

# STRATEGIC PUBLIC MANAGEMENT – SELECTED EXPERIENCES WITH BSC IMPLEMENTATION<sup>1</sup>

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## Abstract

Elements associated with modern approaches towards public management have been gaining ground in various forms in the Czech public administration, especially in the last decade. They reflect the priorities of the public administration reform and the enhanced opportunities for co-financing the implementation of new management tools from European funds. This article summarizes the experience of strategic management, based on the analysis of secondary sources and on the experience of one of the authors who has worked as manager in several public administration/public sector institutions. In the practical part, the article focuses on the potential and limits of implementation of the Balanced Scorecard using the practical experience together with the implementation of this instrument at the level of city and ministry.

**Keywords:** New Public Management, strategic public management, public administration reforms in CEE.

## 1. Introduction

Although strategic planning and management is no panacea (Bryson, 2011), strategic planning – and the modern strategic thinking or strategic management – has been singled out as one of the critical areas of public management research and practice, as well as a still-relevant approach in the new post-Weberian organization (Cepiku, Corvo and Bonomi Savignon, 2010). In the recent years, there has been a renewed emphasis on the benefits of good strategic management, and how it is necessary for the governments to know how they can effectively identify and deliver what is required to meet the needs of all their stakeholders (and the economy and society in general) (Delarue and Spanhove, 2010).

Requirements for more strategic, long-term-oriented management and decision-making in public administration begin to spread in the academic literature and practical reforms of the public administration mainly due to managerialism and what has been titled as the New Public Management (NPM). Generally, the NPM literature requires greater involvement of management tools from business (the profit area) in the public sector (the non-profit area). The guiding motto here is management is management, and/or let the managers manage (at their own discretion) (Christensen and Læg Reid, 2011, p. 3). Management based on the law should be replaced with a responsible manager autonomy and usage of tools and management techniques from the private business sector.

It should be noted that NPM has gradually become the denominator of the attributes associated with a diverse range of management tools, and the literature is still struggling with the wide range of tools and reforms associated with the NPM. Still, the NPM literature clearly emphasizes the potential of strategic planning and management in public sector organizations to improve (traditional) administration through overcoming its inward focus and short-term perspective. Strategic management can be perceived as compatible with the NPM approach. However, requirements of strategic management can be also seen in other public administration/management models, and strategic management does not line up exclusively with NPM, but also with currently debated models like networks, (new public) governance (Pollitt and Bouckaert, 2011). Some of them have also evolved/improved as a reaction to NPM reforms, for example, to overcome fragmentation brought by former decentralization.

Referring to potentials of strategic management, NPM and post-NPM literature has particularly pointed out the following requirements (principles) based on which public management can improve (Hughes, 2003; Schedler and Proeller, 2002; Pollitt, 2002; Drumaux, 2009; Pollitt, Van Thiel and Homburg, 2007; Christensen, Lie and Læg Reid, 2007; Christensen and Læg Reid, 2011):

- to change the original management orientation (structures, processes and inputs) to a strategic focus on outputs (results) and outcomes, starting with an environmental scan or analysis, consisting of the identification and assessment of current and anticipated external factors and conditions that must be taken into account when formulating the organization's strategies;

- to strengthen strategic capacities of the central government to steer, not to row, and control in order to become more concerned with strategy and less with carrying-out, as well as to respond to external changes and diverse interests quickly, flexibly and at the smallest cost;
- to put an emphasis on a better determination of the mission and goals of organizations and tying outcomes to resources (also thanks to use of the program budgeting);
- to integrate planning, management, control and the organizational structure and culture (also through training and greater integration between the communication and information system, and a link with the motivational and reward systems);
- to enhance responsiveness and include stakeholders also, to better address the complexity of the public sector, to raise the level of trust in government, to bring more democracy into public decision-making by working towards common goals, and to make strategic management even more strategic. For example, Freeman and McVea (2001) explain that a stakeholder approach is a strategic management process rather than a strategic planning process.

Although various aspects of theory as well as practice of the requirements are criticized in the literature, criticisms are not so damaging as to make a strategic perspective in the public sector useless (Hughes, 2003). This can also be seen in practical reforms. For example, the Government Performance and Results Act (GPRA) was adopted in the USA in 1993 aiming at reinventing government by strategic planning and performance measurement (Kettl, 2000; Drumaux, 2009). Requirements to define Strategic Result Areas and Key Result Areas were introduced in New Zealand to facilitate autonomy as well as control (Schick, 1996; Christensen, Lie and Lægriid, 2007; Halligan, 2007). A similar analogy can be found in Ireland: the requirements related to the Strategic Management Initiative and subsequent legislation such as Public Service Management Act of 1997 (Humphreys, 2004; Proeller and Siegel, 2009) or in the UK (and especially since 1999 when the initiative Best Value Authorities was launched).

The present article focuses on the strategic management experience in the Czech Republic. It confronts the literature requirements of strategic management with BSC practical tools in two selected institutions of the Czech public administration sector. The practical experience of the town of Vsetín and the Ministry of Regional Development is used. The article follows up the studies of administrative reforms in Central and Eastern European (CEE) countries, which point out that so far public administration literature has only dealt with developed countries and often favored an Anglo-American perspective on NPM (Pollitt, Van Thiel and Homburg, 2007). The literature on NPM impacts on reforms in Central and Eastern Europe (CEE) is rather fragmented. These countries and their reforms are treated separately from the NPM in the literature although they also intended to implement its ideas. The practice of public administration reforms in the CEE region is generally discussed in the context of the specific conditions in which the reforms were implemented: often mindlessly,

without a deeper analysis of application and without the necessary skills in public administration (Bouckaert *et al.*, 2008; Nemec, Wright and Stillman, 2002; Tönnisson, 2006; Dunn, Staroňová and Pushkarev, 2006; Coombes and Vass, 2007; Staroňová and Sičáková-Beblavá, 2010; Randma-Liiv, 2008). This might have also been caused by the fact that the public management as a subject of research and education has started to develop just recently (Nemec *et al.*, 2012).

