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**PROBLEMS FROM BULGARIAN CONSULTING PRACTICE  
IN WORK WITH CONTROL MODELS**

**Evgeniy Stojanov\***

***Abstract:** A subject of the present paper are basic management problems, standing in front of the organizations in Bulgaria for which decisions are searched instruments in the form of control information products and models as balanced scorecards. It is discussed the popular problems that interests managers and consultants. Its alternatives are an opportunity for decisions with a way out of concrete situations, as well as of the crisis.*

***Key words:** Balanced scorecard – BSC, integrated systems (ERP)*

**Thesis:** The application of models from a control-information and management nature on Bulgarian consulting market registers a set of problems, commonly met in the world practice, as well as purely Bulgarian. Their new meaning and decision would have a positive effect upon the development of Bulgarian business and its results.

**Analysis of the Economic Environment and Trends of Development**

In the development of the contemporary economic systems there are two factors, which developing in parallel are a sure precondition for a stable development. On one hand their possibility to concentrate all the material and immaterial resources for realization of goals, and on the other hand to give a new meaning to the change as one and only constant in the future development. The economic systems (organizations) should quickly introduce new business models and strategies, through which will be able to successfully develop their business. Analyzing the challenges in front of the contemporary organizations we could say that the main goal is connected with reaching lower operative expenditures by improving the level of productivity, increasing the visibility along the chain supplier, materials – client, and at the same time maintaining a constant product development necessary to respond to the dynamic business environment and consumer needs as it is guaranteed a sustainable development through realization of successful strategies. The main objective is to make possible the acquisition of competitive advantages, which exceed those based on the optimization of expenses solely. The present paper has the objective to throw a light upon the picture of current problems in Bulgarian business organizations searching

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\* Colege for Economics and Administration, Plovdiv, Bulgaria; alexg@unwe.bg  
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resolution through different model patterns as ERP, BSC and other and whether their expectations for the future benefits could be compared with these of the organizations - leaders, prospering through similar methods as well.

### **Conceptual Base for Model Recognition**

All the processes could be managed and controlled when they receive a meaning in content-value aspect and are bind to certain standards and dimensions. At the root of the Balanced scorecards concept lies the idea about formation of innovative system for measuring the activities of the organizations. At the moment organizations and companies of corporative type operate in new kind of economic environment, based upon the knowledge, where it is necessary to be managed practically immeasurable activities as innovations and human capital. The organizations themselves realize how in the new kind of economy there exist new phenomena bringing value, such as the people' knowledge, the new technologies and software products, the corporative culture supporting innovations. Norton considers that the organizations do not have the suitable instruments to successfully apply their new strategies and to realize an effective control on them. The balanced scorecard is the practical instrument helping the organizations to realize their business strategy. Therefore a BSC has a direct positive or negative influence over the success from the application of a given strategy. Similarly the conformity with the organizational strategy or its ignorance has a direct effect on the degree of investments return from the introduction of BSC. As a result of a thorough investigation of the best practices among companies and organizations, introduced and using the balanced scorecards, their creators – Kaplan and Norton present a model of five principles, which the organizations could follow in the transformation of their strategy into concrete activities and the application of a real and objective control.

The first principle claims that the change must start from the highest level. The idea is that the senior management initiates the strategy realization, as at the first place fixes the organizational vision and goals, demonstrates personal interest and engages the consciousness of the personnel with the forthcoming change.

The second principle considers that the strategy must be translated, i.e. described in detail, bind with dates and operative plans. At this stage there are shaped the strategic cards analyzing the relations between the single elements in the strategy, there are formulated the goals and their measures and are outlined strategic initiatives.

The third principle is that it is necessary the organization to be set in a condition, which allows it to carry out the corporate strategy. At this moment it is imperative to be developed Balanced scorecards with indicators for the business units at the lower hierarchical levels (departments, workshops). The opportunities for synergy must be identified, so a maximum added value to be reached.

The forth principle is the strategy realization to become a significant part of the activity of every employee in the organization. This is a difficult process because of the fact that it is connected with the development of individual Balanced scorecards which contain individual goals and examine the relation between the personal contribution of each employee for realization of the company strategy. We must point out here that the practical application of Balanced scorecards as a form of individual development and control has a

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sense and logical explanation mostly for key individual positions (consultants, commercial representatives, etc.) whose activity exerts significant influence on the organizational effectiveness, because of which the application of BSC is financially provided and objectively necessary. An important moment here is the point of intersection between individual and corporate values to be found. The success of this stage is of critical importance since although the strategy is formulated from the management, its realization depends on the personnel working in the organization. Through the equalization and combination of the goals and stimuli at the individual level with these of the organization it is reached effective transparency of the communications and maximum result.

