INTEGRATED METHODOLOGICAL FRAMEWORK FOR FORMULATION AND IMPLEMENTATION OF LOCAL DEVELOPMENT STRATEGY

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Abstract

This paper aims to display basic foundations of Balanced Scorecard methodology, which was used for formulation of local development strategy, and results that arose from its application. The paper starts with explaining basic theoretical pillars of regional development, continues with the methodology basics along with specifics of methodology application at the local level. Then, the concrete example is used to test applicative methodological framework in three phases: 1. diagnosis based on SWOT matrix, 2. visualisation of local community goals with strategy maps, and 3. goals specification through key performance indicators, tasks and initiatives. Finally, the authors pinpoint potential problems in strategy implementation process and give basic features of the software which eases the creation of scorecards and strategy maps.

Keywords: Local development, Balanced Scorecard (BSC), Strategy, Strategy map, Software support.

Balanced Scorecard Methodology and Local Development Strategy

Local communities in Serbia, especially larger cities, have strategic documents that focus on specific aspects of life (for example, General Urban Plans (acronym GUP), Local Environmental Action Plans (acronym LEAP) strategies for the development of tourism, agriculture or entrepreneurship). However, there are not many cities/municipalities with comprehensive local development strategy that considers the links between the development trajectories of different areas important for the overall local development.

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Economic and Infrastructural Aspect of Local Development

The specifics of strategy formulation at the local level result from the specificity of how local governments operate in comparison with a typical profit organization. Some of the most significant features of the local communities in our country are the following: a great number of objectives of a local government; a wide dispersion of objectives of local institutions, companies and stakeholders; a high level of bureaucratization; focus on daily operational issues; heavy dependence on the Central Government; weak identification of employees with the real interests of the local government and the like (Swinburn and Murphy 2004; Swinburn 2002).

Based on the above, we can pose a question about the specifics of the BSC methodology for the formulation of local development strategies. The main difference, compared to the BSC of profit organizations, lies in the field of formulating strategic themes and strategic perspectives, which in turn derive from the specifics of the mission and vision of the local community. Namely, the specifics of the mission of the local government require relevant modification of the strategy map architecture and the BSC. The increasingly accepted view is that the mission of the municipal/urban community is a community that serves its citizens and economy (Swinburn 2004). In addition to identifying the mission as such, basic elements of the vision are set. Basic elements of the vision (strategic objectives) are the following:

- ease of investment,
- ease of work, and
- ease of life.

When formulating an economic development strategy, the first step is to define conventional strategic themes (Wisniewski and Stewart 2004). Conventional themes may include (OECD 2004; Bigliardi 2011):

- Local economic development
- Local social development
- Environmental protection
- Creation of new jobs
- Development of agriculture
- Development of tourism
- Development of the small and medium-sized enterprises sector.

1. Local economic development. Local economic development is a conventional theme that is directly related to the ease of investment and ease of operation objectives (Swianiewicz 2005). Local authorities have a responsibility to provide the necessary infrastructure to support the development of businesses in their territory. In addition, local authorities may establish a more direct relationship with the citizens, motivate them more easily and start creating public-private arrangements and partnerships, and thus create an attractive environment for new investment. Therefore, the most important objectives within the conventional theme are the following: sustainable local community development, new jobs, the development of various
economic sectors, the development of public-private partnerships, tax incentives for new investment and new jobs, training for local government officials, and the like.

2. Local social development. Local social development is a conventional theme that includes key development issues for the population in the community related to culture, education, health and social care. Some of the distinctive objectives within this strategic theme are: to increase participation of the citizens in local decision-making processes, to improve social security and health care, to expand the tax base and improve the quality of services of the local government.

3. Environmental protection. Environmental protection is a conventional theme that nowadays, due to rapid degradation of water, air and soil and the simultaneous growth of awareness of the need to mitigate this degradation, is becoming ever more important. Our country as a candidate for accession to the EU must meet very strict standards of environmental protection. Also, companies that wish to sell their products in foreign markets need to adjust their business processes with stringent quality standards, primarily within the ISO 14001 standard series. At the local level, the problem of pollution inhibits the development of other areas of economic and social life. Typical objectives within this strategic theme are: sustainable development of local communities; improving the quality of water, soil and air; the development of renewable energy; attracting donations for the purchase of recycling systems and the creation of new landfills; employment subsidies in the field of environmental protection and improvement of the environment.

