

THE USE OF BALANCED SCORECARD IN ASSESSING PUBLIC SERVICE PERFORMANCE

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Abstract: Performance evaluation plays an important role in any organization as an autonomous legal entity with material and human resources, which are needed to achieve its objectives. Since it is a management tool, in order to understand the process of performance evaluation, it is necessary to understand the methodological activities based on the stages, cases, principles, methods, techniques, procedures, and processes, and which are impacted by the behaviour of each member of that organization in order to ensure the achievement of the indicators set by managers, i.e. to guarantee performance. Implementing the Balance Scorecard in public services is important and must start from the challenge related to the performance level, posed to public service managers from the perspective of public service beneficiaries. Evidence has shown inefficient and even lack of transparency concerning the development strategy of a public service related to its beneficiaries. Therefore, the main focus of managers, regardless of their position in the organization, must be on the indicators which assess the degree of satisfaction of public service beneficiaries, employees, the range of procedures, processes, and the dynamics of results.

Keywords: management, assessing public service performance, public services, Balance Scorecard

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1. INTRODUCTION

Each and every organization has its own goals for achieving performance. Performance targets or sets of targets start from setting the performance goals, from what is meant by *performance*, what motivates performance and what is aimed to be assessed as performance. The evolution of performance of an organization involves a plethora of managerial systems, which are designed to implement the necessary measures in order to achieve the set objectives and targets and to ensure effective performance management.

Regardless of the public service size, organizational structure or tutelary authority, the implementation of performance management requires the redesign of the management, decision-making, information, and organizational system by developing strategies, which would lead to performance and operationalize the activity.

The implementation of service management system in all components is subject to the potential of public services to adjust to the competitive market of the private sector, by redesigning the management systems. Obviously, service performance management is closely connected to the public sector managers since they must achieve their objectives and accomplish their tasks, thus constantly striving for performance.

2. PUBLIC SERVICE MOTIVATION: MAIN THEORETICAL ASPECTS

The starting point of the public sector, is the private sector and the tools used to assess public service performance have been implicitly adapted from this sector. Evidence has shown that performance in any sector of activity is one of the main objectives of organizations and of managers implicitly. However, the same criteria, strategies, procedures, and objectives applied to different entities in the same field of activity have shown different results.

Consequently, an entity achieved remarkable results, whereas another one, which applied the same performance principles, failed to achieve success. The comparison made between public and private sector entities regarding the criteria, practices, strategies, methods, and techniques is beneficial to both sides. The entity which achieved performance, would try to develop its strategy in order to maintain and improve performance, whereas the entity which failed to achieve performance, would try to develop a set of indicators to estimate performance.

However, we must point out that assessing performance means conducting a thorough analysis of the environment in which these criteria can be adapted to another organization.

The Balance Scorecard is one of the most widely used tools in management planning, together with Management by Objectives, Quality Function Deployment, Affinity Diagram, Prioritization Matrix, Customer Relationship Management, and which uses objectives, thus providing to managers an overview of the key indicators of the structure they run.

The implementation of the Balance Scorecard in public services is crucial and must start from the public service managers' dissatisfaction with the levels of performance and from the opinion of public service beneficiaries.

Research has shown weak and even lack of transparency in the strategy of developing a public service from the perspective of the beneficiary. Consequently, the main focus of managers, regardless of their position in the organization, must be on the indicators which assess the degree of satisfaction of public service beneficiaries, employees, the range of procedures and processes, and the dynamics of results.

2.1. BALANCE SCORECARD IN PUBLIC SERVICES

The origins of the Balanced Scorecard concept can be traced in several sources. One of the precursors is the Scoreboard, a management tool developed in France. Some French researchers point out that the Balanced Scorecard is similar, to a certain extent, to the Scoreboard, which was invented by the French engineers in the 20th century (Mohsen, 2008). Even if both concepts rely on financial and non-financial performance indicators, there are numerous dissimilarities between them. While the Balanced Scorecard combines financial and non-financial performance indicators and shows the strategic direction of the organization, the Scoreboard is regarded as an operational tool and aims at managing and controlling the production process.

