



# Organizational Alignment Strategy through Balanced Scorecard

Revi Lonna<sup>1</sup>

<sup>1</sup> Universitas Diponegoro, Semarang, Indonesia

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## Abstract

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The development of organizational performance management in the modern era has experienced a fundamental transformation, shifting away from traditional annual reviews toward more dynamic, data-driven, and collaborative approaches. This modern concept emphasizes continuous feedback mechanisms, the application of real-time technology, and the integration of individual growth strategies with broader organizational goals. One of the most widely recognized and applied approaches is the Balanced Scorecard, originally developed by Kaplan and Norton, which functions as a strategic management system designed to translate vision and mission into measurable performance indicators. The Balanced Scorecard framework provides a holistic view of organizational performance by incorporating four interrelated perspectives: financial, customer, internal business processes, and learning and growth. This article systematically reviews contemporary literature on Balanced Scorecard implementation across various organizational sectors, drawing attention to its advantages in improving performance outcomes, strengthening strategic decision-making, enhancing transparency, and fostering effective internal communication. Employing a literature review method, the study also discusses the contextual adaptation of performance indicators as well as the opportunities and challenges of applying Balanced Scorecard within the rapidly evolving landscape of modern digital transformation.

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## 1. Introduction

Organizational performance management has evolved significantly in the last two decades, primarily due to the increasing need for more adaptive, collaborative, and technology-based approaches. Traditional approaches that rely on annual evaluations are considered less effective in the face of modern business dynamics characterized by rapid change, technological disruption, and the need for continuous employee engagement (Humaira, 2024). In practice, conventional performance appraisal systems are often merely administrative and fail to capture the complexity of factors that influence organizational productivity. Therefore, many organizations are turning to modern performance management systems that prioritize direct feedback, real-time data monitoring, and a focus on continuous development. This transformation aims to ensure the alignment of individual goals with organizational strategy, while also increasing productivity, innovation, and long-term competitiveness.

One of the most influential approaches in modern performance management is the Balanced Scorecard (BSC), introduced by Kaplan and Norton in the early 1990s. BSC offers a strategic framework that allows organizations to translate their vision and strategy into a series of measurable performance indicators, covering financial, customer, internal business processes, and learning and growth perspectives (Sarıgül & Coşkun, 2021). This framework helps managers and employees understand the cause-and-effect relationship between daily activities and the achievement of strategic goals. Unlike traditional performance management approaches that focus solely on financial outcomes, BSC provides a comprehensive view of the organization's health,

while also encouraging a culture of continuous improvement. Thus, BSC is not just an evaluation tool, but also a more effective means of communicating and coordinating strategy at all levels of the organization.

The implementation of BSC in the modern era is increasingly relevant as organizations face the demands of a complex business environment. Empirical studies show that BSC not only helps improve the accuracy of performance measurement, but also strengthens the strategic decision-making process by providing integrated and measurable data (Camilleri, 2021). In addition, BSC has been widely adopted in various sectors, from private companies to educational institutions and non-profit organizations, with results showing improved internal communication and stakeholder engagement (Aryani & Setiawan, 2020). This confirms that BSC is flexible and can be adapted to the needs of different organizations, whether in a profit or public service context.

The paradigm shift in performance management is also influenced by the development of digital technology, which allows organizations to monitor performance indicators in real-time. Data analytics and artificial intelligence technology now enable the integration of BSC with modern management information systems, thereby increasing the speed and accuracy of performance reporting. The application of this technology not only facilitates access to information but also helps organizations detect problems earlier and design responsive strategies. Thus, organizations can be more adaptive to external changes and more proactive in developing innovations that are relevant to the needs of the market and customers

(Abueid, 2022). This integration of technology shows that BSC can evolve with the times and remain a relevant instrument in the era of digital transformation.

Some studies show that organizations that fail to align the BSC with their work culture, organizational structure, or specific strategic goals tend to experience implementation barriers. Therefore, a contextual understanding of an organization's characteristics, work culture, and strategic goals is key to ensuring the effectiveness of BSC as a modern performance management tool (Mio et al., 2022). In other words, BSC is not a one-size-fits-all approach, but an instrument that must be tailored to truly provide added value. With this background, this article aims to analyze the latest literature related to the implementation of the Balanced Scorecard as a strategic approach in modern performance management. Through a literature study, the discussion will focus on the relevance of BSC in the context of different organizations, the benefits and challenges of implementation, and how digital technology strengthens the role of BSC as a strategy alignment tool in the modern era.

## 2. Literature Review

### 2.1. Development of Modern Performance Management

The transformation of performance management in the modern era is characterized by a shift from traditional annual evaluations to systems that emphasize continuous feedback, real-time data, and a focus on comprehensive employee development. This more dynamic system allows organizations to be more adaptive to market changes, the demands of globalization, and the increasingly complex needs of stakeholders. Continuous evaluations also help organizations identify problems more

quickly and adjust strategies more precisely, so that performance can be continuously improved without waiting for annual periods that are often too late.

