

An Investigation on the Effect of Balanced Scorecard on Employees' Performances in Social Security Organization

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Abstract

This research is aimed at studying the effect of balanced scorecard (BSC) on employees' performances in social security organization (SSO). This is a descriptive applied research which was implemented within the first six months of 2012. The statistical population includes employees, managers and the clients of SSO in one of western cities in Iran. According to Morgan table, the sample volume consists of 246 who were randomly selected. To collect information, two questionnaires with two coefficients of reliability of 0.880 and 0.890 were employed and descriptive and inferential statistics were practiced to analyze hypotheses. Results revealed that BSC has a positive impact on employees' performances in SSO.

Keywords: Balanced Scorecard (BSC), Social Security Organization (SSO), Organization, Performance

Introduction

Given the increasing rate at which organizations in information era are becoming more dynamic and unreliable, organizational administration requires creativity and new approaches of management. A comprehensive performance measurement system is needed to help organizations sustain in today's competitive era (Ibn Rasul, Seyed Asghar, 2004). Performance measurement is an essential component in any organization that can reflect the efficiency and execution of programs (Chow, C et al. 1998). Organizations, whether state or private, need an effective performance measurement system to grow and survive and to assess the productivity and effectiveness of their programs, processes and human resource (Alizadeh, M., 2005). There are various tools and methods of measurement in most of which just the financial indexes are considered to assess performances. Robert Kaplan and David Norton designed in 1990s a technique called "balanced Scorecard" in order to assess organizational performances. The method evaluated both financial and non-financial indexes and it was later selected as a methodology or a strategic management tool (Newon, Poul R. 2007). A measurement-based strategic management system, the balanced scorecard illustrates the organizational measures according to a conceptual frame based on four areas and the related indexes. The areas include financial, clients, internal processes, and growth and learning (Olve, Nils Yoran, 2005). Among various methods which have designed to measure the organizational performances, BSC is practically the only method that can depict how subdivisions can affect the performance of the whole organization (Teymouri, I., et al., 2006). The word balanced measurement was first raised by Kaplan and Norton. In an article published in 1992, they offered a new approach called "balanced measurement" for evaluating performances (Kaplan R.S. and Norton, 1992). Intensive research studies carried out on assessment of organizational performances inside and outside of the country. In their research titled "the effects of using balanced scorecard", Braam and Nijssen achieved two important results: firstly, applying BSC as a measurement tool does not have any significant association with organizations' performances. Secondly, employing BSC by focusing on guidelines has a positive association with organization' performances (Braam &

Nijssen, 2004) . According to their research study titled “practicing balanced scorecard in Greece and evaluating software companies”, Papalexandris et al. (2004) concluded that what created value for the company and the relation between financial and non-financial performances would guarantee better performances (Papalexandris et al., 2004) . As to studies conducted locally, Abdollahi offered a BSC-based model of assessment. Results showed that adopting this model set the ground for finding weaknesses and strengths and improvement opportunities (Abdollahi, J. 2007) . Balanced measurement assesses the organization in four dimensions to specify if it has fulfilled its duties to obtain strategic goals. The four dimensions include (Kaplan & Norton) : (1) financial indexes: refer to those parameters shareholders and beneficiaries consider them as a criteria for organizational performance (Kaplan & Norton, 1996) ; (2) client: in BSC, clients should be treated with the utmost care. BSC model stresses on clients’ satisfaction of products, responding to complaints, delivering products on schedule, and reducing complaints (Wongrassam & Simmons, 2003) . In this regard, objectives, measurements, and target points are focused on this question that how should we appear to our clients to reach our outlook? (Thompson & Nicholas, 2008); (3) internal process: some measures are adopted to rate the level of development and control over association with other companies such as producers of raw materials engaging in production and services (Kahuri, H. 2001) ; and (4) growth and learning: this deals with employees’ competence, the quality of information system and arrangement of tools and equipment to meet the goals . BSC is a tool for evaluating organizational performance (Shabahang, R.; Ibrahimi, 2005), designed for the first time by Kaplan and Norton in 1990. The connection between research variables has been displayed in figure 1. Independent variable is the balanced scorecard and dependent variable is employees’ performances.