## **2. Aims and methodology**

Although strategic management tools in public administration are recently a very frequent topic (both in developed countries and the CEE region), there is a lack of studies in the literature regarding these tools in practice and their expected and real effects. Cepiku, Corvo and Bonomi Savignon (2010) argue that research on strategic management needs to focus on the strategic management process – instead of the documents alone – as it is not only a disciplined way for goals achievement, but represents a real innovative cultural approach.

The present paper is based on an analysis of documents produced during the implementation of strategic management. Since one of the authors has been working as a public manager responsible for Balanced Scorecard (BSC) implementation in a municipality and a ministry, the paper also builds on practical experience with the implementation of strategic management tools and techniques. Similarly to the approach of Cepiku, Corvo and Bonomi Savignon (2010) the paper has a descriptive aim (to explore strategic management patterns in public administration), which prevails in the paper, and a normative aim (to assess the process of implementation and its effects). The research addresses the following questions using the case method: What was the initial situation of institutions that implemented BSC? What effects (benefits and problems) has the implementation of BSC brought?

## **3. Strategic Management in the Czech public administration: potential and challenges**

### ***3.1. Requirements for strategic management and the successful implementation, the role of BSC – literature summary***

Strategies are a general function which is nowadays related to effective systematic management of organizations. As a part of strategic management, strategy is a view of how it is possible to focus on crucial matters and success factors (Armstrong and Stephens, 2008). It sets the ways to reach fulfillment of mission, vision, and goals. As a part of strategic planning, it is a prerequisite and a component of a continuously integrated system of strategic management (Bryson, 2011). It represents the concept of global organizational behavior, determines the needed activities and allocation of sources necessary to achieve the goals (Sedláčková and Buchta, 2006). The requirements of strategic management include systemization and continuity of the process, creativity, not copying the strategy of others or passivity of managers (Sedláčková and Buchta, 2006; Bryson, 2003). It is often highlighted that strategic thinking and behavior

are not inborn, that is why the managers must be trained (Mallya, 2007). According to some authors, strategic thinking is more important than the formal frameworks and techniques described in strategic management literature (Goldsmith, 1997).

Strategic management is fundamental for the management of the whole organization, basis of all plans, projects and activities of the organization, and a unifying element of all workers (Sedláčková and Buchta, 2006). The task of strategic management (strategic approach, strategic process – see Hughes, 2003; Horváth and Partner, 2002; Cepiku, Corvo and Bonomi Savignon, 2010) is to ensure long-term confident organizational behavior, and specifically to: (1) determine the optimal organization's strategic objectives and priorities, (2) determine the optimal strategy to achieve them, (3) spread the strategy (communicate) across all the organizational elements of the organization, and (4) ensure the implementation of the strategy (including control). The first two points are often associated with the phase of strategy seeking and strategic planning. Then the remaining two points are related to the implementation of a strategy in the organization. Sometimes this is referred to as strategic cycle, which is usually associated with the following components: determining the basic premises, the situational analysis of the external and internal environment, determination/strategy formulation, implementation of strategy, monitoring and control (Veber, 2009; Mallya, 2007).

Each public management process inevitably requires a feel for strategy (Hughes, 2003); strategic planning and management have increasingly become a part of life of public sector organizations in the world (Bryson, 2003), mainly based on the experience from the private sector. However, strategic management has its limitation even here. As Kaplan and Norton (2005) point out, in 1996 a number of private companies did not have any officially established systems that would help them implement their strategies. Many of them had no coherent strategies with budgets, and even fewer of these organizations related the strategy to incentive pay systems. The majority of employees stated that they did not know their company's strategy. Similar results were found as late as in 2006. There is still a gap between strategy and operational activities, creation of strategy and links between strategy and operational activities remain casual, changeable and fragmented (Kaplan and Norton, 2010).

A specific feature of strategic planning and strategic management in public administration is the need to adapt to the bureaucratic environment and political influences, but that does not mean ignoring the elements of strategic management. The legislation also sets the framework and procedures of approval of plans, the basic values of the activities of public institutions (public sector), and it may require the elements of strategic management in some areas. Within the limits of legislation or beyond them, public participation (publication of information etc.) should be included in the strategic management (Hughes, 2003; Skok, 1989; Bryson, 2003; Goldsmith, 1997). Some authors point out that the literature of strategic management accepts the law as a series of restrictions and forgets that public sector managers can use the law in their strategic plans (in their terms) – the ambiguity of legislation may increase managers' freedom to experiment when achieving the objectives laid down by legislation (Landsbergen

and Orosz, 1996). So far, relatively little research has focused on the implementation of strategic management in the non-profit context. Research focuses on the determinants rather than the results of strategic management.

Focusing on strategic management, the literature has highlighted the desired characteristics of an effective strategic planning (Cepiku, Leonardi and Meneguzzo, 2009): (a) a process tailor-made to pursue specific purposes in specific circumstances; (b) effective and targeted information gathering; (c) extensive communication with, and participation by, key stakeholders; (d) the accommodation of divergent interests and values; (e) an assessment of the future implications of present decision and actions; (f) focused analysis, a creative exploration of alternative solutions, and orderly decision-making; and (g) effective implementation, monitoring and evaluation.

