

Balanced Scorecard as a Strategic Approach in Building the Culture of Excellence Social for Business Organizations

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Abstract: The Balanced Scorecard strategy methodology is one of the most important products of modern era to develop organizations which requires for each organization seeking to prove its existence, working to develop its resources and looking to get in leadership position, it must work with the concept of performance strategy using the Balanced Scorecard (BSC). The concept of "outstanding performance" has become a clear intellectual frame depends on the integration and interdependence. It is committed to the logic of systemic thinking that sees the enterprise as an integrated system of interacting elements and intertwined their mechanisms, then its output is the sum of all its capabilities, therefore the outstanding performance is a capability to reconcile and coordinate enterprise elements and operates them in an integration and a coherence to achieve the highest efficiency rates, and thus access to the output level that meet the desires, the expectations and the benefits of the beneficiaries. The aim of this research is to present the Balanced Scorecard as a tool to measure the strategic performance using a descriptive approach based on the data collection information that helps to analyze the problem and to have a scientific and practical results using literature reviews in the BSC. This paper describes the evolution of BSC, helps the organization to achieve its competitive advantages through strategic governance and presents the Balanced Scorecard as a tool to measure strategic performance. The paper relates the developments in Balanced Scorecard thinking with literature concerning the culture excellence social. It concludes that Balanced Scorecard model is a management philosophy which achieves the organization's strategic objectives by evaluating its **financial, operational and strategic** performance within a coherent set of measurements in a balanced way that provides integrated information about the organization's performance.

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Key words: Balanced Scorecard, performance measurement, the culture of excellence social.

كمدخل استراتيجي المتوازن الأداء بطاقة
الأعمال لمنظمات بناء ثقافة التميز الاجتماعي في

قسري وسارة ب/ د: ولقب الباحث اسم
- أستاذة محاضرة ب - إدارة أعمال أستاذة
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ويتطلب من المنظمات منهجية استراتيجية الأداء المتوازن تعتبر أحد أهم منتجات العصر الحديث لتطوير: **المخلص**
تعمل بمفهوم استراتيجية الأداء كل منظمة تسعى لإثبات وجودها وتعمل على تطوير مواردها وتتطلع إلى موقع ريادي أن
ومن جانب آخر أصبح مفهوم "الأداء المتميز" يستند إلى إطار فكري واضح (BSC) باستخدام بطاقة الأداء العالمية
الذي يرى المؤسسة على أنها Systemic Thinking يعتمد على التكامل والترابط ويلتزم بمنطق التفكير المنظومي
عليه فإن الأداء منظومة متكاملة تتفاعل عناصرها وتتشابك ألياتها ومن ثم تكون مخرجاتها محصلة لكافة قدراتها، و

المتميز هو بمثابة القدرة على توفيق وتنسيق عناصر المؤسسة وتشغيلها في تكامل وترابط لتحقيق أعلى معدلات الفاعلية، والوصول بذلك إلى مستوى المخرجات التي تحقق رغبات ومنافع وتوقعات المستفيدين. مظمة على الإدارة الإستراتيجية الجيدة و تمكنها من صياغة عرض أداة مهمة تساعد المن الهدف من هذه الورقة البحثية هو الاعتماد على جمع البيانات المنهج الوصفي وذلك من خلال، و متابعة و تقييم استراتيجياتها بشكل أكثر تنظيمًا على و المعلومات التي تساعد على الوصف الدقيق للمشكلة و تحليلها للوصول إلى نتائج علمية و عملية، و اعتمدنا يقوم هذا لبحث بوصف تطور مفهوم بطاقة الأداء الكتيب و البحوث و الدراسات السابقة و الإنترنت كأدوات دراسة، المتوازن، كما يقوم البحث بربط تطور مفهوم بطاقة الأداء المتوازن مع الأدبيات الخاصة بثقافة التميز الاجتماعي الأداء المتوازن فلسفة إدارية تحقق أهداف المنشأة الإستراتيجية من بطاقة و تنتهي هذه الورقة البحثية باعتبار أن وفق إطار متكامل من المقاييس بشكل متوازن يوفر معلومات المالي والتشغيلي والاستراتيجي خلال تقييم أدائها المنظمة متكاملة عن أداء.

الاجتماعي التميز ثقافة، قياس الأداء، المتوازن الأداء بطاقة: الكلمات المفتاحية.

Introduction:

Business organizations face many pressures due to rapid changes in contemporary business environment which requires them to do their performance from a holistic perspective, and focus on the various aspects of performance that gives the organization a greater capacity to continue the competition and to satisfy customers and various stakeholders, rather than limiting the evaluation of the performance on the financial perspective despite its importance, it is knowing that the traditional performance evaluation standards are no longer sufficient to keep up with changes in contemporary business environment and to achieve this performance measures should be derived from the business organization strategy in accordance with the environment privacy. So, How can the Balanced Scorecard with its strategic approach contribute in building a culture of social excellence for business organizations?

According to the argument If you cannot measure you cannot improve, Norton and Kaplan (2010) believed that measurement was as fundamental to managers as it was for scientists. If companies were to improve the management of their intangible assets, they had to integrate the measurement of intangible assets into their management systems. The balanced scorecard is a management framework which has been adopted, modified and applied by hundreds of organizations worldwide. If understood thoroughly and implemented appropriately, its potential contribution to organizational success – however measured – is fundamental. (Liz Murby & Stathis Gould, 2005).

Balanced translates the vision and the strategy of the company into perspectives which help its to more measure the performance in clear framework. So the Balanced Scorecard assists organizations in overcoming two key issues: effective organizational performance measurement and implementing strategy. (Paul R. Niven, 2002).

In this paper we will try to answer the following questions: What does it mean by the Balanced Scorecard?; what are the categories and types of

performance measures that help access to outstanding performance? And what is the extent of the use of the Balanced Scorecard technique in the evaluation of strategic performance for business organizations?.

Accordingly, we set hypothesis to achieve the aims research the first one is: the Balanced Scorecard contributes to the formulation and implementation of the organization's strategy in which is considerate as a model translates strategic vision into goals and specific measures, in a balanced framework between the financial, customers, internal systems, and organizational learning perspectives. And the second one is: with the increase of the competition among the various organizations in various business sectors, the adoption of the Balanced Scorecard becomes an important procedures for the Arab business organizations through the adoption of modern and effective management tools to enable them to gain competitive advantages and keep them for a longer period, which help them in the selection, implementation and evaluation of strategies adopted.

