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# Balanced Scorecard

Maintaining Maximum Performance?

Evidences from Nordea

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## **Thank you!**

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## **ABSTRACT**

**Bachelor thesis in Business Administration at the School of Business and Commercial Law, Gothenburg University, Management Control Systems, Spring of 2008**

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**Title:** Balanced Scorecard - Maintaining Maximum Performance? - Evidences from Nordea

**Background and problem:** The traditional management control system has, during the years, been criticized for being insufficient in their development, of which newer and more modern strategic management control tools have been presented to the market, and among those we find the Balanced Scorecard (BSC). Nordea was one out of these companies that chose to implement the BSC concept, where this tool has worked out as an important control system within the organization since the year of 1998. A lot of research has treated different issues surrounding the BSC concept, though this research has mostly focused on the design and the implementation of the BSC as well as it has contributed to some theoretical and empirical investigation as to what successes the BSC has led to. It has, however, been noticed that there has been carried out little research surrounding what success factors can be proposed on the basis of the BSC concept. With this in mind, we can direct our study to mapping out different success factors and investigate whether the BSC has a paramount influence in this regard.

**Purpose:** The *purpose* of this study is to evaluate the use of the BSC.

**Delimitations:** This study will not focus on the BSC and the problem with implementation; we are only interested in examining the success factors that can come about when using the BSC. We will also solely investigate organizations in Sweden.

**Method:** This study has assumed a qualitative approach in order to evaluate the use of the BSC. Primary sources have been collected through personal interviews with respondents. Employees working within different regions have been interviewed in order to make it possible to carry out an analysis regarding how success factors related to the use of the BSC has been valued amongst the respondents of Nordea. Further, this investigation will also contain interviews with respondents of Handelsbanken of who are acting as a control group with the aim of comparing Nordea to a non-BSC user.

**Results and conclusions:** The results of this study show that there are differences in opinions amongst the respondents within Nordea regarding whether the BSC concept lead to the investigated success factors. Handelsbanken agreed upon that their system of control positively contributes to the examined success factors. As such, we have concluded with the fact that the BSC may not be of such superior tool of which is leading to successes; or, that the BSC may be more valuable and popular within certain regions than within others.

**Proposals regarding further research:** During the time when this thesis was carried out we found it interesting to further examine the following: (a) if there are more success factors that the BSC may contribute to; (b) a survey study can be carried out in order to statistically secure our results empirically, and (c) if there are other relations that may exist between, for instance, how two success factors may affect each other or if two different control systems together within the same company is leading to certain success factors.

**Words:** The Balanced Scorecard, Benchmarking, success factors, interviews, Nordea, and Handelsbanken.

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# 1. INTRODUCTION

## 1.1 Background

Organizations that compete in today's markets act in a setting quite different from the scenery that existed just a few decades before. There are several factors for this changing environment, but first and foremost it is the globalization and deregulation of markets, the rapid technological development and an increasing significance of knowledge that contribute the most to organizations' changing conditions, environments and designs (Wenisch, 2004). Domestic borders are no longer a barrier to the competition as domestic firms find themselves competing against the best companies in the world. Further, the product life cycle continues to shrink as we speak and this phenomenon forces companies to shorten their development and launching times (Kaplan & Norton, 1996).

Considering this, the time span companies possess regarding when and how to increase their profitability will thus not stretch that far. It is then quite decisive to develop products the market *actually* desires in order to profit from the products in a shorter time span than was earlier the case. There is no doubt that the market has quite a few sayings in this matter. Consumers will no longer settle with the next best product, that is, products they do not really require. Instead, companies have embraced more of a market oriented approach, and in today's world we speak to a greater extent about customer value and the eliminations of non-value created activities.

Earlier, as it were, the price was the most profound means of competing, but today the focus has shifted from price orientation to a more quality oriented product as well as customer adjustments, services and fast deliveries. Companies find themselves in the midst of a revolutionary transformation, and in order to achieve long-term success it can be considered critical for companies to uphold continuous improvements in processes and product capabilities (Kaplan & Norton, 1996). According to Charney (2005), change is the norm, and stability is out. Organizations have to change continuously, otherwise they will disappear, finding it hard to manage and uphold their competition. Ongoing change leads to innovation and adaptation, and if not, they will produce failure and periodic trauma, including outsourcing of jobs, closures and downsizing.

