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**USING THE BALANCED SCORECARD
TO OVERCOME BARRIERS IN
STRATEGY IMPLEMENTATION**

A Case Study of the Balanced Scorecard
implementation at Telemark County Tax Office

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Abstract

A key challenge in management is making all parts of the organisation work in line with the strategies. This is not easily accomplished.

As the founders of Balanced Scorecard, Kaplan and Norton promote the concept as a tool for implementation of strategy. This thesis looks at the relationship between strategy implementation and the use of Balanced Scorecard. I ask the question: *Is Balanced Scorecard a solution to strategy implementation problems?*

Kaplan and Norton (1996a, 2001a) present four barriers they claim the Balanced Scorecard can overcome. Based on these barriers, I have developed five hypotheses investigating whether Balanced Scorecard enables more successful strategy implementation.

The hypotheses are investigated in a case study of the Balanced Scorecard project at Telemark County Tax Office. I conclude that the use of Balanced Scorecard has improved the strategic understanding and contributed to more explicit and actionable strategies. I also conclude that the Balanced Scorecard supplies valuable strategic information. I have not managed to find support for the hypothesis that it clarifies the linkage between the goals at different organisational levels. This is most likely caused by a partial implementation of the concept in the case study organisation.

Keywords: Strategy implementation, Balanced Scorecard

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Contents

CHAPTER 1: INTRODUCTION, THE RESEARCH QUESTION	1
1.1 Background to the problem statement	1
1.2 Problem statement.....	2
1.3 Research purpose	4
1.4 Problem delimitation.....	4
CHAPTER 2: METHODOLOGY	5
2.1 Research perspective.....	5
2.1.1 Selection of methodology: The Case Study.....	5
2.1.2 Research design.....	6
2.2 Data collection	7
2.2.1 Criticism towards the research unit	8
2.3 Case study approach	8
2.3.1 Development of questions and a checklist.....	8
2.3.2 Conducting interviews	9
2.4 Reliability and validity	10
2.5 Research model, summarised	12
CHAPTER 3: THEORETICAL BASIS	13
3.1 Strategy.....	13
3.1.1 Different perspectives on strategy	13
3.1.2 The strategy process	16
3.2 Measurement of performance.....	18
3.3 The Balanced Scorecard	19
3.4 Building and implementing a Balanced Scorecard.....	25
3.4.1 Architecture of BSC	25
3.4.2 Implementation of BSC	28
3.5 Barriers obstructing strategy implementation.....	32
3.5.1 Visions and strategies are not actionable.....	33
3.5.2 Strategies that are not linked to departmental, team and individual goals	34
3.5.3 Strategies that are not linked to long and short term resource allocation.....	35

3.5.4 Feedback that is tactical and not strategic	35
3.5.5 Other strategy implementation barriers.....	36
CHAPTER 4: DEVELOPMENT OF HYPOTHESES.....	39
4.1 Barrier 1: Visions and strategies are not actionable.....	39
4.1.1 Testing hypothesis 1: BSC secure that the organization understand the strategies ...	40
4.1.2 Testing hypothesis 2: BSC secure that the goals can be acted upon.....	41
4.2 Barrier 2: Strategies that are not linked to departmental, team and individual goals	41
4.2.1 Testing hypothesis 3: BSC establishes linkage from the overall strategy to the goals at the departmental, team and individual levels.	43
4.3 Barrier 3: Strategies that are not linked to long and short term resource allocation	45
4.3.1 Testing hypothesis 4: BSC secure short term resource allocation is linked to long term strategy.	46
4.4 Barrier 4: Feedback that is tactical and not strategic	48
4.4.1 Testing hypothesis 5: BSC secure feedback on strategically important processes....	48
CHAPTER 5: PRESENTATION OF THE CASE STUDY ORGANISATION, TELEMARKE COUNTY TAX OFFICE.....	51
5.1 The Tax Administration in Norway	51
5.2 The County Tax Office in Telemark	52
5.3 Superior goal, main objectives and strategies.....	54
5.3.1 Superior goal vs. vision	55
5.4 Implementation of Balanced Scorecard	55
5.4.1 Background.....	55
5.4.2 Linkage to the strategies.....	56
5.4.3 Establishing five perspectives.....	57
5.4.4 Structure of the BSC system.....	58
5.4.5 Example of a scorecard	60
CHAPTER 6: CASE STUDY FINDINGS	63
6.1 Findings on Barrier #1: Visions and strategies are not actionable	63
6.1.1 Findings on hypothesis 1	63
6.1.2 Findings on hypothesis 2	66
6.2 Findings on barrier # 2: Strategies that are not linked to departmental team and individual goals	68
6.2.1 Findings on hypothesis 3	68
6.3. Findings on barrier 3: Strategies that are not linked to long and short term resource allocation	73

6.3.1 Findings on hypothesis 4	73
6.4 Findings on barrier 4: Feedback that is tactical and not strategic.....	75
6.4.1 Findings on hypothesis 5	75
CHAPTER 7: ANALYSIS.....	79
7.1 Analysis of barrier #1: Visions and strategies are not actionable	79
7.1.1 Analysis of Hypothesis 1	79
7.1.2 Analysis of Hypothesis 2	81
7.2 Analysis of barrier # 2: Strategies that are not linked to departmental team and individual goals	83
7.2.1 Analysis of hypothesis 3.....	83
7.3 Analysis of barrier 3: Strategies that are not linked to long and short term resource allocation	85
7.3.1 Analysis of hypothesis 4.....	85
7.4 Analysis of barrier 4: Feedback that is tactical and not strategic	87
7.4.1 Analysis of hypothesis 5.....	87
CHAPTER 8: CONCLUSIONS AND FURTHER RESEARCH.....	89
APPENDIX 1: INTERVIEWS	91
a) Interviews conducted in the case study	91
b) Other meetings.....	91
APPENDIX 2 - BACKGROUND INFORMATION.....	93
BIBLIOGRAPHY	97

CHAPTER 1: INTRODUCTION, THE RESEARCH QUESTION

1.1 Background to the problem statement

There are many possible approaches when writing a Master thesis about Balanced Scorecard. At first, when I started to look for theoretical shortfalls in the concept and how organisations solve these, I realised there are many truly interesting issues. Going through a painful and frustrating process, I concluded that I wanted a strategic focus on the research and ended with *strategy implementation* as the base perspective for my study.

A motive for this choice is driven by a fascination that some of the greatest challenges in management of organisations concern the ability to make the organisation move cohesively in the desired direction. No matter the business or branch, it is all about getting the organisation to work in line with the strategies that are decided. However, successful strategy implementation is very hard to achieve (Ceelman 1998, Kaplan and Norton 1996a, 2001a).

Generally, the strategic goals tend to be more qualitative than traditional measures. If these receive little attention in the tactical management perspective, it may become difficult to lead towards actual accomplishment of the intended strategy. The same problem arises when strategic performance is assessed once a year, while historical financial figures are tracked monthly. Strategies may also be insufficiently explicit, creating risk of representing a hinder if the understanding of both current status and desired direction is vague or inconclusive.

The purpose of the Kaplan and Norton Balanced Scorecard is to help implement strategies. On one hand, the Balanced Scorecard model is presented as a business tool supporting implementation of corporate and business unit strategies. On the other, it is also a means to acquire true knowledge about the

cause and effects in business activities (Kaplan and Norton, 1996a). According to Kaplan and Norton, strategies shall be implemented through establishment of goals for the critical success factors within each perspective. Through establishment of goals for the drivers of business success, and with control systems to keep an eye on them, strategy accomplishment is enabled.

1.2 Problem statement

I started with an eagerness to investigate how Balanced Scorecard influences strategy implementation. The objective is to understand the effects and suitability of Balanced Scorecard as a tool in strategy implementation. Balanced Scorecard is hereafter abbreviated BSC.

What makes strategy implementation so difficult? I will look at different aspects of strategy implementation, and try to find out whether the Balanced Scorecard is a breakthrough methodology in strategy implementation. Focusing on the barriers obstructing successful strategy implementation, I will try to identify whether there is a connection between the Balanced Scorecard as a tool, and a successful strategy implementation. Furthermore, I will try to find out how BSC influences the organisations strategy implementations. I suggest BSC as a tool for solving Kaplan and Norton's strategic barriers.

This thesis is based on Kaplan and Norton's Balanced Scorecard. Thus, I find it natural to investigate whether it is possible to overcome *their* barriers of strategy implementation with the Balanced Scorecard. As this is exactly what the authors' claim the scorecard can do, I have chosen the following research question.

Is BSC a solution to strategy implementation problems?

I have not focused on whether organisations decide to carry out new strategies, but rather how they manage to carry them out (implementing and

institutionalising). Here, the focus is on the intended strategy, since the effect of emergent strategies¹ is hard to measure.

In the thesis, I have identified central barriers of successful strategy implementation. The motive for this approach is to investigate the influence the Balanced Scorecard can have on these barriers.

Balanced Scorecard is a popular tool for implementation of strategy (Kaplan and Norton 1996a). As the founders of the concept, they promote the concept primarily as a tool that can provide aid in the implementation of strategy. They argue that the main causes of poor strategy implementation are:

- Visions² and strategies are not actionable
- Strategies are not linked to departmental team and individual goals
- Strategy not linked to resource allocation
- Feedback that is tactical and not strategic

In this study, I investigate whether the Balanced Scorecard can contribute to successful mastering of these strategy barriers. The barriers above are those presented by Kaplan and Norton (1996a). However, I also draw upon other theorists to explore this issue from complimentary angles. Following this analysis, I develop five hypotheses; all based on the barriers highlighted by Kaplan and Norton. The investigation is carried out using an oral test of the hypotheses. The hypotheses are further developed in Chapter 4.

¹ There are also so called emergent strategies, see Mintzberg et al, (1998). These are strategies occurring across, or despite, given intentions. The focus in this thesis lies on the planned strategies

² Kaplan and Norton (2001a) defines vision as a picture of the future that give clear guidelines for the organizations and help individuals to understand why they should support the organization.

The hypotheses to be tested are:

Hypothesis 1: *BSC secure that the organization understand the strategies*

Hypothesis 2: *BSC secure that the goals can be acted upon*

Hypothesis 3: *BSC establishes linkage from the overall strategy to the goals at the departmental, team and individual levels.*

Hypothesis 4: *BSC secure short term resource allocation is linked to long term strategy.*

Hypothesis 5: *BSC secure performance information on strategically important processes.*

1.3 Research purpose

There is little literature and research available in the area of Balanced Scorecard as a strategic tool. Ittner and Lackner (2001) state that “*surprisingly little research have been conducted on the Balanced Scorecard concept, despite considerable interest in the topic*”

The intended contribution of this thesis is to increase the knowledge in the area. With little research conducted so far, this thesis is a modest start in the exploration of whether BSC stands the test as an appropriate tool for strategy implementation.

1.4 Problem delimitation

The results in this thesis are based on one case company. Accordingly, the findings cannot be generalised to any larger extent, to other companies or to earlier studies. However, as more research becomes available, the ability to derive more general conclusions from even single implementation studies should enhance, ultimately enabling a better of understanding of generic potential of BSC hidden behind the shortcomings and peculiarities of each study object.

CHAPTER 2: METHODOLOGY

2.1 Research perspective

In this chapter, I will give a short introduction to the research perspective applied in this thesis, and my own learning. I am well aware that it is very difficult to introduce you into my learning process, but I will at least try.

2.1.1 Selection of methodology: The Case Study

I have chosen to use a qualitative method to investigate my problem definition “*Is BSC a solution to strategy implementation problems?*” The research question focuses on the behaviour of persons or organisations. I am well aware that I have tried to understand a phenomenon in which little research is conducted, ref. (Ghuri et al 1995).

Reisenhart and Cook (1979) explain that qualitative methods have an explosive character and argue that such a method makes us freer to adjust the data collection as we move along. Yin (1994) warns against too much flexibility and argues that if the methodology no longer suits the problem statement, it is most appropriate to start over again from scratch.

In the beginning, the possibilities of being flexible and able to adjust the data collection suited the way I planned to carry out my research for this thesis. As I moved along, I learned that the selected issue appears to be a typical example of a problem where a qualitative approach is needed. The qualitative research focuses on opinions and interpretations. This implies observations and conversations with the workers at their own jobs, and on their own territory (Kirk and Miller, 1986). According to Eisenhardt (1989), such methods will give opportunity to reveal shades and peculiarities that could otherwise be difficult to disclose through quantitative investigations.

Yin is one of the most well known authors in the field of how to design and conduct case studies for research approaches. Case studies are only one of many approaches that can be used to conduct qualitative research (Yin 1994). I have chosen to use a case study in order to gain the most possible knowledge from the thesis process. I have found it easier to learn through active participation; in particular with the possibility to dig deeper whenever needed. By choosing to conduct a case study, I am attempting to reveal multiple aspects of BSC. The opposite approach would be to investigate aspects in *several* organisations using the BSC tool. From the nine interviews conducted in this study, I support Eisenhardt (1989) in that it is easier to find failures through personal contact with leaders and observation of daily routines, than only through the gathering of information in a questionnaire.

2.1.2 Research design

My research design is inspired by the methodology called *natural experiment*. An *absolute natural experiment* would be an investigation of differences in the strategy implementation before and after a “treatment” was given, in this case the introduction of BSC.

I have studied one organisation. Due to the limited time available, I have not been able to investigate the same unit before and after the “treatment” was given. My approach is therefore not an actual natural experiment, but a case study where the appraisal and evaluation attempt to borrow elements of the methodology of natural experiments.

I have not been able to find any case with two comparable units. The Balanced Scorecard is a tailor made tool (Olve, 1999; Kaplan and Norton, 1996a). Besides possible system differences, it may also involve corporate culture, size, organisational structure, assignments, business and so forth; as supported by Kent (1999). For these reasons, it is complicated to compare an organisation that has the concept with one that does not use the BSC.

2.2 Data collection

When I started to explore the concept of Balanced Scorecard, I came across a newly published book titled “*Balansert målstyring på Norsk*” (*Balanced Scorecard in Norwegian*), written by Kjell Gunnar Hoff and Per Aksel Holving. I found that it provided an up to date and comprehensive presentation of the Balanced Scorecard concept. Besides theory, the authors present seven different implementation cases of BSC from both Sweden and Norway. Some of the cases are known from other books (KappAhl and Göteborg Municipality), others were new. I identified two of them as particularly interesting and feasible to use in my study. For various reasons, several of the other cases were less suited, in particular because they were quite large, making it difficult to isolate reliable relationships associated with BSC through the “noise” from other factors.

The organisations, *Telemark County Tax Office* and the newspaper “*Nordlands fremtid*” were contacted. The latter is the second largest newspaper in Nordland, a county in north of Norway.

Both organisations responded positively and accepted to be study objects for my thesis. When I started to collect background information on the two, I learned that Nordlands Fremtid had recently merged with another paper, and that the BSC project was placed on hold awaiting development of new strategies and integration of the two organisations. I decided to focus 100% on Telemark County Tax Office and received acceptance to extend the number of interviews to be conducted in the organisation.

One of the reasons for choosing Telemark Country Tax Office from the seven cases was that it was relatively small in size, minimising the influence of disturbing factors in the research. Another motive was the recent implementation, making the research closer to a “natural experiment” as the changes should be reasonably fresh and possible to memorise for those involved. At Telemark County Tax Office, it was recently decided to extend the BSC project to the entire office following its piloting project from the second half of year 2000.

2.2.1 Criticism towards the research unit

A quantitative research with an experiment demands that measures can be done both before and after the “treatment”. Here the treatment is the implementation of Balanced Scorecard as a management tool. Since the organisation had already introduced Balanced Scorecard, I did not have any possibility to conduct any real before-and-after analysis of the situation. As a way around this, I have attempted to use historical documentation together with the interviewees perception of the “before” situation. However, the shortage of “before measures” creates an increased risk that external causes can exercise (possibly significantly) influence on the result. Likewise, the perception of the project among the respondents may also change. As I have interviewed the top managers, a challenge may be their appraisal of their *own* strategy accomplishment at lower levels in the organisation. (Kaplan Norton, 2000a). It is difficult to control for this adequately, but I have tried to be aware of these risks during the process.

2.3 Case study approach

2.3.1 Development of questions and a checklist

The study starts with identification of the most important barriers obstructing successful strategy implementation. I will then compare these theoretically against the tool I am examining and develop a set of hypothesis for testing.

The hypotheses were then made operational through a range of questions and checkpoints to be addressed during interviews. The question/checklist is presented in Chapter Four. The checklist was used as an aid to structure and lead the conversation to assure coverage from all respondents on a number of identified issues.

Miles & Huberman (1994) suggest that explanations giving good (common) sense are an acknowledged way to pull out information. However, I have tried to be careful and have attempted to build on *both* the interviews and additional information like observation and historically data. If this has not worked, the

hypothesis has been divided into sub groups of questions where I have tried to build a chain or arguments from which I could draw conclusions.

2.3.2 Conducting interviews

In order to cover the research questions from several angles, I have conducted a total of nine interviews in the organisation. The interviews lasted about one hour, some somewhat longer.

Most questions were asked directly, but often some (however, mostly different ones) had been covered in the respondent's elaboration on earlier questions. Likewise, there is some degree of overlap on certain areas.

The interviewees were not shown the list of issues and questions until after the interview was finalised. All interviews were tape recorded and a summary was typed for each interview based on the recordings and notes made by myself.

The interviews were all carried out in Norwegian. Hence, the original checklist was also in Norwegian. In the presentation in the text, all points have been translated to English. However, the translation does not aim to be a direct one, but rather to express the purpose of the question without necessarily representing the closest translation of the original text. For Swedish and Norwegian readers, the original questions are shown in parentheses below the English text. Finally, as the checklist was written before the interviews were carried out, and the English translation after, the degree of detail is somewhat better in the English version. However, the Norwegian questions have been kept unchanged to maintain completeness and accuracy with the interview situation.

