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## SYMBIOSIS OF BALANCED SCORECARD AND STRATEGIES OF THE ENTERPRISE IN THE CONTROLLING

*Abstract.* The article examined current conceptual approaches to organization of controlling structure and management in general. One can see that usage of Balanced Scorecard (BSC) may improve the quality of management, linking it with the strategic direction of the company.

**Keywords:** efficiency of business activity, controlling, Balanced Scorecard.

### Introduction.

There are own laws, rules, algorithms, and of course the goals in any business activity. It is necessary to have the resources, strategies and tools to ensure the correct direction for achieving these goals.

### Problem statement and analysis of recent research.

The nature of BSC was explored by Norton D., Kaplan R., Ampuero M., Oleksiy I.B., Gershun A., Nyfaeva A. and other domestic and foreign scientists [4, 5, 8 12].

Developing of market economy, competition and complication of the structure of economic entities shows that applying classical estimates expressed only financial indicators gives an incomplete picture, indicating the overall market demand for new approaches to evaluating the effectiveness and its implementation. In our research we cannot find system solution for all management including interconnections between subsystems.

**The purpose of this article** is in analyze of methods and approaches for evaluating the effectiveness of the company and justifying the offers of using the balanced scorecard in relation to the strategy in a system of controlling for providing synchronization of work and efficiency of the company business activity.

**The methods for the research** are the abstract and comparative analyses.

### Key research findings.

The first model of the valuation of enterprises results appeared in the 20s of the 20th century and became popular in almost all countries with a market economy and they was quite simple to calculate. They are built solely on financial performance. In

the 70-90s appeared other concepts to estimate the valuation and efficiency of enterprises activity. Balanced Scorecard (BSC) by Norton D. and Kaplan R. became the most popular during the last years (Table 1) [1].

**Table 1** Development of the paradigms determining the effectiveness of the company [1]

1920s	1970s	1980s	1990s
Dupont Model	Earnings per share (EPS)	The ratio of the market and book value of equity (M/B)	Economic Value Added (EVA)
Return on Investment (ROI)	The ratio of share price and net earnings (P/E)	Return on shareholders equity (ROE)	Earnings before interest, tax and dividends (EBITDA)
		Return on net assets (RONA)	Market Value Added (MVA)
		Cash flow (Cash Flow)	The Balanced Scorecard (BSC)
			Index total return on equity (TSR)
Cash flow return on investment (CFROI)			

It is clear understandable from the Table 1 that traditional financial accounting indicators such as return of investment and payback period gave an incomplete and outdated picture of the business activity results, which prevented the creation of long-term benefit. Therefore, finding the weaknesses and vagueness of previous management approaches the authors proposed a new clear description of the parameters that have to be measured in order to balance the financial activity of the company.

The desire to guide foreign companies to strengthen management functions through organic reconciling the interests of different groups: shareholders, customers, partners and creditors, was a prerequisite of the BSC. To implement such a multi-policy management businesses primarily need to have a comprehensive system of strategic objectives and key performance indicators, and a well-balanced strategic measurement system. Similar to traditional systems, BSC inherent financial performance as one of the main criteria for assessing the performance of the organization, but at the same time, the system highlights the importance of non-financial indicators. These indicators make it possible to assess customer satisfaction and shareholder efficiency of internal business processes and potential employees to ensure long-term financial success [2,3,4].

BSC – the management system that potentially represents by controlling. It allows an organization to articulate its strategy and plans for the future and put them into real action. BSC interpret the mission and overall strategy of the system by inter-related parameters. The system provides feedback between the internal business processes and external indicators needed to improve efficiency and achieve strategic results -based measurement and evaluation of its activities on a set of indicators selected so as to take into account all significant (in terms of strategy) aspects the organiza-

tion (financial, marketing, production, etc.). Balanced Scorecard is a concept of transfer and decomposition of strategic objectives for the planning and control of operations to achieve them [5, 6, 7, 8].

The concept of BSC compares favorably with other concepts that financial and non-financial indicators are integrated with regard to causal relationships between indicators and the resultant key factors under which they are formed. According to Professor Ampuero «BSC – a tool that systematically extends the scope of measurement, which are traditionally associated with managing» [9]. BSC effectively serves as proof to the workers of different levels of management the new strategic plans and initiatives of companies while isolating key processes that influence the strategy, while evaluating their effectiveness [10, 11, 12, 13].

We agree with both the statement that in the use of BSC has become a widespread management system and the fact that next level, that evolution requires new management approaches and tools of management, what is controlling. Controlling collect existing feedbacks that are needed to create the BSC, as well as controlling the system can use a modular design based on neuro- business model with digit and fuzzy input data for the prediction of future and assess the adequacy of the development of the strategy.