As we now turn to *changes* in terms of improvements as a paramount tool on the market in order to maintain a competitive advantage, organizations have initiated to look over their existing management control systems, and thereby have changed or are considering changing their traditional management tools in exchange for new methods of control. Today we often speak of Total Quality Management (TQM), Just-in-time (JIT) Production and Distribution Systems, Time-Based Competition, Lean Enterprise, Building Customer-Focused Organizations, Activity-Based Cost Management, Employee Empowerment, and Reengineering (Kaplan & Norton, c. 1996). We also consider Benchmarking, the Intelligent Capital, the Kaizen Method, and the Balanced Scorecard as means of controls (Ax, Johansson & Kullvén, 2005). A common trait between these control systems can here be discovered; their points of departure are wholly or partly starting from the market's desires and needs.

The increasing competition on the market place and the changes in the environment requires constant improvements within the organizations. Constant improvements are necessary in order for companies to maintain their competing strength and edge, and thereby guarantee their continuous survival. What comes to mind when mentioning the concept of constant improvements is the Kaizen method as well as Benchmarking, though there is also another tool for improvements, namely the *Balanced Scorecard* (BSC). Kozak (2004) describes the BSC as a

performance measurement method which utilizes the combination of both quantitative and qualitative measures. With other words, this author notes that the BSC considers both financial and non-financial perspectives as successful tools on today's market place. Further, the BSC is a tool that guides companies into focusing on both internal and external environments in order to improve the processes within their own structures. It is of significant importance, if we are to believe Kozak as well as Kaplan and Norton, to look back in time to understand what has been done (the financial perspective) as well as look forward in time to understand what needs to be done (the non-financial perspectives) in order to find the critical factors which will lead to success within the organizations.

The above description of the BSC forces Kozak into making us believe that this scorecard method is quite an excellent tool to embrace when we are to successfully survive in a more changing and competing environment. In this bachelor thesis, we find the BSC quite an intriguing tool to look further into, especially when its effects have been strongly criticized and questioned by other authors, scholars and companies around the world. As quite a new management control system, plenty of companies have already employed the BSC as a management tool in their daily life work environment; still, some companies have failed to implement this system, yet others have been very unsatisfied with the tool as it has not worked properly. As a matter of fact, Niven (2005) lets us know that a significant number of BSC users rate the performance measurement system as "adequate", with reference to not receiving the results they were hoping for.

## 1.2 Problem Discussion; The Balanced Scorecard

In 1992, Kaplan and Norton introduced the revolutionary concept of BSC when commenced in an edition of the *Harvard Business Review*. The BSC was developed in order to complement the traditional financial measures of business unit performances (Lipe & Salterio, 2000). The BSC contains a variation of performance measurements such as financial performances, customer relations, internal business processes, and the organization's learning and growth activities. Kaplan's and Norton's main argument for developing this scorecard concept was that traditional financial measurements were not enough for organizations when measuring performances. They argued that financial measures revealed much about the past but left out a great deal about future performances. In order to gain profitability in the future, organizations had to concentrate on non-financial measurements as well in order to gain profits in the future and create value for the firm (Kaplan & Norton, 1992). With other words, this set of measures was designed to capture the firm's desired business strategy and "[...] to include drivers of performance in all areas important to the firm" (Lipe & Salterio, 2000: 9). According to the inventors of the BSC, the non-financial measurements and performances could help organizations survive and discover their competitive advantages on the existing market place (Kaplan & Norton, 1992).

Although there are a great deal of different control management systems on the market today of which are similar in their conceptual design and aim, the BSC is the one currently popular in practice. In the wake of this popularity, the concept has also gained considerable interest as a research subject. Despite its high recognition, the BSC's validity remains debatable among scholars. One of the critics that has been put forward in the last few years is its effectiveness and whether organizations in reality are experiencing the optimistic effects the scorecard concept has so eagerly promised. This contrast between Kaplan's and Norton's enthusiastic promise when referring to success BSC stories and more doubtful studies by some researchers makes the BSC quite an intriguing and interesting research subject to explore further. Moreover, according to Wenisch (2004), the number of empirical scorecard studies is still rather limited and little



attention has yet been paid to questions such as: “What is the motivation for firms to adopt the BSC? How does the BSC work in practical context? Does its application really lead to the favourable results that Kaplan and Norton contend in their writings? Does it really lead to change? And, what are possible stumbling blocks when implementing the tool?”. These questions indicate that there are still many open issues surrounding the BSC and thus motivates us to study the tool. As Wenisch (2004) also notes, the BSC appears until the present day to be a concept that is surrounded by numerous normative claims (of change), whereas the empirically grounded statements are still few.

