Creating and popularising a global management accounting idea: The case of the Balanced Scorecard

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Key findings:
The research has three key findings:

• The success of the Balanced Scorecard (BSC) is due to the many users who have taken the idea and adapted it to their own needs.
  – The promoters of the BSC have adopted a strategy of continuous change to minimize the risk that the BSC would become a fad and avoid its appropriation by other consulting firms.
  – BSC is presented as an open technology, where anyone can access the publicly available materials and design their own BSC, but also manages to establish itself as an essential reference point.
  – Very different management practices can be allied to the same BSC label and provide different mixes of technology and routines.

• The BSC is a generic theory, which can be customised into local practices through customised templates:
  – The BSC is made practical through a series of methods and devices to make them appear to be more objective and less subjective. By engaging users in an active process of populating the templates, a potentially skeptical audience can be persuaded of the relevance and practicality of the idea.

• This process of customisation also constructs experts of those people who are associated with it. The rise of perceived BSC expertise within an organisation and the significance of such expertise are central to transforming ideas into technologies of control.
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Overview of project
The Balanced Scorecard (BSC) can be used to translate an organisation’s strategy into terms that can be communicated and acted upon. It promotes the use of measurement to define strategic concepts such as quality, financial excellence, customer satisfaction, and organisational learning, with the aim of aligning everyone in the organisation with such strategies.

This report uses the spread of the BSC globally to identify the critical success factors when implementing accounting innovations or strategic change. The report also shows the effectiveness of the quasi-open-source management of the BSC, in which individuals are allowed to use and sell the BSC without trademark or restrictions. At the same time the early promoters of the technique were able to maintain a certain degree of control of the idea through their consulting organisation.

This study will be of particular interest to consultants who are interested in how consulting products are managed to make them thrive in the market place. The report will also be of interest to those interested in BSC implementation such as; change managers, financial managers, students and academics.

Objectives
The research sought to:

- Provide an in depth understanding of the processes by which innovative management accounting ideas enter the world of specific organisational practices and technologies.
- Focus on the processes by which ideas of a strategic scorecard are translated into a multitude of specific practices that today comprise the BSC.
- Show how the BSC can be made to seem to be a practical tool that has the potential to be used by organisations around the world.
- Examine the practices and processes of local implementation of the key ideas of the BSC.

Moving the idea into the world
In order for a local solution to travel to other places, where similar problems are said to exist, locally grounded problems need to be ‘made’ relevant to those other audiences. The BSC contributes to a significant shift of managerial attention from financial measures to an emphasis on non-financial measures.

Making a global concept have local relevance: the case of Analog Devices
The idea of a multiple performance measurement system has existed for a long time. Its modern incarnation as a scorecard which combined financial and non financial measures emerged in a specific situation at Analog Devices (ADI) in the late 1980s. It was developed as a highly specific scorecard to reconcile the conflicting demands between technical and quality information and standard financial indicators.

ADI’s experiences were subsequently generalised and conceptualised by Kaplan and Norton in order to make it seem applicable and practical to many diverse groups. Their more generic conceptualisation enabled the BSC to be linked to the emerging concern with strategic management.

ADI’s Corporate Scorecard was conceptualised as a global object. Moving the idea and initial experiment into the world required three issues to be addressed; ‘creating the problem statement’, ‘thought trials’ and ‘selection criteria’.

1. Creating a problem statement: the Nolan-Norton research study
The problem facing organisations was how to measure multiple dimensions of organisational performance and to implement and monitor strategy. The Nolan-Norton study offered a concise way to structure multiple measures and to anxious managers and executives, measurement itself was perceived to provide one way of being in control in an increasingly competitive world.

2. Thought trials: experimentation in the Nolan-Norton study
The ADI experience as promoted in the study, stimulated several prestigious Fortune 500 companies to experiment with the scorecard idea. These, and later experiments in different organisations, resulted in the BSC being re-fashioned over time to address different needs. For instance, in 1996 it was presented as solving the problem of strategy implementation, in 2000 it was presented as a way of modeling complex organisations and in 2004 it became a way of managing new economy firms with a preponderance of intangible assets.
3. Selection criteria: creating experts in the BSC

Various experts emerged alongside the development of the BSC. For example, not only did Kaplan and Norton, the authors of the Study’s Summary, gain authority by speaking on behalf of the whole group, but also those executives who were involved in the early experiments on the BSC. Experts emerged within organisations that experimented with the ideas and offered new elements to the BSC, as well as the inevitable adoption by external consultants, most notably those associated with Kaplan and Norton and the Balanced Scorecard Collaborative (BSCol).

Popularising the BSC as a global idea with local impact

Stories of success are persuasive in popularising management innovations. A notable feature of the BSC literature has been the use of extensive exemplification through real cases, which has often convinced skeptics about the value of the technique and facilitated its adoption in practice across industries and countries.