1-The evolution of the Balanced Scorecard (BSC):

Business organizations keep focusing on financial performance for long periods because of the easy measurement of the financial performance with clear and accurate indicators to express the traditional vision that owners or shareholders are the important category among stakeholder groups, and also as a result of the development of information and knowledge which affected positively the management's ability to develop realistic and clear indicators in aspects which were difficult to measure and therefore neglected significantly.

If we go back to the origin of the BSC, it can be said that its advent was the result of an accumulation of knowledge and advisory expertise which were directed by many researchers at the beginning of the nineties of the last century. **Robert S. Kaplan** and **David P. Norton** are the visionaries behind the idea of BSC and developers of its basis which coincided with the development of many concepts during the early nineteen's.

Development of the organizations 'work methods shows that the application of BSC as a

framework for performance measurement has evolved since its inception and such evolution can be defined in three major generations: (Brewer, P. 2002, PP: 44-52)

✳ **1st Generation:**

The Balanced Scorecard is a matrix of four perspectives to measure performance to which were added non-financial measurements and several indicators to the financial measurements used. This generation is reflected in the addition of three other perspectives which are customers, internal processes, learning and growth in addition to the financial perspective in terms of which performance is measured within these four perspectives. The performance reports focused on a limited number of performance indicators within each perspective.

Suggestion to link the vision and goals of the organization to the perspectives of the card was made to help selecting and using measures in order to encourage the performance balance and take into account the linking operations of the strategic orientation to the daily practices of the business organizations management.

The idea of linking the vision and goals of the organization to the perspectives resulted in the possibility to build a relationship of cause and effect between the organization's goals and developing indicators to measure these goals in accordance with what is known as a map.

✳ **2nd Generation:**

It is the result of the application of the first generation of BSC in many business organizations and of the problems that arose such as:

➤ The initial definition and determination of the Balanced Scorecard was broad and ambiguous and generated differentiated insights and perceptions.

➤ How to choose the appropriate measurements for such perspectives and how to adopt the appropriate measures of each perspective of the Balanced Scorecard.

In the beginning, these perspectives were translated into an initial question which gave a vision about how to choose the appropriate measurements within each perspective, namely:

1-To succeed financially, how should we appear to our shareholders (The Financial Perspective)?

2- To achieve the vision of the business organization, how should the organization appear to her customers (The Customer Perspective)?

3-To achieve the customer satisfaction, what core process must the organizations excel at?

4- To achieve the vision of the business organization, how will they sustain their ability to improve?

Thereafter, cause and effect relationships between these perspectives were developed to give a positive reflection on the organization's total performance. These aspects represented a key development of the second generation of the Balanced Scorecard.

Developments succeeded later in the theoretical field and practical applications in large organizations and the third generation of the Balanced Scorecard emerged.

✳ **3rd Generation:**

The main components of the third generation of Balanced Scorecard can be summarized as follows (Swee Seang, 2003):

1. Destination statement: It demonstrates the global decisions and organization of activities rather than entering into the details of setting goals before an accurate and true description of the destination.

2. Strategic objectives: They contribute to the general destination by clarifying the sharing the global vision of work at the organization and setting coherent strategic objectives under a systematic thinking system and cause and effect relationships between these clear objectives.

3. Perspectives strategic linkage model: It means that strategic objectives are determined separately between the four perspectives. We distinguish here that two types of perspectives are separated, the first focuses on the internal perspective of the BSC which incorporates the internal process perspective and the learning and growth perspective, while the second focuses on the external perspective of the BSC which concerns the customer perspective and the financial perspective.

4. Standards and initiatives: They show that when it is agreed on the objectives and specific measurements are determined to strengthen the top management's ability to inspect and control the development of the organization towards the achievement of the objectives, the necessary initiatives are determined to achieve these objectives.

1-1 Concept and importance of the Balanced Scorecard:

Kaplan & Norton 1992 are considered as the developers of the Balanced Scorecard theory. Actually, they found that it is quite obvious that the top administrative decisions must be based on clear objectives and focused on the performance of the key areas of the organization.

The BSC concept transforms company vision and strategy into a comprehensive set of performance indicators that provides a framework for assessing its strategy and management system. (Zizlavsky, 2014).

1-1-1 Concept of the Balanced Scorecard:

Many definitions were given to such tool and the most important are:

The basic concept of BSC created by **Kaplan & Norton** referred to the integration and connection of the traditional financial indicators with the non-financial indicators to provide richer and appropriate information to the users, and that in response to the growing feeling of not being satisfied with the traditional indicators for the purpose of performance evaluation.

Balanced Scorecard is defined as “the first systematic approach to performance measurement that translates an organization’s strategy into clear objectives, measures, and targets and initiatives for continuous improvement, as it unites all the measures used by the organization”. (Al Maghribi.2006, 97).

Moreover, Kaplan & Norton defined the BSC as (a system that provides a coherent set of ideas and principles and a map showing the economic organizations’ approach to follow the translation of their mission into a coherent set of performance indicators that contribute to business performance, setting its strategy and coherence between the individual performance and the economic organization performance in order to achieve its objectives) (Kaplan & Norton, 1992, p: 71). According to Kaplan and Norton (2001), the BSC needs some adjustments in order to fit to the modus operandi of not-for-profit organizations, because their main objectives are not finance-related. They suggest putting the customer at the top of the strategic map. (Gomes R C & Liddle J, 2009)

When we examine both definitions, we find out that the **Balanced Scorecard** is an integrated system consisting in several branches which interact with each other to achieve the goals of performance evaluation. Accordingly, it is “**an administrative system which aims to assist several business organizations to embody their strategy into a set of strategic and coherent goals and measurements to achieve coherence between the individual performance and the organization performance to create an excellent and sustainable performance**”.

1-1-2 Dimensions of the development of the Balanced Scorecard:

It is necessary to link the BSC to the organization’s vision and strategies and strategic business units to the conception of the BSC so it designs a system of incentives and promotions to give a percentage for each of the criteria used, namely:

First-The Financial Perspective: This perspective focuses on meeting the shareholders needs i.e. achieve what shareholders want? The results are measured by using indicators of the organization profits, cash flows and return on investment, the share price in the market and earnings per share.

In fact, the financing data in the organization must be prior in the managers business, especially

when databases systems that help addressing the financing issues at the organization centrally are available. However, the inconvenient of this perspective is that it neglects the rest of the elements in terms of balance.

The principle of the balanced Scorecard consists in taking other financial data, such as risk analysis, cost analysis, return on investment, products costs, profitability, and cash flow. And it is used to measure various financial ratios.

