

## **BALLANCED SCORECARD METHOD IN THE MANAGEMENT OF PUBLIC SECTOR ORGANIZATIONS.**

*У статті розглядається використання методів Balanced Scorecard збалансованої системи показників як інструменту для вимірювання ефективності організацій державного сектора, необхідного для порівняння різних показників у конкретних невеликих містах. Зокрема, в статті описуються пропозиції щодо запровадження кроків з реалізації BSC та отриманих ключових показників. Загальні показники застосовні до будь-якої організації в обраній галузі, конкретні показники будуть присвоюватися певному типу обслуговування.*

**Ключові слова:** *Balanced Scorecard, методи стратегічного управління, ключові показники, організації державного сектора.*

*В статье рассматривается использование методов Balanced Scorecard сбалансированной системы показателей как инструмента для измерения эффективности организаций государственного сектора, необходимого для сравнения различных показателей в конкретных небольших городах. В частности, в статье описываются предложения по введению шагов по реализации BSC и полученных ключевых показателей. Общие показатели применимы к любой организации в выбранной области, конкретные показатели будут присваиваться определенному типу обслуживания.*

**Ключевые слова:** *Ballanced Scorecard, методы стратегического управления, ключевые показатели, организации государственного сектора.*

*The article deals with the use of methods Ballanced Scorecard as a tool for measuring the effectiveness of public sector organizations, necessary for a comparison of various types of equipment in a particular medium-sized cities. Specifically, the article describes proposals for the introduction of BSC implementation steps and the resulting key indicators. General indicators are applicable to any organization in the selected area, specific indicators shall be allocated by a particular type of service.*

**Key words:** *Ballanced Scorecard, methods of strategic management, key indicators, public sector organizations*

This paper dedicated to the possibility of using Balanced Scorecard management practice in the public sector has to expand the capabilities and benefits of the implementation of the method including determining the illustrative indicators. Given the specificity of the topic we used the experience with the application of Balanced Scorecard in the organization of commercial type. For the community planning of social services and public administration institutions, it is one of the first application of this method in the Czech Republic

To create profit is not a main goal of a public sector. The terms management and quality management methods and strategies are often considered as a something inappropriate and inadequate in this area. According to Drucker (1994) management is a word that people from non-profit organizations do not like. This term is associated with the business and non-profit organizations insist on the fact that they don't want to be influenced by commercial interests and such "simple" indicators as profit is. Non-profit organizations are still committed to "doing good", but they also recognize that good intentions are not sufficient substitute for adequate management and leadership, and achievement of quality results.

### **Balanced Scorecard method**

Balanced scorecard is one of the modern methods of strategic of management. This method can be simply described as a tool that is included in the strategy of the organization, from its inception to its completion. Step by step, not only using financial indicators which may not adequately characterize the organization.

There are many definitions of Balanced Scorecard method. Can be for example defined as a carefully selected quantifiable measures derived from an organization's strategy. The measures selected for the Scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which organization will achieve its vision and strategic objectives (Niven, 2003). Balanced Scorecard is an option to specify, visualize and monitor the organization's strategy (Schneider, Čaníková, 2011). In this paper a balanced scorecard method seen as an extension of social controlling, which deals with the ideal or abstract objectives specific to social services and their fulfillment in the form of quality indicators (Herman et al., 2008).

### **Balanced Scorecard method implementation into the public sector**

Regular objective evaluation of the effectiveness and publishing the results in the public sector or non-profit sector is not yet implemented in the Czech Republic. However, as Drucker says (2007) to be an efficient is to do things right, but be an effective is to do the right things. And the application of Balanced Scorecard method to help to the total efficiency of services.

The process of implementation of Balanced Scorecard method were divided into the following five steps (Figure No. 1). The aim was to highlight the link between the vision and strategy of the organization and employee participation in its creation and subsequent sharing of basic values of the organization. Employee participation is an important element for the success and effectiveness of the implementation of the strategy as well as operational activities of employees in fulfilling the vision and strategy.

