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THE BALANCED SCORECARD AS AN IMAGE-MAKING TOOL

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Abstract

In recent years, we have witnessed the development of various management concepts, especially in the field of strategic management, because any enterprise that is not managed strategically is a very risky endeavour. The incentives to improve the internal processes and the operations of a company must be put forward by its managers as they are directly involved in its internal processes and are in direct contact with its customers. This approach requires professionally competent managers whose experience and creativity could be used to achieve the goals of the company. Such incentives must be balanced and causally related in order to achieve the strategic goals and thus create a strong corporate image (CI).

Keywords: *communication; corporate image; Balanced Scorecard; perspectives*
JEL Codes: *M 10*

1. Introduction

At the beginning of the 1990s, R. Kaplan and D. Norton (2005) developed a new strategic management approach known as a Balanced Scorecard (BSc). Unlike the existing management approaches, their approach gives a comprehensive view of the organization, in which the financial measures are "balanced" with operational measures. However, it is not only a measurement system but also a management system, which allows managers to plan their goals and implement their development strategies. It provides feedback regarding the internal business processes and external results for their continuous improvement. Thus, the system transforms the strategic planning of the organization from a prescriptive construct into a goal-centered guideline. Kaplan and Norton define the advantages of their approach as “a balanced system of measures which includes financial measures that tell the results of actions already taken. This approach would be adequate for companies of the industrial age, for which investing in long-term opportunities and customer relationships is

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not essential for their success. These financial indicators are insufficient as a basis for guiding and evaluating the transition that information age companies must go through to create future value through investment in customers, suppliers, staff, processes, technologies and innovations.” (Kaplan & Norton, 2005). This system eliminates one of the shortcomings of most management systems - the lack of feedback regarding the strategy of the organization.

2. Literary review of the definitions of image

Image is a strategic resource and can be a source of competitive advantage. Its interaction with other factors such as culture, communication, reputation, helps to understand the cumulative nature of this resource. From the point of view of the theory of communication, the concept of "image" can be defined as an idea created in the minds of customers and society. According to K. Boulding, "people perceive" images "as if they were real and exist". He treats "image" as a major factor in public understanding that determines human behavior" (Boulding, 1977). Authors such as N. Stone (1995) and J. Grunig (2003) understand the image as managing the impressions that an object leaves on someone else.

At present, in general, the perception of authors such as Hatch and Schultz (1997), Wood (2001) and Melewar (1978), can be systematized, who define the image as “perception, the way of which stakeholders perceive and interpret the organization directly related to their experiences, beliefs, associations and impressions inhabiting their consciousness”. According to Kennedy (1977) "employees” perceptions of the company are influenced by company policy, company products, and payment methods." In this definition, the emphasis is on the process of forming the company image.

According to M. Nedelchev, “the most effective way to create an image is to use the means of mass communication - cinema, television, radio, press. The image reflects the social expectations of certain groups and can ensure the success of its subject in political and economic life” (Nedelchev, 1997).

Based on the literary review of publications on the topic, the author gives his own definition of the corporate image of the organization, such as: intangible asset, of great importance - attracts customers to a particular company and brand.

Clarifying the nature of the image was necessary to determine its place in the management of an organization and the benefits for its development.

3. The place of CI in the Balanced Scorecard

The Balanced Scorecard "translates the company's mission and strategy into goals and measures that fall into four perspectives:

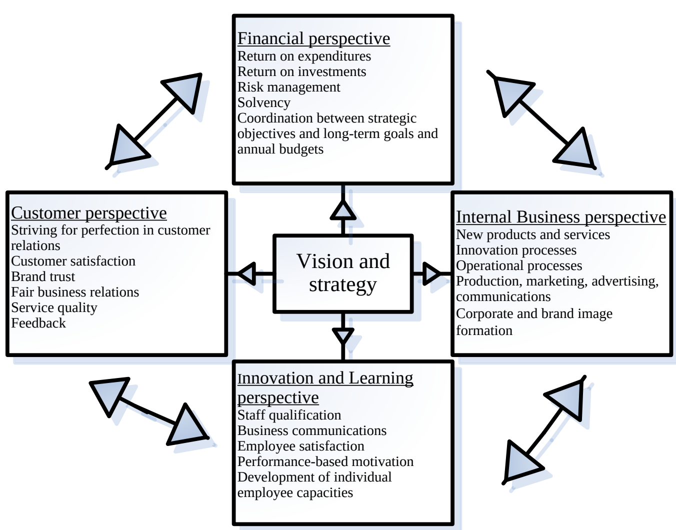
"Financial perspective", "Customer perspective", "Internal Business perspective", "Innovation and Learning perspective." These perspectives inform the employees about the factors for the current and future success of the organization. (Kaplan & Norton, 2005).