It is important to choose the important financial figures which indicate work performance. For example, if we focus only on the value of the net profit, this is not enough because the net profit may be high, but the return on investment low.

Furthermore, some financial figures may be important at some time such as cash flow during times of difficulty. Therefore, it is important to use the financial indicators because organizations aim primarily to make profits and maximize the shareholders’ benefits.

Second-The Internal processes perspective

This perspective aims to achieve the objectives of both the financial perspective and the customer perspective for both the customer and the shareholders. It includes the value chain of internal business processes as a whole and it aims to fulfill the current and future customers’ needs and develop and find the necessary solutions to achieve them. It contains measures such as defective products ratios and the warranty period cost.

This perspective is based on the efficiency of the organization internal processes. Here managers need to ensure that the metrics are used in accordance with criteria prepared in advance to be sure of how business is completed, and whether the product or service satisfies the customers’ requirements. This offer must be designed very carefully by those who are familiar with the internal process and the strategic management processes. There are two types of business operations, namely:

- Processes of heading to the task (i.e. the organization mission) which may face many unique problems so as to overcome.

- Self-support processes to the task especially in the repeated processes in nature, and thus allowing the organization to measure accurately, and this is what is called the general measurement methods that can be applied. It helps the organization know how to operate in terms of the compatibility of the products offered with the customers’ requirements which achieves of the organization’s mission. Here it is recommended to pay attention to the internal processes based on the human element in the organization in addition to the process of strategic management.

Third -The Customer Perspective: The organization needs to turn her attention to the needs and desires of their customers because the latter are paying for the organization to cover costs and make profits. This perspective enables the organization to develop indicators which reflect the customer's position to the organization, such as customer's satisfaction, the degree of loyalty to the organization, the ability to retain customers and the ability to attract the customer.

Modern management philosophy has proven the importance of customer care due to the positive relation reflected by the importance of focusing on the customer and his satisfaction in any organization whether providing service or productive. The basis here is the customers' satisfaction – unsatisfied customers will prefer the competitor's product instead. Low performance in this perspective might cause a decay of business even if current financial and other perspectives are well performed.

These indicators help the organization retain her customers when it focuses on them. To achieve this according to the BSC, the organization must analyze the types of her customers and the type of processes used by the organization to provide products.

The BSC does not only respond to the customers' desires through providing new products or services but it also responds to the customers complaints.

Fourth – The Learning and Growth Perspective:

This perspective concerns identifying how the organization can be able to maintain the capacity for change and development continues. It includes indicators showing the level of education and growth of the organization, such as whether improvements are made to the product and whether there is a development of the procedures used in the production?

The Balanced Scorecard is used for the following items:

- * Report the progress of the achievements that have been selected to reflect the critical success factors set by the organization;
- * The Balanced Scorecard serves as a method to evaluate strategic relevant results;
- * Deal with the behavior of individuals within the organization for the positive change to improve performance;
- * Provide managers with indicators of cause and effect on their organizations;
- * Determining measures in the card represents the basic motivation basis of the organization's strategic objectives and the competition requirements;
- * Find a linkage between goals and performance measures.

The following figure illustrates these perspectives:

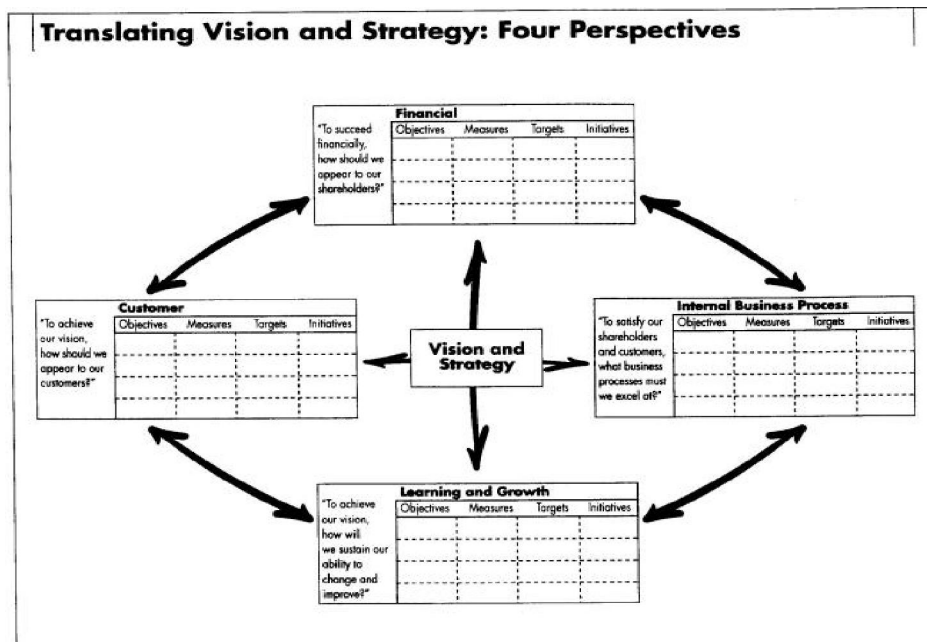


Figure 1: Balanced Scorecard model

Source : Kaplan, R.S. & Norton , D.P. (1993) « Putting The balanced scorerad to work », Harvard business review, sept- oct, pp : 134-142

2- Basics of performance measurement

2-1 Definition of performance:

Disagreement about the definition of performance stems from the difference between

criteria and measures adopted in the study and measurement of performance used by managers and organizations.

Despite this difference, the majority of researchers explain performance through the success of the organization in achieving her goals.

- In this context, Eccles defines performance as “a reflection of the business organization’s capacity and ability to achieve her objectives” (Eccles, 1999, p: 131).

- Robins & Wiersma agree with this context and explain performance as being “the organization’s capacity to achieve her long-term goals” (Robins & Wiersma, 1995, p: 278).

- Based on the perception taken from resources, Miller & Bromiley explain **that performance is the organization’s ability to exploit her resources and directed them towards achieving the targeted objectives. Performance is a reflection of how the organization uses its material and human resources and exploits them in a manner that makes it able to achieve her goals (Miller & Bromiley, 1990, p: 757).**

- In terms of internal and external environmental perspective of the organization, Zahar & Pearce focus on the organization’s internal and external environmental perspective and its ability to adapt elements of such perspective to enhance her activities towards the achievement of its objectives. **Performance is “the results achieved as a result of the interaction of different types of internal factors, the external impacts and their exploitation by the organization in achieving the objectives” (Zahar & Pearce, 1989, p: 298).**

- Performance is simply “the targeted results the organization seeks to achieve. Here performance is not considered according to its abstract concept which represents results with unknown level. Performance also focuses on the positive side of the results which assumes from the very beginning the organization’s ability to achieve a high level of performance. Given that performance is the result of various activities which the organization practices within different factors and determinants; degree of its level is determined according to the impact factors and the organization’s ability to achieve her objectives through it”. This was clearly expressed by Alain Fernandez as “the search for efficiency through the greatest possible production and the search for efficiency through doing the best process to achieve sustainable growth” (Fernandez, 2007, p: 117).

