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THE BALANCED SCORECARD OF PUBLIC INVESTMENT IN SPORT: PROPOSAL FOR CHANGE

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SUMMARY: Introduction – 1. Management tools for evaluating public initiatives – 2. Performance indicators for investment in sport – 3. Proposed indicators for public investment in sport – Conclusion – References

JEL CLASSIFICATION: L83, H11, M10, L33

Introduction

Sport, in all its many and varied forms, is an activity with one of the greatest holds on society. It cannot be overstated how sport has the capacity to mobilize and bring together people at all levels, while at the same time being both a fundamental pillar of a country's education system and essential in keeping its citizens healthy. Every day, citizens are spending greater time and resources on sporting activities, while many organizations use sport as a medium for increasing or reinforcing their productivity and innovation.¹

This boom in sport interest has increased the wealth of the leisure and sporting sectors of many countries, and this is underscored by the report of the European Council of Helsinki,² where it is estimated that the number of direct or indirect employment positions created by sport increased by some 60% in the 1990s.

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¹ This is due to the positive effects of sport and recreational activities at work and on social behavior, as well as on physical and mental health.

² COM(1999) 644, 1999 December 10th.

Therefore, sport can be considered as a correcting factor in the face of social imbalance, bringing equality and engendering habits that promote social inclusion and a sense of belonging (especially in team games), as well as a driver for job creation.

On the other hand, as authors as Caruso³ pointed out, sport has to be considered as public good because of its positive social role. In fact, this means an economic dimension of sport which has been reflected in recent documents published by the European Commission.⁴ Taken together, these characteristics mean that sport may be classified as a determining element in contemporary society – affecting quality of life and how people spend their free time – to such an extent that it appears to be fundamentally integrated in the social and economic policies of the majority of developed countries' Constitutions. Some general characteristics of sport, and as they appear in Spain's Ley del Deporte (Sport Law),⁵ are as follows:

- The practice of sport by citizens as a spontaneous, selfless and playful activity, or towards educational or healthy ends.
- Sporting activity organized through association structures.
- Sporting events as group phenomena for the masses, increasingly professionalized and commercialized.

It is perhaps unnecessary to say that the important differences between these characteristics means that each one requires specific treatment in each and every stage of development or planning, despite all forming part of the same sporting activity.

Nevertheless, in summary, we can conclude that there are three constitutional 'commandments' for public administration of sporting matters:

- Promotion of the practice of sport and the structuring of how it functions.
- Appreciation and promotion of the sporting activity organized through association structures.
- Regulation of the sporting event which is increasingly consolidated as a commercial, professional activity.

These three areas of sporting activity and their increasing complexity make it necessary to have tools or instruments available that allow the various governing agents to proceed with their task in a legitimate way, and to avoid, as far as possible, subjective considerations in decision-making. Many organizations related to sport are not structured as companies and are not obliged to present annual company accounts. This is not, however, an obstacle that prevents them from pursuing their activities with certain economic criteria.

Finally, regarding the objectives of sport investment, it is useful to establish a separation between direct objectives and those that may be considered indirect

³ R. CARUSO, *Il calcio tra mercato, relazioni e coercizione* in *Riv. Dir. Ec. Sport.* vol. 4, n. 1, 2008, 72-88.

⁴ See, for instance, the following document: EUROPEAN COMMISSION, *White Paper on Sport*, Office for Official Publications of the European Communities, Brussels, 2007.

⁵ Ley 10/1990, October 15th, of Sport, partially modified by Ley 50/1998 & Ley 53/2002.

but increasingly acquiring more importance in today's society (promoting social integration, reducing drug addiction, etc.). It is at this point of establishing objectives, direct and indirect, that the principal problem arises of how to evaluate them. For this reason, it is necessary to have the correct tools in order to measure the degree to which these objectives have been achieved.

It is in this context, and bearing in mind the documents of the AECA⁶ (1998 and 2000), that we propose the need for evaluating the achievements of the social objectives that public administrations set when investing in sport. This leads us to search for control elements that can facilitate the pursuit and attainment of public objectives when administering costs in sport.

1. Management tools for evaluating public initiatives

Throughout the process of programming and planning it is necessary to have some type of indicator to evaluate and monitor the degree to which the set objectives are being met.⁷ Therefore, the availability of such indicators is essential in both the private and public arenas. In the case of the day to day business of any state administration, this is characterized by the undertaking of a growing number of activities with increasingly few economic resources. Therefore an evaluation of these initiatives is essential, designed to rationalize these few resources and apply them correctly through mechanisms that permit the measuring of results and, therefore, their improvement. In this sense the performance indicators can be considered an adequate measuring instrument in the completion of these types of tasks.

Therefore, we propose an advance in public management through management mechanisms borrowed from the workplace, although the management, in this case, is oriented towards the citizen as a client of public services. This proposal, called "the new public management" by some authors such as López and Navarro,⁸ is designed to face the increasing problems in the public sector, such as administrations' mounting indebtedness and the public deficit.

