



The Reconstruction of the Balanced Scorecard in Chinese Local Governments: Correction Model Based on Service-Oriented Government Strategic Goals

LI Mei^{[a],*}; WU Jiang^[b]

^[a] Graduate. School of Political Science and Public Management, Southwest University, Chongqing, China.

^[b] Professor. School of Political Science and Public Management, Southwest University, Chongqing, China.

*Corresponding author.

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Abstract

The balanced scorecard is derived from the enterprise performance evaluation, but the local government using the balanced scorecard has different features from the enterprise. This paper clears the particularity of government departments and its application difficulties through the comparative analysis, and builds the correction model of balanced scorecard applied to the local government based on the strategic target of service-oriented government construction, so as to put forward some improvement measures.

Key words: The balanced scorecard; Local government; Service-oriented government; Correction model

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INTRODUCTION

The balanced scorecard, short for BSC, is the famous performance management theory which was first put forward by Robert Kaplan and David Norton in the paper “The Balanced Scorecard: Measures that drive

Performance” by Robert Kaplan and David Norton published in the Harvard Business Review in 1992. Its basic template mainly includes four parts: The content of the customer, financial, internal processes, learning and growing. There are three main stages about the development of BSC in abroad: the first stage is the preliminary use of BSC in the strategic level. Its representative paper is “Putting The Balanced Scorecard to Work” published by Kaplan and Norton in 1993, which proposed a state that the index selection is a key to the success of strategic; The second stage is the extension of BSC in the management level. In pace with the big companies in the United States widely used BSC as the core architecture in management process, BSC has a new development in the company management level. According to these experience, in 1996 Kaplan and Norton published a paper entitled “Using the Balanced Scorecard in the Strategic Management System”, marked BSC performance management tool for strategic management system in the true sense; The third stage is the application of BSC in strategic performance management. Paul Niven published a paper “Balanced Scorecard And Practical Guide” in 2003 which further enriched the connotation of BSC, and had strong practical significance in promoting the development of BSC widely used in the organization.

BSC is derived from the enterprise, but its strategic concept and balanced thinking get the favour of the government. With the introduction of BSC in China and the condition of enterprise used gradually in-depth, calling the scholars perform feasibility study on the operation of BSC in public sector especially the government. For example, Liu Guihua (2011) proposed that we should explore a variety of social assessment approaches, and take the service object satisfaction into the performance management. Qi Yue, Zhu Lifeng (2012) expands the four aspects of BSC as five focus areas: service the public focus area, administrative process focus area, study development focus area, civil servants focus area and

tangible resources focus area”. But due to the particularity of local government departments and the differences of value orientation, the concrete application of BSC encounter many difficulties. So how to build a balanced scorecard model of China’s local governments, and make its localization, still need further exploration and research.

1. COMPARATIVE ANALYSIS OF THE PARTICULARITY OF LOCAL GOVERNMENT IN USING THE BALANCED SCORECARD

BSC is produced in enterprises and its four dimensions also come from enterprise performance evaluation. Therefore, through the comparative research from the local government and the enterprise, to analyze the current dilemma of the application of BSC in local government is an effective method. The differences between companies and local governments using the balanced scorecard mainly embodied in the following respects (Table 1).

Table 1
The Differences Between Companies and Local Governments in Using the Balanced Scorecard

Differentiating factor	Companies	Local governments
Function	Provide personal belongings to the society, profit and cost as the evaluation criteria, marketable	Rely on the public power within their respective jurisdictions to provide public services and manage public affairs, make public interest spread, publicity
Resource	Comes from fees	Comes from the public budget allocated
Encourage	Give priority to benefit motivation	Work stability, performance evaluation procedural
destination	Have clear goals, the final product can be quantified	Vagueness and multiplicity of goals, service products are difficult to quantify
Strategy	Maximize the profits	Build a service-oriented government
Finance	Maximize the enterprise value, strengthen enterprise’s each related interest groups	At the lowest cost to provide the public with satisfactory service
Customer	The final consumer products or services	Local social public
Internal process	Committed to meet customer requirements and business process reengineering of achieving an organization’s financial goals	Committed to the improvement of local government public service ability
Learning and growth	To improve financial performance, customer performance potential long-term benefits	Change the idea of rulers, improve the administration and public service ability of the new period

Through above contrast analysis, to understand the logic concept of utilizing BSC in enterprise and the public sector, as well as the particularity of local government and its plight laid a foundation.

