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**THE BALANCED SCORECARD  
IN THE PUBLIC SECTOR IN POLAND.  
THE CASE OF IMPLEMENTATION  
IN THE CUSTOMS SERVICE IN POLNAD**

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**Summary:** The challenge for the public sector organizations is to build customer-focused strategies which are well designed, satisfy customer needs and provide superior levels in product and service performance. The main goal of this paper is to introduce the possibilities of using the Balanced Scorecard as a tool which describes the strategy and helps to monitor its realization. At the beginning the article presents the general concept of the Balanced Scorecard. Then, the case of its implementation in the Customs Service in Poland is discussed. The summary indicates the benefits of the Balanced Scorecard implementation.

**Keywords:** Balanced Scorecard, Marshal Office, Customs Service in Poland.

## **1. Introduction**

The challenge for the public sector organizations is to build customer focused-strategies which are well designed, satisfy customer needs and provide superior levels in product and service performance. The next step is to translate their strategies into actions, by means of, for example, the Balanced Scorecard. Therefore, the main goal of this paper is to introduce the possibilities of using the Balanced Scorecard as a tool which describes the strategy and helps to monitor its realization. In order to adjust the traditional concept of the Balanced Scorecard to the public sector's needs its perspectives have been corrected with respect to their order as well as their meaning. Four perspectives are suggested: customer, finance, internal processes and learn and growth. The article presents an example of using the Balanced Scorecard in the Polish public sector.

This article aims to present the use of the Balanced Scorecard for public sector organizations illustrated by the example of the Customs Service, including its specificity. At the beginning the article presents the general concept of the Balanced Scorecard. Then, the case of its implementation in the Customs Service in

Poland is discussed. The summary indicates the benefits of the Balanced Scorecard implementation.

## 2. The Balanced Scorecard – the general concept

The Balanced Scorecard concept, developed in the early 1990s by R.S. Kaplan and D.P. Norton, is a strategic management system (not only a measurement system) which enables organizations to clarify their vision and strategy and translate them into action. This system based on the Balanced Scorecard consists of four steps [Kaplan, Norton 1996, p. 10]:

- clarifying and translating vision and strategy,
- communicating and linking strategic objectives and measures,
- planning, setting targets and aligning strategic initiatives,
- enhancing strategic feedback and learning.

The first step of strategic management system is carried out by the scheme of the Balanced Scorecard, which consists of four perspectives:

- financial perspective,
- customer perspective,
- internal-business-process perspective,
- learning and growth perspective.

The first task in designing the Balanced Scorecard is setting financial objectives which senior executive managers want to achieve. It should be considered whether to emphasize revenue and market growth, profitability or cash flow generation. These objectives should be aligned with objectives in the customer perspective, which emphasises clients' satisfaction. With financial and customer objectives established, an organization then identifies objectives and measures for its internal business processes. The Balanced Scorecard highlights these processes which are most critical for achieving breakthrough performance for customers and shareholders. The final activity in designing the Balanced Scorecard is setting objectives and measures in the learning and growth perspective. This activity reveals required investments in reskilling employees, information technology and systems.

The Balanced Scorecard is used in the public sector entities around the world [see: Plant, Douglas 2006; Pollanen 2005; Rautiainen 2005]. There are four perspectives suggested with key questions [Niven 2008, p. 49]:

- customer: Whom do we define as our customer? How do we create value for our customer?
- finance: How do we add value for customers while controlling costs?
- internal processes: To satisfy customers while meeting budgetary constraints, at which business processes must we excel?
- learn and growth: How do we enable ourselves to grow and change, meeting ongoing demands?

According to the main idea of the Balanced Scorecard, to create the BSC for the public organization one has to select perspectives, choose strategic objectives, create a strategy map<sup>1</sup> and define measures for indicated targets.

### 3. The Balanced Scorecard for the Customs Service<sup>2</sup>

The Balanced Scorecard is also implemented in Poland in the private sector and in the units of the public sector. Taking into account the purpose of this article, the Balanced Scorecard for the Customs Service will be described as an example.

The strategy for the Customs Service for the period 2010–2015 was prepared on the basis of the Balanced Scorecard methodology for the public sector. The strategy, according to the Balanced Scorecard methodology, is based on the following cause-and-effect relationship: having an appropriate organizational culture, competence and efficient methods of operation (development perspective), acting efficiently and in accordance with established standards and procedures (internal business processes perspective), the Customs Service will fulfill the main strategic objectives (external perspective), directing the flow of funds, taking into account the policy of effective property management and optimization of expenses.

The measures of the strategy, according to the Balanced Scorecard methodology, were defined in such a way as to ensure current monitoring during the implementation of a strategy. Coordinators, responsible for monitoring and reporting on completion of the strategic objectives, were selected. The responsibility for the implementation of strategic objectives and the desired level of indicators for their implementation rests with the people in upper management positions in the organizational units of the Customs Service.

The Customs Service, as one of the 27 customs administrations of the Member States of the European Union, will apply benchmarking to compare its results with administration of other Member States.

