



## BALANCED SCORECARD: WHAT IS IT AND WHY IS BSC NEEDED?

Kazakov Firdavs Farxod ugli

\*Tashkent State University of Economics., Uzbekistan

**ABSTRACT:** In modern business, more and more companies are realizing the need to move from traditional management methods to more innovative and flexible approaches. Rapid changes in the economy and increasing competition force organizations to constantly adapt and find new ways to improve their profitability. This is where the Balanced Scorecard (BSC) comes to the rescue. In this article, we'll look at the basic principles and benefits, and look at specific examples of successful implementations in various industries. You'll learn what steps to take to implement it and how to use it to achieve your plan.

**Keywords:** operational finance, financial audit, effectiveness, economy, KPI, strategic planning.

The BSC was developed in the early 1990s by Robert Kaplan and David Norton as a response to the problem of lack of information in assessing financial performance. However, over time it has grown into a powerful tool for identifying and measuring key performance values. With its help, owners can create a connection between the company's strategic goals and the daily operational activities of personnel at all levels. Each type is equivalent.

The introduction allows you to get a more complete and objective picture of your activities, as well as identify key success factors.

The BSC Balanced Scorecard uses key segments to measure performance such as:

- financial;
- client;
- internal processes;
- training and growth of employees.

Each of them is assigned KPIs, which are used to track the results. Based on the results, the opportunity opens up to correct the identified deficiencies in order to achieve the set plan.

Necessity of application

First, it helps establish a connection between tasks and operational activities. It allows you to translate abstract concepts into concrete tasks. This way, managers and staff have a clear understanding of what results need to be achieved. In addition, progress can be assessed. If some aspects do not meet expectations, then measures are taken to change the situation.



Secondly, it promotes a more logical distribution of resources. Thanks to established key performance indicators, it is possible to identify the highest priority tasks and direct efforts to their implementation. Thus, you can avoid unnecessary costs and improve the level of work.

Third, to identify the main success factors, defining the BSC KPIs that should be reflected. For example, for a retail store, these might include sales volume, customer service, and inventory efficiency.

Why implementation is useful

The tool helps:

- improve strategic planning and make it more focused;
- highlight key goals, as well as define specific metrics for their measurement;
- increase employee awareness;
- create a unified chain of communication and informing all participants in the process about the current state of affairs;
- improve control over implementation;
- monitor progress in implementation and timely adjust actions to achieve desired plans.

Balanced Scorecard Strategies

Plans must be aligned with interests and plans must be measurable, achievable, relevant and time-bound, allowing employees to have a clear understanding of what is expected of them and the outcome to be achieved. There are four of them in total. Let's look at each separately.

Personnel training and development strategy

Plays an important role in achieving the planned result and increasing its effectiveness. On its basis, programs are developed aimed at increasing the competencies and motivation of employees.

One of the core principles of BSC is the link between strategic goals and staff performance. The company must determine what skills and knowledge are needed to achieve its objectives, and then develop a training and development program to prepare the staff.

Training helps workers expand their skills and knowledge, which improves their productivity and results. In addition, it is also a way to attract and retain highly qualified employees, who are a key resource for successful development.

It is also important to develop a branch of rewards and rewards, encouraging and motivating to achieve success to create an atmosphere of healthy competition.

Internal business process strategy

Aimed at optimizing management, identifying key tasks, developing their modeling, and control. To do this, it is necessary to analyze current affairs, identify weaknesses, problem areas and



potential opportunities for improvement. Identifying and correcting errors in the BSC system, what is it? This is the path to development and increased profitability.

It is important to actively use information to make decisions at all levels, increasing operational efficiency, reducing costs and lead times, and improving the quality of products or services.

The internal business process strategy is based on the principle of continuous improvement and innovation. It involves continuous improvement and adaptation to changing market conditions.

#### Client strategy

Determines what needs and expectations should be considered when defining the plan. It is based on understanding the values and preferences of the target audience to create the most relevant products.

This direction also helps to determine key success metrics. For example, the percentage of repeat purchases or the level of customer satisfaction after contacting support. In addition, identifying potential risks and opportunities to improve loyalty. For example, a company may find that consumer trust is declining due to poor communication or long delivery times.

