

Retail Industry: Is It Needed the Balance Scorecard (BSC) to Maximize the Business?

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ABSTRACT

In this globalization era, business competition is becoming increasingly fierce, one of the industry that impact is retail industry, where each company is required to formulate dynamic strategies, one of which is through the implementation of performance measurement mechanisms that provide continuous control over the respective company. Through this research, author will identify through the literature can the Balanced Scorecard help the retail industry in their business. Some research already conduct for this balanced scorecard implementation in retail industry? but this research will be focus on how balanced scorecard can help the retail industry create competitive strategy to maximize their business performance. This research uses systematic literature review to provide the right position in the direction of renewal into consideration regarding implementation Balanced Scorecard to maximize business in retail industry. This research finds that the retail category industry need use do some innovations and create their own competitive advantage to win and being sustain in the industry. This literature study still refers to the use of the classic Balanced Scorecard. Suggestions for research in the future, can use more updated Balanced Scorecard (third generation) to add more findings and to fill the gap in this research study

Keywords: Performance Measurement; Balance Scorecard (BSC), Competitive Strategy, Retail Industry

INTRODUCTION

Post – COVID 19 bring some challenges in Retail industry, one of the industry that expected to be able to adapt with the changes after COVID – 19 disease. Through the pandemic Covid-19 some retail companies were struggling due to some reasons both internal and external factors. The Indonesian Retail Entrepreneurs Association (Aprindo) has declared that hundreds of retail stores have closed. Every day, there are retail outlets ceasing operations in Indonesia, including fashion retailers, food establishments, and other non-food retail outlets (Sandy, 2021).

Some factors appear during the pandemic such as customer behavior switch to online shopping, slow moving product sold through offline stores, buying power that decrease due to Pandemic COVID-19 , some partner companies also change their regulation during COVID – 19. Those factors can be one of the reason why some retails are struggling during and post pandemic COVID-19.

Through those phenomena, business leaders are facing by some challenges and some complex issues in retail industry. So that, some business leaders need to use some opportunities both internal and external to create some competitive strategies,

and make their business become more adaptive and sustain in this era. A business leaders need to know about their performance for each company activities inside it, so they can decide and create their own competitive strategy. That's why a company need to measure about their performance , Furthermore, performance measurement is carried out for continuous correction and improvement. Performance measurement provides information about important factors from a business goal perspective, thus these metrics support the improvement of poor performance or the achievement of higher success rates (Korhonen et al., 2023).

One of measurement that some companies used to utilize is The Balanced Scorecard (BSC) is a performance measurement system that is most widely used by advanced companies in the world, developed by Harvard professors Robert Kaplan and David Norton (1992), this method will help company leaders manage the business and achieve strategy implementation through measures, targets, goals, and initiatives of a company (Iskhak et al., 2024).

From research by (Iskhak et al, 2024) stated that the implementation of Balanced Scorecards in the retail industry that is already running needs to be evaluated so that the company knows its implementation is by the strategy set by the company. Balanced scorecard (BSC) implementation can be challenging, and organizations need to be prepared to overcome certain obstacles. (Anh, 2014) stated that perspectives from senior leaders, strategy planning performance appraisal capacity of human resources and company operations management can influence the implementation of balanced scorecard. Even there're some challenges to implement the Balanced Scorecard a company in retail industry still need to use it as a tool to determine their performance and help the management to create competitive strategies to maximize the business.

Business Leaders in retail industry need to know and implement BSC Balanced Scorecard into their business to create competitive strategies, therefore a company need to create performance measurement instruments. This Balance Scorecard can determine the performance both individual or group in a company. Performance measurement is carried out to ensure the implementation of the planned performance as expected. To determine the level of quality of a performance, a standard must be set that refers to the company's goals. These standards will then be used as a benchmark in assessing the performance of individuals and groups to then take corrective actions related to their performance (Fairuz et al, 2022)

Balance Scorecard help the company to determine the performance, not only understand about BSC, A company need to understand the competitive strategy after they know about their own performance. According to (Anwar & Abdullah, 2021) strategy can be defined as "building a strong defense against the five competing factors. According to Porter Competitive strategy is determined by five determinant factors, these five factors include: rivalry among existing firms, threat of substitute products or services, bargaining power of buyers, bargaining power of suppliers, and

threat of new entrants. A company must consider these five factors in creating a competitive strategy in the existing market competition.