For adequate and accurate evaluation of the efficiency of enterprises offered us the use of the balanced scorecard, but be aware that each company has its own strategy and should be based on the accented dominant factors (Table 2.). That why we have chosen strategies that are the most popular, and most effective globally and on general principles inherent Ukrainian enterprises confectionery industry since covering almost every possible position in the market. Of course, the Ukrainian realities require significant adaptive mechanism that, in particular, can be realized by controlling.

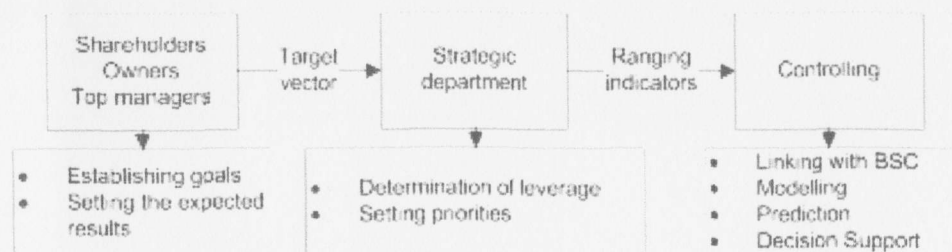
**Table 2 Evaluation of the efficiency of enterprises by the BSC and strategic direction (created with [14])**

Number	Strategy	Name	Groups accented dominant factors	Purpose
1.	Strategy expansion market	Pyramid of efficiency	-Departments - Operational business system - Offices	- Communication customer-oriented corporate strategy, financial performance
2.	Strategy development staff	Model EP <sup>2</sup> M	- Customer service and markets - Improvement of internal processes - Change management and strategy	- Ensuring implementation of company strategy, -Corporate culture
3.	Strategy development item	Management system based on EVA index	4 M: -Measurement - Management system -Motivation - Mindset	- To simulate, monitor, conduct and evaluate the decisions made in the same vein

4.	The strategy of increasing productivity	Management and staff motivation	SMART: - S – specific for enterprise / unit / employee - M- Measurable - A- Attainable, Achievable -R- Relevant -T – Time-bound	- The establishment in the early period for the organization, departments, divisions and employees clear objectives, which will depend on premium part of employee salaries
5.	Strategy for deep penetration	Method of Six Sigmas	6 Sigma (6 levels of quality product without defects): allows 3.4 defects per million possible products	- Increase achievement regardless of the specific type of service, product, market sector
6.	Workforce development strategy	Method 5S	5S: - Soet – separation - Straightening - Shining - Standardise - Sustain	- Draws more attention to ordinary workers and change their attitude to their activities
7.	Strategy for deep penetration	TPM	- Team work - Intensive open exchange of information - Effective use of resources - Continuous improvement	- Increase productivity and rate of production
8.	Strategy service differentiation	The method of quality management systems	- Focus on consumer - Leadership of the head - The involvement of employees - Process approach - System approach to management	- Concept development for Japanese corporations; -Meet expectations; -Improving product quality
9.	Innovation personnel strategy	Universal Scorecard	- Total quality - Performance Management - Management competencies	- Focus on maximum personal development of all employees of the company and the optimal use of their opportunities to achieve the highest rates

Combining Strategy and Balanced Scorecard as logically synchronized economic concepts is not mentioned in scientific studies. However, this combination is inter-related, because choosing the strategy management focuses on key indicators on which enterprise will focus.

It sets a target of management vectors of points which need to move in order to achieve the strategy (axial vector), and transmits the defined objectives in the strategic department. In the future, employees are guided under a strategic department objectives which defined instruments and made total influence on the organization, ie input actions, factors (indicators) that should ensure the effectiveness of the chosen strategy. Thus, a strategy covered the inputs, outputs and structure interaction (Fig. 1).



**Figure 1. Synchronous interaction information flows of the company, authors' development**

Depending on the set by the TOP-managers of inputs and target outputs dominant ranking figures is done in the BSC. Namely, the selected inputs and outputs are assigned the maximum «weight» coefficients. And all the other parameters of the four areas of the BSC harmoniously linked with the basic parameters for achieving the goals set by management and implementation of the chosen strategy. BSC can be included in the system of controlling, as biocybernetical structure with feedback is able to incorporate all four spheres of BSC [15].

Thus the success of the organization is achieved by defining the target vector, namely the quantitative expression level, which should correspond to a particular parameter of target of strategic department so that when combined strategic objectives of an organization into a unified system, achieving one of them created progress towards the other.