Similarly, and as an inevitable result of their loss of credibility, the public sectors of the most advanced countries are obliged to apply a series of economic measure to increase their performance. The aim is to achieve adequate administration of the resources within the control of the public administrations, as determining factors of the satisfaction of the collective needs of the citizens, and the degree to

⁶ AECA, *Indicadores para la Gestión Empresarial*. Documento n. 17. Asociación Española de Contabilidad y Administración de Empresas, Madrid, 1998. AECA, *Indicadores de Gestión para las Entidades Públicas*. Documento n.16. Asociación Española de Contabilidad y Administración de Empresas, Madrid, 2000.

⁷ Note that we are considering here two key phases in this planning process which are the establishment of the objectives and, later, their tracking and evaluation.

⁸ A. M. LÓPEZ HERNÁNDEZ, A. NAVARRO GALERA, *Panorama internacional de los indicadores de gestión pública: hacia una mejora en la asignación de recursos en AECA* in *Revista de la Asociación Española de Contabilidad y Administración de Empresas*, n. 44, 1997, 2-6.

which the objectives have been met.⁹ Specifically, there is a clear need for an evaluation of public services, based on the established objectives.

In this area, among the first proposals were the GASB Indicators (Governmental Accounting Standards Board),¹⁰ for the preparation of annual management reports by the boroughs in the USA, and the SEA Indicators (Service Efforts and Accomplishments) used by the ICMA (International City/County Management Association) in the continuous process of improvement in local governments. Similarly, in the UK, the Audit Commission set out, in 1991, a series of indicators to evaluation civic management. As a result of these efforts, 2000 saw the publication of a report¹¹ which, in light of the difficulties detected, stressed the usefulness of focusing on a series of key objectives. Other analogous experiences were those undertaken in Australia by the Steering Committee, an entity charged with gathering and analyzing the management indicators of Australian public administrations and publishing them annually in the Report on Government Services;¹² and the Canadian Comprehensive Auditing Foundation which publishes a similar report.¹³

As for the Spanish state, the initiatives on management indicators at the public investment level are more recent. Noteworthy among them is the work of Carrasco et al,¹⁴ who continue the work begun in other forums such as the Spanish Association of Accounting and Administration of Companies (AECA, 2002),¹⁵ or the Foundation Pi i Sunyer (2001).¹⁶ However, the most interesting study is the one undertaken by the Delegation of Barcelona on the Indicators of Civic Service Management (Diputació de Barcelona, various authors¹⁷) which started in 1983 and continues today with considerable success.

⁹ J.M. PRADO LORENZO, I. M. GARCÍA SÁNCHEZ, *Los indicadores de gestión en el ámbito municipal: implantación, evolución y tendencias* in *Revista iberoamericana de contabilidad de gestión*, n. 4, 2004, 149-180.

¹⁰ The first reference of the GASB was the 1994 report *Service Efforts and Accomplishments Reporting* which formed the base for a later work *Reporting Performance Information: Suggested Criteria for Effective Communication* (2003) that analyzed and described measures for adequately presenting public administrations' management projects.

¹¹ AUDIT COMMISSION, *On target. The practice of performance indicators*. Ministry of Design, Bath, 2000.

¹² Available since 1995 in the website www.pc.gov.au/gsp/reports/rogs.

¹³ CANADIAN COMPREHENSIVE AUDITING FOUNDATION, *Public Performance Reporting: Reporting Principles*, 2002.

¹⁴ D. CARRASCO DÍAZ, D. BUENDÍA CARRILLO, A. NAVARRO GALERA, J. VIÑAS XIFRÁ, *Cálculo de costes e indicadores de gestión en los servicios municipales*, Thomson, Civitas, 2005.

¹⁵ AECA, *Nuevas tendencias en contabilidad y administración de empresas y del sector público* in *Revista de la Asociación Española de Contabilidad y Administración de Empresas*, n. 60, Asociación Española de Contabilidad y Administración de Empresas, Madrid, 2002.

¹⁶ M. BATET, J.M. CARRERAS, A. MORA, J.R. PASTOR, *Propuesta de Indicadores Básicos de Gestión de Servicios Públicos Locales*, Fundació Carles Pi i Sunyer, 2003.

¹⁷ This is an annual report, with data per borough, concerning the management of primary civic services, related to the data of the last two payments. This is based on the methodology of Intermunicipal Comparison Circles (for more information, see www.diba.es/governlocal/cci_es.asp).

Concentrating specifically on the application of a Balanced Score Card in the public arena as a tool that, emulating the private sector, allows the measurement of its performance, we uncover a growing reality in developed countries. In fact, it is already possible to find references in the literature that record practical experiences. Specifically, Kloot and Martin¹⁸ analyze the performance measurement systems in the Australian administration using the four dimensions of the Balanced Scorecard,¹⁹ while Cavalluzzo and Ittner²⁰ perform a similar analysis in Europe. Of all the experiences in the public context, it is probably in the health sector where the most initiatives can be found. Indeed, the first records in the literature were provided by Forgione,²¹ who concentrated primarily on financial supervision and in diverse indicators of healthcare quality. A reference of the practical application of this is in Ontario, Canada, where they produced a Balanced Scorecard for 89 hospital organizations.²² This served as a benchmark for various later applications of this methodology in public health entities in the USA, as summarized by Voelker et al.²³

Similarly, there are various initiatives using a Balanced Scorecard as a management system in certain councils. For example, this tool was implemented by the council of Charlotte,²⁴ North Carolina, focusing on five strategic points: community safety, housing and neighborhood development, restructuring government, transportation and economic development. This was organized from four perspectives: resources, processes, finances and clients. Similarly, the council of Brisbane, Australia, has been using the Balanced Scorecard as a formula for assisting economic development. Its use, as noted by Willett,²⁵ has led to the increased satisfaction of the citizenship and, at the same time, a budget surplus.

