THE IMPLEMENTATION PROCESS OF BALANCED SCORECARD OF A TRAINING COMPANY

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Purpose: The Balanced Scorecard is a useful tool for implementation and monitoring of the strategy in a training company. The article aims to present the main aspects of the process of implementation of this strategic method in a business practice. The theoretical part of the article discusses both the essence and the four key areas of Balanced Scorecard: internal development and innovation, internal processes, client and finance. The practical part of article focuses mainly on the process of implementation of Balanced Scorecard in a training company, including the description of the Balanced Scorecard implementation stages in an enterprise providing training services. The study also contains a specification of indicators to measure the achievement level of strategic objectives.

Design/methodology/approach: The author of the article used research methods: literature review as well as case study based on her own observations and experiences while working as a trainer and business consultant in project teams.

Findings: Guidelines for using the Balanced Scorecard in a training company, as well as sample indicators to measure the strategic results.

Originality/value: The article may be useful for managers (and all the people responsible for management processes) of training companies who are looking for methods to measure strategic goals.

Keywords: Balanced Scorecard, a training company, the process of implementation of Balanced Scorecard.

Category of the paper: literature review, case study.

1. Introduction

Nowadays more and more training enterprises operating in a turbulently changing environment are trying to flexibly adapt their strategy to the expectations of diverse groups of stakeholders. Thus, theirs managers are looking for strategic tools that will simplify the processes of implementation and control of strategic options. Balanced Scorecard is an example

of such a tool, a significant signpost of a strategic implementation of the crucial goals in everyday company performance.

The aim of the article is to outline the essence and areas of the Balanced Scorecard for the training company, including highlighting the process of implementation of this tool in business practice. The author of the article uses the following research methods: literature review in the theoretical part; the practical part is based on author's experience in the process of implementation and construction of the Balanced Scorecard for enterprises in the training sector.

1. The theoretical background of Balanced Scorecard – the essence and the areas of a strategic tool

The Balanced Scorecard, constructed by Robert S. Kaplan and David P. Norton, is a modern strategy implementation tool that facilitates translation of the company's vision, mission and strategy into operational goals for individual organizational units and employees, indicating appropriate measures of these goals, and providing full and complete information on the current situation of the company (based on financial indicators and operational measures). It can therefore be said that it is a kind of a bridge between the strategy and its implementation. It allows the strategic planner to include all the employees to develop strategies, to use their knowledge, experience and initiatives (Pierścionek, 2003).

The Balanced Scorecard can be described as a management philosophy supporting the implementation of the strategy by: formulating the strategic goals; a system of measures of the effectiveness of activities and expected values of these measures and strategic initiatives taken in the event of deviations; linking every goal and measure with the expected financial result (Olszewska, 2008, p. 238).

Using a set of measures individually matched to each process and for each employee enables to monitor the implementation of tasks related to strategic goals on an ongoing basis. Consequently, the concept of the Balanced Scorecard fills the gap existing in management systems, consisting of a lack of consistency and regularity in the process of strategy implementation.

A properly prepared Balanced Scorecard should contain: causal relationships (each target should be in the cause-and-effect chain of the company's strategy); connection with financial results (each goal should lead to a specific financial result); the factor of future success (the card should contain not only financial measures but also indicators of future success and efficiency improvement); measures to stimulate change according to certain procedures, behaviours and processes (Olszewska, 2008, p. 238).

Balanced Scorecard is more than just a system of measuring operational efficiency. Innovative enterprises use this tool as a strategic management system, supporting the implementation of the strategy in the long term. They use the system for measuring the efficiency of the BSC (abbreviation of Balanced Scorecard) in the following key management processes: developing vision and strategy; explaining strategic goals and measures and their integration with management systems; planning, setting goals and undertaking strategic initiatives; improving systems for monitoring the implementation of the organization's strategy and learning areas (Kaplan, Norton, 2001, p. 29).

The Scorecard defines the decisive factors for the effectiveness of strategy implementation from four points of view, reflecting the key aspects affecting future success, which include:

1. Financial perspective, which focuses on: monitoring the measurable, economic effects of past activities, as well as evaluating the impact of current activities on future effects and profits.

2. Customer perspective, which allows strategic planner to look at the organization through the eyes of the customer. Factors such as the level of service quality and customer satisfaction can be taken into account in this perspective.

3. The perspective of internal processes, which allows for linking operational and innovative processes with the company's strategy and for assessing the effectiveness of these processes using performance indicators, costs, quality improvement or the number of missing items, etc.

4. The perspective of development and innovation concerns the company's infrastructure and employee training, allowing the assessment of intellectual capital management from the point of view of future challenges. This perspective includes: innovation indicators, expenditures on training (development) of employees, access to strategic information and information technologies (Olszewska, 2008, pp. 238-239).

