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Approach of Implementation Balanced Scorecard

Abstract: *BSC is a complex system of management for measuring the efficiency of the organization from four or more perspectives, and for widening the goals of the organization out of financial examples emphasizing the causes of creating the value for long-term results. In the course of work a special care was taken to the process of implementation of BSC and a special attention was given to the process of cascade lowering of the strategic goals to the executive level in the company.*

Keywords: *balanced scorecard, mission, vision, measure, strategy, map*

1. INTRODUCTION

BSC presents a system of management with the performances, which from the strategy creates a continuous process of running the improvements all the employees in all the levels in the company are dealing with.

To conquer the market, in the era of informatics only financial parameters, on which, almost to these days, was based the system of management in the company are not sufficient. Yet it is, in order to survive and develop the company, necessary to spread the goals of the company to the other spheres of acting in the organization. BSC as a matrix of balanced parameters indicates the success of the company in many aspects, so that we have the idea of how to improve the skills and knowledge of the employees, to improve the sale and production, internal organization and motivation of the employees,... in order to reach the continuous financial parameters for a longer period of time, but through the complex and constant more directed development of the organization.

In order to develop the organization in the clearly defined direction and all the actors in it to be motivated and in the same way directed, it is necessary to define the strategy clearly and precisely as a plan of its long-term activity

coming from the mission and vision of the company.

BSC is the best solution for implementation and performance of the strategy in the company. Its principal duty is to lead the mission, vision and strategy of the company into the clear system for measuring the efficiency-output (Figure 1) shown with the line **Top-Down**. So that the strategy should be transferred into clearly set up goals according to all the perspectives, and then, for all of them to define the parameters (measures), final values (limits) and the activities in order to achieve these goals. But, very important part of BSC can also be seen in **Bottom Up** line where the degree of realization of set up goals is measured through the activities directed towards the final values of the measuring parameters. And finally, by BSC should be determined the efficiency of the company in the implementation of the defined strategy [1]. In that way the action in Company is constantly urged towards permanent improvements through PDCA cycle because, nowadays in very changeable surroundings, it is not possible to define the strategy once and to apply it without its checking and improvements [1].

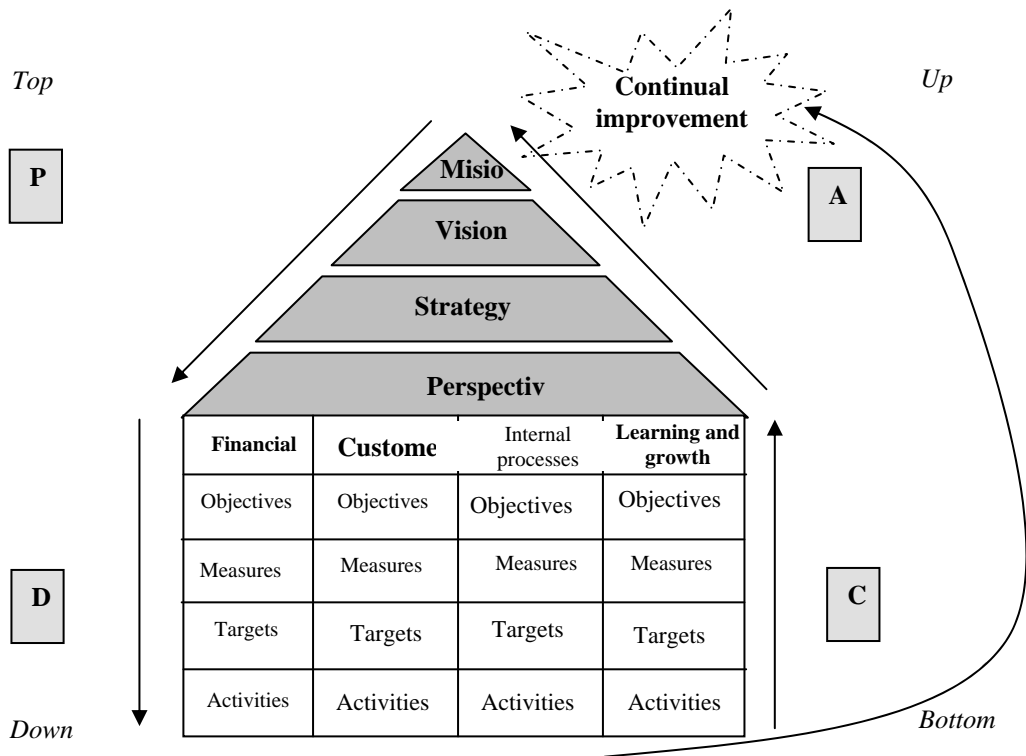


Figure 1. Leading of the mission, vision and strategy using BSC [2],[3]