2-2 Definition and classification of the types of performance measures:

Indicator of performance measurement is a catalyst which contributes to evaluate the volume of

progress made to achieve the management’s objectives.

2-2-1 Definition of performance measures - indicators:

Performance measure or indicator is defined as “a quantitative statement that measures the performance efficiency in full or in part according to a preset plan or goal accepted as part of the overall strategy. It is also described as process effectiveness and an efficient use of resources”. (Toni & tonchia 2001, pp: 46-70).

Performance measurement is also known as “**the continuous control of the organization’s programs achievements and registration, in particular observing and recording aspects of progress towards achieving preset goals**” (Al Ghalibi et al., 2007, p: 487).

Thus, performance is “**an organized method to evaluate the inputs, outputs and the production processes in an industrial and non-industrial organization**”. In fact, performance measurement system is necessary to detect errors and to achieve control over the operations in order to improve them. Besides, performance measurement provides the necessary information for making good decisions on what the organization performs.

2-2-2 Classification of performance measurements:

Some researchers classify the indicator of performance measurement into **normative definitions**: that is described by the framework of business strategies such as TQM (top-down relation). The leadership’s inherent responsibility is to set out a Business Strategy in which Business Performance is defined: Business Performance must meet or exceed the expectations of the leadership. The second one, (the bottom-up relation) called **descriptive measurements**: through indicators describing the status quo of the business process, and the management if expectations are met and gives vital information about necessary adjustments to the business processes that need to be made. However, newer developments in Business Strategies, such as the Bald ridge Performance Excellence Program and the EFQM model; include the descriptive components already in its strategy model. (Dd. Dipl.-Vw. Malte Kaufmann & Marieta Oлару, 2012)

Performance measures are classified according to a set of practical indicators which include:

Efficiency measure or indicator: It refers to the degree of achievement of the goals that the organization is trying to reach. Organization’s effectiveness is defined as “**the organization’s ability to achieve long and short-term objectives which reflect the balance of power of influencing actors and interests of those interested in assessment and**

growth stage or evolution experienced by the organization” (Qaryouti., 2000, p. 104).

➤ Based on the broad concept of organizational effectiveness of the various economic, social and organizational forms and associated inputs and treatment through the functions of the institution and output, it can be referred to a range of rates which provide us with a form of organizational effectiveness.

➤ **Efficiency measure:** The extent of the organization’s capacity to optimize the use of all of the available elements of production in achieving effectiveness, and to maximize the yield on the economic efficiency of the organization by taking full advantage of the technical or functional competence which reflects the ability of the facility to use the optimal mix of inputs taking into account the available inputs and production techniques prices as well as the technical competence, which means the ability of the organization to obtain the largest amount of production by using the available ingredients of inputs.

➤ **Productivity measure:** It expresses the amount of outputs produced by the inputs during a specified time period, and represents the ratio or the relationship between the outputs -product- and the inputs -user- i.e. the resources used in production and they are both defined in a comparable manner. This requirement must be achieved at each of the production units regardless of ownership – private or public or the quality production whether goods or services –. Production efficiency means:

✳ Production of the largest amount and the better quality of outputs by using a specified amount or a certain quality of inputs.

✳ Production of a specified amount or a certain quality of inputs by using the least possible amount of inputs.

➤ **Total quality measure:** It consists in the service quality specifications or the results issued by the ministry in order to satisfy the recipient of the services. **Total quality** is defined according to the content of the standard specification ISO 9000 as “the management philosophy and company practices that aim to harness the human and material resources of an organization in the most effective way to achieve the objectives of the organization” (Kadhem, 2000, p. 71).

It is a set of characteristics which distinguish the product - or the activity, process, institution or the person- to respond to the needs and expectations. It is described as a good, a high-quality or a bad product which reflects the needs stated in the purchase or sale contract with specific characteristics of the product to be purchased or sold.

➤ **Results measure:** measures the degree of saturation and takes several forms as an expected or realized value. It also measures the degree of

achievement or failure to achieve the objective in the activity, costs or the realized margin. Among the indicators issues:

✳ Quantity of sold products.

✳ Market share.

✳ Number of customers served.

✳ Number of defected pieces and number of produced pieces.

➤ **Achievement indicators:** They measure the level of achievement of the usual practical objectives of a certain working group such as:

✳ Rate of workers who benefited from training about work methodology in groups.

✳ Number of exploited quality circles and number of submitted suggestions for improvement.

➤ **Environment indicators:** They allow the responsible obtain information about his work environment, enable him to direct his business correctly and highlight the complementary activities. These indicators can be based on external factors as the prices of raw materials as well as the evolution of interest rates and others.

2-2-3 The importance of performance measurement:

It is essential for organizations to measure the results of their work even if they do not get through them a yield or a bonus because the information obtained makes the organization’s performance better, as the lack of organization’s ability to measure her activity leads to the inability to control it, and consequently, it cannot be run (what can be measured can be managed and vice versa). Therefore, organization needs to measure her performance for the following reasons:

➤ **Control:** performance measurement contributes to reducing distractions that occur during work;

➤ **Self-assessment:** measurement is used to evaluate the performance of operations and identify the improvements to be implemented;

➤ **Continuous improvement:** it identifies defects sources, prevents errors and determines the efficiency and effectiveness of operations and improvement opportunities;

➤ **Administration evaluation:** without measurement there is no way to make sure that the organization achieves the added value of its objectives.

3-Using the Balanced Scorecard technique to assess the strategic performance of the business organizations:

The process of measuring and assessing performance include internal and external performance measures not restricted to just internal comparisons but go beyond to include external comparisons between the performance of the company

and the performance of her competitors as they attempt to identify the competitive variables. In order to provide the organization with comprehensive information about its situation, we use financial measures that give the results of the actions already performed and complementary non-financial measures which focus on the customer satisfaction, quality, and improvement of the internal processes. This could be possible through the application of the Balanced Scorecard with its four perspectives which each contain a set of standards:

First- The financial perspective:

The financial perspective is one of the measuring and performance evaluation axes. Its results represent standards targeted to achieve the objectives and observe the level of profits of the business organization strategy by reducing costs compared to the costs of a competitive organization and relatively alongside the objective of growth which is one of the essential contributions and strategic initiatives (Horngren et al, 2000, p: 69).