The literature has also identified the following problems of strategic management (Linard and Fleming, undated; Horváth and Partner, 2002; Kaplan and Norton, 2005; Aslani, 2009; Vodáček and Vodáčková, 2009; Cepiku, Corvo and Bonomi Savignon, 2010; Vaceková and Furová, 2013):

- the strategic document is poorly developed, is not supported by sufficient situational analysis, goals are vague and do not meet the requirements for the SMART specification (according to which objectives should be defined in the specific/stretching, measurable, agreed/acceptable and traceable/time related way), stakeholders were not included in the preparation of the strategy.
- The strategy is not understandable by those who have to implement it. In the organization there is no adequate horizontal and vertical communication. Modern management literature often stresses the need to include all workers in the management of the organization. The principle of employee participation is the key principle of strategic management; it should also ensure that the strategy is understood by those who have to implement it. Communication and operationalization of the strategy is to ensure the understanding and identification of all stakeholders with long-term set objectives.
- There is no link between strategic and operational managements, and the management system is neutral towards the strategy, the strategy is only a formal thing and its implementation is not coordinated at the horizontal or vertical level.
- The previous section only elaborates on the problem, individual objectives and incentive systems are not linked to strategy and are not adapted to the requirements for evaluating performance in achieving the strategy.
- Absence of the link between strategic and operational managements can be supported by a lack of relevant data in the organization (such as reporting system and controlling). The aim of BSC implementation is to ensure feedback mechanism, and it is not possible to test the strategy or learn about it without it.
- Implementation of strategy is considered as a one-time matter, rather than a long-term, continuous process. Strategies are not updated.
- The criteria for evaluating the strategy results from the available data, rather than from the strategic objectives that should be clarified throughout the appropriate standards.

BSC originated as a multidimensional framework for strategic performance measurement that should reduce the aforementioned deficiencies. It combines financial and non-financial measures to its advanced usage as an integrated strategic management system that describes strategy by a cause-and-effect logic and that is linked to the reward system (Speckbacher, Bischof and Pfeiffer, 2003). BSC is a management system and its objective is to implement an understandable system of organizational management, for which the following are typical:

- a strategy system shared across the organization (Kaplan and Norton, 2005; BSC called strategic performance measurement system);
- continuity (runnability and multi-annuality) of practice; and
- use of relevant information (learning from past and present experience) and the subsequent adaptation of the strategy based on the control of the practice in the previous period.

The perspectives of BSC are supposed to respect the needs of important stakeholders. This requires that the organization has to define the major interest groups. The diversity of stakeholders and their groups are reflected in top perspectives which are used in the implementation of BSC in public sector organizations. It is often highlighted that the BSC is not a tool for assembling priorities and formulating the strategic plan. The organization should ensure that before applying the BSC method, they have a clear idea about the vision and priorities which should be achieved in the long term (Horváth and Partner, 2002; Půček, 2006). BSC links the strategic objectives of an organization as a whole with the steps of its implementation at lower levels of hierarchical control and in fractional parts of an organizational unit (it is a cascading; Vodáček and Vodáčková, 2009).

BSC does not have to solve the problem if the strategic goals and strategies are vague and cannot be transformed to an implementation form of plans. BSC, in practice, can come along also with inadequate preparation for the implementation of the strategy by both managers and executives and with insufficient resources for its implementation, or incorrectly set organizational structure.

### ***3.2. Strategic management and its practice in the Czech public administration***

The objectives related to the strategic management in the Czech public administration were explicitly mentioned in most of its program documents. The document that is often considered as the first post-communist Czech program of administrative reform – The Concept of Reform of Public Administration of 1999 – criticized that the ‘main task of the central government, i.e. its strategic, legislative, methodological and coordination functions, is not in focus of the central authorities’. The most recent more complex document – Smart Administration Strategy Implementation for the period of 2007–2015 (Ministry of Interior, 2007) – approved by the Government in the summer of 2007, criticizes in connection with the central administration (to be noted that without a profound argument and supporting data), the insufficient level of communication and coordination between state administration bodies, limited application

of methods of quality management, project management, management by objectives, and the lack of definition of responsibilities for the quality of outputs.

As the key issues in territorial self-government, the Smart Administration Strategy sees the fragmented system of strategic planning and its interaction with the financial management and the strategic management, and, according to the strategy especially in small municipalities, a lack of qualifications and management competence. The SWOT analysis of the Smart Administration Strategy also names departmentalism (i.e. a tendency of some central authorities and their units to act independently and not to cooperate with others) and a missing culture of strategic governance (i.e. low awareness of the central government of the importance of long-term goals and insufficient inclusion of stakeholders into the policy design) as major weaknesses of the Czech public administration. Specifically, it promotes an introduction of strategic planning system in the public administration and its interdependence with financial management as strategic objectives. Furthermore, according to explicitly defined objectives, the activities of public administration should be made more effective by introducing quality management systems and performance monitoring, improving vertical and horizontal communication.

The evaluation criteria the Smart Administration Strategy works with are focused on outputs rather than results, and it is not always clear how it is possible to evaluate them (the indicators include the existence of a uniform methodology for the development of strategic documents at the level of public administration, existence of capacities to ensure the development and implementation of strategies at the level of public administration, the percentage of the public budget allocated on the basis of adopted strategies, the number of offices with implemented quality instruments, the number of organizations with established quality systems, reducing the costs of running authorities, increasing the satisfaction of authority clients, establishing the rules of communication, processing the communication maps etc.).

The big negative aspects of central administration are the inadequacy of strategic management, and according to 'The Analysis of the Current State of the Public Administration of the Ministry of Interior' from December 2011: 'The central public administration suffers from misconception, short-term of accepted systemic solutions and strategies'. In this context, it repeats the negative aspect in the form of the resistance to the introduction of modern methods of organization management, departmentalism, lack of knowledge of the real performance of state administration in delegated powers (regions and municipalities), and the lack of personal responsibility.

### ***3.3. Strategic management by means of BSC – approach of municipality and ministry***

The Czech Republic has not experienced many practical cases of BSC so far. The Ministry for Regional Development is the only central authority that has used this method. At the local level, only the municipalities of Vsetín and Uherské Hradiště have used the BSC method in the full range; other towns and regions have used only certain elements of this method. For example, the Zlínský Region used the BSC elements for introducing the system of employees' performance. The town of Decin pro-



cessed strategic mapping for its municipal authority. Prague City Authority used BSC to visualize its goals, the town of Kopřivnice for the division of goals for the authority and staff etc.