However, several scholars have, through the years, attempted to discuss if and in what ways there exists a relationship between management control systems and different success factors. Their research has differentiated itself to such a great extent that no satisfying answer has yet been brought to the surface. Some scholars believe that management accounting innovations should lead to successes within firms, while other authors claim that such an understanding has no substance in reality. For instance, Cagwin and Bouwman (2002) concluded with the fact that the use of ABC led to improvements (successes) in financial performances. Other authors, such as Olve (2005), found that when implementing the BSC a higher degree of understanding concerning how to perform firm strategies could be obtained among employees. Nilsson (2005), on the other hand, investigated if there existed a positive relationship between the BSC tool and productivity as well as efficiency. He came to the conclusion that no such relationships could be found.

The *purpose* of this study is, then, to evaluate the use of the BSC, and by so doing, we can (hopefully) reveal a satisfying answer to the intriguing and questioned relationship between the BSC and success factors.

### 1.3 Delimitations

In this thesis, our spotlight will be on the BSC as a strategic tool only and whether it can live up to its promise or not. We are not aiming at discussing the problem of implementation; rather, we are aiming at studying what success factors may arise (or not) from the BSC when organizations already have successfully implemented this tool. When so doing, we are looking upon the BSC as an instrument of control rather than just a tool for implementing strategies. We will further limit this work to just include one case study within the Swedish society; otherwise this study would be too extensive, requiring greater resources than we can provide at this point in time. Finally, in approaching the research this way we believe that we will contribute to a more “in-depth” analysis, which would be more difficult through other research methods.

### 1.4 Disposition

**Chapter 2:** In this chapter we will describe this study’s course of action. Our choice of method will be included in this chapter as well as arguments to why we have decided to take certain courses of actions and not others. The description will include the following: The study’s direction and approach, how the data has been collected and how we opted to investigate the case brought forward in this study as well as how and why we made use of the chosen respondents. A short discussion on validity and reliability will also be described in this chapter as well as how the analysis will be carried through. Eventually, we will reflect upon the phenomenon of generalization and how to operationalize our purpose.

**Chapter 3:** In this chapter we will describe the theoretical framework concerning the BSC and of which lay the ground for our thesis. It is also a way of creating a basic understanding to the significance of the BSC concept.

**Chapter 4:** This chapter will describe the theory, in addition to that theory that will be described in chapter 3, which will lay the ground for this thesis' use of the empirical results and analysis. We will rely on earlier research when mapping out this theory.

**Chapter 5:** This chapter will treat the empirical material obtained from the interviews carried out with respondents of Nordea. The description will contain Nordea's BSC concept and how the respondents relate the BSC to different success factors.

**Chapter 6:** This chapter will treat the empirical material obtained from the interviews carried out with respondents of Handelsbanken. The description will contain Handelsbanken's control system and how the respondents relate their control system to different success factors.

**Chapter 7:** In this chapter the analysis will be presented in relation to the empirical material. The answers brought forward by the respondents of Nordea will be compared to one another concerning the BSCs connection to different success factors, and in relation to each success factor the answers obtained from Handelsbanken's respondents will be compared to the answers brought forward by Nordea's respondents. Handelsbanken's respondents only serve as a control group in order for us to easier rely on our results.

**Chapter 8:** In this chapter we will relate the analysis of the results to the earlier research that can be found in chapter 4, in order to see if there are any similarities or differences between earlier research and the answers of our respondents.

**Chapter 9:** This chapter will treat the conclusions that could be drawn out of this study's results. We will also discuss those opinions and reflections that have come about during the course of this study. We will here present the limitations of this study as well as future research.

## 2. METHODOLOGICAL OUTLINE

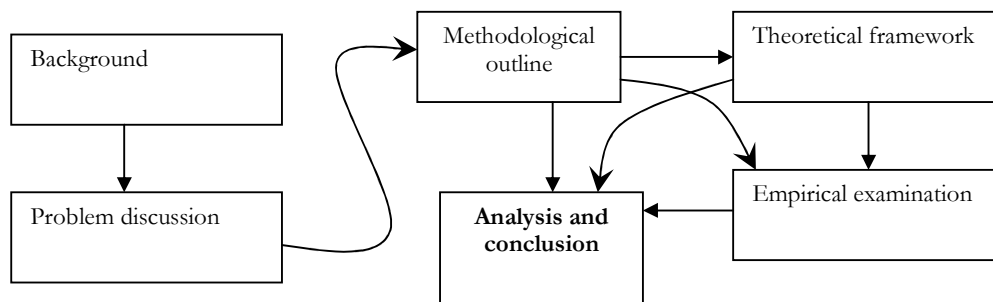
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*In this chapter we will describe the course of action which has been chosen in order for us to carry out this study. Initially, we will present the direction of this thesis, which will be followed by the cases that are chosen for this investigation. Then we will discuss what data that has been collected in this study, the thesis' reliability and validity potential, the choice of interviewees, and how we developed our interview guide. Finally, we will discuss how we carried out the analysis and how we may conclude with our research findings as well as how the thesis can be generalized.*

