

# A study on the balanced scorecard implementation of the SDIF

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## Abstract

There are several management methods and tools transferred from private sector to public sector in order to attain efficiency and effectiveness with the movement of New Public Management. One of those methods is the Balanced Scorecard (BSC). While the BSC is highly recommended to both private and public organizations, it must be acknowledged that public organizations have a completely different structure and nature in some respects. Furthermore, developed countries' organizations could not have the same traits as developing countries' organizations do.

This is an empirical case study which aims to investigate and analyze the experience of the BSC implementation in Savings Deposit Insurance Fund (SDIF) -a kind of Financial Regulatory Organization (FRO)- from Turkey within focal points of applicability, success criteria, challenges, and benefits. In order to achieve this objective, qualitative research method was applied by analyzing organization's data and conducting interviews. This research concludes that the BSC concept has some unclear points both theoretically and practically. Also, it is not an easy and straightforward system to implement. On the other hand, it can be assessed as a beneficial tool for public organizations, particularly in developing countries, to get the habit of setting objectives, making plans to reach those objectives, measuring performance against those plans and reviewing.

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## 1. Introduction

From the beginning of 1980s, the last phase of globalization- with advanced technologies- has forced business actors to act in a different way and take into consideration of multi-dimensional factors in order to sustain business viability and attain competitive advantage in such an ever changing competitive environment (Brooks et al., 2011). In this direction, it is not seen any more that performance measurement systems are only for measuring performance of managers, employees and departments but also they have multiple roles such as disseminating the organization's strategic objectives from top to bottom thereby motivating staff on achieving these objectives, enabling executives to utilize organization's resources efficiently and effectively in accordance with the organization's strategic priorities, and providing feedback on organization's overall performance and degree of customer and shareholder satisfaction (Atkinson et al., 2007).

Globalization not only affected the business environment and processes but it also affected public sector management. Since 1980s technological advances, globalization, changing social structures and preferences, increasing influence of media compelled, especially in the developed countries, governments to carry out public management reforms as New Public Management (NPM). Under this concept, theoreticians have suggested that private sector concepts, techniques, and values such as performance management, lean organizational structure and quality improvement techniques can be transferred to and implemented in the public sector to improve efficiency (Pollitt and Bouckaert, 2011). According to Niven's point of view (2008), the NPM became a current issue for governments due to aging population. Since, it will necessitate more public services such as health care;

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however, there will be a decrease in tax revenues due to decreasing proportion of young, active working population who pays taxes and retirement systems' premium. That's why it is mandatory for governments to use their money to acquire and provide much more benefit than the previous one. That is to say, productivity in public management started to take a significant place in governments' agenda and it is vital to measure the entire important thing which can influence management's decisions and results of activities (Niven, 2008). In this regard, one of the abovementioned techniques which has been begun to use in the public sector is the BSC. After its conceptualization in early 1990s, it has become the subject of both local and central government organizations' practices.

After their empirical research project, (Kaplan & Norton, 1992) conceptualized the Balanced Scorecard (BSC) as a brand-new performance measurement system with the assertion of giving "a fast and comprehensive view of the business" by balancing both financial and operational measures. They suggested that it has the ability to provide comprehensive view by putting the strategy and vision in the center rather than the control. Therefore the BSC enables organizations to suit the contemporary business environment not the one in the Industrial Age (Kaplan and Norton, 1992). According to Kaplan and Norton, the BSC is a very beneficial tool for providing connection between strategy and its implementation. In other words, it is a translation of strategy into action (Kaplan and Norton, 1993; 1996; 2004a; 2005).

In order to comprehend this method's popularity among business executives, Bain & Company's (Bain) research which has been conducted all over the world can be examined. Bain has been surveying executives around the world since 1993 to find out what kind of management tools are used and how effective they are. In their 15th Management Tools and Trends Survey they have obtained a database focusing on 25 management tools by approaching 13 thousands respondents from 70 countries all over the world. According to this survey, the BSC is the 6th mostly used management tool with 38% usage and 3.9 over 5 satisfaction point (Rigby & Bilodeau, 2015). And among the Fortune 1000 companies, the usage of the BSC was estimated much more higher than that percentage with 60% (Niven, 2008).

This is an empirical study upon the BSC implementation within a public organization in an emerging economy and with the objectives mentioned above, this research tries to seek answers for below questions:

- Is the BSC a successfully applicable tool for a public institution in an emerging economy?
- What are the challenges and issues during the implementation of the BSC in a public institution in one of the emerging economies?
- What are the critical success factors for the BSC application especially in terms of public institutions?

## 2. Literature

### 2.1. The Concept of the BSC and the Strategy Maps

To begin with, (Kaplan and Norton, 2000) have founded their BSC concept upon the idea that financial successes are the results/effects (lead indicators) of certain activities/causes (lag indicators) under customer relations, internal processes, and learning and growth classifications. Hence, they designed this method to give senior managers a clear picture of their business from four different perspectives with a small number of measures (Kaplan and Norton, 1992). Thus, it is aimed to have a more holistic governance over organization and its activity area by eluding narrow point of view which bases upon only financial measurement.

The BSC, with those four perspectives, enables managers to align long-term strategic objectives with short-term initiatives by penetrating and communicating the vision and strategy with the integration of related objectives and measures inside the whole organization, integrating financial plans with business plans which allocates resources according to priorities and adjusting strategy with real-time learning (Kaplan and Norton, 1996).