The fifth principle is the strategy to be turned out into a continuous and permanent developing process. Namely at this moment there are constructed different practices connected with the management of resources, the process of a learning organization and the actualization of initiatives and control activities.

### **Conditions and preconditions for the model evolution**

During the past years is growing the criticism towards the traditional management control as partially focused upon financial criteria and results. The reason for this is that today the conditions are different from the conditions during the time when the traditional management control originates. For the most people of XX-th century the systems of traditional management control exist in an environment of completely developed products and stable technologies. More and more frequently is claimed that the traditional management control had stopped to develop during the thirties of the last century. Then there existed absolutely all the accounting procedures, used today as well: budgets, standard expenditures, transferred payment – Dupon's model, etc. The role of the system management-control is to look after the organizational effectiveness, as a result of which management focuses on the expenditures, partially ignoring the importance of the annual income.

From the Second World War on the industry is exposed to an enormous technological change and most of the organizations have increased their dimensions and complicated their structures. No matter in what direction have developed the national economies, the modern technologies and production processes have put and continue to put newer and newer requirements towards the systems for organizational control. The financial criteria illustrate the results from already taken decisions, but are not an adequate guidance for a long term strategic development. It is imposed the insight that to be competitive one company needs a more complete information about the different aspects of its business. In the quite complicated economic environment, in the scientific, as well as in the consulting circles more and more often is discussed the question about the opportunities, which could guarantee effective organizational development. From about ten years not a large part of Bulgarian companies express their strategy in Balanced scorecards. But the rest over 90% continue to use for this purpose the well-tried methods of budgeting, as they consider as a declared strategy the use of announced budget frames. But as usually happens, every world economic crisis provokes the scientific thought to form new patterns and models of organizational behavior and development. In our days may be this approach is real in the consolidating of the already mentioned control-management technologies.

The principles of the budget management are finally specified during the period between the forties and the sixties of the XX-th century. At the beginning budgeting is

functionally engaged almost with planning and allocating of resources, control over the expenditures in the production, directed to the satisfaction of the needs of the post-war markets. Here is correctly to be mentioned that the strategic planning at this stage is differentiated as an independent management field. Namely because of this the question about a concrete method for binding budgeting with strategy does not arise at this stage. But now the economic conditions are radically different, the situation is changed-the modern organizations are interested in the creation of a budgeting system, which to reflect the corporative strategy.

About the used system for budget management it could be said to have several characteristics:

First. It realizes a system approach in organizational management and control.

Second. This system covers the four phases of the management process-planning, organizing, motivation and control, although it's true that such a full range in a pure form almost never exists in practice.

Third. The discussed system realizes the very important functions in the contemporary organization's management: determining of tasks, planning of resources, assessment of the organizational activity and control over the performance.

As a whole it could be summarized that the budgeting solves the tactical questions in essence, without touching in any form the organizational strategy and its components. Namely this disruption provokes the appearance of a new vitally sustainable model as the Balanced scorecards in their diversity are.

### **Effects of Practical Application**

Analysis of the effects resulting from the application of Balanced Scorecard can be examined in several ways.

Firstly, the opportunity to optimize organizational processes and minimize the stated negative trends.

Secondly, the potential of BSc model to consolidate and upgrade other models applied in practice as ERP, MRP and others.

Thirdly, the effect reproduced from the model on the human factor.

In most organizations, the processes of strategic planning and operational funding exist independently of each other and they are involved in different organizational structures. The process of strategic planning is constant, defining long-term plans, goals and initiatives, usually is accomplished as deepening essential trends registered on an annual basis. The budget of the organization is approved by senior management on the same basis. It consist of almost entirely numeric financial indicators, which usually mark a connection with strategic plan and organizational goals. If an organization wants to establish a link between its actions and strategy, and strategic planning should be associated with operational funding. The processes of setting strategic goals express the desire of a business unit to achieve excellent results on strategic prospects when forming its BSc. Resources are used and initiatives are introduced to ignore the difference between current situation and indirect targets for a long future period. One of the most important alternatives for

