Developing a Performance Measurement System by Balanced Scorecard

Shun Yu Chen
Department of Business Administration, Chang Jung Christian University
396, Chang Jung Rd., Sec.1, Kway Jen, Tainan County, Taiwan, ROC
sychen@mail.cjcu.edu.tw

Li Ju Chen
Department of Business Administration, Far East University
No.49, Chung Hua Rd., Hsin-Shih, Tainan County 744, Taiwan, ROC
lijuchen@cc.feu.edu.tw

ABSTRACT

Measuring organizational success and implementing effective strategies for future success represent continuous challenges for managers, researchers and consultants. In recent years, financial measures are blamed for that they are one-dimensional and they are backward-looking in the record. Financial measures can’t forecast the performance of future. The Balanced Scorecard (BSC) model requires corporations to evaluate their organizational performance form four different perspectives - financial, customers, internal businesses, and learning and growth. The purpose of this research is to search for a relationship between the four perspectives of BSC using the electronic companies trading on TSEC in Taiwan over three years from 2005 to 2007 (n=250) and provides a model of cause-and-effect in the organization that managers can manage the drivers of desired outcomes.

Key word: Balanced Scorecard, Performance Measurement

1. INTRODUCTION

With the increasing complexity of the business environment in the 21st century, organizations have to be able to manage rapid change. It is necessary to develop managerial navigation and measurement tools that guide and assess organizational performance. With the increasing pressure to achieve performance improvement, the need to implement highly effective efficient and integrated management systems is continuously increasing. There has been an emphasis on understanding how performance is created within the firm. To understand what drives performance, managers must have in place performance measurement systems designed to capture information on all aspects of the business.

The company’s success for tomorrow depends on its ability today of intangible assets such as customer relation, internal business process and employee learning. Measuring organizational success and implementing effective strategies for future success represent continuous challenges for managers, researchers and consultants. In recent years, traditional performance management techniques measure the organizational financial performance such as revenue, sales volume and profit are blamed for that they are one-dimensional and they are backward-looking in the record (Missroon, 1999). Financial measures describe only a small part of the firm performance. Traditional financial measures, like ROI and EPS, can give misleading...