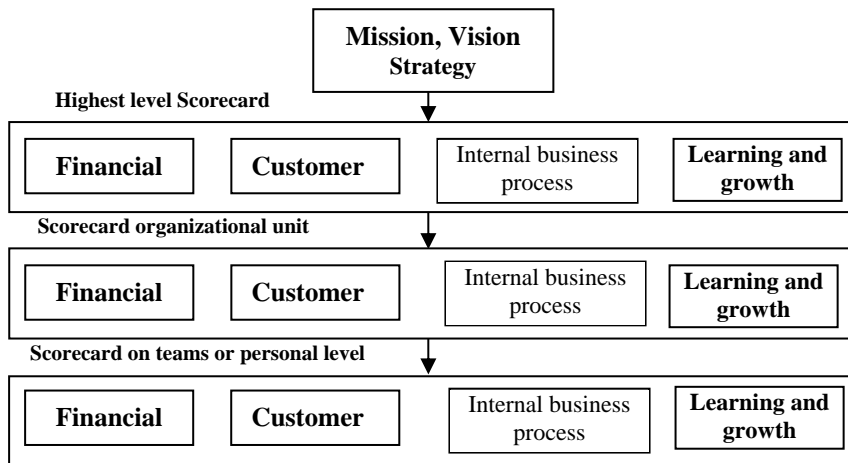


Figure 2. Cascading BSC

2. "CASCADING" THE BSC

To successfully implement any strategy it must be understood and acted on by every level

of the firm. Cascading the Scorecard means driving it down into the organization and giving all employees the opportunity to demonstrate how their day-to-day activities contribute to the company's strategy. All organizational levels

order to become clear to everybody; and they are clear only if they are transformed in the goals on the lowest level. That could be achieved if everybody on all level in organization answer on question: "Which of strategic objectives can we influence?".

3. THE FRAME FOR IMPLEMENTATION BSC

Each company is unique and can choose its own way and mode of implementing the BSC. One way of its implementing given by Kaplan and Norton is presented on the gantogram (time plan) on Figure 3 [6] in ten steps within four phases of implementation. Once agreement on the objectives and future role for the BSC has been reached, the organization should select the person who will serve as the architect, or project leader, for the Scorecard. The architect will own and maintain the framework, philosophy, and methodology for designing and developing the scorecard [6]. Another procedure describing the building process of a Balanced Scorecard in some profit companies is presented on Figure 4. The procedure described below is just one of them which was chosen to be applied in "Barska Plovidba AD" (further on Company).

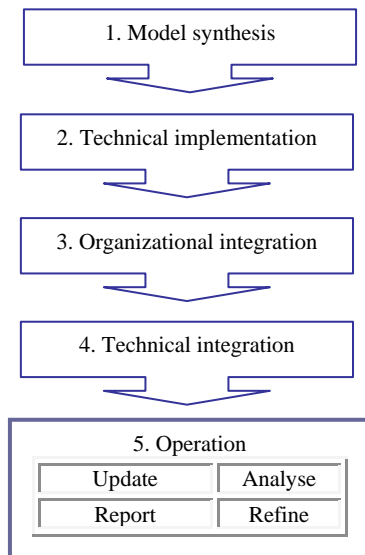


Figure 4. Phases of implementation BSC

The actual implementation of a Balanced Scorecard has been divided into five phases.

Having in mind that many of phases have been performed parallel, and some of them didn't do yet in Barska plovidba AD.

4. IMPLEMENTATION BSC IN "BARSKA PLOVIDBA AD"

"BARSKA PLOVIDBA AD" a joint stock company with head office in Bar. Joint stock company was established with the goal of performing the maritime traffic, other similar maritime activities, agency and catering businesses, international freight forwarding etc. The Company performs the basic activity (maritime traffic) by transporting passengers and cargo with ships: "Sveti Stefan" and "Sveti Stefan II" on relations between Montenegro and Italy (Bar-Bari-Bar and Bar-Ancona-Bar) and on relation between Italy and Albania (Bari-Durres-Bari).