1.1 The Four Dimension Logic of the Balanced Scorecard

The ultimate goal of enterprises using BSC is in pursuit of profit maximization, its starting point is to obtain the biggest returns in finance. Enterprise financial resource comes from the customer’s consumption of the commodity, so to gain the maximization of enterprise value rely mainly on customer performance, enterprises can win customers from two aspects: one is to improve the quality of goods, and to maximize the customers’ needs; The second is to improve the production efficiency, namely the internal process of continuous optimization procedural. The long-term development of these two approaches need to enhance the staff’s ability of learning and grow constantly. In the enterprise, therefore, the use of balanced scorecard, the financial dimension as the main factor, build the customer, internal process, learning and growth four management factors interrelated and interact method of performance management assessment (Figure 1).



Figure 1
Four Dimensions of Balanced Scorecard Logic in Enterprises

Unlike enterprises, the exercise of BSC in local government is focus on how to get maximized public interest of the local public, which requires local governments take “customers” by local social public as the target object, and with a low cost of investment to provide satisfactory services for the public as the center task, so as to realize the unity of administrative high efficiency and benefit, and it also needs the civil service constantly improve the ruling ability. Therefore, this makes the four dimensions of BSC unified logic relations changed (Figure 2).

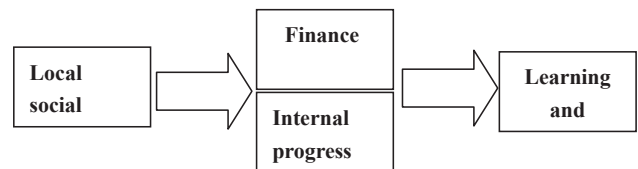


Figure 2
Four Dimensions of Balanced Scorecard Logic in Local Governments

1.2 The Particularity of the Local Government

The local government, as a master of public power, provides public products and public service for the society and the public. Its performance characteristics has non-

material of output content, variety of benefit objects, non-marketing of implementation process, and hysteresis of the effect of benefit, that determines the government different applying the BSC between the enterprise's performance evaluation. Its particularity mainly embodied in the following aspects:

1.2.1 Publicity of Service Products

Local government has different nature from the enterprise commodity trading. It provides public products and service to the public, and does not have market transaction behavior, so there is no competition. Relying on the public power to manage meanwhile, determines the local government has a monopoly of the subject of public goods. Therefore it is hard to produce incentive to improve the quality of service, also hard to quantify the government performance.

1.2.2 Multiplicity and Fuzzy of Target

Although the government department's mission is clear, namely, the sustainable development of society and human civilization progress. However, cover of many public missions, political, economic, cultural, social, military and so on every level are strategic objectives of the local government, and every level of the target branch sort is various. Unlike enterprise profit maximization as the ultimate goal, It has not a clear aim and quantitative performance goals. Because of the variability of social factors, a lot of unexpected public affairs are difficult to determine. Products and services with mainly nonprofit paying more attention to social efficiency, makes the goals more descriptive and fuzzy characteristics.

1.2.3 Pay Attention to Fairness Than Efficiency

With the deepening of the socialist market economy, Market as a way of basic resources allocation increases the social inequality factors. The government regarded as the most important part of the regulator of social fairness, provides equal public services as the main task. Therefore it should pay more attention to the equality and generalization in the facility devotion, this can easily lead to low efficiency, waste of resources.

