

**A STUDY ON IMPACT OF BALANCED SCORECARD IMPLEMENTATION
ON JOB SATISFACTION OF EMPLOYEES IN SELECTED PUBLIC
AND PRIVATE SECTOR**

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To address the continued existence and protection of competitive advantage in extremely unstable business environment organizations started applying various performance measurement tools. Out of the tools used balanced scorecard has gained wide acceptance by both public and private sectors since its inception. Despite the usage of balanced scorecard keeping in mind financial perspectives while measuring organizational performance, the nature of competitive advantage has shifted from tangible assets to intangible ones. The competitive forces that managers face today and will continue to confront in the future demands organizational excellence which is the work of HR (Ulrich, 1998). Kaplan and Norton showed the importance of motivation and the participation of all employees to the method's success. The focus in the business world has shifted from physical to knowledge and information, i.e. intellectual capital; and effective management of human and intellectual capital poses new challenges in the organization for leadership and managerial capabilities. Now-a-days, human resources are considered critical factors to success. Human are immensely potential. Roles of HR are largely felt as source of sustainable competitive advantage by the firms now a day. In this article author would like to present the problems encountered by the companies during BSC implementation, also study the impact of balanced scorecard implementation on job satisfaction of employees in selected public and private sector.

Keywords: Balanced Scorecard, Competitive Advantage, Job Satisfaction, Performance

Introduction

Balanced Scorecard

Since the concept was introduced in the early 1990s by Kaplan and Norton as a performance measurement system, the Balanced Scorecard (BSC) has attracted considerable interest among different organizations, practitioners and researchers. The Balanced Scorecard (BSC) is a strategic management system that aims to clarify strategy and translate it into action. It is widely used by organizations as a tool to assess and manage their companies' performance. There is an emphasis on the need for companies to align the BSC with their strategy in order to reach maximum benefits.

Recently attention on use of nonfinancial measures (e.g. in the Balanced Scorecard) has been widened and are considered as essential to overcome the inadequacy of financial measures. However, it remains unclear (1) if the behavioral effects of these nonfinancial measures are

different from those of financial measures; and (2) whether these effects are influenced by the relative importance of nonfinancial measures vis-à-vis financial measures.

Job Satisfaction

Job satisfaction forms a very vital base of the company's overall performance and the company's general relations. Job satisfaction somehow affected by work behavior like absenteeism, efficiency etc. Some researchers have been trying to identify how balanced scorecard and job satisfaction are related but it has not been definite. Generally job satisfaction being less among employees would make them leave their jobs as compared to those satisfied. It is necessary to organization implementing balanced scorecard to clearly identify the roles and responsibilities of employees on their job hence reduce the difficulty in implementing the concept.

Literature Review

Miguel Ángel Calderón Molina et al (2016)_results indicate that implementing the BSC improves employee commitment, the organizational climate, job satisfaction and job dedication. At the same time, there is an increase in the causal relations between these concepts. The outcomes of the study are relevant to the literature on both human resources and business management, since they show that the use of the BSC improves the variables related to employee behavior and motivation, thus making it an important tool for human resources management. Molina, Miguel Ángel Calderón et al. (2014) results indicated a clear relationship with the satisfaction of employees within the organization; it shows that the BSC implementation is significantly related to positive employees' affective reactions. His study also determines that the correct implementation of the BSC causes a significant change in the employees' behavior and attitudes toward the firm's strategic objectives. Basuony's (2014) article had highlighted that fact that during the last two decades, the use of the Balanced Scorecard (BSC) has been widely spread in all sectors such as manufacturing and services; small and large firms; public and private sector. Chang and Wu (2012) argue that the BSC creates a balance between financial and non-financial performance dimensions. The BSC can be used as an effective tool for measuring performance in Public Sector organizations, according to the authors. Alino, Nelson U (2012) proposed a model of manager behavior in a balanced scorecard (BSC) environment. Authors developed evidence that commitment, motivation, and job satisfaction are major determinants of managerial performance. According to Agnes (2011) BSC fails due to low level of management support as a large number of top management staff withdraws their commitment during the implementation process. This also affects the supervision of employees and hence crating unfavorable environment for the BSC implementation (Oyugi, 2010). In a study conducted by Bumey and Swanson (2010) at Institute of Management Accountants, the results demonstrated higher levels of job satisfaction when managers reported stronger strategy links. Laurie L Burney et al. (2010) results show significant relationships between the extent to which the respondent's firm links performance measures to

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organizational strategy and managers' job satisfaction. They suggest that the BSC provides benefits to organizations through job satisfaction. Yu-Jia Hu et al. (2010) findings supported the hypothesis that there is a positive and statistically significant relationship between sales managers' transformational leadership and sales associates' job satisfaction.