In this respect, the Balanced Scorecard is a tool used in strategic management, and also a management system used by the private sector, by NGOs and the public sector, especially at the national level.

Literature review describes the Balance Scorecard (BSC) as a multidimensional management tool. Initially, the Scorecard (scoreboard) was used in balancing the values and operations in sports such as darts or golf.

Like any other tool, BSC has evolved and has been constantly improved, but its main purpose is still the same; it is a management control system which helps managers evaluate their organization. Furthermore, two system-correlated objectives can be distinguished: updating the strategies and visions and their implementation by

THE USE OF BALANCED SCORECARD IN ASSESSING PUBLIC SERVICE PERFORMANCE

identifying certain operational indicators. The four perspectives/dimensions of the Balance Scorecard are the following: Financial, Customers, Internal Business Processes, and Learning and Growth.

The development of the Balance Scorecard for public services must be based on the development strategies of public authorities, including the strategies of public services as institutions.

The use of this tool in public administration has demonstrated that the main indicators for assessing public services are the financial and less the non-financial indicators. However, the interconnection of the objectives, indicators, and targets is achieved on all managerial levels and results in sets of measures and targets, which are used monitor performance.

Basically, the Balance Scorecard monitors the performance indicators via four perspectives (Kaplan&Norton, 1996)

- a) Financial perspective – shows the creation, development and implementation of the strategy which leads to profit growth, seen mainly from the shareholder's point of view;
- b) Customer perspective – managers identify the customer and market segments in which their organization would compete, analysing how value can be created for customers.
- c) Internal Business Processes Perspective – aims at monitoring the internal business processes which would have the highest impact on customer and shareholder satisfaction.
- d) Learning and Growth Perspective – identifies the infrastructure needed by the organization to improve and develop, aiming at providing an environment which fosters change, innovation, and development.

According to Kaplan&Norton (1996), the Balance Scorecard model considers all the decisional structures of an organization, but the manager is the one who decides how to employ this tool. The model promoted by Kaplan&Norton emphasizes the importance of a pluridimensional vision to assess performance, whereas the managers must set the objectives and specific performance indicators taking into account the organization's vision and strategy.

For a performance assessment system to be regarded as a strategic management system, the indicators must be closely linked to the strategy and to ensure its visibility. The specific indicators of the above-mentioned four perspectives must ensure a balance between the financial and non-financial aspects of performance and between efficiency and effectiveness.

The importance of the Balance Scorecard to public administration and public services is similar to that of companies in the private sector. The internal control size/perspective deals with time, quality, and costs. The profitability size/perspective refers to meeting budgets and managing savings. The customer's size/perspective deals with deadlines for meeting their needs and requirements. The financial dimension refers to the estimated revenues from taxes and fees.

Compared to the private sector, where the main strategic objective of the BSC is to ensure profitability, in the public sector it aims to achieve customer satisfaction, by providing management processes tailored especially to meet customers' needs

As reported by Kaplan&Norton, an adaptation of the BSC elements and adjusted for local public services, has the following scheme:

- Financial perspective – can show the initiation, drawing up, approval and implementation of the budget strategy of the public sector, which is taken over by the decision-making and executive authority if the strategy implementation has an impact on the profitability. The measurable values of this perspective can be the degree of income growth, cost reduction, productivity, and liquidity.
- Internal Business Processes Perspective – can show whether the managers initiated, implemented, and analysed the internal environment, which has the greatest impact on beneficiary satisfaction and decision-

making and executive authority and whose essential elements are quality and cost. The measurable values of this perspective are related to innovation and operational processes and to those dealing with services provided to beneficiaries.

- Learning and Growth Perspective – shows whether and how the organizational structure reacts to the processes of improvement and development and whether it provides an innovation and development based environment, relying on technology, competition, and competitiveness. The measurable values of this perspective must rely on employees' potential, on communication and information systems as well as on innovation.
- Customer/beneficiary perspective – shows whether and how managers identify the beneficiaries of the public sector and the sector segments in which they can compete with the private sector, as well as the analysis and performance creation from the beneficiary perspective. It has the following main elements: *time, quality, performance, and cost*. This perspective plays an important role in determining managers to assess public service performance and to analyse it from the beneficiary perspective. The measurable values of this perspective are those related to services and indicators assessment from the customer perspective (loyalty, satisfaction, attracting new customers, and so on).