1.2.4 The Positive Correlation Between Administrative Cost and Income Relationship

The financial income of the enterprise performance mainly comes from customers, business performance, etc., and only to create more economical achievements and reduce expenditures so do enterprises can obtain more resources in return. Contrary to the enterprise, the local government revenue comes from mandatory tax, and the fund allocation polices based on the budget. However, it is worthy of thinking deeply that there is no market tested in formulating financial budget, or at the end year of the accounting. In addition, if the surplus was too much, the budgetary resources should be reduced in the next year so as to avoid excessive surplus. Consequently that encourages the extravagance and waste, also reduce

the efficiency and commit to the maximization of the administrative cost as the objective.

2. THE PLIGHT OF THE BALANCED SCORECARD APPLIED TO LOCAL GOVERNMENT

Through the comparison of the above, there exists many difficulties in government department in the use of BSC while there is a substantial advantage in enterprise performance management. It reflects in the following aspects:

2.1 Leading System Defection

Strategy formulation of the BSC is a top-down process, and in a certain extent, depends on the leadership's will. Our country executes the leading cadres tenure and performance system, which plays an important role in the leadership team construction. However, it hindered sustainable and scientific of the strategy in formulation and implementation in local government. This is due to that the BSC pays attention to the unity of the short-term benefit and long-term benefit while the leadership on secondment easily lead to strategic goals change and change with the new values and style of the newly-elected leading group, and outstanding performance is the guarantee of retention and promotion. So paying attention to short-term achievement, ignoring the government target of multiple factors, and even encouraging amoral behavior, not only makes the long-term strategy unable to continue, but also damages the balance principle that the BSC insist on.

2.2 Organizational Structure Restriction

Pyramid model of the internal structure of local government, forms the established procedure of strategic management, and makes the decision model stiff, also hard to contribute the interaction between the inside and outside environment. This strict hierarchy result in strategy formulation, especially the long-term goals planning is always the top leadership responsibility, and formulate medium-term plan and short-term plan through top-down layer upon layer decomposition, more to the substratum more specific. There is a clear operating procedure and perform time even in the substratum without autonomy and flexibility. Especially under the background of contemporary social differentiation of big change, unavoidable sudden factors often makes the local government in crisis. Because of the limitation of hierarchy, these factors cannot quickly bring into decision-making agenda, and it would lead to the failure of the established strategy. At the same time, bureaucratic centralized decision model, makes the individual leader monopolize decision-making, and chief supervisor or their opinion replace the whole department strategy work.

2.3 Budget System Depletion

Financial dimension is not the core of the public sector performance evaluation. But any organization requires the unity of the benefit and efficiency. As a result, local government budget is a key link of the sector performance. Annual budget mainly includes two parts: revenue budget and expenditure budget. The fiscal expenditure includes fixed administrative cost (office cost, management cost) and public service expenditure project cost, etc. Administrative costs allocated according to the annual routine to increase or decrease. But the project of public product or service expenses is uncertainty: in addition to examining the situation on basis of previous year, it is also need to re-budgeting according to the environment morphing. In our country, the cash method of accounting based on actual cash income and expenses, cannot correctly reflect the cost of the current project activity. Therefore it cannot be truly, accurately reflect the cost consumptions of government departments in providing public products and services, and easily result in opacity factors increased; On the other hand it also underestimated the current fiscal spending, and inflated the country's disposal of financial resources.

2.4 Service Concept Deletion

Service-oriented government is the core target of China's administrative system reform in recent years. The construction of service-oriented government inevitably requires the people-oriented thoughts, and "by providing public products and public services, it completely transform the economic economy-construction-type government". However the local government lack of service concept at present. A large number of administrative means intervene microeconomic fields, that give rise to emasculate market regulatory functions. The lack of specific service performance evaluation system index, and the public service functions ceasing to be effective, are the important constraint on the local service-oriented government construction.