The four perspectives ensure the balance between short-term and long-term goals (Kaplan & Norton, 2005):

- Financial perspective – the financial goals have to do with profitability, which is measured by operating income, return on investments, sales growth, cash flow, etc.;
- Customer perspective – the managers determine the customer and market segments in which the company intends to compete as well as the measures of its activities in these target segments;
- Internal Business perspective – the management defines the internal business processes the company must optimize. I believe that it should also include incentives for achieving a positive corporate image;
- Innovation and Learning perspective – it defines the infrastructure the organization should develop in order to achieve its long-term goals for growth and development. It also includes business communication competencies.

The four perspectives of the Balanced Scorecard are illustrated in the figure below:

Figure 1. Balanced Scorecard perspectives



Source: *Author's own research*

The Balanced Scorecard describes the mechanism for implementing the strategy into action. The goals and measures are defined by the answers to the following questions (Kaplan & Norton, 2005):

- Financial perspective – How should we look to shareholders in order to achieve positive financial performance?
- Customer perspective – How should our customers see us if we are to realize our vision?
- Internal Business perspective – In what business processes we must excel in order to meet the needs of our shareholders and customers?
- Innovation and Learning perspective – How can we continue to improve?

The essential characteristics of the Balanced Scorecard were discussed above in order to emphasize that the implementation of the strategic goals adopted by a company should be ensured by setting internal requirements for its development. These requirements also apply to business communication that aims to **create its corporate image**.

The Balanced Scorecard translates the company's mission and strategy into a consistent set of indicators for its implementation in the four perspectives with a balance between short-term and long-term goals, between the desired results and the measures for their achievement. All of them aim to achieve a common goal - the implementation of development strategies to create a corporate image. The BSc creates conditions for unanimity and teamwork and the goals set in it require that the managers should control a wide range of business processes. The company-specific scorecard should be communicated to all employees (e.g. on billboards or as electronic messages) so that they understand both the long-term goals of the organization and the strategy for achieving them. In this way, all efforts and initiatives of the management will be synchronized.

4. Cause-and-effect relations of BSc

We believe that such a scorecard could be implemented in the companies subject to our study and that it should be used as a system for communication, information and training rather than management. A measurement and management system will clearly define what improvements of production, customer service, innovation, employee training, and business communication would improve the financial performance in terms of sales and profit growth, faster asset turnover, and lower overhead costs. It should retain a strong focus on financial performance and the causal relations among all indicators must be based on the financial goals. The four perspectives of the balanced scorecard will play the following roles:

- **Financial perspective** – the financial criteria reflect the long-term goals of the companies in terms of higher profits, reduced costs, better investment efficiency, timely payments to customers, higher return on investments.

Each of the proposed indicators is a unit of a cause-and-effect chain leading to achievement of the financial objectives. An optimization of the cost structure will increase the profitability and efficiency of the company's operations, which in turn will reduce the financial risk. These goals can be achieved through the following activities: cost control, capital structure optimization, increased investment in intellectual assets, more aggressive advertising and more competitive pricing, stronger corporate image.

This perspective defines not only the financial goals but also the indicators and measures for achieving them in the long run. Such causal links must exist among all perspectives, i.e. the other three perspectives must include objectives that lead to the achievement of the financial perspective goals.

The table below shows the goals, indicators and measures included in the financial perspective:

Table 1. Financial perspective

Financial perspective		
Goal	**Indicator**	**Measure**
Higher profits	Income size and scope of operations; Efficient asset utilization	Cost reduction and increase of the volume of sales
Reduced costs	Income from sales and customers	Detailed cost analysis
Investment efficiency	Increase of income following innovations and investments	Financial management optimization
Return on investment	Level of financial autonomy	Receivables collection measures

Source: *Author's own research*

- **Customer perspective -** In this perspective the company determines the consumer and market segments in which it will compete and pursue its financial goals. Customer satisfaction and brand image are fundamental for attracting new customers as well as retaining the existing ones. Satisfaction indicators provide feedback regarding the operations of the company.

The most successful companies in soft drinks and bottled water industry are those organizations that manage to achieve high levels of customer satisfaction through value-added offers, such as high-quality bottled table and mineral water and other soft drinks, effective communication with their customers, and established market position.

Customer perspective allows the companies to coordinate their main indicators, achieve better customer satisfaction and maintain their market positions. Customer perspective includes the following key parameters of effective customer relations and trust:

Table 2. Customer perspective

Customer perspective		
Goal	**Indicator**	**Measure**
Attracting and retaining customers	Number of new customers and percentage of retained customers Trusted brand	Marketing and advertising, product quality, customer-focused incentives
Customer satisfaction	Company's rating in terms of consumer brand preference	Feedback and widening the range of customer support services
Service quality improvement	Customer satisfaction level and maintenance of industry quality standards	Prompt service rendering, ease of access, complaints
Communication and interaction	Staff's communication competences	Customer satisfaction surveys

Source: *Author's own research*

- **Internal Business perspective –** strategic initiatives that aim to satisfy shareholders and customers in order to achieve better financial performance. This process requires employee training and career development.

