Balanced Score (BSC): Overview

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Abstract:  
Balanced scorecard is one of the modern management methods and is a tool used in many organizations when building operational strategies in the era of information technology boom. On the basis of a combination of different resources, the article outlines the main features of a balance scorecard such as the role, content and process of designing a balance scorecard in an organization for provide additional knowledge and methods for administrators and employees in the organization to apply in building strategies and managing their operations.  

Keywords: Balance scorecard, KPI

1. Introduction

In the era of globalization and international economic integration increasingly deepening today, the choice of strategy to survive and develop for organizations is a very important issue. But how to put strategy into action is even more difficult and especially the evaluation of the organization's performance to confirm the way the organization is going not to deviate. Many Vietnamese businesses have applied tools and models to operational management, such as ISO Quality Management System, Objective Management (MBO), Comprehensive Quality Management (TQM), Supply Chain Management (SCM), Six Sigma, Just in Time (Just in Time), ... to improve quality through measuring performance. The reality shows that the operational efficiency of the business has been improved, but there are still many limitations in assessing the performance.

Therefore, many researchers on corporate governance have added a number of tools to contribute to better completion of the function of controlling, measuring and evaluating the results of production and business activities for businesses. The Balance Scorecard (BSC), a management tool developed by Professor Robert S. Kaplan of Harvard Business School and David Norton - a famous consultant on corporate governance mentioned together, developed in the early 1990s and has really created a shock in the world of management science. BSC is not only a measurement and evaluation system but also helps businesses implement their strategic intentions into specific goals and actions, an information and communication system based on 4 aspects: finance, customers, internal processes and learning, growing. However, in order to apply the BSC, the organization needs to identify and quantify key metrics in accordance with a common perspective called key performance indicator (KPIs) introduced in the US since the 80s of the 20th century, to help businesses identify and measure progress toward organizational goals. KPIs help in setting and achieving strategic goals through the development of specific goals at all levels, even individual. Setting goals, announcing goals, and working out measures and efforts to achieve them will help organizations constantly improve their competitiveness. Organizations can apply a variety of KPIs to different areas of activity, depending on the company's strategic goals. It can be indicators related to financial performance, related to market and competition, related to human resource management, quality and the environment ...

In Vietnam, since the 2000s, Vietnamese businesses have been interested in learning about BSC and KPIs. In 2006, some enterprises initially applied BSC and KPIs, in which, some banks applied BSC and KPIs, but the level of application was limited to a few parts, not the whole company is mainly in the customer department. However, until now, BSC and KPIs are still a relatively new management tool for most businesses and organizations. The number of businesses applying is still very limited, mainly focusing on large corporations such as FPT, Phu Thai, Gami Group, Vietinbank, Kinh Do, ACB Bank, Military Bank, Searefico ...

2. Overview of the Balanced Scorecard (BSC)
2.1. The Concept of Balanced Scorecard (BSC)

Over the past decades, performance measurement systems and strategic management systems have been developed and clarified by the science of governance. Over the last two decades, many management tools and methods have been theorized and studied, such as: Comprehensive quality management; Business process restructuring; Business process management; Enterprise resource planning; Customer relationship management; Value-based governance. However, BSC is still considered one of the most successful tools.

Professors Robert Kaplan and David Norton first introduced the BSC in 1990 through their study of 12 companies per year. After that, the BSC concept was officially introduced through four articles and explained in a specific way in the BSC book: “The Balanced Scorecard: Translating Strategy into Action”. This new concept evolved from a basic performance measurement tool into a comprehensive strategic management tool (sometimes referred to as a strategic management and execution system). The concept of BSC is seen as an innovation of the business performance measurement system because performance measurement mainly based on traditional financial metrics has become obsolete.

The "novelty" of the approach by BSC is the emphasis on the value of intangible assets and the "soft" factors (such as customer satisfaction, customer loyalty, quality of production, products, images of the company…), while in the past they were considered to be immeasurable and underappreciated. Gumbus and Lussier said that all businesses can do a good job of building mission statements and strategies, but have difficulty implementing the strategy as well as choosing metrics to accomplish the mission and the strategies in place. To address these challenges, BSC will link the company's mission to the strategy and then translate the strategy into operational objectives and corresponding metrics. BSC considers strategy at the heart of its performance measurement process. BSC has opened up a rich development in theory, research and application consulting, and is more widely applied than comprehensive quality management.

In short, BSC can be understood as a management tool, it helps businesses set, implement, monitor, and achieve their strategies and goals through the interpretation and development of goals. strategic goals into specific goals and action plans. The BSC consists of tables divided into 4 groups or in other words four aspects: Finance; Customer; Internal process; Training & development. These four aspects create a balance: (1) Balance between short-term goals - long-term goals, (2) Balancing external evaluations relative to shareholders, customers - internal reviews. processes related to processing, innovation, training and development, (3) a balance between desired results (future) - real results (past), and (4) Balance between objective reviews - subjective reviews.