Later on with their following studies Kaplan and Norton advanced their BSC method with the strategy map design which provides a visual linkage between the objectives, measures and initiatives within four perspectives in order to reach ultimate objective thereby converting intangible assets to tangible results (Kaplan and Norton, 2001b). From then on, they have started to express that the BSC is a strategic management system instead of a performance measurement tool.

It is important to set a winning strategy but it is much more important to implement this strategy while majority of the organizations have problems with strategy execution. Also, there are four barriers in front of this success: Vision (no understandable vision within the organization), people (no link between incentive compensation and long term strategy), executives (no enough time to split strategy and its communication) and resource (no link between budget and strategy) (Niven, 2008).

In that regard, it can be seen that (Kaplan and Norton, 2001a) propose to follow a sequence in this method during implementation which starts with articulating organization's mission, core values, vision and strategy. Thus, management team can identify what reason their organization exists for (mission), what they and their staff believe (core values), what they want their organization to be in the future (vision) and what is their game plan to carry their organizations from current position to envisaged future position (strategy). Second step is communicating identified strategy from top to bottom of the organization and linking it to divisional and personal objectives via prepared scorecards for these units; therefore, executives can attain the ability of steering whole organization towards identified vision and long term objectives (Kaplan and Norton, 1996). In this respect, measures can play a significant role to convert articulated objectives to a clear and a specific form (Atkinson et al., 2007). Furthermore, this process should be iterative in order to give a participative sensation to employees and establish a clear understanding of their role within the overall strategy (Olve et al., 1999). The third step is integrating business and financial plans in order to canalize the organization's limited resources for achieving overall long-term objectives rather than diverse and conflicting individual objectives. This step includes eliminating activities which are not contributing to the strategy and corporate change program (Kaplan and Norton, 1996). The final step is reviewing the accomplishments and active learning from implementation (Kaplan and Norton, 1996). It is a prerequisite to have a well-established, user-friendly and not over-complicated systems and IT infrastructure which enable organization to collect necessary data (Olve et al., 1999).

Organizations should structure their strategy maps by putting financial objectives at the top. Then, they should decide their value proposition which enables to realize those financial objectives. Consequently, they have to clarify processes which provide that value proposition and identify needed intangible assets such as human, information and organizational resources (Kaplan ve Norton, 2004b, 2006).

## 2.2. Criticism to the Concept

According to some scholars, the BSC is not a new method, it is a version of Peter Drucker's Management by Objectives (MBO) (Dinesh and Palmer, 1998) or it is not so different from French's Tableau de Bord (Bourguignon et al., 2004; Bessire and Baker, 2005). However, (Carpenter et al., 2013) mention that although the BSC fundamentally was founded upon the MBO's idea of bridging between organization's and employees' objectives, the BSC has been filling the gap inside the MBO framework such as long-term focus, customer orientation, and the connection between organization's vision, objectives, targets and strategy.

Moreover it can also be perceived more fiction than a fact with its hyperbolic structure and attributed consequences (Radnor and McGuire, 2004). Also, it is difficult to develop a cause-and-effect relationship within the BSC and there is not any specific tool to make this process easier (Othman et al., 2006). In this respect, (Gatti, 2015) mentions difficulties which are not only caused by limited familiarity of using non-financial indicators, but also inadequate knowledge and culture of intangible assets which affect company's performance as well as the role of current information system by investigating an Italian company in his study. He observed that there was a poor motivation among people in the company when they were faced to measure indicators linked closely intangible assets, and in some cases this negative motivation caused elimination of some indicators even though they were deemed as essential for monitoring strategic performance (Gatti, 2015). In some other cases, such as knowledge works, due to its inherent complex nature it is very difficult to measure performance, even it becomes worst when taking into account time gap between knowledge workers' activities and consequences of these activities (Wake, 2015).

There are some critics to Kaplan and Norton's concept especially from Nordic and Germanic countries. In fact, this indicates another aspect of cultural differences which can affect comprehension of the method as well as implementation experiences. One of the main opponents, (Norreklit, 2003), stresses that the BSC is a hyperbole and conceptually unclear model which became popular with its attractive narration and she brings criticism in several aspects. First, this system depends on cause-and-effect relationship which is logical but cannot be verified or determined empirically (Norreklit, 2000). Second, this concept is lack of monitoring of the competition and technological developments. Third, the formulation of the BSC is hierarchically top-down processes. Finally, it contains control features which are not rooted in a dynamic environment or in the organization (Norreklit, 2003). Moreover, an empirical study which surveyed BSC implementation of publicly traded 174 companies in German speaking countries, deduces that only 26 per cent of companies were using the BSC, most of those used a limited version of it, even one third of these companies did not have learning and growth perspective, only half of them linked their objectives and measures in a cause-and-effect relationship (Speckbacher et al., 2003).

## 2.3. The BSC Implementation in Non-profit and Public Sector Organizations (NPGO)

(Kaplan and Norton, 2001a) consider that BSC can be a useful and applicable tool for non-profit and government organizations (NPGO) with some adjustments from one designed for private sector firms. In fact, it is suggested to have two sided adaptation. The first one is the adaptation of the BSC which is initially conceptualized for

private sector organizations (Kaplan and Norton, 2001a) and the second one is the internal adaptation of NPGO (Othman et al., 2006) which has some major differences from private sector organizations.

