2001) noted that the BSC has a good coverage of the dimensions of the performance, but it provides no mechanism for maintaining the relevance of defined measures. Martensson (2008) noted that there seems to be tension in the BSC concept between the different focus areas, and the idea that only a limited number of indicators should capture these areas.

4- The lack of the integration between top-levels and operational levels' measures. Mohobbot (2004), Henk and Kim (2002) point out that BSC fails to identify performance measurements as two-ways process. Hondson et al(2001) notes that one of the critical points of BSC is its lack of the integration between the top and operational levels which may leads to strategic problematic. This critical point refers to the ability of low levels to understand the implantation of BSC. Furthermore, the absence of the integration limits the use of BSC from the higher levels only. As a result, the

strategic plans of the organization may fail because of the weakness of the coherence and the integration between the organization's levels.
5- An internally focus. One of the criticisms of BSC is that its framework encourages the focus on internal aspects. Mohobbot (2004) mentions that the BSC is incapable to answer the questions related to the competitors movements. Additionally, the BSC does not evaluate the significant changes in external conditions. The management should assess how the external changes affect the implementation of BSC (may.jobstreet.com). In addition, Henk and Kim (2002) point out that the BSC does not consider the extended value chain in which employee and supplier contributions are highlighted. Norreklit (2003) points out that there are some stakeholders who are not incorporate in the BSC such as suppliers and public authorities, which may be important to some firms.
6- An ineffective to corporate sustainability. According to Thomas (2003) the traditional BSC-concept is not effective enough to contribute to corporate sustainability. This point of view supported by Mohobbot(2004) and Hink and Kim(2002).

5. Discussions on the Limitations of BSC

Most of the critical points of BSC came from the misunderstanding of the mechanisms of it. This section will explain some of the limitations of BSC from the supporters' point of view. The discussion will depend mainly on the work of Kaplan and Norton (1996), also some studies will be included in the discussion.
1- The causality relationships between the areas of measurement in the BSC. The cause and effect relationships of BSC mean that relationships which represent the organization's strategy and the improvements which high probability lead to desired outcomes. In other words, BSC does not suggest a generic cause and effect relationships, but it suggests incorporating the most important critical areas. Kaplan and Norton (1996) note that "*the cause-and-effect interrelationships in the scorecard help identifies the critical drivers that will allow breakthrough performance on important outcome measures". (*p 224) According to Per and Teemu (2005), Kaplan and Norton suggest the analysis of customer profitability to determined which customer demands should be satisfied in ways that are profitability of the organization.
2- Concept of time dimension in the BSC. The BSC does not mention to the time dimension explicitly in its implementation as measurement management system. However, since the BSC is a strategy management tool, so, the time dimension is implicitly a part of the methodology because the strategic plans take into account the time of the implementation. According to Per and Teemu (2008), companies often have the time dimension into their strategic maps and scorecards in simple ways.
3- The validation of BSC. The purpose of the focus on few measures in the BSC is to avoid the information overload. BSC is more than collection of measures used to identify problems. The dependence on few measures in the BSC is to identify and measure those actions that are required improve desired outcomes. Kaplan and Norton (1996) point out that the process of building BSC clarifies the strategic objectives and identifies the critical few drivers of the strategic objectives. Hasnan (2006), notes that the reduction of the number of measures increases the ability of the company to direct its efforts to strategic priority. Furthermore, the objectives within the four perspectives are carefully selected and are firm specific. It is noticeable that the total numbers of measures should be limited to somewhere between 15 and 20, or three to four measures for each of the four perspectives (www.netmba.com).
4- Linkage between top and operation levels of the organization. Kaplan and Norton emphasize that the measures of BSC must be a part of the information system at all levels of the organization. According to Kaplan and Norton (1996)" *the objectives and the measures for the BSC are more than just a somewhat collection of financial and nonfinancial performance measures; they are derived from a top –down process driven by the mission and the strategy of the business unit". (p9)* Hasnan (2006), notes that one of the most important points of building BSC will be the ability of the organization to express its strategy and vision in tangible terms within the company. It is clearly that the mechanism of BSC encourages the integration between all levels of the organization.
5- The focus of BSC. Kaplan and Norton note that BSC focuses on both external and internal aspects. They added that BSC is the result of the collision between the irresistible force to build long-range competitive capabilities and the immovable object of historical-cost financial accounting model. Hasnan (2006) points out that BSC balances the internal capabilities of the organization and its external relationships. Although Kaplan and Norton do not identify the role of the competitors in their traditional BSC, the noticeable that they considered the BSC as a tool that helps organizations to the success in the new information age competition. The BSC supports the organization's ability to build strong internally and externally situations.
6- BSC and corporate sustainability. Kaplan and Norton suggest using BSC for the purpose of sustainability aspects. The use of BSC in sustainability approach is relatively new. However, as we will show later, some companies such as Novartis, Novo Nordisk, Volkswagen, Shell, Dow Junes, and others, have adopted aspects of sustainability in their balanced scorecards.