Using case studies, the following text summarizes and discusses the experiences with the implementation of the BSC method at the level of a ministry and a municipality. Its structure is as follows: (1) a brief description of the initial state of the municipality and the Ministry (the stage prior to the implementation of the BSC), (2) BSC implementation process and its problems, (3) comparing the strategic maps and a set of indicators, and (4) strengths and weaknesses of the implementation.

### *3.3.1. The initial state of the municipality and the Ministry*

The town of Vsetín is a district town with about 28,000 inhabitants. From the perspective of Czech legislation it is a legal entity, a public corporation, a town that carries both self-government and the state administration (the combined model of public administration), and that has a status of a municipality with extended competence (Špaček and Špalek, 2007; Špaček and Neshybová, 2010). In the monitored period (2004-2007), the number of employees of the Municipal Office of Vsetín was around 200 employees who exercised independent competences and state administration in delegated competence for 32 surrounding municipalities (about 68,000 people).

The Ministry for Regional Development is one of the institutions of central government. Its competencies are generally specified in the Competence Act. The main responsibilities of the Ministry include in particular the coordination of cohesion policy, regional policy, urban development, construction and administrative agenda, housing, assistance during natural disasters, public procurement and auctions, tourism policy. In the monitored period of implementation of BSC (2007-2009), the number of employees of the Ministry was about 560.

The comparison of the initial position of the town and the Ministry prior to the BSC implementation is summarized in the table below.

Prior to the implementation, the town was one of the most advanced towns in the Czech Republic (in terms of operational management experience). Its weakness, however, was the strategic approach. The town had a valid territorial plan, the strategic plan of 1997 (which worked primarily with situational analysis rather than with the proposal part), the concept of housing policy, a plan of health and quality of life (created during the public participation within the implementation of Local Agenda 21 based on the methodology of the National Network of Healthy Cities), and seven other policy documents which were not consistent with each other. Since 2002, the town had established a certified quality system in compliance with ISO 9001 and ISO 14001 standards. The municipal authority did self-assessment in 2003, according to the CAF model. Since 2003, the town also participated in the benchmarking project of cities. The absence of a strategic plan that would have been consistent with the existing territorial plan and other policy documents was one of the reasons to reassess the current use of strategic management elements. Another reason was the fact that the current strategic documents required the town to take more account of the requirements of

**Table 1:** Methods used in the town and Ministry management

	<b>Town of Vsetín</b>	<b>Ministry for Regional Development</b>
<b>Existing elements of strategic planning</b>	Strategic Plan of 1997 (formally existing, was not used in the practical management); The territorial plan of the city and other conceptual documents, which were however unrelated to the strategic plan.	Nonexistence of a strategic document for the management of the Ministry internal processes. There were a number of strategic documents or plans that were developed for some of the activities of the Ministry and that were not interrelated <sup>1</sup> .
<b>Previously implemented tools</b>	ISO 9001 and 14001, CAF, benchmarking, Local Agenda 21.	ISO 9001 (only within 2 departments).
<b>Reasons of the BSC implementation</b>	Nonexistence of a current strategic plan, requirements of financing from EU funds, requirements of political management.	Decision of political management to implement BSC together with two other projects – CAF implementation and controlling system.
<b>Main expectations of the implementation</b>	Produce a measurable and slim current document that will help evaluate the success of the city.	Ensure the fulfillment of government objectives and clarify and meet the Ministry objectives.

Source: Authors

the grants from European funds which the town sought. The third reason was the demand of the town political leadership for a slim new strategic plan that could be used to measure the evaluation of the municipal authority and organizations.

The Ministry had prepared a number of policy documents (for example National Strategic Development Framework, Strategy of Regional Development, Concept of Tourism). However, they did not have a clear strategy of the proper authority management (its own internal processes). To some extent, this was due to the fact that in the Czech Republic there has not been an effective Civil Servants Act that would regulate the position of central government employees (as opposed to the Act on Civil Servants of Territorial Self-Governments – act no. 312/2002 which has already come into force (Špaček and Špalková, 2013)). This entails a number of problems associated with the competencies of managers and staff of ministries whose training is not systematically regulated and is highly decentralized. After elections, new heads of ministries often bring their own management, and this leads to large changes in key positions. Often there is no continuity of management methods, which is a prerequisite for long-term and strategic management. This occurred after the election in 2006. Prior to the decision of BSC implementation, the Ministry had already implemented a

1 These were: (1) goals defined by the government for the ministry to follow; (2) the plan of legislation tasks of the ministry (preparation of acts); (3) the plan of non-legislation tasks (materials of non-legislation nature submitted to the government – e.g. the annual report of the Fund of Habitation Development, the annual report on the meeting of the Strategy of Regional Development and others); (4) strategies of the ministry – key projects (at the time these were e.g. the project “Habitation Policy Framework”, which originated from the initiative of the ministry and was supposed to prepare a new conception in this field); (5) other key tasks (e.g. at the time there was the draft of the Decree on Technical Requirements for Buildings, which had not been included in the legislation tasks when this plan was set up, but the ministry still had to submit it).

certified quality system based on ISO 9001, but only within the Departments of Budget and Accounting.

Prior to BSC implementation, quality management methods were not used by Czech central authorities (only the Ministry of Foreign Affairs examined CAF), and central authorities have not been in favor of role models for the territorial administration, which is normally more active in the implementation of new quality tools (especially a model CAF has been applied). The minister decided to implement BSC at the ministry level together with two other projects – CAF model implementation and creation of a better controlling system. The CAF model was supposed to help with the involvement of employees (both common and key ones) in improving the authority work. Controlling was supposed to improve the controlling system of the ministry and government goals accomplishment. The BSC method was chosen as an integration platform. Outputs of both projects were supposed to be the foundations for the formulation of the Ministry's vision, individual strategic plans and indicators. The implementation of BSC was supposed to bring the debate regarding the rationalization of the Ministry competences.