Although laying the foundation for the development of the BSC, Kaplan and Norton have not given a clear definition of the BSC, but only focus on how BSC is used or its relationship with organizations. Therefore, BSC is understood in many different ways. BSC has been understood by three different names: tools, systems and models. Some authors simply view BSC as a strategic management tool. Some other authors believe that BSC has greater significance than performance measurement technique, they consider it to be a governance system. Some authors concurrently use both names: administrative tools and system administration. Some authors also believe that BSC is a management philosophy as well as an operational management system.

2.2. The Role and Meaning of the Balanced Scorecard (BSC)

The functions of BSC are developed along with research and development of BSC theory. In 1992, when the BSC was first introduced, Professor Kaplan mentioned only that the BSC is used as a measurement tool. Then, in 1996, Kaplan introduced BSC's strategic management function in "Using the Balanced Scorecard as a Strategic Management System." By 2000, the third function of BSC was introduced by Kaplan in his article "Balanced scorecard as basis for Strategy-focused Organization ”is communication function.

The BSC is used as a measurement system.
Financial metrics clearly show what happened in the past, but are inconsistent with an organization's emphasis on today's real value creation. These are intangible assets like knowledge, network of relationships, etc. We can call financial metrics as "lagging indicators". It is the result of a series of actions that have been taken before. The BSC complements these "lagging indicators" with directions for future economic efficiency, or "early indices". But these efficiency measures (including both lagging and early metrics) stem from the organization's strategy. All the measurements in the BSC are understood as clarifying the organization's strategy.

Many organizations have attempted to communicate aspects and mastery of strategies, but often fail to link employee activities with the strategic direction of the organization. The BSC allows the organization to clarify its aspects and strategies by introducing a new framework. This framework shows the full story of the organization's strategy through selected objectives and metrics. Instead of focusing on controlling financial factors, BSC uses metrics as the new language to describe key factors in achieving strategy. How measurements are used is crucial to achieving strategy. Measurable goals are crucial to making a strategy happen. BSC still maintains the financial metrics but adds three other very important aspects: Customer, internal operations, learning and development.

BSC is used as a strategic management system

According to the research results, while the original purpose of BSC was to balance historical financial data with the factors that drive the company's future value, more and more organizations are testing this concept and found it an important tool in adjusting short-term operations by strategy. It is used in that way that the BSC has limited many problems that arise in implementing effective strategies. BSC helps organizations:

- Overcoming barriers of vision through strategic interpretation: The BSC is given with the idea of sharing insights and transforming the organization's strategy into specific and expressive goals, measurements and targets, in every aspect of the BSC. Explaining the strategic direction requires the BSC implementation team to specify what is ambiguous and ambiguous in the strategic direction of the organization. For example: "Make an impression on customers". Through the implementation of the balance card system, the implementation team was able to clarify: "Making an impression on the customer" means that 70% of the customers will return to the business. Thus, all employees of Organizations can now focus their efforts in their daily routines to achieve “Customer Impressions” - now a completely specific goal. Using the BSC as a basis for clearly explaining strategy, organizations create a new language for making metrics to guide everyone towards achieving published directions.

- Overcoming human barriers through BSC stratification. For a strategy to be successfully implemented, the strategy itself needs to be well understood and implemented at all levels of the organization. And the BSC is spread to every part of the organization and gives employees the opportunity to relate their day-to-day work to the strategy of the entire organization. All levels recognize their roles, positions, and value-creating activities through the relationship between the implementation of their scorecards and the goals of higher levels. And moreover, BSC also provides backflow of feedback from the factory to the executive board, which facilitates constant updating of information on strategy execution.

- Overcoming resource barriers through strategic resource allocation: As we know, resources are a very important issue of the organization. We almost always have to execute strategies in under-resourced circumstances. How, then, should resources be and should be distributed? It can be seen that, without the establishment of BSC, most companies have separate strategic and budget planning processes. When building the BSC, we have created the conditions for these processes to link together: BSC not only builds goals, metrics, each specific indicator for 4 aspects, but also considers a way. Careful ideas and action plans that will serve that goal of the scorecard. And all necessary costs and effectiveness to be achieved for each specific goal should be clearly stated in the documents and taken into account. This means that managers, through the BSC, decide to choose to implement each idea, goal, support the implementation of what or not? The establishment of the BSC enables the organization to seriously check its existing ideas. Many managers have ideas but they have
not thought of their strategic significance. It is difficult for the organization when the conflicting ideas come from different functional parts. Marketing strives to win more business opportunities through massive marketing campaigns, while the sales department expects employees to focus on existing customers and relationships. The ideas from each level, each functional part contribute to the overall goals of the organization, but what are the relationships between them, their resource allocation? The answer is in BSC: when building BSC, we must consider all the current ideas in the organization and decide which ideas will really fit our strategy, which are not yet suitable. and why. Saving resources is great, but there is another important thing - the members of the organization will know the parameters of evaluating ideas, the relationship between them and the strategy from which to fulfill the goals with responsibility. accountability, as well as do not complain about the allocation of resources.