¹⁸ L. KLOOT, J. MARTIN, *Strategic performance management: A Balanced Approach to Performance Management Issues in Local Government in Management Accounting Research*, vol. 11, n. 2, June, 2000.

¹⁹ In this case, they make the following changes: finance, community, internal processes of business, innovation and learning.

²⁰ K. S. CAVALLUZZO, CH. D. ITTNER, *Implementing performance measurement innovations: evidence from government in Accounting, Org. and Soc.*, vol. 29, 2004, 243-267.

²¹ D.A. FORGIONE, *Health care financial and quality measures: International call for a "balanced scorecard" approach in J. of Health Care Fin.*, vol. 24, n. 1, 1997, 55-63.

²² G.H. PINK, *Creating a balanced scorecard for a hospital system in J. Health Care Fin.*, vol. 27, n. 3, 1, 2001.

²³ Specifically the experience of Duke University Medical Center, Butterworth Hospital of Grand Rapids (Michigan), Henry Ford Medical Center (Detroit), Johns Hopkins of Baltimore, Hudson River Psychiatric Center of Poughkeepsie (Nueva York). D.E. VOELKER, J.S. RAKICH, G.R. FRENCH, *The Balanced Scorecard in Healthcare Organizations: a performance measurement and strategic planning methodology in Hosp.Top.*, vol. 79, n. 3, 2001.

²⁴ See K. EAGLE, 2004. *Translating Strategy Public Sector Applications of the Balanced Scorecard. The Origins and Evolution of Charlotte's Corporate Scorecard in Government Finance Review, Virginia Tech's Center for Public Administration and Police*, 19-22, 2004.

²⁵ R. WILLETT., *Establishing and assessing criteria for judgement of effectiveness of the balanced scorecard in a large australian local government authority*, working paper n. 2003-013. Queensland University, 2003.

In Spain too we can find recent examples of the Balanced Scorecard being incorporated into public administration; see, for example, the council of Sant Cugat del Vallés (Barcelona) or the Pompeu Fabra, Jaume I and Cadiz Universities. However, the two most relevant examples come from the previously-mentioned Delegation of Barcelona, and the administrative council of Andalusia, which recently incorporated this tool to assist the region's councils in taking civic decisions.²⁶

2. Performance indicators for investment in sport

Investment in sporting activities has the same needs as those of public investment, as outlined in the preceding section. These needs present specific characteristics. They appear at the time of establishing objectives. Indeed, the tracking and evaluation of public structural operations are currently a legal requirement. Nevertheless, the method of achieving these tasks depends on the nature and content of the operation in question, while the final objective is to determine the degree of effectiveness of the operation's execution and the resources used, through indicators defined at an appropriate level. In accordance with the terminology employed by the European Union in its Structural Program for the period 2000-2006, we must talk of different type of indicators. These must be defined prior to the execution of the program or in its first application phase, in order to collect data about them. These indicators are the following:

- Resource indicators, referencing the assigned budget at each level of operation.
- Financial indicators used to evaluate progress in relation to commitments and payments (periodic) of available funds for each operation, measure or program according to its cost.
- Production indicators that measure material or economic units employed or used.
- Results indicators that refer to the direct and immediate effects of a program. These indicators provide information about changes in the conduct, capacity or performance of the direct beneficiaries, and can be of a material or financial nature.
- Impact indicators that are linked to a program's consequences beyond the immediate effects on direct beneficiaries. Thus, the specific impact is the effects produced after a certain period of time has elapsed but that, nevertheless, are directly related to the action realized. Moreover, the global impact is the long-term effect that influences a larger population.

These distinct types of indicators (especially the last three) permit the treatment of five fundamental aspects to consider at the time of investing in the

²⁶ This experience was in the year 2004 – the results are described in the report *Cuadro de Mando Integral para los Ayuntamientos de Menos de 50.000 habitantes* (Balanced Scorecard for Boroughs of Less Than 50,000 Inhabitants) (JUNTA DE ANDALUCÍA, *Cuadro de Mando Integral para los Ayuntamientos de Menos de 50.000 habitantes*. Dirección General de Administración Local, Sevilla, 2004).

sporting sector.

These parameters are the following:

- Pertinence
- Efficacy
- Efficiency
- Utility
- Durability

The first of these, pertinence, is the opportunity or convenience of carrying out a foreseen action; that is to say, whether or not it is appropriate. Regarding efficacy and efficiency, both are concerned with the ability of reaching those planned objectives with the investment available. The difference between them lies in the fact that efficacy is about the fulfillment (or not) of objectives, while efficiency focuses more on the optimization of the available resources (including time). Utility refers to the advantage or convenience gained by the investment, while durability brings the perspective of the duration or permanence in the mid- or long term.

At this point, it would be useful to analyze how these indicators can be incorporated into the process of monitoring and analyzing investment in sport. For this purpose, we will next explain how the type of user affects the usage of the information.