According to Camilleri (2021), the adoption of a Balanced Scorecard (BSC)-based performance management method in higher education shows that this approach can reduce the limitations of traditional methods that only measure financial aspects. BSC allows universities to assess performance more comprehensively, including on the dimensions of academics, service quality, and student satisfaction. The same thing is emphasized by Sarigül and Coşkun (2021), who highlight that multinational banking organizations are able to improve strategy precision through the integration of non-financial indicators, such as customer service quality, process innovation, and human resource development. These findings show that BSC is not only relevant in the private sector, but also able to provide added value in the public and education sectors.

In addition, the development of digital technology further strengthens the application of modern performance management. Data analytics, artificial intelligence, and collaborative platforms support transparency, efficiency, and real-time performance tracking. Abueid (2022) confirms that the use of technology-based indicators allows strategies to be more flexible and remain in line with changes in the business environment. Therefore, the modernization of performance management through the integration of BSC and digital technology is an essential need to maintain an organization's competitiveness, sustainability, and relevance in a challenging global era.

## 2.2. Balanced Scorecard as a Strategic Management Tool

The Balanced Scorecard was developed by Kaplan and Norton as a strategic management tool that aims to translate an organization's vision and mission into a set of measurable and easily monitored indicators. This framework focuses on four main perspectives: financial, customer, internal processes, and learning and growth. The four perspectives are seen as mutually complementary, so they are able to provide a more holistic picture of the organization's performance. In this way, BSC helps managers not only measure financial results, but also assess non-financial factors that directly affect the organization's long-term sustainability. Recent research reinforces the relevance of BSC as a cross-sector strategic framework. For example, Aryani and Setiawan (2020) found that BSC is not only used in private companies, but also in non-profit and government agencies. This shows the flexibility of BSC to be applied in various contexts, both profit-oriented and public service.

The use of BSC in the non-profit and government sectors confirms that the success of an organization is not only determined by financial profit, but also by the effectiveness of services and the satisfaction of the community served. In addition, BSC has also been proven effective in strengthening internal organizational strategy communication. Mio et al. (2022) show that well-designed indicators help organizations identify areas for improvement, motivate employees, and create strategic alignment at all levels. The application of clear indicators encourages employee involvement in understanding their contribution to long-term goals. This makes BSC one of the most relevant performance management methods in the modern era, especially when organizations are required to be able to face the

challenges of globalization, digitalization, and the need to adapt quickly in a dynamic environment.

### **3. Methods**

This study uses a literature review approach by reviewing various scientific publications published related to modern performance management and the Balanced Scorecard. The literature review approach is considered relevant because it allows researchers to gain a more comprehensive understanding of theoretical developments as well as existing empirical findings. Data sources were obtained from various reputable international and national journals that can be accessed through academic databases, especially Google Scholar, with a focus on articles that directly discuss the implementation of BSC in various organizational sectors. Through this approach, researchers seek to identify, review, and compare the effectiveness of the Balanced Scorecard in different organizational contexts, both the private, public, and non-profit sectors.

The inclusion criteria used in the selection of literature include several important things. First, the selected publications must be written in English or Indonesian to ensure readability and contextual relevance. Second, publications were published in the last five years so that the information obtained truly reflects the latest developments. Third, articles must specifically discuss the topic of performance management or the Balanced Scorecard. Fourth, publications need to provide empirical data or conceptual analysis that is relevant to the research objectives. Based

on these criteria, from the search results, a number of key articles were then selected that were considered most representative to support the analysis.

The analysis process was carried out through three systematic stages. The first stage is data extraction from each article to identify key themes, such as implementation strategies, benefits, challenges, and adaptation of Balanced Scorecard indicators. The second stage is the synthesis of literature with the aim of finding patterns of similarity and difference between the studies reviewed. The third stage is the interpretation of the findings to draw more comprehensive conclusions about the relevance of BSC in supporting the transformation of modern performance management.

This literature review method has the advantage of being able to provide a comprehensive overview of the theory as well as the practice of Balanced Scorecard implementation, although its limitation is that it does not include direct primary data from a particular organization. However, by utilizing the latest literature, the results of this study are expected to be able to provide both a conceptual and practical contribution to the development of BSC-based performance management strategies in a dynamic digital era.

## 4. Results

The results of the literature review show that the transformation of modern performance management and the application of the Balanced Scorecard (BSC) have become one of the dominant approaches in aligning organizational strategy in various sectors. The review of the latest literature shows a pattern that BSC is not only used

as a performance measurement tool, but also as a strategic management instrument capable of uniting the organization's vision, mission, and goals with day-to-day operational activities. In the digital era, its application is increasingly strengthened by technology that allows real-time data processing, integration of information systems, and visualization of organizational performance more comprehensively.