Research Problem

Even though Balanced Scorecard concept has been widely accepted, little empirical research has been conducted on relationship between balanced scorecard and job satisfaction. Non financial measures (learning and growth perspective in balanced scorecard) role is considered to be more than financial role in both public and private sector in present competitive environment. But not many research studies are conducted on impact of balanced scorecard on job satisfaction of employees.

Objectives

1. To study the process of balanced scorecard implementation in selector public and private sectors
2. To find out the problems encountered during BSC implementation.
3. To assess the impact of balanced scorecard on job satisfaction of employees in selected public and private sectors.

Hypothesis

H1: There is no relationship between Balanced Scorecard and Job Satisfaction.

Methodology

Companies which completed three full cycles of balanced scorecard implementation constitute the universe of present study. Questionnaires were distributed to 250 respondents in selected public (125) and private (125) sectors but 236 filled in questionnaires were returned back. The questionnaire has two sections. First section deals with demographic details of employees along with some questions on opinion of employees on BSC implementation. Second section deals with questions related to balanced scorecard and job satisfaction. The data is analyzed using various statistical tools such as mean, standard deviation and regression.

Results and Discussions

Qualitative analysis of both public and private sector

1. Adoption of Balanced Scorecard

The balanced scorecard has long back history, but it came into lime light when Harvard's Robert Kaplan and David Norton introduce the tool on the BSC in structured manner in 90's. In USA and UK many companies are implementing the tool but for Indian corporate firms still the BSC in inception stage. In India Tata Motors and Infosys were the pioneers in the implementation of the BSC. The following table highlights the details of the year when the

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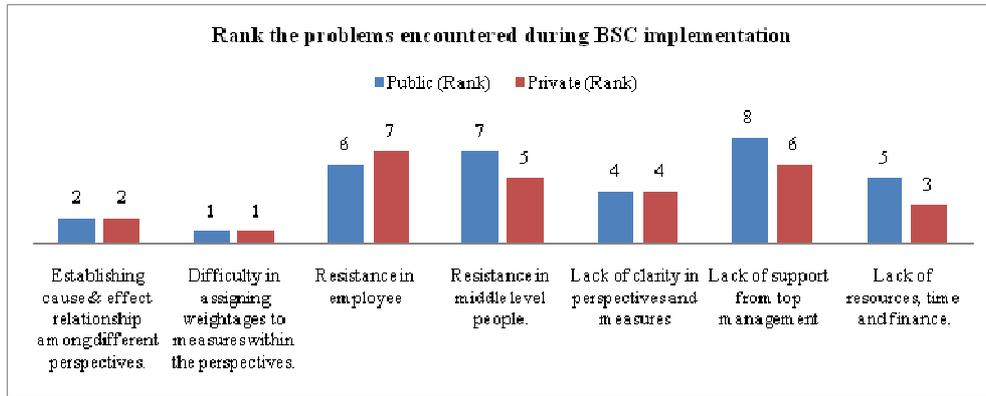
sample business units implemented the BSC as a tool of performance measurement and strategy implementation.

S. No	Statement	Public	Private
1.	Year of adoption of BSC	2008	2010
2.	Years taken to implement Balanced Scorecard at full fledge level	3	2
3.	Method of employee engagement	Incentives and rewards Support from management	Incentives and rewards Support from management Flexible Environment
4.	Type of Motivation of employees	Recognition By linking performance with pay Responsibility	Rewards By linking performance with pay Align organizational culture
5.	Perspectives used in BSC	Financial Perspective Customer Perspective Internal Process Perspective Organizational Capability Building Perspective	Financial Perspective Customer Perspective Internal Process Perspective Learning & Growth Perspective
6.	Method of communication of BSC Information	Mail Meetings Templates e-mails Training	Meetings Presentations
7.	Review of BSC	Occasionally Quarterly	Occasionally Quarterly
8.	Reporting Schedule of BSC	Quarterly Yearly	Monthly Quarterly