3. THE BLANCED SCORECARD CORRECTION MODEL OF LOCAL GOVERNMENT: SERVICE-ORIENTED GOVERNMENT AS THE STRATEGIC GOAL

The BSC appropriated for enterprises cannot be directly applied to the government through transplant. it also need a process of "alienation", namely on the basis of contrast differences between the enterprises and government departments, and by the analysis of the reform orientation of the Chinese government management, determine the local government's strategic goal, and re-develop the four dimension structure of the BSC, so as to scientifically construct the BSC correction model of local governments.

3.1 The Balanced Scorecard Correction Model

The BSC correction model of local government refers to a service-oriented government as the strategic target, and centering on the four dimensions including the government performance, finance, public service ability, learning and growth to build government performance management index framework.

3.1.1 The Strategic Objective

Report to the Eighteenth National Congress of the Communist Party of China pointed out: "Reform of the administrative system is a necessary requirement for making the superstructure compatible with the economic base. To reach the goal of establishing a socialist administrative system with Chinese characteristics, we should build a well-structured, clean and efficient service-oriented government that has scientifically defined functions and satisfies the people.....We should exercise government administration in an innovative way, increase public trust in the government, and improve its competence so as to make the government performance-oriented." The conclusions are drawn as that the service-oriented government is the main goal of reform in the Chinese government, and also the government pattern conformed to the requirements of socialism with Chinese characteristics. So the author takes building a service-oriented government as the strategic target of the local governments to implement BSC performance management. Service-oriented government is the new form that percolates the service as the core of social governance value system and the gravity of the government function structure, which is under the guidance of citizen standard and social standard concept and within the democratic system framework.

3.1.2 The Four Dimensions Structure

The local government's BSC structure is different from enterprises. So it should be adjusted to four dimensions as: government performance, finance, public service ability, learning and growth.

Government performance: The central task of the government is to provide local public services. here to amend the customer dimension for the government achievements is based on that it takes the local public as government department's service object and taxpayers, and how to provide high quality services to meet the needs of the public is the core of local government's pursuit. The evaluation index directly reflected in the government's work performance. Local government performance indicators are mainly embodied in the several aspects: (1) The economy of public service performance, namely the service performance that the local government provide to citizens and organizations engaged in economic or production activities, including public utilities, public infrastructure construction, etc.; (2) The sociality of public service performance, namely the services of social demand directly such as citizen's life, development and

entertainment that the government provide to the public. The performance indicator aims at improving the quality of public life; (3) The maintenance of public service performance, namely the performance index including the right to protect and maintain the market order and social order.

Finance: As a public sector of the local government, financial indicators is not the core of consideration factors. Nevertheless how to control costs and expenses while creating value for the public is the basis of the government to continue provide quality services. As above-mentioned, local government finance includes the administrative cost and public service projects expenditure. Its target is mainly embodied in the “open source” and “throttling”, namely, how to increase fiscal revenue through legal means or search for economic ties to open source. Meanwhile the government should strengthen the throttling by improving the efficiency of government administration, streamline institutions and reducing the administrative costs. On the premise of separating government administration from the management of enterprises, state assets, public institutions, and social organizations, market should play the role of basic resource allocation, and social autonomy ability be cultivated, so that the local government’s role can return to seat, and sector throttling can be achieved.

Public service ability: Enterprise’s internal process reengineering is the business process reorganization to achieve financial goals and maximize the profit. however, the government process reengineering is devoted to developing department public service ability within the scope of resources and powers in its service area. On the content structure of public service capacity can be divided into: planning ability, absorbing and configuring resources ability, crisis management ability and execute ability.