4. Creation of new jobs. Creation of new jobs is a conventional theme that directly impacts the fulfilment of the strategic objectives of ease of operation and ease of life. The assumption of future economic development is related to the reduction of unemployment through the creation and commercialization of entrepreneurial initiative. In this sense, there are a number of barriers that need to be removed here so that entrepreneurial ideas could proliferate. Some of them are related to urban development of the city, creating a database of entrepreneurs, but also improving awareness of the entrepreneurs in areas such as business plans, market research, computer literacy, and in understanding legislation.

5. Development of agriculture. Development of agriculture at the local level is a conventional theme that arises from one of the main goals of agriculture in Serbia, which is its integration into the common agricultural policy of the European Union. To this end, it is necessary to improve productivity, change the structure of production aiming towards growing more profitable crops, defragment agricultural land, aim towards food quality and safety, to establish a register of producers and livestock.

6. The development of tourism. The role of tourism in the economic development of local community is reflected in economic valorisation of numerous resources, generator and the integrative functions in relation to other activities, foreign exchange
inflows, social and demographic effects, and employment. Namely, tourism multiplier effects are seen in encouraging the development of complementary sectors, primarily, of trade, agriculture, transportation, utilities, crafts and financial services. In non-economic activities, tourism is a powerful generator for the improvement of health, culture and sports. Due to tourism, these activities can significantly enrich the scope of services which, apart from tourists, may also be used by the local population.

7. Development of the small and medium-size enterprises sector. Development of small and medium-sized enterprises is a conventional theme that directly influences fulfilment of investment objectives of ease of investment and ease of operation. The importance of the small and medium-sized enterprises sector is reflected in its flexibility and responsiveness to customer needs, in the creation of new jobs and rapid changes in economic structure.

In addition to these conventional areas, there are also strategic themes that lead to groundbreaking results, as well as to the achievement of a greater number of targets at the same time (City of Charlotte 2006). Typical strategic themes are:

- Use of renewable energy resources
- Development of public-private partnership
- Development of industrial and agricultural clusters.

8. Use of renewable energy sources. Renewable energy sources are a strategic theme that is directly related to the theme of environmental protection. Energy production is the largest contributor to environmental pollution. Production of energy from primary energy sources has significant negative externalities. On the other hand, economic prosperity cannot be imagined without energy. Limited capacity of primary energy sources and their unequal distribution give a special dimension to the problem. Energy production from renewable energy sources is an important link that connects energy strategies and sustainable development. Key types of energy are: hydropower, geothermal energy, biomass energy, solar energy, wind energy and energy from timber.

9. Development of public-private partnership. Another important strategic theme is linked to specific projects of cooperation between the representatives of private capital and representatives of public sector, related primarily to the development of physical infrastructure. Specific projects may include establishment of local companies in the field of municipal infrastructure, development of local traffic, construction of roads passing through the local community, building the institutions of public interest such as schools and hospitals, the construction of a gas pipeline network, and so on. These projects can also be significant generators for the creation of new jobs in local communities.

10. Development of industrial and agricultural clusters. At the local level, there is often a need for association of industrial or more frequently of agricultural producers
in various forms of clusters. The main benefits of this type of association lie in strengthening the bargaining power with the customers, suppliers or distributors, in the exchange of knowledge in the field of production and realization of significant synergies in business. The idea is that some non-core activities are allocated, through the model of outsourcing, to SMEs that would work for a large system, but also for third parties. The priority in employment in these companies would be given to workers who are currently redundant in large business systems.

Each of the aforementioned themes may have its own strategy map and balanced scorecard. However, many objectives are common for a number of themes. Therefore, it is useful to start from a general strategy map that would encompass all the themes.

Before defining a general strategy map, apart from defining conventional strategic themes, it is necessary to concretize strategic perspectives. Perspectives relevant for local community are (Chan 2004):

- the citizen perspective
- the economy perspective
- the financial perspective
- the internal processes perspective
- the learning and growth perspective.

The citizen perspective is new in comparison to the general form of BSC applied in profit organizations. This perspective is positioned at the top because the main function of local government is to provide services that people want. In addition, financial perspective is no longer at the top as was the case with profit organizations. It is important to emphasize that perspectives can be adjusted to some extent depending on the specifics of the local community, but it is an unwritten rule that there should be no less than three and no more than five perspectives.