It also focuses on the volume and level of the operating income, return on the invested capital resulting from costs reduction, growth of sales volume of the current and new products, equity yield, return on total assets, the economic added value and growth of cash flows generated from operating activities.

Financial rates and indicators can be divided into the following:

➤ **Return on investment:** This indicator measures as a profitable rate a unit of any currency used in the total assets. Accordingly, its increase

$$\text{Growth rate of sales revenue} = \frac{\text{Sales revenues of the current year} - \text{sales revenues of the previous year}}{\text{Sales revenues of the next year}} * 100$$

➤ **Sales profitability:** This indicator measures as a percentage earnings per dinar derived from the products sold. Consequently, its increase indicates the adequacy of the company's management in achieving profits resulting from reduced costs and product marketing. This percentage is measured according to the following equation:

$$\text{Return on copyrights} = \frac{\text{Net profit after tax}}{\text{Net sales}} * 100$$

Quick ratio: A measure that shows the extent of the organization's ability to fulfill her obligations because it excludes stock to determine the organization's ability to meet her short-term obligations. Stock is excluded from the current assets components because it is the least liquid asset and therefore difficult to convert to cash due to the long

indicates the adequacy of the company's management in achieving profits resulting from investments in the overall assets and the health of the investment decisions. This measure may be calculated according to the following equation :

$$\text{Return on investment} = \frac{\text{Net profit after tax}}{\text{Total assets}} * 100$$

➤ **Equity yield:** It is also called the value added return or return on the company owners. This indicator measures the earnings per dinar of the equity invested in the company. The increase of its value shows the management's capacity to achieve profits for the owners. This indicator can be extracted through the following equation:

$$\text{Equity yield} = \frac{\text{Net profit after tax}}{\text{Equity}} * 100$$

➤ **Growth rate of sales revenue:** This rate gives the organization management an indicator about the effectiveness of the sales department and the extent of revenue growth over successive years. The high growth rate usually refers to higher sales which may result in increased profits and vice versa in the case of decline. This rate can be calculated by using the following equation:

time needed to sell the stock of products, or the time required for processing raw materials and then sell them. It is expressed as follows:

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}} * 100$$

Second: Customer perspective - customers:

This perspective is very important to the success of the competitive strategy of the organization for the purpose of continuity in the market by offering products that meet the **customers'** needs. Accordingly, it should put customer satisfaction at the heart of her strategy and try to win more of them through serving new areas of the competition market. Among the measures used to measure this perspective we state:

➤ **Market share:** It is used to measure the evaluation of the position of the competitive company in the market being considered as an indicator of the extent of herbusiness success in a space of the market

in whichit operates in its field and where high rate of the company progress refers to the overall growth rate in the market. The market share is measured as follows:

$$\text{Market share} = \frac{\text{Total company's sales volume}}{\text{Total sales volume in the industry field}} * 100$$

➤ **Retain the customer and earn his loyalty:** The customer is maintained by providing a good relationship with him. It starts after the company defines her customers clearly and therefore the means

of protecting them, then measuring their loyalty by growth rate in sales of the customers. High rate indicates that the company maintains her customers. It can be calculated as follows:

$$\text{Growth of costumers' sales volumes} = \frac{\text{Costumers' sales volumes in the current year} - \text{Costumers' sales volumes in the previous year}}{\text{Costumers' sales volumes in the next year}} * 100$$

➤ **Manufacturing quality:** It is one of the most important objectives of the modern manufacturing strategies. They represent the key factor in strengthening the competitive position of the organization and the excellence of its products. It should use the appropriate performance measures including the rate of defective units. Reduction of this rate is an indicator of the products quality and it can be extracted according to the following equation:

$$\text{Defective units rate} = \frac{\text{Number of defective units}}{\text{Number of produced units}} * 100$$

➤ **Quality of after-sales services to customers:** It means the services provided to the customer after the completion of the sale and delivery of products by the organization. The latter receives requests to fix products from buyers during the warranty period granted to them at her expense. As for the defects caused by the customer as a result of misuse of the product, the organization fixes them and deducts repair costs from the customer. This can be measured by calculating the number of repair requests during the warranty period as a rate of the number of units sold. The rate decline refers to the quality that achieves the customer satisfaction and it is extracted as follows:

$$\text{Repair requests rate} = \frac{\text{Number of repair requests of the units sold}}{\text{Total units sold}} * 100$$

Third - Internal processes perspective:

After the company's completion of identifying the important factors necessary to attract, satisfy and maintain the customer, it specifies the necessary internal operational measures in order to perform well. The company attaches importance to the quality of her performance in the short term through paying attention to the internal operational processes as well as in the long term through innovation and creativity

processes by focusing on the time of production processes at the company and their quality. This can be measured through the following measurements:

➤ **Materials productivity:** This measure indicates the adequacy of the company in exploiting raw and half manufactured materials used in the production process where high material production rate means that they are used effectively and efficiently and the opposite in the case of lower rate. This can be expressed by the following equation:

$$\text{Materials productivity} = \frac{\text{Amount of outputs}}{\text{Amount of materials used in its production}} * 100$$

➤ **Worker productivity:** Worker productivity reflects the extent of satisfaction in his work. Satisfaction is the final outcome of his psychological

and moral condition, skills and ability to innovate and create. It is extracted in the following manner:

$$\text{Worker productivity} = \frac{\text{Number of units produced}}{\text{Number of workers or number of working hours}} * 100$$

➤ **Exploitation of the available productive capacity:** It is used to calculate the used rate of the energy available for the purpose of monitoring the obstacles to the course of production processes, which

in turn affect the company's overall productivity. Increase in this rate refers to the company's ability to achieve greater volume of outputs. Exploitation rate is extracted as follows:

$$\text{Exploitation rate of the available capacity} = \frac{\text{Actual production volume}}{\text{Available capacity volume}} * 100$$

➤ **Quality of the production process input:** It refers to the quality of raw materials and the semi-finished parts used in the company's production. It should be tested and checked it meets the quality requirements before it is sent to the company's plant. It can be compared between the amount of waste material with the amount of good materials and parts to measure quality. Rate reduction refers to high quality and it is calculated by the following equation:

$$\text{Rate of waste} = \frac{\text{Waste amount}}{\text{Quantity of good materials and parts}} * 100$$

$$\text{Growth of quality control costs} = \frac{\text{Quality control costs of the current year} - \text{Quality control costs of the previous year}}{\text{Quality control costs of the previous year}} * 100$$

It is essential for organizations to measure the results of their work even if they do not get through them a yield or a bonus because the information obtained makes the organization's performance better.

