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# Balanced Scorecard's Interpretative Variability and Organizational Change

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## 1. Introduction

The Balanced Scorecard (BSC) is a strategic management system that aims to clarify strategy and to translate it into action (Kaplan and Norton, 1992, 1996 and 2001, 2004, 2006; Kaplan, 2010). It is widely used by organizations as a tool to assess and manage their companies' performance. In their past studies, Kaplan and Norton have emphasized the need for companies to align the BSC with their strategy in order to reach maximum benefits. However, in contrast with technical innovations, which tend to have tangible designs and content, management innovations like the BSC typically lack strong physical components. As an 'ideational' innovation, i.e., set of novel ideas that lack a material component, the BSC lends itself to various interpretations (Benders and Van Veen, 2001). Under the same label, the BSC can be used in various contexts involving many different functional areas and indicators. Empirical evidence suggests that varying professional communities may interpret and use the BSC in possibly conflicting ways, which may have both functional and dysfunctional effects on organizational behavior and change (Braam, Benders and Heusinkveld, 2007; Braam and Nijssen, 2011; Modell, 2009; Speckbacher, Bischof and Pfeiffer, 2003; Wiersma, 2009). In addition, different ways of implementing and using the BSC may affect performance and the competitive position of an organisation (Braam and Nijssen, 2004; De Geuser, Mooraj and Oyon, 2009).

This book chapter explores how professional groups may differently interpret the BSC, and how various interpretations and manners of use of the BSC may affect organizational behavior and performance. Particularly in complex and uncertain situations, such insight is important as knowing how to deal with the BSC can help organizations to control their organizational change processes, and reach strategic goals and objectives. Because little was known about how different professionals may interpret the BSC, it can provide managers with a useful guidance as how to optimize the benefits of this management innovation.

The remainder of this chapter is organized as follows. First, literature is reviewed concerning the management innovations. This chapter also describes why the BSC can and will be interpreted and implemented differently by different professional groups. The next section describes the research method and the findings of the study are reported in the following section. Finally, this chapter concludes with a discussion of the benefits and suggests some implications for theory and practice.

## 2. Theoretical background

### 2.1 Management innovations

Management innovations like the BSC are important sources of firms' competitive advantage. Specifically, these organization concepts would play an important role in shaping contemporary organizational processes, structures and organizational behavior. The prescriptions of innovating and organizing are suggested by academics, gurus or consultants, and they are meant to be used or 'consumed' by managers. For practical reasons, these prescriptions are simplified, but often they are not specific and have a certain degree of vagueness (Braam et al., 2007). A lack of clear description and detailed instruction makes them open to multiple interpretations. As a consequence, they lend themselves to a wide variety of interpretations (Benders and Van Veen, 2001; Giroux, 2006). This interpretative variability or conceptual ambiguity is not a coincidence but could be considered a precondition for ideas to 'flow' (Røvik, 2002) and become popular among managers (Abrahamson, 1996; Brunsson, 1993; Kieser, 1997). On the supply side of the diffusion process, different kinds of 'producers' with varying agendas may use the concept's interpretative variability to shape a concept in different ways and in various contexts to get attention from different intended audiences.

On the 'consumption' or demand side, interpretative variability may also provide opportunities to eclectically select elements that appeal to them, or that they opportunistically select as suitable for their purposes (Benders and Van Veen, 2001: 37-38). Variation in interpretations may arise intentionally or unintentionally, i.e., those who enact a management innovation may or may not be aware that they are actively shaping and therewith changing its contents. A consequence of this shaping by users is that what happens under a label's guise may be loosely coupled to the contents which its launchers had in mind. Consumers' and producers' interpretations thus shape the actions undertaken under a particular label and vice versa (Braam et al., 2007).

Adoption of management innovations like the BSC is generally not a straightforward process. Adoption of these non-material innovations involves many subdecisions, different functional areas and indicators, and customization is often required before firms can enjoy the benefits of these innovations (Braam and Nijssen, 2011). The interpretative variability of these ideational innovations makes their implementation processes even more complex, and – partly as a consequence – their use will not automatically improve company behavior and performance. Empirical studies show that the way of interpretation of management innovation like the BSC is key for successful application. More specifically, the manner of its use matters: different ways of implementing and using the BSC may have different effects on company performance and firms' competitive positions (Ax and Bjørnerak, 2005; Braam and Nijssen, 2004; De Geuser et al., 2009; Malmi, 2001; Ittner, Larcker and Randall, 2003; Speckbacher et al., 2003). This raises the question of how a company should interpret and use management innovations to achieve favourable results such as substantial performance improvement.

