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PREREQUISITES FOR DEVELOPMENT AND IMPLEMENTATION OF A BALANCED SCORECARD

***Summary.** This study is a rational summary of the accumulations in the field of measuring performance indicators, which is appropriately made and shows in practice how one organization can achieve real value as a result of management of intangible assets, combining with organizational strategy. The introduction of a new content of the measurement methodology with the use of its three roles - compliance with standards, verification and improvement differ significantly and are much broader than the traditional concept of measurement as a tool for strategic management and relevant control. They are not based on the understanding that behavior can be controlled by measurement. They are based on the view that Balanced scorecards are a tool used to improve the course of institutional*

development and that it has other characteristics that should be measured and managed in a new different way.

Key words: *Balanced scorecard, Performance measurement, Strategic management, Control, Organisation.*

Today, managers from all sectors of the social system globally face a double challenge: how to mobilize their human capital and information resources and how to adjust their organizations in the direction of new strategies in accordance with the high requirements of their informed and demanding users and customers. Institutions and organizations generally respond to this challenge by establishing new strategies and re-directing their activities – by declaring new inspiring missions and concepts – to providing increased value to their clients and partners. However, the serious problem they all face is, in fact, their inability to successfully implement their new strategies due to management difficulties and control over the measurement process and strategic development resulting from it, based primarily on increasing importance of intangible assets.

The data obtained from the system for measuring the indicators allow to adjust the strategy of the organization and the principles of its practical activity, and also allow to study the suitability of the measurement model. However, examining only one indicator cannot give an accurate picture of the state of any system, whether it is an enterprise or a non-profit organization.

The need for a balanced set of measures is becoming increasingly important, both in terms of effectiveness and strategy. The advantage of this approach is that by using a combination of several key indicators, results are less likely to be affected by manipulation of information reports. Each ratio provides a relevant indicator of the company's performance or condition as far as possible and can be used independently as an indicator of financial viability or as part of a particular prospect.

This study is a rational summary of the accumulations in the field of measuring performance indicators, which is appropriately made and shows in practice how one organization can achieve real value as a result of management of intangible assets, combining with organizational strategy. The introduction of a new content of the measurement methodology with the use of its three roles - compliance with standards, verification and improvement differ significantly and are much broader than the traditional concept of measurement as a tool for strategic management and relevant control. They are not based on the understanding that behavior can be controlled by measurement. They are based on the view that Balanced scorecards are a tool used to improve the course of institutional development and that it has other characteristics that should be measured and managed in a new different way.

Design and development of Strategic Balanced scorecard

The starting point in developing a strategic Balanced Scorecard (BSC) for the highest level of organizational hierarchy is the preliminary coordination and unification of the state in accordance with observations of the peculiarities of the industry and the role of the specific organization. Therefore, the senior management needs to have sufficient time resources to organize and analyze the necessary information and create a reasonable opinion on this issue.

From the beginning of development of the initial information database there is a problem with deformation of the information flow. By underestimating the advantages of the organization, which it would receive if it had a real and objective picture of the processes inside and around it, the managers would take away all the priorities of competitiveness in the market. This often happens due to the confidential nature of the specialized information at both company and institutional level.

Senior management is usually unaware of the scale of the problems to be solved, which is why it is necessary for a wider range of specialists to have access to information of this nature. Access to information becomes especially important due

to the fact that this process has a significant impact on the attitude of staff to the assigned and upcoming work. Staff behaviour is based on a value system and a scale of criteria constituting assessments based on past experience.

The process of developing a strategic scorecard appears to be a special form of intervention and change of thinking. The change of thinking and the changing attitude towards work make the process of creating BSC a self-regulating process with a high cumulative effect. "Everyone who is familiar with the life of the organization knows that there are many control systems that affect daily activities. However, there is a lack of a systematic understanding of why and how these systems are used as a means to achieve certain programmes" [1]. By organizing their management system based on the structure of BSC managers can achieve their main goal – putting the strategy into action [2].

When organizations make the decisive transition from turning their strategic vision into action, they realize the real rise and gain real benefit from the development and implementation of BSC. The results of the originally developed BSC always lead to a series of management processes that mobilize and reorient the organizational efforts.

The development of the initial BSC in an organization is achieved on the basis of systematic processes that create consensus and give clarity as to how the mission and strategy of the business unit can be brought into a system of current goals and indicators. This initial project needs an architect to build the structure, make sense of the process, and gather the basic information needed to create this system. In addition, a BSC must express the collective ideas and energy of the top management of this organization. If this management team is not fully involved in the process, a successful outcome cannot be achieved. Without the active support and participation of senior management Balanced Scorecard project cannot begin. Without the

commitment and interest of the top echelon of the organization, it would be doomed to failure.

The first step in developing an effective BSC is to reach consensus and support on the goals for which the system will be developed. However, the appealing ideology of BSC is not a sufficient reason for starting such a project. When the process is launched, senior management must identify and agree on the principal processes required for the project. The goals of the programme will help to: set the goals and indicators for BSC; engage project participants; a clear vision of the framework of processes for system management and implementation, which should follow the development of the initial BSC.