- Overcoming management barriers through strategic training: Today we face very fast changing business environment, so organizations need to do more than just analyze fluctuations Facts on financial indicators for strategic decision making. The BSC provides the essentials for getting out of this situation and introduces a new paradigm in which the scorecard results become inputs for strategy review, questionnaire and research. The equilibrium scorecard converts strategy and vision into a series of closely linked metrics. Immediately we have more information than financial data that needs to be examined. When considering all the close relationships, the results of measuring the effectiveness of the scorecard clearly describe the strategy to the smallest detail and form the basis for questioning whether the results are obtained. We come close to achieving the strategy or not and when there is any change, we immediately know where its impact is, how to fix it.

The BSC is used as a communication tool

BSC is used as a communication tool to convey a clear and concise strategy to all stakeholders both inside and outside the organization through strategic maps. The BSC helps organizations interpret their strategy into specific goals and metrics. A "goal" is a brief statement, often starting with a verb, that describes what we need to do well in all four aspects of implementing our plan. The goals could be: "Increase profits", "improve delivery times", "reduce emissions", "narrow skills gaps". These goals are arranged in a strategy map and linked by cause and effect. Tracking success to achieve its main goals is the range of metrics, a quantitative device, used to monitor progress (Kaplan, BSC Fundamentals for Organizational Strategy, 2000).

2.3. Basis and content of the balance score card (BSC)

Vision and strategy

- Strategy

Enterprise strategy is the way in which the enterprise uses its internal resources and seizes market opportunities to achieve its goals.

Strategy is seen as an overall, long-term plan of an organization to achieve long-term goals. Strategy is a pattern in the flow of decisions and action plans, according to Mintzberg, University of McGill. Strategy is defining an organization's long-term goals and implementing a plan of action along with the allocation of resources needed to achieve those goals, says Chandler, Harvard University.

Strategy is formed only when the organization clearly defines a system of goals, thereby forming different options (also known as strategic options) to choose the optimal plan to Thus, once the organization has built up a clear system of goals, the strategy will be effective in its business operations. It requires that the strategic planning, formulation and implementation must be correct, effective, visionary, methodical and systematic. It can be said that strategic management is one of the top tasks of commercial organizations in a period where the economy has many complicated developments like the current period The main issues of strategy include: mission, vision of the organization.
The basic factors constituting the mission and vision of an organization include: (i) Mission: reasons for existence of the organization; (ii) Vision: a statement of the organization's future wishes; (iii) Core values: the main philosophy in the organization's business operations.

Mission is an ambitious but achievable future statement of a financial institution that motivates and encourages all members of the organization to successfully fulfill assigned tasks.

Vision is the direction an organization creates to develop and consolidate its business activities, is the basis for mapping out the organization's strategic direction in the future (Bui Van Dong, Strategy and Strategy business, 2008).

- **Vision**

  A vision is a map showing the route a business intends to grow and run its business on. It paints a picture of where the business wants to go and provides a reasonable indication of where to go. The purpose of the vision is to focus on clarifying the future direction of the business, such as: changes in the company's products, customers, markets and technology to improve its current market position, future. A good vision must satisfy the following requirements:

  - Short, Meaningful.
  - Attractive, attractive.
  - Consistent with the mission (mission) and value (value).
  - Feasibility.
  - Inspire.

The Four Aspects of the Balanced Scorecard (BSC)

**Financial Aspect**

This is the most important aspect of BSC because it is the foundation of all other aspects and because the financial aspect plays an important role in aggregating the overall activities and goals of the whole enterprise. Goals in this aspect will indicate whether the strategy has been implemented to achieve the end result. Financial targets are often related to profitability, such as income, return on capital, growth rate of revenue, efficiency of assets ... (Kaplan, RS & Norton, DP, Strategy Implementation, 2003-translation).

Information of the financial aspect is aggregated from business results measured from activities in the period. These financial indicators clearly reflect the implementation of corporate strategies, contribute to the overall goal and from there can be drawn in the necessary points to improve operating processes.

**Customer Aspect**

In the customer perspective, the manager determines the market segment and the customers the company will participate in, the unit's performance metrics in that segment. This aspect often includes a number of typical measures to measure the success of a strategy such as: customer satisfaction, customer loyalty, attract new customers, market share in the segment, target market segment. The customer aspect also includes some specific goals related to the value that the company brings to customers such as shortening order times, on-time delivery, continuous product improvement, or the ability to the ability to forecast new market needs and the ability to develop new products in a timely manner to meet those new needs. The customer aspect enables business managers to connect customers with market strategies, which will create enormous financial value in the future (Kaplan, RS & Norton, DP, Deploy strategy, 2003-translation).

**Internal Process Aspect**
The internal process aspect is often created after the financial and customer side. In the internal process aspect of BSC, the manager identifies the key processes that the business must perform well. These processes enable the business to:

- Create value to attract or retain customers in the target market
- Meeting shareholders’ expectations about financial goals

Internal process metrics focus on internal processes that have the greatest impact on customer satisfaction and the organization's financial goals including: business processes, customer management processes, innovation and innovation processes and socially related processes:

- The process of initiative and improvement: to identify the needs of current and future customers. Since then offer solutions to meet this need.
- Process of operation: Production and transfer products / services according to the solution given in the above cycle.
- After-sales service: provide after-sales service to increase customer value when using product / service of the business.