The extent to which management innovations are received could be context specific (Mazza and Alvarez, 2000; Rüling, 2005). Past studies revealed that the way a concept has been taken up is largely impelled through the actions of specific professional subgroups (Shenhav, 1999) and suggests that different concept discourses co-exist with different 'speech communities' (Raub and Rüling, 2001). Common backgrounds of individuals, for

instance their professional origins are likely to influence the specific ways in which they interpret a particular concept (DiMaggio and Powell, 1983; Heusinkveld and Benders, 2001; Scarbrough and Swan, 2001). Individuals who share a common background often make similar interpretations, which differ from individuals belonging to other groups. Such interpretations, which are displayed in specific professional discourses, shape how they translate the abstract notions contained in a concept into actions (Zbaracki, 1998). In other words, the concepts takes shape in particular forms when it is transferred across different contexts (Braam et al., 2007). In complex processes, which often involve many organization members, the abstract notions contained in organization concepts are translated into actions. The end result is what Czarniawska and Sevón (1996) called “translations” of a concept, i.e., the particular forms in which a management concept takes shape when it is transferred across different contexts.

In sum, understanding of how different professional groups may differently interpret and implement a management innovation like the BSC is important, as it may advance management’s knowledge about the effectiveness of the innovation in their specific organizational context while reducing uncertainties and risks associated with it. The next section describes the evolution of the BSC.

## 2.2 Balanced scorecard

Initially the BSC was developed as a comprehensive performance measurement system encompassing a coherent set of financial and non-financial performance measures covering different perspectives of the organization (Kaplan and Norton, 1992). Managers did not only focus on financial measures when taking decisions, but also non-financial criteria had to be taken into account. When integrated carefully and in a balanced manner in a “scorecard” it would provide managers with a comprehensive and timely view of their business. Four different key perspectives were identified as being critical and thus should be included, i.e., the financial, customer, internal-business-process, learning and growth perspective. Although Kaplan and Norton (1992) emphasized that “The Balanced scorecard puts strategy – not control – at the center”, directions on how to link an organization’s strategy formulation and its measurement system were limited.

Since 1996, the authors have extended their view, developing and formally proposing it as a strategic management system stressing the importance of aligning the scorecard-information with the business strategy. To translate the strategic goals efficiently into tangible objectives and measures, Kaplan and Norton suggested four interrelated management processes: clarifying and translating vision and strategy, communicating and linking strategic objectives and measures, business planning and target setting, and enhancing strategic feedback and learning. In 2001, Kaplan and Norton introduced five principles to strategically focus organizational management processes: translate the strategy into operational terms, align the organization to the strategy, make strategy everyone’s everyday job, make strategy a continual process, and mobilize change through executive leadership. Subsequently, they extended and refined the tool by describing and explaining the tool’s management processes and principles in more detail and by showing how strategy may be “mapped” using a formal and integrated set of financial and non-financial strategic performance measures allowing for alignment between the control system and firm strategy (Kaplan and Norton, 2004, 2006; Kaplan, 2010).

Thus, in their work Kaplan and Norton gradually moved from defining the BSC as a comprehensive performance measurement system to the BSC as a strategic management tool describing management processes and principles to develop and implement a strategy-focused and aligned management system built on sound, formal accounting principles (Kaplan and Norton, 1996; 2001; 2004; 2006; Kaplan 2010). Partly as a consequence of these conceptual developments, under the label 'BSC' tools of various interpretations and ways of use might exist (Braam and Nijssen, 2004).