2.1 Users of performance information

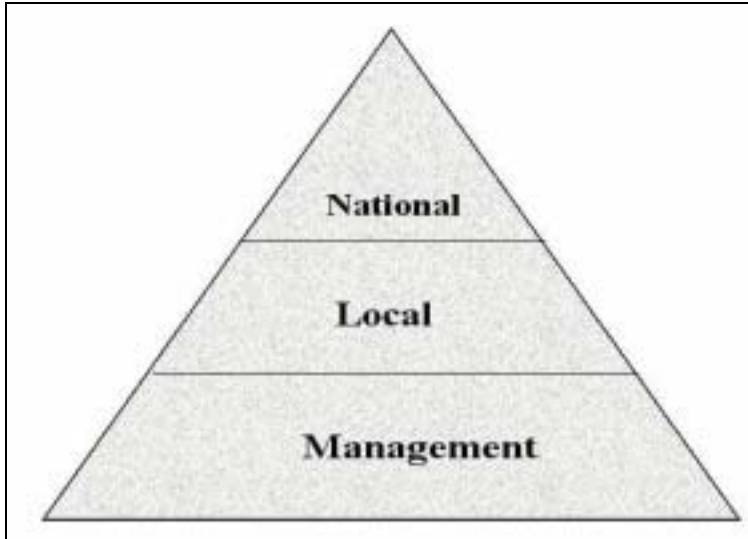
When establishing a control system for the performance of investments or public spending in an activity, it must be remembered that there are different users of the information provided by the indicators. Figure 1 reflects the principal user levels of performance indicators. Logically, the government and national or regional level will be interested in indicators that serve to measure the degree of achievement of objectives. For example, if we consider that investment in sport should contribute to an improvement in public health, then we can design indicators that check this objective.

Similarly, local governments and councils will be interested in knowing the effects of investment in their region and will analyze, among other things, the number of users of sport facilities in the area, the increase in the practice of sport in the area, and so on.

Finally, the indicators at the management level will lead to contributions towards the improvement of day to day management. They will, therefore, be of a more immediate and operational nature.

From another point of view, the various governments can undertake investments or apply public spending directly or through other administrators. Furthermore, certain events or facilities, owing to their characteristics or dimensions, will have to be dealt with at a national or regional level.

FIGURE 1: DIFFERENT USER LEVELS OF PERFORMANCE INDICATORS

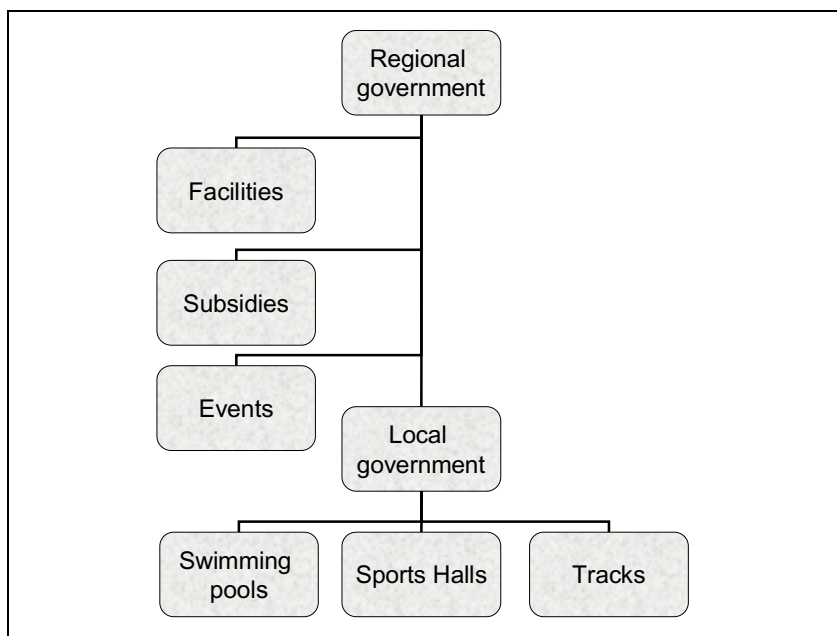


In Figure 2 are noted, by way of example and by no means exhaustively, possible variations to consider when evaluating different investments. The structure that appears implies that it would be necessary to define the management evaluators taking into account whether the investment is regional or national in terms of its general objectives. But, additionally, in the case of facilities directly governed by or reporting to those governments or councils, appropriate indicators will also have to be prepared for the day to day running that will be of use to the managers and workers of those facilities.

Something similar would happen in investment in events. For example, for the investment in the last Olympic Games in Beijing, the Chinese authorities proposed certain objectives such as raising the country's profile, spreading an image, boosting tourism in the affected areas, and so on. As a consequence, the performance indicators defined would have to agree with these general objectives.

Nevertheless, at the same time, the event itself must rely on specific management indicators that help to evaluate the achievement of intermediate objectives specified by the event's management in order to be able to achieve, in turn, the general objectives proposed by the administration. In these cases, they will also have to bear in mind that, for financing the events, they would seek sponsors who, for their part, would also have their own objectives. Thus, the management has little choice but to make the achievement of their objectives compatible with those of the administrators and private sponsors. And, to achieve sponsorship, the objectives pursued by the sponsor and the sponsored have to be complementary.

