

METHODOLOGICAL AND PRACTICAL ASPECTS OF DEVELOPING A BALANCED SCORECARD ON AN INNOVATIVE BASIS

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Abstract. *This article examines a new approach to implementation of a balanced scoreboard (BSC) in Moldova using innovations, allowing identifying a number of effectiveness parameters and their optimal values. The BSC is an important tool and a possibility for timely intervention influencing the process of achieving high results in business environments.*

Keywords: *balanced scorecard, methodology, innovations, marketing, strategy, innovations.*

JEL CLASSIFICATION: M10

INTRODUCTION

A traditional approach to an enterprise as an algorithm for increasing turnover of sale of goods and generation of profits currently becomes irrelevant.

Relevance of the topic is conditioned by the fact that development of a new enterprise management system in the conditions of fierce competition in the markets and a new economic crisis requires introduction of corrective methods and actions in the methodology of enterprise performance evaluation.

Insufficient attention to the balanced scorecard (BSC) is observed in the Republic of Moldova; and it is a process that is not entirely understood. This is due to the fact that while solving a problem there is uncertainty with selection of performance indicators and identification of optimal values of these indicators. This article discusses an approach to solving this problem in connection with application of innovations, which allow for identifying both a number of effectiveness parameters and their optimal values at enterprises in the RM under the current economic conditions. The purpose of this work is to study theoretical and practical aspects associated with possibilities of their development and implementation at enterprises.

In order to achieve that goal, the following issues have to be resolved:

- To explore key concepts in the world practice of the balanced scorecard;
- To analyze all sorts of viewpoints on the topic in question;
- To study key BSC indicators and to systematize them;
- To determine ways for implementing the system;
- To draw conclusions and recommendations on developing the system based on the principles of balance in the rapidly changing business environment.

THEORETICAL ASPECTS AND METHODOLOGY OF BSC RESEARCH

A balanced scorecard provides to a manager a tool and a possibility for timely intervention and exercising influence on the process of achieving high results under harsh conditions of fierce competition. That is why it is vitally important for managers and staff members to understand goals, strategies, tasks and methods for achieving them. The methodology establishes the relationship between theoretical and practical aspects of strategic planning of the enterprise. The balanced scorecard envisions analysis of strategies through the prism of a comprehensive system of evaluating all types of activities in the company. It gives answers to four most important questions:

- How do shareholders see the enterprise?
- How do customers assess the enterprise?
- What in-house business-processes require improvement?
- What ways could provide for achieving optimizing enterprise operation?

The composition and structure of the balanced scorecard is shown on Figure 1.