Thompson & Kelvin said that: "when you can measure what you are speaking about and express it in numbers you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind: it may be the beginning of knowledge, but you have scarcely, in your thoughts, advanced to the stage of science".

4- The role of the Balanced Scorecard to build a culture of social excellence of business organizations

4-1 Dimensions of corporate social responsibility:

Social responsibility includes several dimensions such as economic, legal, humanitarian, moral, and environmental dimension which are concentrated in certain fields especially social work, anti-corruption, human development, employment and preservation of the environment. Companies' social responsibility is based on the theory of stakeholders which states that the main objective of capital is to generate and

maximize the value of all stakeholders, shareholders, partners, suppliers, distributors, and customers and also workers, their families and the surrounding environment, local community and society as a whole.

Table 1 shows the different dimensions of social responsibility which are classified into: the responsibility of the company toward the society (like provides grants and donations), consumer protection (like the packaging), the moral responsibility and environmental protection.

The comprehensiveness of the content of social responsibility encouraged **Carroll** to indicate that social responsibility includes four main core elements: **economic, ethical, legal** and **philanthropic**. Within this context, he developed an array in which he illustrated these four elements and how they can affect each of the beneficiaries in the environment.

The overall social responsibility is the sum of the four elements which Carroll cited in an equation:

Overall social responsibility = economic responsibility + legal responsibility + ethical responsibility + philanthropic responsibility.

The following figure illustrates: Carroll's pyramid of corporate social responsibility.

Table 1: Dimensions of social responsibility

Responsibility towards society	Responsibility towards consumer protection	Moral responsibility	Responsibility towards environmental protection
<ul style="list-style-type: none"> - Completion of the main projects - Provides grants and donations - Providing employment opportunities for women and people with disabilities - Contributes to the support of cultural and civilizational activities - Contributes to support the local economy 	<ul style="list-style-type: none"> - Disclosure - Price - Security - Packaging - Distribution - Advertising - Measurements and weights -Transportation and warehousing 	<ul style="list-style-type: none"> - The consistency of the company's goals with the goals of the community - Non-monopoly products - The existence of a moral work guide for the organization - Encourages workers to report negative practices - Non-circumvention of the price 	<ul style="list-style-type: none"> - Compliance with environmental legislation - Economy in the use of resources - Economy in the use of energy sources - Avoid the causes of pollution - Waste disposal mechanism - Contributes to the discovery of new sources - For raw materials and energy

Philanthropic responsibilities

Be a good corporate citizen contribute resources to the community and improve life quality

Ethical responsibilities

corporate's respect of the ethical aspect when making decisions leads to obligation to do what is right, just and

Legal responsibilities

Obey the law. Law is society's codification of right and wrong which represents the basic business rules

Economic responsibilities

Be profitable the foundation on which all the others are built

Figure 2: Carroll's pyramid of corporate social responsibility

Source: Tahar Mohsin Mansour Al Ghalibi, Salah Mehdi Mohsin Al Amiri, Management Strategic: integrated systematic perspective, Dar Wael, Oman (2007), P. 83

4-2 Sections of social responsibility of organization:

The sections of corporate social responsibility consist in what the latter offers as mandatory or voluntary contributions to community and environment and which are summarized as follows:

1. Social responsibility of organization towards employees:

The most important contributions to the employees are:

- Providing the necessary home and overseas training programs to increase employees' skills and abilities and spending on some who wish to complete their higher education in order to develop their technical and managerial skills;
- Develop a special insurance system in partnership with employees and contribute to the social insurance with a certain percentage deducted from their salaries and wages to get an appropriate salary of retirement;

- Set up systems for health care and hospitalization and payment of medical drugs expenses for employees and their families;

- Provide transportation from residential areas to places of work and vice versa;

- Providing industrial security and prevent accidents in the organization and provide a clean and pollution-free environment.

2. Social responsibility of organization towards customers:

Contributions and activities provided by the organization in improving aspects of product quality aim to improve the organization's reputation in the eyes of the consumer first and foremost, as well as in the industrial and commercial environments, which lead to increase her competitiveness and her share of sales in the domestic market and ease her access to foreign markets.

The main contributions are summarized as follows:

- Adopt the concept of green marketing (honest advertisement and promotion which reflect the fact about the organization's products and services, and which are compatible with cultural and religious idiosyncrasies...etc.);

- Provide the necessary data on the product characteristics, method of use, risk limits and the validity;

- Commitment to a price that is consistent with the consumers purchasing power, not use unhealthy materials in the processes of the packaging which would harm the consumer's health;

- Provide after-sales service, commitment to the warranty period and respond to customers complaints.

3. Social responsibility of organization towards suppliers:

Companies must respect their legitimate demands which can be summarized in continuing to supply, especially certain types of necessary raw materials for production processes, fair and acceptable prices of the supplied materials to business organizations, in addition to the payment of obligations and honesty in dealing, training suppliers to the various methods of work development and even the possibility of their involvement in the development of products and processes.

4. Social responsibility of the organization to shareholders:

Shareholders are the owners or the capital holders who provide the organization with capital necessary for her activities. Shareholder class is an important category of stakeholders benefiting from the business organization activities. The responsibility of the latter towards this class is to ensure the achievement of the possible maximum profit, to maximize the value of the shares they own, to increase sales volume, and to protect the assets and property of the organization and her assets.

5. Social responsibility of the organization to the community (public contributions):

It is the type of activity in services that provide public benefit to members of the community, and participate with the government in the provision of those activities for the purpose of eliminating social

problems. This will create an environment attractive for investment and provides the social stability of the community groups. The most important of these activities for interaction with the community with regard to the areas of health, housing, transportation, minorities and special groups through the following:

- Contribute to the fields of education such as the establishment of educational and technical institutes to raise the efficiency of new graduates and prepare them to enter the labor market, donations for needy students and encourage them to continue their higher studies at home and abroad, and contribute to the establishment of science laboratories in some universities;

- Provide equal employment opportunities for members of the community to alleviate the problem of unemployment and accept the employment of individuals with disabilities;

- Strengthen spending on health bodies and contribute to the establishment of hospitals for some incurable diseases and epidemics;

- Contribute to the cultural fields such as the establishment of libraries in poor areas, the publication of books and financing exhibitions, issuing scientific and cultural magazines distributed at seminars and conferences, and the protection of cultural heritage such as monuments.