During the improvement process, the enterprise researches the outstanding and potential needs of customers, then creates products and services to meet the above needs. Operating process is the second step in the value chain of the internal business process aspect, in which products and services are produced and distributed to consumers. In the past, the performance measurement systems for most businesses focused on operational processes. The third step in the value chain is the service provided to the customer after selling and distributing SP / DV to the customer.

The internal process aspect highlights two fundamental differences between the two approaches to traditional performance measurement and the BSC. First, the traditional approach attempts to monitor, measure and improve existing processes but can be far from financial metrics. The BSC will identify the new processes the organization must best implement in order to achieve its financial and customer goals. Second, BSC incorporates innovation and improvement processes into the internal business process aspect. Traditional performance metrics systems focus on existing value creation processes and services for existing customers, on controlling and improving existing business processes, and generating prices. short term value. The value creation process begins with taking orders from existing customers for existing products and services and ending with shipping to the customer. The organization creates value by producing, delivering, and selling at a price higher than its cost. But for long-term financial success, an organization may have to create entirely new products and services to meet the new needs of current and prospective customers. For many companies, the ability to successfully manage years of new product development or the ability to develop a whole new group of customers can be critical to a company's economic success in The future is rather than managing existing business processes in a stable, efficient way (Kaplan, RS & Norton, DP, Deployment Strategy, 2003-translation).

- Training and development aspect

The training and development aspect is the aspect that holds the aspects together, identified as the foundation for the long-term survival and development of the business. The training and development aspect defines the infrastructure the organization must build to drive long-term growth and innovation. The training and development in the organization is carried out based on three main sources of capital: human capital, information system capital and organizational capital. Financial, customer, and internal process goals that point to the great gaps between the current capabilities of people, systems, organizations, and future requirements that need to be achieved in order to create breakthrough growth. demolition for the organization. To bridge this gap,
businesses need to invest in improving staff qualifications, strengthening information technology systems, and rearranging organizations. These goals are reflected in the training and development aspect of BSC. Measures related to employees include metrics such as employee satisfaction, training, and skills. Information systems competency can be measured through availability, accuracy of customer information, and internal process information (Kaplan, RS & Norton, DP, Strategy Implementation, 2003 - translation).

- Causal relationship between aspects in the BSC model

The Financial aspect shows the financial situation of the business through financial indicators such as ROI, ROA, ROE ... Shareholders' attention is always directed to financial indicators. However, the financial indicators only give a view of the business performance of an enterprise in the past and present, not meeting the long-term development strategy. Therefore, the non-financial indicators shown through the remaining 3 aspects will give an overall view of the goals and development strategies of the business. Wanting to achieve the desired financial targets, managers take measures to increase the number of customers, to meet customer needs. That is shown through the Customer aspect. The aspect If a customer achieves well, it increases the financial results of the business.

However, in order for customers to be loyal to the company's products, businesses must constantly improve and promote business processes. Thus, the internal business aspect creates superiority in the short and long term of the strategy, creating the factor to develop added value for customers. In a competitive environment, the added value of customers will make the Customer aspect of the business successful. And from that will lead to the success of the Financial aspect, creating added value for shareholders.

“In order for the Customer aspect and Internal Process to be successful, the business must continuously train and improve the technique, which means that the Training, Research and Development aspects need to be invested. The success of the Training and Development aspect enhances the current capacity, ensuring the success of the Client side and the Internal Process aspect in the short and long term. On the contrary, the Financial to alcohol aspect will support the Training and Development aspects, the more successful Internal Processes, further contributing to the success of the Client aspect.

The strategy map in the Balanced Scorecard (BSC) model

A strategy map is a graph on a page that describes what the business wants to do well on all four concepts in order to execute a successful strategy. A guide map throughout the journey, directions from point A to point B, then to the final destination selected. Through the strategy map too, we identify causal paths interwoven four aspects that can lead to the implementation of our strategy. Therefore, all individuals inside and outside the business through the strategy map can know what the business wants to do well to achieve the end goal.

In the process of applying BSC, strategic map is an important content. The presentation of strategy maps will help the company see the overall picture of goals and action plans throughout the enterprise. It also helps businesses to balance and adjust the contents in accordance with the existing resources as well as strategic goals and directions when there is a change.

2.4. Steps to apply Balanced Scorecard (BSC)

If Robert Kaplan and David Norton (1992) are the creators and developers of the BSC model in terms of research, Paul R. Niven (2006) can be considered as the person who has put the BSC into practice in the enterprise. With many years of experience as a consultant to implement BSC for businesses, Paul R Niven has rewritten his knowledge in three books and many articles published in many countries around the world.

Step 1: Develop strategic goals: On the basis of the company's vision, mission and strategy, this step will develop into strategic goals in 4 aspects of BSC. For example, if the strategy is to grow sales based on a cost advantage, we need to develop into specific strategic goals about finance, customers, internal processes and
mining, create development. These goals must be consistent with the strategic intentions. For example, the internal process aspect needs to clearly define the strategic goals of saving product costs, the training and development objectives need to define the goal of building a culture of savings ...