The citizen perspective poses a question of whether local government provides citizens with the services they expect, and which may be related to the principles of sustainable development, environmental protection, improvement of employment conditions at the local level and improvement of social security and health care.

The economy perspective is trying to provide an answer to the question of how to stimulate local economic development, i.e. is attempting to specify the branches of the local economy that may represent the most significant drivers of future economic development of the municipality or the city. These drivers can be agriculture, tourism, the small and medium-sized enterprises sector or, for example, energy production based on renewable energy sources.

The financial perspective emphasizes the importance of achieving operational efficiency of the local administration. The main objectives within this perspective may
be to control the municipal budget, broaden the tax base or perhaps subsidize new investment.

The internal processes perspective deals with the objectives related to internal functioning of the local government. These are leading indicators that affect delayed indicators in the above perspectives.

Finally, the learning and growth perspective enables non-material support for the achievement of all the objectives in the above perspectives. Namely, in order to achieve the objectives of the previous perspectives with a high degree of efficiency, it is necessary to manage the processes which engage human, information and organizational capital.

BSC methodology simplifies the strategy implementation process. It is known that 90% of successfully formulated strategies are never implemented (Kaplan and Norton 1992; Kaplan and Norton 1996). There are various obstacles to successful implementation of local development strategies (Box 1999; Blakely et al. 2009). Firstly, planners often ignore the importance of intangible assets (knowledge, information, organizational competence) in creating value. Secondly, local government officials are often not familiar with the mission and vision of the local community. Thirdly, heads of authorities and secretariats may not have the incentive to implement the strategy in the context of the current system of incentives. Fourthly, leaders of local governments do not devote enough time to strategic issues, dealing mostly with current problems in the operation of local services. Finally, in the majority of local governments, there is a weak link between the finances necessary to implement the strategy and the budget available for this purpose.

The application of the BSC methodology in the formulation and implementation of local development strategies solves most of these problems (Bolivar 2010). This methodology encourages leading people of local governments to devote more time to important strategic issues. Measuring the implementation of objectives through concrete performance indicators, tasks and initiatives provides palpability to “blurred” forms such as vision, mission and strategic goals. Making strategy maps and implementing strategic solutions inevitably lead to a consensus of relevant local stakeholders through teamwork. This helps improve understanding of important strategic objectives of the local government by its officials and employees. Finally, this concept facilitates the process of communicating the results of the strategy to the citizens as the most important stakeholders at the local level.

The main advantage of the BSC methodology in the formulation and implementation of local development strategies lies in the possibility of cascade decomposition of the general objectives of the municipality by defining the objectives of lower municipal subsystems, such as the local community offices and key local institutions.
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A. Namely, local community offices, which belong to the municipality, must have a strategy that is compatible with the strategy at the municipal level. In this way, the implementation of the objectives of the local community office directly affects the realization of one or several objectives at the municipal level. The BSC methodology aims at connecting different hierarchical levels and monitoring their simultaneous implementation.

Cascade procedures for formulating the Strategy through the BSC methodology

In the process of implementing a local development strategy, it is possible to make a cascading breakdown of the strategy of the municipality to lower levels of the local community, i.e. to the most important local institutions or subsystems (Yee-Chin 2004). This means that every local institution, or other subsystems of the local community, can have their balanced scorecards. Depending on the degree of independence of local institutions and the level of diversity in their functioning, there are three approaches to the development of a “cascading” balanced scorecard (BSC):

- the multiplication approach,
- the complex local community approach, and
- the contributions approach.

1. The multiplication approach. This approach is applied when functioning of the local subsystems or institutions is largely identical to the functioning of the local administration. In this case, the lists of objectives of local institutions all look the same for all the observed local institutions and, at the same time, they are identical with the general BSC of the local community (see Figure 1).

Figure 1: The multiplication approach

2. The local community approach. This approach is useful in the situations when local subsystems differ considerably in the manner they function and have a low level of independence in their work. In this situation, a general BSC is established at the
community level which, in the form of broadly defined strategic themes, provides a framework for local subsystems and institutions to define their individual scorecards. Single scorecards are used for the formulation and implementation of specific objectives of local institutions which are, albeit in a general form, already comprised in the BSC at the community level (see Figure 2).