According to Kaplan and Norton (2001a), NPGOs should reconsider financial and customer perspectives in a different way from the private sector companies. The exact customer would be the whole citizens who get benefits from the activities of those institutions. Thus, it is suggested for a public sector institution to have three most important objectives as creating value, lowering the cost incurred, and meeting the objectives and getting support from legislation authority which is ultimately citizens and taxpayers. Above all, it should be considered to have an overarching long-term objective depending on the institution's activity area (Kaplan and Norton, 2001b). For instance, if the organization is a publicly owned general education organization, long-term objective can be considered as reducing the illiteracy or for a financial regulatory organization, it can be ensuring sound financial system and sustainable economic growth in citizens' welfare.

On the other hand, in Radnor and McGuire's (2004) research they investigate two public institutions' performance management systems, one of them is the BSC and they conclude that these kinds of tools are turned into diagnostic rather than interactive after their introduction in public sector organizations. They argue that even though performance management needs effective and interactive managers, civil servants are administrator rather than a manager in this respect. Those organizations are lack of target consideration, baseline assessment, and ownership. Several scholars and researchers have been investigating the problems and difficulties in the successful application of the BSC in NPGOs as well as solutions and suggestions. Below, several of them are taken particularly from case studies in order to give specific examples of difficulties and problems.

To begin with, there is a case study of (Sharma & Gadenne 2011) that investigates BSC implementation in an Australian large local government organization. In this study, researchers deduce that there are several needs and challenges during this implementation. First of all, there are difficulties in structuring KPIs because of not having clear guidelines in such a complex organization. Secondly, it needs frequent, timely and efficient reviews and assessments as well as a better performance evaluation and staff motivation system which is incorporated with proper reward system. Thirdly, it requires an efficient information system which enables consistent and accurate data collection and measurement. Finally, there is a challenge in measuring outcomes and having appropriate employee capabilities.

By analyzing 48 local government organizations in their survey, (Northcott & Taulapapa 2012) have revealed two contributive factors to have a success in the public sector BSC application. These factors are modification of the framework according to organization's structure and proper education both before and during the implementation. Also they have identified three fundamental problems. The first one is lack of strategic point of view within the public sector which is the main pillar of the BSC framework. The second problem is having difficulties in setting causal relationship as Kaplan and Norton's strategy map has. The final problem is adaptation of the BSC's unsuitable and theoretical structure to public sector's context and practices specifically regarding outcome focused philosophy, specification of customer, identification of BSC's perspectives, and working with fewer KPIs. According to their findings; in public sector where there is a perception of having external power influences such as legislation, policy and politics instead of clear strategic direction, it is very difficult to establish causal relationships (Northcott and Taulapapa, 2012). Besides, they suggest several prerequisites for a successful implementation of the BSC. These are clear organizational strategy and goals, senior management commitment, employee acceptance and involvement, emphasis on performance excellence, sufficient training, a simple design with appropriate KPI's, links to reward program, adequate resourcing and perseverance to deal with resistance to change within in the organization (Northcott and Taulapapa, 2012). In addition to these, (Umashev & Willet, 2008) emphasize the importance of effective communication supported by powerful and engaged leadership, efficient feedback, and employee authorization.

### **3. Methodology**

#### **3.1. Research Philosophy and Design**

It is aimed to clarify whether the BSC is a valuable tool for a public sector organization in one of the emerging countries by harnessing the data of the organization and experiences and opinions of the implementers within that organization. In this direction, when the researchers looked the questions which (Saunders et al., 2012) stated in their books, in order to specify the underlying research philosophy, they realized that it is rather interpretivist and pragmatist research. According to (Saunders et al., 2012), the practical results of research findings or an idea are more important to pragmatist and there are ways in such a variety for interpreting the environment and maybe it is necessary to have a multi-dimensional point of view to get the big picture. In the meantime, it has some subjectivist aspects since the research question is about public sector organization and human perceptions and interactions play critical roles in an application of a management tool. In some respects, it is necessary to consider human realities behind the activities (Saunders et al., 2012). On the other hand, it is

not a positivist or realist research while it does not rely on totally observable realities and it does not have law-like generalization as natural scientists have.

As mentioned above, this research's philosophy is much closer to interpretivism. Since interpretivism description of (Saunders et al., 2012) is more valid for this research due to the fact that it is more related to differences between people rather than objects. Furthermore, it relies on interpretation of other people's social roles from the researchers' point of view. Additionally, interpretivism can be considered as more appropriate in this case study which has a complex and unique nature with different social interaction and circumstances.

As conducting an exploratory case study research upon identified research question, researcher used his observations over documents and reports even including interviews to find answers to the research question. Hence, he studied various aspects and attained a holistic view of implementation of the BSC in a public sector organization (Baker and Foy, 2008). Thus, it was aimed to shed light to unique implementation features, challenges, and benefits of the BSC -one of the strategic management tools- in an emerging economy's public sector organization (Bryman and Bell, 2007).

### 3.2. Data Collection and Methods of Analysis

One of the data resources is the subject organization's documents such as annual reports, internal presentations, strategic management reports, application documents and so on, and the other resource is the interviews.