6. Activities and contributions of organization to preserve the environment:

These activities were in the past with the emergence of the concept of social responsibility considered by some as one of the key issues that fall within their contributions, but recently issues related to the environment have become in the view of some others involved in the so-called environmental responsibility which is a tool to embody the environmental dimension of sustainable development in the organization.

Thus, areas of organized environmental responsibility are those voluntary and forced contributions and responsibilities towards environmental protection, rational use of natural resources, achieving sustainability and prevent and reduce environmental pollution.

Most of the areas of environmental responsibility are summarized in the following table:

Table (2): The areas of environmental responsibility of the organization

Key areas	Sub elements
Contributing to the protection of natural resources	- Economy in the use of raw materials and prevent arbitrary use; - Rational use of energy resources; - Contributing to the discovery and the search for clean alternative energies; - Contributing to the financing of environmental projects and the protection of biodiversity and forests.
Contributing to the protection of the environment	- Avoid and mitigate the causes of earth, air, water pollution and noise; - Green design of products and use processes in a way that reduces waste; - Management and re-use of waste to reduce their negative effects on the environment.

Source : Anthony Rosa et al. **Practical guide to sustainable development**, AFNOR, Paris, 2005, PP: 90, 92, 98.

4-3 Sources of social excellence and competitive advantage for the business organizations

Macmillan defined four dimensions represented in cost, delivery, innovation, technology, and customer retention, while **Certo** summed them up in the following dimensions: cost, quality, processors cooperation, and customer retention, as for **Lynch** and **Baines** they indicated that they consist in creativity, alliances, organization's reputation, and core capacity.

However, many researchers focused on the following dimensions in determining the competitive edge:

A. Quality:

It refers to how close product characteristics and the customers' needs and desires are. while **Krajewski** and **Ritzman** believe that quality is a collection of processes and programs carried out by organizations to her employees to encourage them on the creative process and decision-making.

B. Creativity:

This feature is considered as a competitive edge dimension and as the most important one since continuity and growth of the institution depends mainly on the marketing strategy in the presence of a large number of competitors in the market. These institutions should adopt a new and renewable creative force to be able to exploit the creative opportunities and consequently improve products and satisfy the needs of customers. For the institution to be creative, **Even** thinks that the organization should adopt when preparing her strategies the following:

- The high quality of the product;
- Strength of the research and development function;
- Ability to modulate and develop the production equipment.

It can be discerned from the previous terms that **Even** did not focus on the creative characteristics of the product but rather on the process in general. This

was indicated by the **Hill** who referred to the need of the existence of certain characteristics in both the creative process and the product such as:

- That creativity enhances the enterprises' competitive strategy;
 - That creativity shall be the force for small organizations to compete with large organizations.
- And here it must be pointed to the main types of the innovation process which consists mainly in:
- Focusing on the creative output;
 - Focusing on the creative mechanism;
 - Focusing on the creative potential of individuals (creative values);
 - Personal qualities of creators (the ability to understand the problems).

C. Customer retention:

This feature is one of the most important dimensions of the companies' competitive edge as the latter depends in their activity and marketing of their products on reputation in products delivery, and attaining customer's satisfaction is the source of real profitability. Accordingly, when the organization neglects this factor, it would lead to the demise of the organization.

A study conducted by **Reichheld** and **Loyalty** in 1990 about the productive companies have indicated that increasing the customer's satisfaction and retention is less by five times the cost of attracting new customers, while a previous study indicated that increasing the customer's satisfaction and retention by 1% led to high return on equity by 5% during five years and to high profits by 60%.

Therefore, it is concluded that the profitability of customer satisfaction for the company is to improve performance and excellence which lead directly to increased customer retention rate and the latter will lead to high profits.

The following table illustrates the sources of excellence social for business organizations.

Table 3: Sources of excellence social for business organizations

Use of social responsibility as a tool to create a competitive advantage	Method description-In terms of balanced performance	Clarify the social excellence practices
Legitimacy and licensing activity social responsibility as a guarantor for reputation and marketing tool.	Obtain a permit to exercise an activity by public authorities is often linked to the company's reputation, and reputation brings to the company a competitive edge which competitors may not have.	Lafage company benefited from her good image (thanks to her commitment to social responsibility) and is getting licenses to exploit natural resources in sensitive areas.
Rising costs incurred by competitors, social responsibility as a way to change the competitive forces.	Encourage more rules and strict regulations at the sector level by companies that have committed themselves to a large social responsibility.	American company Dow Chemical contributed to setting high standards for the prevention of the environmental pollution in the United States.
Attracting more productive	Corporate social responsibility is an	Accenture company put her

labor , the exercise of social responsibility is a sign of quality in the labor market.	attractive feature for prospective workers, especially those with high efficiencies.	programs of social responsibility in the communication systems that target students and new graduates.
Sales increase , where social responsibility is the marketing tool that affects the customers' behavior.	Social responsibility allows the distinctive marketing forecast, and may be considered by some consumers/customers as a distinctive characteristic of a company's product.	Some companies build their marketing strategies based on social responsibility, such as Patagonia and The Body Shop .
Reduction of cost control risks , social responsibility is a form of organizational effectiveness.	Social responsibility can realize abundance in the fields of energy by reducing the resources waste and social and environmental risks.	HSBC economized millions of dollars just by turning off light after ten o'clock at night.
Impact on regulatory behaviors , corporate social responsibility as a tool for the strategic management of human resources.	Social responsibility can affect the professional behaviors such as participation and job satisfaction.	An English study showed that CSR allows reducing labor turnover and increases the employees' loyalty towards their company.
Learning, skills , social responsibility as an internal strategic resource.	Social responsibility promotes learning associated with the field of social and environmental management, social it also contributes in building new skills.	Stakeholders' management system at DANONE company brought a lot of knowledge that can be published later in the company.

Source: Jean-Pascal Gond - Jacques Igalen, Managing Corporate Social Responsibility, http://www.dareios.fr/ftp/RSE/RSE_132-137.pdf

4-4 Measuring the costs and returns of social activities:

The company's implementation of economic activity leads to many types of costs which are also called the economic costs as well as achieving returns, but if the company exercises a social responsibility towards the employees, the customers or the society, the consequent costs are called social costs. Besides, the benefits for the company itself or employees, customers, society are called social returns.