First, the results of the study confirm that traditional performance management systems that focus on annual evaluations and financial indicators are no longer relevant to face the complexity of modern organizations (Pavlov & Micheli, 2023). Organizations need a method that is more flexible, adaptive, and oriented towards continuous improvement. According to Camilleri (2021), the BSC-based approach in higher education helps universities understand the strategic role of non-financial indicators, such as student satisfaction, the effectiveness of the learning process, and research innovation. This shows that BSC is able to bridge the gap between strategic and operational goals. The use of the Balanced Scorecard as a management strategy not only helps in aligning the company's vision and mission with operational activities, but also improves internal communication, facilitates better decision-making, and strengthens accountability at all levels of the organization. By adopting the BSC, organizations can develop clear strategic goals, set key performance indicators (KPIs), and monitor progress towards these goals effectively (Vientiany et al., 2024).

Second, the results of the study show that the success of BSC implementation is highly dependent on the organization's ability to adapt performance indicators according to its context. Sarıgül and Coşkun (2021) give an example of BSC implementation in the multinational banking sector which allows management to

increase the connection between financial indicators, customer service quality, internal process efficiency, and employee development. Their research confirms that without adjusting indicators, BSC will only become an administrative tool without providing significant strategic impact. Therefore, every organization needs to ensure that the performance indicators truly reflect the desired vision and strategy (Sjödin et al., 2020).

Third, the results of the literature also show that the adoption of digital technology strengthens BSC implementation. Balanced Scorecard implementation has undergone a significant transformation. Cloud-based performance management software and analytics applications now support BSC implementation, making the process of data collection, reporting, and performance analysis faster and more accurate. BSC digitalization also enables integration with other management systems such as Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM), providing a more holistic and real-time picture of performance (Vientiany et al., 2024). With data analytics systems and artificial intelligence technology, organizations can monitor performance more quickly and accurately. Abueid (2022) confirms that technology-based indicators allow organizations to be more responsive to changes in the external environment, while also improving predictive ability in strategy planning. Thus, modern BSC is not only retrospective, but also prospective in supporting decision-making.

Fourth, the benefits identified from the implementation of BSC include increased accountability, better internal communication, and strengthening a culture of continuous improvement. Aryani and Setiawan (2020) show that BSC provides a clear framework for organizations to balance between financial and non-financial

goals, so that strategies are more integrated. Likewise, Mio et al. (2022) confirm that the right indicators can increase employee motivation while strengthening a sense of ownership of organizational goals.

The results of the study also show that the application of BSC is not limited to the private sector, but also extends to the public and non-profit sectors (Moura et al., 2020). This expands the function of BSC from just a performance management tool to a broader instrument of organizational governance. In the context of the public sector, for example, BSC helps the government improve the accountability of public services and the efficiency of bureaucracy. A study by Camilleri (2021) emphasizes that BSC is able to increase stakeholder engagement by providing comprehensive transparency of performance results. The same thing also happens in the non-profit sector, where the Balanced Scorecard (BSC) plays a crucial role in helping organizations align their social mission with measurable success indicators. Unlike profit-oriented institutions that primarily emphasize financial outcomes, non-profit organizations often face the challenge of translating broad social goals into concrete and trackable performance measures.

Through the use of BSC, these organizations can design a structured framework that connects their mission-driven objectives with specific indicators related to community impact, service quality, stakeholder engagement, and long-term sustainability. By doing so, the BSC not only enhances accountability and transparency but also provides a clear roadmap for evaluating progress, communicating results to donors and stakeholders, and making informed decisions to improve overall effectiveness in fulfilling their mission.

In addition to the benefits, the literature review also highlights the challenges that arise in the implementation of BSC. The main challenge is internal resistance from employees or management who are accustomed to traditional evaluation systems. Sarıgül and Coşkun (2021) found that BSC adaptation requires a change in organizational culture so that every individual can understand the importance of non-financial indicators in achieving sustainability. Another challenge is the technical difficulty in designing indicators that are truly relevant and measurable. Without the right indicators, BSC can actually create an additional administrative burden that reduces organizational effectiveness.

Another important finding is the need to balance between qualitative and quantitative indicators. Camilleri (2021) confirms that although quantitative indicators provide objectivity, qualitative indicators such as customer satisfaction and work culture also play an important role in the success of a long-term strategy. Therefore, modern BSC must be able to accommodate both so that organizations can get a comprehensive picture of their performance. In addition, companies can focus more on efforts to improve the customer experience, which in turn can have a positive impact on financial performance. In many cases, companies that are successful in BSC implementation show a significant increase in customer retention and revenue growth (Subhan et al., 2024).