The researchers have planned to conduct interviews after getting some insights of the BSC implementation in subject organization. That's why they preferred to gather organizational documents by approaching to one of that institution's Strategy Development Department (SDD) personnel who is responsible for supervision of the BSC (or other strategic measurement system) within the organization. Thus, they could get some initial understanding of background and history of both organization and its implementation of strategic measurement/management systems. While, some of those presentations are about introduction of new methods beginning from 2005, some of them are assessments of methods even comparatively and the others include future projections. Therefore, they are beneficial to see initiations, self-assessments, and intentions regarding the performance management systems within those presentations.

In line with the structure of the research, it is decided to use semi-structured interview method to understand not only 'what' and 'how' but also 'why' (Saunders et al., 2012, pg 376) because of the complex traits of the research area (Easterby-Smith et al., 2012). Eleven employees were selected from subject institution one of them was above mentioned staff of SDD and the others were people who were responsible of coordination and supervision of the strategic performance measurement (BSC) implementation in their own department. Thus, it is aimed to comprehend and provide insight into both corporate and unit level implementation in this institution. E-mails were used as communication means to approach interviewees thereby intending to give enough space and time for thinking upon questions asked. Debriefing and participant information forms were sent with interview questions to give information about the research and ethic and security issues as well as consent forms to take their approval for participation. There are 13 units in this organization one of these units is secretariat of the board of organization. The researchers contacted 11 of aforementioned representatives. One of them was responsible from two units and the researchers did not take representative of board secretariat into consideration.

Open-ended questions were used to get reflection of respondents' opinions and experiences. Success criteria and suggested prerequisites for the BSC implementation were identified from literature review. It was aimed to clarify by means of interviews whether those criteria and prerequisites were taken place in this subject organization. Main criteria were identified as having a clear strategy and goals, understanding organization's strategy by whole staff, leadership-senior management commitment, communication and training, linking to reward/incentive schemes, employee acceptance/commitment/empowerment. The questions which were asked to personnel of SDD were different from the ones asked to unit representatives in respect of organizational implementation. The others' questions were more related to their unit and individual implementation. 9 of 11 representatives replied those questions and these 9 respondents are assessed as sufficient by the researchers to obtain related information, opinions, and experiences.

As an analysis method, grounded analysis was decided to use in this study. According to (Easterby-Smith et al., 2012), grounded analysis is more holistic than the content analysis. In this method data explains everything and guides the researchers to have a better comprehension. It takes into account historical and cultural dimensions as well. In this context, the researchers appraise to (Easterby-Smith et al.,'s 2012) seven fundamental stages which are familiarization, reflection, conceptualization, cataloguing concepts, re-coding, linking, and re-evaluation.

#### 4. Findings and Analysis

New Public Management (NPM) approach, which has come into existence in 1980s in the major Anglophone countries as a result of efficient public management seeking, has spread to other OECD and even to developing countries in 1990s via World Bank and IMF (Erkan, 2008). In this respect, a research was conducted in Turkey in order to find the problems and solution proposals to those problems. Four gaps have been identified as fundamental problems of Turkish public management in output report. Those gaps were strategic gap, budget gap, performance and trust gap. Strategic gap was described as problems which were caused by short-sighted and day-to-day activity focused public management instead of managing their future with long-term vision and adaptation to external environment. In this direction, “The Fundamental Principles of Public Management and Its Restructuring Law” was approved in the parliament in 2004 (Erkan, 2008). With this law it was projected to establish ‘Strategy Development Departments’ within the public organizations in Turkey. Those departments were assigned to deal with four main functions which were strategic management and planning, performance and quality measures development, management information system establishment, and financial services (Akdeniz, 2010). In this respect, the Strategy Development Department (SDD) within the SDIF was founded at the end of 2004.

Corporate performance management and strategic planning has been conducting since year 2005 under the coordination of SDD with the participation of all departments of SDIF. The strategic plans are prepared for three-year period. The SDIF’s strategic direction, strategic objectives, and targets are identified by senior management for the next period. Moreover, corporate performance assessment meetings are held every year at least once under the name of ‘Strategy Summits’ thereby reviewing SDIF’s success both in corporate and departmental levels and making assessments for the next year. The development of the strategic management within the SDIF will be given under below subtitles in terms of historical periods.

##### 4.1. Strategic Planning and Historic Improvement of Strategic Measurement/Management within SDIF

###### 4.1.1 2005-2007 Period: Corporate Development Plan

In the first planning period which was covering the years between 2005 and 2007, ‘Corporate Development Plan (CDP)’ was implemented as a performance management method. Within this method SDIF’s vision, mission, strategic objectives, and targets were identified and both corporate and departmental development plans were prepared. The vision was identified as “Presenting a Success Story to Turkey” for this period. There were two levels as corporate and department. In the corporate level plan, the vision of the organization was emphasized and it was expounded with four strategic objectives. Two of these objectives were regarding the two main activity areas of SDIF, one was about reorganization in accordance with contemporary management approaches and the final one was regarding establishing efficient intercommunication and collaboration among both regional and international counterparts and related organizations. Then, strategic targets were specified in order to achieve identified strategic objectives and performance targets were clarified below strategic targets (Figure 1).