The picture of each of the above areas is a set of certain measures/indicators. Balanced Scorecard is a measurement method that includes both an internal and external perspective, taking into account financial and non-financial measures as well as past, present and future goals. Each 'card' of the BSC represents one observed area. It is worth noting that the Balanced Scorecard provides some measurement-related capabilities that other strategic tools do not provide: direct connection of financial and non-financial value stimulators (profits, margins and revenues on the one hand, as well as customer satisfaction and employee competences, on the other); translating a vision into more feasible, realistic and concrete results-driven goals; the ability to define the status of the company at any time; built-in causal relationship that helps shape the e-business strategy; a sufficient number of stimulators and measures of results; the ability to communicate strategy throughout the company and to bind individual goals to the overall company strategy (Tiwana, 2003, pp. 349-350).
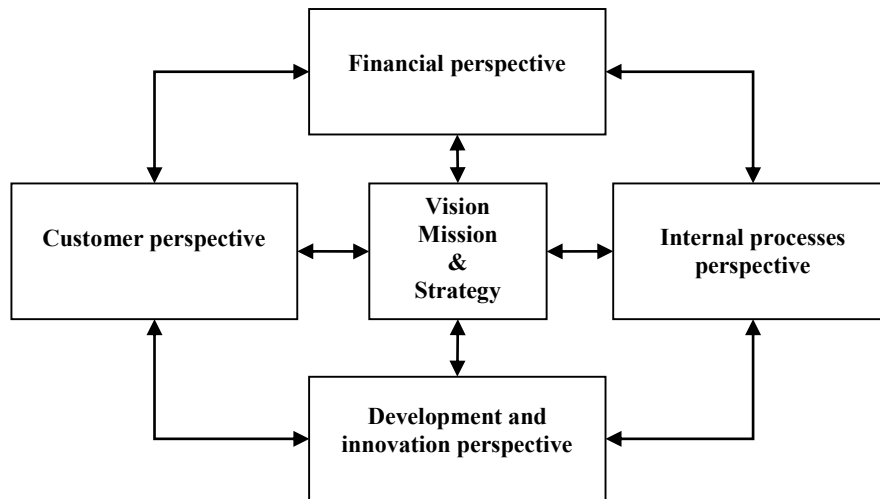
Figure 1. The diagram of Balanced Scorecard. Adapted from 'Strategiczna Karta Wyników. Jak przełożyć strategię na działanie' by R.S. Kaplan and D.P. Norton. Copyright 2001 by PWN.

The type and number of areas covered in the Balanced Scorecard is a matter of choice. There are four areas in the original model, but nothing stands in the way of adding more (Kaplan, Norton, 2011). The experts creating Balanced Scorecard, however, should have in mind to not exceed seven areas to avoid information overload and dealing with less important ones. It is worth noting that creating personalized Balanced Scorecard is not easy. There is also relatively limited possibility of some modelling on other companies where they are also used (Tiwana, 2003, p. 351). Unfortunately, an individual approach is often used in order to construct Balanced Scorecard in business practice, based on the method of trial and error in developing own solutions, often giving rise to the need to involve employees at all levels in the company.

The basic factors describing each of the perspectives included in the card are: general objectives of the company to be achieved in the long term; specific objectives of the business unit and measures of these goals, specified in a specific norm; milestones and sub-objectives of the organizational unit to be met in the next financial year; initiatives related to the implementation of set goals; determination of responsibility for the implementation of each of the initiatives and general goals and partial objectives included in the strategy (Fałek, 2011).

2. Implementing the Balanced Scorecard for a training company

The process of implementing the Balanced Scorecard in a training company is not fundamentally different from the implementation process of this tool in other sectors. According to Kaplan and Norton thesis, the implementation of the Balanced Scorecard in a training company can be described in four steps (Kaplan, Norton, 2001):

- Stage 1 is the explanation of the Balanced Scorecard and at the same time the strategy to the company's employees. The main activities in this stage include: information and education programs for employees, goal setting programs and linking the objectives with the incentive system.

- Stage 2 includes integrated strategic planning and operational budgeting as well as target setting. Activities of this stage include: setting ambitious goals accepted by employees and in all perspectives of the Balanced Scorecard; definition of strategic initiatives that are mostly developmental objectives necessary for the implementation of ambitious goals; identification of key initiatives for the entire enterprise and linking the process of allocating resources with the strategy by translating strategic plans into annual budgets.

- Stage 3 is monitoring the implementation of the strategy and learning, which includes: a strategic management system for presenting the strategy and enabling employees to understand how their activities contribute to the success of the company's strategy; the process of controlling the implementation of the strategy, gathering information on the effectiveness of strategy implementation and enabling testing hypotheses about cause and effect relationships between strategic goals and initiatives and the group process of solving strategic problems by analysing performance and learning measures, and then adjusting strategies to new conditions.