The idea of BSC meets the desire of management to find a balanced set of monetary and non-monetary indicators for internal management purposes. The proposed system efficiency analysis of companies focused primarily on the binding parameters of the monetary value of such gauges operational aspects of the company as its ability to satisfy, retain and attract a new customer, the intra- corporate business processes and product development, innovation activity measures to improve financial results, which are synchronized by strategic orientation . However, please note that for very precise structuring of the BSC have to be adaptive to change and innovation and allows companies in any way to adapt the tools that incorporated to their needs. Kaplan and Norton as founders of this approach, describe new ideas balanced scorecard as follows: «BSC supports traditional financial indicators. However, the financial parameters only reflect the progress of previous events, they provide an adequate description for industrial age companies for which investments in programs and development of long-term relationships with clients were not significant. But these financial indicators are inadequate to manage the activities of the companies of the era of information technology, as companies seek to present future results, investing in customers, suppliers, employees, business processes, technology and innovation».

As a result, Kaplan and Norton proposed to supplement the financial performance data reflecting customer satisfaction, internal business processes and a company's ability to develop and grow.

BSC methodology delivers key performance indicators of the company – such as customer service, operational and financial performance – as a set of specific indicators. The organization captures and analyzes these indicators to see if the strategic objective is achieved. The fully implemented system provides a consistent consideration of the company at all levels.

Using the BSC in practice possible only with the development strategy of the organization, as well as a system – this is not the way to build a strategy, but rather a way to implement it. To implement a strategy that was based on an effective rules, key indicators in four perspectives that provides for the BSC must be selected, but to rank them according to the chosen strategy. Overall BSC involves consideration of four main businesses socio-economic prospects that affect the achievement of effective strategies. The objective of the strategic center of the organization is to develop digital and linguistic indicators, collecting data and analyzing them according to each of these perspectives (Table 3).

**Table 3 Prospects determined Balanced Scorecard**

The prospect of learning and development	This perspective includes employee training and corporate culture development, both in terms of individual and corporate level. The company, which employs educated people, the employees are the main resource. In today's environment of rapid technological change, knowledge workers need to constantly improve. Government organizations often can not recruit new technically trained workers, while reducing training their employees. This is the main feature of «brain drain» that must be stopped. Certain figures have to demonstrate leadership where you want to focus resources on training for them to bring maximum benefit. In any case, learning and growth constitute the essential foundation for success of any progressive organization
Business Process Perspective	This perspective refers to internal business processes. Indicators of this area allow managers to determine how well the company or the products and services meet customer requirements. These indicators should be developed carefully to those who are very vague about business processes – such work can not be assigned outside consultants
Customer Perspective	Modern management philosophy takes into account the growing importance of customer orientation and his satisfaction in any area. The main criterion is: if customers are not satisfied, they will find other suppliers. Poor performance by this trend – a clear indicator of future decline of the company, even though the current financial picture is quite successful. To develop indicators of satisfaction, it is necessary to analyze the types of customers and processes which provide for a particular product or service
Financial Perspective	Kaplan and Norton did not deny the possibility of using traditional financial data. Timely and accurate data on capital is always important, so managers must do what is necessary for their support. However, generally, the task of processing and support of financial data is given even more attention than necessary. With the implementation of a corporate database most of the work can be centralized and automated. However it is important to understand that too much emphasis on financial performance leads to «unbalanced» situation with regard to other perspectives. Therefore, you may want to take into account additional financial information, such as risk assessment and data comparison of costs and benefits

The main feature of BSC is that it reveals the efficiency of business processes based on customer satisfaction and provided ongoing training and development of personnel. This system directs the management and all levels of the hierarchy structure of enterprise management to determined strategic development. We believe that the evaluation of the effectiveness of economic activity in the present can not be made solely by means of financial performance. Financial options are an important element of BSC, but they are limited as provide an opportunity to assess the organization's past, giving only a description of past events. For such organizations are not inherent investing in long-term programs and a focus on customer relationship. Use only financial indicators are inadequate to manage the modern innovation business activities because today's organizations are focused not only on current but also for future performance, making an investment in customers, suppliers, employees, business processes, technology and innovation. It is inappropriate to consider the BSC on one side with the position of any functional area. Such attempts make extremely inefficient and discredit the success of the concept.

### **Conclusions.**

The research shows the evolution of evaluating the performance of the company. Authors analyzed the essence of the balanced scorecard and proposed scheme symbiosis BSC in the system of controlling and management of the whole enterprise. This article contains the results of the rationale for this combination because of the arguments in synchronization with the strategic direction of the company. It was established that with all the dominant controlling factors impact on the Company can be synchronized and evaluated under the balanced scorecard. After all, controlling, being bio cybernetic approach could compare and process vast amounts of data both in digital and in linguistic terms and in relation to the tough strategy chosen to simulate the development of the company, to analyze factors that assess the adequacy of the management of this step to chosen strategy, to assess the effectiveness of the system of the balanced scorecard.

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