Before the questions were asked, each of the respondents was also asked a number of background questions. The respondents were not told which questions aimed to test the hypothesis or which served to build the background profile. As these, to some extent, overlap the hypothesis questions, they are shown separately in Appendix 2 at the end. The order is otherwise unchanged from the interviews.

I have also made observation during my visits in the organisation and received access to various written documentation. These include both historical and current information, but are confidential and were only shown to me on-site.

Various background information was collected before the interviews took place. This includes the Strategy Document of the Tax Administration, and other relevant information like parts of the Balanced Scorecard. These efforts were all made to enable better follow-up questions.

All interviews were tape recorded and supported by notes on my “checklist”. Upon return, the interviews were reproduced in (detailed) writing. When possible, this was done on the same day. However, as several of the interviews were made on the same days, I had to use several days on this reproduction. All interviewees were also sent a “thank-you mail” to show my appreciation.

2.4 Reliability and validity

Quantitative research can be enlightening, clarifying and convincing, but still give incorrect results (Miles & Humberman, 1994). The history may not support the data and the reader of the report might draw a different conclusion. The data collection can be secured through control that the chosen research unit is representative. Another important issue is whether the researcher has influenced the research unit, or vice versa.

I have chosen to make the investigation on management level and consider them a representative source on strategy implementation. This consideration is based on the fact that it is the managers that are responsible for the implementation, and those made responsible for success of failure. However, I have also checked the information provided by the managers with the response from the employees of the organisation.

On the issue on whether I have been influenced by, or have influenced the research unit; it is difficult to say anything evident. I have tried to exercise great awareness towards this issue. However, as I have been working alone on

this project, it has been difficult not to interpret and perceive the information in a subjective way. Without the counter input of others, I have been limited to assess the information against the different sources.

I have tried to avoid biasing the interpretation of the results with own thinking. I have also tried not to influence the respondents, by avoiding use of “leading question” and through concept- and control questions like “why” or “explain”. Furthermore, I believe that I have checked the information of the managers against the one from the employees, strengthening the reliability of the results established from the interviews. By visiting the company at different times, I have also been able to make repetitive observations of some phenomenon.

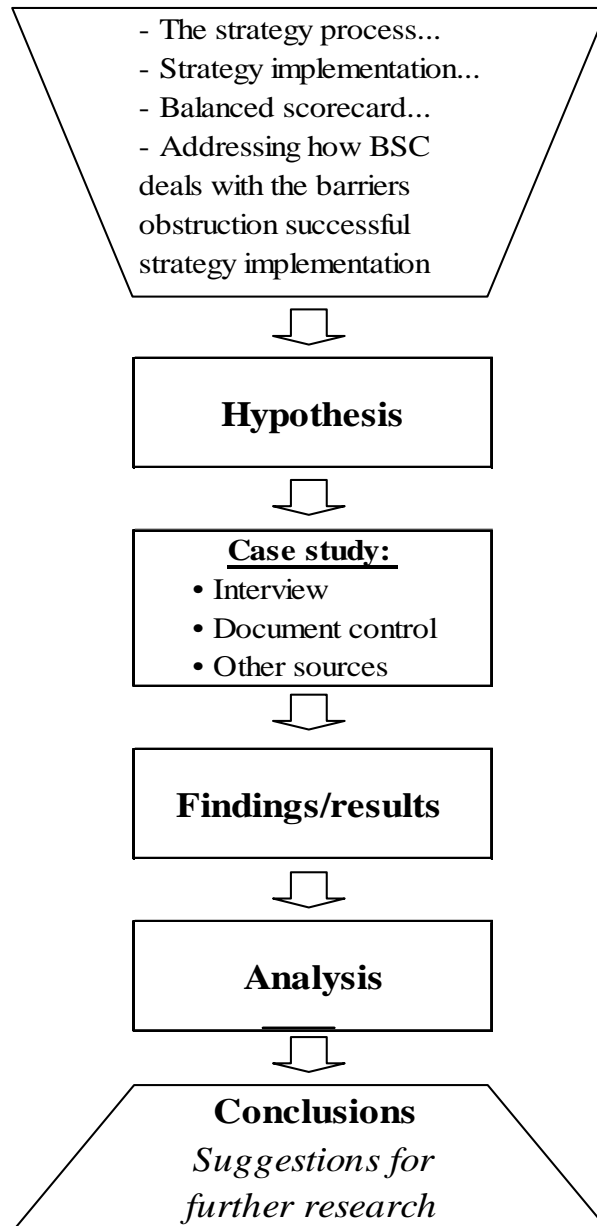
By letting the office head, Chief County Tax Inspector Lars Solnørdal, help me arrange and book the interviews; the respondents were contacted by their own top management, contributing to a service minded and friendly approach when I appeared. All of the interviewees had dedicated plenty of time to my visits, making the atmosphere relaxed and open. The importance of getting support from the top managers in the research process is supported by Selnes (1993). During this study, I fully subscribe to the view that top management support removes possible obstacles associated with this kind of research.

How we interpret and evaluate the data is subjective. I have tried to avoid falling into the trap of just explaining things. Based on the theoretical foundation established in the theory chapter, I will attempt to analyse and discuss the *Why's* of the findings, and thereby increase the validity of the study through linkage of theory and empiric.

2.5 Research model, summarised

The research model sums up the research and the learning process. The top describes the theoretical fundament of the thesis. This comprises the strategy process, strategy implementation and identification of the barriers obstructing strategy implementation. Furthermore, the theory part also describes the Balanced Scorecard. This is also a central part of the thesis, where I try to test whether the Balanced Scorecard is a solution to the strategy implementation problems.

First, I investigate to what extent the theory says that Balanced Scorecard is suitable to address these barriers. From this basis, I establish five hypotheses directly tied to Kaplan and Norton (1996a) barriers against strategy implementation. Thereafter, the hypotheses are tested through a case study in Telemark County Tax Office, an organisation that recently has implemented Balanced Scorecard.



CHAPTER 3: THEORETICAL BASIS

3.1 Strategy

3.1.1 Different perspectives on strategy

Strategy has been around for thousands of years as a way of thinking about survival and achieving success through leadership in war or politics. However, there is no common agreement when it comes to what strategy or strategic thinking truly involves. Over the years, many academics have had many ideas on what strategy actually entails. Michael Porter, a guru in the strategic field, asks the elementary question in his famous article “*What is Strategy*” in Harvard Business Review (Porter 1996), admitting that we do not really know what strategy is.

In Porters terms, having a strategy means deliberate exercising of choices: “*choosing a particular set of activities to deliver a unique set of value*”. Chandler defines strategy as “*the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for those goals*” (1962 p13)

Chandler and Porter both belong to the perspective Wittington refers to as the “classical school” of strategic thinking.

Different opinions and interpretations about how the market, and more generally society, is organised; have resulted in different approaches to the field of strategy. Wittington (1993) presents four generic perspectives. These comprise the *classical*, *system theoretical*, *evolutionary* and finally the *process perspective*. The four perspectives differ fundamentally along two dimensions by which strategy is made; the **outcome** or the **processes**. Wittington explains how the mental interpretation of strategy development is conditional of the perspective to which you subscribe. According to him, the basic assumption of how things are related can be illustrated as:

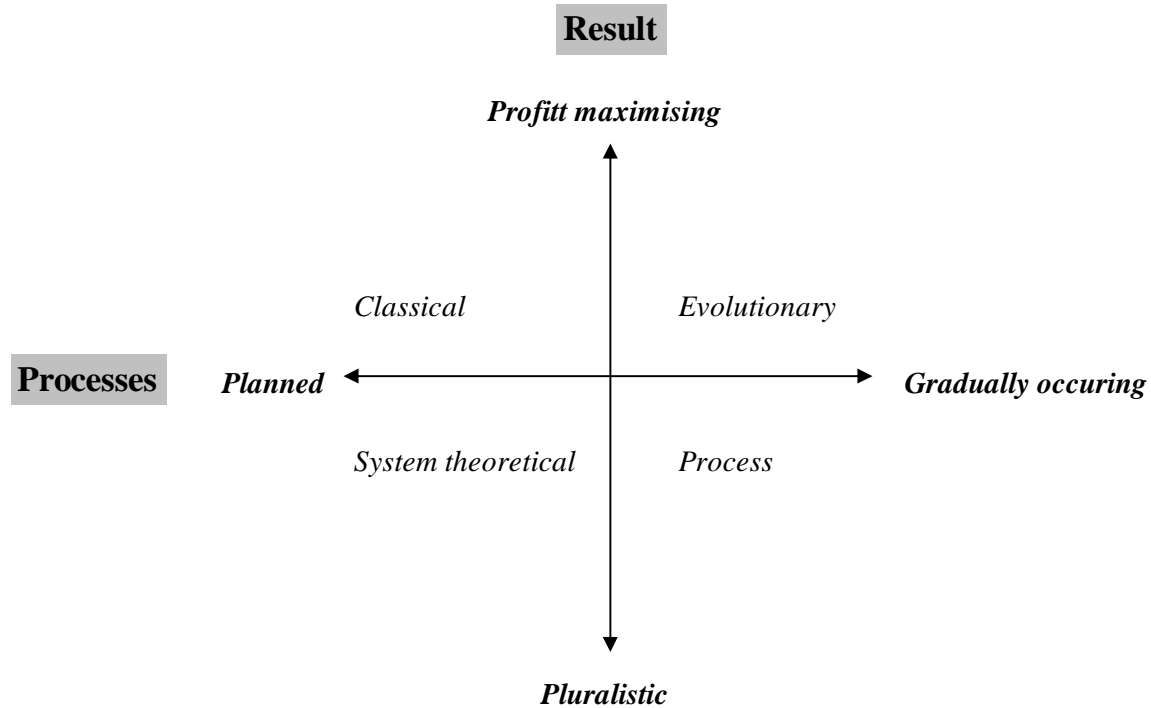


Figure 1. Source: Wittington 2002, page 9.

Classical perspective. Authors such as Igor Ansoff, Chandler and Michael Porter support this approach to strategy, claiming that strategy is a rational process of deliberate calculations and analysis, designed to maximize long term advantage. Careful planning is the key to mastering international and external environments and to cope with competition. Rational analysis and objective decisions make the difference between long term success and failure. Kaplan and Norton have based their concept on the same school as Porter's view, and are also included in the classical perspective.

System theoretical perspective Objectives and strategy practices depend on the particular social system in which strategy making take place. The systematic strategies often deviates from the profit maximization norm quite deliberately, thus their social background give them other interests than profit. Firms differ according to social and economic systems in which they are embedded. The strategy reflects the particular social system in which companies participate, defining the interest in which they act and the rules by which they survive.

Evolutionary perspective Rather than relying on the manager, the evolutionists expect the markets to secure planning methods, but stress competitive processes of natural selection. They argue that whatever methods managers adopt, it will only be the best one that survives. Furthermore, environmental fit is most likely to be the result of change and good fate, but possibly even failure can dominate conscious strategic choices. The only competitive advantage a business might have in the market is relative efficiency. Since sophisticated strategies only deliver a temporary advantage, competitors will be quick to imitate and erode any early benefit.

Process perspective This perspective generally shares the evolutionary scepticism about rational strategy making, but is less confident about markets ensuring profit maximizing outcomes. Organizations and markets are complicated phenomena's, from which strategies emerge with much confusion and in small steps. Consequently, it is not the idea to strive after the unachievable idea but it is better to accept and work with the world as it is. People are unable to consider more than a handful factors at the same time, and therefore they can not be as rational as in the classical planning approach. Moreover, a strategy is a way in which managers try to simplify and order a world that is too complex and too chaotic for them to understand.

This thesis is anchored in the classical perspective of strategy. It is based on the core assumption that the starting point of strategy is the analysis, followed by strategy formulation and eventually implementation.

The Balanced Scorecard mainly concerns the implementation of already planned strategies, but not exclusively. Still, the BSC concept is developed and rests on the assumptions of the "Classical" strategy school.

Kaplan and Norton (2001a, 1996a) claim that while their view of strategy is developed independently of Porter's framework, they are remarkably similar. Each measure of a BSC becomes embedded in a chain of cause and effect logics that connects the desired outcomes from the strategy with the drivers that will lead to the strategic outcomes. The strategy map describes the process of transforming intangible assets into tangible customer and financial outcomes. It provides executives with a framework for describing and managing strategy. A

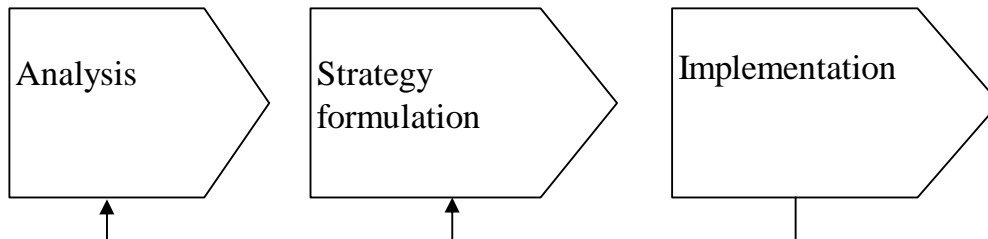
BSC strategy map is a piece of generic architecture. The BSC design process builds upon the premise of strategy as a hypothesis. Strategy implies the movement of an organization from its present position to a desirable, but uncertain position. The authors argue that because the organization has never been to this future position, its intended way involves a series of linked hypothesis. Balanced Scorecard aims to bring the realised strategy as close to the planned one as possible. This is done through active management of the implementation process, where the strategy map provides sub goals through the chain of strategy hypotheses.

However, also the other perspectives provide valuable insight, particularly into some of the shortcomings of the BSC or more generally on the assumptions underlying the classical approach to strategy.

3.1.2 The strategy process

A basic presentation of the strategy process in many textbooks may look like this:

The strategy process



The strategic work starts with an analysis of internal weaknesses and strengths and of the external threats and opportunities. Based on in-depth analysis of internal and external conditions, a strategy is formulated to achieve the desired goals. Michael Porter's generic strategies represent suggestions for appropriate strategies under various conditions (differentiation, diversification, cost advantage etc.).

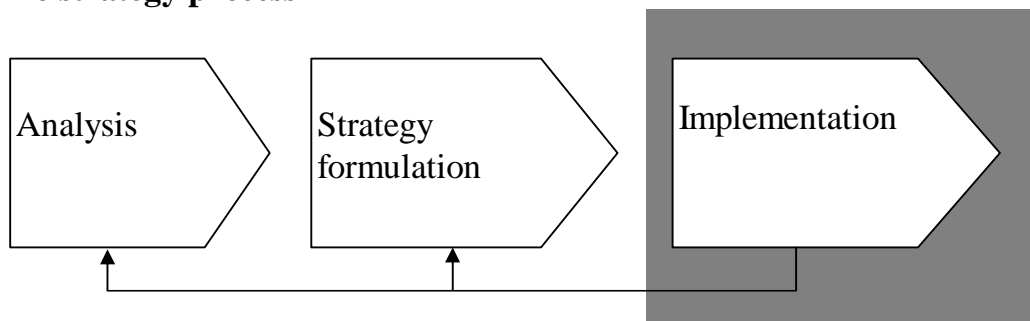
After the stage of formulation, the strategies are put into action during the implementation phase. Consistent with the preceding phases in this analytical

approach, this is achieved by breaking the goals down into operative objectives. This is where the Balanced Scorecard serves its main purpose, and where its anchoring in the classical perspective is most evident.

Surprisingly, there is little material available about **how** strategies should be implemented (Roos, et al. 1997). Within the field of strategy, most research focus on the analysis and on the strategy formulation. Implementation is barely covered. This may be partly due to the fact that the implementation is a tactical and operational discipline with no natural place within the field of strategy. Another possible explanation is that the actual execution of strategies quickly moves into other management disciplines. Finally, it is important to acknowledge that implementation does not exist in all strategy schools and perspectives.

Following the above, the focus in this case study is the implementation phase of the strategy process:

The strategy process



However, it can be noted that the main criticism against Porter, and the Classical approach in particular, concerns its inadequate dealing with problems of implementation. To some extent, the implementations appear “assumed away”. This can be seen as a consequence of their basic assumption of complete rationality through all phases of the strategy process (1988 Skjærvad, Bengtsson).

3.2 Measurement of performance

Kaplan and Norton argue that BSC is a primarily a tool that secure the strategy implementation in an organization. In order to get a strategic effect, the organization must measure what is strategically important.

As early as 1983, Kaplan wrote about how organizations could measure organizations' performance. He argued that the missing measurements are of the non financial types. Examples of missing measurements would be those connected to long term competitive power and profitability. However, measurement of performance in operation, besides monetary measurements, reached its break through at the end of 1990s. Ittner Lackner (1998) points out that studies verifying the economic relevance of these new measurements to a large extent are missing. There are two reasons; first, there is limited research conducted on how new performance measurements are implemented and the consequences of the implementation for overall performance. Secondly, the studies actually conducted show that the employees are struggling to assess the new information. However, there seem to be agreement that business measurement adds value by contributing information that is actually useful. However, *how* useful this information is, is still subject to debate. Ittner and Lackner find there are a minority of studies with a positive correlation between customer satisfaction and financial measures. However, other studies, i.e., Anderson (1997) identifies negative such relationships in service organizations. Simons (2000) describes performance measurement system and defines *“Performance measurements system assist managers in tracking the implementation of business. A traditional performance measurement system involves comparing actual results against strategic goals and objectives. More generally, a performance measurement system comprises a systematic method of setting business goals together with periodic feedback reports that indicate progress against those goals. Performance goals may be either short term or long term. Short term performance usually focuses on time frames of one year or less. Longer-term performance goals include the ability to innovate and adapt to changing competitive dynamics over periods of several years. Successful competitors are able to recognise or create opportunities and turn them into advantage over both the short term and long term. Performance*

measurement systems can play a critical role in helping managers to adapt and learn” (Simons, 2000, p7).

3.3 The Balanced Scorecard

Kaplan and Norton (1996a, 2001a) argue that Balanced Scorecard is primarily a tool to help strategy implementation. I would like to see if the Balanced Scorecard addresses the important barriers hindering successful implementation of the planned strategies. I will also try to find out how the organisations strategy implementation is influenced by using Balanced Scorecard as the strategy implementation tool.