### 3.3.2. BSC implementation process, its benefits and problems – the case of the town

The project for BSC implementation itself was initiated by an approval in the Town Council at the beginning of 2004. Prior to this, the method, purpose and objectives as well as the preparation of material for the Town Council were introduced at the meeting of the town management. The project lasted 10 months, and its aim was to update the strategic plan using the BSC method, including the identification of key indicators at the town level with the set target values and their cascading for the authority and its organizations. The implementation procedure is summarized in Table 2.

Table 2: BSC Implementation process – the case of the town

Period	Implementation steps
January	Consideration of the project by the town management, an agreement on Triple Constraint of the project, preparation of material for the Town Council;
February	Approval of the project by the Council, a short training of council members, analysis of policy documents;
March	Training of Council and the project team, two-day meeting on the strategic map and a set of indicators (first version);
April-May	Map and a set of indicators were discussed successively with the heads employees of the town, municipal organizations, partners of the town, with the public and in the commissions of the Town Council. Subsequently the project was discussed with the representatives. The comments were discussed and incorporated as much as possible.
June	Approval of the map and a set of indicators in the Council with the task to complete the measurement methodology and the target values of indicators.
July-August	The project team completed a methodology for measuring indicators and suggested target values, administrators of benchmarks were set, the team suggested adapting the indicators sets and maps.
September	Public consultation and approval by the Council.
October-November	Cascading on the individual departments of the office and organizations of the town; Cascading in the form of performance parameters on the municipal office employees were linked to remuneration.

Source: Authors

It proceeded as follows: (1) the Town Council approved a project to introduce BSC based on offer made by MEPCO which participated in the project<sup>2</sup>, (2) the training of the Town Council and the project team was carried out, (3) an analysis of existing policy documents (used in the following paragraph) was made, (4) at a two-day external meeting of the Town Council the first version of the strategic map and a set of indicators were prepared by key executives and under the guidance of MEPCO, (5) a map and a set of indicators were discussed successively with senior management, urban organizations, city partners, with the public, and in the city council commissions; subsequently it was discussed with the representatives (the comments were discussed and incorporated in the maximum extent), (6) map and a set of indicators were approved by the council with the task to complete the methodology for measurement, target values of indicators, (7) the project team completed a methodology for measuring the indicators and suggested target values, administrators of benchmarks were set, the team suggested adapting the set of indicators and maps, (8) the map and the set of indicators were approved by the council, (9) cascading into individual departments of the organizations and the town was carried out (9 departments of the municipality, town police and 7 municipal organizations – all elementary schools and technical services of the town), (10) cascading in the form of performance parameters for the municipal authority employees, (11) performance parameters of employees were linked to remuneration (in the form of personal bonuses), target bonuses for fulfilling indicators at the town level, target bonuses for key projects, and target bonuses for benchmark administrators were established.

The measurement methodology could not be finalized for three measures in 2004, and the related projects were implemented in the following year 2005. The implementation procedure was too fast, thus a part of the employees, representatives and partners were not sufficiently trained and did not understand the strategic map links. The slimness of the document of 2004 when the BSC was introduced was overdone – many expected a document of 200 pages. The outcome of the project was, however, one A4 page of a strategic map, a simple description of the objectives and 34 indicators described by methodological sheets (the indicators are included in Table 4 below). It turned out that not all employees preferred the form of simple tables and diagrams to understand what and how it was supposed to be implemented. This problem was solved in 2005, when extensive descriptions of objectives, indicators and ways to achieve them were completed and distributed. Another challenge was the effort to communicate the strategic map with all players involved – comments crossed out and were not always beneficial. However, during 2005-2007 the management system of the town using BSC method was fully functional and significantly facilitated the efficient functioning of the town.

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2 MEPCO is an enterprise of the Association of Towns and Municipalities of the Czech Republic and the Agency for International Cooperation of the Dutch Association of Towns VNG International. BSC implementation was financed from the MATRA project (the budget was 400,000 Czk).

The main benefits and problems of the BSC implementation in Vsetín are summarized as follows. The main benefits are:

- a better ability to properly follow the plan of town investments and the project (from the point of view of the deadlines, the budget as well as the established project objectives);
- the town budget was linked to the accomplishment of town objectives;
- a better performance of the processes (also proved by the benchmarking of comparable towns);
- a better management of sources gained from the EU; and
- an increasing satisfaction of the authority clients (the satisfaction was measured monthly).

The main problems (barriers) are:

- the speed of the BSC method implementation was too high;
- some of the players (employees, representatives) did not understand the links between particular objectives;
- the effort to involve all players in the processing of the strategic map and the set of measures led to opposing requirements; and
- after the town authority management changed in 2007, the links between rewards and indicators defined at the level of individuals was disrupted. A strong management of the implementation process and the related motivation was missing.

### *3.3.3. BSC implementation, the benefits and problems – the case of the Ministry*

The project of BSC implementation in the case of the Ministry for Regional Development was approved at the meeting in 2007 taking into consideration the reasons mentioned above. This was followed by a tender for the selection of a consulting company. The actual implementation was carried out from July 2007 to September 2008 (equivalent to 15 months). During July-August 2007 a strategic team was built composed of senior ministry staff and external consultants. In the period from July 2007 to September 2008, a total of 6 meetings of the strategic team took place, at which the strategic vision was formulated, the strategic map was created and benchmarks were proposed to monitor the implementation of the strategy at the highest level. Monitoring of the benchmarks at the top level of the Ministry began in November 2008, and the standards were regularly evaluated.