#### Financial strategy

This direction is one of the most important components and gives a clear answer to the question of what a balanced scorecard (BSC) is and what its benefits are. It defines the main goals and includes planning, as well as management of cash flows, capital with investments, and performance assessment. This is where it is recommended to start development. It is necessary to correctly distribute available resources between various areas of activity, taking into account those available.

Any BSC includes such components as a perspective for specification, tasks and directions, metrics for displaying dynamics, target values, cause-and-effect logic, and initiative in the form of projects.

Then you need to develop a monitoring and reporting procedure to regularly track progress against each of the KPIs, creating a dashboard to visualize the information.

An important step is also to establish feedback mechanisms and accountability for achieving BSC-balanced indicators, maintaining employee motivation and ensuring progress in implementation.

#### Strategic Analysis

Any work begins with researching the starting data. In this case, two methods are used:

1. Step is formed on the basis of a compiled matrix of external factors affecting the enterprise (economic situation, political changes, social trends and technological innovations).

2. SWOT takes into account internal parameters such as threats, opportunities, and strengths and weaknesses. Unlike the previous point, this one can be influenced.

#### Formation and grouping of strategic goals





Is fundamental to creating a map. Done by analyzing and grouping findings into key aspects. This will allow us to systematize plans and create a balance between different areas of development. For example, those related to increasing profits and profitability can be combined into a financial group, and those aimed at increasing the level of consumer satisfaction and loyalty will be assigned to the customer group.

It is one of the key stages in the implementation of the BSC - the balanced scorecard system. It is a graphical representation of the organization's strategy and its main goals.

During creation, it is necessary to define the main activities, vision and values. Displaying outcomes is possible by highlighting key perspectives that will be used to display progress.

The strategy map allows all participants to easily understand the strategy and its relationship with operational values, identifying gaps and inconsistencies in the current state of affairs for subsequent adjustments and improvement of business processes.

An example of filling is shown in the table below.

Many entrepreneurs ask this question at the initial stage. And for good reason. This event is a complex and multiprocessing event. The implementation takes place in just three stages.

Integration

Provides the opportunity to build a unified management network by integrating it into the existing reporting scheme. If there is no flexibility, a new one is created. Next, you need to integrate into the HR and recruitment department. For example, if an employee fulfills a set KPI, he is awarded certain bonuses.

All this contributes to the coordination of tasks of different departments and the creation of a common vision in a common system of indicators. Each department sees its contribution to overall results and understands how its actions affect the success of the entire enterprise. Exchange of information between departments allows you to avoid duplication of work and optimize work moments. This reduces costs and improves efficiency.

Distribution by hierarchy in the company

Strategic goals are assigned to each level of employees, from senior management to operations staff. Each has its own specific tasks that are aimed at achieving common plans.

At the top level of the hierarchy, global issues are determined, such as financial performance, profitability, and market share. Middle management includes departmental and divisional assignments, such as product quality or customer service. At the bottom level, individual assignments are given for each employee, for example, completing personal development tasks. All this creates transparency. Each employee sees how his individual work fits into the overall strategy, motivating him to do better work and improve results.

Implementation of monitoring and evaluation tools

The final figures are compared with the plan. Analytics determines the causes of discrepancies for subsequent correction and creation of new measures if necessary. Automated views like CRM



help organize and visualize everything. Visibility makes it easier to identify deviations so that appropriate measures can be taken. For example, to control call centers, a special business telephony is used, which allows management to view information on all KPIs of departments and even individual employees in their personal account. In this way, it is possible to understand whether the work meets expectations.

If the BSC is created incorrectly, not only will production not be simplified, but it can also confuse the participants. Practice shows that incorrect implementation will, with a certain degree of probability, lead to real collapse. There are problems with integration with old management methods. It is not always possible to clearly determine which KPIs will be most relevant. Therefore, careful analysis and consultation with specialists is required. Lack of data is also a major obstacle. Without reliable information about performance metrics, it is difficult to make informed decisions.

#### Errors during implementation

May seriously affect efficiency and effectiveness. Let's look at the most common errors:

1. unclear definition of strategy and direction;
2. lack of understanding and support from management;
3. borrowing someone else's model;
4. erroneous definition of KPI;
5. lack of interconnection with other systems;
6. overload of employees;
7. reluctance to update and update the tool;
8. insufficient communication and staff training (management staff must clearly know the definition of what a scorecard is and what it is needed for).