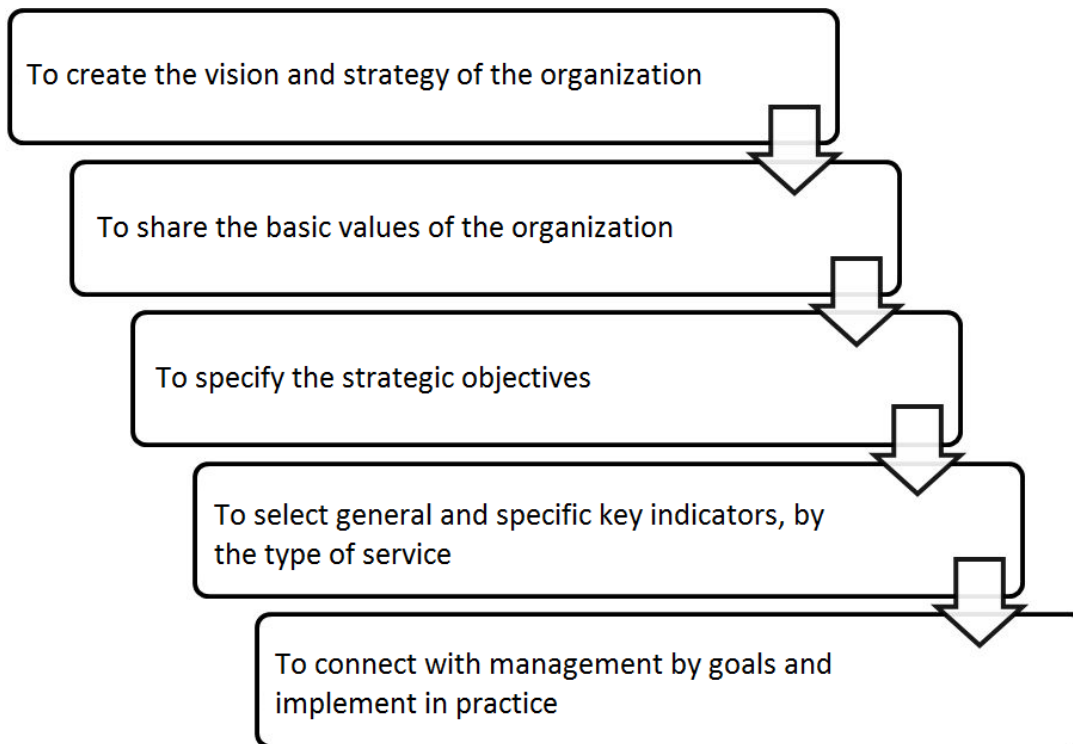


Figure No. 1: **Implementation planning steps of Balanced Scorecard**

Source: Schneider, Čaníková, (2011), inspired by Kaplan & Norton, (2000)

How we worked:

With a team of managers of public sector institutions in that city, we have set out the following objectives:

- it was necessary to select key performance indicators for stakeholders, which will determine a variable amount of financial town subsidies,
- for each organizational unit to define about 10 key indicators (max.15) of which about half will consist of general indicators and the rest of the individual indicators (specific)
- to convert the city's strategy to an individual key indicators
- to establish concrete values for each indicator.

Also been designed general and specific key indicators of Balanced Scorecard

General indicators:

- compliance with the cost plans,
- compliance with the investment plans,
- number of employees,
- satisfaction of employees.

Specific indicators:

- satisfaction of clients
- number of client complaints
- range of services
- number of failures in providing services
- number of clients
- price for services.

Key indicators were split by the percentage. The highest percentage for any evaluation key indicator was 20%, the lowest 5% (recommended values are multiples of 5%).

Table 1

### Percentage of key indicators

General indicators (in total 50%)		Specific indicators (in total 50%)	
cost plans budget	20%	satisfaction of clients	15%
investment plans budget	5%	number of client complaints	10%
number of employees	10%	range of services	5%
satisfaction of employees	15%	number of failures in providing services	5%
		number of clients	10%
		price for services	5%

### The evaluation using key indicators

Planned target value for each key indicator is fixed for the year. Each key indicator has its percentage, which is defined when setting targets. Most key indicators are monitored on a quarterly basis to determine their development and implement measures for improving Assessment in relation to the variable amount of town subsidies take place after the end of the year.

### Grading scale for evaluating the performance of key indicators

Table 2

#### Evaluation of Balanced Scorecard

the degree of fulfillment	unfulfilled	fulfilled	Exceeded by more than 10%	Exceeded by more than 20%
evaluation in points (multiples percent of key indicators)	0	1	1,5	2

In case of exceeding budgets, investment and the planned number of employees is considered a key indicator for failure, as well as by specific indicators complaint.

### Comparison of evaluation Balanced Scorecard in each area in the two years of implementation

The evaluation was conducted in two consecutive years in 26 (Year 1) and 34 (Year 2) public sector organizations involved in the strategic planning of services in the selected city. Evaluated areas were taken from the strategic plan of the city.

**Comparison of evaluation Balanced Scorecard in each area in the two years of implementation**

Area	Score Year 1 %	Score Year 2 %
Services for the elderly	65,0	81,6
Services for people with disabilities	58,3	68,3
Services for children, youth and families	53,3	66,6
Services for minorities and unadaptive persons	46,6	65,0
<b>Total</b>	<b>55,8</b>	<b>70,3</b>

The value of total Balanced Scorecard in Year 1 is quite low and shows only the average satisfaction of citizens and employees in public sector services in the city. It also shows some of the gaps to cover service areas and the low awareness of founders and providers about the needs of clients.

Increasing the value of Balanced Scorecard in Year 2 in general as well as in individual areas compared to Year 1 was justified by the introduction of new services. They began work on the basis of demand identified through the socio-demographic analysis of the city and through the strategic planning of the development of these services. The change has also contributed focus of managers of each organization to fulfill individual indicators and focus of managers of each organization to fulfill individual indicators.

Balanced Scorecard method, as a system of performance indicators of organization which are balanced is a strategic corporate management system, which creates a link between strategy and operational activities with a focus on performance measurement (<http://www.equica.cz/balanced-scorecard>). The application of this method is to be understood as a way of systematic continuous improvement and improving the efficiency of organizations, monitoring and implementation of the proposed strategies

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