The actual implementation process was not much different from that which was applied in the aforementioned town. The part of BSC project was also developing the Plan of the main tasks of the Ministry (comprised of government objectives, legislative and non-legislative tasks of government, the priority tasks of the Ministry arising from the BSC), which was used for implementing the strategy. The main drawback of the implementation was that the set of given benchmarks was not cascaded into departments and staff, and there was no linking to rewarding. This greatly reduced the potential practical use of the method. Responsibility for meeting the objectives of the Ministry was indeed associated with different departments. Without the cascading,

however, these bodies did not know how to contribute to the other objectives of the Ministry. These problems were also caused by the fact that part of the Ministry staff did not consider the vision, goals and benchmarks creation as necessary or took steps against the implementation (it was also one of the reasons why implementation took 15 months – there were arguments that it is taking them away from other important work, the deadlines were not met and synergy was not provided). A great reluctance to measure anything and take responsibility for it was evident. The project was implemented for the major part during the autumn of 2008. However, the replacement of the minister in January 2009 suspended another procedure of the BSC tool usage, followed by the fall of the government which ended the entire process. However, the Plan of the main tasks of the Ministry, which constituted the Action Plan of BSC implementation, was maintained.

The main benefits and problems of the BSC implementation in the ministry are summarized as follows. The main benefits were:

- a reduction of the number of employees, mainly in management;
- a more comprehensible definition of goals and tasks promoting a better efficiency of their achievement (especially the linking of tasks and goals of various plans and strategies, which were monitored in the same manner); and
- the rationalization of the budget and the way of ministry budgeting – the budget stopped being set up using the index method only, but also the achievement of objectives was taken into account (elements of goal oriented budgeting).

The main problems (barriers) were:

- a part of the management considered the BSC unnecessary and they acted against its implementation; at the beginning, there was an obvious internal resistance of a part of the ministry top management;
- it was difficult to gain trust of key employees;
- a government fall ended the implementation process;
- the financial perspective was not approached correctly regarding the methods (the way of behavior towards economy and budgeting was not tackled); and
- an unwillingness to measure anything and take responsibility.

#### *3.3.4. Comparison of BSC method implementation and discussion*

Further comparison of BSC implementation by the municipality and the Ministry is shown in Tables 3, 4 and 5 below.

The main differences in the implementation progress and the extent of the BSC method implementation can be summarized as follows:

- The length of the tool implementation. In the case of the town, this was a very fast process, which took only 9 months (among other reasons, the implementation was paid from a subsidy and the deadline was established in its conditions). In the case of the ministry, the implementation took 17 months (the length was mainly caused by the situation around minister Čunek, who supported the implementation but was temporarily dismissed from the ministerial position; he then

returned after six months). Based on the experience from these two case studies, we believe that the optimum implementation time would be 12 months.

- In the case of the town, the tool was successfully implemented at all levels (from the key town indicators to the indicators of performance of individual employees). At the ministry, the BSC was only implemented at the level of the ministry as a whole.
- Another difference can be found in the way of financing the BSC implementation and the related counseling services. The town used the subsidy (from the MATRA project), while the ministry only used its own budget.
- The link to rewarding was of key significance. In the case of the town, the BSC practice and rewarding of the authority employees were related. The link to rewarding was planned at the ministry but was never used in the practice during the 17 months of implementation.

**Table 3:** Comparison of BSC implementation procedure by the municipality and the Ministry

Area/domain	Town of Vsetin	Ministry of Regional Development
Implementation (from team training to the beginning of benchmarks monitoring)	9 months (March - November 2004)	17 months (July 2007 - November 2008)
Procedure approval	Approval by the representative body, the mayor and the council (strong political support), the guarantor was the authority secretary (strong interest)	A minister approved it as an internal project; guarantor was the Deputy Minister (strong political support)
Use of an external methodological guidance	Yes	Yes
Internal Team	Yes, with necessary competences.	Yes. However, the team's competences were repeatedly questioned.
Financing	Project MATRA	Ministry Budget
Extent of BSC implementation	Town level: Municipality of Vsetin, all organizations and companies. In the case of the authority - cascaded into departments and employees.	Ministry level Cascading planned for 2009. After the change of the minister, project was suspended.
Strategic map and set of benchmarks	The vision and main priorities were set; they were divided into four perspectives within the strategic map framework. Indicators were set according to the town vision (three main objectives – number of citizens, satisfaction of citizens, ecological footprint) and to four perspectives of BSC (in total 34 objectives were defined).	The vision and main priorities were set; they were divided into four perspectives within the strategic map framework. Indicators were set to four perspectives of BSC (in total 15 objectives for the ministry level were defined).
Division of goals and interdependence	Objectives and indicators were divided into departments and individuals, and were partially linked to remuneration. Benchmarks were evaluated. The linkage with processes was reached, which was shown also in the management documents.	Division of objectives linkage to remuneration were planned, but it has not been realized in practice. The benchmarks were evaluated and linked to controlling. This was partially reflected in the management documents.

Source: Authors

The following table (Table 4) compares the benchmarks used. The main differences in the practice of both authorities from the perspective of the strategic map and bench-

marks are as follows:

- At the municipal level, three benchmarks were set for the vision (three key benchmarks), and also topics within each perspective (31 benchmarks). In total, 34 benchmarks were set. For each benchmark the methodology of the evaluation, frequency of measurement, responsibility and target values were established. The set of municipality benchmarks showed greater balance and complexity compared to the Ministry. In this case, the benchmarks were directly related to individual perspectives and one benchmark to the vision. The total number of benchmarks was 15.
- The municipality had a higher number of benchmarks in the case of citizen, client's perspective – twelve in total. All three benchmarks in the case of the vision were also related to this perspective. The municipality wanted to point out that the public administration was performed for the citizens. The benchmarks the ministry worked with in this field are relatively general, probably because a client is more difficult to be defined in the case of the ministry than in the case of a town.
- The Ministry had a greater number of benchmarks in the case of the financial perspective (five). The municipality had seven benchmarks in this perspective. In this case, the indicators of municipality were more complex as they covered the financial area and the area of effective management.
- In the area of internal processes, the Ministry only used two benchmarks, which is a very low number and therefore it is not possible to speak about a good balance of BSC. The key benchmark (which was assigned directly to the vision of the Ministry) was considered the implementation of the Plan of the main tasks of the Ministry. Other processes were considered less important and more benchmarks were not defined because it would be associated with the need to measure them and also to take responsibility for them. Unwillingness to assume responsibility was one of the biggest problems of implementation in the Ministry.

