

INTRODUCING A "BALANCE" IN THE BSC THROUGH BEAUTY AND LOVE¹

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Abstract

Celebrating the seventeenth anniversary of the Balanced Scorecard (BSC) since it was born in 1992, this paper revisits its concept as one of the landmarks in performance measurement. The BSC turns out to be 'not so balanced' since it lacks certain beauty and love. It hinges on accountability for certain interests when measuring performance, negating or putting other interests as minority. Thus, it fits perfectly with the aim of management accounting that puts managers and customers as priorities. The imbalance comes from secularism and overemphasis in rationalism. Sustainability that becomes the current issue nowadays would not be supported by such performance measurement. In order to insert this balance, a methodology by taking a metaphor of nurturing mother is applied in this research that encompasses gentle beauty and subtle love. Gentle beauty refers to a complete harmony of beauty: irrational and the rational; this means introducing those that have been left out in the name of rationality such as religions and spiritualism. Subtle love refers to love towards God that is expressed subtly without lust to overpower. The result is a more balanced set of performance measurements that are filled with beauty and love, insyaAllah.

Keywords: *Balanced Scorecard (BSC), accountability, sustainability, beauty, love.*

"People facing a national catastrophe or in a state of decay are usually conservative"

Isma'il Raji al Faruqi

Preface

Is not it interesting that conservatism is one of the principles in accounting? This raises deep question: is accounting built upon a catastrophe or a state of decay upon viewing reality? Conservatism is based on suspicion and fear of the unseen future. Conservatism principle in accounting regards that a choice of accounting standard must be based on the effect of the least benefit it gives to the equity of stockholders. It is pessimistic in nature (Belkaoui 2004: 288). One might say that this is not so; that this is a concept brought upon a careful versus careless stance. However, it is in fact is rooted from a source, an overwhelming rationality.

focused interests on shareholders and customers could be seen from the translations of strategy into operational terms that are as bases to develop objectives, measures, targets and initiatives. The followings are the questions for financial, customer, internal business processes as well as learning perspectives respectively, as delineated by Kaplan & Norton (1996):

1. To succeed financially, how should we appear to our **shareholders**?
2. To achieve our vision, how should we appear to our **customers**?
3. To satisfy our **shareholders** and **customers** what business processes must we excel at?
4. To achieve our vision, how will we sustain our ability to change and improve?

I have taken the liberty to add bold on the two interests that Kaplan & Norton (1996) have continuously stressed. Hence, though the BSC has extended its measurements system to be more holistic, it has not regarded other interests in its measurement system. If the measurement system is derived from management system, then it is clear that the goal of management is nothing but to satisfy customers and shareholders. There are other interests that should have been looked upon.

This brings up the issue of accountability. The BSC has been inserted in the management accounting curriculum for a reason. It helps to evaluate managerial decisions that are designed to increase productivity, reduce costs, widen marketing territory and at the end to increase profit (Hansen & Mowen, 2006: 5). The purpose of the BSC is congruent with the purpose of management accounting. It is customer and shareholders oriented for profit maximization. Hence the accountability of performance measurements concern only about the performance to maintain the satisfaction of shareholders. This is the bottom line. Hence the BSC has one single orientation without regards to wider stakeholders such as environment/ecosystem, society, employees and even God. As a human being all activities must be accountable, at the end, to God. However, being secular⁷, the BSC would not regard God into the equation. The perspectives accountability is very much limited to stockholders and this would fail the claim of the BSC being 'balanced'. This very much confirms what Freire states that secularism that equals to separating worldly matters and God transcendentalism is causing injustice (Freire 2001: 74).

Second, it could be seen that financial objectives are still the final or main target that derive all measurement system for the rest of the perspectives. Kaplan and Norton (1996:47) have stated themselves that "the financial objectives serve as a focus for the objectives and measures in all the other scorecard perspectives. Every measure selected should be part of a link of cause and effect, and the last effect should be reflected in the financial perspectives. Therefore, the claim that this is a set of 'balanced' measurements is not really true.