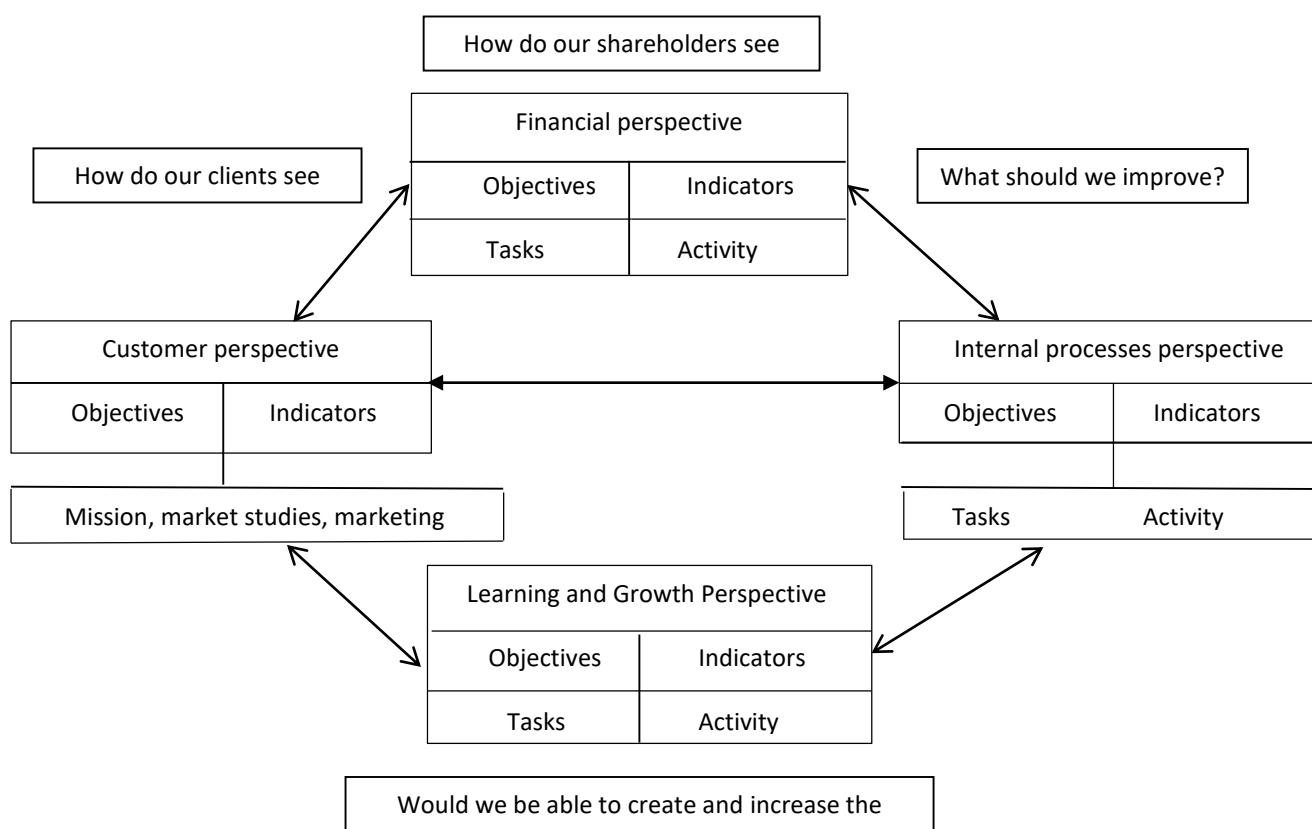


Figure 1. Key elements of the BSC [1,p.17]

In the context of the BSC, one can answer the question: How to create and develop new goods or services. Realization and implementation of this process should become one of the most purposes of any entrepreneur in order to achieve success in the long-term perspective. The BSC envisions investments in personnel education and development, enhancement of the technological process on the basis of establishing close relationship between strategic objectives of the enterprise and current in-house operations [1,2,3].

The BSC gives answers to 4 key and main aspects of enterprise functioning: evaluation of the enterprise by shareholders, customers, assessment of in-house business processes, personnel training and growth [2].

Therefore, it is very important to pay attention to the following provisions when reorganizing the main strategy of the enterprise. Implementation and use of the balanced scorecard is directly related to implementation of the enterprise strategies [7,p.35]. The BSC should be viewed not only as a scorecard, but also as a comprehensive business-organization management system. BSC researchers focus their attention on the fact that the balanced scorecard is used to change flow of processes in the organization in order to achieve success-oriented successful operations of the enterprise in the long-term perspective. The balanced scorecard program should begin with recognition of the fact that it is not a "metrology" kind of project, but rather a change-driven project [4,6].

PRESENTATION OF THE RESEARCH RESULTS

Development of the BSC on the innovation basis consists of four stages the compliance with which is recommended for enterprises functioning in the RM that I studied and that are subjects of the present research: "Sonaris" SRL, "ED-Color" SRL, "Montatorul" SRL, "Creit" SRL, "Copperhand" SRL, "Vinum" SRL, "Sanflo" SRL, "Zerododici" SRL.

The main stages of the research are:

1. Integration of the BSC into the managerial process by means of transforming perspective plans and strategies into a set of goals and activities.
2. Setting goals and objectives, aligning, coordination, providing for communication from the highest management level to auxiliary positions.
3. Planning of activities, formation of tasks, timing and allocation of resources.
4. The feedback response and research consist of testing the theoretical basis of the strategy and adapting it based on the obtained information and indicators [3, C.58].

In distinguishing the stages mentioned above, we were guided by works of Robert S. Kaplan, David P. Norton, M. Sonders. Practical application of the balanced scorecard is recommended to be used at the studied enterprises. In my opinion, the following represent the strengths:

- The BSC is a strategy implementation tool that allows for comprehensive investigation of a firm and evaluation of relevance of the functioning strategy.
- The BSC could be used to manage the process of enterprise value increase.
- The BSC is a tool for informing external customers.
- The BSC could be used to clarify the formulated strategy.
- Creation and maintenance of the platform for collecting information, evaluation and analysis of indicators.