### 3. Research method

The description of the evolution of the BSC indicates that the BSC can be viewed as an umbrella that may encompass a large variety of interpretations. However, where the diffusion of material innovations can simply be measured by repeated counts of their incidence within a population (Rogers, 2003), it is more difficult - and far from straightforward - to catch purely ideational innovations empirically. In addition, and as argued, a major problem in the empirical study of the diffusion of non-material innovations is the possibility, and indeed likelihood, of loose coupling between label and content. A study on the diffusion of innovations (Rogers, 2003) is often taken as the model, yet this cannot be applied to non-material innovations without further ado. Managers may answer "yes" to the question whether a BSC is used in their organization, but this might cover many different interpretations and actions. Studies on the diffusion of organization concepts like the BSC generally suffer from the weakness that the researcher has no clue as to what interpretations of a concept have been made. Therefore, in order to determine how the BSC is interpreted and used in practice, it is important to develop an understanding of what people mean when they say they have deployed a concept. Particularly, it requires a systematic process of discovery to develop a notion of how different communities within different contexts have constructed such a concept in time (Braam, Heusinkveld, Benders and Aubel, 2002; Braam et al., 2007). However, data about the actual use of the BSC in practice is scarce.

To show how the concept of BSC has been translated and has become associated with organizational behavior and performance, this study draws on an inductive approach in which we used three different, but highly interrelated sources of empirical evidence. Using this variety of interrelated empirical sources is necessary to both enrich and verify the translations and associations that emerge from analysis of the data (Braam et al., 2002; Strauss and Corbin, 1998).

First, this study draws on content analysis of publications on the BSC. In spite of the fact that published discourse must be distinguished from the actual use of the BSC in practice, content analysis, or 'any systematic procedure devised to examine the content of recorded information' (Gunter, 2000: 56), can give indications about the professions and/or sectors in which the BSC enjoyed popularity and may reveal ways in which the concept has been received in these different populations. In addition, the texts found may also contain empirical data such as case studies and surveys that can give indications about how and how many organizations used this management innovation. The empirical work was conducted in two steps. First, this study used print media indicators as a starting point to select the papers (Abrahamson and Fairchild, 1999; Barley, Meyer and Gash, 1988; Benders, Nijholt and Heusinkveld, 2007; Giroux, 2006; Shenhav, 1999). Second, the publications

found were further examined by content analysis. This study draws on content analysis of publications on the BSC in Dutch discourse over the period 1992-2007 (Braam, Benders, Heusinkveld and Aubel, 2001; Braam et al., 2002; Braam et al., 2007). Two raters examined the content of these articles in qualitative terms following established techniques of analyzing qualitative data (Glaser and Strauss, 1967; Strauss and Corbin, 1998). This entire analysis followed an inductive approach in which all final coding categories were developed from a preliminary, exploratory coding of data (Braam et al., 2002; Braam et al., 2007).

As a second source of evidence we used Dutch case studies and surveys to increase insight into the variation in the translations of the BSC and its associations with organizational change (Braam et al., 2001; Braam et al., 2002; Braam and Nijssen, 2004; Braam et al., 2007; Braam and Nijssen, 2011). As a third source of evidence we used several semi-structured in-depth interviews with leading management intellectuals and experienced practitioners from the Netherlands to explore their views on both the variability in interpretations of the BSC and the organizational dynamics associated with the BSC (Braam et al., 2001; Braam et al., 2002; Braam et al., 2007).

Finally, this study used an inductive analysis and logic of constant comparison (Glaser and Strauss, 1967; Strauss and Corbin, 1998) to develop a balanced view on how the BSC has been translated in practice. The data from the different sources were continuously compared and contrasted to advance our knowledge about the ways the BSC has been interpreted and used in various professional communities and is associated with changes in organizational behavior and performance.

#### **4. Balanced scorecard translations**

The inductive approach to describe how the BSC has been interpreted in practice by various professional communities and is associated with organizational behavior and performance resulted into two dominant, interrelated yet loosely coupled clusters of interpretations: a technical and an organizational translation. These should be regarded as distinct contrasting categories that are closely related to different social groups in which they are shaped. The technical translation is the dominant translation. It presumes the strategy as known and interprets the BSC as a tool that facilitates and controls the translation of a firm's strategy into operational terms. On the other hand, the organizational translation perceives strategy as ambiguous and subject to change. The BSC is regarded as a strategic learning system in which the hypothesis embedded in a business units' strategy are tested, validated and modified. The intention of this strategic management system is to result into action, i.e., to increase motivation and to guide interactive and comprehensive organizational change processes. For this reason, the BSC offers opportunities to conceptualize strategy and performance measurement next to technical, social, behavioral, political and economical aspects in a coherent way.