The actual implementation of a Balanced Scorecard in Company is on the start and has been divided into five phases of procedures which is show on Figure 4 [7]:

1. Model synthesis
2. Technical implementation
3. Organizational integration
4. Technical integration
5. Operation

Phase 1 - Model synthesis

In the course of this phase the management of Company looked for consensus about the vision and strategy from where the needed measures derived. The model synthesis phase consist of two major tasks:

1. Strategy synthesis (structure synthesis)
2. Measure synthesis

Strategy synthesis

The objective of the strategy synthesis phase is to form and commit the Company management to a consensus view about the Company vision and strategies. Knowing that it is very important step, found that the best way of finding consensus is to conduct interviews with the Company Management team. The results of the interviews were concluded into a common view so that everybody could commit to e.g. in a workshops.

Measure synthesis

During the measure synthesis phase the strategy of the Company is quantified into measures or Key Performance Indicators

(KPI's). The measures derived from the strategy using Critical Success factors (CSF's) but also alternatively using Strategy maps. The key properties of each of the measures in a Balanced Scorecard are also defined as follow: measure name, unit, responsible measure owner, time-scale, target and alarm levels.

Phase 2 - Technical implementation

With a powerful tool like QPR ScoreCard Software the technical implementation of the Balanced Scorecard in Company could already start during the Model Synthesis phase. The Visions, Strategies, CSF's, Measures etc. entered into the system interactively as they were confirmed during the workshops. As Company has a number of historical measurement data in different text/or excel files the importing of them was found as very necessary during the technical implementation.

Phase 3 - Organizational integration

The BSC system should not be set up running as separate process in the Company, for BSC is a management system and should be tightly integrated to the processes in Company. The good communication among all the members of the organization should be set up as primary.

The organizational integration phase in Company includes the following tasks:

1. Definition of the persons who are responsible for measuring data and their empowerment.
2. Explanation of the objectives of Balanced Scorecard implementation to the employees.
3. Re-engineering the management and strategy process
4. Re-engineering the reporting process.

Phase 4 - Technical integration

An effective way to reduce the effort needed to collect measure data is to integrate the Balanced Scorecard system to operational IT systems of Company. The technical integration steps in Company should be as follow:

1. Identification of the imported measures and the source systems
2. Analysis of the database structure and exporting capabilities of the operative systems
3. Defining the procedure to get measure data from data sources including data identification, modification and scheduling.
4. Implementation of the link between QPR ScoreCard and the operative systems.

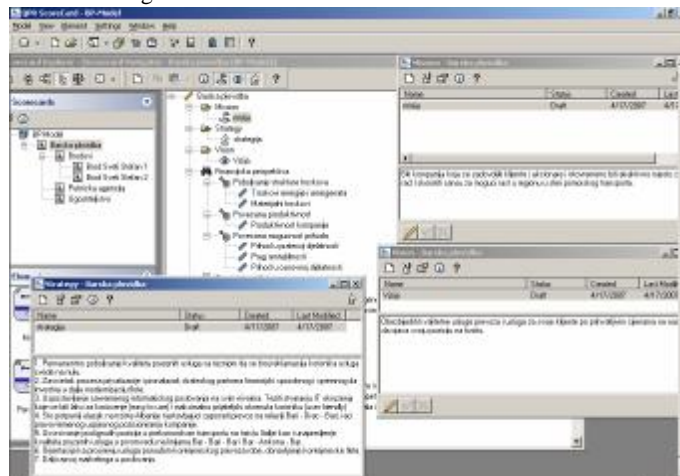


Figure 5 Scorecard "Barska plovodba AD" with view of Mission, Vision and Strategy

Technical integration can be performed parallel with organizational integration and often partially overlaps the operation phase. Effort and calendar time

needed for this phase are highly dependent on the number and the complexity of the source system

Figure 5 represents the structure of

BSC in Company completed in QPR Scorecard Software package. In the left upper corner there is a hierarchy structure of Scorecard, one incorporated Scorecard Company, and, within it

three other referring to Vessels, Travel agency and Restaurants. The Vessel Scorecard is divided on two scorecards depending on disposable number of vessels.