Third, its measurements are financial and non financial but both are centered on quantitative calculation. Could the performance measurements be done in qualitative manner? This question is certainly out of the question while discussing the BSC. Kelvin, a prominent British scientist, as cited by Kaplan & Norton (2008) while discussing the conceptual foundation of the BSC states that:

"I often say that when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your

⁷ Al Attas (1981: 20-21) describes secularism through three main traits. Disenchantment of nature pertains liberating nature from religious and God. Desacralization of politics is eliminating sacred political power that becomes the agent of political and social change. Deconsecration of values is giving relative values to all cultures, religions that actually have absolute meanings.

knowledge is of a meagre and unsatisfactory kind...If you can not measure it, you cannot improve it."

Hence, qualitative elements are 'meagre' or put as inferior to quantitative measurements. Therefore Lehman (2005) agrees that in the name of advanced management accounting under the grand theme of efficient management practice, techniques such as Total Quality Management (TQM), Activity-Based Costing (ABC), Balanced Scorecard (BSC) are taught and implemented. This establishes a culture of calculation and controls, and ignores other values systems that might contain new means to administer human communities. Again, the disregard to qualitative approach is failing the claim of a 'balanced' BSC.

Through Subtle Love: Insertion of "Irrational" And "Forgotten" Issues

Viewing the BSC through gentle beauty has opened up the imbalance in the BSC. There are three issues: limited stakeholders' accountability as a result of secularism, overemphasis on financial objectives and disregard for qualitative measurements. At this section, we will discuss how the imbalance is going to be balanced through subtle love with the utmost love towards God as the umbrella for analysis and performance measurement designs.

The four perspectives have put boundary to wider stakeholders. One of the issues that the BSC lacks is environmental sustainability. This issue has been brought up by Moreo *et al.* (2009). They remodel the BSC and invent a tool that is called the environmental scorecard. This widens the accountability of the BSC to an extent, but still does not solve the imbalance that is caused by secularism.

Hence, to balance this secularism must be taken out. This is the core problem of BSC measurements and accountability. Secularization takes place when the spirit of self-liberation from mythologies causes agnosticism in God. This is the spirit from the west that knowledge would advance only if one could free oneself from religion (Kuntowijoyo 1999: 160-161). It must be realized that the most accountability of humans' actions would be to God eventually and this must be realized while designing performance measurements. By being accountable to God, performance measurements would shift its orientation from mere stockholders and customers (as seen in figure 1) to God. This would bring philosophical alteration in the management systems and measurements.

By placing God as one final accountability, human understands that *tawhid*⁹ is the core of normativeness that would be the center of all activities. The BSC binds the four perspectives into final objective that is the financial objective that would eventually satisfy the stockholders. This reflects such narrow accountability and hence must be extended. If God were to be the end of accountability, human beings would act according to the divine will, the commandment. This would affect human's responsibility and therefore his/her accountability to wider stakeholders. Every action must be guided with moral obligation and imperativeness for he/she is obliged to change him/herself, society and environment at the judgment day (Faruqi 1998: 14). As a consequence, human should be kinder to stockholders, customers, managers, employees, environment, society and nature. The accountability would comprise all of the stated stakeholders but with one purpose only: to account his/her activities to God.

⁹ *Tawhid* means the act of affirming Allah SWT to be the One, the transcendent Creator of all (Faruqi 1998: 17)

As a result an overemphasis on financial measures would no longer exist. Every perspective is interrelated to each other but not directed to financial objective; they are interrelated to serve accountability to God. Hence, figure 2 must change. Since every perspective is now directed to God, then each perspective must provide measurements that serve this aim. Such questions that could be used as examples are as follows: is there a measurement for environmental destruction a company may have imposed on the surrounding environment? Has the company provided spiritual and religious support for the employees? What has been done to help improve the surrounding society well being?

By nature, not all of these measurements could be accounted for in numbers or quantitatively. Hence, it is imperative that every perspective should have qualitative measurements, that describes progress or activities that reflect performance. Both quantitative and qualitative measurements are needed to complete the measurements and to make them holistic and finally more 'balanced' that the original concept of the BSC. Hence the next section would discuss the proposed form of a more 'balanced' BSC.

BSC Reformation: Philosophical Foundation and Perspectives Measurements

Good BSC measurements must reflect business strategy (Kaplan & Norton 1996: 44) that is derived from its mission and vision. It is this vision that has limited the perspectives of BSC to such narrow accountability. The vision draws strategy that is capitalistic in nature such as to reduce risk, increase productivity and profitability. BSC is claimed to be able to be used for non-profit organization. Thus, one may argue against my earlier statement. However, since it is based on the same philosophical foundation, although BSC may be applied in a religious institution, its concern is still limited to 4 perspectives.

