Integrating Balanced Scorecard and Malcolm Baldrige National Quality Award: A Case Study in a Distribution Company

Eric Wibisono†
Department of Industrial Engineering, Faculty of Engineering
University of Surabaya, Surabaya, INDONESIA
Email: ewibisono@ubaya.ac.id

Lisa Mardiono & Johanna Fransisca Lukas
Department of Industrial Engineering, Faculty of Engineering
University of Surabaya, Surabaya, INDONESIA
Email: lmardiono@ubaya.ac.id

Abstract. In this paper Balanced Scorecard (BSC) and Malcolm Baldrige National Quality Award (MBNQA) are integrated to create a better performance measurement system. The nature of each system is briefly explained and the strengths and weaknesses are discussed. The integration is exercised by firstly mapping the perspectives of each system. MBNQA’s perspectives are then overlaid into a typical BSC’s strategy map. Using this approach, advantages of both systems can be exploited while at the same limitations are reduced. The new model is then implemented in a distribution company in Indonesia and the results are reported.

Keywords: Balanced Scorecard, Malcolm Baldrige National Quality Award, performance measurement system.

1. INTRODUCTION

To date, performance management has risen as one subject that attracts attention of scholars and business practitioners worldwide. Many researchers devote their study on its development with the aid of businesses that lend their hand in providing ground for implementation. Its necessity has its root from today’s information era, where changes and exchanges of information flow rapidly thus demand a new approach for monitoring and evaluating company’s performance. Such approach must be able to gauge company’s performance in a timely manner. This is to complement the traditional financial measures that are still used but naturally lagging, hence its sole use will not be able to describe company’s performance as a whole.

Hand in hand with the advancement of this subject are its success/fail stories. While the fail stories outnumber the success ones, the main reason why it still keeps evolving is the absent of a system that can be proven superior to others. Problems lie both in the body of knowledge (concept, philosophy, and structure of each system) and in the implementation area (perception, skills, and determination of parties involved). In this regard, the search continues for a model that can be widely applied. It is understood that there will never be a one-fits-for-all model, but a generally accepted one is nonetheless worth to seek.

Among many models developed, Balanced Scorecard (BSC) stands out and is considered as a groundbreaking innovation in performance measurement theories over the decades (Bourne et al, 2003). It has, however, evolved from one generation to another in its effort to adapt with the latest business environmental changes. This evolution is partly driven by reported failures of its application in various organizations that enforces the search for a better BSC (Schneiderman, 1999; Neely & Bourne, 2000).

One approach for the search that has been adopted lately is through integration of two different systems. This is to overcome weaknesses of one system with strengths of the other. Using this approach, advantages of both systems