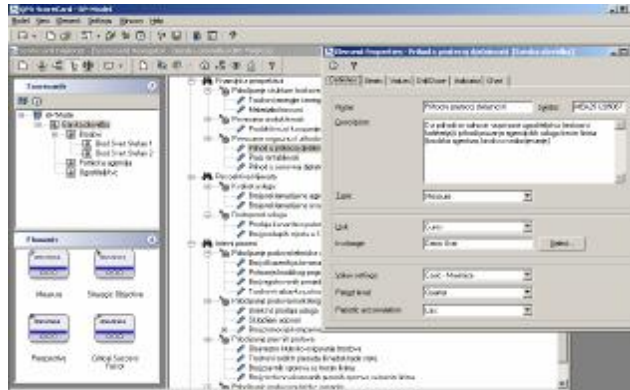


Figure 6. Scorecard with view of measures list and their definition

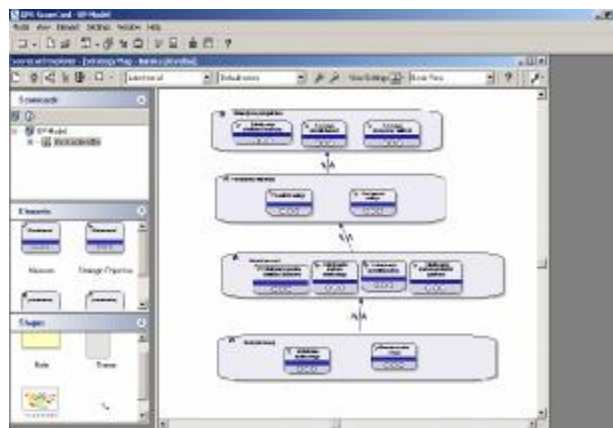


Figure 7. Strategy Map of Scorecard "Barska plovidba AD"

On the level of the Company the mission, vision and the strategy are defined, as well as for each perspective there are defined the strategic goals. After that the measurements for each strategic goal were chosen, and the basic performances were defined (shown on Figure 6.)

When you implement BSC in any Company it is very important to create Strategy map for each Scorecards. Strategy map represents the graphic presentation of the main strategic goals but on a very simple and clear way in order to become familiar to all the employees on all the levels in the Company. It is necessary to create a strategic map with precisely defined goals. There should not be the great number of goals,

even if it is not so simple task to do. Mark Twain once said: »I have tried to write a short letter, but it was very difficult, so that I wrote the long one«. The experience shows that it is better to have less number of goals. Only priorities should enter the strategic map. "If everything is the priority than the priority becomes nothing". The number of 10 to 15 is recommended, although the number could be over 30.

The strategic map of the Company is shown on the Figure 7 according to the presentation of the goals in Scorecard Navigator, what was shown on Figure 6. It is obvious that the correlations among all goals of the perspectives are not clearly defined yet, but the correlations among

the perspectives are shown. Corelative relations of the goals will be shown and corelative factors calculated after defining the periods of following the measures and their value during those periods.

Phase 5 - Operation of the BSC system

Defining and building a Balanced Scorecard is a very useful learning experience in itself. The Company receives deeper understanding of what drives its business and the cause and effect relationships between the drivers. Still the real benefits from the Balanced Scorecard are realized when the Balanced Scorecard is a part of the day-to-day operations.

During the organizational integration phase the Balanced Scorecard is integrated to the normal management and reporting processes of the Company. Within these processes following tasks are performed regularly.

1. Updating measure values
2. Analyzing the BSC results
3. Reporting the BSC results
4. Refining the BSC model

5. CONCLUSION

The implementation of the strategy of the business system based on perspectives of BSC model in the company such as "Barska plovdba AD" is, would be a pioneer step in implementation of the new approaches for management and measurement of the performances in the profit companies in Montenegro.

But, we should not deceive ourself that

implementation of BSC in "Barfska plovdba AD" would be an easy task to do. As first thing it is because the mentioned model needs systematicism and persistence as well as the undivided support of managing structures on all the levels of leading the company especially the top management team. Implementation of BSC in "Barska plovdba AD" which is in the beginning phase was done according to the phases for applying a software package of QPR Scorecard.

On the level of the Company the mission, vision and the strategy are defined, as well as for each perspective there are defined the strategic goals. After that the measurements for each strategic goal were chosen, and the basic performances were defined.

It is obvious that the corelations among all goals of the perspectives are not clearly defined yet, but the corelations among the perspectives are shown. Corelative relations of the goals will be shown and corelative factors calculated after defining the periods of following the measures and their value during those periods.

It is necessary to believe in truly determination of Management team in "Barska plovdba AD" according to mission and vision of the company, and starting from the value of the company, and in that way created strategy. It is also found that complete implementation of BSC model, surely, opens a new dimension in development of BP, as a *company which learn*. The Company will be a healthy, well ballanced, effective and real and will serve the clients and its own personnel, and above all will appreciate the human potential as a root of its own success.

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