Next, these two contrasting translations are further explained. These translations are described in accordance with three main themes that have evolved from the inductive approach (Braam et al., 2002; Braam et al., 2007). First, the association with strategy is discussed. Second, the perceived functions of the BSC by different professional groups are described, including the sub questions to what extent the BSC gives reason to rethink the position of the professional. The third theme deals with the question how to put the BSC into practice.

#### 4.1 Technical translation

The technical translation presumes the strategy as starting point. It repeats the message of Kaplan and Norton (1992, 1996, 2006) that it is important to strategically align a firm's comprehensive performance measurement system. The BSC offers a structured approach to translate and implement this strategy using an integrated set of performance measures. Within this translation, three dominant (sub)clusters of interpretations emerged. These interpretations are strongly associated with the professional disciplines of Accounting, Information technology (IT) and Human resources management (HRM) in literature.

First, and especially in the *accounting* discipline, the BSC is associated with improving performance measurement systems and reporting formats by measuring and presenting coherent sets of financial and non-financial performance indicators allowing for alignment between the control system and the strategy of a firm. The BSC helps to think strategically about performance measurement and to broaden insight into actual and future organizational success. In addition, it widens the range of performance indicators to improve organizational control. Systematically streamlining and optimizing the performance measurement system should ensure that the resulting financial and non-financial information becomes one of the most important control instruments for management. However, as accounting-based management innovation the BSC also helps the accounting professionals to realize that the traditional accounting and control instruments are not adequate anymore. It emphasizes to look beyond the traditional perspective of accounting and control and stresses the importance to broaden the role of the management accountant and business controller. For this reason, the BSC matches the need to think over further professionalism of planning & control cycles, and is strongly associated with the changing role of the controller from corporate policeman to business improver and change agent.

In the *IT* interpretation, which has close similarities with the accounting interpretation, the BSC is strongly associated with data and information processing. To improve the accessibility of information, the BSC is accentuated as tool to structure data in databases. The BSC should help to computerize the assumed relations between the dashboard indicators. In addition, the BSC is perceived as a useful concept to control and improve the quality of IT-projects. In particular, the IT discipline suggests to use an IT-scorecard to measure 'IT performance' and manage IT implementation projects.

In the *HRM* discipline, the BSC is particularly interpreted as a strategic evaluation and control instrument for human capital. The BSC makes the increasing importance of intellectual capital and especially HR as strategic asset and source for competitive advantage visible, thus indirectly emphasizing the essential role of HRM. BSC implementation and use should help to create alignment between the actions and behavior of teams and employees and the strategy of a business. The BSC offers a framework to show how people within the firm create value by strategically measuring and evaluating performances of teams and individual employees in both quantitative and qualitative terms. In addition, the linkages between the scorecard results and the reward structures should increase people's motivation and commitment. The HR interpretation also stresses the importance of an additional HR measurement perspective. When used effectively, it shows the importance of the human resource function for the achievement of strategic goals and objectives. In addition, it helps to demonstrate the contribution of HR to a firm's financial performances

(Becker, Huselid and Ulrich, 2001; Huselid and Becker, 2006). On the other hand, the growing realization to think in terms of strategic relevance gives rise to questions like: what is identity of HR professional and how is HRM value-adding? Within this context, the BSC is also perceived as helpful to evaluate and restructure the HRM department and develop a strategy for the HR function.

Within the technical translation, *implementation processes* can be characterized as 'deductive' and 'linear', which means that in an instrumental way step-by-step plans and conditions are formulated to implement the presumed strategy successfully. Despite the fact that the idea of the BSC as a strategy implementation tool is widely accepted, a wide range of implementation problems is identified. Obviously the methods and techniques described by Kaplan and Norton (1996, 2001) do not sufficiently serve as implementation guidelines. In spite of the step-by-step recipes, the translation of an assumed strategy into operational terms appears to be difficult in practice. It suggests that in spite of the fact that the BSC concept is clear, it is too vague for concrete interpretations in local contexts. In addition, when management sees implementation and usage of the BSC as an 'end' rather than a 'means' to a goal, measurement applications may be too instrumental and performance may be harmed rather than helped. Many leading practitioners, management intellectuals and authors recognize BSC imperfections and give critical enumerations of conditions for successful implementations and pitfalls (do's and don'ts). The saying 'easier said than done', which is applicable to many management innovations, can also be put on the BSC (Braam et al., 2002; Braam et al., 2007). At least two groups of closely interrelated implementation problems are recognized.