**Figure 1.** Hierarchy of Vision, Objectives, Targets, and Activities in CDP (Institution’s reports and presentations)

On the other hand, unit level development plans (ULDP) were prepared under the coordination of SDD based on corporate level CDP. Appropriate performance targets were shared with the units by taking the units’ activities into consideration. Activities/projects which were necessary for reaching established performance targets were clarified; and then steps for those activities/projects were identified and dated (Figure 1). The responsibility of conducting ULDPs belonged to vice president of institution and the unit managers. Also, there were

representatives of ULDP who were responsible for monitoring constantly targets, activities/projects, activity/project steps and their finishing times. Therefore, they could be a communication link between unit and SDD.

The implementation of CDP was successfully completed at the end of 2007 and it was attributed as an important step for SDIF to have a mentality of working with targets and plans within the organization. All of the strategic activities were recorded since it was also significant to establish organizational memory. However, CDP implementation in SDIF had some disadvantages. First, it had difficulties in setting quantifiable targets thereby having unsound monitoring and assessment. Second, it turned from departmental plans into detailed job plans rather than strategically important projects or activities. Third, it was unable to update and revise dynamically. Finally, there were problems in information stream, and it allowed only manual monitoring. Because of all those reasons a new corporate performance management tool, Balanced Scorecard (BSC), was decided to implement for the next 2008-2010 period.

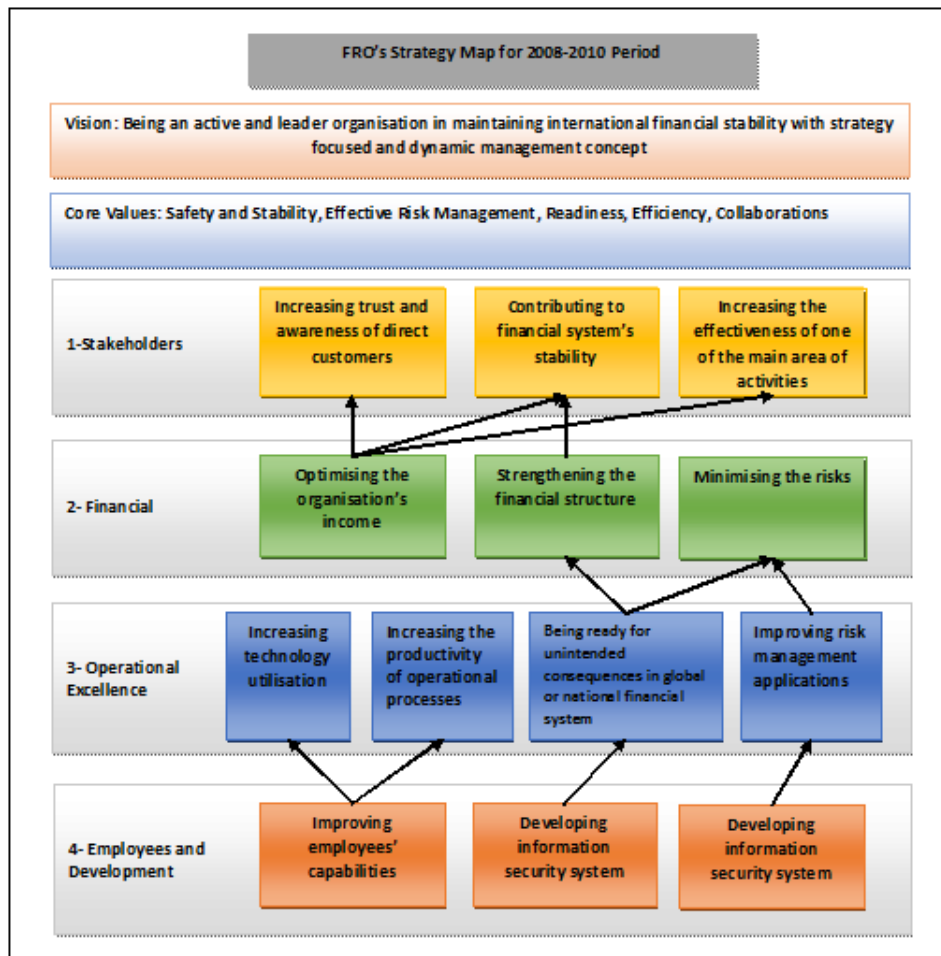
#### 4.1.2. 2008-2010 Period: Balanced Scorecard

For the 2008-2010 period, the organization's vision was identified as "Being an active and leader organization in maintaining international financial stability with strategy focused and dynamic management concept". The values were specified as "safety and stability, effective risk management, readiness, efficiency and collaboration".



**Figure 2.** Hierarchy of Vision, Priorities, Targets, and Indicators in the BSC (Institution's reports and presentations)

SDD and the management have specified four perspectives and strategic objectives under those perspectives which can be seen hierarchically as below Strategy Map (Figure 3). There were also strategic targets/KPIs in a number of between four and eight under each objective and they were correlated to departments. In other words, corporate level BSC was built according to the Corporate Strategy Map (Figure 3). Then yearly unit level BSCs were created from the corporate level BSC. Namely, the BSC implementation was cascaded down to unit level thereby identifying strategic projects/activities according to the units' responsibility areas and after clarifying the steps of strategic project/activity, responsible employees were assigned to those steps. In fact, it was not a kind of individual scorecard preparation as prescribed in the BSC's original version in literature rather it is simply an identification of responsible employees.