The name BSC reflects the need for a balance between short and long time horizon for goals, between financial and non-financial measure parameter, between lag and lead³ indicators and between internal and external perspectives (Kaplan and Norton 1996a).

Ceelman (1998) divide the largest companies in a research project *”Strategic Performance measurement and Management”* into four categories. Those who do not manage to accomplish any goals, those who achieve one goal, those that achieve two goals and those that achieve all goals. He finds a clear connection between the degree of actual goal accomplishment and a plan for how to achieve strategic objectives: *“there is indeed a strong correlation ...between a clear path of achieving strategic goals and eventual success”*.

His research also shows that a large part of the organizations that fail in execution of their strategic objectives do claim they use BSC. Personally, I suspect this may be related to the sequential development of BSC. Some have been through all steps, others only a few. This is supported by Olve et al (1999) who argue that the organisations have used Balanced Scorecard in various degrees. This is possible since the concept is developed into three different

³ Olve et al. (1999, p136) “Kaplan and Norton distinguish between lead and lag indicators, performance drivers and outcome measures, i.e. between measures which provide an early warning and those which register the effects after the facts.

phrases (Kaplan and Norton, 1996a). Hence, there are a number of organisations using only parts of the concept. For this reason, I choose to present BSC as chronologically developed.

What became BSC was first mentioned by Johnsson and Kaplan in 1987 in their book “*Relevant loss*” (1987). BSC emerged as the second main direction of criticism against the traditional budgeting and performance assessment. The first critic leads to improved budget methodologies through activity based costing (ABC), which was also founded by Kaplan. The other, BSC, is a response to the shortfall on parameters to manage the activities aside from financial measures. The internal accounting systems are insufficient as their information is too time-lagged and aggregate to provide valuable management information. Johnsson and Kaplan claim that the organizations’ efforts should be managed through systems other than the financial ones. Important parameters such as capacity utilization and lead time along with others should complement the picture.

The tool is developed through research projects conducted by Kaplan and Norton. In an article from 1992, the term *Balanced Scorecard* is used for the first time. However, also similar models to Kaplan and Norton’s were presented⁴. The basic idea is to align financial measures and the non financial operative measures together in a balanced presentation. This shall empower management to overview the current situation.

The concept is based upon four basic questions: *How does the customer see us?* This question leads us to a **customer perspective** with measurement of customer relations. The second question is: *What do we need to excel in?* This question leads us to an **internal perspective** of processes and co-workers in the organization. Question number three states: *Can we continuously improve our ability to create value?* This question leads us to an **innovation and learning perspective** where we look for future success already today. The last question is: *How does the owner see us?* This question points out the **financial perspective** as something the organization must handle well.

⁴ There exist other, quite similar, models to Kaplan and Norton’s BSC. See for example: Tableau de Bord (Hoff, et al. et al. 2002). The Performance Pyramid, (Mc Nair et al.1990) , Maisels Balanced Scorecard, (Maisel,1992), Model in performance measurement (Fitzgerald et al.1989),Strategic Performance measurement model (Atkinson et al. 1997)

The author argues that “*what you measure is what you get*” The measurements have a running effect. In order to accomplish a strategic effect, the organization must measure what is strategically important. This can be achieved in the Balanced Scorecard concept. Hence, the concept is not a control tool, but rather a strategic tool to help managers look ahead. In addition, the BSC shows how the results are achieved not only that they are achieved. This is an important aspect when we try to understand our organizations.

With the four dimensions; the financial perspective, the internal business perspective, the customer perspective and the innovation and learning perspective, BSC combines a number of flows that are going on in the organization. By understanding the organisation in this context, the manager can learn what connections exist between the different perspectives. Earlier, these perspectives have been viewed orderly and separately from one another. The common picture of the four dimensions is one of the contributions of the BSC concept.

Kaplan and Norton (1993) continue the presentation of the BSC and new arguments are presented. One is that BSC present the key measurements with a basis in the strategies. This is different as earlier key measures that were developed from the bottom and upwards. Another argument is that the traditional measures evaluate what happened last period, while BSC measure what is happening now together with measures for future progress. There is also a balance between internal and external factors that creates a whole picture on a number of changes processes. The authors make it clear that BSC is a tool that has to be adjusted to the organisation’s unique situation, with visions, strategies, technology and culture. The authors describes 7 steps how you build a BSC. If we compare the balance scorecard developed in the first presentation of BSC, the different balances are made clearer and extended into several. The first balance is found in the connection between the strategy and key measures in the four dimensions. To work, the key measurements must be anchored in the organisation and the vision. Furthermore, they have to be communicated and accepted in order to be useful as motivating. The second balance concerns a balance in time, where key measures are divided into balances of information concerning historical time, current time, and future. The third balance concerns division of key measures in external and internal focuses.

The theories of BSC continuous to develop. Two key steps is that learning is included, and the use of BSC as a structure and measure of intellectual capital. These new and complementing measures show something more than the financial capital. Three years after the introduction of BSC, Kaplan & Norton (1996b, 1996a) makes it visible how BSC can be used as a complete strategic management tool. With BSC, the top management can connect today's activity with tomorrow's goals. A central starting point is that the managers agree about the vision and strategies that drives future success. In the second step, the central visions and strategies are broken down in the organization through communication. These are decentralised to business units' daily operations. The third step is to plan business and goals, resource allocation and to set milestones. In the forth step, BSC is used for feedback and learning. The learning arises from the ability to follow the development and, if necessary, change the visions. This is what Kaplan and Norton call *double loop learning*, with a reference to Agyris (1991). Agyris (1991) distinguish between learning that challenge status quo (double loop learning) and learning that is routine (single loop learning). Double loop learning is necessary to continuously adjust the strategy to permanent changes in environments. This is done by practicing an open dialogue with managers and examining the underlying structure of thinking and decision making.

The development for BSC as a measure for the intellectual capital has created huge interest. It includes the employees' value in the organization, often "hidden" as depreciations are not feasible for human capital. Values like investments in the employees education, introduction programs, kick offs are not possible to activate. On the opposite, investments in capital goods are. Not even key persons can be placed on the balance sheet's asset side. Olve et al (1999) discusses this value problem when investments in soft assets are larger than the capital side.

The development continues in new articles of Kaplan & Norton (1996b) and Kaplan and Norton (1997). BSC gets a clearer role in communication and information towards different actors, to give a common picture and common understanding. In addition, there is an improved balance between the drivers and the "lagged" measures and measurements that are developed on cause and

effect relationship. BSC provides explicit information about the customer and the stockholders, the two most important factors for an organization. Kaplan and Norton (1997) argue that other actors like employees, vendors and the rest of the society are included in most cases. If any of these groups are more important than others, they normally get their own focus in BSC. The actors have to deserve their place on the organizations' BSC. From an actor focused BSC, the communication and information is addressed to the right place, and the relations to the actors are strengthened. In this way, every actor becomes a part of the cause and effect chain that is needed to understand and learn more about the organization's success factors. Because BSC should be balanced also in terms of dimensions, BSC becomes a part of the balance between the actors. Furthermore, the authors clarify that measurement other than the one within the organization can be needed to complement an actor's information need. However, these needs still have to be outside BSC; otherwise there is a risk that the logic and cause and effect relationship is destroyed.

The authors mean that the BSC consist of two types of measures, *generic measures* common to BSC all implementations, and *adjusted measures* that are tailor-made to fit the organization's specific situation. Both of the presented BSC versions represent a tool to spread strategic measures in the organization. Kaplan and Norton choose not to include the top management in their concept because it is a tool *for* the top management, not about the top management. In both articles from 1996b, 1996d and 1997, Kaplan and Norton show that the measures in BSC are used to communicate the organization's strategy and value chains. Through the total focus on strategies in BSC, the authors mean that BSC is close to Porter's work. In Kaplan and Norton's book (1996a) they state that the BSC model is not mainly an "actor model" as it turns mostly towards the owners. The authors thereby change their view concerning this question. Ax & Bjørnenak (2000) comment on the connection between the actors and BSC. They mean that it is mostly Scandinavian examples on a clear connections or influence from actor models.

In Kaplan and Norton's articles (1996b, 1996c,) and (1997) they promote that the strategies are presentations of different *cause and effect chains*. An example of such a cause and effect chain is customer loyalty. Some cause and effect relationships can occur in short term, others in the long term. A BSC should

consist of both driving and leading indicators, as well as delayed and follower indicators. In this way, BSC illustrates future, past and present. The authors show that this can also be seen as lagged and driving measures. Another difference between drivers and lagged measures happen in the split between the short and long term. Goal accomplishment may occur both in the short and the long term, but preferable in both dimensions. Olve et al. (1999) states that the great challenge in performance measurement is to find clear cause and effect relationships, and to create a balance between the different measures in the selected perspectives. The measures in the selected perspective must fit and support the comprehensive vision and the overall strategy. All measurements have strong correlations to each other through the different perspectives. Olve et al. (1999) also found that most companies use a cascading downstream approach, breaking the corporate vision into different levels. However, some do start at the bottom and build the scorecard up. According to Olve et al. (1999) it is essential to distinguish between measures that describe what companies do (performance drivers), and measures that tell the companies what they have done (outcome measures). Drivers and outcome build a chain in which the first outcome can in turn drive the next level in the chain. These chains of cause and effects can be very hard to find and identify, because they are influenced by external circumstances that are intricate to control, but indispensable for corporate success. Some of the criticism towards the Balanced Scorecard is whether it is possible to establish these cause and effect chains (Nørreklint, 2001).

In Kaplan and Norton's article (1996 c), the BSC concept evolves from a performance measurement system to a complete organizational framework, or as the operating system for the organization. In the (2001b) article, Kaplan and Norton start to examine BSC role as a management system. Kaplan and Norton (2001c) described how organizations use BSC as strategic maps to accomplish comprehensive and integrated transformations.

In Kaplan and Norton's book (2001a), The Balanced Scorecard becomes a complete tool for creating a strategy focused organisation. BSC is developed into a strategy map scorecard. This scorecard makes the strategy hypothesis explicit. The scorecard enables the strategic hypothesis to be described as a set of cause and effect relationships that are explicit and testable. Furthermore, the

strategic hypothesis requires identifying the activities that are the drivers (or lead indicators) of the desired outcome (lag indicators). The authors claim that the key for implementing strategy is to have everyone in the organization clearly understand the underlying hypothesis, to align resources with the hypothesis, to test the hypothesis continually and to adapt as required in real time.

Of course, there is also a criticism against the Balanced Scorecard⁵. No “model” or concept is perfect. They all have their weaknesses as they form simplified description of the world, developed to make us understand and manage complicated issues.

3.4 Building and implementing a Balanced Scorecard

3.4.1 Architecture of BSC

Kaplan and Norton (2001a) describes the building of a BSC as a process to define a set of near term objectives and activities, the drivers that will differentiate a company from its competitors and create a long term customer and shareholder value, the outcomes.

The process begins in a top down fashion, clearly defining strategy from the perspective of the shareholders and the customer. In other words, the scorecard is supposed to define the short term goals and activities. These are the strategic drivers that are supposed to differentiate the organization from the competitors and create long term value for the customers and the owners.

The financial goals for growth and productivity are the most important. Causes of growth are to be defined. When the financial goals are defined, we must ask the question “*Who are the target customers that will generate revenue growth and more profitable products and services? What are their objectives and how do we measure success with them?*” The customer perspective should also include a value proposition that defines how the company differentiates itself to

⁵ See for example: Nörreklint,(2000), Mouritzen et al. (1996)

attract retain and deepen relationship with targeted customers. The defined measurements in the customer and financial perspectives should not describe explicit how this should be achieved internally. It is the internal processes, like product, design, marketing development, sale, service, production that are about to define the necessary activities to achieve the goals in the customer and financial perspectives.

The fourth perspective, learning and growth, should put pressure to execute internal business processes in new and differentiated way, based on the organizations infrastructure; the skills, capabilities and knowledge of employees; the technology they use and the climate in which they work, in other words what Kaplan and Norton (2001a) refers to as the learning and growth factors.

Kaplan & Norton: Defining the Cause-and-Effect Relationships of the Strategy

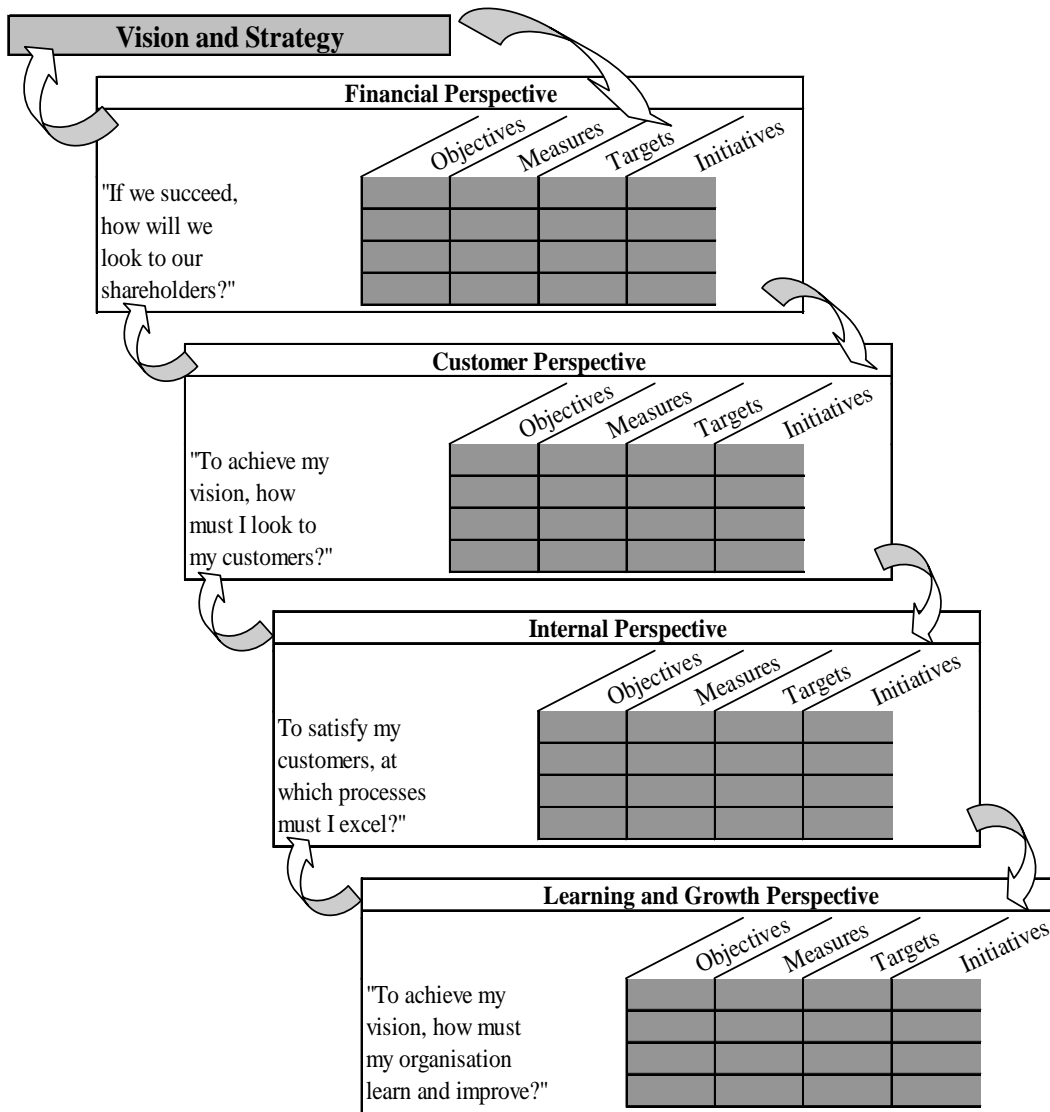


Figure 2 Source: Kaplan and Norton 2001a, page 77

The architecture of the BSC has a top down logic, starting with the desired financial and customer outcome and then moving to the value proposition, business processes and infrastructure that are the drivers of change. The relationship between the drivers and the desired outcomes constitute the hypotheses that define the strategy. The top down approach has been changed from the introduction of Balanced Scorecard, and goes back to a top down approach. Criticism is also pointed at this area by Mouritzen et al (1996) where the authors see great risks concerned with the step back toward centralised

power. Mouritzen et al. (1996) argues that the Balanced Scorecard does not take into account the knowledge of more decentralised power.

3.4.2 Implementation of BSC

Kaplan and Norton suggest implementing the BSC to overcome the strategy implementation problems: Visions and strategies are not actionable, strategies are not linked to resource allocation, and feedback is tactical and not strategically.

However, when studying Balanced Scorecard, there is no common theory or model for implementation. Some use more perspectives than Kaplan & Norton's initial four, others not. For example, some have added a human focus or an environmental focus. Kaplan and Norton do not include the human focus as they believe the human is contained in all of their focus areas. This might be a result from the stepwise development of the BSC. The first concrete model for building a BSC is presented by Kaplan and Norton (1993) where they use a system model in eight steps to create a BSC that should link the measurements to the strategy.

Kaplan and Norton 1993:

1. Preparation
2. Interviews: first round
3. Executive workshop: first round
4. Interviews: Second round
5. Executive workshop: second round
6. Executive workshop: third round
7. Implementation
8. Periodic Reviews

In the article "*Using the BSC as a strategic management system*" by Kaplan and Norton (1996b), the development of BSC is extended from the eight step to a ten step model.

