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Balanced Scorecard vs. Dashboard: Implications and Managerial Priorities

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Abstract

The article presents an overview of studies that have described the Balanced Scorecard and Dashboard. Following a review of the existing literature, case studies and management best practices, the authors analyse the implications and managerial priorities of this two strategic performance management systems. The results show that the benefits resulting from successful Balanced Scorecard and Dashboard implementation must overweigh the costs of designing, implementing, and using it.

Key words

Balanced Scorecard, management accounting, responsability

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1. Introduction and literature review

The origins of the Balanced Scorecard and Dashboard concepts can be found in several sources. One of the Balanced Scorecard precursors is the Dashboard, a management tool introduced in France in the 1930s by French engineers (Atkinson and Epstein, 2000), described as a Dashboard used by managers to guide organizations on their way to achieve the vision (Fletcher and Smith, 2004). The Dashboard has become popular in France since its introduction, with most large companies using it today (Aranda and Arellano, 2010). However, due to the limited availability of literature translated into English, it has a limited spread outside France (Ittner and Larcker, 1998).

Some researchers claim that the Balanced Scorecard is very similar to the Dashboard (Kraus and Lind, 2010; Rickards, 2003; Andra and Robert, 2006). Despite the fact that both concepts are based on the relationship between financial and non-financial indicators, they differ in many respects. While the Balanced Scorecard reflects the link between financial and non-financial indicators and the strategic orientation of the organization, Dashboard is more of an operational tool to manage and control production processes.

In the early 1950s, the General Electric developed a Balanced Scorecard system designed to be used as a performance management system (Levitt and March, 1988). The team recommended eight performance indicators (one financial and seven non-financial) to measure performance in General Electric's decentralized divisions: profitability, market share, productivity, product leadership, corporate responsibility, staff development, employee attitudes, and the balance between short and long term goals (Kaplan and Norton, 1996). Although at that time it could not be a performance assessment tool, according to the Balanced Scorecard perspectives, the four perspectives can easily be recognized at the level of the indicators used.

According to Putakarn (2011), performance requires the coordination of each activity according to the objectives of the entire organization. Thus, the first indices of the alignment of strategic objectives to individual levels can be identified as a characteristic of the implementation of the modern Balanced Scorecard concept. In the mid-1960s, Robert Anthony proposed a modelling system for planning and control, identifying three such systems: strategic planning, management control, and operational control. According to Kaplan and Norton (1992), Anthony's work includes the first indices of managerial planning, including both financial and non-financial indicators.

Thus, the discovery of this Balanced Scoreboard is considered to be one of the most important innovations of the 20th century in the field of management. At present, about 50% of major North American companies and 40% of Europe use a certain version of a Balanced Scorecard (Von Bergen and Benco, 2004).

2. Balanced Scorecard and Dashboard - company performance measuring tools

The term performance is used in various areas; there are talks about economic, technical, sports, social performance (Atkinson and Epstein, 2000). Etymologically, the word performance comes from the Latin performance that means finalizing a certain proposed activity. The meaning of the word comes from the English "to perform" which means accomplishing something that implies a certain skill or ability (Charnes, Cooper and Rhodes, 1978).

Within a business, performance measurement is done differently, depending on the level of responsibility (Lipe and Salterio, 2000). The performance can be measured by the extent to which indirect production costs have been reduced if this was one of the centre's responsibility objectives. The performance of a sales manager can be measured by achieving the goal of increasing turnover over a specified period. Instead, the performance of the general manager will be assessed in terms of profitability and liquidity, as globally defined objectives. Management control within an organization provides more performance monitoring tools: Dashboard, Reporting and Balanced Scorecard (Frigo and Krumwiede, 2000).

The Dashboard is an enterprise piloting tool that allows managers to have a clear view of their business and business indicators for making decisions under their competence. The construction of the Dashboard can be done in two ways: an independent way with heterogeneous Dashboards tailored to one-way requirements of the various level officials, and an integrated way within an enterprise-wide information system based on appropriate IT programs. As a component of the enterprise's overall information system, the Dashboard becomes a very important internal communication tool (Davis and Albright, 2004).

Automated Dashboards require a computer system to obtain, process, and communicate by displaying the necessary data and information. As far as information sources are concerned, automated Dashboards must be able to process an important database and observe confidentiality restrictions, have differentiated access to the users' data and ensure development opportunities. The Dashboard communicates data that is indispensable to the short-term control of the business. They are set in very short terms and with a high periodicity, which allows drivers to quickly execute corrective actions and even anticipate events (Charnes, Cooper and Rhodes, 1978).

