

## **BALANCE SCORECARD AS AN EFFECTIVE TOOL FOR A COMPANY MANAGING**

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To manage companies scarce resources are the main task for modern companies, but there seems like there is no standardized formula for how to do it. Companies try their best to utilize their resources to create value for shareholders, its personnel, and other interest groups in order to stay competitive in the battle of the market. This is no easy task, and therefore several ideas of how to do this in the best possible way have been tried. Today there are many business school academics and consulting firms trying to sell new solutions to the problem of how to utilize the company resources in the best possible way. No one has tried to state that one model is applicable to all companies and all sets of conditions, but attempts have been made to adapt to the demands of the rapidly changing corporate environment.

Today's companies often find themselves unable to influence the environment surrounding them. Instead, the environment forces a rapid change within companies if they want to stay competitive. The last decades, national as well as international competition has stiffened and the pace of technical innovation has increased. In order for an enterprise to survive these tough conditions, great demands are placed upon the corporate strategies. In the short run, a company's competitiveness derives from the price/performance attributes of current products.

Competitiveness derives from an ability to build, at lower cost and more speedily than competitors. The real sources of advantage are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities. To be able to do this, it is important for companies to utilize all of their resources. To consider only the financial resources will be a terrible waste, and might benefit competitors.

Another important task for every company is to follow-up completed processes.

By thoroughly examining the outcome of business processes, management encourages the desired degree of responsibility, and at the same time obtains an indication whether specific goals have been reached or not. Traditionally, financial control has been based on earning capacity such as ROCE, or return on capital employed. Managers focusing on a single financial measure often tend to manage for the short term, which may lead to a failure to invest in assets essential to long-term success.

Investing in employee motivation and skills and ensuring customer satisfaction often only pay off over the long term. By focusing on the long-term development, it is evident that a company must be interested in developing all of its scarce resources and to use all of them to create future progress. A too narrow focus will benefit competitors wanting to pass them by.

These conditions thereby require new forms of managerial control. The purpose of these new management control methods is to increase efficiency within organizations, to include strategic goals, and to provide a better opportunity to evaluate and guide a business toward desirable results. These models provide the opportunity for managers to see the whole nature of their company.

The Balanced Scorecard provides a new way to manage more of a company's resources than just the financial. It was one of the first management control tools used with the aim to change management awareness into focusing on both strategy and long term success, and short-term financial earnings. The changed focus is achieved by a widened scope for essential management activities and processes for future competitiveness. The thesis will base on the knowledge management concept because it aims at increasing the effectiveness of a company's internal processes. Further, it provides insight into how to manage a company's intangible assets and its personnel, which are important parts when developing a company's competitive strengths. It does not mean that these two concepts could serve as the saviors for all companies in all kinds of

businesses, but will focus on them since they contribute a sound idea for managing a company in a competitive way.