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providing effective control over the validity of the strategies and effectiveness of strategic planning is the formulation of specific short-term goals on the parameters forming BSc. These interstitial controls are a real expression of presenting before senior management and results of ongoing programs initiatives for strategic indicators. Same detailed short-term financial planning is important but the budget process should include the expected short-term effectiveness from the other branches of BCs. Analysis of the presented situation determines the need, executives to foresee as a part of an integrated planning and budget, short-term monthly or quarterly tasks for the indicators, for results and efficiency, for its innovative and operational processes, and the process for reaching synchrony between employees, systems and organization. These key stages of planning for the next year express the expectations for short-term achievements over long-term way to realize the chosen strategy by the organization. If the process of setting goals from long-term plan is carried out properly, short-term budgeting process will consist in bringing the first year of long standing plan in the current budget for the goals and indicators in all areas of BSc.

Presenting the necessary conference link between strategy and budget outlines a new approach for a better model of BSc as a dominant in the overall organizational control and management system. In this process are realized simultaneously two managing problems. Firstly. Increasing operational and tactical effectiveness and associated with it budgets. Secondly. Implementation of strategic development through sensible strategic planning. Combining these two solutions sets a new content and functionality of BSc as a tool for management and control of the strategy. There is a trend that takes more real dimensions and spreading – realization of strategic budgeting based on strategic balanced scorecards.

In that vein, the link between strategy and budgeting, strategic planning and budgeting is one procedure in which stands the effective analysis and detail to realize main transition from high-level strategy to creating a budget for an implementation of current activity. Strategy defines trajectory of organizational development for 3-5 year period in its realization, while annual budget provides the first year from this process and highlights the links between current and strategic goals. Analysis of correlation, budgeting and strategy detects a serious problem. In world practice, corporate strategic planning is often out of touch with organizational budgeting process. Still could be found the typical practice of the past.

- making the budget and control is isolated from strategic planning;
- motivation of managers is not based on strategic but on tactical budgeting indicators;
- budget is the main control, so the managers` attention is focused on short-term goals.

Given that this is not a complete list of criticism of top managers dealing with strategic issues to the traditional budget management, so we can speak about a deep rupture between strategic and operational management, which can be seen as the main reason for a low implementation of the corporate strategy. Given that the most successful modern organizations are strategically orientated, the only alternative for slow organizations is to introduce strategic budgets. More simple form is the introduction of budgetary frameworks. More alternative is organizational strategy to be effectively translated into budgeting by the most approaching and creating succession, based on control and management of their essence with that of strategy map. This process of consolidation model that performs a change and reorganization in the mechanism of the overall control and management system can be rationally and effectively realized in the following algorithm:

- I. Targeted importance of certain key indicators of a balanced card should be entered in budgeting process as basic factors.
- II. With forming budgets, strategic initiatives should be objectively set for fixing the value of the connected with them events.
- III. Depending on management under review practices (not accounting) to conduct reconsideration of reinvestment and investment policy.
- IV. Advertising cost can be organized as a strategy for advertising development, rather than unnecessary or redundant.
- V. Active role in budgeting process can be given to the centers of responsibility, if any, or working groups associated with modeling process and introduction of Balanced Scorecard.
- VI. The final stage of building a strategically oriented budget is a forecast balance control.

Another major effect of the introduction of BCs is the financial security opportunity for the realization of a true strategic control. Research shows that companies from fast-growing, high-tech industries, management introduces BCs with conscious of the need to establish a high-level of control and efficiency in terms of reconciliation of tangible and intangible assets in the organization on one hand, and on the other, the cards opportunity to build financial aspect that which is set in budgets and budgetary frameworks. Among Bulgarian organizations in over 40%, these are the most frequently mentioned reasons and motives for introducing the model.

Very important moment, which is barely mentioned and realized by Bulgarian organizations is the deepening and development of a trend, interpreted as a result from the application of BSc – the integration of the model with specialized software and modules, having control informational character as ERP - systems.

On this occasion, we can say that in the 90s of the twentieth-century, the concept of ERP has established itself as a pioneer in the field of centralized corporate processes optimization. Mass practical imposing after the year 2000 in Bulgarian economy and modern management information systems of this type, form a much better informational and intellectual environment for simultaneous realization of operational and tactical control, and supervision over the implementation of operations. Reasonably is claimed that both informational and analytical are created for overcoming the “separation” of senior management from the tracing in details, to the overall condition of the working Bulgarian company. The guaranteed coherence of operational and tactical and operational aspects of control, however, is only in terms of material resources of the enterprise, which is perceived as biased informational assurance for the full operation of its systems.