Step 2: Building the strategy map: On the basis of the strategic goals that were built in step 1, we reconnect according to the BSC model. The completed strategy map will clearly show what the organization must do well in all four aspects in order to successfully implement the strategy. Help us identify causal paths intersecting four aspects that can lead to the execution of our strategy.

Step 3: Create performance metrics: Measures are very important, if misidentified or unidentified will make the strategic intentions misinterpreted and unable to direct the goals and programs. action later. This step will help define the specific metrics for each type of strategic goal.

Step 4: Setting KPIs (Key Performance Indicators) goals and indicators. At this point we need to come up with specific numbers for each goal and measure identified in the previous steps. For example, to achieve the strategic goal of cost reduction, the measure that could be chosen would be to reduce the% cost to sales ratio from the previous year, and the target set to be 1.5%.

Step 5: Identify priority actions: To achieve specific goals, what actions and programs do we need to implement? This step helps to identify specific tasks that should be prioritized in the company's overall operations to ensure that the given strategic goals are feasible. In addition, this step also specifies the allocation of company resources to demonstrate the priority in each action towards the company's strategic goals.

Step 6: Stratification BSC down to the levels below: After having the BSC table for the company, we need to decentralize down to the lower levels of management. The purpose of this step is to further concretize each level of management in the company and eventually become the BSC and KPI for each officer and employee in the company. This stratification will follow each aspect. For example, the financial aspect at the firm level has a goal of revenue growth, when decentralization can be concretely turned into domestic sales, export revenue. Domestic revenue can be distributed down to each market area and to each individual or group in charge, ...

3. Overview of Critical Performance Indicators (KPIs)

3.1. Concept and characteristics of KPIs

KPIs - Key Performance Indicators are understood in a simple way that are essential performance indicators - indicators measuring success, also commonly known as performance indicators, built construction in order to evaluate the efficiency and growth of the activities in the business compared to the set target. It helps businesses shape and track business progress and growth against the company's goals. KPIs are indicators to measure the efficiency or success of activities in the organization, to achieve the goals. given by the administrator. Each title, department, department will have a job description or a monthly work plan. Administrators will apply indicators to evaluate the performance of those activities. Each title, department has its own KPI. However, KPIs must all meet the five standards of a goal (SMART), which are:

- Specific - specific, clear: Construction indicators need to explain 3 aspects: meaning, reason of selection and measurement method. The clearer the KPIs, the easier it is for employees to know what to do and how to achieve the desired work efficiency ...

- Measurable - Measurable: For KPIs that do not measure the results of their work, the assessment will become emotional and non-objective.

- Achievable- justified / attainable: There are many measurable KPIs but not feasible, creating frustration, frustration and not wanting to work when employees find it difficult to achieve the item. spend despite trying my best.
Realistics - reality: This is the criterion that measures the balance between the performance ability and the resources of your business (time, personnel, money ..).

- Timebound - time limit: The exact timing will motivate employees to complete their jobs in the best possible time, while reducing the inertia of the entire business system. Karma.

Currently, several perspectives evolve the SMART principle into SMARTER. Inside:

- Engagement- linking: The company must link the interests of the company and the interests of other subjects. Without this regime, the implementation of KPIs will be ineffective.

- Relevant - is appropriate: An indicator is useful for one part but the other is indifferent. For example, the level of inventory, the sales department always wants a high level of inventory while the finance department wants a low level of inventory. As such, the KPIs must be appropriate and fair to all departments.

3.2. The role and meaning of KPIs

KPIs are a very effective management tool for managers to fulfill their roles. With 4 main roles are: (1) connection role, (2) orientation role, (3) measurement and evaluation role, (4) regulation role, KPIs help administrators to fully implement Its four functions are planning, organizing, leading and controlling.

- KPIs connect goals: between short-term goals and mid-term and long-term goals of the business; between quantitative and qualitative goals; between growth goals and sustainable development goals.

- KPIs connect business strategy with HR leadership strategy to fulfill set targets.

In addition, KPIs also play a role in connecting functional areas, divisions and individuals in the business. For example, the HR department's KPIs are built to be compatible with the departments involved in HR operations and contribute to the department's performance.

The word "Key" in KPIs shows the role of directing activities and efforts of individuals and divisions. In each business phase or cycle, the business will need to come up with key / key performance metrics that it wants to achieve. From there, KPIs will help businesses choose their priorities in each stage.

In fact, each business often has many goals or with a few common goals of the company, it can be divided into many goals according to the operational functions of the unit / division and by location, the work of each individual. KPIs will help units or individuals focus on the main tasks and functions, required or appreciated by the company, to avoid falling into secondary goals.

Role of measuring and evaluating the level of completion

- KPIs quantify the results to be achieved and clearly define the responsibilities and powers of each individual, department in the business when performing. Therefore, when applying KPIs, the level of task completion, individual goals / department / unit is also seen more clearly, specifically and accurately. From there, as a basis for reward and discipline.

- KPIs concretize the results to be achieved in each stage, thereby allowing the effective implementation of KPIs in target management and process management.