According to the authors, after the tenth step, BSC has been included in the routine part of the strategic management system. The communication within the

Kaplan and Norton 1996b:

- 1 Clarify the vision
- 2a Communicate to the middle managers
- 2b Develop a business unit scorecard
- 3a Eliminate non-strategic investments
- 3b Launch corporate programs
- 4 Review business unit scorecards
- 5 Redefine the vision
- 6a Communicate the Balanced Scorecard to the entire organisation
- 6b Establish individual performance objective
- 7 Update long range plan and budget
- 8 Conduct monthly and quarterly reviews
- 9 Conduct annual strategy review
- 10 Link everyone's performance to the Balanced Scorecard

organization follows the different units in the business plan and lies in line with BSC. Through follow up of BSC, learning in the organization is enabled through performance and deviation assessments. However, Kaplan & Norton (1996a) mean that this might not be as easy as it looks. This is probably an understatement. They show failures in several cases with structural and organizational problems. In an appendix in their book (1996a), they present another ten steps model for building a BSC. This model is a developed model of the one presented in 1993.

Kaplan and Norton 1996a:

- 1 Select the appropriate unit
- 2 Identify corporate linkage
- 3 Conduct first round interviews
- 4 Synthesis sessions
- 5 Executive workshops: first round
- 6 Subgroup meetings
- 7 Executive workshops: second round
- 8 Develop the implementation plan
- 9 Executive workshops: Third round
- 10 Finalize the implementation plan

If we compare the ten step model from 1993 with the six of the steps in the later, the models very much agree. These are step 1, 3,5,7,9 and 10, even if the steps have changed number in the order. The difference is the new steps 2, 4, 6 and 8. It is also interesting to note that Kaplan and Norton's publications result in three different models for building of BSC systems.

The step wise development by Kaplan and Norton is also influenced by other research findings. This also applies to the implementation of BSC system. Kaplan and Norton start out with an implementing model in eight steps, while the Kaplan and Norton 1996b article present another 10 step model. For all models, a common theory for building and implementing BSC is missing. Despite this observation, Kaplan and Norton have developed principles for how to become a successful strategy focused organization. However, these principles do not tell *how*, but rather *what* matters to implement strategy successfully.

In the article by Kaplan and Norton (2001c) the authors show how organizations use their scorecard to align key management processes and systems to the strategy. Although each organization achieved strategic alignment and focus in different ways at different paces and in different sequences, each eventually use a common set of principles to become what

Kaplan and Norton refer to as the principles of strategy focused organization. The five principles are:

1. Translate the strategy to operational terms
2. Align the organization to the strategy
3. Make strategy everyone's everyday job
4. Make strategy a continual process
5. Mobilize leadership for change

When Kaplan and Norton (2001c, 2001a) talks about the first principle ***“translate the strategy into operational terms”*** they mean that the scorecard creates a common and understandable frame of reference for all organization units and employees through the translation of strategy into a logical architecture of a strategy map and the Balanced Scorecard to specify the details of the critical elements for their growth strategies.

The second principle ***“align the organisation to the strategy”*** (Kaplan and Norton, 2001c, 2001a) relates to the organizational performance to become more than the sum of its parts. It must be linked and integrated. The Balanced Scorecard defines what is expected to create synergy and ensure that linkage actually occurs. This will prevent the strategies of different units to go in opposite directions. As many organizations have difficulties communicating and coordinating across the different functions, suboptimal behaviours may become a major barrier in strategy implementation.

The third *principle* ***“Make strategy everyone's everyday job”*** means that the BSC should be used to communicate and educate the organization about the strategy. Scepticism towards unlimited communication to the entire organization risking leakage of valuable information to competitors is answered: *“Knowing the strategy will do little good unless they execute it. On the other hand we have no chance to execute it if people don't know about it”*. This is also in line with Kotter (1996) who argues that real power first occur when those involved in the enterprise or activity have a common understanding of goals and directions. The author argues that it is not a top down direction, but rather a top down communication.

When Kaplan and Norton (2001a, 2001c) talks about “*Make strategy a continual process*” they claim that the BSC introduce a new “double loop process” to manage strategy. The process integrates the management of tactics with the management of strategy using three important processes. First, organizations link strategy to the budget process where they use BSC as a screen to evaluate potential investments and initiatives. Just as the BSC attempts to protect long term objectives from short term sub optimization, the budget process must protect long term initiatives from the pressures to deliver short term financial performance. The second step is to make strategy a continual process by introducing a simple management meeting to review strategy. Information feedback systems are changed to support the new management meetings. Finally, a process for learning and the strategy evolves. The initial BSC represent a hypothesis about the strategy. At the time of formulation, it is the best estimate of the action expected to create long term financial success. The design process of the scorecard establishes the cause and effect linkages of the strategic hypothesis explicit. As the scorecard puts it to action and the feedback system start reporting actual results, an organization can test the hypothesis of its strategy

In the fifth principle “*mobilize leadership for change*” also named “*mobilize change through leadership*” (Kaplan and Norton 2001a); the authors claim that the first four principles focus on the BSC tool, the framework and the process to support it. They also argue that active involvement of the executive is the single most important condition. If the top management are not active leaders of the process - change will not occur, strategy is not implemented and the opportunity for breakthrough performance is lost. Over time, a new management system will evolve; this is a strategic management system that institutionalizes the new cultural values and processes into a new system for management. This is also in line with Kotter (1996) where he describes how transformational change occurs. By linking traditional processes such as compensation and resource allocation to a BSC that describes the strategy, they create a *strategic management system*. Furthermore, the author claims that the strategy must be a continual process that reflects shifts in opportunities and threats. Here, it is important that the integration of the new strategy into the organization does not create a barrier to future progress.

3.5 Barriers obstructing strategy implementation

Since strategy implementations often fail, many theorists that have pointed at possible reasons for the shortfall. This study is based on the barriers identified by Kaplan and Norton. However, as related and similar barriers are pinpointed by several other theorists, I will complement the analysis with considerations from four other theorists as appropriate.

Ceelman (1998) investigates what conditions actually enable the organisation to implement its chosen strategies. In the report, “*Building and implementing a Balanced Scorecard*”, he presents four barriers to strategy implementation. I choose to include this, even though the report is worked out in cooperation with Renaissance Worldwide⁶

Beer & Eisenstat (2000) focuses on the barriers hidden within the organisation. This article is interesting since it looks at the barriers in an organization as quiet, silent, or hidden, but nevertheless able to destroy strategy implementation. There are barriers tied to leadership style and culture that influence the realised strategies, even if there is not a natural focus on this in the daily operation in the organisation.

Bayer et al (1997) investigate the importance of how the strategy implementation is carried out for the institutionalising in the organisation. Even if these apply to the implementation of TQM, I find it natural to include this article as both TQM and BSC are fully integrated and complete systems. Thus, similarly with BSC, it requires the organisation to change the strategies and management style. The authors study two comparable organisations, both regarding size, result, market position, number of employees and tradition. In addition, both organizations had experienced changes in ownership before the study was conducted. The research project went on for several years. The authors found that the way BSC is implemented (structural/mechanical, or cultural/organically) can be of importance for the level of institutionalizing

⁶ David Norton, one of the authors and founders of BSC is the President of Renaissance Worldwide

Thomson & Strickland (1998) are mostly concerned with the managers' role in the strategy implementation process. They state that organizational change and culture change must be the leader's top priority. The authors argue that if the companies' managers see the need for change, and give this change top priority and use the necessary time, the organisation will change. Thomson (1995) says that in all organizations, at all levels, there exists a natural resistance to change. Social relationships are more strongly weighted than economical factors. The employees feel threatened by changes and the unknown and they may be concerned with losing their jobs or status (Thomson, 1995). This is also valid for the top management (Thomson & Strickland, 1998). Few management groups can handle both to establish strategies for the current situation, and at the same time, create acceptance or culture for change in the organisation. If the leader is not involved in the change, he/she signalize that the need for change is not that important.

Kaplan and Norton created the BSC. Through their work with BSC they, have identified four barriers hindering effective strategy implementation. They argue that the main causes of poor strategy implementation are: (Kaplan & Norton 1996a, 2001a)

1. Visions and strategies are not actionable
2. Strategies that are not linked to departmental, team and individual goals
3. Strategies that are not linked to long and short term resource allocation
4. Feedback that is tactical and not strategic

3.5.1 Visions and strategies are not actionable

Kaplan and Norton (1996a) claim that the first barrier occurs when the organisation can not translate its vision and strategy into terms that can be understood and acted upon. Where fundamental disagreement exists about how to translate the vision and mission statement into action, the consequence is suboptimal use of efforts. With lack of consensus and clarity, different groups will work after different agendas according to their own interpretation of the vision and strategy. Their efforts are neither integrated, nor cumulative, since they are not linked coherently to an overall strategy.

Ceelman (1998) present a similar barrier. This is named “*lack of understanding of the strategies in the organisation*”. He means that those that shall execute the strategies may not understand them because they are uneasy to transform into operative goals. Furthermore, Thomson and Strickland (1998) claim that we can not adopt and implement a leader’s vision if we do not know it. If the vision and strategies are not known to us, we can not act after them. They present ten commandants needed to be in place for change with a strategic fundament. They promote that the organisations’ corporate strategies are the starting point for the change process and the allocation of resources must follow the strategy. Beer and Eisenstat (2000), claim that unclear strategies and prioritising may conflict with poor horizontal coordination. This may occur when we have different strategies and are fighting for the same resources. This also indicates that the understanding of the overall strategy and action plan is important. The middle mangers can not be expected to cooperate effectively when top management strategies drive them in competing directions.

3.5.2 Strategies that are not linked to departmental, team and individual goals

The second of Kaplan and Norton’s barriers arise when the long term requirements of the business units and strategy are not translated into goal for departments, teams and individuals. Instead, departmental performance remains focused on meeting the financial budgets, established as a part of the traditional management control process. Likewise, teams and individuals within departments have their goals linked to achieving departmental short term and tactical goals and not on building capabilities that will enable achievement of longer term strategic goals.

Ceelman (1998) is in line with Kaplan and Norton, and presents a barrier where individual goals and competence development is not linked to the implementation of strategy. The author also mentions that the management system often is designed for operational and not strategic control, and that focus remains on the traditional management control processes. On this point, the author argues that managerial information is connected to budgets and accounts rather than strategy. As the budget is the key instrument to prioritise, it is also the most powerful tool in establishing linkage and relationships

between departmental and individual goals and the strategy. Thomson and Strickland's (1998) success factors point out that organisation's training and education program must be adjusted and harmonised with the organisations core values. This is one way to secure that enough resources are used on these areas. Furthermore, personal acknowledgement and incentive systems are important. They argue that employees must feel that their works are appreciated to support the organisation and what it stands for. When doing so, the authors claim that the workers are more likely to remain active and enthusiastic, supporting the objectives of the organisation. This can be seen as a support to the Kaplan and Norton's second barrier.

3.5.3 Strategies that are not linked to long and short term resource allocation

The third barrier of strategy implementation is the failure to link action programs and resource allocation to long term strategic priorities. Many organisations have separate processes for long term strategic planning and short term (annual) budgeting. The consequences may be that funding and capital allocations are unrelated to strategic priorities. Major initiatives may be undertaken with inadequate sense of priority with regard to strategic impact. Monthly and quarterly reviews focus on explaining deviations between actual and budgeted operations, and not on whether progress is made towards strategic objectives.

Ceelman (1998) argue that management information is tied to budget and accounts, instead of strategy. Thompson and Strickland (1998) argue that successful implementation of strategy requires that the resource allocation must follow the organisation's strategy. They claim that the financial focus must emphasise both support of core activities with sufficient resources and reduce the support towards less important ones. By doing this, a link is created between the strategies and the resource allocation.

3.5.4 Feedback that is tactical and not strategic

The final barrier is the lack of feedback on how the strategy is being implemented and whether it is working. The authors argue that most management systems of today provide feedback only on short term operational

performance. They say that the bulk of this feedback is on financial measures, usually comparing actual results to monthly and quarterly budgets. Little or no time is spent on examining indicators of strategy implementation and success. The consequence is that the organisations have no way of getting feedback on their strategy, and without feedback they have no way to test and learn about their strategy.

This is also pinpointed by Ceelman (1998). It concerns whether the organisation has out-dated systems and only report on budget and accounting figures. The problem is that they do not report other central parameter for development of strategy drivers. Thomson and Strickland (1998) support this by arguing that incentive system must be connected to the strategy, where it is important to support values that sustain the organisation's strategies. This is a critical success factor in order for succeed in implementing strategy changes.

3.5.5 Other strategy implementation barriers

One difference between Kaplan and Norton's barriers and the other theorists is that Kaplan and Norton do not mention leadership style. This is one barrier addressed by Beer and Eisenstat (2000) that influences the implementation of a strategy. Furthermore, Thomson and Strickland argue that leader's involvement is important. The leadership style influences the culture, power, and politics, at the same time as they are responsible for the process. The Balanced Scorecard does not address leadership motivation and trust. However, Kaplan and Norton (2001a) argue that the most important driver of success in strategy implementation is the top management leadership style, and not the tool itself. The authors argue that the leadership style has a larger effect than the analytical and structural strength of the tool. They motivate this by referring to experiences of leaders that have managed a successful Balanced Scorecard implementation emphasise communication as the largest challenge. These top managers understood that they could not get the strategy implemented without an extensive involvement from middle managers and other employees. Furthermore, the top manager did not know all steps that had to be enforced for a successful implementation. However, they held a clear opinion of how the success should be and the goals that had to be achieved. The top managers depend on the employees to take part in making the vision operational and

institutionalised (Kaplan and Norton, 2001a). Top managers' influence and trust will therefore be a critical assumption for Balanced Scorecard to work as a strategy implementation tool.

Finally, both Beer and Eisenstat (2000) and Thomson and Strickland (1998) address how the organisations cultures affect the strategy implementation. Bayer (1997) directs focus on *how* the implementation is made has consequences for the result of the strategy implementation. As pointed out, Kaplan and Norton do not have one similar implementation model. It can therefore be argued that the research question will be influenced since there is no common way of developing the Balanced Scorecard.

CHAPTER 4: DEVELOPMENT OF HYPOTHESES

In this chapter, I will develop a set of hypotheses based on Kaplan and Norton's strategy implementation barriers. All five hypotheses represent positive postulations derived from the preceding theoretical framework.

The hypotheses will be examined in an oral test in the case study organisation. For this purpose, I have developed a set of questions and checkpoints for each hypothesis. These are presented immediately after each statement, where the questions are listed to the left and the underlying rationale or reasoning to the right.

4.1 Barrier 1: Visions and strategies are not actionable

Kaplan and Norton (1996a) claim that their foundation for building a BSC clarifies the strategic objective and identifies the critical few drivers for success. They also claim that the process creates consensus and teamwork among the senior executives regardless of their previous employment history, job experience, or functional expertise. The scorecard translates a vision into key strategic themes that can be communicated and acted upon by the entire organization. Kaplan and Norton argue that the BSC is especially well suited as a strategy implemented tool. The authors declare that the method starts with the strategies of the company. These are made operational and hereby secure the strategy becomes communicated and understood throughout the organization.

Assuming this is correct, we can formulate the following two hypotheses:

<p><i>Hypothesis 1: BSC secure that the organization understand the strategies</i></p> <p><i>Hypothesis 2: BSC secure that the goals can be acted upon</i></p>
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In order to measure hypotheses I have developed the following set of questions.

4.1.1 Testing hypothesis 1: BSC secure that the organization understand the strategies

Question/checkpoint	Test/rationale
<p>Could you please tell me the strategy? <i>(Kan du gjengi strategien?)</i></p>	<p>Description of the main ideas of the strategy is a minimum requirement for hypothesis support. An exact word-by-word reproduction is not required; the critical aspect is description of the main ideas of the strategy.</p>
<p>How has the strategy been communicated?</p>	<p>Conscience about how it has been communicated may support a good understanding of the strategies.</p>
<p>Where have you been informed about the strategy? <i>(Hvordan har strategien blitt kommunisert, hvor har du blitt informert om strategien?)</i></p>	
<p>What is the vision? <i>(Hva er foretakets visjon?)</i></p>	<p>The question tests the hypothesis directly. A positive response indicates support, but still does not secure that the vision is fully understood.</p>
<p>Can you give any examples of how the strategy influences your work? <i>(Kan du gi noen eksempler på hvordan strategien påvirker ditt arbeide?)</i></p>	<p>Testing whether the answers above is all there is, or whether the strategy actually has materialised this far. A good response provides strong evidence that the strategy is understood, but still nothing about BSC's role in this context.</p>
<p>What are the main objectives of the scorecard? <i>(Hva er hovedmålsetningene med scorecardet?)</i></p>	<p>A good response should be a good basis for questions exploring the deeper understanding of the underlying strategy.</p>
<p>How does the scorecard affect your work? <i>(Hvordan påvirker scorecardet ditt arbeide?)</i></p>	<p>As above.</p>
<p>In what way, if any, has the implementation of BSC improved your understanding of the strategy? <i>(Hvordan har implementeringen av BSC bidratt til å øke din strategi forståelse?)</i></p>	<p>Reality check, was the answer to the prior question based on feelings or fact?</p>

4.1.2 Testing hypothesis 2: BSC secure that the goals can be acted upon

Question/checkpoint	Test/rationale
Is it possible to translate the strategy into action? <i>(Er strategien mulig å oversette til handling?)</i>	A reflective answer provides strong support towards the hypothesis.
How can this be done? Please give examples. <i>(Hvordan kan man tenke seg å gjøre dette? Gi eksempler)</i>	Reality check of the response to the prior question.
Are there main strategies without support of corresponding action plans? <i>(Finnes det hovedstrategier det ikke fines handlingsplaner for?)</i>	Testing whether the strategy really was understood
Is there action plans without a clear strategy? <i>(Finnes det handlingsplaner uten en klar strategi?)</i>	Same.
Can the scorecard user explain the rationale behind the measure on the scorecard? <i>(Kan rasjonaliteten bak det som måles beskrives av den som anvender scorecardet?)</i>	A good (positive) answer provides strong support towards the hypothesis.
What objectives lie behind that (concrete) measurement? <i>(Hvilke målsetninger som ligger til grunn for det som blir målt?)</i>	Concreteness test - was the prior answer truthful?

4.2 Barrier 2: Strategies that are not linked to departmental, team and individual goals

Kaplan and Norton (1996a) claim that through use of BSC to communicate the new strategies to all employees, the departmental, team and individual goals are successfully aligned. They argue that the communication and goal setting process has improved the strategy alignment of all organizational participants.