In addition to the other indicators of internal business processes, here we should include initiatives for formation of a positive corporate image. The image of a company is an intangible asset of great importance - it attracts customers to a particular company and brand. Customer preferences for a particular brand of bottled mineral water and/or soft drink indicate the strength of the image in the target customer segments. On the other hand, through their corporate image, companies define themselves to customers from their own perspective. For example, Coca-Cola creates its image through its advertising messages based on values such as family, love, unity, and more recently, environment protection and wellness by means of incentives such as Coca-Cola's sugar-free drink (Cola Zero). In this way, in addition to selling drinks that are healthy and environment-friendly, the company creates an image for its customers by first defining the benefits and then trying to influence consumer behaviour through the image associated with the benefits from the drink.

The parameters of the Internal Business perspective are summarized in the table below:

Table 3. Internal Business perspective

Internal Business perspective		
Goal	**Indicator**	**Measure**
New products and services	Distribution network coverage; Share of new products in the product range	Surveys for development of new products with added value
Innovation process	Number of innovation and return on investments in innovations	Benchmarking; innovation practices surveys;

		Communication with scientific research and development units
Production, marketing, advertising;	Market profitability and customer preferences Advertising and marketing incentives and after-sale services	Advertising income and brand recognition
Corporate and brand image formation	Quality and compliance – market positioning and recognition strategies	Number of satisfied customers and consumers Purchase satisfaction

Source: *Author's own research*

- **Innovation and Learning perspective** – the goals in this perspective are instrumental for achieving results in the other three perspectives. Employees have to be trained continuously in order to maintain the competences needed to keep abreast with the constantly evolving technology. Thus, they can maintain a high level of job satisfaction, which is an important prerequisite for increasing productivity, improving the quality of customer relations, a responsible attitude to internal business processes and sharing the company's culture and values. Companies invest in their employees in order to increase their creativity and incentive as well as to preserve their human capital. On the other hand, the training and acquisition of new competencies allows employees to develop successful careers, to acquire business communications and teamwork competences.

The survey questionnaire asked the respondents what competences managers need to conduct effective business communications and establish the corporate image of their companies in society. According to the respondents, most important are the digital competences they need to do business under the restrictions of the COVID-19 that have been imposed for already two consequent years. The parameters of the Innovation and Learning perspective are summarized in the following table:

Table 4. Innovation and Learning perspective

Innovation and Learning perspective		
Goal	**Indicator**	**Measure**
Digital competences	Percentage of employees trained to work in a digital environment	Training workshops Assessment and certification
Personal and social competence	Workplace performance and personal contribution to achieved results	Training workshops
Teamwork and motivation	Employee satisfaction; Team efficiency and achievements Moral and material incentives;	Personal career development plans; Association with the mission of the company

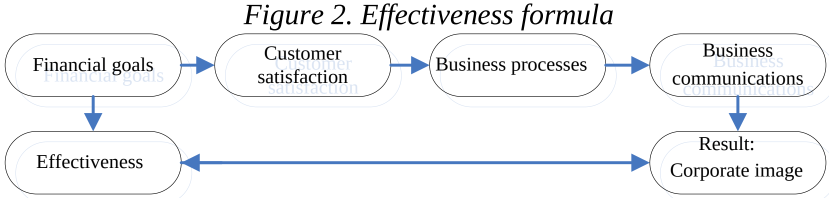
		Remuneration system adequacy;
Communication competence	Workplace performance and efficient communication with customers and business partners	Communication competence certification

Source: *Author's own research*

It is extremely important for any company to organize properly its internal business processes in order to achieve the planned strategic initiatives related to shareholders and customers. Long-term goals cannot be achieved only through achievement of individual workplace goals but rather through decision-making teamwork on matters that are important for the company, such as its financial results, development of new products, marketing and advertising campaigns, customer service and internal business processes, staff training and development. A good corporate image is essential for the performance of the company and its positioning in a certain market segment.

Having determined the advantages of the Balanced Scorecard, we strongly hope that it will enable the companies included in our study (as well as other companies) to achieve good results and add value to their activities. These opportunities are based on four perspectives: financial, customer relations, internal business processes and staff training and development in the following effectiveness formula:

Figure 2. Effectiveness formula



Source: *Author's own research*

5. Conclusion

The Balanced Scorecard comprises initiatives grouped into four perspectives and communicated to all employees in the company by means of financial and non-financial performance indicators.

The main conclusion is that a well-constructed BSc should focus on:

- Financial performance (profit growth);
- Customer satisfaction;
- Product quality (productivity);

- Employee satisfaction through training and development and business communication competences;
- Formation of a public corporate image.

In conclusion, BSc is a reflection of a company's strategy, presented through a system of performance indicators in four perspectives (financial, customer relations, internal business processes and operations and staff training and development) that are interrelated causally.

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