

ASSESSING ORGANIZATIONAL PERFORMANCE OF 3PL COMPANIES USING THE BALANCED SCORECARD METHOD: A LITERATURE REVIEW

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Abstract

The increasing complexity and competitiveness of the logistics sector have necessitated effective performance evaluation methods for 3PL (Third-Party Logistics) companies. This paper examines the application of the Balanced Scorecard (BSC) method to assess organizational performance. It explores how this strategic tool integrates financial and non-financial metrics to offer a holistic evaluation of 3PL operations, helping companies remain competitive and agile in a dynamic market environment.

Keywords

Organizational Performance, 3PL Companies, Balanced Scorecard, Supply Chain Management, Operations Management.

Introduction

Third-Party Logistics (3PL) companies have become integral to modern supply chains, providing critical services such as transportation, warehousing, and distribution. Evaluating the performance of 3PL companies has evolved from financial metrics to include operational efficiency, customer satisfaction, and innovation. The Balanced Scorecard (BSC) method provides a comprehensive framework for assessing organizational performance across multiple dimensions. This paper investigates the challenges faced by 3PL companies and evaluates the effectiveness of BSC as a performance measurement tool.

Objectives of the Research:-

1. To study the challenges faced by 3PL companies in performance measurement.
2. To analyze the role of BSC in evaluating organizational performance.
3. To identify key metrics under BSC dimensions relevant to the logistics sector.

Research Methodology:-

This research is based on secondary data, drawing insights from academic journals, industry reports, and case studies to review the use of BSC in 3PL performance assessment.

Literature Review

(Alassane et al., 2022) state that performance evaluation in logistics companies has become more complex as customer expectations and market competition continue to rise. Earlier, logistics firms mainly focused on cost, delivery time, and inventory accuracy, but this approach was not enough to assess overall organizational performance. Their study highlights that a structured and balanced method, such as the Balanced Scorecard (BSC), helps logistics managers prioritize key processes and make better strategic decisions.

(Kaplan & Norton, 1992, 1996) introduced the Balanced Scorecard as a tool that looks beyond financial outcomes and includes customer satisfaction, internal processes, and employee development. This approach became important for 3PL companies because logistics operations depend heavily on service quality, time management, and workforce capability. Their research indicates that the BSC helps organizations translate strategy into measurable actions, ensuring that all departments work toward the same goals.

(Brewer & Speh, 2000) explain that logistics companies often struggle because they rely too much on financial reports, which do not reflect operational issues such as delayed shipments, poor communication, or process failures. They argue that performance measurement must capture the whole supply chain, including suppliers, warehouses, transport systems, and customer feedback. Their study found that combining logistics metrics with BSC perspectives provides a clearer view of performance gaps.

(Bhagwat & Sharma, 2007) emphasize that supply chain performance cannot be evaluated effectively using traditional methods alone. They found that logistics companies need metrics related to reliability, responsiveness, flexibility, and customer focus. Their work suggests that the Balanced Scorecard helps organizations align operational performance with long-term strategy, especially in areas like delivery accuracy, value-added services, and customer relations.

(Balakannan et al., 2016) highlight that logistics performance is strongly influenced by warehouse systems, vehicle routing, manpower skills, and technology. They argue that the BSC approach helps identify weak internal processes and encourages organizations to improve operational efficiency. Their research also indicates that the BSC helps logistics firm's measure non-financial outcomes, such as innovation and employee learning, which are essential for long-term growth.

(Chow & Soo, 2014) mention that logistics companies face rapid changes due to technology, global competition, and increasing customer expectations. These changes require modern performance tools that capture both quantitative and qualitative results. Their study demonstrates that adapting the Balanced Scorecard for supply chain performance helps companies focus on service quality, consistency, and continuous improvement.

(Frederico et al., 2019) point out that Industry 4.0 technologies—such as automation, IoT, and real-time tracking—have created new performance challenges in logistics. They argue that the Balanced Scorecard must be updated to include innovation, digital readiness, and technology adoption as part of the learning and growth perspective. Their research shows that using the BSC helps 3PL companies stay competitive in a technology-driven logistics environment.

(Heu, 2013) explains that logistics performance depends not only on what companies deliver, but how they deliver it. He notes that the Balanced Scorecard helps organizations identify inefficiencies in transport planning, order processing, customer communication, and warehouse management. His study found that companies using the BSC were better at meeting service-level agreements (SLAs) and responding to customer needs.

(Taufik et al., 2021) state that organizations benefit from using the BSC because it connects performance measurement with strategic planning. Their research shows that 3PL companies that adopt the BSC experience improved teamwork, clearer roles, and better alignment across

departments. They also highlight that the BSC helps firms monitor employee training, innovation, and technology usage—all important aspects of logistics operations.

(Atkinson, 2006) highlights that strategy implementation often fails because organizations do not align day-to-day activities with long-term goals. The Balanced Scorecard solves this problem by linking strategic objectives to measurable outcomes. In logistics, this means connecting financial goals (like revenue and cost reduction) with customer expectations, operational efficiency, and workforce capability.

The literature indicates that 3PL companies need a comprehensive performance system that looks at more than just financial results. Studies agree that the Balanced Scorecard provides this broader view by combining financial, customer, internal process, and learning dimensions. As logistics becomes more complex, competitive, and technology-driven, the BSC has become an essential tool for achieving organizational excellence.

Balanced Scorecard Approach:-

1. Financial Perspective: Measures revenue growth, cost management, and profitability aligned with organizational goals.
2. Customer Perspective: Focuses on customer satisfaction, retention, and loyalty.
3. Internal Processes: Evaluates operational efficiency, quality management, and adherence to service level agreements (SLAs).
4. Learning and Growth: Assesses employee skills, technology adoption, and organizational culture.

Application of BSC in 3PL:-

1. Case studies demonstrate enhanced decision-making and alignment of organizational goals using BSC.
2. Benefits include improved stakeholder communication and identification of performance improvement areas.

Key Findings:-

1. Integration across Functions: BSC provides a unified framework integrating financial and operational metrics, fostering collaboration across departments.
2. Enhanced Customer Focus: Metrics under the customer perspective have improved service quality and client relationships.
3. Operational Efficiency: The internal process dimension has led to optimized supply chain operations.
4. Employee Development: Focus on learning and growth has supported innovation and technology adoption in 3PL services.

Conclusion:-

The Balanced Scorecard is a versatile tool that enables 3PL companies to address diverse performance aspects effectively. Its multidimensional approach ensures that operational goals align with strategic objectives. Future research should explore the integration of advanced analytics and AI into the BSC framework for enhanced decision-making.

Recommendations:-

1. Adopt technology to automate performance data collection and analysis.

2. Regularly update BSC metrics to reflect changing market dynamics.
3. Train employees on BSC implementation to ensure alignment with organizational goals

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