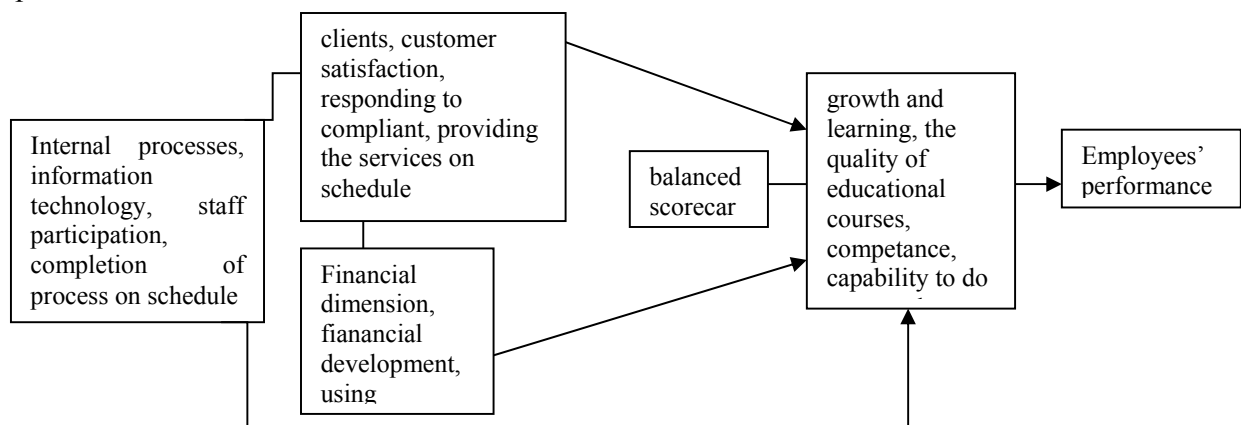


Figure 1: Conceptual Model

Research Hypotheses

Leading Hypothesis: BSC dimensions seem to have positive effect on employees’ performances.

Secondary Hypotheses

- Financial perspective has a positive effect on employees’ performance.
- Client related dimension of BSC has a positive effect on employees’ performance.
- Internal processes have a positive effect on employees’ performance.
- Growth and learning have a positive effect on employees’ performance.

Methodology

This is a descriptive applied research which was implemented within the first six months of 2012. The statistical population includes employees, managers and clients of SSO in one of the western cities in Iran. The sample volume was randomly selected. To collect information, two questionnaires were employed: the first one relates to employees and managers and the second one is for clients. 246 questionnaires were randomly distributed among four social security organizations. According to Morgan table, the sample volume of employees and managers and clients consist of 246 and 123 respectively. The first questionnaire includes 17 questions, from one to six about learning and growth, from seven to 13 about internal processes and from 14 to 17 about financial perspective. The second one includes 11 questions about clients. Questionnaires were distributed among participant to study variables established upon the five-point Likert scale. To confirm the reliability of research findings, indexes were verified by management experts. The reliability of the first questionnaire was estimated at 0.880 by Cronbach's alpha and for the second questionnaire at 0.890. Content validity was adopted to guarantee the validity of questionnaires. Here, descriptive and inferential statistics were used (one-sample t-test).

Research Findings

Leading Hypothesis: BSC dimensions seem to have a positive effect on employees' performances.

Null Hypothesis (H_0): BSC dimensions do not have any positive effect on employees' performance.

Null Hypothesis (H_1): BSC dimensions have a positive effect on employees' performance.

Table 1: research results of the leading hypothesis

Df	One-Sample t-test	Significance	Result
122	4.573	0.000	Hypothesis 1 confirmed Null hypothesis rejected

Test Results for Leading Hypothesis

According to table 1, as the one-sample t-test revealed that the level of significance was less than $p=0.05$, the hypothesis test was proved as significant. The first hypothesis is, thus, confirmed and the null hypothesis is rejected. Due to this, dimensions of BSC have a positive effect on employees' performances.

Secondary Hypotheses

First Hypothesis: Financial perspective has a positive effect on employees' performances.

Null Hypothesis (H_0): Financial perspective does not have any positive effect on employees' performances.

Null Hypothesis (H_1): Financial perspective has a positive effect on employees' performances.

