

## THE BALANCED SCORECARD AS A PERFORMANCE MANAGEMENT METHOD

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**Abstract:** This publication highlights the considerations of Balanced Scorecard as the most popular and efficient method of performance management. Firstly the contents relates on challenges of contemporary world and threats which globalization processes bring on. It comprises reference to organization's problems, which result from inappropriate implementation, deficiency of performance management system or incorrect tolls in this context. Investigations treat essential of Balanced Scorecard, therein its origin, definition and construction, based on four fundamental perspectives. The next part of this publication affects essence of performance management system in activity each kind of unit. Conclusion focuses on advantages of Balanced Scorecard, which using financial and non-financial indicators to measurement performance.

**Keywords:** performance management, The Balanced Scorecard, public sector.

**JEL Classification:** M10

### 1. INTRODUCTION

Nowadays the problematic of high efficiency and efficacy functioning, is fundamental issue of each sphere of management, both at the private sector involving commercial enterprises as well as public sector level, therein state administrative entity likewise local self-government units.

In the context of contemporary organizations and institutions problems, essential significance roleplays widely conceived the performance management idea, which mainly relates to unit's workforce therein correct management their intellectual resources. In view of successive economic progression and thereby escalation of expectations defined consumers, this conception keeps in mind also exact strategy implementation, which in the time of global expansion comprises necessary element of whole management process. In order to achievement rational and measurable advantages, performance management uses a set of measures and indicators, which are contained in specific methods.

In keeping with afore mentioned aspect, the aim of this publication is presenting the essence of performance management conception and methods based on it. The considerations largely focus on conditions of performance management establishment and then basis of the Balanced Scorecard as the one of its instrument. The investigations are aimed at understanding how many advantages carries using of modern management methods, which strongly impact on unit's success. A lot of problems and dilemmas occurring on the background of globalization processes determine entities involvement in quest adequate and effective solutions.

Literature on the subject treats currently performance management idea as a paramount reason of efficacious management, which comprises priority of evolving countries. The contents contained below are concentrated on determinants which have conditioned performance management occurring.

### 2. THE PERFORMANCE MANAGEMENT CONDITIONS

Generally, the issue of performance management is considered to be one of the most difficulty in the context of chosen unit management, both from the managers as well as employees point of view. In regards to managers, fundamental dilemma affects avoidance of operations characteristic for performance management, therein essentially delivering feedback to workforce by them, which can disturb relationship between employees and executives. From the other side point of view, in a row this incapacity focus on avoidance of elaborating employees needs with their managers. This behavior results from fear for salary and upgrade change against their interest likewise conviction that managers are unqualified on performance's subject [13].

In terms of mentioned problematic, very important role plays the strategy concept, which as indicated presented definition below, is strictly associated with performance management issue [5]. This term defined by R. S. Kandula expresses a number of operations main for organization, aimed at meaning performance management as primary methodology of organization's management. Literature on the subject, among performance management activities, distinguishes several fundamental strategies based on: reward, career, leadership, team, culture, measurement and competency. The performance management term in turn, is understood as a *<<process of designing and executing motivational strategies, interventions and drivers with an objective to transform the row potential of human resource into performance>>* [6].

In the organizational environment, performance management conception comprises prerequisite and decisive theme oriented toward achievement both single and as well as collective functioning efficiency. Regardless of nature activity leading, which can affect both personal management and information's flow or focusing on individual development, performance management allows for improvement of functioning in each of these areas. Nevertheless, this process can't take place without appropriate appraisal and feedback process. One of the

most essential components in this context is evaluating a number of processes, occurring as part of performance management. This system should have its beginning during formulating of strategic objectives and primary values for organization, accordingly long before workers and managers activity [2].

Literature on the subject leads to essential differences between practitioners and scholars' approach to performance management. From the practical point of view, performance management focuses on several decisive points, namely: ability management, managers' development, productivity employees' progression toward workforce reduction, using modern management method. From the other side, i. e. academic, performance management is concentrated on five fundamental issues, therein:

- adequate approach to job, including contentment, behavior and involvement;
- commitment in team work;
- feedback process and performance assessment;
- favorable conditions to work therein, climate, organizational culture, policy and relationship;
- appraisal of expected processes and results [15].