As stated by (Fairuz et al., 2022) in their research, BSC is the most important factors in a company, The Balanced Scorecard is a measurement system that can help companies go through the process of planning, focusing and managing their strategies. Some activities in retail business need to support by Balance Scorecard such as : customer service as main activities that mostly impact to the business revenue and effect the business performance. Some previous studies have focused more on the implementation of Balanced Scorecard (BSC) to the retail industry and its obstacle. But this research will attempt to review the related literature and discuss how retail industry utilize the Balanced Scorecard to maximize the business itself.

LITERATURE REVIEW

Performance Measurement

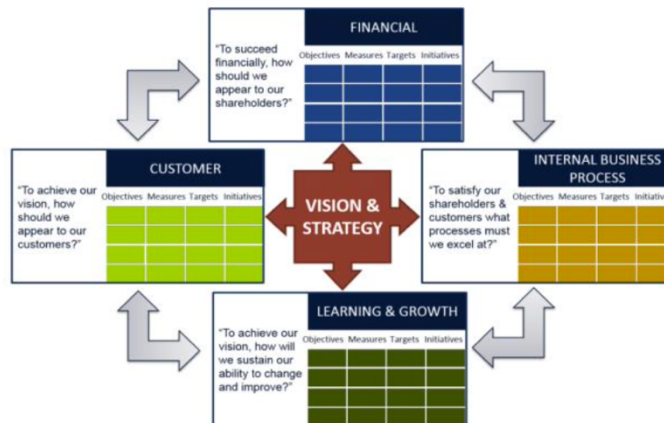
Performance measurement must be conducted to see if there are any deviations from the plans provided in performance implementation (Astuti et al., 2021). Performance measurement is important because it is a step to understand how performance management is carried out within the company. Therefore, in its implementation, performance measurement must be done consistently and evaluated periodically to provide quick and accurate information so that further performance improvements can be carried out optimally. Given that, the results of performance measurements can be used as input for future organizational improvements and expansions.

Performance measurement is the act of measuring taken in various value chain activities within a company. The results of these measurements are then used as feedback to provide information on the success of implementing a work plan and the points at which the company needs adjustments to its planning, management, and performance control activities (Wardhani, 2022).

Balanced Scorecard (BSC)

The Balanced Scorecard (BSC) is a performance measurement system that is most widely used by advanced companies in the world, developed by Harvard professors Robert Kaplan and David Norton (1992). ('First Generation') Balanced Scorecard designs featured a small number of performance measures typically spread across four perspectives. The objectives and measures of the scorecard itself are derived from the vision and strategy of the organization. Kaplan & Norton (2004) proposed a set of perspective names (Finance, Customer, Internal Process, Learning & Growth) to aid the design process (meaning, 'to figure out what measure to use, you have to think about choosing five or six measures of each of these categories') (Iskhak et al, 2024). The BSC is also a popular and promising approach because it can provide a deep and accurate understanding of the company's past performance and current position (Sarraf and Nejad, 2019).

Figure 1. Balance Scorecard



Source : Kaplan & Nortorn in Iskhak et al, (2024)

The existence of offline and online shopping competition makes companies that have implemented the Balanced Scorecard in retail industry naturally conduct evaluations. Evaluation is carried out to see the weaknesses and strengths of the retail industry (Iskhak et al, 2024). By looking at weakness and strengths a retail company can arrange their own competitive strategy that can help them to maximize their business

Competitive Strategy

Previous Research

Some research regarding implementation of Balanced Scorecard already conduct in different industry previously. These following researches are relevant for doing literature review and give contribution theoretically for this paper

Table 1. Previous Research

No	Title, Author	Methodology	Result	Year
1	Balanced performance measurement in research hospitals: the participative case Study of a hematology department. (Catuogno et al)	The Participative Case Study method conducted by external researchers in close collaboration with the staff of the Hematology Department of a hospital in Italy.	The BSC is a complex multidimensional performance measurement system, making it challenging for authors to implement in large institutions such as hospitals. Therefore, researchers focused more on the Hematology	2017

