

Full Length Research Paper

Qualitative analysis of supply and demand of the balanced scorecard: Consultants versus information users

Lucía-Clara Banchieri*, Fernando Campa-Planas and Maria Victoria Sánchez-Rebull

Department of Business Administration, Universidad Rovira i Virgili (Reus – Spain), Avda. Universitat 1, Reus (43204), Spain.

Accepted 6 February, 2012

The purpose of this paper is to analyze, using qualitative methodology, the supply and demand about balanced scorecard in order to understand why it is not used primarily as a strategic management system; as far as this is the main utility of the model according to their creators. So, 11 interviews were carried out from two different groups of companies, that is, consultants of balanced scorecard on the one hand and users on the other. The investigation concluded that while consulting firms offer and sell it as a management strategy, users highlight it as an operational tool.

Key words: Balanced scorecard, strategy, information systems, consulting firms, decision taken process.

INTRODUCTION

At the start of the 1990s, Kaplan and Norton developed and disseminated the tool known as the balanced scorecard (BSC) which would represent a new model for helping managers to make the right decisions from a company-wide rather than just an economic/financial perspective. The BSC contained information from key areas in the organisation, which were divided into four perspectives known as financial, customer, internal business processes and learning and growth. The last of these perspectives covered information on staff and systems. The BSC was intended to be a set of indicators to measure these four key areas and at the same time achieve a balance in the information provided as they covered both the short- and long-term, both financial and non-financial data, performance drivers and other internal and external measures and indicators of results.

The primary aim of the BSC was to offer the management a global overview of their organization with the support of up to 25 indicators which would help them to make the right decisions (Kaplan and Norton, 1992,

1993).

After the BSC was introduced across a number of companies, the model evolved and became a strategic management system which would help those companies achieve their goals. In order for it to do so successfully, it was necessary that the indicators not only be related to company strategy, but also be interrelated through cause-and-effect relationships. For this reason, the model defines strategy based on causal links.

Furthermore, the BSC allows its users to develop four different strategic management processes: clarifying and working out vision and strategy; transmitting and linking strategic objectives and strategic; planning, setting targets and channelling strategy-related initiatives; and finally enhancing feedback and strategic training (Kaplan and Norton, 1996a).

The model enjoyed a high degree of acceptance throughout the business world. According to a study carried out by Rigby and Biladeau (2009), the BSC was the sixth most widely-used management tool in 2008 and was used by 53% of the 1,430 companies surveyed, which is significantly higher than any of the other management tools used by these companies.. It should also be noted here that 40% of the *Fortune* top 1,000 companies used the BSC in 2007 (Thompson and

*Corresponding author. E-mail: luciaclara.banchieri@urv.cat
Tel: +34 977759865.

Mathys, 2008), another statistic which underlines the high degree of acceptance of this model.

With the objective of discovering the link between the theoretical model of the BSC and its practical implementation, the authors carried out a study of the BSC using a survey of 535 management professionals. The survey asked if they were familiar with the model; a total of 57% of those questioned did know of the model, but only 17.5% actually used it.

The results of the study also showed that the model was generally implemented with the aim of communicating strategy, but that it was considered neither very efficient for doing so nor for linking strategic objectives. These findings raised a question that led to the reason for this paper: why was the BSC not being used as a strategic management system?

In order to answer this question, the authors decided to investigate the BSC from the perspective of both supply and demand. This study, approached from a qualitative perspective, tries to establish whether supply promotes and strengthens the original BSC and whether companies are actually looking for a BSC or just a set of indicators.

"The scorecard is an "old friend", but still remains a bit of a mystery" (Interviewee, company 6).

The findings of the study are analyzed from both supply and demand point of view, after which conclusions are drawn.

METHODOLOGY

In the literature on the BSC, a number of authors highlight the importance of carrying out qualitative research of the model. Atkinson (2006) emphasises that qualitative research is required to obtain in-depth knowledge of the relationship between the implementation of the strategy and the management and planning models used to implement it, including the BSC.

Othman (2006) shares Atkinson's opinion that qualitative analyses are required, and suggests studying the opinions of senior managers who have implemented the BSC. From a different perspective, Braam et al. (2007) recommend interviews with BSC experts in order to discover what contribution the model had made as an instrument of organizational change.

Of the three studies mentioned previously, it was decided to use qualitative methodology for this investigation. This consisted of a total of 11 semi-structured interviews with the two different kinds of professionals involved in the BSC: consulting companies and the users themselves. The software package Nvivo 9 was then used to analyse the results.

In order to study the BSC from a supply point of view, interviews were held with senior managers from consulting companies. There were two reasons for choosing this kind of company for interview: firstly, because the BSC itself came about as the result of a consulting process (Kaplan and Norton, 1996b) and secondly because, according to a study carried out in the Netherlands by Braam et al. (2007), consultancy firms have been pivotal in spreading the BSC in the business sector. The five interviews were held with the product/division managers of each of the chosen

consultancy companies.