**Figure 2: The local community approach**

The local community BSC Local institutions develop their BSC based on general framework in the form of the local community BSC

3. The contributions approach. This approach implies only partial transfer of objectives from general BSC at the local community level to specific scorecard. This means that only one or a few general objectives are accepted by local community, and that this institution can freely supply its scorecard and objectives that are not included in the general BSC. The application of this approach is possible in the situations when a local institution is completely independent and operates in accordance with a specific model (see Figure 3).

**Figure 3: The contributions approach**
Implementation of the strategy can greatly be facilitated through the use of customized software applications (Silk 1998). Since the formalization of the idea associated with this methodology in 1992, many consulting firms have attempted to launch their software solutions whose applications have largely been tailored to the needs of a specific client. In 2003, so far the most comprehensive software solution for BSC called Microsoft Office Business Scorecards Accelerator (MSBSC) was launched. This product is the result of many years of cooperation between Microsoft and a consulting firm owned by Robert Kaplan and David Norton – the Business Scorecard Collaborative. The MSBSC is a business intelligence application designed to assist organizations, including local governments, in the process of defining objectives and strategies, as well as follow-up performance indicators that are directly linked to these objectives and strategies. This application is perfectly integrated into the typical Microsoft Office visual environment which facilitates and accelerates the process of familiarization for an average user.

The benefits that a local community may have from using this type of software may be the following:

- faster, better, more relevant decision making within the local government
- greater ability to measure, monitor and manage performance of local authorities
- better balance between local resources and processes with the strategic and operational objectives of the municipality
- automated balance scorecards management and providing direct link between strategic objectives and strategy maps.

Apart from that, such software can be of great importance for different sectors within local government. Finance departments, planners and decision makers at the top of the pyramid of the local government can better understand and optimize financial performance as well as the performance important for all residents of the local community. Operational staff of municipalities is able to monitor and improve the effectiveness and efficiency of internal processes more easily. Individuals in charge of human resources in the municipal administration can adjust the workforce in accordance with the objectives of the local government. Finally, such software can be extremely useful for improving the flow of information between local government and other relevant local stakeholders, intermediaries and institutions.

In organizational terms, for the implementation of a local development strategy it is necessary to define project teams close to the top of the local government with project managers at the head of each of the adopted strategic themes in the strategy map (Maltz 2003). Each project team makes a strategy map for their strategic theme. A project team includes all those in the local community who hold the levers of power, and core competencies to solve the problem which is covered by the strategic theme.
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Proceeding from the established organizational structure of a typical local community in Serbia, a major shift in the formulation of local economic development strategy would be achieved through a unification of local government authorities involved in the same strategic theme, followed by a formulation of a strategy map and a BSC for each of the themes.

In the context of leadership, for successful implementation of local development strategies it is necessary to provide support for the leading persons in the municipality. This means that it is necessary to secure that the top managers of the local community are committed, but it is also necessary to secure participation of all the middle level managers and the employees. BSC implementation involves training and education for those who are to implement the strategy.

Specific methodology framework for the formulation of a Local Development Strategy

The overall methodological framework that includes a current situation analysis by means of the SWOT matrix and a proposal of strategic solutions for the local community in the form of strategy maps and balanced scorecards is best explained through an example of a hypothetical municipality in Serbia.

**Figure 4: General SWOT matrix for a hypothetical municipality in Serbia**

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources</td>
<td>Natural resources</td>
</tr>
<tr>
<td>Favoured geographic and transport location</td>
<td>• Considerable pollution of water, air and soil</td>
</tr>
<tr>
<td>Favoured microclimate</td>
<td>• Inadequate soil composition for fruit growing and vineyards</td>
</tr>
<tr>
<td>Great variety of natural features and rich wildlife</td>
<td>Economic resources</td>
</tr>
<tr>
<td>Large areas of high quality agricultural land</td>
<td>• Obsolete production facilities</td>
</tr>
<tr>
<td>Economic resources</td>
<td>• Low level of utilization of the installed capacities</td>
</tr>
<tr>
<td>Diversified economic structure</td>
<td>• A considerable share of destroyed capacities</td>
</tr>
<tr>
<td>Strong business links between local companies</td>
<td>• High unemployment</td>
</tr>
<tr>
<td>Higher wages in economy than the national average</td>
<td>• Bad corporate governance practice</td>
</tr>
<tr>
<td>Strong institutional support for the development of the SME sector</td>
<td>• Relatively bad situation in public utilities companies</td>
</tr>
<tr>
<td>Human resources</td>
<td>• Inadequate accommodation facilities and poor promotion of tourism</td>
</tr>
<tr>
<td>High quality staff in agricultural institutes</td>
<td>• Fragmentation of agricultural land, lack of standardization for agricultural products, lack of organization with respect to trade in agricultural produce</td>
</tr>
<tr>
<td>Developed non-governmental sector</td>
<td>Human resources</td>
</tr>
<tr>
<td>Relatively educated staff in major local institutions</td>
<td>• Low level of education of potential entrepeneurs</td>
</tr>
<tr>
<td></td>
<td>• Outdated knowledge in agricultural production</td>
</tr>
<tr>
<td></td>
<td>• Inadequate communication between local government and representatives of public utilities companies</td>
</tr>
<tr>
<td></td>
<td>• Lack of organization of small-scale entrepreneurs</td>
</tr>
</tbody>
</table>
**OPPORTUNITIES**