			Department of a hospital in Italy.	
2	Analysis of Supply Chain Performance Using the Balanced Scorecard Method at PT. Sumber Alfaria Trijaya, Tbk (Alfamart) (Khadijah et al.)	The analytical method used is the balanced scorecard using a questionnaire as an assessment.	A supply chain performance at PT. Sumber Alfaria Trijaya, Tbk based on the four perspectives of the balanced scorecard is good, but there must still be efforts made by the company to maintain or improve the performance of the supply chain in PT. Sumber Alfaria Trijaya,	2020
3	Management Factors Affecting the Use of Dumb Scorecard by: Research on Vietnamese Retail Enterprises (Luu etal)	The research method uses a questionnaire survey of managers, chief accountants, and accountants in the retail business	The management control system Vietnam, used, the ability of managers to receive new knowledge, how to evaluate subordinates of managers and the perceived usefulness of the balanced scorecard. Managers' perceptions of the ease of use of the balanced scorecard have a positive effect on the use of the balanced scorecard in Vietnamese retail businesses.	2022
4	A Model Implementation Balanced Scorecard in The Retail Industry (Iskhak)	This research uses systematic literature review to provide the right position in the direction of renewal into consideration regarding the challenges and obstacles companies face in implementing the	This research finds that the retail category industry must be able to foster a culture of innovation and continuous improvement to take full advantage of the benefits of the Balanced Scorecard. This literature study still refers to the use of the	2024

		Balanced Scorecard in the retail industry	classic Balanced Scorecard. It is hoped that future research will use at least the third-generation Balanced Scorecard is expected to use case studies and empirical research for further research	
5	Is A Balanced Scorecard Useful in a Competitive Retail Environment? (Timothy B, et al)	This research used an Internet-based survey to collect the data for this study, and senior managers pretested our survey. we performed an analysis of variance (ANOVA) of the measures examined in earlier t-tests. We also used an ANOVA to examine the relationship between attitude toward the BSC and managerial experience and store size.	These results indicate an impeded communication flow at Wildcat. Upper managers perceive that the BSC improves individual, store, and company performance, even though they have lower perceptions of technical qualities, such as accuracy, reliability, and timeliness.	2010

RESEARCH METHODS

In this research, author use systematic literature review, which is process that allowed to collect relevant evidence on the given topic that fits the pre-specified eligibility criteria and to have an answer for the formulated research questions (Mengist, Soromessa, & Legese, 2020). This research analysis using secondary data and use literature studies from some sources such as : ResearchGate, Science Direct and other website that provide the paper research. The data obtained was assessed through validity testing through expert testing, and reliability testing through data triangulation. Data analysis in qualitative research requires conceptuality, namely the process of developing concepts that is carried out before entering the field. Data triangulation is a data collection technique that combines various existing data and sources (Sugiyono, 2018, Pg. 85).

RESULT AND DISCUSSION

Through this paper, utilization of Balanced Scorecard that contains of four perspectives can relate to support the cause and effect relationships in terms of creating the competitive strategy. The financial perspective of a retail company's balanced scorecard typically focuses on metrics such as revenue growth, profitability, and return on investment (Iskhak,2024). These components are very important to know about financial performance in a retail company, by analyze these the company can create their own competitive strategy

In retail companies, understanding the customer's viewpoint was importance as it provides invaluable insights into their needs, expectations, and satisfaction levels. Metrics such as customer acquisition, retention, and satisfaction serve as evaluator for a retail company's success in meeting these customer-centric goals. By prioritizing the customer perspective, retail establishments can refine their customer service, bolster their brand reputation, and ultimately foster greater customer loyalty and profitability.

The internal process perspective within a retail company's balanced scorecard can support the company to review the flow of operational to be more efficiency and effectiveness. By knowing the internal processes, retail enterprises stand to curtail costs, amplify productivity, and elevate the overall customer experience.

Learning and growth perspective within a retail company's balanced scorecard underscores the cultivation of employee competencies and know-how. This dimension can explain some components that relate to employee satisfaction, training and development initiatives, innovation, and the fortification of IT infrastructure. By detailing and reviewing this part, a company can create some competitive strategy to maximize the business through employee enrichment, companies can augment staff retention rates, enhance productivity levels, and bolster overall performance metrics.

In retail companies, balanced scorecard can support the business being adaptif in the business environment. Balanced Scorecard guide the companies to do some innovations and continuous improvement to take full advantage of the benefits of use this tool (BSC). This research is expected to share literature to the impact of utilize Balanced Scorecard in retail industry, As author, suggest for the future research can use the 3rd generation of Balanced Scorecard to know the difference of the implementation in retail industry. Future research is expected to use case studies and empirical research for further research and add measurement methods to evaluate the implementation of the balanced scorecard in s the retail industry.

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