Both observed organizations were facing a number of problems while implementing BSC. These are presented in Table 5 together with the main benefits. The benefits and the troubles of both authorities have been outlined in sections 3.3.2 and 3.3.3 above. Definitely, the town gained more advantages from the BSC implementation.

In the case of both organizations the main problem was the lack of experience with modern methods of strategic management or budgeting. In the case of the municipality, it was the first BSC implementation in the Czech public administration (and public sector). The change of political leadership also brought the change of the management style in both organizations even if the previous style had worked well. A big problem was also the lack of active participation of employees, and assumption of the responsibility within the objectives division. The linkage of objectives fulfillment with bonuses was not very easy. It is important to state that remuneration system of officials, as set by law during the BSC implementation in the case of both authorities, did not support the remuneration based on performance. This was legislatively resolved only in



**Table 4:** Comparison of BSC benchmarks in the municipality and the Ministry

Perspective	Town of Vsetín (topic name, benchmark name)	Ministry for Regional Development (benchmark name)
<b>Vision</b>	Vsetín, the heart of Valassko – a neat town to live, work and have fun. Town striving to improve quality of life while respecting sustainable development. 3 benchmarks: (1) Index of citizen satisfaction, (2) Ecological Footprint, (3) Number of citizens.	The prosperity of municipalities and regions, the prosperity of our country. We are a recognizable, effective and efficient ministry, coordinating and creating the conditions for sustainable development of the territory of the Czech Republic within Europe. Scale 1: Implementation of Plan of the main tasks of MRD (% of tasks completed in time).
<b>Citizen, client</b>	1. Motivating work opportunities: 1.1. Unemployment rate; 1.2. Average wage. 2. Available services, care, education and social, cultural and spiritual life: 2.1. Availability of services and care. 3. Possibilities for healthy lifestyle and sport: 3.1. Citizens' health; 3.2. Possibilities for healthy lifestyle. 4. Adequate housing and clean town: 4.1. Life standard of the housing estates; 4.2. Number of new constructed apartments and family houses. 5. Prevention and safety: 5.1. Feeling of security; 5.2. Preventive actions; 5.3. Criminality in the town; 5.4. Accident rates; 5.5. Security infrastructure.	The indicators were not adjusted for individual topics, but for the entire perspective as follows: 1. Meeting the communication strategy; 2. Complaints: a) rate of timely handling of complaints; b) the total number of complaints received; 3. Meeting the indicators of particular EU programs: completed/planned/threatened/uncompleted
<b>Economy and financing of activities (financial perspective)</b>	6. Responsible financing and financing from diverse funds: 6.1. The indebtedness of the town; 6.2. Effectiveness of operating costs; 6.3. Obtained subsidies and grants; 6.4. Investments of other bodies in the territory of the town. 7. Effective management of resources and assets of the town: 7.1. The use of the property; 7.2. Increase of the town property; 7.3. Efficiency in the management of funds.	The indicators were not adjusted for individual topics, but for the entire perspective as follows: 1. Budget spending: a) budget spending/allocated; b) the volume of budget spending; c) the cumulative number of budgetary measures. 2. Total expenditure of MRD without expenditures on subsidies: a) change; b) the volume of total expenditure. 3. Subsidies for national programs: a) change in the amount of subsidies; b) the amount of subsidies. 4. Operating costs MRD per one employee. 5. Allocation and payment of EU funds: completed/realized/threatened/uncompleted.

Internal processes	<p>8. Proper preparation and implementation of investment projects:</p> <p>8.1. Industrial zones and their use;</p> <p>8.2. Investments of the town.</p> <p>9. Quality activity of Town Hall, Town Police service, school, cultural, sport and other facilities:</p> <p>9.1. Quality and efficiency of the Office – benchmarking;</p> <p>9.2. Quality and efficiency according to CAF methodology;</p> <p>9.3. Audit of departments including complaints.</p> <p>10. Partnership for purpose, business, education, organization support and NGO realization:</p> <p>10.1 Fulfillment of community plan for health and quality of life.</p> <p>11. Strengthening environmental cooperation, trust and responsibility:</p> <p>11.1. Satisfaction of office employee.</p> <p>12. Improving the process of community planning and project management:</p> <p>12.1. Number of projects;</p> <p>12.2. Local partnerships with the public – Agenda 21.</p> <p>13. Developing skills and knowledge, introducing new methods and efficient technologies:</p> <p>13.1. New methods and technologies for the office;</p> <p>13.2. The competence of the staff in the office;</p> <p>13.3. Suggestions for improvements for office.</p> <p>34 out of which three concern the vision, and the others concern particular topics.</p>	<p>1. Number of decisions for which the limit laid down by law for decision issuing was exceeded:</p> <p>a) number;</p> <p>b) number/total number of decisions</p> <p>2. % tasks completed in time.</p>
		<p>1. Employee satisfaction Index.</p> <p>2. Employee fluctuation.</p> <p>3. Systematized places:</p> <p>a) amount: total/state budget/EU funds;</p> <p>b) % change: total state budget/EU funds.</p> <p>4. Amount and percentage of systematized places for managers:</p> <p>a) Number of positions for managers;</p> <p>b) Percentage of placements for managers</p>
Learning and Growth		
Total		<p>15 out of which one concerns the vision. Benchmarks are related directly to the entire perspective.</p>

Source: Authors

January 1, 2011, when the government adopted a new regulation that the inclusion of employees in the legislation-defined salary scale allowed to consider less the seniority (length of experience with regard to the practice), and more the performance of the worker.