- Stage 4 is to refine the vision, mission and strategy associated with treating the strategy as a reference point for the entire management process and the perception of a shared vision as the basis of strategic learning.

In practical terms, the implementation of Balanced Scorecard can be simplified to several steps. The first step in implementing the BSC is to establish with the management of the training company the purpose of its implementation. After agreeing the implementation goal, the organization's board should appoint the project leader responsible for the architecture of the scorecard. Most often, the leader becomes the strategy and development director or financial director. The work of the Balanced Scorecard Architect is often supported by external consultants. In fact, the simpler the organizational structure of the company, the easier a process of implementation of Balanced Scorecard. In most large enterprises it is not possible to quickly implement BSC in the entire organization. Therefore, the architect should, in consultation with the management board, select the organizational unit in which the BSC will be implemented first. The initial introductory unit for implementing the card should give the opportunity to determine its financial results (at the level of a large corporation, such an entity may be, for example, a branch of one of the group's companies). The next step of the leader responsible for implementation should be to identify the relationships and relations of the selected pre-unit with other company units (clients, processes, competencies) and the entire company, as well as to set its financial goals and the company's overarching goals. The architect then systematizes the information on the company's strategy and the BSC methodology. The methodology of the Balanced Scorecard is a standard describing how to achieve the set of strategic goals. In order

to define them in detail, the BSC architect conducts interviews with the trainers/key managers of the group and the selected entity and collects the required information, by the way bringing the ideas of the strategic scorecard closer to colleagues. These activities should enable the creation of an initial list of objectives and measures. Subsequently, the project teams appointed by the management assigned to each of the four BSC perspectives should analyse the further process of agreeing on the factors that make up the strategic scorecard. The work of these teams should lead to a detailed determination of the measures included in the scorecard and create a schedule enabling achievement of the identified and formulated strategic goals (Fałek, 2011).

The implementation of the Balanced Scorecard requires the use of IT tools that provide the management with information about the strategy and automate the card reporting process. Each card contains a large amount of information that comes from various sources and databases. Depending on the number of cards in the organization, current data collection and reporting can become an extremely labour-intensive process requiring automation. Currently, many software packages are available on the market to support the creation and reporting of the strategic scorecard. Initially, not many of them allowed to support both processes at the same time. Most of them were tools that only allowed reporting information about the performance of measures in a simple layout of the four perspectives of the scorecard. Such limited functionality is usually not enough. Software supporting the reporting of the BSC should provide current access to the database containing information on goals, measures and strategic actions describing the company's strategy. As part of the analysis of the results, it is necessary to refer to the description of the links between the objectives, to properly interpret the deviations of results and draw the right conclusions for the future. This is an indispensable element of the process of monitoring the implementation of the organization's strategy and learning (Kaplan, Norton, 2001).

The market offer in the field of software supporting the implementation and use of the Balanced Scorecard is constantly evolving. Currently, analytical applications packages, mainly of leading IT companies, are available on the Polish market of software supporting this tool. Among the more known and available software packages in Poland supporting the reporting of the strategic scorecard, we can list: CorVu, ADOscore, Hyperion Perfomance Management, SAS Balanced Scorecard, SAP Strategic Perfomance Management, Oracle Balanced Scorecard, OROS Scorecard.

Opinions are often found that express the belief that BSC is a method designed exclusively for large companies and should not be used in small and medium-sized enterprises. This statement, however, is not true, because BSC is easier to implement in smaller than larger enterprises. The correct construction and implementation of BSC in a large enterprise is quite a long process (usually it takes about 2-3 years, the implementation of the card usually takes about 16 weeks), but usually leads to the creation of an integrated management system in the organization. In smaller companies (micro and small) implementation of Balanced Scorecard costs less and lasts shorter, and is easier to communicate among employees.

3. Creating indicators of the Balanced Scorecard for a training company

The implementation of the Balanced Scorecard as a strategic management instrument is a multi-phase and long-term process. The exact process of the implementation of the BSC depends both on the specification of the company providing training services and on the market segment on which it operates. The main goal of each training company is to achieve the highest possible growth rate and the ability to adapt flexibly to dynamically changing customer needs. It should be mentioned that the detailed strategic objectives as well as the objective measures assigned to them may differ substantially, quantitatively and qualitatively, in relation to particular training companies, their specificity of functioning and the current market situation.

Table 1 presents an example of a Balanced Scorecard for a training company. Its main elements are: strategic goals in each of the perspectives, exemplary measures of these goals and planned and current results. In the perspective of internal development and innovation, listed strategic goals have been formulated: development of the training company offer and development of training programs for trainers. The main objectives of the internal processes perspective assume: the development of a new website and the use of social media portals. The perspective of customer relations puts a special emphasis on increasing the number and satisfaction of both regular and new customers. The whole of the above activities are to contribute to the increase in revenues from the sale of training services in the financial perspective.