9. Rank the problems encountered during BSC implementation

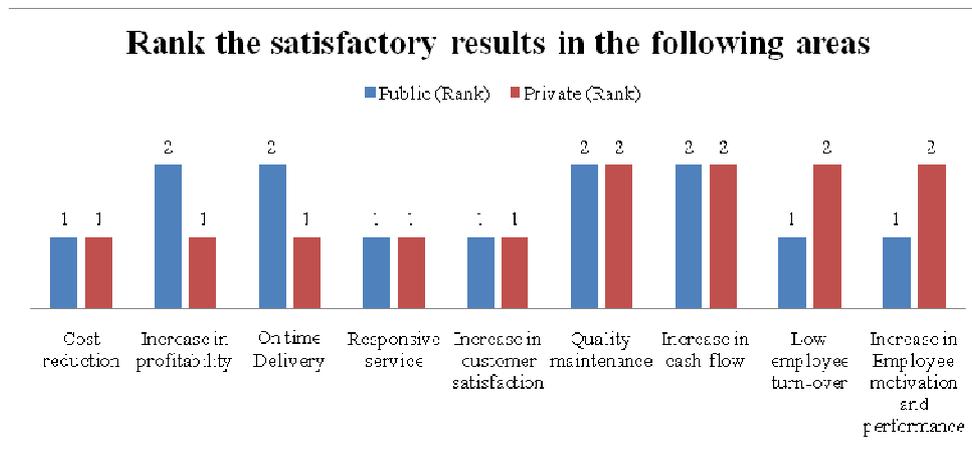
Statement	Public (Rank)	Private (Rank)
Establishing cause & effect relationship among different perspectives.	2	2
Difficulty in assigning weight ages to measures within the perspectives.	1	1
Resistance in employee	6	7
Resistance in middle level people.	7	5
Lack of clarity in perspectives and measures	4	4
Lack of support from top management	8	6
Lack of resources, time and finance.	5	3

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10. Satisfactory results in the following areas

Statement	Public (Rank)	Private (Rank)
Cost reduction	1	1
Increase in profitability	2	1
On time Delivery	2	1
Responsive service	1	1
Increase in customer satisfaction	1	1
Quality maintenance	2	2
Increase in cash-flow	2	2
Low employee turn-over	1	2
Increase in Employee motivation and performance	1	2



Quantitative Analysis of Public Sector

Determinant Attributes of BSC: Exploratory Factor Analysis

**Table 1 Exploratory Factor Analysis of Measurement Scales
(Factor loadings < 0.5) are not shown**

Name of the construct and source	Measure of the construct	Factor loadings	Variance	Mean	SD
BSC (author compilation)	The targets given in BSC help company meet competition.	.883	13.991	4.17	1.036
		.876		4.13	1.056
	I own the targets given to me under	.871		4.15	.911

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	BSC and can relate them.	.848		3.93	1.025
	I accept the targets given to me under BSC.	.804		4.08	.885
	I feel quality of present BSC is good enough.				
	I was consulted by my supervisors before finalization of my targets under BSC.				
Job Satisfaction (Minnesota Satisfaction Survey Questionnaire)	Being able to keep busy all the time.	.814	10.863	3.99	.905
	The chance to work alone on the job.	.791		4.15	.870
	The chance to do different things from time to time.	.759		4.20	1.003
	The chance to be somebody in the community.	.746		3.96	1.016
	The way my boss handles his/her workers.	.723		3.94	.934

Table 2 Correlation of balanced scorecard and job satisfaction

Correlations			
		MBSC	MJS
MBSC	Pearson Correlation	1	.267**
	Sig. (2-tailed)		.000
	N	118	118
MJS	Pearson Correlation	.267**	1
	Sig. (2-tailed)	.000	
	N	118	118

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3: Model Summary

Table 3 reveals that there is positive correlation between balanced scorecard and job satisfaction. The better is the implementation of balanced scorecard the high will be the job satisfaction. H1₀: Balanced Scorecard will not have significant affect on Job Satisfaction

The hypothesis of relationship between balanced scorecard and job satisfaction were tested using simple linear regression. The regression results in Table revealed that the predictor variable contribute significantly and had moderate impact on the balanced scorecard (R² = 0.119). The corresponding ANOVA value (F= 74.893, p=0.000) for the regression models had influenced the validation with Job Satisfaction.