In conclusion, the initial impetus for the implementation of a project for BSC establishment may arise as a result of the need for: clarity and consensus between the vision and strategy of the organization; gaining management experience; explaining and commenting on the strategy; setting strategic goals; linking remuneration to strategy and goals; combining strategic initiatives and resources; securing investments in models and assets; creating a basis for strategic knowledge.

Once a consensus on the goals and future role of the BSC has been reached, the organization should focus on determining who will be its architect or project leader. The architect is responsible for maintaining the structure, philosophy, methodology of creation and development of BSC.

„The role of the architect in this process is to provide guidance, to control the schedule of meetings, interviews and seminars, to check the availability of necessary documentation, input data and generally to control the implementation of the process in time and within certain limits” [3]. The architect must manage both the cognitive or analytical process, and the interpersonal, even emotionally marked process in creating a team for resolving conflicts.

The attempt to understand and implement the idea of BSC of Kaplan and Norton in to practice shows that the role of architects usually includes senior administrative staff of organizations. It is a systematic practice for organizations to use external consultants to assist the internal architect in the process of developing the BSC.

Each organization is unique in it self and may wish to follow its own path of creating a BSC. This study describes a universal, typical and systematic plan for the development of BSC, the one that has been used in dozens of organizations and reflects the views of Kaplan and Norton on this issue. This position is justified by the prevailing opinion in the scientific community, according to which the prototype of the balanced scorecards of Kaplan and Norton are perceived as an established standard and a classic model.

Properly implemented, this four-stage process engages senior management with the BSC system and involves the creation of a good scorecard, appropriate to the set goals.

First stage. Determining the system of indicators.

Task 1: Selection of an organizational unit

Through consultations, the architect together with senior management determines a business unit for which it is appropriate to create a BSC. The initial process of creating a BSC has the best results in strategic business units, whose activities include actions along the entire value chain: innovation, production, marketing, sales and service. When BSC is developed for complex, functional units, joint ventures and non-profit organizations with complex structure, it is more logical for certain structural units to be engaged with individual balanced cards, although in such cases it is a question of common resources and other essential prerequisites complicating the creation of a unified BSC.

Task 2: Establishing a relationship between a business unit and a corporate organization:

- The architect conducts interviews with key managers at the organizational level and at the departmental level to gather information on: financial goals of the strategic business unit;
- first-class corporate focus;
- links with other strategic business units.

This information plays a vital role in managing the strategy development process.

Second stage. Agreeing on strategic goals

Task 3: Conducting the first round of interviews

The project architect provides initial data for BSC, as well as internal documents related to the vision, mission and strategy of the organization. At this stage it is necessary to gather information about the industrial sphere and the competitive environment, significant trends of market share and growth, competition and competitive offers, customer preferences and technological achievements.

The interview process has several important goals, some obvious and others seemingly hidden. Its goals are to present the concept of BSC, to answer questions about the strategy and from here to get an initial impression of the strategy of the organization and its transformation into goals and indicators for BSC. The "hidden" objectives include focusing the thinking of managers on the process of turning the strategy and its goals into real operational indicators. "Among the hidden objectives there is the identification of potential conflicts between key participants in the project on the basis of personal or functional level" [3].

Task 4: Summary meeting

The meeting finalizes the efforts by creating a list and ranking [4] of the goals in the areas included in the BSC. Each of them, as well as its corresponding goals, are

accompanied by notes and reflections collected during the interviews. The team also determines whether the preliminary list of priority objectives reflects the strategy and at the same time whether the objectives are interrelated by causal relations.

Task 5: Seminar for the senior management:

First part: The basis of this seminar is the task of the executive team to determine three or four strategic goals for each area of BSC, as well as a list of potential indicators for measuring each of them.

Third stage. Selection and development of indicators

Task 6: Meetings of working subgroups by areas

The architect of the BSC project works with the separate subgroups within several meetings, where they try to achieve four main goals:

- clarifying the formulated strategic goals in accordance with the intentions expressed at the first seminar;
- identifying the indicators that best express and inform about each goal;
- determining the sources of the necessary information for each of the proposed indicators;
- identifying key relations between the indicators for each objective within the direction and the scorecard and determining the impact.

Due to its unique nature, each strategy is characterized by strictly specific key indicators for the effectiveness of its action. This contributes to the definition of those specific indicators that most accurately communicate and summarize the meaning of the strategy itself. Although in Kaplan and Norton's long practice as consultants there is a list of key indicators in certain areas on the basis of which most balanced scorecards would be created, the art of defining unique indicators for each organization and each strategy is related to the efficiency mechanisms. It is these parameters of the specific indicators that express, communicate, implement and control the unique strategy. This is the reason to do the following in each direction at

the end of information collection: list of objections for a given area, accompanied by their description; description of the indicators for each of the objectives; an illustration of how each indicator should be measured and valued; graphical model illustrating the connections between the individual indicators in the direction and in the scorecard.