FIGURE 2: LEVELS FOR TRACKING PUBLIC INVESTMENT IN SPORT



In the case of public money that reaches sport through subsidies, performance tracking is complicated, given that the management corresponds to the subsidized entity. Certain information systems can be put in place to evaluate operational performance, but the costs involved probably make this unviable. Nevertheless, they do have to establish evaluators to enable comparisons of the effectiveness of investments made. Given that the sporting federations are private entities of public utility, the money that they receive from public entities must be subject to *ad hoc* analyses. In this case, monitoring the performance of public money is even more complex, given that those institutions don't usually have professional management teams. This makes the implementation of indicators difficult at the management level.

For their part, the councils, delegations or other communities also earmark money for investment in and spending on sport. Their objectives tend to be more concrete, at least concerning their local region and catchment area, than those of the state or the regional governments. Thus, the investment of local government or council is focused mainly on facilities such as swimming pools, sports halls or tracks that need their own particular tools for evaluating performance and improving their operational management. Local governments can also grant subsidies and finance events. The considerations taken by the state or regional governments are also applicable here.

2.2 Elements to consider when developing performance indicators

When an organization faces the task of developing an adequate set of performance indicators, it needs to establish which aspects it needs those indicators to focus on and which factors need to be measured. The indicators must be sufficient at all the levels we've previously mentioned, bearing in mind the key objectives and evaluating whether they are achieved. They need to be oriented towards evaluating the factors that really indicate the performance obtained in accordance with the proposed targets and objectives. Furthermore, it is vital to obtain a balanced set of indicators that truly reflect the performance of the public investment, rather than an endless set of indicators that provide no clear idea.

The performance dimensions to measure can provide an appropriate selection of indicators. Those dimensions, and the elements to consider in order to be able to determine the dimensions, are summarized in Figure 3. Following the Audit Commission,²⁷ we can state that the dimensions to consider are Economy, Efficiency, and Effectiveness.²⁸ The elements necessary to obtain them are the cost or necessary investment, the human and material resources employed, the products or services obtained, the global result of the activity, and the value that it is hoped to achieve.

The indicators that analyze the economic nature of a public investment in sport will measure whether the best quality material and human resources have been obtained in the greatest quantity and at the lowest cost possible, or, if given a fixed cost budget, whether the best resources have been obtained. For example, whether the construction of a sports hall has been achieved at the lowest possible cost while still meeting certain minimum quality requirements. Efficiency measures the achievement of the maximum service or quantity of product for the set of resources available for this end. In this type of indicator could be, for example, the cost per user of a sporting facility or the number of employees per user. The effectiveness measures the degree to which the proposed objectives have been achieved, by comparing the expected value with the value obtained. The indicators will be, for example, a percentage of the facility's occupation over the time available or its capacity. Finally, we can measure the cost effectiveness by relating the money invested or spent to the degree to which the objective has been realized.

Therefore, there will be four different concepts related to the economic dimensions in order to construct an appropriate indicator. Moreover, these concepts deal with a set of five elements which have to be considered in the analysis. These elements are the following:

- resources
- service
- output
- expected value

²⁷ AUDIT COMMISSION, *On target. The practice of performance indicators*, cit., 2000.

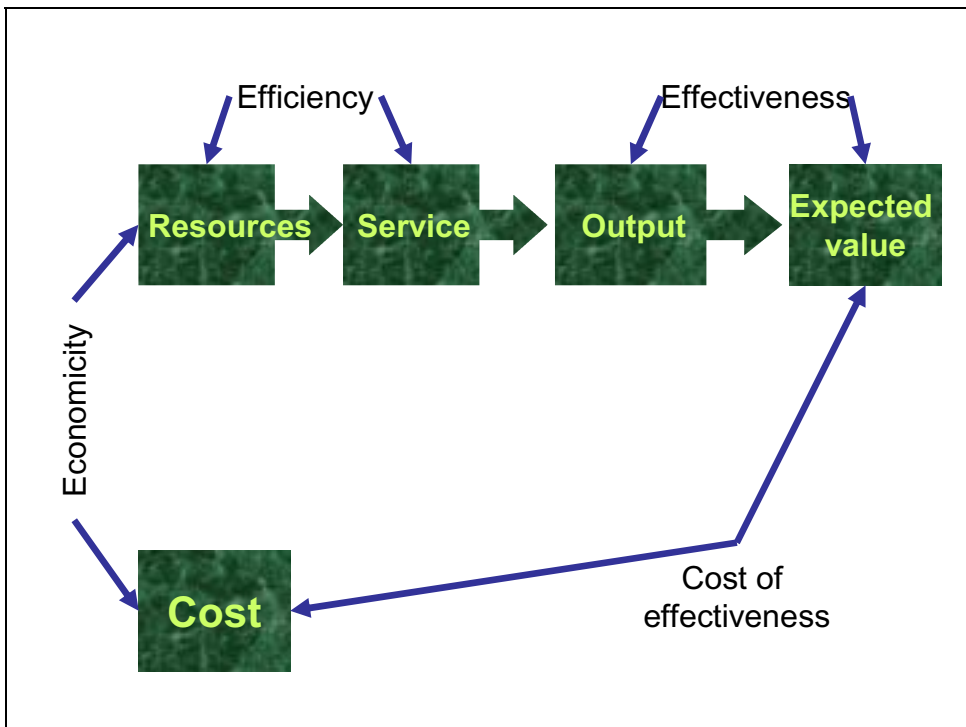
²⁸ In its Structural Program, the EU mentioned five aspects as noted in the introduction to this section. However, we think that those cited here are sufficient.