### **Instrumental difficulties**

Examples of difficulties that are associated with deploying the concept are:

- Strategic goals and objectives are unclear, ambiguous and give insufficient guidance to define performance indicators;
- Performance indicators do not or cannot measure what they should measure, the quality of the underlying data may be questionable, data are not available;
- It is difficult to set targets and to link rewards to the measures;
- BSC implementation and use is too mechanistically, which may result in over bureaucratization and focus on details rather than on the overall picture and the strategic direction. In addition: "The focus is too much on designing and implementing a dashboard. However, by looking only at the dashboard you cannot decide where you want to go" (Braam and Nijssen, 2004:344).
- (Causal) relationships between different performance measures are not as obvious as suggested. Despite the fact that associations between the perspectives exist, their relationships are not always unambiguous and quantifiable. Maybe it is even a fallacy to think that the BSC can make one to one causal relations between the four perspectives and their performance indicators (see also Nørreklit, 2000 and 2003).

### **Underestimation of social consequences**

The technical translation emphasizes the instrumental aspects of BSC implementations, while it underexposes its social aspects. Critical social success factors are almost neglected, such as culture, management style and commitment, communication and training. In



addition, social consequences that the BSC implementation and use indirectly involve are overlooked, like transparent information that might prove to be a threat to some managers and departments. BSC implementation makes differences in understanding, vision, secret agendas and fear to be accountable transparent and visible (Braam et al., 2002). For a successful implementation, these aspects have to be overcome, since the implementation may be sabotaged otherwise, or the performance indicators may be distorted (Van den Heuvel and Broekman, 1998). So, BSC implementation is a dynamic process in which interventions - partly through 'learning by doing' - might help to embed the management principles and processes of the BSC 'right', i.e., as intended, into the organization (Van der Meer-Kooistra and Vosselman, 2000).

In spite of the fact that in the technical translation instrumental use of the BSC appears to be the dominant interpretation, the comments indicate that a successful, strategy-focused and aligned BSC implementation is not a sinecure, but a complex process with uncertain outcomes. The presumed strategy of an organization is often unclear. In addition, the required organizational changes are comprehensive, interrelated, multi-disciplinary, and with far-reaching consequences for diverse actors within the organization. The necessary changes go beyond the traditional reach and instrumental attitude of the professional disciplines of Accounting, IT and HRM, which gives cause to discuss the role of these professionals. Ironically, Kaplan and Norton (2000, 2001, 2004, 2006) increasingly emphasize the importance of the BSC as a framework to manage strategy. The organizational translation closely fits this focus.

#### 4.2 Organizational translation

The organizational translation associates the BSC with a holistic, organic concept for managing *strategy*. By testing, validating and modifying the hypothesis embedded in a business units' strategy and initiating discussions about connections between strategy and management control and their supposed means-end relationships, the BSC offers a continuous strategic learning system (Kaplan and Norton, 1996, 2001, 2004, 2006). So, the BSC is considered as a management philosophy - a 'mental' framework - that creates a cause and effect mindset. It helps managers and employees realize what they do and why they do it by discussing and clarifying the underlying strategy and its relationships with the management system. This translation is mostly associated with the discipline of management.

The consciousness of the comprehensiveness and complexity of the organizational changes that the BSC might induce is closely associated with the changing *role of management*. The BSC is a performance measurement-based management tool that aims to help (senior) management to look to at the organization in a distant way. To deal with contingencies, it has to initiate processes aimed at strategic learning. And for that purpose, it maybe needs to change its management style and ways of communicating, to motivate and involve employees. The introduction of the BSC may involve unanticipated dysfunctional consequences for individual behavior and corporate culture. For instance, people may feel threatened by the close monitoring system, leading to feelings of distrust towards company top management. To overcome these feelings, top management should engage in trust building behaviors, including taking the lead and endorsing openness, transparency and benevolence in favor of overall company effectiveness and efficiency (Dirks and Ferrin,

2001). In addition, the BSC aims to clarify strategic goals and objectives and alignment of resources. This may be very confronting because explicating these goals and objectives and the resulting actions implies that, on a deeper organizational level, the underlying norms have to be clarified and targets must be made explicit and have to be met. Maybe in the actual culture it is not done to address somebody on his not-achieving performance targets. So, a successful BSC implementation may imply that management has to change both its management style, the mindset of its employees and corporate culture to support effective execution of the strategy.