Table 2: research results of the second hypothesis

df	One-Sample t-test	Significance	Result
122	4.322	0.000	Hypothesis 1 confirmed Null hypothesis rejected

Test Results for First Hypothesis

According to table 2, as the one-sample t-test revealed that the level of significance was less than $p=0.05$, the hypothesis test was proved as significant. The first hypothesis is, thus, confirmed and the null hypothesis is rejected. Due to this, the financial perspective of BSC has a positive effect on employees' performances.

Second Hypothesis: Client-related dimension has a positive effect on employees' performances.

Null Hypothesis (H₀): Client-related dimension does not have any positive effect on employees' performances.

Null Hypothesis (H₁): Client-related dimension has a positive effect on employees' performances.

Table 3: research results of the second hypothesis

df	One-Sample t-test	Significance	Result
122	2.367	0.020	Hypothesis 1 confirmed Null hypothesis rejected

Test Results for Second Hypothesis

According to table 3, as the one-sample t-test revealed that the level of significance is less than $p=0.05$, the hypothesis test is proved as significant. The first hypothesis is, thus, confirmed and the null hypothesis is rejected. Due to this, the client-related perspective of BSC has a positive effect on employees' performances.

Third Hypothesis: Internal processes have a positive effect on employees' performances.

Null Hypothesis (H₀): Internal processes do not have any positive effect on employees' performances.

Null Hypothesis (H₁): Internal processes have a positive effect on employees' performances.

Table 4: research results of the third hypothesis

df	One-Sample t-test	Significance	Result
122	3.275	0.001	Hypothesis 1 confirmed Null hypothesis rejected

Test Results for Third Hypothesis

According to table 4, as the one-sample t-test revealed that the level of significance was less than $p=0.05$, the hypothesis test was proved as significant. The first hypothesis is, thus, confirmed and the null hypothesis is rejected. Due to this, the client-related perspective of BSC has a positive effect on employees' performances.

Fourth Hypothesis: Learning and growth have a positive effect on employees' performances.

Null Hypothesis (H₀): Learning and growth do not have any positive effect on employees' performances.

Null Hypothesis (H₁): Learning and growth have a positive effect on employees' performances.

Table 5: research results of the fourth hypothesis

df	One-Sample t-test	Significance	Result
122	2.619	0.010	Hypothesis 1 confirmed Null hypothesis rejected

Test Results for Fourth Hypothesis

According to table 5, as the one-sample t-test revealed that the level of significance is less than $p=0.05$, the hypothesis test is proved as significant. The first hypothesis is, thus, confirmed and the null hypothesis is rejected. Due to this, the client-related perspective of BSC has a positive effect on employees' performances.

Conclusion

Balanced scorecard is a tool that has been increasingly applied to assess performances. Looking at various parameters, BSC evaluates four dimensions of financial perspective, client-related matters, local processes, and learning and growth to follow the guidelines. The main purpose of the research was to scrutinize the effects of BSC in employees' organizational performances. Accordingly, results displayed that BSC positively affects employees' performances and the leading hypothesis is, therefore, verified. The following list summarizes the major points taken here into consideration:

1. Research results on financial perspective confirmed that return on sale, financial development and financial prosperity all had a positive impact on employees' performance. Results obtained from the one-sample t-test determined the level of significance at $p=0.05$ that was an indicator of the significance of hypothesis test.

2. Research results on other indexes, also, revealed that customer satisfaction of product variation, quality of services, employees' behavior and the level of providing clients with information all had a positive impact on employees' performance. Results obtained from one-sample t-test determined the level of significance at $p=0.05$ that was an indicator of the significance of hypothesis test.

3. Research results on internal processes showed that completion of processes on schedule, employees' participation in different matters, and using information technology all had a positive impact on employees' performance. Results obtained from one-sample t-test determined the level of significance at $p=0.05$ that was an indicator of the significance of hypothesis test.

4. Research results on learning and growth demonstrated that the quality of training courses, innovation, and ability to do teamwork, all had a positive impact on employees' performance. Results obtained from one-sample t-test determined the level of significance at $p=0.05$ that was an indicator of the significance of hypothesis test.

To sum up, organizations are recommended to adopt BSC approach in order to assess their employees' performances and customers' satisfaction. Note, also, that balanced scorecard is just a tool which should be adjusted within organizations and companies.

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