The different characteristics of the consultancy companies can be seen in Table 1. The aim of these interviews was to understand what product/service is sold in situations where consultancy companies offer a BSC.

In order to analyse the opinions of the company management users, interviews were held with the senior managers responsible for running the company; these companies were divided into different sectors, business activities and sizes (Table 2). These companies were chosen in order to guarantee a broad spectrum of data in these characteristics. A total of six interviews were conducted: two in public sector companies, two in private manufacturing companies and two in private service companies.

In order to better understand the position of the consultancy companies and the users, three different dimensions of the BSC were analysed: its concept, its usefulness and its possible future evolution according to the opinion of the consultants or improvements suggested by users.

FINDINGS

Supply: Consultancy companies

As we have stated previously, the first question we asked the consultancy companies was how they viewed the BSC as a tool. As far as consultancy companies are concerned, the BSC is a methodology which is linked to a company's strategic success and they recommend it be implemented in companies with a high level of maturity in management information systems, which implies that the company would have the necessary data to create a BSC even if these data were not organised or analysed according to this methodology.

If there are no advanced information systems available in the company, then the first step would be to implement them, as any projects set up without these requirements would be destined to fail from the start.

With regard to the usefulness of the methodology, the consultancy companies interviewed highlighted its strategic usefulness:

1. Alignment of the company so that everyone involved knows what the company goals are and works together to achieve them;
2. If the company is geographically dispersed, the BSC helps to align these different offices and establishes a benchmarking system between different manufacturing sites;
3. It helps senior managers with the decision-making process, relating this strategic activity to the operational usefulness of the BSC means that trustworthy and timely information can be supplied;
4. It allows the strategy to be monitored, thanks to its short-term, medium-term and long-term usefulness;
5. It optimises the cycle between planning, execution and analysis of the strategic business plan;
6. When implementing new strategies, they highlighted the fact that the BSC's usefulness is increased when it is introduced at the same time as a change in strategy as it makes the whole change management process easier.

Table 1. Profile of consultancy companies interviewed as part of the study.

| Consultancy company | Characteristics |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| A | The company of the creators of the <i>Balanced Scorecard</i> ; offers the original product. |
| B | Its core business is process and operational consulting and it specialises in bringing a company's objectives and systems into alignment. |
| C | Its main activity is developing software solutions in human resources, Business Intelligence, and ERP systems for SMEs. |
| D | Multinational professional services company which operates in more than 135 countries and uses the BSC as one of its business consultancy tools. |
| E | Company which offers services focused on optimising management controls. It regards the BSC as an organisational management solution. |

Source: Prepared by the authors.

Table 2. Profile of companies (users) interviewed as part of the study.

| Organization | Sector | Activity | Operating income (in 000's Euros) | Employees |
|--------------|---------|---------------------------------|-----------------------------------|-------------|
| 1 | Private | Service - leisure | 94,950 | 2,243 |
| 2 | Public | Public - local authority | 150,000* | >500 |
| 3 | Private | Manufacturing - food | 448,824 | 556 |
| 4 | Private | Service - financial | 288,598 | 219 |
| 5 | Private | Manufacturing - pharmaceuticals | 56,757 | 311 |
| 6 | Public | Public - provincial council | Unavailable | Unavailable |

*Consolidated annual budget. Source: Prepared by the authors.

"I always explain that the balanced scorecard is not only "balanced", it is a methodology for implementing strategy" (interviewee company E).

Finally, we were interested in knowing the consultancy companies' views on how the BSC will evolve in the future and what changes to the methodology they are currently working on to make it more innovative.. There were two main improvements to the model. The first is an attempt to improve the link between operational aspects and company strategy. The idea is to monitor the company strategy without losing sight of its day-to-day running, so consultancy companies try to establish a link between the two. This link they are trying to develop aims to explain the cause-and-effect relationship which the original model presented.

The second improvement which consultants would like to develop is to turn the BSC into a tool to help with planning and improve forecasts of key indicators. In some cases it is intended that these indicators are "live", assimilating information from the previous month and recalculating it for the following periods.

The inclusion of forecasts in the model is intended to adapt the targets of the indicators to the changing reality and progress of the company. However, the prevailing

opinion is that although the BSC will undoubtedly change its name in the coming years, the model is likely to stay the same.

"... We might change the name twenty times, but it'll always be the same thing, in essence, which we're talking about" (Interviewee company B).