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### 2.1 The course of action regarding this thesis

The figure below illustrates the course of action of this thesis. This model aims at clarifying how this thesis has been carried through step by step:



### 2.2 The Direction of this Thesis

As the purpose of this study is to evaluate the use of the BSC the thesis can be characterized as being descriptive. A descriptive thesis involves, according to Esaiasson et al. (2005), that the investigated subject is being described without answering the question “why”. In order to investigate what success factors may exist when employing the BSC tool interviews have been performed at three region offices within the branch of banking and these offices have been compared to three region offices that are non-BSC users.

### 2.3 Choice of Cases

**Branch of industry.** When choosing cases it is extremely important to be strategic in your decisions on the basis of the problem discussion that was introduced in the initial chapter. What comes to mind instantly when reflecting upon this control structure is the banking system and *their* utilization of the BSC. Banking gives rise to an interesting study, first and foremost due to the globalization and the increasing competition that exists today. Even though banking is presented on a stable and mature market there is no doubt that there exists some insecurity regarding their corporation climates due to the more frequent pace of changes on the market. This changing rate, in turn, forces the banking system to look over their strategic decisions and turn to more sophisticated ways of controlling in order for them to attain the desired results. This development has led the banking system into working towards more future oriented processes in order for them to survive in the long run. Some authors in the organizational literature (e.g. Bums and Stalker, 1961; Chandler, 1962; Pugh et al., 1969; cited in Hoque & James, 2000) point out

that effective communication flows, for example, is necessary in larger organizations because of the way behavioural orientation needs to be transparent throughout the whole company. In order to maintain a transparent behaviour, a broader set of information and measurement issues arises in large business enterprises (Kaplan & Atkinson, 1998; Cited in Hogue & James, 2000). In smaller businesses, however, such a demand is not necessary as the owners, in most cases, are close to the “action”, if we are to believe Hoque and James (2000). Based on this *a priori* reasoning, it is proposed here that the banking system, which can be characterized as one of the larger business enterprises, rely heavily on changing their approach of strategies in order to working towards better and more improved “self”.

Further, in accordance with Hempel and Simonson (1999: 3), managers within the banking business find today’s banking environment and management attitudes strange and unfamiliar, in contrast to what existed just a few decades ago. The markets that banks work on today have changed dramatically - the geographic scope has widened and the outdated restrictions on the product offerings of banks have almost disappeared. Instead, banks rely on electronic delivery of its products and services, supported by information systems and telecommunications. The complexities of banking are increasing, and as such, managers within the area of banking find themselves in a business where innovation comes first hand. This put a whole new pressure on the management profession, and managers have to find new ways to communicate and work on their strategic decisions in order to constantly reach profitability. BSC is one such “innovative” structure that several banks have recently adopted, much due to the fact that they have put great emphasize on the positive outcomes the BSC have produced. Further, choosing this branch of industry can also be seen as a choice of convenience.

**Company.** Within the banking system there are, in essence, several quite different bank structures which employ diverse management control systems, though we find Nordea quite an intriguing bank to look further into. There are three main reasons for this strategic choice; first, Nordea in fact *employs* the BSC; second, this bank utilizes the BSC in every day working life, that is, they work actively every day in order to pursuit the strategies this control system mediates; and third, they employed the BSC already in 1998-1999 (Respondent A, 09-05-2008), which, in turn, means that it is possible to evaluate Nordea’s BSC concept as they have already seen what effects this system has brought about.

Nordea as a *group of companies* is really difficult to investigate because it is quite challenging to investigate Nordea’s management control system at this level as it would not give us much information about the BSC *per se*. This is in fact true for the reason that it is on the regional level that Nordea communicates and works with their strategies in every day working life. On a local level the strategies are only *communicated* and *operationalized*, which indicates that employees on this level do not *a priori* work actively with the BSC concept. Rather, on this level, they operationalize the targets and thereafter present their result reports to the regional level, and thus only communicate the strategies to the rest of the employees on the local level. On a centralized level they work more in terms of setting a centralized budget as well as *developing* the BSC, but it is on the regional level that they work with “delivering” strategies down to the local level (Mats Engström, 19-05-2008).