Kaplan & Norton (2001a) furthermore argue that through use of BSC, you secure that goals and competence development is strategically anchored.

Kaplan and Norton
Translating a Mission into Desired Outcomes



Figure 3. Source: Kaplan and Norton 2001, page 73.

As the figure illustrates, a chain should be established from the organisation’s mission and all the way down to the personal objectives clarifying “*what each and everybody should do*”. A result of this exercise should be a motivated and prepared workforce. The authors furthermore argue that the BSC contribute in aligning personal goals and competence through its own perspective (learning and growth), and hence makes it possible to use incentive systems tied to strategic drivers.

If this is right, the following hypothesis should be correct:

Hypothesis 3: BSC establishes linkage from the overall strategy to the goals at the departmental, team and individual levels.

In order to make the hypothesis operational, the following questions are developed:

4.2.1 Testing hypothesis 3: BSC establishes linkage from the overall strategy to the goals at the departmental, team and individual levels.

Question/checkpoint	Test/rationale
<p>Please explain the budget process in your department? <i>(Beskriv budsjett prosessen i din avdeling?)</i></p>	<p>The budget process is the key instrument to prioritise, guide and steer the activities and efforts of the organisation. Hence, it is also one of the most powerful tools to establish linkage and relationships across the organisational layers.</p>
<p>How has the budget process changed since BSC was implemented? <i>(Hvordan har budsjett prosessen endret seg fra tiden for innføringen av BSC?)</i></p>	<p>Depending on the process, is it reasonable to contribute any effects to the BSC system?</p>
<p>Is the strategy process and budget linked in any way? <i>(Er strategiprosessen og budsjett koblet sammen?)</i></p>	<p>The key question. If not, positive answers to the other questions are probably insufficient to verify the hypothesis.</p>
<p>What is the consequence of a budget overrun? <i>(Hva er konsekvensen av å sprengte budsjettet?)</i></p>	<p>A key aspect in maintenance of the budget's power is enforcement of its priorities. If it provides no actual guidance for the use of resources, it becomes impotent and powerless.</p>
<p>Is important to use the entire budget? <i>(Er det viktig å bruke opp hele budsjettet?)</i></p>	<p>Related to the point as above. The power of the budget should work both ways. In this case, if the budget work as a "spending authorisation", not subjected to revision as more information becomes available, the budget may stimulate prior times priorities, not current ones. Ideally, the budget should be based on ABC or some other sort of flexible accounting system.</p>
<p>Do you have any kind of activity based or flexible budget? <i>(Har dere noen form for aktivitetsbasert eller fleksibelt budsjett?)</i></p>	<p>Whereas ABC is far from a requirement, use of this concept is highly compatible with BSC.</p>
<p>In your opinion, are there important activities not included at any of the scorecards? <i>(Er det (etter ditt skjønn) viktige aktiviteter som ikke måles på scorecardet?)</i></p>	<p>Testing whether strategy really is understood? Are the links and relationships sufficiently understood? If focus is on "excluded items" it is doubtful that the links from the overall strategy has been clarified sufficiently.</p>

Question/checkpoint	Test/rationale
<p>Are unimportant activities being measured? (<i>Er uviktig målinger foretatt ?</i>)</p>	<p>A negative test of the above, a positive response about "unimportant" assessments indicates that the relationships are not really understood.</p>
<p>Is individual performance easily traced to the aggregate performance of the group or department? (<i>Kan individuell prestasjon lett kobles til gruppens eller avdelingens totale prestasjon?</i>)</p>	<p>A positive answer may indicate support. A negative one most likely reveals absence of such links.</p>
<p>Do you have a performance appraisal conversation regularly? (<i>Har dere medarbeider samtale?</i>)</p>	<p>The natural area to establish linkage from the individual level and above.</p>
<p>Does it include individual goals? (<i>Omfatter denne individuelle målsetninger?</i>)</p>	<p>As the natural forum for goal setting, exclusion would both encompass a waste of the best opportunity and diminish the general ability to clarify the linkage. A contrary action supports the clarification of the linkage.</p>
<p>Has this changed since BSC was implemented? (<i>Har dette endret seg ved implementeringen av BSC?</i>)</p>	<p>Is it reasonable to conclude that any improvement is triggered by the implementation of BSC?</p>
<p>Do you consider these linked to the overall strategy? Please give examples. (<i>Føler du at disse er koblet opp mot den overordnede strategien? Gi eksempler?</i>)</p>	<p>Is the linkage to the overall strategy (if there is any) successful? Is lack of linkage caused by absence of effort/focus or the less successful establishment of the relationships?</p>
<p>What is the consequence of non-compliance or lack of effort towards the goals established in the performance appraisal conversations? (<i>Hva skjer hvis ikke man etterlever/arbeider for å nå målene som er etablert i medarbeider samtalen?</i>)</p>	<p>Do the goals carry any actual meaning or is it only a formality? To carry actual stimulation and guidance of effort, it is must be a part of daily life and not only something that is looked at once a year.</p>

Question/checkpoint	Test/rationale
Do you have an analysis of current and future competence needs? <i>(Har dere en analyse av nåværende og fremtidig kompetanse behov?)</i>	As competence is the core in one of the four strategies, and an issue that involves everybody, it is reasonable to expect both existence and awareness of such an analysis; if the hypothesis can be verified.
Do you have competence development plans? <i>(Har dere kompetanse utviklingsplaner?)</i>	The actual follow up of the requirement analysis. Extends the analysis from a formality to reality.
Are these linked together, how? <i>(Er disse koblet sammen, hvordan?)</i>	They should be, to verify the hypothesis.
Has this changed since BSC was implemented? <i>(Har dette endret seg i forbindelse med innføringen av BSC?)</i>	Is it reasonable to conclude that any improvement is triggered by the implementation of BSC??

4.3 Barrier 3: Strategies that are not linked to long and short term resource allocation

In Kaplan and Norton's book (1996a), they present a comprehensive process build around the BSC for integrating an organisations planning, resource allocation, and budgeting process. They describe the critical elements of a program that translates strategy into action, establish long term quantifiable and stretch targets for scorecard measures that managers and employees believe are actionable. This is done through identification of initiatives, and resources for these initiatives that will enable achievement of the long term targets. Furthermore, it includes coordination of plans and initiatives across related organizational units and establishment of short term milestones that link the long term scorecard to short term budget measures.

Kaplan and Norton (2001a) argue that many organizations fail as a result of insufficient resources dedicated to the implementation of strategy. The authors claim that organization with a strong strategic focus build in embedded resource obligations for strategic important activities in the plans and budgets.

The dedicated resources may also be treated separately from ordinary budget items to assure identification of causal relationships and that all important operative processes develop strategic drivers. The problem with resources allocation is pinpointed by all of the cited theorists and should clearly be addressed when using BSC as management system.

If these obstacles are handled by BSC, the following should be true:

Hypothesis 4: BSC secure short term resource allocation is linked to long term strategy.

In order to make this hypothesis operational the following questions and test rationale is developed.

4.3.1 Testing hypothesis 4: BSC secure short term resource allocation is linked to long term strategy.

Question/checkpoint	Test/rationale
<p>Are resources for new positions allocated in conjunction with budget preparations? <i>(Tildeles nye stillinger i forbindelse med budsjettarbeidet (med utgangspunkt i budsjettet)?)</i></p> <p>Is the budget based on funds available or strategy? <i>(Er budsjettet basert på strategi eller disponible midler?)</i></p>	<p>Generally, the allocation and priority of resources is the most important and powerful force in steering the efforts of the organisation. Without support of necessary means, involving enough personnel, sufficiently qualified personnel, support staff, computers and other tools, it may be problematic to comply with the priorities in the strategies.</p> <p>The issue for both questions is whether long term objectives are supported by the required investments –today. As there is no direct conclusion to the answer of this question, the point is to determine if job-positions, the most important (and expensive) factor, is based on the funds available or current and future needs. Likewise, a ”spending budget” may be provided “as is”, or prepared on the basis of identified needs.</p>

Question/checkpoint	Test/rationale
<p>Is there flexibility in individual compensation? (<i>Er det fleksibilitet i avlønningssystemene?</i>)</p>	<p>One explicit objective is to attract and retain qualified personnel. A flexible compensation system is most likely a necessity to achieve this goal.</p>
<p>(Please refer to all questions on budget process above) (<i>ref. alle spørsmål om budsjettprosess over</i>)</p>	<p>Same rationale as under hypothesis # 3.</p>
<p>Are investments with a negative effect today made, even if the pay back won't materialise until in a few years? (<i>Tar man negative investeringer i dag, selv også hvis ikke de gir positiv pay back før senere (om noen år)?</i>)</p>	<p>With few exceptions, it is necessary to make investments hurting current finances. The hypothesis impose that this is likely if current priorities are based on longer term objectives.</p>
<p>Please give examples? (<i>Kan du gi eksempler?</i>)</p>	<p>An actual example strengthens a positive response to the question above.</p>
<p>Has this been put into system, or is it up to the manager in each case (may the boss take account of other considerations) (<i>Er dette er satt i system, eller beror det på sjefen i hvert tilfelle? (kan sjefen ta andre hensyn)</i>)</p>	<p>The systems in place, provides support and guidance for the actions that shall be taken. Backing by the systems for considerations taking into account long term needs makes it easier for any manager to make today's unpleasant investment.</p>
<p>Do you see a link between investment/competence development and the future investment/competence need? (<i>Kan du se en link mellom investerings/kompetanse utvikling og det fremtidige investerings/kompetanse behovet?</i>)</p>	<p>Whereas a negative response does not impose that there isn't any, a positive response revealing that the linked has been successfully communicated!</p>
<p>Do you influence the budget for your unit? (<i>Kan du påvirke budsjettet for organisasjonsenheten?</i>)</p>	<p>For the managers, how is the commitment towards the budget. Do they feel any "ownership"? Absence of such may make linkage to future strategy doubtful.</p>
<p>What about the allocation? (<i>Hva med disponeringen?</i>)</p>	<p>As above.</p>
<p>Has this changed from prior years; how? (<i>Har dette forandret seg fra tidligere år, hvordan?</i>)</p>	<p>Has BSC changed anything in this respect?</p>

4.4 Barrier 4: Feedback that is tactical and not strategic

The ultimate payoff using the BSC as a strategic management system occurs when organizations conduct regular strategic reviews and not just operational reviews. Kaplan & Norton (1996a) argues that the BSC in it self is a strategic management system that provides strategic management information in addition to operative information. This strategic management information involves performance on strategic drivers, or measurement of performance from operative activities that in the longer run shall give success. This is achieved by establishing parameters early in the value chain rather than traditional financial measures. A simple example might be a shift in focus from profitability per customer to measurement of customer satisfaction. Actual satisfaction of the customer may be indicative of the expected profitability for the customer.

If BSC assures a strategic focus, the following must be true:

Hypothesis 5: BSC secure feedback on strategically important processes

In order to make this hypothesise operational the following questions and test rationale is developed.

4.4.1 Testing hypothesis 5: BSC secure feedback on strategically important processes.

Question/checkpoint	Test/rationale
How is the performance information utilised? <i>(Hvordan bruker man prestasjons informasjonen om målene?)</i>	The objective is to identify both managers and employees understanding of how the performance measurements are utilised. Ultimately, the response should confirm that the performance information is used to assess accomplishment on areas outside the strictly financial measures. On the contrary, if either employees or managers feel the performance information is solely a "control devise", the strategic linkage has certainly failed.

Question/checkpoint	Test/rationale
<p>Do the goals change if long term strategy changes? <i>(Endres målene hvis den langsiktige strategien forandres?)</i></p>	<p>If strategy changes, the goals should change. Otherwise, the feedback can't be on strategically important areas.</p>
<p>Are the goals adjusted with strategy if it shows not to be appropriate? <i>(Justerer man målene etter strategien hvis denne ikke viser seg å ikke være riktig?)</i></p>	<p>Reporting on out dated parameters, operational, tactical or strategically, is a waste of resources. If the goals aren't adjusted along with the strategy, it is difficult to conclude that BSC secure feedback on strategically important parameters.</p>
<p>How has the budget process changed as managerial information on several areas now is available? <i>(Hvordan har budsjett prosessen endret seg nå som man får styringsinformasjon på flere order?)</i></p>	<p>One may expect the budget process to incorporate information from the other areas; or ideally to be integrated or closely related to the BSC system.</p>
<p>How much time do you spend on the feedback process? <i>(Hvor mye tid anvender du til feedback prosessen?)</i></p>	<p>If no time is spent, how can feedback on strategically important areas be feasible? Is there unity between ideal and action?</p>
<p>How frequently are the measures reported? <i>(Hvor ofte rapporteres målene?)</i></p>	<p>With infrequently conducted measurements, it is less reasonable to expect any consciousness or "natural importance".</p>
<p>How much time do you spend on providing and processing feedback? <i>(Hvor mye tid anvender du på å gi og bearbeide feedbacken?)</i></p>	<p>Same rationale as the feedback process in general.</p>
<p>How is this used in the budget process? (Does it really matter, are needs for adjustments accommodated?) <i>(Hvordan brukes dette i budsjettprosessen?) (Spiller disse faktisk noen rolle? Hensyntas behov for justeringer eller ressurser?)</i></p>	<p>A double check of the description of the budget process.</p>
<p>Please give an example of a non-financial measure? <i>(Kan du gi et eksempel på et ikke finansielt mål?)</i></p>	<p>There should be some if the hypothesis is to be verified.</p>

Question/checkpoint	Test/rationale
<p>Please provide an example of an objective of primarily strategic importance? <i>(Kan du gi et eksempel på et mål som primært har strategisk betydning?)</i></p>	<p>As above.</p>
<p>What/how is the strategic importance/meaning for this measure? <i>(Hva/hvordan er den strategiske betydningen for dette målet?)</i></p>	<p>Testing whether the example above was real and properly understood.</p>
<p>Please give an example of a report with strategic management information? <i>(Kan du gi et eksempel på en rapport med strategisk styringsinformasjon?)</i></p>	<p>To see for myself, physically, if possible</p>

CHAPTER 5: PRESENTATION OF THE CASE STUDY ORGANISATION, TELEMAR COUNTY TAX OFFICE⁷

5.1 The Tax Administration in Norway

Telemark County Tax Office (Telemark fylkesskattekontor) is a branch of the Tax Administration, reporting directly to the *Directorate of Taxes* (Skattedirektoratet).

The Tax Administrations superior goal is to ensure that taxes and other duties are correctly calculated and paid. At the same time the Tax Administration must provide a correct and updated population register. The Tax Administration administers three large systems; *the population registration system, the tax system and the value-added tax system*. In addition it administers the inheritance system. The result of this work is of great importance to society as a whole. More than 80 per cent of all taxes are collected through the tax and value-added tax system administered by the service.

The Tax Administration comprises the Directorate of Taxes, 19 county tax offices, 18 tax collectors' offices, 435 local tax offices and population registration offices including the local tax office in Svalbard, the Central Office - Taxation of Large-Sized Companies, the Central Office - Foreign Tax Affairs and the Petroleum Tax Office. Totally, the service has more than 6 000 employees. Most of them work in the local tax offices and the population registration offices.

⁷ The presentation is based on Chapter 10 in Hoff et al. (2002), supplemented with information from the Tax Administrations web-site and meetings at Telemark County Tax Office

5.2 The County Tax Office in Telemark

There is a county tax office in each of Norway's 19 counties. This office is headed by a Chief County Tax Inspector. The population and the structure of industries in the county determine the number of employees at each office. The county tax office provides guidance, and supervises the activities of the local tax office and the population registration office. The office administers and controls the taxes, the VAT and the investment tax in the county. It has the authority to decide in appeals against decisions made by the local tax office. It also prepares cases for the county tax board, establishes local valuation rules and, if necessary, brings decisions by the superior assessment board before the county tax board for review. The County Tax office is also responsible for auditing the sales and turnover returns submitted by business enterprises.

The County Tax Office is responsible for determination of payable Value Added Tax (VAT) and Investment Tax from business in the region. (The Investment Tax is a Norwegian sister of the VAT, replacing VAT for corporate investments (durables) exempted from ordinary VAT.)

Another important task is registration and maintenance of the national VAT registry in the county ("Merverdiavgiftsmantallet"). Based on declarations received from the VAT-obliged businesses, the office determines payable net VAT for each term. Businesses failing to file risk having their due stipulated on the discretions of the office. Collection and refund of VAT and Investment Tax is performed by the Tax Collectors Office (Skattefogdkontoret), another public entity reporting to the Directorate of Taxes.

In conjunction with the assessment, a number of controls are performed, testing the validity of the information filed. Another important task are tax audits, examining the accounts of all businesses, both those VAT-obliged and the excepted ones. This is typically on-site audits involving a detailed scrutiny of the accounts. However, information is becoming an increasingly important tool in the control efforts.

The County Tax Office has the administrative and professional responsibility for all local tax offices within the county (at the municipality level). The local

tax offices may receive professional support in particularly difficult matters, as well as general guidance and quality assurance of the work performed. The local tax offices assess income and other taxes for individuals and corporations. The local offices also maintain the national register in their region.

The County Tax Office is organised with Chief County Tax Inspector who is in charge of the office. The county tax office is divided into four departments. Each department is managed by a department head, all equal in rank.

The four departments are:

The VAT (Value Added Tax) Department

The department performs VAT handling, evaluates inspection reports and responds to oral or written inquiries from the public.

The Audit and Control Department

The department performs on-site audits of businesses. The department also carry out information campaigns on own initiatives towards the business community and their advisors (accountants, auditors etc.).

The Tax Department

The department is responsible for professional follow-up of the local tax offices within the county. The department also evaluates inspection reports.

The Planning and Administration Department

The department is responsible for the management and operations of the tax offices within the county. The administration department also has the HR and finance function for all tax the offices with within the county. Other responsibilities comprise support staff and daily management of the County Tax Office.