The making of experts

The BSC often incorporates other management ideas (such as EVA, BPR, ABC, Six Sigma, TQM etc) into an increasingly all encompassing view of the BSC as a general management tool. Once the demand for the BSC is created and stimulated, there is a need for experts to supply the BSC as a technique.

There are two aspects in the construction of experts within and outside organisations. The first aspect concerns the construction of experts within organisations, including envisioning new responsibilities and possibilities for management accountants and controllers. An emphasis on a comprehensive view of strategy opens up a new field of management, governance and change. Most notably, managerial responsibilities have been created for the role of the Office of Strategic Management (OSM) and the designation of the Strategic Management Officer.

The second aspect in the construction of experts concerns the expansion of business experts outside the organisation such as in the field of business technology and management consulting. Existing experts in the field of management consulting and business intelligence and technology take on the role of helping organisations implement the BSC through consulting projects and IT initiatives. The enrollment of such organisations has been crucial for the success of the BSC, and Kaplan and Norton have been active in certifying technology firms that they believe enhance the BSC.

Construction of local management consulting services

The creation of local experts extends beyond management consultants and academic advocates of the BSC. It includes executives and performance management professionals who are involved with their own local projects. While the BSC was conceptualised and promoted by spokespersons such as Kaplan and Norton, it is local management and consultants who help organisations implement these ideas into actionable work activities. These local actors become experts, and provide training and advice to others. In the training courses we attended, the majority of participants were going back to their own organisations to train others.

Local experiments help to produce general and global ideas. In the case of the BSC, moving the idea into the world involved not just experienced spokespeople and their close allies. It also involved local champions and the construction of local experts and knowledge claims relating to specific organisations.

The process of customising the BSC

To bring life to the idea of the BSC it has to be customised to reflect and accommodate the specifics of the local. Customisation is used by management consulting firms to attempt to deliver customer specific solutions, to take account of the particularities of an organisation.

Customisation involves two, often inter-related, dimensions. First is how local consultants customise an idea to fit their own working practices and experiences. Second is how consultants customise their understanding of the local specifics into proposals, plans and reports to meet the needs and expectations of the clients. This is illustrated using our case study of a medium sized consulting firm, here referred to as ABConsulting.

Customising to the consultant

Two elements are highlighted in customising the BSC at ABConsulting. First, the firm incorporated previously developed materials relating to other techniques that were already familiar to them (notably ABC, BPR and strategy) into its BSC training courses. A further example of the way in which ABConsulting customised the BSC relates to its use in its own performance management.

The firm started to use the BSC as its own management framework to evaluate individual consultants. A personal scorecard was designed with general goals applying to all consultants regardless of tenure and seniority and specific goals customised for individual specialties and experience.
Not only does ABConsulting use the BSC as a performance measurement tool, it also uses the BSC framework to re-conceive and rationalise its other areas of services such as BPR, ABC, customer and employee satisfaction surveys, and Knowledge Management. At ABConsulting the BSC is used as a strategic management framework to conceive links among the firm’s services and activities, facilitating cross selling.

Significantly, consultants at ABConsulting thus feel that they have first-hand knowledge regarding the BSC. Experience gained from using the BSC empowers them to be more confident when providing advice to clients.

**Customising to the client**

To facilitate client acceptance of the BSC, consultants find it necessary to create a fit between a technique and the organisational context where the technique is to be implemented.

It is part of the consulting process that consultants need to balance standardisation, which tends to mean lower cost of supply, and customisation, which tends to involve more costs but result in higher customer satisfaction. A fairly standardised service has to appear to be customised to the client. More important, abstract ideas appear more practical if they can be fitted to the client’s view of their needs and an appreciation of the particularities of their situation. When a client expresses an interest in the BSC, the firm may offer in-house training sessions and this also serves as a starting point to localise the BSC to the client.

Localisation involves the establishment of a ‘common ground’, for example through the production of a glossary of key terms to introduce a globally accepted technology. Localisation of the BSC by defining terms is a common first step in constructing initial acceptance from the audience.

Another important aspect of customising is to provide blank BSC templates that clients are then invited to ‘populate’ with their own objectives, measures and targets. Again, we observe a process where a standard framework is offered as a basis for customisation. It is used to structure a shared understanding of the world. The BSC serves as a ‘framework’ for thinking about the organisation. In the process of populating the BSC, the specificities of the client are elicited to complete a template.

**The process of re-distributing the local experiences back to the global**

Local experiences become part of the evolving global idea through their communication to central agencies that then disseminate these local experiments worldwide. We illustrate this process by discussing two examples: the publication of the BSC Report, which offers field reports of organisational successes, and the Hall of Fame Award Programme, which connects the concept of the BSC to many local innovations.