Task 7: Seminar for the senior management: second part

The content of the second seminar is related to the preparation of a written document presenting the objectives of the BSC and its content to all participants, done in order to encourage all persons involved in the project to define target values for each of the proposed indicators, including target rates of improvement. The analysis of this event and application of different approaches – from comparative analysis to change rates, suggests setting planned values with a three to five year implementation period.

Fourth stage. Drawing up an implementation plan

Task 8: Development of an implementation plan

The working team defines flexible objectives and develops a plan for the implementation of BSC. This plan is committed to the interrelationships between indicators and information and data systems, to present the BSC of the entire organization, to stimulate and facilitate the development of indicators at the level of decentralized units. As a result of this process, a qualitatively new system of information at the executive level is established, which connects the metrics of the top management with those down in the hierarchy of the organization, as well as with the specific operational objectives.

Task 9: Seminar for the senior management: Part three

The goal of this seminar is to achieve a unified opinion on the issues related to the vision, objectives and indicators, to justify flexible objectives and the transformation of the strategy into consistent management processes.

The seminar also links specific events and initiatives to change the objectives, indicators and tasks set in the BSC. At the end of the seminar the participants accept implementation programme, which will present the BSC project to the employees and integrate it in the management philosophy and develop an information model for it.

Task 10: Final stages of the implementation plan

To create value, BSC must be integrated into the organization's management system. The recommended period given [5] for putting BSC into action is within 60 days. A particularly important and significant moment at this final stage is the synchronization of the available information with the proven priorities of BSC. A very common phenomenon is the discrepancy between these two concepts, but it is normal for the updated information management system to catch up with the process by synchronizing with it.

Table 1

Typical BSC development schedule

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I. Programme for determining the system of indicators	Project plan															
1. Selection of an organizational unit																
2. Establishing interrelationship																
II. Agreeing on strategic goals					Interviews Seminar I											
3. First round of interviews																
4. Summary meeting																
5. Seminar for the senior management I																
III. Selection of strategic indicators									Subgroups Seminar II							

6. Meetings of working subgroups																	
7. Seminar for the senior management II																	
IV. Drawing up an implementation plan													Development plan Seminar III				
8. Development of a plan																	
9. Seminar for the senior management III																	
10. Final stages																	

The BSC project implementation schedule, according to Kaplan and Norton's instructions, usually takes about 16 weeks, but this time it is not fully focused on the Balanced scorecard. The schedule depends entirely on the time available to the executive management for interviews, seminars and meetings. If the expert group can adjust its time to the needs of the project, which is rather hypothetical, the time for its development would be shortened.

The role of the architect is of special importance in the beginning and to the end of the sixth week (holding the first seminar). In the second half of the schedule, senior management through good communication and effective teamwork must take responsibility of the project. At this point, the role of the architect is already administrative and functional. The greater the responsibility of senior management, the greater the chance that BSC will become a new approach to managing the entire business. The mentioned schedule (Table 1) assumes that the organization has already defined its strategy and has carried out the necessary pre-project accumulations of information.

The schedule would be extended if the accumulation of preliminary information created certain problems. Upon completion of the project implementation schedule, the senior management and middle management of the organization must

have reached clarity and general agreement on the transformation of the strategy into specific objectives and indicators in its main areas, have reached unanimity on the plan for its implementation and if possible for the new systems and responsibilities and provision of information about BSC.

Recently, the number of organizations that implement strategic balanced scorecards in their practice has been growing. Many organizations use this method under another name, while developing their own scorecard format, somewhat reminiscent of the classic prototype. All models have one thing in common. They provide an opportunity to measure and control such parameters of the activities of organizations that are not analyzed by the methods of traditional financial control. Each subsequent version of the BSC manifests desire for higher detail in terms of the aspects that may interest more potential stakeholders.

Conclusion. Analysis of the "good practices" for the creation of specific conditions and prerequisites, as well as the structuring of targeted model proposals allows several general conclusions to be made [7-12]:

First. The ideological and conceptual features of the balanced scorecard require the creation of certain conditions and the definition of organizational and institutional prerequisites in order to proceed to the design of such a management model. The goal set for materialization through the methodology of the balanced scorecard predetermines the form, structure and content. It is for this reason that every detail (element) of the structure proves that its content determines the chosen formal manifestation. Referring to the principles of constructiveness, continuity and system, the way of thinking "indicator - index - perspective – card" turns the scorecard model into a constantly evolving process and transforms the organization or system in which it functions to a kind of self-improving structure, regardless of scale.

Second. The review of the design technology and the implementation technology form and impose the understanding that the more frequently used

scorecards samples represent in their essence a macroeconomic model for the development of the organization. The motivation for this can be found in the key presence and role of the principle of quantifying and defining time limits for tasks that are mainly focused on the implementation of strategic models of thinking and behaviour. Based on this logical line, the technology of creation and introduction in its nature and content is a process of continuous adaptation of the organization or system to the changing conditions of the social environment and the stated expectations of society.

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