Generally, performance management is called method, used to measurement and improvement productivity employees in their workplace. As a system, encompasses a couple of operations, which affect objectives establishment, changes and challenges monitoring, employees' training, motivation system, performance assessment and workforce development [8]. The performance management idea is considered to be one of the most critical and justified conceptions in the context of obtaining high individual likewise organizational effectiveness of management. There's no doubt that creating desired level of efficiency is possible only due to human being, nonetheless merely correct way of management of these resources, apposite flow of information between them and desire of creating individual effectiveness employees are insufficient in order to permanent improvement management system. Total changes in this area can bring out application performance management system only [18].

Procedure of performance management trajectory focuses on several fundamental activities, which are following:

- pinning down performance in regards to predefined all difficulties;
- process of performance planning, taking into development conditions, inputs and outputs, objectives and targets, all organizational operations;
- performance measurement and defining restrictions based on it;
- performance assessment, therein conditions, which has fundamental influence on its standard and facilitators in performance progression;
- abilities development, therein creative skills and capabilities in the area of adequate contributing inputs and changing it to desired results (outputs);
- current monitoring and successive controlling of performance;
- assessment of diverse performance standards and adequate rewarding individual employees [14].

Speaking of problematic this publication, which affects Balanced Scorecard as a performance management method,

essential significance roleplays area of performance measurement, which comprises actual productivity measurement, therefore complex process, where authorized staff perform evaluation of employees' work through measuring and comparison with previous obligatory standards [3]. Literature on the subject treats performance measurement as a set of indicators, using in order to quantitative and qualitative assessment effectiveness and efficiency of organizational functioning [17]. Due to the fact, that Balanced Scorecard is considered to be one of the most popular methods of performance measurement and following on from this performance management, the next part of this publication focuses on this thematic.

### 3. THE BALANCED SCORECARD AS A SPECIFIC OF PERFORMANCE MANAGEMENT SYSTEM

Without regard for place occupied by each kind of organization at the public or private sector level, on the time of numerous economy's challenges and increased competition, they are oriented toward necessary of implementation changes in terms of their management system, and thereby using adequate resources as finance, people, time or knowledge. These conditions in combinations with The Balanced Scorecard rules, are aimed at improvement of organizational performance and obtaining strategic objectives [11].

The most essential significance in the context of The Balanced Scorecard method roleplay vision and strategy, which distinguish it, from traditional performance measurement methods, where the core comprises financial analysis. This approach lets for translating vision and strategy into measurable indicators, and then effective implementation of these components [10].

The Balanced Scorecard enables connection performance measurement system with system of strategy management. Using aforementioned performance measures based on four fundamental perspectives, therein:

- financial perspective – finances activities in the area of vision and organizational objectives realizing. It postulates, that the primary organization's aim is creating profits measured as achievement financial goals [9]. From the shareholders point of view, it is aimed at profitability improvement and risk assessment [4];
- internal processes perspective – this area relates to operations inside of organizations. It is concentrated on products and services evaluation likewise assessment of service parameters, therein quality, time, distribution process, etc. [7];
- customer perspective – focuses on appraisal of customer satisfaction level and their requirements in regards to promulgated products and services by them [12];
- earning and growth perspective – is oriented on competitiveness improvement. This process takes place through using motivational systems, training, coaching [1].

The Balanced Scorecard comprises one of the most essential components in the context of a number of activities conditioned efficacious strategy implementation. In terms of these operations, the most frequently distinguish: <<**mobilization**>>, i. e. arranging changes by managers; <<**strategy translation**>>, which using Balanced Scorecard

and indicators developed on it (objectives, measures, initiatives); <<**organization alignment**>>, which affects adjustment of relationships, business and support entities, cooperator; <<**employee motivation**>>, i. e. application motivational systems, facilitating employees development, training and coaching systems; <<**governance**>>, therein connection strategy operations with planning process, budget establishment, monitoring and evaluating [16].

#### 4. CONCLUSION

The performance management idea is characterized by one major rule, namely that <<**performance can be managed**>>. The same principle affects the Balanced Scorecard method which has created on its basis. These conceptions allows for apposite management in the area of organization by understanding its fundamental elements, which carry a lot of advantages. Among them distinguish:

possibility of qualitative and quantitative goals defining, obtainment of measurable indexes and indicators in order to analysis performing, data accumulating and its assessment and comparison with previous assumptions [19]. In terms of presented contents, there's no doubt that correct and desired functioning each units both at the public as well as private sector level conditions its success on the all sector background. Due to the fact which is multitude changes and challenges of contemporary economy, essential significance roleplays using a number of available possibilities therein methods, techniques and tools of efficiency assessment. The Balanced Scorecard comprises virtual expression of this problematic, therefore should become the most important instrument of condition appraisal in managers hand.

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