From a practical application perspective, the literature results show that BSC is increasingly integrated with an organization's digital transformation strategy (Hanelt et al., 2021). The use of digital dashboards, performance management applications, and ERP (Enterprise Resource Planning) systems allows organizations to link BSC

indicators directly to operational data. This increases efficiency in performance reporting, accelerates the decision-making process, and minimizes the risk of errors in data interpretation. Thus, modern BSC is not just a management tool, but also an integral part of the organization's digital ecosystem.

The results of the literature review show that BSC has evolved from a performance measurement tool to a strategic management framework that plays an important role in supporting organizational transformation in the digital era. Its success depends on the extent to which the organization is able to align indicators with its strategic vision, overcome internal resistance, and utilize digital technology to improve implementation effectiveness. Thus, the Balanced Scorecard remains a relevant and crucial strategic framework in supporting organizational success in the modern, dynamic era.

## **5. Discussion**

The results of the literature review show that the Balanced Scorecard (BSC) has a very central role in supporting the transformation of modern performance management. However, BSC implementation is not without significant challenges. Therefore, this discussion is structured with the main goal of analyzing the implications of the findings of the literature that have been reviewed, as well as identifying research gaps that are still open for future research.

The findings show that BSC has proven effective in broadening the focus of performance measurement from traditional financial indicators to a more comprehensive non-financial perspective. This is very important in facing the changes

in the modern business environment that are increasingly dynamic and require organizations to be more responsive to customer needs, innovation in internal processes, and continuous development of human resources. Camilleri's (2021) findings show that BSC is able to improve accountability and transparency, especially in the higher education sector. However, challenges arise when non-financial indicators turn out to be difficult to measure objectively and consistently, so they have the potential to cause interpretation bias.

The discussion on the relevance of BSC in the digital era confirms that the development of information and communication technology has strengthened the effectiveness of BSC. Integration with real-time data systems allows the monitoring process to run more accurately, quickly, and support evidence-based decision-making. However, not all organizations have adequate digital infrastructure. The technology gap can be a serious obstacle, especially in the public sector and non-profit organizations that often face resource limitations. Abueid's (2022) research clearly shows that organizations with higher technological support tend to be more able to optimize BSC implementation than organizations with limited infrastructure.

Discussion on internal resistance shows that the success of BSC implementation does not only depend on the design of the indicators, but is also very much determined by the organizational culture. The study by Sarigül and Coşkun (2021) emphasizes the importance of employee training and top management involvement to create a shared understanding of the importance of non-financial indicators in achieving sustainability. Without strong organizational cultural support,

BSC is at risk of becoming a mere administrative formality. Therefore, cultural transformation is a key that cannot be ignored in ensuring BSC effectiveness.

The discussion also shows that BSC has great potential in supporting the organization's sustainability strategy. By including indicators related to sustainability, such as energy efficiency, social impact management, and sustainable development of employee skills, BSC can help organizations not only achieve economic goals, but also social and environmental goals. This is becoming increasingly important in the face of increasing global demands for business sustainability. Thus, adapting BSC to the context of sustainability is a promising direction for future research and practice.

This shows that BSC remains relevant and even more important in the competitive modern era. However, to maximize its benefits, organizations must be able to overcome various internal challenges in the form of cultural resistance, technological limitations, and difficulties in designing non-financial indicators that are truly measurable. Future research can be focused on exploring the integration of BSC with advanced digital technologies, such as big data, artificial intelligence, and machine learning, as well as the development of more comprehensive and applicable sustainability indicators.

## **6. Conclusion**

The transformation of modern performance management shows a significant shift from traditional systems to a more adaptive, sustainable, and technology-based approach. The Balanced Scorecard (BSC) is one of the strategic instruments that is relevant to support this change because of its ability to translate an organization's

vision into measurable indicators from the perspectives of finance, customers, internal processes, and learning and growth. The results of the literature review confirm that BSC has been widely used in various sectors, both private, public, and non-profit, and has been proven to be able to increase accountability, internal communication, and organizational strategy alignment.

However, the success of BSC implementation is highly dependent on the organization's ability to adapt indicators to their respective context and strategic goals. The challenges that often arise include cultural resistance, difficulty in designing non-financial indicators, and limitations of digital infrastructure. Therefore, adapting indicators and transforming organizational culture are the main requirements for maximizing the benefits of BSC.

In the future, the integration of BSC with digital technologies, such as big data and artificial intelligence, is believed to strengthen its role as a modern performance management tool. In addition, the development of social and environmental sustainability indicators is increasingly important to ensure that organizations not only achieve economic goals, but also contribute to sustainable development. Thus, the Balanced Scorecard remains a relevant and crucial strategic framework in supporting organizational success in the dynamic modern era.

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