**The BSC report: globalising local experiences**

The BSC Report (BSR) is a bi-monthly newsletter published by the BSCol. since 1999. It claims to communicate ‘insight, experience, and ideas for executing strategy’ through ‘exclusive field reports, case studies, and analysis that show how to improve performance’. The BSR aims to provide ‘exclusive real-time delivery of the latest insights and ideas by Kaplan and Norton, as well as new research, emerging trends, and practical lessons drawn from ongoing Balanced Scorecard implementations worldwide’. The BSR has thousands of subscribers and helps to ensure that Kaplan and Norton and their consulting firm remains central in the development and promotion of the BSC.

**The Hall of Fame Award**

The development of the Hall of Fame award system illustrates how local BSC initiatives can be reproduced as global successes, even when they do not initially involve Kaplan, Norton or the BSCol. They enable the BSCol. to stay at the centre of developments and to constantly enhance the idea of the BSC itself.

The Hall of Fame award programme was launched in 2000 and is designed to recognise organisations for their “hard work and remarkable results they have achieved” in implementing and using the BSC.

The Hall of Fame award means that local experiences can become part of the ever shifting domain of the global, reinforcing the perception of the value of the BSC as a technique that can be successfully embraced, adapted, and applied to organisations world-wide. Further, the nomination information can also be used by Kaplan and Norton to incorporate the inductees’ experiences in their future writing about the BSC.

**Lessons learned**

- The mass media and popular press play an important role in the legitimating and diffusion of management ideas and practices.
- Management ideas travel as ‘success models’, and/or best practices which appeal to influential executives and management, thereby lending strong legitimacy and providing an incentive for others to follow.
- Managers are looking for knowledge that can be readily translated into action and what is relevant to them are concrete examples of what others have done.
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• The adoption of ideas involves the adaptation of general ideas to local circumstances, to fit with existing traditions and ideals, and the varied interests of organisational actors. This involves the ‘translation of global into local’, and vice versa — the displacement of ideas and practices across time and space through the interaction between people and technology.

• The most striking feature of this translation process is its open-endedness. In this process non-technical interests get presented as technical and rational, negotiation is commonplace, and confusion and instability are routine. A translation perspective emphasises how technical mechanisms such as measurement and strategic management are organisationally embedded rather than standalone technical objects that are decoupled from broader organisational structures and beliefs.

• That people transform themselves during the process of translating ideas and this in turn transforms the content or label of what these actors are becoming (such as strategic organisations).

• As the nature of the problems shift, so too do the tools and techniques recommended to address them. This evolving nature of the BSC continues today as it identifies critical managerial processes and issues in need of improvement, for example, from translating strategy into the alignment of intangible assets.

• The interconnection between global ideas and practices on the one hand, and local experiences, ideas and politics on the other, is crucial in understanding the apparent success or failure of management accounting ideas.

• The construction of experts within the organisation is central to the success of the BSC. Changed managerial responsibilities and the designation of new positions often emerge. For instance, new managerial responsibilities are created in an Office of Strategic Management and the designation of Strategic Management Officers.

• The use of global management experts outside the organisation helps the transformation of expertise from external to internal. This allows the company to draw upon global management expertise and incorporate innovative thinking.

• The strategy developed by Kaplan and Norton to control the BSC was one based on continuous change, with themselves as the focal point. This strategy of innovation was designed to minimize the risk that the BSC would become a fad and avoid its appropriation by other consulting firms.

Conclusions

The history of the BSC is a story of how management accounting innovations have been taken up by thousands of organisations around the world since its initial development.

The major strength of the BSC is its adaptability to local circumstances. By conforming to existing organisational assumptions and views, traditions and ideals, and the interests of various organisational groups, the BSC is a management innovation that frequently works. The completion of a standardised BSC template permits its core ideas to be fitted to client needs, thereby persuading a potentially skeptical audience of its relevance and practicality. The development, adoption and use of strategic performance management systems are an ongoing and involved process of negotiation and enrollment of networks of support, that extend beyond consultants and their clients to software designers and vendors, professional associations, publishers, and training organisations.

Local adaptation of the BSC helps to promote knowledge transfer through the cycle of local to global and back to the local. This cycling has implications for the relationship between global management accounting ideas and local practices, as these ideas are turned into locally meaningful techniques and systems.

The BSC can bring together members of an organisation to debate the purpose of the organisation, the requirements of its stakeholders and its strategy. BSC champions within organisations come to be regarded as experts in the technology. Different versions of the BSC emphasise command and control hierarchies or a focus on dialogue and empowerment.

At a broader level, this research illuminates the processes through which management accounting ideas and techniques are created in a network of practicing managers, consultants and academics. We suggest that the BSC not only changes the way performance is measured and how business processes are managed, but also re-conceptualises what it means to think of an organisation as more strategy-oriented or its management as strategic or rational. At an extreme, it could be argued that without a BSC it would be difficult for an organisation to claim that it takes strategy seriously.
Key References and suggested further reading


Mackay, A. 2005. *A practitioner’s guide to the Balanced Scorecard*. CIMA research


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