The first step to building the Balance Scorecard is setting the strategic objective, which, if it is well-understood and defined, can subsequently lead to strategy representation. The next step after setting objectives is identifying the performance indicators, which will facilitate decision-making in due time and will get an overview of what has been accomplished. In order to set targets, it is highly recommended to conduct thorough research and to take into account the internal and external environment, as well as the strategy indicators to justify the elaborated vision.

The next stage involves the strategic initiatives and their hierarchy and prioritization. The main purpose of this stage is to achieve the objectives and performance. Subsequently, the cycle of the Balance Scorecard's essential elements can be revised, if key performance indicators were not achieved. In this respect, the Balance Scorecard as a performance evaluation system must take into account the non-financial indicators, which assist in the development and modernization of the organization in order to achieve performance (goodwill, high quality, and so on).

2.2. THE USE OF THE BALANCE SCORECARD IN ASSESSING THE PERFORMANCE OF LOCAL PUBLIC SERVICE

The management must consider the following aspects for a local public service to be successful and to achieve performance:

- The development strategy, which sets the real objectives clearly and concisely;
- Current and estimated economic analyses, which are connected with the concrete objectives;
- Through research into the sector which is served by the local public services, i.e., citizens, customers, stakeholders, and taxpayers, who benefit from the local public services;
- Implementing and carrying out the internal processes and procedures, which facilitate the supply of local public service both at managerial and execution level;
- Competencies, responsibilities, duties, and skills of the staff who are directly or indirectly involved in providing local public services.

This concept is based on financial and non-financial objectives and the influence of internal and external factors, which have a great impact on long, medium and short term as well as on the management and executors indicators.

Table 1. BSC Perspectives for an administrative service

PERSPECTIVE	INDICATORS	Results		
		Minimum Value	Maximum Value	Real Value
Financial	1. rate of collecting local taxes and fees	40%	100%	78%
	2. rate of attracting funds from the local budget	0	100%	65%

THE USE OF BALANCED SCORECARD IN ASSESSING PUBLIC SERVICE PERFORMANCE

PERSPECTIVE	INDICATORS	Results		
	3. degree of digitalisation of administrative services	0	100%	32%
	4. share of salaries out of total expenses	0	10	2
	5. rate of subsidies for the services provided to disadvantaged groups	0	100%	43,72%
Customers / citizens / taxpayers	1. level of citizens' satisfaction with the quality of administrative services	0	100%	64,1%
	2. level of positive responses to complaints filed by citizens	0	100%	3,99%
	3. implementation rate of citizens' suggestions	0	100%	31,14%
	4. degree of appreciation regarding communication with administrative services	0	100%	35%
	5. reduction rate of resolution time for customers	0	100%	33,9%
Internal Business Processes	1. Degree of digitalization of administrative services	0	100%	87%
	2. Employees level of satisfaction with internal communication	0	100%	40%
	3. Rate of improvement in the infrastructure related to local public services	0	100%	82,79%
	4. Transparency level of internal procedures	0	100%	53.53%
	5. Implementation rate of management systems standards	0	100%	85%
Innovation/ Learning/ Development	1. Degree of employees enrolment in vocational programs over the last 5 years	0	100%	28,33%
	2. Loyalty rate of local public services employees	0	100%	31,08%
	3. Rate of modernizing the IT&C equipment	0	100%	62%
	4. Duration of implementing the investment projects	24 months	60 months	48 months
	5. Rate of implementing citizens' requests in the annual public investment	0	100%	26,86%

Source: authors' calculations

Managers must be constantly concerned with the accomplishment of public service performance in order to align public services with the new management concepts and to meet the requirements of modern management standards. Moreover, they must also take into account the feedback given by citizens, employees, suppliers, tutelary authority, and community, as the public service beneficiaries.

1. Financial Perspective

The following five relevant key performance indicators were taken into account for this perspective:

- rate of collecting local taxes and fees;
- rate of attracting funds from the local budget;
- degree of digitalisation of administrative services at the point of costs;
- share of salaries out of total expenses;
- rate of subsidies for the services provided to disadvantaged groups.