The County Tax Office in Telemark has 46 employees, allocated with 11 in the Excise Tax Department, 18 in the Inspection Department, 7 in Tax Department and 10 the in the Administration including the Chief County Tax Inspector. Total budget for the county is approximately 56 mill. NOK, of which 85% goes

to salaries. The remainder goes to office rent and operations. The County Tax office uses about 1/3 of the county budget.

5.3 Superior goal, main objectives and strategies

As laid out in the strategy plan of the Tax Administration, its superior goal is:

To ensure that taxes and other duties are correctly calculated and paid

This superior goal is broken down into four overall objectives:

- 1. Taxes and other duties are determined correctly and in time*
- 2. Taxes and other duties are paid in time*
- 3. The Tax Administration shall provide a population register of high quality*
- 4. The Tax Administration shall deliver financial services of high quality*

Objective 1 and 3 concerns the activities of the county tax offices, while objective 2 and 4 concerns the tax collectors' offices.

The Tax Administration's strategy plan for 2001-2004 has four strategies:

Strategy 1: Industry and commerce

We shall increase the knowledge about and enhance our efforts towards industry and commerce

Strategy 2: User orientation

We shall develop services and products of high quality well suited our target groups.

Strategy 3: Organizing

We shall actively develop the organization to improve our task accomplishment capability.

Strategy 4: Competence

We shall develop the Tax Administration as a competence based organization.

5.3.1 Superior goal vs. vision

As explained above, the Tax Administration's superior goal is to ensure that taxes and other duties are correctly calculated and paid. The Tax Administration provides no vision besides this statement. With the nature of its mandate, this seems sensible and uncontroversial. As the superior goals of businesses are less definite, they usually work towards a "vision" instead. In the succeeding presentation, I will use "superior goal" and "vision" interchangeably, and consider them alike **in this specific case**. As "vision" is the governing theoretical phrase, it is mostly used, but nevertheless refer to the superior goal in the case of the Tax Administration.

5.4 Implementation of Balanced Scorecard

5.4.1 Background

A joint project carried out by the Directorate of Taxes and Directorate of Customs focusing on co-ordination of the control efforts and resource utilisation, concluded that there was no management system in place. One of the recommendations was to carry out a pilot project based on the Balanced Scorecard methodology. Telemark County Tax Office was asked to be a pilot office and to participate in the development of such a system. During the piloting period in the second half of year 2000, the system covered the controlling activities of the county tax offices and two local tax offices within the county along with the local tax collector offices.

Based on the experiences from the piloting period, it was decided to extend the scope of the project to include all activities of the county tax office. The same decision was made at the one of the local tax offices included in the piloting period, while the other piloting offices chose to terminate the project.

Telemark County Tax Office was positive to be a piloting office primarily due to the absence of any kind of management system. Generally, the performance of the Tax Administration and its sub units, have been assessed by reporting historical data. Management parameters have been issued through assignment of resources and priority notes. However, these have to a lesser extent been related to the actual results achieved. Through participation in the development of scorecards, and testing of the system, more focus has been directed towards management of the operations in a more thorough fashion. Positive results from the piloting period are confirmed by the extension of the BSC project from the controlling efforts to all activities at the office. As the Tax Administration has no general management system, the focus of the BSC project at Telemark County Office is development of a suitable framework for management of the office, given the centrally determined strategies, to improve goal accomplishment.

5.4.2 Linkage to the strategies

As mentioned above are the overall strategies developed by the Directorate of Taxes. The strategies are governing for all units within the tax administration. The current strategy plan applies for 2001- 2004, whereas the developments of the scorecard largely took place before the present strategies were available. The five perspectives laid down in the BSC framework are nevertheless strongly related to the four strategies.

In development of the BSC framework, a clear objective was to develop a management system, suitable for governing of the office; that incorporates both the overall strategies of the tax administration and the short term (annual) priorities at each office. An important aspect in this respect was development of appropriate “lead indicators”, or forward looking parameters

5.4 3 Establishing five perspectives

The BSC system was developed on the basis of five perspectives:

1. Marketing perspective
2. Internal processes and organising
3. Human perspective
4. Learning and innovation perspective
5. Result perspective

The rationale for five perspectives is the following:

Marketing perspective

The term “market” means all organisations or individuals within the target group of the control activities. This includes everybody paying tax or other duties as well as those obliged to file for the tax administration. In depth competence of the market is essential for successful control efforts.

Internal processes and organising

This perspective directs focus towards the internal processes that are critical for the activities of the tax administration. The operations of the tax administration is characterised by multiple departments at the county tax office and participation by multiple control units. In addition, due to ongoing organisational changes, focus towards this area is well managed operations.

Human perspective

The human capital is the most important asset for the administration. Competence is the driving force of the activities and is essential for success on all focus areas.

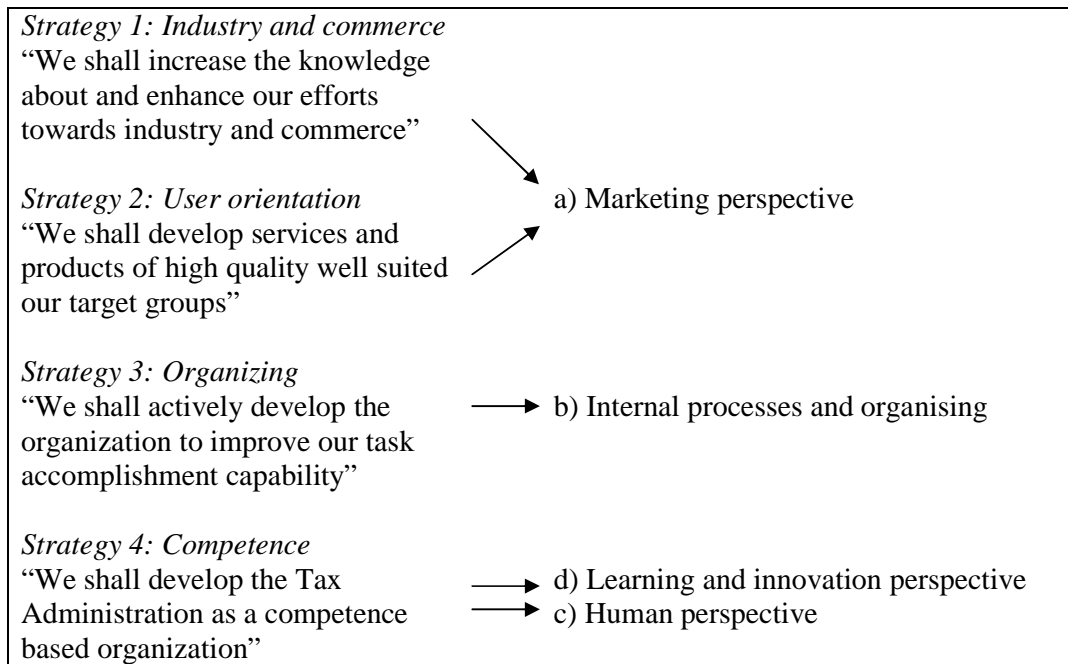
Learning and innovation perspective

The learning and innovation perspective involves both the conservation and development of the employee’s competencies. Simultaneously, it includes the awareness of possible challenges and dilemmas facing the employees in their daily work. An important consequence is that the employees should have the opportunity to maintain and develop their competence.

Result perspective

This perspective defines the ultimate purpose, achievement of the superior goal: *To ensure that taxes and other duties are correctly calculated and paid.* The purpose and existence of all other perspectives are motivated by their support towards this perspective.

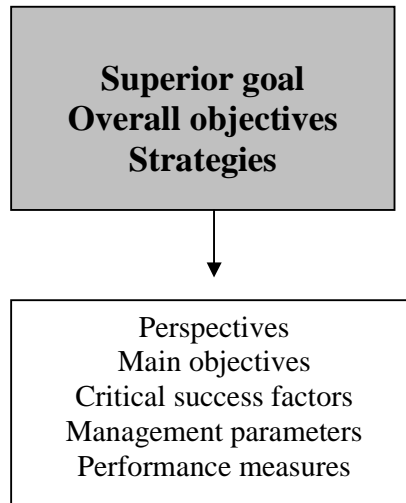
The perspectives are connected to the strategies of the tax administration the following ways:



Strategy 2, User orientation, is not directly reflected in any of the perspectives, but some of the objectives of this strategy are related to the marketing perspective. Other objectives are found in some of the other perspectives.

5.4.4 Structure of the BSC system

The BSC system at Telemark County Tax Office is developed on the basis of the following framework:



Based on the five perspectives described above, 2-4 *main objectives* are developed for each perspective. The main objectives state the determinants of success in each perspective.

Critical success factors describes where to succeed to reach the main objectives

The *management parameters* selected provides guidance as to what to do or achieve to succeed with the critical success factors. There are two kinds of management parameters: *Lead indicators* that are forward looking, and *lag-indicators* telling what has been accomplished. A key challenge in the development of the BSC system was finding the appropriate balance between the forward and past looking parameters. As the system is a management system, prime focus should be on the activities ahead, rather those of the past.

The *performance measures* quantify the initiatives to be done or achieved under the management parameters.

In addition, there are action plans related to the various initiatives, but these are not incorporated in the scorecards.

5.4.5 Example of a scorecard

In order to show how the perspectives are made operational in Telemark County Tax Office, the scorecard for the **human perspective** is provided (in my translation). This is the only scorecard that is publicly available. The other perspectives are confidential and could therefore not be included.

During my visits in Telemark, I was shown the other scorecards and was able to inspect them to verify the information provided during the interviews. However, as these are exempted from the public, I could not get any own copy to bring with me or include in the report.

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CHAPTER 6: CASE STUDY FINDINGS

Now, the journey has taken me to the presentation of data collected through the study. I have tried to increase the quality of findings by using various sources of information. These include internal documentation, official publications, interviews, archival records and the internet. The Tax Administration, like other governmental branches in Norway, presents much of their publicly available material at their web site. Through use of multiple sources, I have been able to assess the answers on the questions against information from multiple sources in order to gain the overall best understanding.

In this chapter, my findings are presented in chronological order. On all questions, the responses from the managers are presented first, thereafter the response of the employees. The findings summarised in this chapter will be discussed and analysed in chapter seven.

6.1 Findings on Barrier #1: Visions and strategies are not actionable

6.1.1 Findings on hypothesis 1

Managers

Hypothesis 1: BSC secure that the organisation understands the strategies.
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All managers except one could recall the strategy satisfactory. Not by the exact wording, but with the same context. This supports my hypothesis in the sense that if you can tell it, you have most likely understood it. One interviewee was unable to give a satisfactory answer. However, when the interviewee was given an example of one of the main strategies “*Business and Commerce*”, and asked to break it down into an action plan, the respondent did so in a fully acceptable way. This indicates support of the assumption that it was actually understood through knowledge about what was needed to be done, and how it should be accomplished.

To obtain an understanding of the strategy throughout the organisation, it has to be communicated. All interviewees had received communication about the strategy through meetings and documents, but also at other tax offices. However, the strategy is developed by the authorities, the Directorate of Taxes. This is a “disturbing (or annoying) factor” as the unit is unable to participate or influence the creation of the strategy that actually governs their work and priorities.

All leadership respondents could tell the organisations’ vision. However, it was indicated that the vision received less emphasis compared to the strategy and action plans as they are more concrete. All respondents were able to give satisfactory examples of how the strategy influence their work. This can support the assumption that they understand the strategy. One example provided was, “*the Balanced Scorecard focuses on strategically important issues. By help of the action plan on the scorecard, we are able to put focus on the strategy, and thereby help us understand the importance of the strategy focus in our daily work.*” This supports the idea that the understanding of the strategy, and how Balanced Scorecard helps, is communicated through the measurements.

All interviewees, except one, answer that the implementation of Balanced Scorecard has improved their strategy focus and strategic thinking compared to the time before the system was introduced. This support the interpretation that they understand the strategy and that BSC amplifies and stimulates this understanding.

The interviewee responding that the strategy understanding had not improved with BSC, though claimed that it had enabled a better and more structured picture of the strategy. It is reasonable to contribute this response to the fact that the respondent had been working in the organisation for a number of years and already had a high level of strategy understanding.

H1 Summing up: The hypothesis was supported

Employees

In order to better understand and control the answers from the leaders, I have also verified the information against the response from the employees in the different departments.

It is interesting to note that while the managers focus on the strategy and view the vision as less important, only one of the workers could recall the strategy. The rest of the interviewees did not seem to know the strategy at all. On a concrete question on one of the main strategies, *Business and Commerce* (the same as the leaders was given), only two of the interviewees were able to give a satisfactory answer on how it could be put into action. This does not give any clear support to the hypothesis.

All interviewees told how the strategy had been communicated through meetings. They also indicated that the information was given a long time ago. As mentioned above, while the managers viewed the vision as less important, all of the interviewees could recall "*Right taxes at right time*". The interviewees gave examples of different measures at the Balanced Scorecard. Time frames and quality were commonly mentioned when they had to tell how the strategy influenced their work.

The employees gave the same answers on how the Balanced Scorecard influenced their work as with the strategy. Though, here the response was much vaguer. Two of the interviewees responded that it did not influence their work at all. This might indicate that the strategies are indirectly understood as measures in their daily work, and thereby support my hypothesis. All interviewees answered that the Balanced Scorecard has contributed to their strategy understanding.

However, on this last point, I also got very different answers. One respondent answered that the measures had contributed to a better strategy understanding. The other respondents' answers did not provide any support to this view.

Three of the interviewees were unable to give satisfactory answers. However, they indicated that they had only seen the parts of the Balanced Scorecard that

concerned them selves. Only the interviewee that had seen the entire Balanced Scorecard was able to tell that it had increased his strategy understanding.

H1 Summing up: Inconclusive results

6.1.2 Findings on hypothesis 2

Managers

Hypothesis 2: BSC secure that the goals can be acted upon

In this section, the criterion is that the interviewee said the strategy could be made operational and was expected to support this convincingly.

All respondents were able to give satisfactory examples on how the strategy influenced their work. As for the managers, this supports the assumption that they understand the strategy. All respondents indicated that the use of the Balanced Scorecard directed attention towards the strategically important issues in a more structured and focused way. This indicates strong support for my hypothesis that the BSC secures that the goals can be made operational.

Four of the interviewees were able to give satisfactory answers on how this is done. One interviewee showed a shortage in understanding. In order to make sure the goals could be made operational, I tried to find out if there were any main strategies without a good plan of how to reach the goal. Logically, in order to make a goal operational, we need to know *how* to achieve it. Here, four of the respondents said there were none. This supports the hypothesis since there is no indication of any main strategies without the support of an action plan. Furthermore, four of the respondents answered that there are action plans without a clear strategy or goal behind it. *“Everything we plan is not enough tied to the strategy”* or *“there are less of it now. However, there are not always a clear thought or strategy behind everything we do”*. Only one of the interviewees did not believe that there were any action plans without a strategy.

The rationality behind the scorecard was described by all the leader interviewees. This can support the hypothesis. This was furthermore tested by asking the respondents to give examples of what goals that the measures are

based on. However, this was not as easy to answer, for instance by the following: *"It is to reach a result, the administration's main goals is behind much of what we measure. For example, the main goal for the administration is that right taxes should be done right and at the right time"*. One of the measures on the scorecard is to deliver taxes at the right time, and that the filing for the authorities should be delivered on time. This is directly tied to the main goal of the tax administration. However, the interviewee did not know whether the employees knew the rationality behind the measures on the scorecard. They were uncertain whether the answer would be the same since they had been less involved in the scorecard project than the leaders.

H2 Summing up: The hypothesis was not supported

Employees

When I investigated the employees understanding, only two of the respondents answered that the strategy could be acted upon, or made operational. These two were also able to give satisfactory answers on how this was carried out. The other two did not know how. When given the strategy example (Business and Commerce), they still did not know how to transform it into in action. All of the interviewees did not seem to have an understanding of whether there were any main strategies without action plans, or action plans without strategies.

Three of the interviewees gave a satisfactory answer on the rationality behind the measures. However, on the control question, where they were asked to describe the main goals behind the measures, only one of the respondents was able to identify the main goal. Even when an example of measure was given *"why there should be one personal development initiative per employee annually"*, only one of the respondents showed an understanding of the underlying objective. These findings do not provide any support to the hypothesis. However, all respondents agreed that the measures are there to obtain better results in order to reach the main goals.

H2 Summing up: Inconclusive results

6.2 Findings on barrier # 2: Strategies that are not linked to departmental team and individual goals

6.2.1 Findings on hypothesis 3

Managers

Hypothesis 3: BSC establish a linkage from the overall strategy to the goals at the departmental, team and individual levels.

More than any other place, it is in the budget you would expect to see the link from the overall strategy to departmental and (to some extent) the individual's goals. Through the budget, resources are allocated making the budget the most powerful mean to stimulate or dampen activities. In this section, I try to understand how the budget process works.

In my hypothesis, it is implicit that the allocation is based on the strategy and not on an "allowance budget". Everything contributing to a distance between the activity and the allocation is undesirable since as it does not provide support to the hypothesis. What I try to find is whether the resource allocation actually is based on strategic considerations.

The interviewees were asked to explain the budget process in their department. All interviewees said that there are no "own" department budget, except in one with a separate "travel budget". However, this respondent claimed that there is no clear link between the departmental budget for travel expenses and that it has no relevance for the Balanced Scorecard.

All respondents explained the budget process in the organisation reasonably similarly. *"We get preliminary funds when the national budget is submitted. We should expect to get "that much" next year. Based on this, we develop a budget for the county (as pointed out earlier, the county budget applies to both the County Tax Office and the local tax offices within the county). In January, when the government budget is finally approved by the politicians, the funds for the years are released after the last adjustments of the political process. Then, we have one budget with various items. After discussion with the employee representatives, this becomes the final budget. The distribution within the budget has not been tied to the scorecard, neither the size of the annual*

allowance. The initiatives indicated by the scorecards are not linked to the budget. This is clearly a weakness as some of the initiatives do cost money, which we need to assume is available.”

