



BALANCED SCORECARD IN TRANSPORT COMPANY

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Abstract: *The paper is dealing with use of Balanced Scorecard method in transport company management with respect to specifics of transport services and with aim to eliminate its business risks and increase performance.*

Key words: *Balanced Scorecard (BSC), risk, transport company*

INTRODUCTION

At present time of the economy crisis, the transport enterprises have, in connection with running **integration processes** within Europe, possibilities to strengthen their competitiveness. Transport enterprises facing every day to changes of external environment with aim to take profitable place on transport market, should manage these changes and concentrate on **strategy** and **planning**, control systems, information systems and human potential. Orientation to the customer, security and quality of supplied services play an important role, too. These and other factors needed for achieving competitive advantage are regarded in **Balanced Scorecard** method (BSC) that many foreign firms have been using in operational risk management in more and more various forms.

WHY PUT BALANCED SCORECARD (BSC) INTO PRACTICE IN ENTERPRISE

The aim of each provider of transport service should be to optimize provided services to be effective and quality and to meet the customer requirements as good as possible. The way the aims will be achieved is solved by the **strategy of the transport firm**. This insignificant difference between objectives and strategy is always overlooked by managers and so the whole logic

of the process becomes shaggy. If the objective is to achieve the maximum profit, the strategy task is to find the most effective way how to achieve this objective.

The strategy of transport firm consists of the strategies of respective functional spheres existing in the firm. They include especially technical, transport, personal, financial, purchase and marketing functions. **Crisis plan (risk management plan)** has an important position in completing total strategic plan that should be arranged in accordance with objectives of the firm.

Development of strategic mistakes (mistakes of managers, in production, insufficiently prepared project management) often leads to business crises and insolvency. Potential strategic risks, threatening future existence of the firm, can be identified in time. The decider has to introduce related measures so the unexpected business crises probably will not occur.

In the **risk management**, the Balanced Scorecard method provides necessary support for monitoring and revealing the causes of acting mutual relations between customers, financial processes, internal processes and professional growth and many other key business factors. BSC is here closely connected with the **system of early warning and strategic planning and management system**.

The recommended value in BSC program introduces, except strategic objective, measured parameters and specific events (status) **risk** parameter. In transport firms, the risk factors can be monitored within the assignment of given risk groups into specified strategic perspectives or new specific perspective, that will include only these risk areas, can be created.

BALANCED SCORECARD STARTING POINTS

The basic starting points of BSC are „critical success factors“and so the strategic objectives of the whole firm. The task of risk policy in business consists of ensuring to achieve business aims (economy, social and financial) in sequence:

1. enterprise existence
2. business success,
3. cost reducing.

The basic idea of the BSC is to mediate for enterprise management possibility of balanced total survey about enterprise performance in accounting period. The complex view from various perspectives and concentration on substance are in the forefront.

From the BSC conception result information demands divided into following groups:

- financial perspective,
- customer perspective,
- internal enterprise, process-organizational perspectives,
- innovation and professional perspective.

These dimensions are not fixed but their structure depends on strategic objectives and needs of company. Using the BSC methodology can lead to early **identification of the problems** in the transport enterprise strategy. The strategy deviations are found in the right time through suitable indicator. The BSC conception has exceptional task in implementation of value oriented enterprise risk management.

BSC as the part of the **early warning system**, provides support during risk management and control. The early warning system is understood as the system that early indicates the potential risks threatening the future enterprise existence.

At present almost each software producer presents solution supporting BSC. It must be said that use of IT is not in this case purposeless but it is important supporting tool. But many enterprises were successful in BSC implementation also without support of special IT. It is therefore because BSC is oriented on exactly defined number of aims and well-arranged number of measuring indicators.

Requirements for suitable software support of BSC:

- independent process control of BSC arrangement is suitable to realize with help of software, that provides effective support for process documentation ,
- all information important from BSC view should be to disposal online,
- automatic data acquisition should be ensured within the planning and reporting process,
- there should be some possibility to find out all necessary analyses and evaluations simply and easily.

The main software solution requirement is based on its ability to process a lot of information that are part of within BSC qualitative and quantitative information processing. They include description of aims, depiction and description of the strings of causes and consequences, definition of measuring indicators, description of strategic actions, presentation of strategic actions budget and many other specifications. The important information of qualitative and quantitative character should be constantly available.