Natural resources
- More adequate use of available water potential for irrigation
- Waste management based on the 3 R concept

Economic resources
- Modernization of technology
- Revitalization of the existing business systems
- Faster privatization and restructuring processes
- Intensified development of agriculture and tourism accompanied by solving environmental problems

Human resources
- Association of farmers into clusters and other forms of partnership
- Advisory service to help entrepreneurs and farmers
- Education for entrepreneurs and farmers
- Further improvements in the work of internal local government

**THREATS**

Natural resources
- Neglecting the sustainable development concept
- High concentration of industrial facilities close to populated areas
- Inadequate pollution monitoring system

Economic resources
- Slow process of privatization and restructuring of the state owned and publicly owned enterprises
- Considerable technological lag
- Great dependence on the import of raw material
- Treating agriculture as additional occupation
- Too high prices for building land and other fees for the establishment of new SMEs
- Bad associations that the agricultural products consumers have with pollution

Human resources
- Redundant workforce in publicly owned and state owned companies
- Lack of professional personnel in tourism
- Aging farming population
- Compromised health of the population

Before defining specific strategy maps, we should give the strategic positioning of the local community by means of the SWOT matrix (see Figure 4). The SWOT matrix is a diagnosis of the current situation in the municipality and the basic framework for the formulation of strategy through the BSC methodology.

In the comparisons between opportunities and threats, on the one hand, and the strengths and weaknesses, on the other hand, it is possible to identify the following four conceptually different alternative strategies:

- **the mini-mini strategy.** This strategy aims at minimising the threats from the environment and the weaknesses of the organisation.
- **the mini-maxi strategy.** This strategy aims at minimising the weaknesses and maximising the opportunities.
- **the maxi-mini strategy.** The aim is to maximise the strengths and minimise the threats.
- **the maxi-maxi strategy.** The organisation should utilise its strengths to the maximum in order to exploit the opportunities available in the environment.

With regard to the indicators and trends presented in the SWOT matrix, it can be concluded that the mini-maxi strategy is optimal for the given municipality. This means that strategic decision makers must strive at minimizing weaknesses such as inadequate technological levels of the capacities, combined with the physical destruction of important technological stages, the low level of entrepreneurial spirit...
and environmental concerns, on one hand, and on the other hand, at maximizing the opportunities such as the availability of water potential for irrigation, the ability of technological catch-up and development of agricultural clusters and public-private partnerships in building physical infrastructure.

After completion of the SWOT matrix, the next step is to plot the general strategy map. The strategy map for the local community is obtained through the identification of issues and perspectives and “filling” the perspectives with selected objectives. The strategy map for the hypothetical local community is shown in Figure 5.
Figure 5: Strategy map for the local community

Citizen perspective
Does the administration offer services that citizens want?

Economy perspective
How to entice local economic development?

Financial perspective
Do we manage resources effectively?

Internal processes perspective
How to improve internal processes?

Learning and growth perspective
How to train employees in line with changes in needs?