Table 1.
An example of indicators of Balanced Scorecard for a training company

Goal	Indicator	Planned result	Current result
Area: perspective of development and innovation			
Development of the training company offer	Development of a customer relationship management strategy	A new document of a strategy until 30/06/2019	
	Inclusion of potential clients – service recipients in the co-creation of training services	>50% training products co-created by customers every year	
	Establishing cooperation with new trainers	> 5 new trainers a year	
	Introduction of new trainings to the offer	> 5 new trainings a year	
Development of training programs for trainers	Number of trainings held by trainers covered by the professional skills improvement program	- minimum 4 trainings per year for each trainer	
	Number of trainers ending the above training	=100% of the total	
	Number of trainers ending the above training with a good and very good results	> 75% of the total	

Area: perspective of internal processes			
Development of a new website by a newly employed IT specialist.	Number of new visits to the site	>50 visits per week	
Using social networks (Facebook) to contact customers	Number of Facebook likes	> 25 likes under 80% of total posts	
Area: perspective of customer			
New customers	Number of new individual customers	>150 per year	
	Number of new business customers	>25 per year	
Regular customers	Number of regular customers	> 25% of a total	
	Increase in the number of regular customers	>10% of a total per annum	
The level of customer satisfaction	The average assessment of a standard training (in the offer for over one year)	> 4 (on a scale from 0 to 5)	
	Average rating of new trainings	> 3.5 (on a scale from 0 to 5)	
	Average grade of the trainer	> 4 (on a scale from 0 to 5)	
Area: perspective of finance			
Improvement of financial results	Increasing sales revenues from standard training services	> 10% per annum	
	Increasing sales revenues from new trainings	> 5% per annum	

Source: own study.

The above-mentioned Balanced Scorecard is developed for the entire enterprise. It can be translated into objective cards for individual company departments or individual goals cards for each employee – trainer. Goal cascading or objective cascading relates to the process of communicating and assigning goals downwards through the organisational hierarchy. The system starts with executives, who define strategic performance goals in relation to the organisation's objectives. These goals are then cascaded down to the next level of management who set their objectives for their divisions against these goals. In the process of designing a goal card, as in the construction of the Balanced Scorecard, those responsible for analysing each of the perspectives should set strategic and detailed goals and measures of these goals, as well as the initiatives and responsibilities associated with them. Initiatives and related tasks that should be performed by the department/employee of the company should be assigned to individual organizational departments/employees. The measures included in the card related to the implementation of strategic goals should relate to the measurement of past events – indicators of the past, as well as factors determining the future success of the company – future indicators (Fałek, 2011).

Table 2 presents the process of goal cascading – the sample card of goals for the training company X, department Y and trainer Z in the financial perspective.

Table 2.
A sample card of goal in the financial perspective in a training company

Training company X					
Strategic goals	**Measures**	**Period**	**Specific objectives**	**Initiatives**	**Responsibility**
Improvement of financial results of a training company	Value of the volume of revenues generated by the whole training company	2 years	Increase in sales revenues by 10% per annum	-increase in the number of trainings -improving the quality of trainings	Manager/Owner of company X
Department Y of a company					
Tactical goals	**Measures**	**Period**	**Specific objectives**	**Initiatives**	**Responsibility**
Improvement of financial results of a department Y	Value of the volume of revenues generated by department Y	1 year	Increase in sales revenues by 15% per annum	-increase in the number of trainings -improving the quality of trainings	Director of Department Y
Trainer Z					
Operational goals	**Measures**	**Period**	**Specific objectives**	**Initiatives**	**Responsibility**
Improvement of financial results of Trainer Z	Value of the volume of revenues generated by the trainer Z	3 months	Increase in sales revenues by 15-20% per month	-increase in the number of training (creating the individual schedule of trainings every month) -improving the quality of trainings (participation in trainings: 2-3 trainings for each trainer per quarter; evaluation of each conducted training)	Trainer Z

Source: own study.

Summarizing the assumptions of the Balanced Scorecard: the planned operational objectives in the financial perspective should enhance the implementation of the tactical goals in that perspective and thus contribute to the achievement of strategic objectives in this area for the entire enterprise providing training services.

Conclusions

The Balanced Scorecard is a strategic tool for implementation and monitoring of the training company's strategy. Basically, it consists of four perspectives: internal development and innovation, internal processes, client and finance. An important advantage of BSC is a wide spectrum of possibilities in terms of formulating perspectives and selection of measures allowing to assess the degree of implementation of the strategic goals of the training company. This allows strategic planner to create an individual, 'tailor-made' tool for the training company, adapted to its specifications and needs.

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