For the construction of the management dashboard, in addition to the documents specific to the standard-cost method, there are some common documents used for taking information such as: individual or collective consumer receipts, individual or collective consumption limit sheets; logs on consumption and other outflows; salary records; salary and social contributions; logs on the allocation and settlement of production costs; record sheets of working hours of machinery, equipment, voucher, transfer, refund, etc. The cost, time and quality are the foundation of managerial accounting that emphasizes processes and improves them. Thus, the Dashboard is the tool by which cost-oriented management monitors ongoing processes and formulates an opinion on how they are going.

Reporting is a tool for tracking and evaluating performance commonly used in large businesses. It serves to justify the degree of achievement of the objectives by managers and is used to aggregate information from elementary units (sections, factories, shopping centres, subsidiaries, etc.) to the top of the hierarchy (Lawrence and Sharma, 2002).

On the other hand, the Balanced Scorecard is a tool that provides an operational representation of the company's overall performance and allows the guidance and evaluation of its strategy. It also maintains traditional financial indicators. However, these traditional financial indicators reflect past events, being appropriate tools for companies in the industrial age, for which long-term investment and customer relationship investments were not critical to success (Libby *et al.*, 2004).

An efficient and good manager, like a pilot, needs to use and analyse the countless information around him to make the best decisions for the results. The Balanced Scorecard provides managers with the full range of tools they need in order to align their goals with the organization's strategy. Performance measurement is done through the four fundamental axes (financial, customer, internal processes, development learning), proportionally, without giving any particular importance to them. The financial axis relates to improving the financial performance of the enterprise (Banker *et al.*, 2004).

The objectives are set according to the level of business development as follows: when the organization is in the beginning, the financial targets are aggressive, an increase in turnover is required, and when a company is mature, it opts for maintaining the results. Thus, the financial objectives of the divisions are subordinated to the strategy of the whole corporation. Finally, all the objectives and targets of the other three core axes should be linked to the achievement of one or more financial targets. Customer axis refers to how companies identify customers and the markets they have decided to compete with. Managers need to focus only on those markets where their products and services can best sell and try to become the best in that market. It is useless and also risky for a company to try to diversify its activity in certain markets where there are already strong competitors. The organization must focus on maintaining and strengthening its position in the markets where it operates by increasing customer satisfaction, customer numbers and market share. Division managers, apart from trying to thank customers, need to translate their mission and strategy into customer-specific marketing objectives. In order to establish these objectives, market studies and questionnaires on quality, brand, functionality, reputation or price are required.

The axis of internal processes refers to those critical processes in the organization that can be continually improved to achieve customer and shareholder goals. The objectives from this perspective are established after the financial and customer objectives have been outlined in advance. Innovation is a major process here because by developing new technologies, they can meet new customers' wishes by providing a secure profit to the company; then, a greater importance must be attached to current customer needs and to post-sale needs. The learning-development axis essentially targets the company's power of adaptation and innovation to achieve strategic goals (Bisbe and Barrubés, 2012). The Balanced Scoreboard draws attention to the importance of the long-term vision because it is not enough for a company to acquire new and performing equipment but also to invest in human capital.

Due to the implementation of the Balanced Scorecard system in different service and production companies, three main categories have been identified in the learning and development perspective: employee capability, information system effectiveness, and employee motivation. The strategy of the company should not be confused with the strategic management concept, which is a dynamic process in which, through strategic decisions, the company's managers foresee and make the future changes in the organization under the impact of environmental changes (Bourne, 2006).

By providing a balanced set of internal and external indicators, whether objective or subjective, on processes, innovation, education and growth, the prospective Dashboard also shows indicators as a result of previous efforts that anticipate the future performance. Strategic goals are set at the top management level of the organization and then through a cascade process they are also made known at operational levels. In this way, every employee of the company knows its role in achieving the company's success and its contribution to global performance. When employees are properly informed of the management's intentions and the decisions they make, they can actively contribute to achieving the goals and, implicitly, the chosen strategy. This direction of information from the executive and management sectors to employees in the productive/operational sectors also bears the name top-down.

Finally, the Balanced Scoreboard is thought and traced by the leaders of the organization (especially someone from the economic and financial department), but it is set in motion by the employees of the company, hence the special importance for them to know the strategy, mission and objectives (Paranjape *et al.*, 2006). The Balanced Scorecard or Dashboard must be everyone's problem and must align the entire company to the strategy.

3. Results and discussions

The causal relationship between the objectives of the strategy and the measurement is more open in the Dashboard than in the case of the Balanced Scorecard. In this respect, managers using the Dashboard need to adapt a very generic process to their own context (subjective), while the Balanced Scorecard is a more ready-to-use (objective) system.