Table 4 Regression Model Summarizes For the Effect of Balanced Scorecard on Job Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA Results			
					Df1	Df2	F-Value	Sig.
1	.344 ^a	.119	.117	.32443	1	557	74.893	.000 ^a

Predictors: (Constant), MBSC

Dependent Variable: MJS

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The coefficient summary shown in Table revealed that beta values of Predictor effects and beta estimates (unstandardized) for Determinant attributes of BSC associated with JS(B=.344, t=8.654, p=0.000) was significant predictor of job satisfaction. The results were implicit that predictor variable was related with dependent variable. Hence, null hypothesis was disapproved and alternative hypothesis was accepted as their p-values are less than 0.05.

Hence the following simple linear regression model

$$\text{Balanced Scorecard (Y)} = 3.012 + 0.329(\text{JS}) X.$$

Table 5 Predictor Effects and beta Estimates (Unstandardized) for BSC Associated with Job Satisfaction

Model	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	MBSC			Beta		
	Constant	3.012	.169		17.843	.000
	Job Satisfaction	.329	.038	.344	8.654	.000

Dependent Variable: MJS

Quantitative Analysis of Private Sector

Exploratory Factor Analysis

Table 6 Exploratory Factor Analysis of measurement scales (Factor loadings < 0.5 are not shown)

Name of the construct and source	Measure of the construct	Factor loadings	Variance	Mean	SD
BSC (author compilation)	I own the targets given to me under BSC and can relate to them	.742	10.690	3.89	.889
	I was consulted by my supervisor before finalization of my targets under BSC	.666		4.15	.888
	I accept the targets given to me under BSC	.611		4.09	.769
	I feel quality of present BSC is good enough	.529		4.02	.882
Job Satisfaction (Minnesota Satisfaction Survey Questionnaire)	Being able to keep busy all the time.		10.290		
	The chance to work alone on the job	.947		3.9715	.78311
	The chance to do different things from time to time	.933		4.2486	.80213
	The chance to be somebody in the community	.851		4.13	.876
	The way my boss handles his/her subordinates	.611		4.15	.765
		.598	3.68	1.116	

Correlation of variables used in the conceptual model

Table 7 Means, Standard Deviations, and Zero-order correlations of variables

Correlations			
		MBSC	MJB
MBSC	Pearson Correlation	1	.101*
	Sig. (2-tailed)		.017
	N	118	118
MJB	Pearson Correlation	.101*	1
	Sig. (2-tailed)	.017	
	N	118	118

*. Correlation is significant at the 0.05 level (2-tailed).

Table 7 reveals that there is positive correlation between balanced scorecard and job satisfaction. The better is the implementation of balanced scorecard the high will be the job satisfaction.

Objective 2: To study the impact of Balanced Scorecard on Job Satisfaction

H1₀: Balanced Scorecard will not have significant affect on Job Satisfaction

The hypothesis of relationship between balanced scorecard and job satisfaction were tested using simple linear regression. The regression results in Table revealed that the predictor variable contribute significantly and had moderate impact on the balanced scorecard (R² = 0.056). The corresponding ANOVA value (F=30.947, p=0.000) for the regression models had influenced the validation with Job Satisfaction.

Table 8 Regression Model Summarizes For the Effect of Balanced Scorecard on Job Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA Results			
					Df1	Df2	F-Value	Sig.
1	.236 ^a	.056	.054	.45861	1	525	30.947	.000 ^a

Predictors: (Constant), MBSC

Dependent Variable: MJS

The coefficient summary shown in Table revealed that beta values of Predictor effects and beta estimates (unstandardized) for Determinant attributes of BSC associated with JS(B=.236, t=5.563, p=0.000) was significant predictor of job satisfaction. The results were implicit that predictor variable was related with dependent variable. Hence, null hypothesis was disapproved and alternative hypothesis was accepted as their p-values are less than 0.05.

Hence the following simple linear regression model

$$\text{Balanced Scorecard (Y)} = 3.351 + 0.219(\text{JS})X$$

Table 9 Predictor effects and beta estimates (unstandardized) for BSC associated with Job Satisfaction

Model	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	MBSC	B	Std. Error	Beta		
	Constant	3.351	.166		20.220	.000
	Job Satisfaction	.219	.039	.236	5.563	.000

Dependent Variable: MJS

Conclusion

To derive full benefits from scorecard approach companies must work harder to get employees at all levels on board with the method. The study investigated the role of balanced scorecard in enhancing job satisfaction of employees. The results revealed that there is positive correlation between balanced scorecard and job satisfaction.

References

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