**Figure 3.** SDIF's Strategy Map for 2008-2010 Period (Institution's reports and presentations)

When the BSC is compared with the previous method CDP, it can be seen that it is less detailed but it has only quantitative performance indicators rather than qualitative ones. In this respect, the BSC challenged the units, since the established approach in the organization is to express themselves with words rather than numbers. That's why there have been various difficulties during identifying performance targets and measures; therefore, there were incompatible targets with some units' performance in their scorecards. The problems which were faced during the implementation of the BSC are as follows:

- There were difficulties in both identification of performance measures and understanding general system working,
- The performance measurement system became objective of the units although it must be a means in successful strategic management (trying to increase the scores by playing with numbers),
- The system was very complicated to implement when compared with the organization's current planning habit,
- The method did not gain adequate acceptance from all employees and managers.

#### 4.1.3. 2011-2013 Period and After: Corporate Development Program

After some evaluations, a conclusion was reached that the organization could obtain efficiency in performance management with a new system which incorporated strong parts of CDP and BSC. Thus, after some investigations and evaluations a new organizational performance management model was designed and called "Corporate Development Program (CDPr)". In this model, it was proposed to use two types of measures, qualitative and quantitative. Quantitative measures would be used if job specification was suitable to convert into numeric; otherwise, there would be a qualitative evaluation and a verbal explanation would be inserted.

For the period of 2011-2013, the vision of the SDIF was identified and accepted as 'Being a model institution with SDIF's implementation in its key activity areas' and SDIF's core values were specified as 'being fair,



credibility, transparency and accountability, collaboration and participation, result-oriented, and efficiency and productivity'. Under first objective/perspective there were two strategic targets as 'Increasing trust and awareness of public' and 'Being among the best implementer and leader in this area (the first key activity area) all over the world'. The second objective/perspective was including the targets of 'Improving the preparation and the processes of this activity area (the second key activity area) and 'Optimizing the revenues and expenditures of this activity area'. Finally, there were four strategic targets under the last objective/perspective which were 'Improving the corporate governance implementations', 'Activating the financial management implementation', 'Increasing competencies and motivation of employees' and 'Improving internal and external communication and collaboration'.

#### 4.2. Analysis of SDIF's Implementation in Terms of Success Factors of the BSC

It was aimed in this research study to provide critical reviews and analysis of the organization and the BSC. Additionally, it was aimed to present suggestions for that organization by seeking answers to the research questions. As previously mentioned, the research questions are prepared to find out if the BSC is a successfully applicable tool for a public institution in an emerging country. Furthermore, it is intended to determine what challenges and issues arise during the implementation of the BSC and what the critical success factors are for the BSC application in that kind of organizations. In this part, above information as well as opinions from interviews will be analyzed in terms of aforementioned research questions under below subtitles.

##### 4.2.1. Design of the BSC

Some interviewees stated that CDPr is a kind of adapted version of the BSC to this organization which is in parallel with the researchers' observation and which is strongly recommended for non-profit and public organizations by Kaplan and Norton (2001b). In addition to this, the researcher asserts that also the first strategic management method, CDP, which was implemented during the 2005-2007 period, looks like the BSC in some aspects and could be regarded as adapted version of the BSC. For example, although it did not have employee perspective, it can be told that they took into consideration stakeholders (instead of customer in such a public institution), internal process, and financial perspectives that were scattered into strategic objectives/perspectives.

Likewise in the CDP method, two main activity areas and corporate development were identified as strategic objectives in the CDPr that are known as 'perspectives' in the original design of the BSC. Although corporate development can affect the other two perspectives, those two activity areas are independent; namely, there are no interlinked strategic activities. That's why there could not be established cause-and-effect relationship between strategic objectives and targets. In fact, when the original design of the BSC which was conceptualized by Kaplan and Norton, is taken into consideration, it can be realized that perspectives in CDP and CDPr looks a lot like 'themes' (Kaplan and Norton, 2006).

On the other hand, cause-and-effect relationship was tried to be established only in the method which is called as BSC in 2008-2010 period (Figure 3); however, most probably they must have struggled to find this kind of connection among strategic objectives. For instance, it is difficult to understand how 'being ready for unintended consequences in global or national financial system' can affect 'strengthening the financial structure'; similarly, how 'optimizing the organization's income' can affect 'increasing trust and awareness of direct customers/citizens' on the Strategy Map for this period.

The implementers in the organization can try to have Kaplan and Norton's perspectives such as stakeholders, financial, internal process and employees. In addition to this, they can have themes like objectives/perspectives as they currently have. Also, they can spend much time on analyzing cause-and-effect relationship to identify real connection; even though, it must be admitted that this is not an easy work in such a public organization where legislation, policy and politics play an important role.