**Table 5:** Benefits and problems of BSC implementation

	<b>Town of Vsetin</b>	<b>Ministry of Regional Development</b>
<b>Main benefits</b>	Better ability to fulfill the investment and project plan. Linking resources to meeting the goals of the town. Improved process performance (proven also by benchmarking with comparable towns). Better management of resources received from the EU. Increasing customer satisfaction of the authority (measured monthly).	Reducing the number of employees and management. Clearer definition of objectives and tasks supporting a greater effectiveness of their fulfillment. Rationalization of the budget and budgeting process of the Ministry.
<b>Implementation problems</b>	Excessive speed. Some actors did not understand the link between individual goals. Efforts to involve all concerned actors sometimes resulted in contradictory observations. After changing the town government and municipal office in 2007 the link was cut for remuneration and for indicators that were defined at the level of individuals. Strong leadership of the implementation process was missing as well as the associated motivation.	A part of the management considered BSC as unnecessary and acted against its implementation. Initially, a strong internal resistance of the top management of the Ministry was apparent, and it was difficult to gain the trust of key employees. The fall of the government terminated the implementation process. The financial perspective was incorrectly solved (the behavior to the management and budgeting was not dealt with). There was great reluctance to measure anything and assume responsibility.

Source: Authors

If we use the typology of Speckbacher, Bischof and Pfeiffer (2003), which works with three main types of BSCs ranging from a minimum-standard BSC to a fully-developed BSC, both institutions attempted to reach Type II BSC<sup>3</sup>. Their effort was to create a strategic performance measurement system that describes strategy via cause-and-effect relationships (using a strategy map) in order to bring a higher level of transparency of cause-and-effect relations. Judging the aims stated before implementation, in the case of both institutions the BSC implementation should lead to the creation of a strategic management system (to a Type III BSC of the mentioned typology) when the strategy is transformed from a measurement system to a management system where a strategy is not remote from the day-to-day actions of an organization. With regard to the expected benefits and implementation progress, and taking into account issues of strategic management, which are summarized above in section 3.1.,

<sup>3</sup> In the authors' opinion, the three main types of BSCs reflect the evolution of the BSC concept. In their approach, Type I BSC is characterized by a specific multidimensional framework for strategic performance measurement that combines financial and non-financial strategic measures. Type II BSC is represented by an approach when the Type I BSC additionally includes strategies using cause-and-effect relationships. Type III BSC is defined as a Type II BSC that also implements a strategy of defining objectives, action plans, results and connecting incentives with BSC.

we can state the following:

(A) Both organizations were facing incomprehensibility of the people who were supposed to carry out the implementation. Both the municipality and the Ministry had staff who did not understand the relations among individual objectives. Nevertheless, the BSC brought (compared to the previous state) a clearer definition of the objectives of both organizations, especially due to the fact that a better link between the strategic and operational management was established.

(B) The development of criteria was more systematic in the case of the town. In the authors' opinion, the different role of the town and the Ministry in the public administration sector does not matter. The smaller systematic character of financial benchmarks seemed to be supported by the resistance of a part of the top management, and the unwillingness to measure anything and take responsibility. In the case of both authorities, significant changes were made (tools stopped to be used) after the change of political leadership. Therefore, it would be beneficial to focus the future research on motives and the current ways of management of both the authorities.

(C) In the case of meeting the objectives, the linkage of defined objectives with employees' evaluation and remuneration is important. The division of objectives and linkage with remuneration were more systematically implemented in the case of the municipality. In the case of BSC implementation in the Ministry, it was planned but it has never happened, which does not support the motivation to fulfill new goals.

#### **4. Conclusions**

This paper summarizes the practice of BSC within the town and the Ministry. The authors tried to summarize and discuss the approach of the town whose default position (prior to implementation) was stronger (given the experience with other modern management tools), and that of the Ministry. In both cases, one of the authors participated in the process of implementation as he was one of the managers in the municipality. In both cases the implementation had positive effects (clarification of the goals was evident), but only in the case of the municipality the BSC method was more systematically approached (systematic use of financial benchmarks and especially the linkage to the remuneration of employees). Political leadership expressed greater support before and after the BSC implementation.

In both organizations the incomprehensibility of some key partners was evident. The question is to what extent this can be overcome by a better setting of benchmarks and communication when there is no full support of the organization management, willingness to measure and the implementation faces a lack of culture focused on accountability and results. In the case of both institutions, the practice of BSC was suspended due to the change of political leadership. However, could it also have been influenced by the unwillingness of senior officials to implement and further develop the tool? Probably. This assertion deserves further research into the organizational culture of both institutions, even now after the legislative amendments changed the ways to reward public officials (not politicians) based on the results achieved.

The main benefits of the BSC usage in the two cases are:

- a better ability to accomplish tasks and achieve the set objectives (mainly the plan of investments and projects in the town; and the legislation and non-legislation tasks, and government goals at the ministry level);
- better budgeting (implementation of goal oriented towards budgeting elements) and budget rationalization; and
- a better performance of processes (town), a reduction of the number of managers (the ministry).

The main problems/barriers can be summarized as follows:

- one of the troubles related to the implementation of these methods is the political cycle – there is the danger that the process will end (in the case of the ministry; although even there we can say that some elements – especially the Plan of Main Tasks – remain) or will be reduced (in the case of the town – the link to rewarding disrupted) after elections; and
- in both cases, there were problems related to worries regarding changes, distrust (especially at the ministry level) or the inability to understand the relationships (especially at the town level).

Our recommendations to improve the process of BSC implementation are:

- Gain full support of the organization's management and, in this context, make sufficient effort to explain the benefits of changing the political representation (to provide continuity and sustainability of its practice);
- Make a lot of effort to explain the necessary links to all involved players, gain trust and partners (internal defenders of the method), as well as to train those who are of key significance for the implementation of the method; and
- The BSC method brings benefits especially if the accomplishment of goals is linked to rewarding.

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