BSC has many critical points which mainly came from academic field. However, it is still attract a lot of researcher attention because of worldwide implementation and its emergence as alternative of the traditional accounting systems which focus heavily on financial aspects, with the neglecting of the other aspects. This may lead to lose these accounting systems its balance, and resulted in the emergence of BSC to create the balance of the measurement of the organization. Kaplan and Norton (1996) noted that:

> *"The measures of BSC represent a balance between external measures for stakeholders and customers, and internal measures of critical business process, innovation, and learning and growth. The measures are balanced between the outcome measures- the results from past efforts- and the measures that drive future performance. And the scorecard is balanced between objective, easily quantified outcome measures and subjective, somewhat judgmental, performance drivers of the outcome measures". (p 10)*

Conclusion

Since the last decades, the performance management has become a legislative requirement for the private and public sectors. Companies are looking to find the tool that a can measure the performance effectively. Unfortunately, many management systems have felt for shortcoming in their measures specially regard to environmental and social issues. Comparing BSC with other performance management system resulted that BSC has the ability over other system to present the different dimensions of the performance. The BSC has been a highly regarded performance measurement tools, which can measure different aspects in the company. According to Kaplan and Norton (2001), the first companies which adopted BSC such as Mobil Oil Corporation's North America Marketing and Refining, CIGNA Corporation's Property & Casualty Division, Chemical Retail Bank, and Brown & Root Energy Services' Rock water Division- these organizations used the Balanced Scorecard to create strategy focused organizations and have got successful strategy execution.

Although using BSC in the practice field of the sustainability issues is relatively a new if compared with other systems, it has been suggested by Kaplan and Norton. This may due to the emergence of new variables, which have a critical role in the business. According to Margarita (2008), in modern business models, intangible assets such as employees' skills and knowledge levels, customers and suppliers relationships, and an innovative culture are critical in providing the much-needed cutting-edge to the organization. The research into how environmental issues can be integrated into the core business process through the extension of the BSC is still in a very early stage. Such results open the door for future studies to consider the role of BSC as performance management system that able to include the social and environmental issues.

Acknowledgment

We would like to students at University Utara Malaysia. Our thanks go also to professor Ala. Alden, Professor Hartinne Ahmad, Dr. Sitti Norezam at School of Technology and Logistic Management for their helpful comments during conducting this paper. Additionally, we would like to thank all staff at library of the university.

References

Artelly, W. 2001. The performance-based management handbook: establishing integrated performance measurement system. Training Resources and Data Exchange Performance-Based Management Special Interest Group, Volume 2. University of californea. P1.

Banker, R. Chang, H. Pizzini, M. 2004. The Balanced Scorecard judegmental effects of performance measures linked to strategy. Accounting review, vol.79, No 1. Pp 1-23.

Bititci, U. Carrie, A and Mcdevitt, l. 1997. Integrated performance measurement system: a development guide. International journal of operations & production management, Vol.17, No 5-6. pp 522-534

David, B & Todd L. (2006). Issues in sustainable transportation. *International Journal of Global Environmental Issues,* 6(4), 331-347.

Epstien and Wisner. 2001. Good neighbors: implementing social and environmental strategies with the BSC. Harvard Business School publishing. Balanced Scorecard Report. May – June 2001. pp 3-6.

Etienne, J. Erik, M. Arjan, J. 2005. Performance management models and purchasing: relevance still lost. The 14th IPSERA conference, Archamps, France, March 20-23. Pp 687-697.

Federal Facilities Council Report .1999. Retrieved March 16, 2010, from http://en.wikipedia.org /wiki/ISO_14000.

Figge, F. Tobias H. Stefen S. and Markus W .2002.The Sustainability Balanced Scorecard. University of Luenerbug.. Business Strategy and the Environment Bus. Strat. Env. **11**, 269–284 .