Demand: Users

Most users describe the BSC as a tool which allows them to obtain credible, structured, organised and systematised information. However, when asked about the main uses of the BSC, users generally only mention the organisation's operational tasks, not its strategic ones. According to companies where a BSC is implemented, its main uses are as follows:

1. It is an efficient information management system which offers a way of systematising, personalising and automating information. It also makes this information available at all times and from anywhere;
2. It detects errors in the information entered in the system, allowing it to be rapidly identified and corrected;

Table 3. Findings of the study.

| Parameters | Consultancy companies | Users |
|-------------------------|-------------------------------------------------------------|------------------------------------------------|
| Concept | Methodology | Tool |
| Benefit | Strategic | Operational |
| Evolution/modifications | 1. Linking strategy with day-to-day operations | 1. Technical; basically information technology |
| | 2. Forecasting | 2. Content: |
| | 3. The name will change, but it will be in essence the same | i. Ethical aspects ii. Forecasting |

Source: Prepared by the authors.

3. It allows the user to perform company management tasks and compare the results at different times.

“One of the main factors differentiating the balanced scorecard and previous tools is that it is dynamic rather than static. I mean that once you’ve finished with a management report, checked the data is correct and published it, it gives you a ‘snapshot’ of the company at that moment [...] I mean it shows you the situation the company is in now [...] but that it can keep changing...” (Interviewee, company 1).

Organization 2 is the only one, which while agreeing with other user companies that the BSC is a tool, also understands (like consultancy companies) that its primary function should be strategy-building. Of the four strategic processes provided by the BSC (Kaplan and Norton, 1996a), the only one that was not used was the fourth one: increasing feedback and strategic training. It justifies this fact by stating that although company strategy is communicated, it does not actually help implement it within the company. Other users did not consider the BSC to be a useful tool for carrying out the strategic management processes we mentioned previously.

With regard to the improvements that users would like to see in the tool, we can divide them into two different types: technical and content. There are two technical aspects which can be improved upon: first of all the BSC should be able to contain information from outside the company, which in some cases has to be taken from other parallel information systems. The second suggestion is that the information should be able to be represented geographically, for example. Both of these modifications depend a great deal on the enterprise resource planning (ERP) used, as some programmes offer this functionality whereas others do not.

The modifications that users would like to see (or are already implementing) in terms of content are also based on adding forecasting tools to systems, and the public sector companies surveyed are working to make their BSC reflect ethical management processes such as corporate social responsibility in the management of

public money.

“Here we have tried to develop the tool over time with statistical tools [...] which are used to try to predict future price fluctuations” (Interviewee, company 4).

Conclusions

The main aim of this investigation was to ascertain whether the BSC is being implemented as a strategic management system and, if not, why this should be the case. Table 3 gives an outline of the main conclusions of the study.

The first conclusion we can draw is that consultancy companies see the BSC as a methodology which helps a company to implement a strategy, while users see it more as a management tool whose main uses are operational. However, the consultancy companies insisted that a company would not be able to implement a BSC without efficient information technology systems. This is why they suggest restructuring information systems (which is, after all, the main use of the tool according to the users) before even attempting to implement a BSC in the company. Although, consultancy companies sell the tool as a strategic management system, the users themselves actually need and appreciate the efficiency of the information systems it provides.

The second conclusion we can draw is related to the modifications currently underway in order to improve the tool, or how it is likely to evolve in the future. Most of the consultancy companies and users agreed that the tool needs new functionalities to help improve key indicator forecasts which would then give their companies a competitive advantage when it came to improved decision-making.

REFERENCES

- Atkinson H (2006). Strategy implementation: a role for the balanced scorecard? *Manage. Decis.*, 44(10): 1441-1460.
- Braam GJM, Benders J, Heusinkveld S (2007). The balanced scorecard in The Netherlands: An analysis of its evolution using print-media

- indicators. *J. Org. Change Manag.*, 20(6): 866-879.
- Kaplan RS, Norton DP (1992). The Balanced Scorecard - Measures That Drive Performance. *Harv. Bus. Rev.*, 70(1): 71-79.
- Kaplan RS, Norton DP (1993). Putting the Balanced Scorecard to Work. *Harv. Bus. Rev.*, 71(5): 134-147.
- Kaplan RS, Norton DP (1996a). Using the Balanced Scorecard as a Strategic Management System. *Harv. Bus. Rev.*, 74(1): 75-85.
- Kaplan RS, Norton DP (1996b). The Balanced Scorecard: Translating strategy into action. HBSP. Boston Massachusetts.
- Othman R (2006). Balanced scorecard and causal model development: Preliminary findings. *Manage. Decis.*, 44(5): 690-702.
- Rigby D, Bilodeau B (2009). Management Tools and Trends 2009. http://www.bain.com/management_tools/mt_detail.asp?groupcode=4&id=27075&menurl=articles_overview.asp [Access July 27, 2010].
- Thompson KR, Mathys NJ (2008). The Aligned Balanced Scorecard: An Improved Tool for Building High Performance Organizations. *Organ. Dyn.*, 37(4): 378-393.