The registered informational insufficiency prevents analytic informational training in the process of making decisions like ignoring the presence of intangible already critical factors which form another higher value. Perhaps analysis of the effects of BSc would be incomplete if it does not mention that the model is associated with providing more freedom in employee behavior. This is possible because of the main feature of the cards to “guarantee” in the management and control of all departments and key positions. Whether the process would be called a self-teaching or a self-improvement is not so important. Anyway, the standardization and the automation of the some business transactions would make an organization more efficient, and at the same time more creative. And the

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innovation and the continuous development are proved to be the most important factor that would provide long-term growth and prosperity in every situation and with all conditions.

### **Problems before Bulgarian Business Searching Solution**

Proceeding from the shared experience, obtained from the scientific literature concerning the practice of leading consulting organizations over the world and analyzing the rather modest experience for introduction of BSC patterns on Bulgarian market in the business organizations of the small and medium business, two basic groups of problems could be differentiated.



#### **At the level of organization:**

- lack of organizational strategy. After 2008 in Bulgaria is imposed the concept that the lack of strategy is the best strategy. A research conducted in the end of 2010 demonstrates that about 70-75% of Bulgarian organizations maintain similar line of development.
- high instability of the business environment. From 2008 the world economy is in financial crisis which finds a response in Bulgarian economy as well. Whether the crisis is gone or has developed into recession is not important, but the registered data show that the levels from 2007 are merely a dream for the national economy at this stage.
- frequent change of the normative basis, legally regulating the business or the sphere of activity. The dynamics of the economical environment and the big resource deficit predetermine constant changes in the normative base. For the period 2008-2012 year are introduced corrections in almost all basic laws for two reasons – the membership in EEC and the changing in scope and character social needs.
- new Euro standards. Except the listed positions the entering of Bulgaria in the European Economic Community puts additional requirements toward all economic processes and business operations on the occasion of their ideological structuring, formal standardization, analytical accounting and possible control.



#### **At the level of relationships management team – consulting team:**

- deformation of information and initial data. Quite often the interpretation of the data base given for consulting and decision making is troubled because of the lack of correctness and other unconsciously actions on the behalf of the subjects organizing the information processing.
- long duration of the contact. To give one strategic model a result it is necessary ideological maturation of the relation organization – consultant, as well as technological time for the development of the model into expedient and controlled process.
- deficit of software products connected with BSC. At this stage Bulgarian consulting market demonstrates slow and difficult elaboration because of the missing interaction between the market participants themselves and the artificially maintained high cost price of the offered products, i.e. European prices for Bulgarian clients. A large part of the ERP type systems, sold on Bulgarian market are not adjusted to serve the information needs of generalizing control-management models.

- limited supply of consulting services with strategic purpose. At this moment for a number of reasons of organizational, as well as of social nature, about consulting with strategic purpose is risky to talk. The statements are based on conducted studies in the end of 2011 year, according to which only 8-9% of the large Bulgarian organizations use such type of services.

### **The Analysis of the Presented Problems Predetermines the Following Conclusions**

- ⇒ part of the shared problems are a result from the ineffective work of the management teams, caused by limited authorities and insufficient preparation;
- ⇒ the relation between client and consultant should move to another level of communication, i.e. in interaction with marked partner character;
- ⇒ as a tolerance to the business should be thought the critical analysis of part of the sold ERP-systems, i.e. to be perceived as a base for elaboration in the structure of BSC.
- ⇒ relying on the resource reorganization in every organization and more concrete the maximum usage of the immaterial and innovative part of them should turn into a basic priority for the development of a stable future.
- ⇒ the only constant thing in the business is change, and the innovations are the main business process which allows the permanent elaboration of the competitive power. This is a key in importance and dynamic in nature variable, for which Bulgarian business should search a conscious control-management decision such as Balanced scorecard and the serving it software and systems.

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### **PROBLEMI BUGARSKE KONSULTANSKE PRAKSE U RADU SA KONTOLNIM MODELIMA**

***Rezime:** Predmet ovog rada su osnovni problemi upravljanja koji stoje pred organizacijama u Bugarskoj za čije odlučivanje se traže instrumenti u formi kontrolnih informacionih proizvoda i modela, kao što je balansna karta. Razmatraju se i popularni problemi od interesa za menadžere i konsultante.*

***Ključne reči:** Balansna karta, integrisani sistemi*