Within this translation, the *implementation processes* may be characterized as 'inductive', nonlinear and comprehensive. The holistic nature of the BSC appears to offer opportunities to conceptualize strategy and performance measurement next to technical issues and behavioral, social aspects in a coherent way, which creates opportunities for integration and synergy. To bridge the gap between strategy and operations, these continuous recursive and multidimensional learning processes have to result into action, i.e., interactive, multiplicative organizational change processes. In this perception, the BSC aims to function as an intermediary - an organizing framework and communication mechanism - to motivate and guide organizational change processes and develop a matching culture. The BSC should induce ongoing processes of interaction and participation aimed at developing a way of working in which teams increasingly are self-driven and self-organizing. Therefore, interrelated key success factors have to be stressed, such as:

- Commitment of top management and the management style;
- Engagement and motivation of employees;
- Continual willingness to change individual behavior and corporate culture;
- Creation of multidisciplinary and empowered teams that gradually have to implement the BSC, both on central and local level;
- Capacity to deal with contingencies;
- Reduction of formal procedures and highly standardized processes that act as barriers for dynamic organizational adaptation;
- A high level of information exchange between organizational departments that allows for resolving differences and overcoming resistance.

## 5. Management implications

The findings have several implications for organizational changes associated with the BSC. First, there are different BSC translations and interpretations which are related to specific groups of professionals. As a consequence, use of the BSC in practice may not be considered as homogeneous. For instance, managers might rely on different discourses as sources of inspiration and legitimization and be influenced by different specific ideas than professionals in the Accounting, IT and HRM disciplines (Braam et al. 2007). This suggests that BSC implementation may become a matter of internal organizational confusion, if not conflict. Contrasting yet latent views on what the BSC is may become manifest during its implementation and use, possibly creating 'contested zones': accountants are likely to have other preferences than HR managers, which is likely to affect the way(s) of use of the BSC in an organization. Implementers and users who are aware of such possible contradictions may be able to counter their effects and reconcile different interpretations to align organizational and behavioral change processes (Braam et al., 2007).

Second, the empirical findings suggest that BSC use in practice lags Kaplan and Norton's intended use aimed at strategic focus and alignment (1996, 2001, 2004, and 2006). However, although empirical evidence on actual organizational changes in practice is somehow limited, evidently the BSC has impact on organizational control. In a variety of professional disciplines the attention for the BSC has stimulated an increased understanding of the importance of performance measurement-based strategic management. The strong association of the BSC with changing roles of professional practitioners, like the business controller, the HR manager and the senior manager, illustrates this point. At the same time research also suggests that BSC use that complements corporate strategy positively influences company's competitive position and company performance, while BSC use that is not related to the strategy may decrease it (Speckbacher et al., 2003; Braam and Nijssen, 2004; De Geuser et al., 2009; Braam and Nijssen, 2011). These findings stress the importance of BSC implementation as strategic management system. However, the translation of vision and strategy into operational measures is a complicated and dynamic process. To structure this process Kaplan and Norton (1996:286) described an implementation program in which the BSC '*should be continually reviewed, assessed, and updated to reflect new competitive, market, and technological conditions*'. Consistent with the organizational translation, our empirical findings confirm the need for continuous adaptation, although the empirical findings also show that this may be difficult to realize in practice.