#### BSC application example

Let's look at how to implement it in a retail company. The first step is to define the objectives.

- Finance. Increased profits, reduced costs, increased production.
- Customer loyalty. Working on social networks, creating a need for a product, targeted advertising, identifying the target audience.
- Operational efficiency. Processing time for orders and reducing the number of errors.
- Education and development. Creating motivational bonuses, learning tools.

Then we create KPIs for each item to monitor the achievement of the plan, deadlines, and responsible employees.

There are several software solutions aimed at providing relief. They offer templates and tools to help you structure everything and keep track of everything.



### BSC Designer

It has a wide range of functions that allow you to develop and track KPIs within each of the four perspectives. This tool also gives you the ability to analyze data, build graphs, and even automatically generate reports. There is a computer and cloud version. An interactive balanced scorecard will notify you of deviations.

### 1C: Enterprise

Involves creating and setting up individual instructions for each department or division. This helps management receive objective information about the current state of affairs and make informed decisions to improve production processes. By setting up dashboards, you can visually monitor the total number of overdue tasks. It is possible to send documents for approval to certain commissions, where they can point out shortcomings for re-editing. For a retail enterprise, the data collection terminal driver for 1C:Enterprise is ideal. The software allows you to perform inventory, acceptance and shipment of barcoded goods. Automation of routine processes is very important for modern business. The Cleverence company offers a solution to this issue through the use of specialized programs.

### OkoCRM

It is an innovative customer relationship management framework that is used to support and improve operations. Provides the ability to effectively work with the client database, automate sales and marketing processes, and improve the level of customer service.

The balanced scorecard is a tool that helps organizations evaluate their performance from different perspectives. Includes not only financial values, but also aspects such as customer focus, internal office management and growth potential.

Provides greater visibility to shareholders, investors and other stakeholders by assessing not only financial performance, but also customer loyalty, product quality and other important aspects.

### REFERENCES:

1. Babich, A.M. State and municipal finance: textbook. for universities [Text]/ A.M. Babich, L.N. Pavlova. – M.: UNITY, 2009. – 688 p.
2. Budgetary system of Russia: textbook. [Text]/ Ed. G. B. Polyak. – M.: UNITY-DANA, 2012. – 212 p.
3. Zharkovskaya, E.P. Finance: textbook. manual [Text]/E.P. Zharkovskaya, I.O. Arends.-M.: Omega-L, 2011. – 400 p.
4. Konishcheva, M.A. Finance of organizations: textbook / M.A. Konishcheva, O.I. Kurgan, Yu.I. Cherkasova; Ministry of Education and Science of the Russian Federation, Siberian Federal University. - Krasnoyarsk : Siberian Federal University, 2015. - 383 p. : table, diagrams. - Bibliography: p. 257-261. - ISBN 978-5-7638-3231-0; The same [Electronic resource]. - URL: <http://biblioclub.ru/index.php?page=book&id=435687> (06/23/2016).





5. Leontiev, V.E. Finance, money, credit and banks: textbook. manual [Text] /V.E.Leontyev, N.P. Radkovskaya. – St. Petersburg: IVESEP, Znanie, 2011. – 384p.

6. Podyablonskaya, L.M. State and municipal finance: textbook / L.M. Podyablonskaya. - M.: Unity-Dana, 2015. - 559 p. : table, diagrams - Bibliography: p. 552-553. - ISBN 978-5-238-01488-3; The same [Electronic resource].-URL: <http://biblioclub.ru/index.php?page=book&id=114698> (06/23/2016).

7. Finance: textbook. [Text] / Ed. A.G. Gryaznova, E.V. Markina. – M.: Finance and Statistics, 2011. – 504 p.

8. Finance: textbook / I.I. Glotova, E.P. Tomilina, O.N. Uglitskikh, Yu.E. Klishina. - Stavropol: Agrus, 2013. - 492 p. : diagrams, table. - Bibliography V book ; The same [Electronic resource]. - URL: <http://biblioclub.ru/index.php?page=book&id=277485> (06/23/2016).

9. Finance. Textbook / ed. E.V. Markina. - M.: KNORUS, 2014. - 342 p.

10. Finance: textbook. [Text] /Ed. G.B. Pole. – M.: UNITY-DANA, 2011. -516 pp.

