

Features of introduction the Balanced Scorecard in Kazakhstani Market

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Each country attach to certain characteristics, starting with the area, population, natural resources and to the level of economic development, possibilities of scientific and technological progress. Based on this, all countries in the world are divided into agricultural, industrial and postindustrial ones.

Kazakhstan is in the process of transition from an agricultural to an industrial country. In order to go to the next stage of development Kazakhstan has set goals. Innovative-Industrial programs, strategy “Kazakhstan – 2030” and many others are the basis, even supporters to implement these goals. «Industrial development – this is our chance of a new development in our country – President Nursultan Nazarbayev – new decade – new economic growth and new opportunities in Kazakhstan».[1]

The main characteristics of the developed, industrial and postindustrial countries are the high level of quality of service and quality of management. With huge natural resources and privilege geographical position there is necessity to qualitatively manage available resources.

In this case the question is how to effectively evaluate and control the actions on the state level. The main criteria of effectiveness of any business are based on financial performance. However, in case of state regulation financial indicators become non-priority in comparison with the general welfare of the country and every citizen. Therefore, the evaluation of effectiveness of government regulation should be based on non-financial performance.

In general the public sector has been struggling with satisfying their stakeholders. Many indicators are measured in a silo format without any comprehensive view of the overall performance and proper strategy. At recent time it is recognized the vital role of the strategy to respond to the accountability and performance measurement. In this development path, Balanced Scorecard (BSC) – developed by Drs. Kaplan and Norton– has been considered as a proven managerial tool that would help to define and implement the appropriate strategy.

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable to achieve objectives. It involves the systematic identification of objectives, making available resources to implement the policies and strategies to achieve the main goals. Strategic management is generally the highest level of managerial activity [2].

Public as well as private organizations can no longer remain passive to the ever-changing and dynamic environment that offers consumers/buyers an un-precedent power in demanding better service, lower price, and higher quality products.

Lack of comprehensive perception of country’s capabilities results in ill-defined goals that lead to serious limitation in achieving goals. Therefore, selecting an appropriate set of strategies founded on the thorough understanding of the proper absorptive capacity and the high end communication technology is not a luxury any more. It is the survival necessity.

All this is particularly true for central and local authorities. As a supplier of services, the public sector has basically the same requirements for the administration of those commercial companies. Since the beginning of 1950 in the U.S. and other countries being heated debate about the performance criteria that determine the success of public sector operations, and content analysis conducted by the choice of economic policies [3].

The Balanced Scorecard is a tool that allows a business to translate its vision and strategy into action. Robert S Kaplan and David P Norton wrote it in 1996 as Balanced Scorecard: Translating

Strategy into Action and then followed up its success with further books: in 2001 – The Strategy Focused Organization, in 2004 – Strategy Maps [4].

The key input for the Balanced Scorecard is the strategic analysis such as a completed SWOT Analysis, which represents the analysis of internal and external factors. The selected business strategies that have now emerged based on business strengths and market opportunity become the input to the Balanced Scorecard framework.

Strategy balances contradictory forces, balancing long term with short term objectives, for example long term investment versus short term cost control. Strategy is based on generating customer value, identifying target customers and the value proposition to convert them to loyal customers. Value is created through internal business processes (operations, customer management, innovation, regulatory and social) and the execution of those processes leading to tangible effects for customer and financial objectives.

The BSc objectives within the learning and growth perspective, internal perspective, customer perspective and financial perspective are linked together through cause and effect relationships [4] Consequently strategy maps visually represent how specific objectives in learning and growth link through to individual internal objectives and from there to the customer objectives and finally to the financial objectives. This network of relationships needs to adhere to some principles to ensure effective strategies and objectives are developed:

Strategy maps are an important tool to help the strategy focused organization to develop a balanced scorecard. Linking the objectives of the BSc in four perspectives the map describe strategy and shows, through the cause and effect relationship, how internal objectives affect both the customer and financial objectives. This approach allows for an effective visualization and communication of business strategy and therefore strategic execution.

The balanced scorecard suggests that we view the strategy from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives: [5]

1) The Learning & Growth Perspective

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In knowledge – worker organization, people – the only repository of knowledge are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode.

2) The Business Process Perspective

This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know whether the products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately.

3) The Customer Perspective

Even for the private sector, not counting the already public, customer satisfaction comes first. Therefore, recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

4) The Financial Perspective

In turn meeting the needs of the population cannot be done without financial support, so the government has to take into account the financial performance, too. Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it.

Strategy maps can take a variety of managers of services – local authorities, trustees of schools, hospitals and their suppliers are responsible to local authorities and citizens for the provision of quality service. This is one of the means pre-determine the amount of resources and assess the level of expectations that need to conform. In addition, they allow finding out what has been achieved.

Several municipalities, for example, in Sweden actually use a variety of modifications strategic maps [3]. In some cases, municipalities have for several years used the key indicators and performance criteria, which may well be represented in the form of strategic maps. It is believed that the main advantage of strategic maps associated with the comparative analysis, or benchmarking, which is easier to conduct for municipalities than for private companies. Such evaluation methods are applied in many areas and settlements. In this case there are problems associated with disclosing classified information, and easier to find municipalities in different regions for comparative analysis.

Information provided by Swedish municipalities, based on key indicators that describe the resources, activities and public perception of their activities. In other words, these indicators are part of the system, which is usually called a model of input-output.

Indicators of strategic map of the municipalities in Sweden are clearly defined and in some cases reflect the cost per unit of product or service. These indicators are divided into categories corresponding to different levels of application: for local government, local authorities and departments. Especially revealing believe the comparison and identification of abnormalities, for example, the discrepancy in the number of cases dealt with by each official, directly influenced decision-making on the budget.

In the reflection of the operations inherent in public organizations, it is advisable to apply a multi-purpose approach to model the strategic maps. Nevertheless, evaluation of the effectiveness of such operations carried out before often causes difficulties. But this does not mean that we should abandon such assessments in the future. Using strategy maps in a curious way connected with the experiments to evaluate the effectiveness of central and local authorities. Perhaps the emphasis should arrange differently, for example, the financial aspect, in its original form can hardly be considered the main criterion for social organization, although it is considered to be those of a commercial firm, and the relations of social organizations and citizens is hardly reflected in the section on consumer. Yet we can see exciting opportunities associated with the adaptation of strategic maps for the public sector. It remains to be seen whether the political decision-making would based on rational approach in using the strategy maps, which is require a choice of ends and means.

«...together we could make Kazakhstan a successful and together we can make it prosperous», – Nursultan Nazarbayev [1].

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