C1. Increased citizen participation in decision making
C2. Achieve sustainable growth of local community
C3. Protect and improve quality of water, soil and air
C4. Creating relative job safety
C5. Creating new jobs
C6. Improve social security and health care

E1. Development of active business environment
E2. Development of entrepreneurship and SMEs
E3. Development of agriculture
E4. Development of tourism
E5. Development of renewable energy sources
E6. Developing public-private partnership

F1. Tax incentives
F2. Diversify sources of income
F3. Attract donations and other sources of funding
F4. Budget control
F5. Broaden tax base
F6. Subsidize new investment and jobs

P1. Including relevant stakeholders in decision making
P2. Principles of sustainable development indoctrination
P3. Increase process efficiency
P4. Increase quality of service of local government

L1. Improve skills and keep trained local government officials
L2. Wider use of information technology
L3. Promote culture of cooperation, innovation and achievement of objectives
This strategy map includes all the major objectives of the local government observed from five different perspectives. We should bear in mind that an objective can be found in one perspective only, but that it can belong to different themes.

Based on a detailed diagnosis of the current situation in different spheres of life in the municipality we have selected four themes as the most important for future development of the municipality. These are:

- Local economic development
- Local social development
- Environmental protection
- Employment

Upon defining a general strategy map, the next step is to draw strategy maps for selected strategic themes, and to make detailed balanced scorecards for the selected themes.

Based on the strategy map for each theme, it is necessary to go further into the process of detailed explanation of individual objectives by defining the performance indicators, objectives and specific initiatives. The figure below shows the idea of the decomposition of the objective “C5 New jobs” to individual measurements, tasks and initiatives.

Figure 6: Decomposition of an objective to measurements, tasks and initiatives

<table>
<thead>
<tr>
<th>Objective: New jobs</th>
<th>Indicator</th>
<th>Task</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. The rate of job growth</td>
<td>7% annually</td>
<td>• Establishing incubators</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Education programs for workers and managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Loans for the development of agriculture</td>
</tr>
<tr>
<td></td>
<td>2. The number of new companies</td>
<td>120 new companies in the next two years</td>
<td>• Grants for the development of entrepreneurship</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Courses for new entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>3. The number of employed working from home</td>
<td>14% of the total number of employed by the year 2008</td>
<td>• Implementing measures for creating home-based jobs</td>
</tr>
</tbody>
</table>

A detailed list of objectives for individual themes should not be regarded as final strategic recommendations, but only as the first step in the process of formulating final strategic recommendations. Namely, the stakeholders at the local level need to

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1 Each city/municipality can have their own set of themes that reflect the specifics of that local community. For example, current themes for the city of Charlotte in the USA are the following: 1. Safety of the population, 2. Relationship between neighbours, 3. Transport, 4. Efficiency of the local government, 5. Economic development (City of Charlotte 2006).
accept these lists only as starting points for further refinement of individual elements based on the micro-information that only they possess. The basic idea is that the relevant local stakeholders must be involved in the formulation of strategies because the success in implementing the strategy will depend on the level of their involvement. In this way, they will be familiar with the chosen strategic directions and considerably motivated to devote time and energy to the implementation of strategic recommendations. The strategy map, with the strategic themes and the BSC should be discussed between the local authorities and representatives of business associations, social institution and other stakeholders so that, through this discussion, a balanced development strategy for local economy is created.

Conclusion

The BSC methodology is an effective means to address a number of specific features and requirements that are placed in the formulation and implementation of local development strategies, such as: the emphasis on qualitative structural development, endogenous development, decentralization, the wide inclusion of different local players (institutions, organizations and individuals), a partnership approach of the local economic development stakeholders, cooperation and participation in creating and implementing a local development strategy.

One of the main advantage of the BSC methodology in the formulation and implementation of local development strategies is the ability to give a cascade breakdown of general municipality objectives to the objectives of lower municipal subsystems, such as the local community offices and key local institutions. The use of the BSC methodology facilitates compliance with the principle of compatibility of the local community offices or key institutions strategies with the development strategy at the municipal level. This allows that the implementation of the local community offices or key institutions strategies leads towards the implementation of the objectives at the municipal level.

Depending on the degree of independence of local institutions and the level of diversity in their functioning, there are three approaches in the development of the “cascading” balanced scorecards (BSC): the multiplication approach, which is applied when the functioning of the local subsystems or institutions is largely identical; the complex local community approach, which is used when the local subsystems differ significantly in the way of functioning and have a lower level of independence in their work; and the contribution approach, which is used when the local institution is independent and operates on a specific model.

In defining, and in particular, in the implementation of local development strategies, an important role belongs to specialized types of software that contribute to a better understanding of the strategic directions of development, optimized performance,
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Easier monitoring and improving the effectiveness and efficiency of the process, improving information flow and easier control of actual performance.

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