To achieve the goal from using such social costs and returns, a measurement process must be carried out. For such a process, a number of steps are needed, namely:

- Identify a clear and explicit concept for both social and economic activities for the company,
- Fine distinction between the social and economic costs in the company's books and fields,

$$\text{Measurement standard of the employees' cash income} = \frac{\text{Salaries, wages, bonuses and cash incentives}}{\text{Number of employees}}$$

A/2/ Measurement standard of the company's contribution to solve some social problems to her employees: contribution consists in the fact that the

- Disclosure of the social costs separately from the economic costs in the reports and financial statements issued by the company,

- Measurement of all the social costs and social returns of the social responsibility for the purposes of assessing the social role of the company.

1- Measurement criteria and evaluation of the social responsibility:

Some of such criteria may be exposed as follow:

A/Measurement standards of the volume of corporate social contribution toward the employees

A/1/Measurement standard of the cash income of the company's employees: It includes salaries, wages, bonuses and cash incentives earned by the company's employees during a certain period of time.

company bears the burdens of providing housing, transportation means, social security, health care, sports and recreational and cultural trips.

$$\text{What regards the employee} = \frac{\text{Number of employees beneficiaries of the company's contribution to solve social problems}}{\text{Number of employees}}$$

A/3/ Measurement benchmark of the company's contribution to raise the level of skill

and efficiency of her employees: This benchmark shows what the company spends on education,

training and education of her staff in order to develop their scientific and technical level.

$$\text{Employee's contribution rate} = \frac{\text{Costs of the company's contribution to training and development}}{\text{Total value of salaries and wages paid to employees}}$$

A/4/Measurement standard of the company's contribution to the provision of industrial security for employees:

$$\text{Measurement benchmark} = \frac{\text{Number of accidents per year}}{\text{Annual number of actual working hours}}$$

A/5/ Measurement criterion of the stability of work at the company:

$$\text{Measurement benchmark} = \frac{\text{Number of employees leaving service annually}}{\text{Total number of employees}}$$

A/6/ Standard of the employees' share in the company's annual profits:

$$\text{The average employees' share in profits} = \frac{\text{Value of the annual profits allocated to employees}}{\text{Number of employees}}$$

B/ Measurement criteria of costs of activities for improving dealing with customer service:

B/1/ Measurement standards of the company's expenditures on research and development of her products and services to customers:

$$\text{The average expenditures on improving} = \frac{\text{Costs of researches for developing and improving the product or service quality}}{\text{Total production costs or services performed}}$$

B/2/ Measurement standard of the company's role in responding to the customers' queries and problems:

$$\text{Proportion of the number of problems the company responded to} = \frac{\text{Number of problems addressed and responded to by the company}}{\text{Total number of problems expressed by customers and consumers}}$$

C/Measurement standards of the company's social contribution volume towards the society and the environmental protection:

welfare and participation in educational and health fields and in all what members of the community need in general.

C/1 Measurement standard of the company's contribution to achieve social, cultural and sporting

$$\text{Rate of the cost of expenditure} = \frac{\text{Cost of the company's contribution to the community social activities}}{\text{Total social costs of social activities to which the company contributed}}$$

C/2/ Measurement standard of the company's contribution to create new jobs

$$\text{The company's recruitment rate} = \frac{\text{Number of employees appointed at the company annually}}{\text{Total number of manpower in the state}}$$

C/3/ Measurement standard of the company's contribution to preserve the surrounding environment: This indicator includes the company's expenditure in preparing studies and scientific research, establishing parks and planting the area as

well as the purchase of the necessary equipment in order to prevent contamination and damage and to maintain a beautiful and clean surrounding environment.

$$\text{The company's expenditure rate} = \frac{\text{Cost of the company's contribution to preserve the surrounding environment}}{\text{Total budget for research and development of companies in the region}}$$

C/4/ Measurement standard of the company's contribution in developing and improving the infrastructure of the surrounding environment

The company's contribution rate =
$$\frac{\text{Cost of the company's contribution to the costs of infrastructure improvements}}{\text{Total cost of the operating company's contribution in the region}}$$

Conclusion:

The rapid changes and developments in the modern business environment have affected the quantity and quality of information that organizations need in the measurement and evaluation of performance to achieve strategic objectives.

There is an urgent need to develop performance measures to keep pace with the rapid and successive changes in the modern business environment.

Performance measurement is also essential to the success of the organization in the modern manufacturing environment, and it is necessary to focus on the non-financial performance measures rather than financial performance measures only. They must be integrated to give a comprehensive picture of the organization's performance in a coherent and sustainable way.

Balanced Scorecard model is a management philosophy which achieves the organization's strategic objectives by evaluating its **financial**, **operational** and **strategic** performance within a coherent set of measurements in a balanced way that provides integrated information about the organization's performance.

Study results:

➤ Evolution of the contemporary business environment resulted in a change in the concepts and managers' directions to the organizations' performance towards the future. Therefore, a performance measurement system built on economic profit is not considered appropriate to achieve the direction of organizations towards achieving their strategic objectives. They must rather use a coherent set of performance indicators which reflects the organization's performance from various dimensions and trends, and achieves the wishes of the internal and external parties especially that the current indicators suffer from many shortcomings of a historical nature and which do not reflect the competitive value of the organization.

➤ There is an essential need to develop performance indicators, so they are not focused on the financial aspects only, according to a comprehensive framework that fully reflects the organization's activity and gives a vision of how to achieve the strategic objectives and competitive position and that is due to the negative financial indicators and the challenges and difficulties they face in practice, by

focusing on the new inputs which came up with the importance of its integration to improve performance and achieve the strategic objectives.

➤ Performance measurement is a key element for the success of organizations in the modern business environment. Moreover, the importance of the integration of financial and non-financial performance indicators is the basis of the modern trends in management accounting research in the field of measurement and evaluation of performance which is the Balanced Scorecard.

Recommendations

➤ Pay attention to the scientific inputs of the educated organization being a nucleus to measure her performance and developing it through solving problems in a scientific way and experiences with new methods, learning from their own experiences and professional past, the experience of others and attracting knowledge quickly and effectively from outside the organization.

➤ Culture and organizational values must be characterized by force and future direction, as they must embrace change and seek to rely on indicators of performance measurement on permanent basis and in all fields, adopt the use of a performance measurement model and the proposed program in the dissemination of the companies' organizational culture to use a practical methodology for performance measurement and implementation in business organizations as an input for an excellent strategic performance of social responsibility.

➤ Adopt the Balanced Scorecard as a comprehensive and strategic performance system which achieves for business organizations the advantages of building the culture of an excellent strategic performance of social responsibility, provided that they set an automated information system which helps to provide and develop information systems especially that they provide automated systems and at a reasonable cost which commensurate with the volume of benefits they offer.

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