The management tool, the Dashboard, is an information system, enabling it to keep the necessary data to control the company's business up-to-date and as soon as possible in the short term and to facilitate the exercise of its responsibilities. It is made up of indicators (quantitative, qualitative or financial) or, in other words, "from highly significant concentrations of information that have a direct meaning for them". In this respect, its main merit is to produce quasi - instantaneous information and to meet the main responsibilities in due time. Dashboard control involves defining the performance indicators that measure the level of performance achieved and the pilot indicators that determine the level of advancement of the action plan. Between the two categories of indicators, the link is tight. The management dashboard contains a set of current information, presented in a predefined form, about some of the main outcomes of the company's activities, and the main factors that make their effective performance conditional.

The construction of the dashboard looks at several ways to check the balance of overall performance dimensions. Among these, the most important are the following: financial guidance - information on an enterprise's performance, especially its profitability, is needed to assess potential changes in the economic resources that the enterprise will be able to control in the future. This information is useful to predict the ability of an enterprise to generate cash flows from existing resources; the analysis of the determinants of performance - the most important indicators are financial and generic (profitability, customer satisfaction, etc.), but also the specific ones chosen by the enterprise; the analysis of financial relationships: causal relationships and determinants of performance are finally explained by concrete results expressed in financial terms. These indicators allow clear and objective communication and vision of the efforts made within the strategy (Philbin, 2011).

Regarding the benefits of Balanced Scorecard implementation we can mention:

a) The Balanced Scorecard provides a framework through which management can focus on those perspectives that will lead the organization to success and also provide a framework for consistent performance evaluation against the proposed targets. This tool helps managers to align important performance measures with the organization's strategy at all levels.

b) The Balanced Scorecard allows an organization to define its strategy in terms of important business goals with agreed targets, and to achieve these goals within a set period.

c) The Balanced Scorecard leads the organization's strategy for easy-to-understand purposes and objectives, which are then communicated to each individual in the organization in a way that he can understand.

d) The Balanced Scorecard provides the management with a comprehensive overview of business operations and their current performance.

e) The Balanced Scorecard allows organizations to recognize important areas in their own business and to appoint people responsible for maintaining the best performance and processes for those areas.

f) The Balanced Scorecard assists organizations in implementing management processes that support strategy and aligning business processes with this strategy.

g) The Balanced Scorecard links business priorities.

Therefore, knowledge of the company's achievements remains one of the main concerns in management control. With or without the budget management, corporate governance is based on recent information of any kind, relative to its performance.

In the decision-making process, the Dashboard performs several functions:

a) it allows the continuous control of achievements in relation to the objectives set in the budgetary procedure;

b) it draws attention to key management points and their possible derivations in relation to the intended operating rules;

c) it allows the diagnosis of weaknesses and abnormalities and repercussions on the company's result. The quality of this comparative and diagnostic function clearly depends on the relevance of the retained indicators.

It can be concluded that the Dashboard is a communication and decision tool that allows management control to draw the manager's attention to key management points in order to improve it.

4. Conclusions

The Balanced Scorecard and the Dashboard are two strategic performance management systems with different cultural and ideological roots. While the balanced scorecard is the creation of the American trend of management thinking, the Dashboard is a strategic management system that enjoys considerable adoption, especially within the French borders. The reluctance of French academics and practitioners is largely supported by the fact that the Dashboard, which was introduced in French companies around 1930, almost 8 decades ago, resembles the much more recent Philosophy of the balanced scorecard in many respects, although it is only two decades old (Kaplan and Norton, 1996).

Due to the similarities between the two management concepts, several authors have suggested that the Dashboard is the precursor to the more modern Balanced Scorecard (Libby *et al.*, 2004). Others performed a comparative analysis based on similar points of the two concepts (Andra and Robert, 2006; Putakarn, 2011). While the focus of the Dashboard is mostly on the process, the Balanced Scorecard adopts a more financial-oriented perspective (in the case of private organizations) or stakeholders (in the non-profit and government sectors).

It is worth noting that the Balanced Scorecard maintains for the most part a hierarchical logic and does not emphasize too much the importance of lateral relationships in creating performance, while the Dashboard attaches similar importance to both vertical and horizontal relationships. Consequently, the Dashboard, the reporting and the Balanced Scorecard are constructions that have a historical dimension and have developed in different socio-economic contexts. Thus, the Dashboard has emerged since the interwar period as a practice in the management of French firms, and reporting, specific to the great American companies, has expanded into the practice of all multinationals.

In conclusion, there is no equal equilibrium between the two concepts in terms of emphasis on rewards. While the Balanced Scorecard helps to correlate rewards with performance measurement, there is no such emphasis on the Dashboard, where the dimensions of learning are those that capture more attention. Consequently, the latest developments in the Balanced Scorecard concept have begun to place more emphasis on the learning aspect.

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