Application of the BSC at investigated enterprises consists of several stages: identification and determining the problem, elaboration of strategic goals, finding ways for implementing, implementation, and analysis of BSC functioning. For example, as for the financial aspect, a conflict of interest arises between increase of the value of the enterprise or income, and as for clients – price and quality. In addition, difficulties that domestic organizations face include collection and automation of indicators that the balanced scorecard requires.

The balanced scorecard at the studied enterprises is capable of integrating not only strategic and operational areas of the company, but it also encompasses the whole system to promote the

strategy at all levels of the business-organization. Based on the sequence of actions, the BSC allows deciding on the choice of ways for implementing the strategy, orienting top managers to training and communication over the complete hierarchical chain of the organization.

In the current reality of COVID-19 pandemic, those who use innovation approaches to business-processes were able to quickly re-orient and preserve their profitability. "Vinum" SRL is a manufacturer of high-quality wine, using the BSC methodology it started to communicate very actively with its clients via the website, Facebook, Instagram, Telegram and began to deliver to the client's address. It allowed the management team to get to know their clients better, to learn about their preferences, understand the segment and adjust upcoming plans, objectives, events.

"Sanflo" SRL is a company that develops concepts, organizes and decorates various entertainment events. The company realigned its activities towards manufacturing of light fixtures, night lamps, pictures and other home décor items. It intensified activities related to delivery of goods to home, office and outdoors. In addition, they started communicating with customers via social media: Facebook и Instagram. After studying the customer base, a decision was made to open a showroom for those who need a consultation, and where one could see the whole product range in details.

"Zerododici" SRL is involved in wholesale and retail trade in clothes, footwear, leather goods for children, women and men and it activated functioning of the website and direct marketing.

Not all companies from the studied sample were able to navigate under force majeure circumstances. While analyzing the whole range of organization management system-related problems typical for Moldovan business-organizations, comparative analysis of domestic companies operations and that of organizations from developed countries, makes it possible to draw the following conclusions:

- Functional analysis in business organization management does not have comprehensive understanding of process interaction and does not guarantee sustainable development and operation of the company in the context of rapidly changing reality;
- Administrations of organizations do not maintain systematized management process and it is typical for them not to improve the business-process.
- Lack of comprehensive process vision does not allow making up-to-date decisions in marketing issues, strategic management, incentives for the staff, managing costs and quality.
- Work on complex approach to functioning of all operating spheres of business entities is not being improved sufficiently.
- Enterprise computing needs to be upgraded.
- Due to underestimation of the BSC strategic approach, there are problems with perception of the relevance of this model in future periods. Top managers do not accept implementation of this system. Relevance is not perceived, there is no motivation.
- Substantiation of production parameters, characteristics and technologies requires comprehensive development.

Experience of the implementing the balanced scorecard in functioning of domestic companies allows for speeding up managers' response to changes in the external and internal environment, enhancing flexibility of the enterprise, focusing on analysis and forecasting of the future.

RECOMMENDATIONS

1. In my opinion, enterprises that function in the Republic of Moldova, in order to achieve efficiency, effectiveness and competitiveness should develop and use the BSC. Application of this system would allow Moldovan companies to ensure their development due to balanced approach to all four elements that are being analyzed in this article.

2. It could make sense for managers and employees of the enterprises studied in the framework of this publication to pay attention to improving financial, marketing components, as well as in-house processes and human resource management.

3. For enterprises "Vinum" SRL, "Zerododici" SRL, "Copperhand" SRL, in the future, in terms of the BSC concept, delivery of goods is relevant due to the existing pandemic-related conditions.

4. Top management of "Sonaris" SRL, "ED-Color" SRL has to understand clearly the importance of such aspects as internal processes, goals, objectives and implementation methods, as well as the aspect of upgrading and training from the point of view of production processes improvement.

5. At enterprises "Montatorul" SRL, "Manchir-auto" SRL, enterprise managers and employees have to differentiate their activities based on utilization of clean auxiliary materials for car maintenance. Organization of these activities should be carried out at these enterprises within the concept of the BSC model.

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