– cost.

Each of these concepts links two of the previous elements in the following way: the relationship existing between the resources and the services will be measured by the efficiency, the output and the expected value of the investment will be analyzed by the effectiveness, the cost of effectiveness deals with the expected value and the cost and, finally, the relationship between the cost and the resources will be measured by the economicity.

Thus, we can carry out a complete evaluation considering all these concepts and elements as a whole as it is shown in the Figure 3.

FIGURE 3: ELEMENTS TO CONSIDER IN PERFORMANCE ANALYSIS



3. Proposed indicators for public investment in sport

As a consequence of the above, we are able to propose indicators for the evaluation of public investment in sport, based on two fundamental pillars. The first consists of approximating the Balanced Score Card (BSC) to the sport area, and the second will give us a matrix containing the indicators which may be considered as key. We will look at each of these in detail below.

3.1 Overview of the Balanced Scorecard to evaluate investment in sport

The Balanced Scorecard originally proposed by Kaplan and Norton²⁹ and the navigator system put forward by Skandia de Edvinsson and Malone³⁰ help us to get a good perspective for the complete evaluation of a company's activities. The models (here we will focus only on the former), when adapted to the specific circumstances of public investment, provide us with a useful tool that gives us a combined overview of the performance of the public investment or of the public entity running sports facilities or events.

FIGURE 4: ADAPTATION OF THE BALANCED SCORECARD TO PUBLIC INVESTMENT

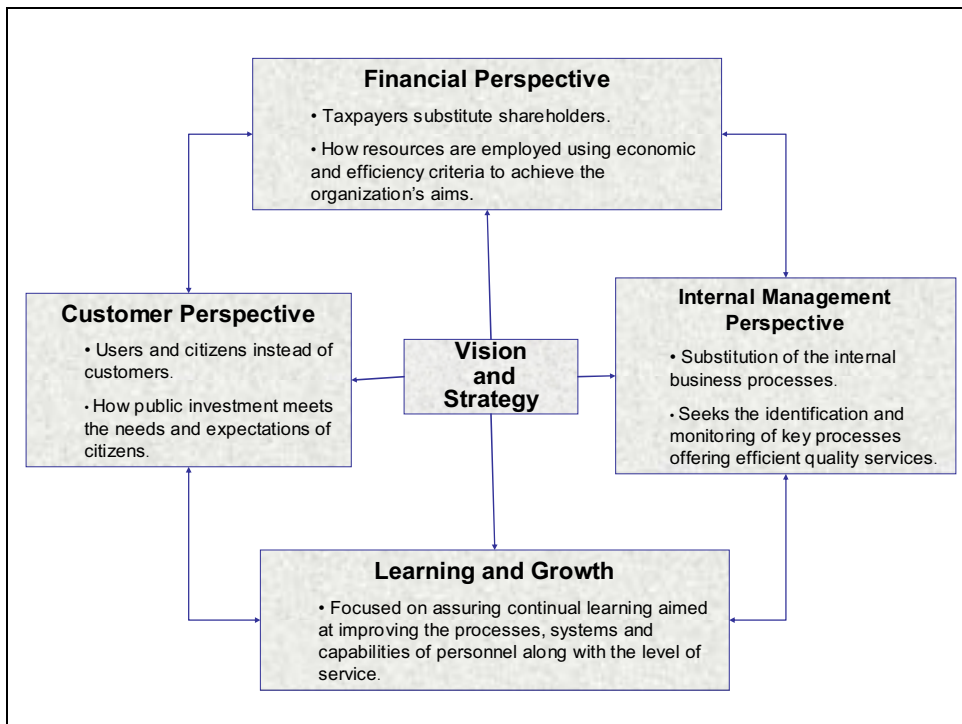


Figure 4 captures the basic structure of the Balanced Scorecard along with the modifications necessary for its use by public entities or for the evaluation of investment made by public institutions in sport. It should be highlighted that the main modification necessary can be found within the Financial Perspective box, given that performance for shareholders must be replaced with a focus on the

²⁹ R. KAPLAN, D. NORTON, *The balanced scorecard: translating strategy into action*. Harvard Business School Press, Boston, 1996.

³⁰ L. EDVINSSON, M.S. MALONE, *El capital intelectual*., Gestión 2000, Barcelona, 1999.

analysis of the performance of the public funds employed in the sports initiative. Indeed, it is the taxpayers who experience a level of satisfaction from the resources they contribute to public authorities for spending, in this case, on sport.

Rodríguez et al³¹ propose a more specific approach to the financial perspective. They suggested that the Granada Municipal Agency Body of Sports set increased financial stability and balance as their financial objective. Logically, typical criteria used by companies, such as the increase in financial performance, become redundant in this area.