In order to analyse the first performance indicator, i.e., *the rate of collecting local taxes and fees*, the research we conducted showed a high level of performance of 63.33%, starting from the real value of the indicator, the end of the assessed period, and the projected evolution margin of the indicator, according to correlation table, within the context of applying the optimization function based on maximizing this indicator.

We believe that a modern and efficient tax administration, which is constantly adjusting to the changes in the legislative framework and complying with the requirements of the business environment and of the community, must always be in pursuit of solutions to increase the performance of this indicator.

Regarding the second indicator, the *rate of attracting funds from the local budget*, the level of performance is 65% by applying the maximizing function based on the linear evolution of the indicator. The increase in the rate of attracting funds from the local budget can be accomplished by the local authority focusing on the local public services which are considered useful.

The third indicator of this perspective focuses on *the degree of digitalisation of administrative services*. In this case, the performance index is rather low (32%) compared with the expectations of the decision-making factors of the Regional General Directorate of Public Finances. These empirical findings are correlated with a report drawn up by the Digital Economy and Society Index (DESI), which shows that the average degree of digitalization of town halls in Romania is of only 32.3%, according to the following press release: https://economie.hotnews.ro/stiri-finante_banci-24459381-gradul-mediu-digitalizare-primariilor-din-România-este-32-3-studiu.htm

In order to determine the performance index for the *share of salaries out of total expenses*, the optimization function based on minimization was applied and the resultant value was of 16.67%.

By choosing the method of optimization through minimization, the result was a strictly economic perspective, oriented towards cost reduction. However, a managerial vision oriented towards employee motivation via incentives could influence the maximization of this indicator.

Regarding the rate of subsidies for the services provided to disadvantaged groups, the maximization function resulted in a performance index of 43.72%. The impact of this indicator on the financial perspective is considerable and shows an average probability of occurrence. The social inclusion of disadvantaged people must be based on an action plan oriented toward maximizing this indicator.

The performance of the financial perspective (44.14%) determined as an average of the performance indexes of the five indicators is considered average. We notice that the impact of the five indicators on the performance of the financial perspective is different. Thus, the *rate of collecting local taxes and fees* and *rate of attracting funds from the local budget* have a significant impact, whereas the *share of salaries out of total expenses*, has the smallest impact on performance.

2. Citizen/Taxpayer/Customer Perspective

This perspective relies on the following five relevant indicators and on practical perception:

- Level of citizens' satisfaction with the quality of administrative services;
- Level of positive responses to citizens' complaints;
- implementation rate of citizens' suggestions;
- Degree of appreciation regarding communication with administrative services;
- Reduction rate of resolution time for customers.

After analysing the *level of citizens' satisfaction with the quality of administrative services* indicator, the result we obtained was of 64.10%, which is rather high and which can be evaluated as satisfactory compared to the other four factors taken into account for this perspective, placed in the red zone (of alert) of the Balanced Scorecard Designer software. The digital transformation of the local public services and the staff proactive attitude regarding the direct and indirect relationship with the citizens are the premises for increasing the performance of this time indicator.

To determine the performance index of the following indicator - *Level of positive responses to citizens' complaints*; we maximized the optimization function, which resulted in a value of 33.99%. Therefore, the performance index of this indicator is low and uncorrelated with the previous one, which shows a high degree of taxpayers' satisfaction.

The performance index of the indicator related to the *implementation rate of citizens' suggestions* obtained a low result (31.14%), which shows that local public service providers are less interested in developing a strategy based on the citizens' feedback, which would improve the quality of their services.

After we maximized the optimization function of the indicator related to the *degree of appreciation regarding communication with administrative services*, the result we obtained was of only 35%, which shows some problems in communication with the local authorities and with citizens, which may have medium and long-term effects.

The last indicator included in this perspective, related to the *reduction rate of resolution time for customers*, reveals the unsatisfactory performance of public institutions (33.90%), unable to implement digitalisation-based solutions in a short time, which would definitely diminish the wait time in handling customers/citizens' complaints. The performance of this perspective is rather low of 39.63%. However, very low values can be seen in the case of the four indicators related to the taxpayers' perspective, uncorrelated with their rather high level of satisfaction regarding the services they benefit from.