Capitalism arises from secularism. Secularism is detaching God and eschatological life from the material and worldly life. This forms an ontological reality that is governed by human; a causalistic relation in reality that hinges on rationalism. The negation of God in building knowledge has taken out the essence of accountability to God, and as a result, would also take out the responsibility to wider stakeholders and this is reflected in the philosophical foundation and perspective measurements in the BSC.

The beauty of the BSC, that all perspectives are interrelated must be retained. However, the secularism must be eliminated by reinserting accountability to God into the vision, mission, hence strategy. It must be realized that it is human's obligation to serve God and hence this brings consequences in the measurement perspectives. Hence as we shall see, that the BSC would be reformed such that is shown in Figure 3. It must be noted that figure 3 is simplifying the philosophical foundation. There is limit to what an illustration can provide. It is not saying that financial perspective is only interrelated to environmental and customer perspectives, but financial perspective could also be interrelated to employee, business and society perspectives, and so on. Thus, the description of each perspective, as follows, does not mean that they rank accordingly.

Vision, mission and strategy must reflect the essence of human's existence, as Mulawarman (2009:8) put it, as *khalifatullah fil ardh* (representation of God on earth) that uses all creativity bestowed upon him/her; and as *abd* (God's servant) that is obedient to God's divine will and rules. Hence, the vision, mission and strategy would eventually reflect utmost spiritual measures in religious corridor of the company. It would encompass not just profit

achievement at the end of the day (company sustainability/ going concern), but it would also reflect concerns for sustainability in environment, society and well being for all stakeholders.

Figure 3.
The Reformed BSC



Source: Modified and adapted from the BSC

Generic measurements of financial perspective could still be used. These are, for examples, ROCE (Return on Capital Employed), EVA (Economic Value Added), Sales Growth, etc. However, as a proof of obedience to God, spiritual measurements must be added: the amount of *shadaqah*, *zakat* that have been distributed. Human should seek wealth⁹ but he/she must not forget that the purpose is not just for self-contention but also for well being for all.

The core measurements of customer perspective proposed by Kaplan and Norton are market share, customer acquisition, customer retention, customer satisfaction and customer profitability (Kaplan & Norton, 1996: 68). These measurements could still be used but they put a hindrance to finding new ways to improve customer perspective since they are measured quantitatively. For instance, customer satisfaction is usually measured by using interval scales; a reification of satisfaction as an abstract concept into objectified numbers. This means that the aspects to be measured are determined by the company, not the customer. The use of "critics and suggestion" box, for example, would enrich the company knowledge in attaining new ways to improve.

Internal business perspective comprises measurements for the whole value chain, starting from the innovation process, operation process to the post sale service process that is derived from identifying customer need and ended in satisfying customer need. Again, this shows such limited stakeholder. There should also be focus on environmental impact that is related with the internal business perspective. For instance, during production process, how much waste has been produced? What has been done to the waste? Is there air or noise pollution? What efforts have been done to reduce the negative effects of production?

⁹ Islam is not against worldism, human is *homo economicus* but unlike Weber's concept, he/she is not a subject to sovereign economic law (Faruqi 1998: 169). He/she must conduct economic activities in the Divine's corridor with high moral.

I have changed learning and growth perspective with employee perspective since the major concern in this perspective is employee and as well as to place employee with better regard. The measurements used in this perspective are employee satisfaction, retention, and productivity, information capabilities, motivation, empowerment and alignment. Measuring employee productivity could be done by revenue per employee i.e. how much output can be generated by an employee (Kaplan & Norton 1996: 131). This is a good measure but it would not be able to represent employee productivity in the case of special order acceptance. Productivity is important in the BSC since it would satisfy customers and eventually improve financial performance. To attain high productivity, employees must be satisfied. In the BSC there are financial and non-financial measurements for employees satisfaction, but non-financial measurements do not include religious and spiritual values. Like customer perspective, measurements of feelings are scored on a 1 to 3 or 5 scales. There should be qualitative inputs from the employees that would open up boundaries for employee perspective.