All of the respondents answered that there has been no change in the budget process since the Balanced Scorecard was introduced as they are not linked in any way. On the question of whether the strategy is linked to the budget, four of the respondents said that the strategy process and the budget are not linked as the strategy document is developed centrally by the Directorate of Taxes. One of the respondents believe that they are connected without knowing, on the basis that the *“resources are (always) allocated in accordance with the priorities of the Directorate”*.

In order to better understand the budget process, I explored the consequence of budget overrun. Three of the managers did not know anything about this point, while two of the managers said that the overrun would be charged to next year’s allowance: *“if we use more money than we have, we get the amount the amount deducted in the next budget”*. This does not give much support to my hypothesis. On the question on whether it is important to use the entire budget, three of the respondents said that it is of importance to use the budget. *“We should use the money we have at our disposal, but not more unless we have any concrete issues we need them for in next budget period. The budget allowance is so tight that it is a weakness for management. We have a budget reallocation model. Telemark get so and so much money based on the government’s budget, that means that we do not get less money if use less funds than granted. We can “save” money. However if we save much money over a long period of time, we run a risk for receiving less money later.”*

Another answer is that it is *“good to use everything we have as long as we use them for budgeted costs”*. Two of the respondents answered that it is not important to use everything. *“If we can reach our goals by using less money, this might be one form for reaching its goal”*.

I then tried to find out whether there where any form of *activity based costing* as this would provide support to the hypothesis. All respondent said that there is no activity based costing besides the practise that unscheduled projects

trigger costs based on their actual activities. Similarly, travel expenses were also highlighted as an activity driven costs. However, neither of these are ABC in its true meaning.

On the questions on important activities that are not measured on the scorecard, one of the interviewees did not have any opinion, while three meant there were no important activities omitted from the scorecard. One interviewee said there were no important routine activities left out from the scorecard, while three meant that there are unimportant measures on the scorecard: *“we have learned that there are necessary activities that are routine which in themselves do not necessarily need to be included on the scorecard”* . Here, the interviewees within the management team expressed different opinions. As one of the interviewee said that they should be included earlier. Another interviewee showed that less important things are measured on the scorecard since *”there are measures that say the overdue interest should be less than 1%. This has no real value to measure this since overdue interest has never been anything other than zero.”*

All of the managers gave satisfactory answers to the points about how individual performance easily can be connected to the department’s total performance: *“The result of the department measure the aggregate achievements, where every individual is a part of the total results and can contribute to improve or worsen the result depending on efforts.”* All interviewees said there are performance appraisals that include individual performance: *“The performance appraisal should include performance measurements and the expectations to the employee, how much of the expected performance result he or she is expected to achieve of the total departmental performance”*.

When trying to find out if they experienced any difference in the performance appraisals before and after the implementation of Balanced Scorecard, four of the respondents answered that there had been no change. This was more seen as a “Directorate issue”. One of the respondents said that *“the clear focus on what to achieve on a certain number is new.”*

On the questions about the strategy connection of the performance appraisals, three of the respondents said such a link was established. This was done through the issues addressed in the appraisal conversations. It was also included in the guideline for how the performance appraisals should be conducted. Two of the respondents answered that this was done partly since the performance measurements were connected with the strategy. These statements support the hypothesis. All of the respondents' meant there were no real sanctions if you did not work to achieve the goals that were established. The measurements are not tied to salary or other sanction-like arrangements.

Four of the respondents meant that there is nor any (actual) analysis of current or future competence needs. For example, *“if the government or cabinet changes, the tax reform and the regulations changes, we may not need to hold of the competence we currently not hold. These are external changes that are not influenced by us. It is very hard to plan from”*. However, one of the respondents states that *“we have competence plans where we analyze what competence improvements we need to do, or what we need to outsource. This is also tied to the strategy”* Two of the respondents mean there are competence development plans. However, these do not have a long term focus. Three respondents said there are no competence development plans, since there is no real assessment of the current situation, or what competences we actually hold. However, these respondents admit there is some competence development based on people's feelings and believes. Since there is no a real competence development or plans, all of the respondents answer that they are not connected to each other, or that there has been any change since the Balanced Scorecard project started.

H3 Summing up: The hypothesis was not supported

Employees

When I posted the questions to the employees, I got different answers. As there are no budgets for the different department, there is neither any real understanding of the budget process nor how it works. Nor is it any understanding about whether the strategy and budget is connected in any way. However, one of the respondents had satisfactory knowledge about the budget as his work involves budget preparations. The respondent's answer is no

different from the management groups in the description of the overall budget process or its lack of connection to the Balanced Scorecard. The respondent also argued that the strategy and budget to a lesser extent are connected.

When looking at the issues of unimportant measures on the scorecard, one of the respondents said that that he did not have sufficient overview to answer this question. On the contrary, three other respondents meant there were unnecessary measures on the scorecard. As an example, one respondent said *“we are supposed to be an attractive working place. One of the measures supposed to indicate this is if there are more than ten qualified applicants for a vacancy. If we get less qualified applicants we have to improve on this area.”*

All respondents said they have performance appraisals. Today, this also includes salary and individual goals. All of the respondents said the performance appraisals have not changed since the introduction of Balanced Scorecard: *“It has been more structured and a concrete number of reports and controlled are made during the year. These are included, but there is no concrete requirement that you should do so and so much before.”* This supports the hypothesis. However, the changes are not exclusively caused by the Balanced Scorecard, but also by new demands from the Directorate of Taxes. Two of the respondents said that the performance appraisals are connected to the strategy through the measures. Two respondents did not give a satisfactory answer.

All respondents said there were no sanctions if they did not work to reach the goals established in the performance appraisals. This does not support the hypothesis as there is no clear connection. None of the respondents knew of any analysis of current or future competence needs: *“It has not been put into system yet; however, two employees have been working with this.”* The respondents say there are no competence development plans, but that the competence need is considered from case to case. However, as there are no competence development plans and no competence analysis, they can not be connected. None of the respondents felt there had been any change in this respect related to the implementation of Balanced Scorecard.

H3 Summing up: The hypothesis was not supported

6.3. Findings on barrier 3: Strategies that are not linked to long and short term resource allocation

6.3.1 Findings on hypothesis 4

Managers

Hypothesis 4: BSC secure short term resource allocation is linked to long term strategy

All of the respondents answered that new positions are based on the budget: *“New employees are hired when the budget allows. It is not connected to the competence need analysis. However, when we hire new employees, we do so based on needs associated with what we need to be capable of in fulfilling our strategy. It is always connected to the budget. It tells how many positions we can have at every time.”* All respondent say that the budget is based on funds available, and not on the strategy: *“it is based on what the government think we should have”*.

All of the managers say that there is flexibility in compensation. An example is the answer from one of the respondents: *“We have so called local authority for negotiations. Through these negotiations, we are supposed to give competitive salaries when needed”* another answer is *“it has become more flexible and with a larger individualism, even if the public sector historically have had lower wages than market salary. However, this is so new and not connected to the implementation of Balanced Scorecard.”*

One of the respondents said that there is no difficulty in taking negative investments today, even when it does give positive pay back until a few years later. However, it is the Directorate of Taxes that decides when it comes to investments. Four of the respondents said that they did not know since the Directorate took the large investments and provided the conditions and limitations for this kind of decisions. They where also unable to give any examples. They did not influence bigger investments since they were all made on superior levels. Since the decisions about the investments are made on a superior level, the respondents did not know whether there where a link between them.

All respondents expressed that any linkage between the competence need analysis and the current situation is so poorly developed that it could confirm an actual link between these. However, all respondents said that there should be a clear link when it gets more into system.

All of the respondents said that they could influence the budget for the organisation. Since there are no unit-budgets, they were unable to influence these. One example of these is the answer *"The county's budget is freely prioritised by the leadership group. We decide what we are going to use our allowance on. Our portion is decided on leadership meetings. However, much of the money is tied to rental contracts and salary. If there is anything left, we are free to decide how to use it"*. The other respondents answered similarly. However, they said that they exercised influence through participation at the leadership meetings. Thereby, all respondents said that they had some influence on how to allocate and prioritise the money. All respondents also said that there was no change compared to before the Balanced Scorecard was introduced. As stated by several: *"This is the way the government allocates funds to every single branch of it's' organisation"*.

H4 Summing up: The hypothesis was not supported

Employees

In order to gain a deeper understanding, this is also tested on the employees. All employees said that the new positions are based on the budget. One example was: *"It is the means that decide how many positions we can have at every time"* or *"we have had hire-stop so it must be based on the budget"*. Two of the respondents answered that the budget is based on funds available and not so much on strategy. The other two did not have an opinion and did not know much about how the budget is allocated.

All respondents said that there is flexibility in the salary systems *"we have something called production salary that started 1st July 2002. This is introduced by the Directorate of Taxes. However, this is so new that we can't see the results of it until next year."* Or *"we have local wage negotiations where the one producing the best results are rewarded in excess of the ordinary pay following his or hers position at the salary ladder."*

The questions concerning investments in development and future investments demand was unfamiliar material for the respondents. As they did not have any knowledge or influence on the budget, only one of the respondents had the possibility to answer. As stated before, this response was similar to the one of management team. This respondent also felt influence on the budget since he developed budget suggestions. He furthermore meant that good arguments are what it takes for the allocation to be a little different.

Two of the respondents meant that there is a link between the competence development and future competence needs, *“if you are to be considered for a job, you need to be much more qualified than you had to earlier”*. One of the respondents meant there is no link since there is not an adequate analysis of competence needs or required developments for the future. One respondent did not have any opinion. All respondents meant that there was no change from earlier years for the budget process.

H4 Summing up: The hypothesis was not supported

6.4 Findings on barrier 4: Feedback that is tactical and not strategic

6.4.1 Findings on hypothesis 5

Managers

Hypothesis 5: BSC secure feedback on strategically important processes
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In order to test this hypothesis, I started out with a question on how the performance information is used. It is interesting to note that only two of the respondents answered that it is used to manage the office. *“We report it to the Directorate of Taxes, and use it in management of the office. We have monitoring through the year where we are related to the goals. We report four times a year. The budget is reported more frequently, other areas less.”* Two of the respondents did not know how the information was or should be used. One of the respondents said that *“it has not been used as much. The thought is that*

we should use it, but we have not done this as we should.” This does not provide much support for the hypothesis. It is collected, but not used. It might be a consequence of a missing information system that could help collecting the data. So far, everything is collected manually.

All of the respondents say there must be a change in the measurements if the strategy changes and the goals the organisation is working towards. Three of the respondents said that there were changes in the measurements after the strategy. As an example, one of the respondents answered *“we go through our management documents every year and have annual goals and priorities given by the Directorate of Taxes, directing what the focus should be for this period. Because we get changes in the focus, we do not change the goals. However, there might be changes in the performance measurements for the single year. We correct the scorecard in addition to the focus areas we have within every single strategy. Now, one of our focus areas is VAT and the new things are concerned with this. However, next period this is not new and we need to focus somewhere else. Changes in laws can also change our focus. As a consequence, we have to change our scorecard. It is important that there is dynamic in the directions of what we should focus on.”* One of the respondents reported differently and said that they did not change the measurements when the strategy changes *“we have changed the strategy. However, the goals are the same. We change how we shall achieve these”*.

These results support the hypothesis. The measures are changed in accordance with the strategy. All respondents answered that the budget and the scorecard are not connected so the budget process is not changed as management information from several areas has been made available.

Regarding the feedback process, there are varying responses about how much time the respondents use on this process. I have not been able to test this information against other sources as the information about time spent includes much more than the concrete feedback on the Balanced Scorecard, especially preparations. The respondents' main answer is that they really do not know. They estimate from 1% of their working effort to 10-15%. There is neither any equal answer when it comes to how often the measurements are reported. One respondents answer is *“we started out with monthly feedback and data*

collection. However, we have not had it as often this year since the tool to follow up the measurements is too bad. We focus more on the single initiatives we are working to achieve. Earlier, we focused on the entire scorecard". Another respondent answered that the measures are reported four times a year. The other two respondents said that they did not know how often the measurements were reported. Neither did they know how much time they spend on giving feedback or the feedback process in general.

The next question was how the feedback is used in the budget process. The objective is to test indirect support for the hypothesis. Here, four of the respondents said that the feedback on the measures is not used in the budget process at all, since the budget and the scorecard are not connected to one another. One of the respondents said that the feedback we get through the measurements are used in the budget process indirectly *"when we say we shall achieve these goals, for example have 200 annual controls, it means that it has to interfere on the budget that we negotiate about."*

Only two of the interviewees were able to give satisfactory answers on an example of a non financial measure. For example: *"We have a perspective called the co-worker perspective where we state that our work place should be attractive with high professionalism. A good social environment is the main goal. Then, we have specified critical success factors and performance measures. However, one of the performance measures is that we need to have at least 10 qualified applicants. Low sick leave also indicates that we are an attractive work place. Low sick leave indicates that we have a good working environment. If we have low sick leave, it is because employees comfort is good and we have a good social milieu."* Three of the respondents did not know. None of the respondents were able to give an example of a measurement with primarily strategic importance. On the question of example of a report with primarily strategic management information, one of the respondents was unable to give a satisfactory answer. Two respondents said the annual report and two of the respondents answered the Balanced Scorecard.

H5 Summing up: Inconclusive results

Employees

Three of the respondents said that the performance information on the strategic goals is management information used to improve the overall performance of the operations. *How, what and where* the information is used at all, was unclear for the respondents. One of the respondents did not know what the information should be used for at all.

If measurements are changed to fit the strategy, the respondents did not know since the measures are formed by the top management. Neither did they know anything whether the budget process had changed as a result of more management information. One respondent even claimed that it had nothing to do with the Balanced Scorecard.

I have also found that very little, if any time is spent on the feedback process. Two of the respondents answer that they use minimal of time on feedback. One respondent say that the use is 2 days a year. Another respondent did not use time at all. When it comes to how often the measurements are reported, two of the respondents answer that they report the measurements four times a year. Two of the respondents do not report at all since there is no real good reporting tool. The respondents do not report the performance measurements since this is not actually required, and *“there is little in our department that is tied to the Balanced Scorecard”*. Two respondents say that they have reported the performance measurements four times a year earlier. However, *“we have got information that the reports are not useful yet, it is not functioning yet”*. All interviewees did not seem to know how much time they use on the feedback process. However, one indicated that they are so well off in the performance measurements *“it was necessary figure out a way to relax more and work less”*.

Three of the respondents where able to give satisfactory answers on non financial measures, while one respondent did not know any. None of the respondents where able to give any example of performance measurements with strategically important information. All of the respondents gave the annual report as an example on a report with strategically important management information.

H5 Summing up: The hypothesis was not supported

CHAPTER 7: ANALYSIS

From Chapter 6, we have the following findings:

Hypotheses	Managers (M)/ Employees (E)	Result
H1: BSC secure that the organization understand the strategies	M	The hypothesis was supported
	E	Inconclusive results
H2: BSC secure that the goals can be acted upon	M	The hypothesis was not supported
	E	Inconclusive results
H3: BSC establishes linkage from the overall strategy to the goals at the departmental, team and individual levels	M	The hypothesis was not supported
	E	The hypothesis was not supported
H4: BSC secure short term resource allocation is linked to long term strategy	M	The hypothesis was not supported
	E	The hypothesis was not supported
H5: BSC secure feedback on strategically important processes	M	Inconclusive results
	E	The hypothesis was not supported

In this chapter I will judge and analyse the data discovered. I will try to explain and analyse the findings using Kaplan and Norton along with other theories.

7.1 Analysis of barrier #1: Visions and strategies are not actionable

7.1.1 Analysis of Hypothesis 1

Hypothesis 1: BSC secure that the organisation understands the strategies.

My findings indicate that the management interviewee group did understand the strategy. All of the respondents were able to recall the strategy and all five interviewees understood the strategy.

However, the same answer was not found when I looked at the employee level. Here, the overall understanding is that the strategy and action plan were less

well-understood. This was observed; even though the vision was recalled which isolated could support the hypothesis. Here, the findings do not indicate any clear support to the hypothesis, neither a clear disproof.

One of the reasons why the findings reveal a difference in understanding may be that the management team to a larger extent had developed the Balanced Scorecard. This is supported by Olve (1999) where he argues that *it is the process in developing the Balanced Scorecard, and not the scorecard itself*, that is important. It is through the dialogue around the measures, and the motives behind the intended direction that actually lead to use. This is in line with the findings. The management group had developed and worked actively with the Balanced Scorecard concept. The wording was completely developed by the leadership team. On the contrary, the employees were introduced, or possibly pushed into, the concept the managers had been working with for a long time. The understanding of the scorecard and its basic goals seem inadequately communicated or understood. The employees understand that it is a management tool. However, most of the employees also seem to perceive the BSC as a control tool. Hence, the understandings seem to be that the employees hold it as an aid to improve the control of the workers. The managers, on the other hand, regard it a management tool that can help all parts of the organisation move in the same direction.

I have also found that there is a difference in the strategic understanding before and after the Balanced Scorecard was introduced. The management respondents agreed that the Balanced Scorecard has improved their strategic understanding, while the employees did not think it had improved theirs. This might be one of the reasons for why the managers' respondents gave support, while the employee respondents group did not have the same overview. As pointed out, the management team had been working with the understanding and acceptance process of the Balanced Scorecard for a while. However, we can not expect the employees to have the same understanding and motivation to work towards the goals as those with more "ownership" of the process and concept.

Something that can influence the results is that the strategy and vision is developed at a superior level. It is developed by the Directorate of Taxes and is supposed to provide guidance for how to govern all branches of the

organisations. This might be one reason for why the management team is not so concerned with the vision. This is also in line with Senge's observation that even a leader with a clear vision may lack mechanisms for sharing the vision with the entire organisations (Senge, 1990). The new version of the strategy from 2001 came as a result of the pilot project. Originally, the Balanced Scorecard was based on the previous strategy plan. However, it had been revised to reflect the changes, but still may be incomplete under the current strategy.