In terms of the customer perspective, our model is very similar to a company's attitude towards its customers. However, public investment in sport should also consider those who benefit from the services, not from a corporate perspective, but rather from one of helping citizens. As such, it becomes necessary to think more in terms of users, instead of customers. Moreover, the potential satisfaction of citizens who do not make use of the facilities or participate in events must be considered as well. Rodríguez et al¹ propose the creation of a high-quality sports service image and an increase in customer base as the strategic objectives from this perspective. We believe this falls short since it fails to consider the benefit that investment in sport supposes for the population in general.

The internal business processes perspective is replaced by an internal management perspective which runs parallel to the way companies work. It is aimed at identifying the key processes through which public money spent on sport is translated into high-quality, efficient services. Clearly, it is not enough to merely identify these processes; we must then go on to monitor them in order to achieve the desired results.

One point which may be considered as key for internal management is better coordination of the sports activities promoted by the public authorities, as well as cooperation with other institutions organizing sports competitions. An example of how this could be done would be designing an events calendar aimed at increasing the use of the sports facilities.

This section should also include the follow-up to the investment: the maintenance and improvement of facilities. Indicators should also be put in place to facilitate the evaluation of the administrative, technical and economic improvements made to the management.

Finally, the learning and growth perspective is very similar to that found in the Balanced Scorecard of a company. One of the key aspects is the continual improvement in employee training, not only in technical areas, which tends to go without saying when dealing with sport, but also in terms of economic efficiency. One of the advantages the Balanced Scorecard brings is that it includes the different

³¹ M.P. RODRÍGUEZ BOLIVAR, D. ORTIZ, A. LÓPEZ, *Balancing Sports scorecards: in Spain, the local Granada government uses the Balanced Scorecard to help manage sports programs* in *The Pub.Man.*, Summer 2006.

³² RODRÍGUEZ ET AL., *Balancing Sports scorecards: in Spain, the local Granada government uses the Balanced Scorecard to help manage sports programs*, cit.

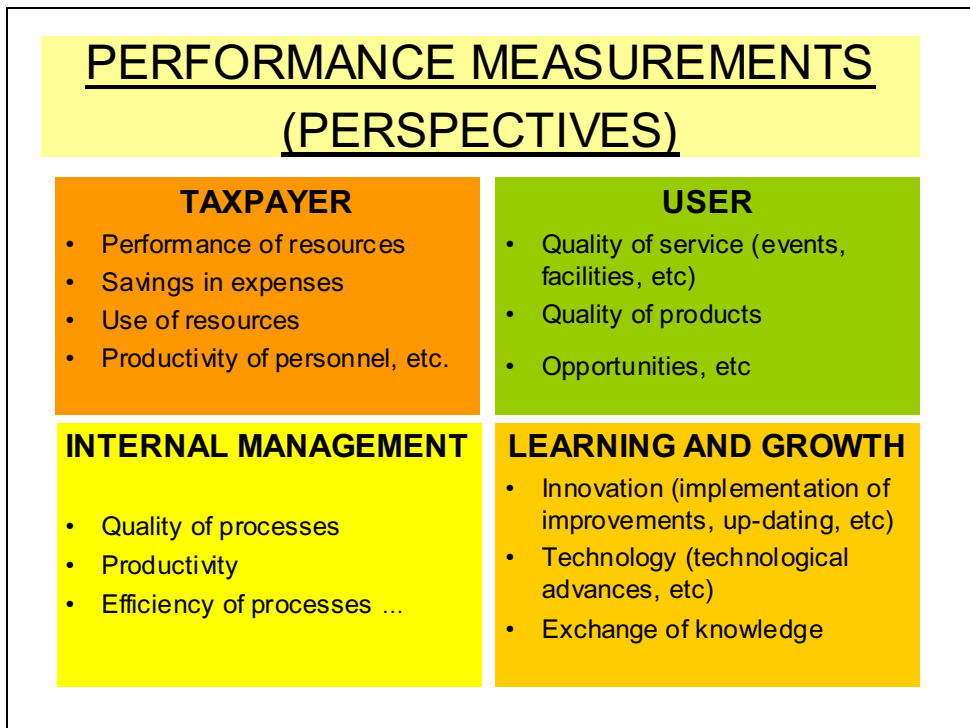
areas of the company, as well as showing the causal effect that can help to determine whether the various processes (in line with the vision and strategy at the time of making the investment or incurring the expense in sport) achieve their objectives.

The Balanced Scorecard has to be well designed if it is going to work. In order to do this, one should integrate the key indicators into the matrix, based on the Balanced Scorecard, which reflects the activity or the investment to be monitored. We will now look at the matrix of key indicators to be applied in the evaluation of public investment.

3.2 Matrix of key indicators

As noted above, working with indicators should be focused on a reduced group of key indicators and not on a large number of them. This is based on the fact that dealing with many indicators at the same time can render the tool inoperable. It is for this reason that Bauer³³ suggests finding the value indicators which can be categorized in families of indicators within the Balanced Scorecard, giving us a matrix of key indicators. Starting with his generic proposal for companies, we suggest modifications to the matrix, bearing in mind the characteristics of public investment. The amended matrix can be found in

FIGURE 5 : MATRIX OF KEY INDICATORS CONSIDERING THE PERSPECTIVES OF THE BALANCED SCORECARD



³³ K. BAUER, *Key performance indicators: the multiple dimensions*. *DM Review*. October, 2004.