##### 4.2.2. Having a Clear Vision and Strategy

As stated in the literature review, one of the prerequisite for a successful strategic management system is having a clear vision, strategy, and objectives since whole BSC design was founded upon vision and strategy pillar. Those should be understood and reflected to daily works by whole employees from top to bottom. Meanwhile, due to their complex stakeholder structures and their conflicting interests and priorities it is very difficult for public organizations to have a clear, stable and sustainable vision, strategy, and objectives. In that respect, all of the interviewees were asked whether their organization has clear and understandable, consistent with its mission and inspiring/applicable vision and strategy. Almost all of the nine respondents expressed that SDIF had a clear and understandable vision, only one respondent put a little reservation by saying "...The statement of 'being a world brand' is a little bit vague but it can be said that it is consistent with mission and clear...". Also, the same respondent stated that there was an applicable strategy but this strategy should be clearer and more understandable by everyone thereby necessitating systematic education and communication. Likewise, most of the respondents implied that the vision and the strategy were consistent with the mission, and the strategy took

place via projects and activities within the prepared plans in order to reach specified vision. On the other hand, one of the respondents opposed this with that statement: *"...I think that our institution's vision is not consistent with its mission, structure, management and staff structure. In addition, I do not think our institution has a strategy which shows the way to reach that vision. This is the effect of having a shorter term targets and operational jobs focused perspective by management and staff rather than long-term targets and plans ..."*

On the other hand, two other questions were asked to representatives to comprehend the attributed significance to vision and strategy by employees within the organization. All of the respondents have given affirmative answers to this question.

Majority of the respondents' answers demonstrate that staff in their departments understand and internalize the vision and the strategy of the organization and reflect their daily works. However, there are two negative responds to this question. One of those negativities were to have a public personnel structure which is protected by laws as mentioned above. In addition to this, both inconsistency between organization's current situation and its vision and inconsistency among its vision, mission and strategies affect adversely.

It can be assessed that the vision of 'Being a world brand in its key activity areas' is a little bit vague. It is simply understandable but it is questionable whether vision statement provides a clear image in employees' and citizens' minds, since SDIF is not a company or an organization which globally sells goods or serves people. Additionally, there is not a strategy statement which tells how the organization would reach that vision as an ultimate goal.

#### 4.2.3. Leadership/Commitment of Managers

One of the most important; in other words, a must criteria for success in implementing that kind of strategic management tool is commitment and embrace of management. It is obvious that no one can expect employees to give attention to strategic management if managers do not. In this regard, interviewees were asked whether their unit managers and senior managers had adequate knowledge about the strategic performance management system in work currently and whether they had commitment and support this system. While some of them gave affirmative responses, some others gave negative answers with critical opinions. The most significant opinion was *"...I do not think that current top management has an adequate technical knowledge about the BSC/CDPr. Although, there is no blockage in front of the workings (strategic performance management), I think that the other managers and employees do not give sufficient attention to those workings because of not having top management's support/commitment/habit of working with plans at all..."* This opinion reveals another important issue which is changing management's focus with the change in the top of an organization.

Another important opinion about this topic was that *"... I believe that the system's objective is not comprehended enough. The most explicit evidences for this situation are such applications like; being used this method as a punishment tool by managers from time to time, being very difficult of measuring performance of civil servants due to its nature, incuriousness of managers regarding performance management, and giving the top performance scores to personnel in some departments because of the premium..."*

#### 4.2.4. Employee Acceptance, Commitment, and Empowerment

According to information gathered from literature review, one of the important issues in terms of the successful BSC implementation is employee acceptance, commitment, and empowerment. That's why interviewees were asked their opinions in that regarding and all of the respondents found out that system is helpful and beneficial in seeing the big picture and being a guideline for accomplishing their institution's targets.

In addition, they were asked how and by whom their units' targets, projects, and activities were assigned and how employees and unit managers contribute to this process. According to their answers, it can be told that employees contribute to the system while identifying the targets, projects, and activities. Although there are some other ways, the fundamental way is briefly like that top strategic targets are specified by whole management in 'Strategy Summits'. Then units are demanded to identify their projects and activities in order to achieve those targets.

#### 4.2.5. Communication and Training

Another important issue for a successful implementation of the BSC is sufficient education and training. This matter is asked to interviewees and a few of them got training about the system. Those representatives took training in the first two periods (2005-2007 and 2008-2010) but they did not get any training about the current implementation. They mentioned that SDD issued some documents and forms which were straightforward; therefore, they followed the steps in the forms. If there was any problem, they could contact with SDD. When this information is taken into account, it can be told that there is not sufficient training programs regarding the system even for representatives. It is very significant to be understood and digested by whole employees within the organization to act on the same path towards the organization's vision. None of the respondents have

mentioned training of their colleagues in their departments. In this respect, the basic problem is pretending to do something, but it is obligatory to train employees periodically for this system's success. First, staff should be educated in terms of organization's mission, vision and the strategy. Then training on the technical structure of the strategic performance management system should be given. Since, employees are the main executors and if they do not understand where the organization wants to go and how, it is not possible for the organization to be able to go there.

In terms of communication efficiency, the respondents told that there was a smooth communication between units and SDD via informative statements and e-mails without any problem. Also, SDD issues a digital periodical bulletin to give information about strategic activities to whole personnel within the organization. In addition to this, some important information is shared with external people via website.

#### 4.2.6. Linking the System to Reward Scheme

The interviewees were asked whether each employee was assigned to targets and how employees could be affected when they reached or did not reach those targets. For example, their premiums/bonuses were whether affected by reaching the targets or not. It was tended to determine whether there was any connection between premium/bonus system and performance management system. While some representatives pointed out that in their units individual performance could affect premium/bonus to be taken, but one respondent expressed that it could not be reflected to premium because of team-working structure in their unit instead of individual work. Some respondents maintained that sometimes performance targets could affect premium. Moreover, some of them responded that there was no link between strategic performance system and the reward scheme. Thus, it can be obviously seen that there is no single implementation regarding reward system versus performance management system. On the other hand, the reward application changes department to department.