Fredireco, G. Covenghi, V. 2009. The measurement of organizational performance with focus on stakeholders: A performance prism approach. Sao Paulo State University. POMS 20th Annual Conference Orlando, Florida U.S.A.May 1 to 4, 2009 . pp 2-17.

Hasnan, Norlina. 2006. Development A Balanced Scorecard Model for Evaluation of Project Management and Performance. University of Birmingham.

Henrik, V. Andersen, G. Michael, S. 2000. The Balanced Scorecard vs. The EFQM business excellent model. Which is better strategic management tool?. 2GC limited. pp 1-16.

Herman, D. 2008. The limitations of Blue Ocean Strategy and unexpected alternative. Avaliable at http://www.outsmart-mba-clones.com

Hudson, M. Smart, A. Bourne, M. 2001. Theory and practice in SME performance measurement systems. International journal of operations and production management 21. Pp 1096-1115.

Karl, R. 2001. The Balanced Scorecard historical development and context, as developed by Kaplan and Norton. Anderson University. Foundation of management. Summer 2001. Pp1-11.

Kim, C. Mauborgne, R. 2005. Value innovation: a leap into the Blue Ocean Strategy. Volume 26. No, 4. Pp 22-28.

Kim, C. Yang, K. Kim, J. 2008. A strategy for third- party logistics systems: a case analysis using the Blue Ocean Strategy. International Journal of management science. Volume 36, Issue 4. August 2008. Pp 522-534.

Kaplan, S. and Norton, D.,1996. Translating Strategy into Action, The Balanced Scorecard. PP 24-34.

Keogh & Polonsky. (1998). Can The Over commercialization of Cause-Related Marketing Harm Society?, School of Marketing . Victoria University. Australia. *Journal of Macro marketing,* 21(1), 8-22

Mohobbot, A. 2004. The Balanced Scorecard (BSC) – A critical analysis. Journal of humanities and social. Volume 18. November 2004. Pp 219 -232.

Meral, M. Mark, G. 2005. Problems withthe implementation of performance measurement systems in bublic sector where performance linked to pay. A literature review drawn from the UK. 3th conference on performance measurement and management control (Nic september 22-23, 2005).

Margarita, I. (2008). *The Balanced Scorecard Method, From Theory to Practice*. vilnius : Romeris University publishing center. 1(3), 18-28.

Mika, H. Harni, I. Kulmala, P. Total quality management and Balanced Scorecard: A comparative analysis. Productivity & Quality Management Frontiers - VII. MCB University Press, Bradford, England, pp. 633-648.

Metawe, M. Gilman, M. 2005. Problems with the implecation of performance measurement systems in the public sector where performance linked to pay: A litrature review drown from UK. Conference on performance measurement and management control.

Norreklit, H. 2003. The balance on the Balanced Scorecard: a critical analysis of some of its assumptions. Management accounting research. Volume 11, Issue 1. Pp 65-88.

Pedersen, E.R. & Neergaard, P. (2008). From periphery to center: How CSR is integrated in mainstream performance management frameworks, *Measuring Business Excellence*, 12(1), 4-12.

Per, N. Teemu, M. 2005. Re-examining the cause-and-effect principle of the Balanced Scorecard. University of technology. Sydny. Pp 6-8.

Schwartz & Jay. 2005. Balanced Scorecard versus total quality management: which is better for your organization?. National Institutes of Health. National Library of Medicine. USA.

Stefan, T.2004. Performance measurement: from philosophy to practice. international journal of productivity and performance management. Vol 53 No, 8. 2004. Pp 726-737.

Schaltegger, S. Figge, F. 1998. Environmental shareholder value. The center of economics and business administration (WWZ). University of Basel and Bank Sarsian. Stnd No 54. Pp1-40.

Sardinha, I. & Reijnders, L. (2005). Evaluating environmental and social performance of large Portuguese companies: a balanced scorecard approach, *Business Strategy and the Environment*, 14(2), 73-91

Thomas B. 2003. Sustainability Management with Balanced Scorecard. International summer academy on technology studies-corporate sustainability 13. Jul 2003 - 18. Jul 2003. University of st Gallen.

Wanger, M. 2007. Integration of environmental management with other managerial functions of the firm: Empirical effects on the drivers of economic performance. Long range planning, volume 40, issue 6, December 2007. PP 611-628.

http// www.balancedscorecardreview.com

http// www.wikipedia.org

http// www.BalancedScorecard.org