3. Internal Business Process Perspective

The five indicators included in the internal business process perspective are the following:

- digitalization degree of administrative services;
- Employees level of satisfaction with internal communication;
- Rate of improvement in the infrastructure related to local public services;
- Transparency level of internal procedures;
- Implementation rate of management systems standards.

Regarding the *digitalization degree of administrative services* indicator, we notice an extremely high performance index of 87%, which is not, however, fully exploited as a result of the lack of communication channels with technology-challenged people.

The next performance indicator, dealing with *employees' level of satisfaction with internal communication*, got a performance index of 40%, which requires a rethinking of the communication strategy of public institutions not only internally but also externally, as this aspect obtained a low performance index as well.

The high level of performance associated with the following indicator - *rate of improvement in the infrastructure related to local public services* – 82.79%, is mainly due to massive investments in the infrastructure in recent years, funded both by the government and by the European Union.

The following performance indicator - *transparency level of internal procedures* – obtained an average performance index of 53.53%, therefore, constant changes in the internal business processes are required to make process activities transparent for the benefit of citizens/ taxpayers/customers.

The last indicator included in this perspective - *the implementation rate of management systems standards*, shows a high performance of the local public sector – 85%, demonstrating the managers and tutelary authority's concern to continuously develop management systems and standards for local public services. The performance of the internal business process perspective (69.66%) can be rated as high.

4. Innovation, learning and growth perspective

The performance indicators included in the fourth perspective are the following:

- Degree of employees enrolment in vocational programs over the last 5 years;
- Loyalty rate of local public services employees;
- Rate of modernizing the IT&C equipment;
- Duration of investment projects implementation;
- Rate of implementing citizens' requests in the annual public investment.

The indicator related to the *degree of employees enrolment in vocational programs over the last 5 years*, obtained a low value – 28.33%, as a result of the optimization function. This aspect points out the necessity to revisit the training courses, which are available to employees.

Also, the indicator - *loyalty rate of local public services employees* – got a low performance index of 31.08%. In this case, the internal marketing programs can become a viable solution to local public services, in an attempt to increase the performance related to this particular indicator.

The next indicator - *rate of modernizing the IT&C equipment*, obtained a high performance index of 62%, taking into account the fact that the digital transformation of activities required massive investments in upgrading the existing IT system.

To the following indicator - *duration of investment projects implementation* – the optimization function based on minimization was applied. Consequently, the result was a performance index of only 33.333%, which requires a managerial adaptation in investment projects.

The last indicator included in this perspective, related to the *rate of implementing citizens' requests in the annual public investment*, shows a rather low performance (26.86%), thus requiring a revise of the citizens/taxpayers/customers role played in the managerial strategies of the local public services.

In conclusion, the global performance of the performance indicators system (47.44%) is determined as an average of the perspectives performance. It is regarded as average as it is close to the median threshold of 50%.

One of the most important aspects of the Balanced Scorecard methodology is the use of strategy maps in order to visualize and communicate how value is created by an organization. A strategy map is a graphical representation which shows a logical connection, a cause-and-effect relationship between the strategic objectives and key performance indicators. This strategy map maintains a strong focus on the strategy and on results, improving organizational performance by assessing relevant aspects and envisaging components for future performance. In the present study, the strategy map aims at assessing the impact of certain measures on digitalizing services provided to citizens/taxpayers/customers.

CONCLUSIONS

A conclusion which can be drawn from our research is that the Balanced Scorecard Designer software provides a reliable framework for building and communicating the strategies of public institutions. The Organizational Development Model is seen as a strategy map, which helps managers to envisage the cause-and-effect relationships between various strategic objectives. The process of creating a strategy map ensures that an agreement is maintained on a set of interdependent strategic objectives.

The performance of local public services is a long-term objective of managerial strategies and policies, which involves a wide range of activities, from planning to assessing objectives, subject to the stages of public management strategies, based on the financial and evaluation dimension. In this context, performance becomes a tool, which can be impacted by the modelling processes with items which can result in qualitative and quantitative improvement.

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