An empirical evidence of spiritual and religious reward is conducted in an institution in Sidoarjo. As a reward for the employees, the owner gives opportunity for over 200 employees to go for *haj* pilgrimage, 2 employees every year. When he was questioned on what bases the reward is given, he stated that every employee who has been working for over 5 years has equal opportunity for the names are taken from a lot. At a glance, this may seem without much rationalistic thought. However, further enquiry shows that this reward is expected to bring better spiritualistic atmosphere in the workplace and employees from *haj* could bring good influence to others. The owner as manager stated:

"Our consideration to give *haj* as reward is because *haj* is part of Islamic *rukun*. ...We do not have any performance measurement because we do not want any *zhan*¹⁰ in the selection of who has the right to go on *haj*. Employees are entitled to go only as long as they have passed 5 years work experience. In human resource department, employees turnover could become an issue .. appreciation in the form of *haj* could hold the turn over below 5%.. and the most important thing, this gives motivation for those that have not gone on *haj* to stay.."

Human is the servant of God and must conduct what has been ordered. This 'value' has been inserted in the institution as performance driver, not mere performance measurements. This value has been missing in the BSC. It is also interesting that such religious and spiritual reward is given without any performance measurement (with 5 years work experience) to avoid bias. This reflects a complete surrender in fate or God's destiny after good hard efforts. It seems that this reward would help maintain employees by reducing employees' turnover. Besides *haj* as reward for employees, he conducts performance measurements using Key Performance Indicator (KPI) adapted from the MERCER standard. On another occasion he stated further:

"I use Key Performance Indicators that are of course customized with local value and relevant to culture..this motivates and makes people better...soul and body.....physically and spiritually.....and change work into *ibadah*...."

¹⁰ *Zhan* could be translated freely as opinion, *soo u zhan* is bad opinion or thought. In this case *haj* is given without any performance measurement to avoid personal bias.

Apparently the indicators have been adjusted to local values and needs so that the employees are reminded that their works are *ibadah*, a form of endowment to God.

Society perspective should measure the company concern for the society especially in the surrounding facilities. These measurements could be quantitative and qualitative. For instance, how many employees have been recruited from the surrounding? How has the company managed good relation with the society: building local *mushola*, or providing health services once a while? How much profit has been redistributed to the society?

Environmental perspective does not concern only on the effects of production in the internal business perspective, although it is tightly related. Accounting has actually been interested in social and environmental responsibility reporting for corporation in Indonesia as regulated in paragraph 66, article 2, UU (regulation) No 40, 2007. BAPEPAM-LK also publishes regulations for CSR activities for the corporations to comply with. However, this caring should not only become a mask for environmental's destruction (Ahmar & Kamayanti 2010). Company should truly care about the environment, especially the surrounding environment. How is the quality of the river water? Is there environmental program such as "go green" by not using non-bio-degradable products in production? These activities are not always related to profit, but they must exist as accountability to God. Nature is given for human's benefit but this does not mean that it can be exploited as desired. Environmental perspective helps to ensure that.

Concluding Remarks

Through gentle beauty and subtle love by using nurturing mother as a metaphor for the methodology, it could be revealed that the BSC is not yet balanced. It has however opened a horizon of better performance measurements through cause and effect relations and their linkage to strategy, but it lacks certain beauty and love that fail to balance the measurement perspectives. The three imbalances found are: limited stakeholder accountability as a result of secularism, overemphasis on financial objectives and disregard for qualitative measurements.

By placing love towards God in the BSC that results in realizing that final accountability of performance measurements is The One and Only God, there are consequences that are expected. First, there are wider perspectives to be measured, instead of limited to four perspectives only. There would be society and environmental perspective. Second, it would put financial objective no longer as the focus of performance. Third, it would bring in qualitative measurements- description of performance that could not be stated quantitatively.

By balancing the BSC a company would support not just the survival of the company but also sustainability of the employee, environment, and society as a form of obligation to God. It is not just about wider stakeholders, but it brings ontological change of viewing human's purpose of creation by God that is reflected in the vision and mission of the company. The essence lies in accountability that is no longer narrow. Management accounting is still filled with the purpose of satisfying management and customer that leads to profit as the bottom line, hence inducing a drive to achieve maximum productivity, effectiveness and efficiency.

This 'balance' in the BSC has been proposed in this paper, is an effort to bring realization that management accounting such that is seen through the BSC is also not yet balanced in its accountability concept, though it still needs

refinement concerning its detailed implementation. However, it has tried to eliminate secularism, balance the perspectives and enhancing quantitative measurements with qualitative aspects for a better performance measurement, hence sustainability, *insya Allah. Wallahu'alam.*

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