This matrix is the starting point; the next step is the task of classifying the indicators correctly. During the selection and later classification of the indicators into corresponding perspectives, it must be borne in mind that the indicators to be employed need to be standardized. This process requires a standardization of measurements in order to facilitate the search for common and comparable elements. Standardization is achieved by establishing the measurements on a similar basis.

The right level of importance must also be allocated to the indicators in such a way that the data is calculated using meaningful, derived measurements that clearly reflect the effect of the value indicators. The indicators can be designed in the following ways:

- Direct: data values are unprocessed and measured directly. For example, the level of sales (where an entrance fee is charged to use the facilities), number of people using the facilities, spectators at an event, etc.
- Percentage: useful for comparing changes in performance of a value relative to the same value at a different time or in different places or compared to an objective. For example, the percentage of variation in the number of users from one year to the next or the percentage of variation in the number of users at two different facilities with similar characteristics.
- Simple ratio: quotient between two amounts. For example, the average number of users of the facilities.
- Rate: combination of separate measures which together give a general indication of performance. For example, the growth in number of users of a facility with respect to the increase in users of a particular type of sports activity in a center.
- Compound average: sum of the weighted averages of various similar measurements which gives a general composite indicator of performance. For example, user satisfaction can be established from the weighted average of questionnaire results, the number of complaints, and the degree of loyalty of the user.

In addition, the performance indicators should be considered within a specific approach. That is, considering the possible perspectives that should balance the information to be extracted from them. The time focus should also be looked at – whether we are interested in the long – or short-term; whether the orientation is strategic or tactical; whether we want information based on prospective or real data; whether we are analyzing a process or a result; and whether the aim is to plan or to monitor. When selecting indicators it is important to ensure that not all of them are short-term, quantitative, tangible and based on collected data. These are the easiest to identify but, in the end, if we limit ourselves to these we will fail achieve the level of utility we are pursuing. Finally, it should be highlighted that the task of measuring and evaluating carried out based on the indicators and their integration into the Balanced Scorecard will be in vain if it does not lead to an improvement in the products and services provided by the public investment in sport. As such, the dynamic application of these indicators should be borne in mind.

Conclusion

Having considered the points made throughout this paper, it is useful to extract a series of conclusions. Firstly, it should be underlined that sports activity is considered a highly-relevant social issue, both by the European Union and by the Spanish government. This leads in turn to the need for the public administration to become involved in the promotion and organization of sports activities, in addition to the regulation of sports events. Moreover, the fact that public institutions should promote sport implies an assignment of budget for the purpose. In order to know whether taxpayers' money is being correctly employed, the public administration must equip itself with the right tools to evaluate this.

Given these circumstances, we propose modifying tools commonly used in business to meet the needs of evaluating public investment in sport. Specifically, we suggest the use of the line management indicators proposed by AECA³⁴ and the *Audit Commission*³⁵ as a basic evaluation tool. We do not need a large array of indicators; it is more important that they are 'key' indicators. This was noted by the *Leisure Industries Research Center (LIRC)*³⁶ at Sheffield Hallam University in their most recent report on performance measures for sport development.

The indicators must be placed within a wider context, based on consideration of the user levels of the information given (state, regional, local and management). The series of indicators contemplated must include economy, efficiency and effectiveness, from the resources themselves to the value expected to be obtained from them. The cost of this effectiveness must also be considered.

The use of indicators becomes even more enriching where the causalities are considered; that is, the cause and effect relationship between the main areas of activity. With this in mind, we propose the use of a modified version of Kaplan and Norton's³⁷ Balanced Scorecard, adapted to public investment in sport. The main changes have been made in the financial and customer perspectives, replacing shareholders with taxpayers, and customers with users and citizens.

It is important to note that, for the Scorecard to work, the indicators must be included following the structure of the key indicators matrix proposed by Bauer³⁸ for companies, as adapted to the needs of the Balanced Scorecard for public investment in sport. Finally, we highlight the need to implement an evaluation system, based on indicators, to carry out a comparative analysis aimed at uncovering differences between homogeneous benchmarks, finding the origin of these differences and, based on the data, assisting in formulating suggestions for improvement.

³⁴ AECA, *Indicadores para la Gestión Empresarial*, cit., 1998.; AECA, *Indicadores de Gestión para las Entidades Públicas*, cit. 2000.

³⁵ AUDIT COMMISSION, *On target. The practice of performance indicators*, cit.2000.

³⁶ LIRC, *Performance measurement for the development of sport. Final Report*. Leisure Industries Research Centre. Sheffield Hallam University, 2003.

³⁷ R. KAPLAN, D. NORTON, *The balanced scorecard: translating strategy into action*, cit., 1996.

³⁸ K. BAUER, *Key performance indicators: the multiple dimensions*, cit., 2004.

For further developments of this proposal an expert panel will be useful in order to establish the aims of investment in Sport. These aims will configure all the system. Moreover, they have to be set according with the level of the information user. Those experts should fix the optimal parameters for each goal. These parameters will not exclude a benchmarking process. Building the adapted Balanced Scorecard will be the last step (following the Bauer's key indicator matrix). This work should also be done with the advice of expert businesspersons as well as the politician of civil servant involved in sport management. A trial an error path will be needed in order to fine-tuning the system.

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