#### 4.3. Challenges, Problems, and Other Issues

It is deduced that there is a dilemma between 'having less strategic targets/KPIs' and 'linking the BSC to the reward scheme' within the BSC literature. As (Sharma & Gadenne, 2011) implied that there are no clear guidelines upon selecting appropriate KPIs in Kaplan and Norton's concept. In the SDIF example, when less strategic targets are included to the BSC, most of the employees are excluded and could not be assigned strategic works thereby becoming difficult to establish reward system upon the BSC scores.

When the SDIF's implementation is observed, it can be seen that there is a vicious cycle during the three changing method's periods since 2005. At the end of the CDP implementation period it was assessed that there were some disadvantages such as difficulties in setting quantifiable targets and turning into detailed job plans rather than strategically important projects or activities. Then, in the next period, the BSC was attributed that it was less detailed but it had only quantitative performance indicators rather than qualitative ones. Moreover, there were difficulties in both identification of performance measures and understanding general system working. In the third period, again it was assessed that CDP turned into job plan rather than strategic plan. The scope of the plan has been widened, and efficiency of monitoring decreased. Below opinions of interviewees also reflect this problem that people cannot compromise on which activities should be included in the system:

*"...One of the most significant reason of this (not having connection between reward system and performance management system) is not been able to give targets to whole employees in the prepared plans. For instance, if there are 50 people working in a unit, only 3 to 5 people can take place in those plans. Neither in the CDP nor in the BSC, a unit's all of the works are not possible to be reflected into the plans, only the works, which have strategic importance, can be taken part in those plans..."*

*"...The fundamental problem which arose in the initiation of the application was departments' additions of their daily activities to the CDP... Moreover, CDP started to be seen as identifier of departments' scores, it lost its qualitative structure and its efficiency widely. Departments have been adding their previous and finished projects to do list again and again..."*

Another challenging issue is to cascade down scorecard into the unit and individual level. In the last CDP period it was planned to prepare individual level score cards but it could be never prepared. Although unit level plans were composed, it would not be continued because of above mentioned assessment regarding turning into detailed job plans. The respondent below mentioned that there is an inconsistency between unit and corporate level scorecards while they were implementing the BSC before CDP.

*"... (In the previous BSC application) Both unit and corporate score cards were monitored in corporate level. The biggest problem was inconsistency between unit level targets and corporate level targets within scorecards. On the other hand, in the CDP, there are only strategic projects/activities to be monitored only corporate level. And the units demonstrate projects and activities that are only within this scope in the CDP. On one hand, this*

*is positive, but on the other hand, it causes exclusion of some subjects which comprise job burdens of units and thereby not measuring performance of those activities...”*

Other challenge is to quantify and measure some kind of works, especially during the previous BSC method. The employees were not accustomed or willing to state or convert their works into numeric expressions. Perhaps, it could be tried and perseverance in doing so via trainings but as mentioned above they converted the method which is suitable for qualitative expressions.

## 5. Conclusion

With this research, it is aimed to seek answers to the main research questions whether the BSC is a successfully applicable tool for a public institution in an emerging economy. Also it is intended to reveal what challenges and issues arise during the implementation and what the critical success factors are in that context by critically reviewing and analyzing both an organization’s experience from Turkey (SDIF) and the BSC itself.

After the case studies in the literature part were reviewed and SDIF’s experience was observed, it was concluded that the BSC implementation in public sector organizations, especially in developing countries, is not an easy and straightforward work as conceptualized version. There may be obstacles of cultural codes and established institutions within this culture which affect the way of doing job, interests, focus, and so forth. The most significant and foremost of those is to have a strategy focused perspective that developed in 1980s among private sector companies. Then it spread to developed countries public sector organizations in 1990s and then germinated a little bit in emerging countries. It is ‘a little bit’ because rest of them indeed just pretend to do with fancy mission, vision and strategy statements. And especially in public organizations, lack of strategic focus and seeking satisfaction of various stakeholders’ interests cause unwillingness and lack of commitment to strategic performance management methods like the BSC among senior managers.

In fact, it must be admitted that the BSC concept has some unclear points both theoretically and practically. Moreover, extraordinary results should not be expected only by applying concept directly without analyzing the subject organization’s structure and trying to find the best-fit version. Fundamentally, it can be assessed as a beneficial tool for public organizations, particularly in developing countries, in order to get the habit of setting objectives, making plans to reach those objectives, measuring performance against those plans and reviewing. In order to have that habit, it is suggested to have continuous education and training regarding strategic management and the system. Furthermore, the implementers should have patience with the managers and employees who resist to change. Also, an effective communication is needed among all level of staff.

Although there are some limitations such as the researcher’s pre-understanding and prejudice of the subject organization because of his working experience within this organization, and some interviewees’ undemonstrative approach to some questions due to the known identity of the researcher, this research study can be useful for SDIF and organizations like SDIF with its analysis and suggestions. Also, it may shed light on the public sector organization’s implementation in emerging economies for future studies. In addition, there is an area of studying on effects of cultural differences in the successful BSC or strategic performance management implementation.

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