The Customs Service strategy focuses on priority issues, not limiting other activities which are efficiently organized. The adopted strategy includes a continuation of key projects executed in accordance with adopted strategic development directions.

The mission of the Customs Service is expressed by the following words: the Customs Service friendly for citizens and businesses with an effective control system, based on highly qualified, effective management methods and modern technologies:

- protects the finances of Poland and the European Union,
- promotes and facilitates legitimate business activities,
- protects the society and the environment from threats.

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<sup>1</sup> The strategy map shows cause-and-effect links by which specific improvements create desired outcomes. From a larger perspective, strategy maps show how a city will convert its initiatives and resources (including intangible assets such as city culture and city knowledge) into tangible outcomes [Kaplan, Norton 2004, p. 30].

<sup>2</sup> Based on [*Strategia działania Służby Celnej...* 2010].

The vision of the Customs Service is concluded by the statement: the Customs Service is open to new challenges and cooperation while respecting the principles of professional ethics and using modern methods; it cares about public finances, making it easier to run businesses legally and ensuring safety; it improves its working methods and skills of people using more modern tools, and taking into account the expectations of the society, business, budget and partner institutions.

The strategic objectives have been developed on the basis of the analysis of the organization and the strategic directions of development of the Customs Service, reflecting the basic expectations of the Customs Service.

Strategic directions of development in terms of effectiveness and efficiency of the organization:

- implementation of the management process,
- streamlining and optimizing organizational processes,
- improvement of internal communication and collaboration,
- standardization of organizational processes,
- improvement of the management of change,
- improvement of crisis management.

Strategic directions of development in the area of the competence and commitment of customs officers and employees:

- improving the skills of customs officers and employees, understood as the ability to complete their tasks (equipment, skills, specialization, permissions),
- developing positive attitudes of customs officers and employees,
- managing the development of customs officers and employees,
- improving anti-corruption activities.

Strategic development directions for cooperation with the external environment:

- improving cooperation with business,
- active cooperation with eastern neighbors,
- improving cooperation with the services of other countries,
- improving cooperation with other institutions and organizations.

Designing the Balanced Scorecard, one formulated strategic objectives in three perspectives, namely the external perspective (customer perspective), the perspective of internal-business-processes and the perspective of development. While using the Balanced Scorecard methodology in this strategy, the financial perspective was deliberately excluded. In this perspective, goals are formulated from the perspective of business owners, shareholders and the shareholders of an organization. These goals reflect the predominant desire to increase the value of a company, or at least, to increase direct financial benefits (profits). This perspective does not apply to the activities of the Customs Service as it is a budget unit. The Customs Service will seek to make the best use of available financial resources and possibilities to raise external funds to achieve its objectives.

Table 1 shows the strategic objectives and measures in three perspectives of the Balanced Scorecard for the Custom Service.

**Table 1.** The Balance Scorecard for the Customs Service

Strategic objective	Measures
1	2
External perspective	
1. Ensuring the efficient and effective collection of customs duties and taxes and charges which constitute the state budget and the European Union budget	1.1. The percentage of payments due in relation to the declared due and calculated by the customs authority by decision 1.2. The percentage of outstanding receivables under enforcement orders in relation to the total amount of outstanding debts 1.3. The percentage of recovered debts of enforcement orders to the total amount of outstanding debts under enforcement orders
2. Facilitation of legitimate business activity and removal of bureaucratic barriers and improving cooperation with business	2.1. The percentage of companies benefiting from simplified procedures 2.2. The percentage of electronic documents to all documents 2.3. The percentage of customs declarations in the simplified procedure in relation to the total number of accepted customs declarations 2.4. The percentage of severance authorization procedure carried out by the entrepreneurs submitting customs declarations in Poland for the first time in relation to the total number of procedures 2.5. The number of changed decisions to the total number of decisions examined in the second instance
3. Ensuring public safety and the protection of the domestic and the EU market through the active use of non-tariff measures	3.1. Quantity of goods seized for violating intellectual property rights 3.2. The number of detections of smuggling drugs and precursors 3.3. The number of detections of smuggling strategic materials 3.4. The number of checks where the violation of the law was detected to the overall number of checks 3.5. The percentage of detected cases of smuggling with the use of scanning devices to all detected cases of smuggling 3.6. The number of products not satisfying the harmonization requirements defined by the law to the number of authorization applications 3.7. The number of found goods which do not meet the requirements set out in separate regulations in relation to applications for admission to trading
4. Combating offences and reducing irregularities in the areas of customs, excise and gambling	4.1. The percentage of the irregularities in customs declarations in relation to the number of customs declarations checked before releasing goods 4.2. The percentage of the irregularities in customs declarations in relation to the number of customs declarations inspected after the release of goods 4.3. The percentage of the irregularities in the area of gambling in relation to the total number of checks carried out in this area
5. Improving control activities, especially those performed at border crossings	5.1. Time of border control for cars from the moment crossing the Polish border 5.2. The total service time for customs declarations 5.3. The total service time for passengers on a green belt (nothing to declare)
6. Improving cooperation with other institutions	6.1. The implementation of strategic initiatives that require cooperation with other institutions, according to a schedule