The managers but also the employees must be thoroughly informed about what is the exact idea of strategic objectives, how are they measured, why are the specific strategic objectives realized, what is the state of the strategy realization, etc. Software solution should enable **simple orientation and easy access to this information**. [4, 6]

Ensuring continual using means that BSC is necessary to be retrieved and continually applied. Current use develops its utility within the management system. The BSC core is created through **strategic objectives** and not their measuring indicators. Even the best indicators have no importance if they unduly describe defined strategic objectives that are to lead to permanent competitive advantage. If the implementation of the BSC in transport firms

would be ended by elaboration of strategic objectives, strings of causes and consequences, measuring indicators, target values and strategic actions for one organizational unit, it would bring only unrepeated more strongly orientation on strategy.

Decision making and standard management should be permanently concentrated on actual strategy. **Therefore the very important objective of the BSC is building organization that is flexibly adapting to strategy.** That is why it is necessary to **interconnect BSC with managerial management systems** [4, 5, 7].

Interconnection of BSC with actual management systems requires:

- controlling that follows thorough realization of strategic actions defined in BSC,
- integration of the BSC into strategic and operative planning for the purpose of continual adapting to new strategy and exact realization of operative aims and strategic actions,
- integration into system of reporting for the purpose of continuous monitoring of achieved objectives,
- integration into system of human resources management that serves for anchoring the operational objectives and strategic actions into creation of personal aims.

Evaluation of the BSC as management conception presents strengths and weaknesses as follow [4] :

BSC strengths:

- multidimensionality
- thoroughly strategy monitoring
- concentration on strategic, in competition decisive enterprise objectives
- connections, cautions / consequences of objectives as help during management
- interdisciplinary and hierarchies exceeding communication process, etc.

BSC weaknesses:

- it does not replace process of finding the right strategy
- few standards during the objectives finding
- difficult comparability with other enterprises since the emphasis is placed on individual and not comparable objectives

- formalized process for use is not exactly defined
- there are no standards for quality of building the BSC, its implementation and permanent application in enterprise

BSC is conception for realization already existing strategies and **not tool for new strategies developing.** If the transport firm has certain strategic intention, BSC concretizes it in detail and converts into realizable form through suitable aims related to customers, processes, potentials and corresponding strategic actions.

However BSC does not contrive :

- strategic analysis of opportunities and threats, strengths and weaknesses, critical factors success and business risks,
- assignment of basic strategic orientations on the base of strategic analysis (the way how to achieve strategic objective).

Transport firm must have all these documents before creation and realization of the BSC conception. Therefore business risk analysis should be realized as the first (risk management).

In progressively thinking firms **risk management** is dealing with all types of risks from accidents caused by firm through decision making about fusion of the firm to risks resulting from legislative and political changes. The primary aim of the risk management is guarantee of continuous firm existence as well as its functionality in economy. It also gives reply on question: how to evaluate business projects and what are the secure developing orientations to avoid losses caused by risk factors. Development of quality risk management, as a certain subsystem of firm management, can have significant influence on reducing negative impacts of unfavourable development of business environment on the firm and its future economy results. Risk management increases resistance and flexibility of the firm. [1, 5]

CONCLUSION

Transport firms are surrounded by **environment** that has positive or negative impacts and influences their performance. If the firm wants to be successful the management has to analyse all these influences and know direction of their acting, use them and adapt its behaviour to present and also expected development. It is

necessary to emphasize that these influences have various impacts on the firms and the firm generally cannot control them directly. **Threat** for existence of one firm can mean important **opportunity** for future growth of the second firm. Stable and exact process and specific solution that can guarantee risk elimination or successful crisis encompassment does not exist. Risk management as well as solution of each crisis situation is individual and specific. Risk management is connected with various circumstances, realized in different conditions and accompanied by different events. Each crisis situation encompassment requires great practical experience and quantity of professional knowledge from various spheres. At present, risk elimination and crisis situations solutions are understood as the top of managerial wisdom and the most exacting task of manager. Proper use of the BSC method can lead to early identification of problems in enterprise strategy. Strategy deviations are detected through suitable indicator in proper time. BSC as the part of the **early warning system** presents support for risk management and control.

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БАЛАНСИРАНА КАРТА ЗА ОТБЕЛЯЗВАНЕ НА РЕЗУЛТАТИ В ТРАНСПОРТНАТА КОМПАНИЯ

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СЛОВАКИЯ

Ключови думи: *Балансирана карта за отбелязване на резултати (BSC), риск, транспортна компания*

Анотация: *Статията третира приложението на метода на балансираната карта за отбелязване на резултати при управлението на транспортната компания, отчитайки спецификата на транспортните услуги и представяйки целта - отстраняване на бизнес рисковете и увеличаване на производителността.*