Role regulates activities

- KPIs application is always associated with the process of defining, negotiating, and assigning KPIs, evaluating the level of completion and then adjusting the KPIs. The adjustment of KPIs to suit the actual situation will lead to adjustments to resources, powers, obligations and interests of individuals and units.
At the same time, when KPIs can show you the results in advance, decisions will be easier and quicker to be made.

In summary, from the above roles, it can be seen: KPIs are an effective tool in governance with the following benefits:

- KPIs are a tool used to assign tasks, orient operations, measure the level of completion of tasks of individuals and units associated with the implementation of the general goals of the business. KPIs measure the “health” of a business or department to draw experience and improve operational efficiency. From there, help businesses operate in the desired direction.

- The levels of KPIs are also decomposed from the company level to each unit / division and finally the individual level like disintegrating the levels of the goal.

- Control and motivate people.

- Can help management recognize the results of the company or department or in a certain department. From there, create a mechanism to reward and recognize achievements.

3.3. Classification of KPIs

Currently, the KPIs have been used and developed in businesses and organizations. Depending on the current state of the organization, KPIs are formed and serve the purposes of the organization or enterprise. However, in general, KPIs can be divided into the following groups:

In large economic industries, to measure the success and efficiency, managers often build certain, unified indicators for comparing between businesses. These are the indicators that have been researched and agreed in the whole industry, easy in the process of monitoring and assessing just through a few indicators to measure the performance to know their competitors in the industry. How does it work and develop? For example, in the banking and finance industry, we can use indicators such as: number of ATMs nationwide when evaluating ATM service comparisons among banks; or the interest rate applied by banks ... In the world today, there are nearly twenty economic sectors applying KPIs to measure the performance, such as:

- Aviation and transportation (including 84 indexes)
- Banking and insurance industry (includes 57 indices)
- Research and education sector (including 71 indicators)
- Entertainment industry (including 22 indexes)
- Agriculture sector (including 45 indicators)
- Commodity manufacturing (including 12 indexes)....

Group of KPIs to evaluate the organization's performance

Every organization to build, operate and develop always needs an organizational structure with continuously changing and constantly changing activities along with the achievement of business goals. Currently, in the world, most of the organization's activities have set KPIs to measure and evaluate. In which many indicators play an important role in the organization such as customer-related indicators: the rate of customers coming back to the store or the rate of customers buying for the third time or more ... play a very important role. importance in production and business of economic organizations.
The main activities where KPIs have been applied today include: sales and customer care activities, marketing activities, financial activities, logistics, legal activities ... KPIs corresponding to these activities will be encapsulated and divided into four groups of KPIs as follows: ”

- Group of financial KPIs
- Group of operational KPIs
- Group of customer KPIs
- Group of human resources KPIs

In general, the KPIs that evaluate the organization's operations are given the most attention, because it reflects the actual operating status of the organization, and shows what the organization must do to develop and improve its performance. image to achieve goals from employees to departments and the entire business. In which the human resources KPIs are valued, a few groups of human resources KPIs such as:

- Percentage of employees who did not complete the task. The resulting proportions will indicate the cause of the different rate, too low or too high in the organization.

- The rate of employees completing 100% of the work. What is the number of employees who guarantee jobs? If the consideration of the percentage of employees who do not complete the above tasks to help the business to adjust and overcome to ensure the quality of work, this ratio provides the business with good signals in time. reward and motivate employees; thereby promoting staff dedication and development. This rate should be established and compared across departments, and between months.

- Percentage of staff with good attitudes or more. For service companies, banks ... this ratio is extremely important, managers need to consider specifically the ratio of good and bad attitudes of each department to review more accurately and from there, make appropriate adjustments.

- Rate of violation of the rules. Violations can be classified according to sections, classifying the severity of violations. It shows the responsibilities, behaviors, attitudes, and people of employees in a collective environment in the working process. There are many cases of violating the rules too much such as being late, smoking in the office ... are also the reasons why employees were fired.

Groups of KPIs are developed according to program frameworks

Each activity industry includes many processes, many main work items in that industry. Each process, that work item will be evaluated by certain KPIs. They are gathered together into relatively standard evaluation program frameworks, serving different management purposes of the administrator. For example: In information technology industry can use frameworks such as: Cobit (including Cobit Acquire & Implement, Cobit Delivery & Support, Cobit Monitor & Evaluate, and Cobit Plan & Organize) or APM, ASL, BiSL, ITIL, VRM ...

Group of KPIs in business organization according to target recipients

In every organization, assigning and receiving targets is extremely important. With each different level, the assignment and receipt of quotas are also at different levels. Therefore, the classification of target groups is also one of the criteria to classify KPIs.

Company KPIs: are indicators that measure performance at the company level, to measure and evaluate the degree of completion of plans and achievement of company goals. The company KPIs are assigned by the Board of Directors or the General Meeting of Shareholders to the company and the Company Director is responsible for the implementation of the company's KPIs, the company KPIs also correspond to the KPIs of the company, Director.
- Segment KPIs: are performance indicators at the department level (Branch, Division, Group) to measure and evaluate the level of plan completion and departmental goals. The Division KPIs are assigned by the Director to the divisions and the Head is the main responsibility for the implementation of the Segment KPIs. Segment KPIs also correspond to KPIs of individual Head of Department.

