Implementing the Balanced Scorecard in Greece: a Software Firm's Experience[☆]

Alexandros Papalexandris, George Ioannou [*] and Gregory P. Prastacos

The Balanced Scorecard (BSC) is a relatively new approach to strategic management and performance measurement and control, which has generated substantial interest in the academic and industrial communities. This paper presents the experience from the implementation of a specific BSC model at a large software development company in Greece. The study illustrates and evaluates the main obstacles and shortcomings, as well as the critical success factors that characterise such BSC projects, while offering managerial insights and guidelines for similar implementations.

Introduction

The shortcomings of traditional management control and performance measurement motivated the development of the Balanced Scorecard (BSC), a management system incorporating all quantitative and abstract measures of true importance to an enterprise.[1] The two key elements of the BSC are:

(a) Clustering of similar types of measures into groups (perspectives);
(b) Limiting the measures and linking their values to improve clarity, allow for transparent communication throughout the organisation, and effectively manage change.

The BSC is developed along the *financial, customer, internal business process and learning and growth* perspectives, which define the status and potential of any company, and balance short and long-term objectives, desired outcomes (lag indicators) and their performance drivers (lead indicators), and hard objective measures and softer, subjective ones. Through monitoring metrics and maintaining equilibrium between all perspectives, management can control the strategy implementation process, not just to realise short-term financial outcomes but also to develop long-term competitive capabilities.

In this paper we develop a specific BSC model, and present the experiences from its implementation aided by a university project team at a large software development company in Greece.

In the last few years, Greek economic performance has been characterised by strong growth of productivity and remarkable progress towards macroeconomic convergence. This was driven by the entry in the Economic Monetary Union (EMU), the €25 bn that was made available under the Third Community Support Framework, falling interest rates, the extensive construction works for the 2004 Olympic Games and the privatisation of many public enterprises. On the other hand, the new environment also resulted in increased competitive pressures, low employment-to-population ratio and high structural unemployment. Thus we can conclude that Greece is an economy in transition, setting an example for a number of candidate EMU economies (e.g. eastern European countries), and also for less developed Balkan countries where more than 10,000 Greek businesses are planning to expand.[2] However, due to this volatile and transitional environment, Greek companies have fallen behind with respect to innovative performance management approaches. Even though the BSC was introduced in 1992 and many articles report implementations in the early 1990s, the BSC was not implemented in any Greek company until 2000. Moreover, the BSC implementation described in this paper is to our knowledge the second BSC implementation in Greece and one of the few implementations that have been successful and within time and budget restraints.

The software industry is also a very demanding and challenging sector, characterised by vigorous competition, extensive dependence on intellectual capital and the need for continuous training in new technologies. Furthermore, many software companies are dealing with significant drops in revenue, and have been forced to reduce labour and cut research and development investments. Thus, current researches on the future of the sector conclude that revenue growth can only be achieved by winning market share from competitors.[3]

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The approach used in this paper is based on the traditional Kaplan–Norton model, takes into account the peculiarities of the Greek business environment and of the software industry, and places emphasis on the human resource involvement in the deployment of the model. The results of the implementation include the strategy maps and the key performance indicators (KPI), which are properly established and thoroughly evaluated. Via the discussion of the actual implementation, we illustrate the effect that the dynamic environment and the increased concerns about intellectual capital have on business strategy and the performance metrics inherent in the BSC model.

The remainder of the paper is organised as follows: we introduce the company where the BSC was deployed and reason the need for change. The next section presents the methodological approach for implementing the BSC and describes the actual BSC deployment phases. After that we analyse the performance indicators used. Then we discuss the results of the particular implementation and detail managerial implications, outlining the benefits, shortcomings and areas of concern for similar implementations. Finally, we present the concluding remarks.