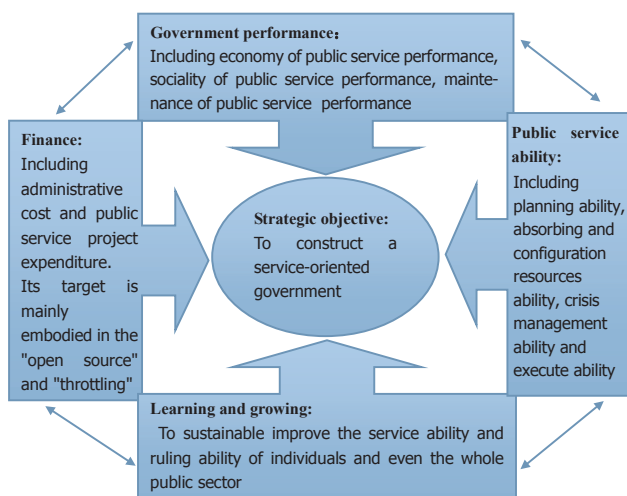


Figure 3
Correction Model of the Balanced Scorecard in Local Government

Learning and growing: Under the premise of

Service-oriented government as the strategic goal of local government, the civil servant’s learning and growing refers to individual learning drive the whole government departments learning so as to improve the service ability and ruling ability of individuals and even the whole public sector. This need long-term orderly training process, and to improve knowledge management ability by information sharing. At the same time, it’s only by creating environment and conditions of retaining talent and attracting talent that the local government can make long-term sustainable and satisfactory public service.

These four dimensions form the mutual supported and mutual united government performance management indicators under the guidance of the strategic goal of the service-oriented government. They embodied the sustainable development of the BSC concept (Figure 3):

3.2 Improvement Measures of the Balanced Scorecard Applied to Local Government

Local governments should do the following adjustments to along with the particularity of performance management and the dilemma of growing demand on the basis of the BSC correction model:

3.2.1 Set Up Leadership’s Strategic Thinking

The BSC pay attention to the strategic combined with the task. Thus making long-term, forward-looking strategic target is the precondition for the BSC applied to the local governments, and also an important role in leadership’s responsibility. Strategy is essentially a target orientation to help leaders to make decisions and implement significant actions. A region should have a clear strategic goal so as to concentrate limited resources allocation and to cohesive forces for making area construction and developing social economy all-round. Leadership’s will play a decisive role in strategy, this requires leadership not only to establish the strategic thinking, but also cultivate the ability of strategy formulation and strategy implementation.

3.2.2 Optimize the Organizational Structure

The current administration is given priority to the linear organization form. Upper and lower communication moderation caused for the information circulation difficulties between the senior leadership level and the grassroots level, and also easily led to decision goal removed from the reality. So flat organization structure is more advantageous to democratic participation and information sharing. Through the establishment of information communication network channels, the various departments can be coordinated, and the departmental responsibility’s restriction can be broke, so that the goal of long-term and integrity can be achieved by building effective organization structure and work system to implement the strategic objectives in the process of total involvement and implementation.

3.2.3 Perfect the System Construction

The first is optimization of mechanism of laws and

regulations and policy environment. The so-called administration according to law must ensure the law enforcer, and the honest and efficient service-oriented government also requires the improvement of the legal system. At the same time, the local government performance management implementation is under the related policy support. Improving the legal and policy system, therefore, is the precondition to realize the long-term effective mechanism and institutionalization of the BSC. The second is establishment of the department budget and accounting system. The government's fiscal revenue and expenditure are established on budget. So it is the foundation of local government performance evaluation that using the financial funds for specific purposes, cutting administrative expenses on the basis of ensuring the high quality public services, and making the budgetary revenues and expenditures and the accounting transparency. Building the main mode of government performance management based on the BSC, on the other hand, requires the financial performance results as a basis for the next year's budget establishment, and the results also linked to individual performance compensation, so as to establish a long-term mechanism of the BSC performance management.

CONCLUSION

The current local government performance evaluation method without the top design of strategic level has limitations on the tool design of control and constraint of civil servants. As the most advanced strategic management and performance management tool, the BSC is of great significance for the government performance management innovation mode. Local governments should regard service-oriented government as the strategic target to practice the BSC, and construct performance management index system of mutual promotion and development, including four dimensions of the public service ability, financial, and learning and growth around the basic principle of public satisfied. To adapt to the multiple objective needs of the development of local governments

in the current environment, of course, and to make the BSC in large part a tribute to the management activities, we also need to further explore and research.

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