7.1.2 Analysis of Hypothesis 2

Hypothesis 2: BSC secure that the goals can be acted upon

In the analysis, I have found that all management respondents mean the strategy can be made operational. The employees' answers indicate similarly, though with a lesser appreciation for this view. My findings indicate that the strategy is better understood when BSC is used. This is in line with Thomson (1998) who argues that you have to understand the strategies to change them into goals and make them operational. None of the respondents that did not understand the strategy argued it could be acted upon.

The findings also indicate that the hypothesis can not be neglected since all of the management interviewees could describe the rationality behind the scorecard. Likewise, all of the management respondents where able to break down the strategy into action plans. However, it is not as easy to find support or clear disapproval to the hypothesis when it comes to the employees.

I expect that those that have understood the strategies can make these operational. In the management team, four out of five managed. However, as it was clearly expressed an understanding of the strategies, the inability to make it operational may be related to the actual shaping and development of the strategies. Olve (1999) do claim that one of the elements in this process is to break down the visions to strategies inside the different perspectives, but also the creation of action plans. He furthermore argues that the Balanced Scorecard model makes it easier to decompose the vision into specific reality based strategies which people in the organisation feel that they can understand and

work with. Since there is no way of influencing the vision and strategy since as it is formed at a superior level, the findings indicate that the employee respondents did not have sufficient overview of the scorecard and hence could not understand how to make the goals operational.

According to Kaplan and Norton (2000b), the strategies have to describe how the organisation plans to achieve the desired result. The authors argue that it is of decisive importance that the strategies describe how the strategies are expected to be accomplished. The findings indicate a difference between the management group and the employee group. The strategies and their action plans appear most descriptive and concretely directed to the overall organisational goals. Likewise, they appear less oriented towards the departments and how the workers should achieve their goals. This might be one reason for the difference in the understanding of the strategy. There were more concrete action descriptions in the management team now. The strategy is also a lot easier to follow. Earlier, it consisted of seven steps. Now it is four strategies with clear action plans tied to each of the perspectives. The current strategy is more concrete and descriptive. This might be another reason for why the hypothesis can be true.

I have also found indications that the employees try to make sense of the vision and how they should accomplish it their own. The findings also indicate that how to reach the organisation's goals varies across the different departments. In other words, as long as there are no clear guidelines or action plans of how the employees are expected to accomplish the strategy, they seem to rationalise the vision in very different directions. Without assistance, the information is interpreted differently.

7.2 Analysis of barrier # 2: Strategies that are not linked to departmental team and individual goals

7.2.1 Analysis of hypothesis 3

Hypothesis 3: BSC establish a linkage from the overall strategy to the goals at the departmental, team and individual levels.

The financial accounting outcomes such as the balance sheet and annual reports will always endure due to legal obligations and external requirements. Generally, the reason for a firm existence is to increase the shareholders' long term value. Hence, the financial goals are still the most important to measure. Here, I have tried to identify whether the allocation of resources is based on strategy. The findings on this hypothesis are not very strong. The budget is not connected to the Balanced Scorecard. Only urgent projects and travel budget is related to their activities. Neither of these is formally connected to the strategies.

Overall, the findings do not provide much support to the hypothesis. However, the findings indicate that the management interviewees point at the performance appraisal as connected with the strategy. However, the performance appraisal is not connected to the budget in any way. There is neither any sanction nor reward related to the accomplishment of the measures on the scorecard.

A possible reason for not finding any support to the hypothesis might be the absence of linkage between budget and the strategies. The same may apply to the observation that performance appraisal is not connected to the budget, or that there is no reward or punishment associated with the actual performance on the scorecard measures. The result can be interpreted as support towards Ceelman's (1998) theoretical barrier of strategy implementation. He points out that the leadership system is designed for operative and not strategic information. This means that the management information is tied to budget and not to the strategy. This seems to be the case, even though the organisation uses the Balanced Scorecard. The findings do not indicate any difference associated with the implementation of Balanced Scorecard. Hence, it does not provide any

support to the hypothesis. However, one of the reasons might be that it is a public organisation where the distribution of means is based on allowances within a quite rigid system. This is a contradictory finding compared to the suggestions of Olve (1999). He argues that the Balanced Scorecard is even better suited for non profit organisations and public sector. The organisation itself cannot decide how much money they get, they have to receive their allowance from the governments based on their suggestions. However, most of the money received is tied to overhead costs, where only a limited sum is left for use with actual discretion.

I have found that the strategy and the performance appraisal are connected in the guidelines for how these should be conducted. However, one of the reasons that most of the interviewees did not believe, or think, that the strategy was connected was that the Balanced Scorecard is not directly linked to the performance appraisal itself. Furthermore, it can be argued that the extent in which it is connected through the measures, many of them concerns accomplishments that are not directly possible to influence by the managers or the employees. For example, to measure one of the organisations main objectives c1: *The workplace should be attractive with a high professional and social environment*. One of the measures for success on this objective where whether they received at least 10 applicants with the required competence. Here, the measure cannot be directly influenced by the organisation. Furthermore, if the measurements cannot be directly influenced, it also risks losing credibility. Likewise, if competence development is not linked to the future competence needs, how can it be successfully connected to strategy?

The competence development plans in place are mostly based on people's feelings and beliefs. Therefore, the overall strategy is hard to link in a satisfactory way. There seem no to be a satisfactory competence development system, at least not in terms of strategic anchoring. One of the reasons might be that the organisation's budget and conditions are linked to overall external condition. It is hard, or might be impossible, to manage the organisation in the long run when the budget, judicial conditions and government can change every fourth year (or even more often). In a situation with such great dependence of holding the right competence, it is hard to plan ahead when the risk of important external changes is evident. However, the organisation seems

to lack the necessary understanding of where they are today. This is critical in order to understand what competence they might lack in the future.

Differences in the employees and the management perception might reflect that management are those that make things happen. They are leading the change, as argued by Kotter (1996). This is also in line with Kaplan and Norton (2001a) where they state that the absolutely most important driver of success in strategy implementation with balance scorecard is the top management leadership style. It is obvious that the management style has a vital influence. This involves all aspects of culture, power and politics, but at the same time they must appear responsible for the strategy process. It is difficult to work toward the goals if you don't understand them and their associated direction.

7.3 Analysis of barrier 3: Strategies that are not linked to long and short term resource allocation

7.3.1 Analysis of hypothesis 4

Hypothesis 4: BSC secure short term resource allocation is linked to long term strategy

Without necessary means and other tools, it is hard to comply with the short and long term strategies. The findings indicate that new positions are hired based on the budget, rather than competence needs or analysis. The findings indicate that there are circumstances that support the hypothesis like the salary being flexible. On the other hand, there are findings that disregard the hypothesis like the budget system. Therefore, it is hard to draw any clear conclusion. The hypothesis does not have any clear support, but neither can it be fully neglected.

The scorecard is indirectly tied to the budget in the sense that the management team freely prioritise the money they have received. The information collected by the Balanced Scorecard lies in the back of their heads when the means are distributed. However, it is hard to support the hypothesis because the Directorate of Taxes decides on larger investments. For example, there has been no money to build a suitable data program that collects data to or make

the reports more usable. Today, the Balanced Scorecard is made manually and much time is spent on preparing the reports for the meetings. However, since so much time is spent on this, it has not been time to develop a suitable collection and reporting tool. The reports are now discussed twice a year, compared to the first Monday each month at the early stage of the BSC project.

Competitive salary is needed attract and retain qualified personnel. The salary system being flexible is likely to be necessity to reach this goal. This supports the hypothesis since the findings indicate that there is some freedom in the salary system, in particular as the office remain with tariff as the main arrangement. However, during this year a product based salary has been implemented. This far, no concrete result is available as the first results will be presented 1 July 2003. There are also some specialists that can be paid “marked salary”, verified by the observation that one of the employees does have a marked based compensation. This reflects a willingness to acquire even expensive competence when needed.

There is no clear link between the competence development and the future competence needs. However, this seems to be a result of the difficulties in planning or considering the future competence needs due to the changes in the external environment. This occurs because the tax administration is subject to political processes at the national level. Furthermore, there is no sufficient appraisal of the competences the organisation currently holds. This implies that there are only negative responses to the hypothesis.

The measurement within different perspectives should not lead to sup optimisation, but should support the overall vision and strategy. The major challenge is to find an evident link to create a balance between the different measures. A key discussion is whether it is possible to obtain a balance between these measures so short term improvements do not conflict with long term goals. It is interesting to note that what is measured, often it is what is easy and possible to measure, but what is meaningful in some cases are not possible to measure.

7.4 Analysis of barrier 4: Feedback that is tactical and not strategic

7.4.1 Analysis of hypothesis 5

Hypothesis 5: BSC secure feedback on strategically important processes
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As explained in Chapter 6, the finding indicates some contradictory results. The findings indicate support to the hypothesis where changes in the scorecard are made to better suite new demands and when changes to the strategy are introduced. This is also carried out to correct the cause and effect relationship when they appear irrelevant. This is in line with Olve et al (1999) where he states that the measures must support the vision and strategy where the great challenge is to find clear cause and effect relationship and to create a balance between the measures.

Feedback is the most essential factor for any performance. It is when the organisation acts on the outcomes of the measurements that learning takes place. It is either “satisfaction” or that the system requires “an adjustment” towards new measures. This leads toward the statement “*strategy is a value creating hypothesis*” of Kaplan and Norton (2001a).

The information used for feedback in the organisation appears humble. There are no equal answer on this question, the only similarities are that they agree that too little time is spent on the feedback process. Most of the employee respondents said they do not spend any time on the feedback process at all. One reason might be that the organisation lacks a tool to collect information on the Balanced Scorecard. Olve (1999) sees this as important where he states that change are being made when the employees perceive their efforts as contributors to the organisation as a whole. Another reason might be that the budget process and the Balanced Scorecard are not connected, and the budget process has not changed since the balance scorecard was implemented.

Another finding possibly indicating low support for the hypothesis is that the employees and management have little or no influence on some of the measures. Furthermore, some of the measures appear unnecessary. One of the

reasons for this might be that the Balanced Scorecard is developed by the management team and not in cooperation throughout the organisation.

CHAPTER 8: CONCLUSIONS AND FURTHER RESEARCH

I have found that the presence of Balanced Scorecard has influenced the strategy implementation in the research unit on several areas. The overall most important finding is that the Balanced Scorecard seems to improve the understanding of the strategy. I have not found conclusive support that the Balanced Scorecard actually increases the ability to make the goals operational. However, the findings do indicate that BSC provide substantial guidance for action. The strategies of the research unit do appear better understood, and to some extent easier to be acted upon. However, after the formulation of strategy, it must be broken down into understandable strategies within each of the different perspectives. In this sense, there seem to be clear indications that the implementation of the Balanced Scorecard has influenced *both* the strategy development, *and* the ability to actually act upon these strategies.

Furthermore, I have found that the Balanced Scorecard provides better, and more complete, management information. On the other hand, the improved and extended information seem to receive little attention and is not very much used in the study unit.

Unfortunately, the budget process is not strategically anchored in my research organisation. As a consequence, I cannot discuss the central barriers relating strategy implementation to resource allocation with any real substance. However, these issues are of highest importance and should be a priority in future research. The research may actually address two issues. First, to investigate how BSC overcome these barriers when the budget process is better strategically anchored (H3). Secondly, it may also address *why* there are not adequately strategically anchored budget processes. Kaplan and Norton (2000c) do pinpoint this problem and advocate the necessity of connecting strategy and planning through the budget. The key question is whether successful use of Balanced Scorecard depends on this linkage. Obviously, there are strong arguments that it should be, but is it an absolute necessity to gain value from

BSC? This question has not been addressed in this thesis, but the support towards H1 and H2 may provide some indication that it is *not* the case.

Throughout this thesis, I have also discussed some of key sources of errors and disturbing factors possibly interfering with my findings. The most important remains the uncertainty of the *true* drivers of the actual improvements. Are they actually triggered by the research unit's use of Balanced Scorecard as the strategy implementation tool? The risk of "Hawthorne" effects seems quite obvious, in particular as the research unit also participated in pilot study in 1999.

The Balanced Scorecard is a tool for strategy implementation and for employee motivation. It is a "*consultant's product*". Due to its simplification and comprehensive ability, it represents a readily available combination for executives that are willing to invest a significant sum to achieve quick results in moving the organisation in the desired strategic direction. Still, the Balanced Scorecard does appear best suited for short term success. It's appropriateness in context of building long term competitive advantages, such as learning ability or other intangible competencies, should be of great interest for future research.

APPENDIX 1: INTERVIEWS

a) Interviews conducted in the case study

Nine interviews have been conducted at Telemark County Tax Office

22 October 2002

Lars Solnørdal	Chief County Tax Inspector
Leif Egil Bakke	Head of the Audit and Control Department
Eyvind C. Kristoffersen	Head of the Tax Department

31 October 2002

Olav Drager	Head of the Planning and Adm. Department
Elin Ovstebo	Head of the VAT Department.
Svein Sannesmoen	Tax Auditor, VAT Department
Helge Nærum	Executive, Audit and Control Department
Henning Berg	Tax Attorney, Tax Department
Egil Korsvold	Senior Consultant, Planning and Adm.Dept.

b) Other meetings

18 September 2002

Per Aksel Holving	Holving Consulting
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1 October 2002

Rolf G. Larsen	Dean, Växjö University
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APPENDIX 2 - BACKGROUND INFORMATION

Background information collected in conjunction with the interviews.

Before the questions/check points presented in chapter 4 were asked, the following questions were addressed. This information was collected to assess the reliability of the respondents' answers.

Question/checkpoint	Test/rationale
Name: (Navn:)	Identification
Title: (Tittel)	- ” -
Placement in the organisation: (Plassering i organisasjonen:)	Managerial experience
Years of experience: (Ansiennitet:)	- ” -
Number of subordinates: (Ansvar for hvor mange:)	- ” -
Your position before BSC was introduced? (Hva var din stilling før BSC prosjektet ble introdusert?)	Possible personal consequences of the BSC project – objectivity, own agenda or other aspects that may ”colour” the answers.
Has your position or reporting requirements changed as a consequence of BSC? (Har innføringen av BSC endret din stilling eller rapporteringskrav?)	- ” -
Has the job requirements changed? (Har stillingsinnholdet endret seg?)	- ” -
How? (Hva/hvordan)	Reality check, was the answer to the prior question based on feelings or facts?

Question/checkpoint	Test/rationale
<p>Do you have performance based compensation today? <i>(Er din avlønning koblet til rapporteringskrav i dag?)</i></p>	<p>Any issues with the respondent's objectivity?</p>
<p>Was compensation related to performance earlier? <i>(Var din avlønning koblet til rapporteringskrav tidligere?)</i></p>	<p>- ” -</p>
<p>Did you report on things that are no longer reported? <i>(Noe som rapporteres tidligere som ikke rapporteres nå?)</i></p>	<p>- ” -</p>
<p><i>Do you report things that weren't reported earlier?</i> <i>(Er det noe som rapporteres nå som ikke rapporteres tidligere?)</i></p>	<p>- ” -</p>
<p>What do you consider the main purpose of BSC? (Strategy implementation tool vs. as continuous process) <i>(Hva oppfatter du å være hovedmålsetningene med BSC?) (Strategi implementeringen som kontinuerlig prosess vs. lederverktøy)</i></p>	<p>Assess the general level of understanding about BSC</p>
<p>How does BSC affect your work day? <i>(Hvordan påvirker BSC målstyringen din arbeidsdag?)</i></p>	<p>Importance of BSC for the respondent. Any negative or positive feelings towards BSC?</p>
<p>Have you influenced the development and design of the scorecard? <i>(Har du hatt innflytelse på utformingen av scorecardet?)</i></p>	<p>Possible personal consequences of the BSC project – objectivity, own agenda or other aspects that may ”colour” the answers.</p>
<p>Did you participate in the BSC implementation project? <i>(Deltog du i selve implementeringsprosjektet?)</i></p>	<p>- ” -</p>

Question/checkpoint	Test/rationale
<p>In your opinion, did you experience difficulties in having the strategy adequately co-coordinated and implemented before BSC was introduced? <i>(Anser du at dere hadde problemer med å få strategien implementert, eller koordinert i organisasjonen tidligere?)</i></p>	<p>To establish the starting point for the analysis</p>
<p>What problems was experienced, please explain? <i>(Hvilke problemer anser du at dere hadde, forklar?)</i></p>	<p>Reality check, was the answer to the prior question based on feelings or facts?</p>
<p>Why was BSC chosen rather than some other management tool? <i>(Hvorfor ble BSC valgt og ikke et annet styringsverktøy?)</i></p>	<p>Assess the general understanding about BSC</p>
<p>Do you consider the strategy actionable? <i>(Anser du at strategien er gjennomførbar i dag?)</i></p>	<p>The "raw" response to the hypothesis question. Has BSC changed anything?</p>
<p>Please give examples, explain? <i>(Gi eksempel/ forklar)</i></p>	<p>Reality check, was the answer to the prior question based on feelings or facts?</p>
<p>Did you consider the strategy actionable before? <i>(Anser du att strategien var gjennomførbar tidligere?)</i></p>	<p>The hypothesis implies that BSC has improved this. If everything worked out well before BSC, it does not provide any support to the hypothesis.</p>
<p>Why? <i>(Hvorfor?)</i></p>	<p>Reality check. An actual example here amplifies a positive response on the question above.</p>
<p>What obstacles have you experience in the implementation of BSC? <i>(Hvilke barrierer har dere hatt ved implementeringen av BSC?)</i></p>	<p>General background question to assess the involvement and understanding of the BSC concept</p>
<p>What obstacles against successful strategy implementation did you experience prior to BSC? <i>(Hvilke barrier har dere hatt ved strategi implementering tidligere?)</i></p>	<p>To assess whether BSC changed anything.</p>

Appendix 2: Background information

Question/checkpoint	Test/rationale
Please give examples? <i>(Gi eksempel)</i>	Reality check, was the answer to the prior question based on feelings or facts?

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