1	2
7. Activation of customs activities in the international arena (especially in the region of Central-Eastern Europe)	7.1. Implementation of Polish initiatives concerning the eastern border of the European Union, including the initiatives of the Eastern Partnership 7.2. The number of Polish experts in international activities 7.3. The participation of the Customs Service as a coordinator of international initiatives
8. Proactive external communication of the Customs Service	8.1. The share of positive feedback to all the views expressed in the media about the Customs Service
Internal business process perspective	
1. Improving internal communication and collaboration	1.1. Increasing communication efficiency resulting from the previous research
2. Improving organizational processes	2.1. The share of positively audited processes to the number of audited processes
3. Increasing the risk analysis in the processes control, audit procedure, facilitation and simplification	3.1. The share of control with a positive result to the number of controls 3.2. The share of the positive control to the number of inspections under system directives
4. Implementation of a uniform system of management control in the Customs Service	4.1. A uniform system of management control in the Customs Service was implemented
Development perspective	
1. Improving the competence of customs officers and employees of the Customs Service	1.1. Employee satisfaction from the system of the improvement of competences
2. Developing positive attitudes (including ethical behaviour)	2.1. The share of disciplinary sanctions in relation to the number of employees on duty 2.2. The number of justified complaints
3. Improving the motivation – loyalty system	3.1. Staff turnover within the office 3.2. Employee satisfaction from the motivation-loyalty system, including the “exit interview”
4. Optimization of organizational processes	4.1. The number of optimized processes in relation to the number of processes identified 4.2. Workload – the average workload for one-time duty in the customs office
5. Modernization of technical infrastructure	5.1. The percentage of expenditure on technical equipment in relation to the total amount of non-wage and property expenses of the Customs Service 5.2. The percentage of expenditure on the implementation of construction projects in the total amount of capital expenditure of the Customs Service

Source: [Strategia działania Służby Celnej... 2010, pp. 4–21].

The responsibility for implementing the strategic goals rests on the people involved in senior management positions in the Customs Service and is a permanent part of professional duties of all the employees holding managerial positions. The coordinator is responsible for determining how to achieve objectives, monitor performance indicators and report. The responsibility for the implementation of strategic initiatives rests by the owner of a given strategic initiative, who is also responsible for determining how to implement activities, monitoring and reporting work.

Objectives are implemented gradually by means the implementation of strategic initiatives, in accordance with the schedules and the continuous improvement of operational procedures (including the organization and management of the Customs Service). Performance indicators for strategic objectives have been monitored since 2010.

Funds for the strategy come mainly from the Operational Program Innovative Economy and the state budget, including the program “Modernization of the Customs Service”. The activities covered by the strategy will also be funded by the Norwegian Financial Mechanism. The budget covers the costs of implementing the strategy of individual initiatives, as defined in the Annex to the strategy.

Summing up, it was rather not a good decision that the financial perspective was not included in the Balanced Scorecard for the Custom Service, because no organization, regardless of its status, can successfully operate and meet customer requirements without financial resources. The Custom Service has funds for the strategy realization, so it should also have financial measures in the financial perspective of its BSC. The Customs Service has a short experience connected with the operation of the Balanced Scorecard and probably in the future the financial perspective will be developed.

#### **4. Conclusion**

Public sector organizations’ actively adopt a more customer-oriented philosophy. They are finding and implementing management tools which enable them to meet increasing expectations and offer high quality services. The Balanced Scorecard is one of these methods which were used by public sector managers to improve management techniques. The contents of this paper lead to a conclusion that it is possible to read the strategy using goals and measures included in the Balanced Scorecard provided it has been properly constructed.

A lot of public sector organizations in the world used the Balanced Scorecard successfully. In practice the Balanced Scorecard is implemented, for example, in: government organizations (department, city, police), education organizations (university, school), community centres, hospitals and non-profit agencies. The benefits of the Balanced Scorecard implementations are as follows [Niven 2008, p. 60]: demonstrating accountability and generating results, attracting scarce

resources, creating a focus on strategy, producing information (as opposed to data), self-preservation, driving change and inspiring trust.

In this paper some examples of the Balanced Scorecard implementations in Poland were discussed. One should expect that the benefits of the Balanced Scorecard implementations in Poland will encourage more public sector units to use BSC in their strategic management.

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**Streszczenie:** Wyzwaniem dla organizacji sektora publicznego jest budowanie strategii zorientowanych na klientów, zapewniające zaspokojenie ich potrzeb. Głównym celem artykułu jest przedstawienie możliwości stosowania zrównoważonej karty wyników jako narzędzia, które opisuje strategię i pomaga w monitorowaniu jej realizacji. Na początku artykułu przedstawiono istotę zrównoważonej karty wyników. Następnie omówiono zrównoważoną kartę wyników funkcjonującą w Służbie Celnej w Polsce. W podsumowaniu wskazano korzyści wynikające ze stosowania zrównoważonej karty wyników.

**Słowa kluczowe:** zrównoważona karta wyników, urząd marszałkowski, urząd celny.