For this reason, it is important to improve managers' understanding of conditions facilitating or inhibiting BSC-implementation as a strategic management system. Based on our findings, Kaplan and Norton's roadmap' can be supplemented with some additional suggestions:

- Use *multidisciplinary project teams* to help effective implementation of the BSC. It will create involvement from different functional areas and use knowledge from different disciplines to integrate and optimize processes. Moreover, it may help create momentum particularly when people with a positive attitude towards adoption are selected. In addition, active support by top management underlines the strategic importance of the BSC and may help overcome resistance by (teams of) employees to this management innovation and the organizational changes that it might induce.
- *Create a multidimensional and balanced baseline set of performance indicators*, and start measuring and monitoring. Use simple measures initially, and focus on the ones that are considered as key for organizational control and strategy.
- *Introduce more unique measures* subsequently that better reflect the specific market and strategic conditions of the company or business unit in order to build a more tailored measurement system. This *fine-tuning* involves an *iterative and partly experimental process* and should be based on careful monitoring of initial BSC measurement effectiveness.
- *Careful validation* of the instrument's effectiveness in measuring firm efficiency and effectiveness is critical.
- *A proactive stance is critical*. Top management should be alert to the dynamic environment of the firm affecting the fit between its strategy and the BSC. Changing contexts may require varying the set of indicators used and re-balancing the BSC-profile across the perspectives, rather than just fine-tuning the measurement system.
- Formal procedures, highly standardized processes and delineations of tasks may negatively influence BSC's implementation. To increase the effectiveness of its

implementation, the negative effect of the organization's level of formalization could be reduced by *involving department heads* and *empowering* them.

- *Interdepartmental communication* may facilitate BSC implementation by reducing ambiguity, and integrating and aligning the multidimensional performance indicators of different departments into a single "strategy map" (Kaplan and Norton, 2001, 2004; Kaplan, 2010). It helps to generate a common understanding, support, and commitment for implementation of this complex management innovation.

## 6. Conclusion

Despite its promise (Kaplan and Norton, 1992, 1996, 2001), managers should be aware that BSC use may not result in better company performance. This chapter contributes to understanding on usage of the BSC by studying how professional groups may differently interpret the BSC, and how the variety of interpretations and manners of use of the BSC may affect organizational behavior and performance. For this reason, this chapter described two dominant, loosely coupled clusters of interpretations: the technical and the organizational translation. These clusters could be regarded as distinct and contrasting categories and are closely related to the different professional groups that shaped them. In the technical translation, which is closely related with the professional disciplines of Accounting, IT and HRM, the BSC is frequently associated with implementation problems. In this 'deductive', 'linear' translation, which shows to be far dominant in practice, strategy is presumed as known and the BSC is instrumentally interpreted as a control instrument to translate this strategy into operational terms. On the other hand, the organizational translation, which is relatively more closely associated with the discipline of management, interprets the BSC as a strategic learning system. In this 'inductive', holistic interpretation, hypotheses embedded in a business units' strategy are tested, validated and modified to result into strategy-focused and aligned organizational change.

In spite of the fact that the BSC is an interesting and potentially powerful management tool that can positively influence organizational behavior and enhance company performance, the findings of this study suggest that managers should be careful of the requirements for its implementation and use. Particularly in complex ambiguous situations different professional groups may interpret and use the BSC in various ways. BSC implementation may induce both functional and dysfunctional behavior and does not guarantee improved company performance.

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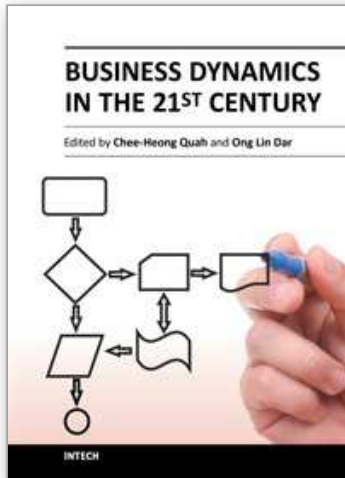
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In this 21st century of opportunity and turbulence, business firms need to equip themselves with new competencies that were never thought of before. For this reason, this book is timely as it introduces new insights into new problems in the aspects of performance and quality improvement, networking and logistics in the interconnected world, as well as developments in monetary and financial environment surrounding private enterprises today. Readers shall find that reading this book is an enlightening and pleasant experience, as the discussions are delivered in a clear, straightforward, and "no-frills" manner - suitable to academics and practitioners. If desired, the book can serve as an additional piece of reference for teaching and research in business and economics.

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