- Personal KPIs: are the indicators that measure the performance of each individual, to measure and evaluate the level of completion of the plan and the achievement of the company's goals. Individual KPIs are assigned by the Head of the Department to each individual directly under the department.

KPIs group according to the KPIs completion norm

Minimum KPIs (or minimum KPIs): is the level of productivity having the minimum completion rate of the plan or goal that needs to be completed in the period. Usually minimum KPIs are calculated from 60% to 80% of the target KPIs.

Target KPIs (or target KPIs rating): is the level of productivity or goal completion rate that is equal to the plan or goal that needs to be completed in the period.

KPIs exceeding target: is the level of productivity or completion rate that is higher than the plan or goal that needs to be completed during the period.

With the classification of KPIs according to each group, according to different use purposes, the user can easily use the KPIs and the application of the parts more easily and effectively.

3.4. Steps to apply KPIs

- Determination of the necessity and determination to apply KPIs: The calculation of the necessity of KPIs application and the commitment of top management, the consensus of senior management team in KPIs implementation, sufficient human, material and spiritual resources, approval of background documents for KPIs, ... is a necessary first step for KPIs implementation.

- Prepare the organization and personnel: It is necessary to build a "Board" for KPI implementation to ensure the successful implementation of KPIs. The KPIs implementation board must have sufficient authority, time, deep understanding of the organization and skills to build, maintain and apply the KPIs system.

- Building KPIs implementation plans / projects: The implementation of KPIs requires the participation of all levels of management, at the same time connecting internal resources, interacting with external relationships outside the company, ... Therefore, the development of a KPIs plan / project is very important to increase the ability of the implementation process to achieve expected results.

- Completing the system, tools, and background process for the implementation of KPIs: This is a very important preparation step because the KPI system requires the connection between the organization's strategy, objectives and expected results. work execution and performance improvement measures. Therefore, the construction and completion of management processes / regulations, functions, job description systems, ... are indispensable requirements for successful implementation of KPIs.

- Launching the KPIs program: Including communication activities, calling for and motivating the entire organization to successfully participate in the KPIs program and demonstrate the determination to do it equally.

Identify KPIs

The determination of KPIs in the business is always done as follows: Upper and lower levels discuss key indicators to be completed by each business stage or cycle on the basis of identifying items. corresponding to each level of KPIs (business level - department / unit - individual). This process is carried out from top to bottom (oriented by superiors) and from bottom up (proposed by subordinates). The sequence for shaping a
standard KPIs is going from key outcome indicators, then identifying the performance indicators needed, and finally selecting key performance indicators.”

- Set up enterprise KPIs

The key point in this step is to concretize the organization's vision, goals, mission and strategy into long-term, medium-term and short-term goals for the organization, thereby defining the KPIs for the business. For this, the balanced scorecard system is an effective tool. BSC will help leaders to set out detailed and specific strategic goals in the short, medium and long term. Then, KPIs will be built based on strategic goals, concretize these goals into detailed indicators, helping to measure the effectiveness of business-level goals.

- Set up individual and department KPIs

The setting of KPIs and goals of the unit / department or individual is attached to the description of the functions, tasks of the department, the job description of each position on the basis of the goals and KPIs of the department. enterprise."

The set and agreed goals and KPIs also need to clearly demonstrate the role of middle management, professional / enforcement staff, and stakeholders as well as their rights and incentives.

It is important to note that indicators should be limited (no more than 100 indicators for the entire enterprise - According to David Parmenter. Too many indicators will lead to scattering of resources.

Developing a documentation system that guides how to build, maintain, and improve a performance measurement system, including performance measurement documents and records, is an important step in this step for management. KPIs system.

- Negotiation and assignment of KPIs

Superiors tend to assign many targets and requirements at a high level. While subordinates want to assign a few targets and easy to implement and have an attractive remuneration mechanism when completing the targets. The negotiation process aims to:

- Ensure members of the organization understand the meaning of KPIs and assign responsibilities / m to each relevant level.
  - Ensure the highest support for the implementation of the business strategy and objectives and increase the motivation of members to implement;
  - Reconcile the interests of the business with individual capacities, responsibilities and interests / interests (managers, implementers and stakeholders);
  - In accordance with the actual internal conditions (resources, mechanisms) and the external business environment (opportunities, challenges, ..) of the business.

Implement (Apply) KPIs

- Management / Control of the implementation process: The implementation of KPIs should ensure compliance with corporate governance principles associated with compliance with governance processes.
  - Measurement: in the process of implementing KPIs, it is necessary to continuously carry out statistical data, calculate (objectively and accurately) and report the results; Using tools to support measurement, data synthesis matching, high accuracy and high ease of reference and control.
- Communication implementation: in addition to governance to ensure the full and responsible participation of the parties involved, continuous communication should be promoted to ensure proactive and active participation of levels.

Reviews and adjustments

- Regarding evaluation: based on comparing and analyzing measured results with set targets to evaluate the performance results of each level, apply rewards and remuneration

  - Solution: The head of each organization is responsible for monitoring the implementation of monitoring KPIs, evaluating with staff and offering solutions to improve efficiency for each KPIs. Specifically, the time to implement those solutions, who is responsible for implementing each part of the work.

- Regarding adjustment / improvement: Managers are responsible for monitoring, re-evaluating and improving established standards and proposing human, financial, tools and equipment requirements needed to make the tasks more efficient.

- Regarding planning: continue to plan strategies, objectives, propose initiatives and improve remuneration appropriately.

Notes on KPIs implementation

- Process control

  A comprehensive management software system for both objectives and KPIs accompanied by regulations on planning, implementation and reporting of performance results must be applied in order for the control process to be effective.

- Measurement and evaluation of results

  During the testing phase, the business may have to accept large errors in results, budgets, program activities in the process of measuring and evaluating the results of implementing objectives and KPIs to gradually withdraw experience and perfect the system. It is important at this stage that businesses must know how to "communicate" so that all members understand and voluntarily apply the spirit of "effective work-oriented" for each project, each team from the initiative to plan goals for yourself.

- Use results for governance and human resources

  Based on the evaluation results, management staff adopts the BSC method and references the original target to identify the areas and factors that need to be promoted and improved, thereby adjusting the clear, specific goals and more real; Team planning through mentoring, training, and development; adjust processes, regulations, ...

- Review and adjust goals and KPIs

  In today's modern governance and market landscape, setting goals within the current 12 months is no longer justifiable, employees now need a rotation of goals in months, even lice calculated in weeks. Therefore, the measurement of the performance of the core goals and performance of the business also needs a streamlined process and method to review and adjust with a more regular and continuous frequency.

4. Evaluate the efficiency of applying BSC Balanced Scorecard and KPI's Critical Performance Measurement Index

4.1. Connect the BSC metrics with strategy

  “To evaluate a metrology system needs to aim to create the motivation for all levels, divisions, departments / departments and employees to successfully implement the organization's strategy. A successful metrology
system must convey the strategic goal into the measurement system, and all levels of management and employees are aware of the importance of metrics and successfully fulfilling the strategy's objectives. As such, a BSC is successful when it communicates strategy through both financial and non-financial metrics.

When considering four aspects: financial, customer, internal processes, and training and development within the BSC it is necessary to align their goals and metrics across the organization's overall performance according to the strategy's goals, general strategy. If this is not done, these four aspects can conflict with each other and operate independently, leading to low performance of the target.

According to Kaplan and Norton (2001), linking BSC with corporate strategy must be done based on three principles:

1) Cause-effect relationship:

One strategy is the set of cause and effect hypotheses. A built BSC needs to demonstrate the business strategy through cause and effect chains. For example, consider employee relationships trained in good sales skills and increased sales. A measurement system must clearly define the cause-and-effect relationship between the performance measure and the factors that drive performance to achieve results.

2) Factors promoting operational efficiency:

When looking at the results achieved, it is necessary to consider the factors that bring about the effectiveness. The leading drivers of performance represent the specificity of the strategy for which the organization has specific strategic objectives, e.g. profitability, market segmentation. Outcome metrics reflect the performance achieved from the realization of the strategic goal. As such, a good BSC must combine performance metrics with performance drivers.

3) Relationship with finance:

All the business strategies of the business are made according to many different goals such as market share, sales, market expansion, ... but the ultimate goal is still finance. The measurement system must evaluate the performance in order to promote the effective performance of the strategy's objectives. To improve operational efficiency, a measurement system must measure performance in the combination of goals in a cause-effect relationship, and the performance-driving factor in four aspects: finance, customers, internal processes, and learning and development in the overall strategic goals of the business to uncover unfinished parts, and unreasonable factors and metrics to correction.

4.2. Incorporate corporate structure and strategy into BSC

Today, due to the business environment, most businesses operate a variety of products, industries, in many places and joint ventures. Therefore, businesses will have a very diverse structure with many different business units, because of the nature and specificity of the operation, there will be separate BSCs for business units. Although each business unit has its own strategic goals, these goals are sub-goals of the overall corporate strategic goal. In addition, business dependencies and relationships, business units will have the same types of customers, markets, and products, so to achieve the overall strategic goal of the business, The structure and strategy of an enterprise must be reflected in the BSC, in which the business unit's BSC is built to bring the divisions of an enterprise together into the strategic structure and objectives, overall business.

4.3. Measuring and evaluating the performance of strategic objectives

BSC is a technique to measure the business performance of a business with metrics conveyed from strategic goals. Therefore, a successful BSC must measure and evaluate the performance of strategic goals from business to employees: enterprise level, department, department, department and staff. When performing well the measurement and evaluation of the performance results, it will detect the unfinished stages, parts and
individuals in order to promptly rectify and better adjust. In addition, from the measurement and evaluation results, it will detect the shortcomings or mistakes when building the strategy and the strategic objectives will be adjusted accordingly. For example, the given target is too high for the firm's resources, or the condition and change of the business environment.

REFERENCES