**Control group.** We need a control group of which has not employed the concept of the BSC in order to compare this tool with a non-BSC user. In this sense, we find Handelsbanken a rather well-defined study object to compare with as this bank does not use this tool of control. According to Kennedy and Affleck-Graves (2001) it is vital to use control groups in order to be able to say something at all about the results. In their article, these researchers found it necessary to match non-ABC firms with ABC firms when investigating that the choice of a management

accounting system (ABC) may have a significant impact on the value of the firm. As these authors note and which Easton and Jarrell (1998) noted before them, it is critical to rely on control groups in order to control for common factors that effects firms of similar types during the performance measurement period and of which are not related to the adoption of ABC (or in our case, the adoption of BSC). In this sense, it is important to compare the regional offices of Nordea and Handelsbanken through time and space as well in order to catch the essence of their development through the years regarding if there exist a causal link between the introduction of the BSC and firm performances (success factors).

However, there is no universal agreement on what makes an accounting system a BSC system. We therefore follow Malmi (1997) as well as Kennedy and Affleck-Graves (2001) and allow Nordea to identify if it employs the BSC concept and in what year it was first adopted.

We will approach this investigation by looking at Nordea and Handelsbanken at the regional level, as earlier stated, and in order to do so we have to think strategically. We thought in terms of region West, East/Sthlm and South as both organizations are defined in this way. Three regional offices within Nordea and Handelsbanken are thus chosen for this examination so that more reliable results can be obtained. These firms will be matched to one another, and because of the difficulty in establishing the exact date the BSC was first introduced, we follow Haka et al. (1985) as well as Kennedy and Affleck-Graves (2001) and state that we choose the year in which Nordea indicates it first employed and made use of the BSC as the adoption year.

## 2.4 Primary and Secondary Sources

Collecting data is a necessary part of every research process in order to carry through the investigation. The collection of this data aims at broadening the knowledge regarding the subject as well as making correct conclusions when investigating the empirical material. The investigation can be built upon primary and/or secondary sources (Lekvall & Wahlbin, 1993).

**Primary sources.** These types of sources are firsthand sources that are collected by the researcher. Different techniques can be performed in collecting these sources, such as through survey or interview examinations. The advantage concerning survey studies is that all of the respondents will answer the same questions as all of the surveys are alike. This, in turn, strengthens the reliability. The disadvantage with this approach, however, is that extensive questions cannot be elaborated. An interview, on the other hand, creates an opportunity to answer such questions and to keep a dialog with the respondents. A weakness concerning the interview technique is that the respondents can be affected by the interviewer (Edvardsson et al., 1998).

**Secondary sources.** These types of sources are already collected and help us gather how earlier studies have handled and treated the study's topic (Lekvall & Wahlbin, 1993). Through studying secondary sources we have learned about the topic, which have acted as a ground for the study's initial chapter and background. Further, this collection has contributed to the theoretical framework that will be discussed in this thesis. The theoretical framework has, in turn, contributed to the collection of the empirical material as well as how the analysis will be carried out. The secondary sources that are presented in this work are gathered from academic literature as well as research papers.

When looking for relevant literature, we have visited the Economic Library at Gothenburg University and its different journal databases, such as Accounting and Business Research, Accounting, Auditing, and Accountability Journal, Accounting and Finance, and Journal of

Management Accounting Research. As we could not find too much written on the subject BSC related to success factors, we had to rely on other management control systems in order to find what success factors may arise when employing such tools. In certain cases even Google and Google Scholar have been used.

The search terms that have for the most part been used are:

• Success factors	• Financial measurements
• Improvements	• Non-financial measurements
• Effects	• Benchmarking
• Activity based costing	• Just-In-Time
• Balanced Scorecard	• Total Quality Management

### 2.5 Validity vs. Reliability

Reliability and validity are two central notions in all research methodology. Simplistically put, these notions express the guarantees that we can trust the results of an examination. Within the area of qualitative research literature it is sometimes claimed that reliability and validity are notions that are created within the quantitative research field, and as such, these concepts put unreasonable or even irrational claims on the qualitative study method (Eneroth, 1984). However, Kvale, who has been much involved in the development of the qualitative interview method, points out that it is quite important to think in terms of reliability and validity even in interview situations, although with a bit different touch than in quantitative studies (Kvale, 1997).

**Validity.** Good validity means that there is an absence of systematically errors, or rather; validity is a concept which refers to measuring what is designated to be measured. This basically means that we have to find congruence between the existing theory and the empirical situation in, for instance, what operationalizations one chooses to employ regarding a theoretical concept (Esaiasson et al., 2005: 62). Further, one form of validity is the *immediate experienced validity* which means that several people with insight regard the interview guide as well-suited to the purpose of the thesis (Lekvall & Wahlbin, 1993). The immediate experienced validity is considered to be strong in this study as we beforehand have studied how the BSC is constructed as well as studied the relation between success factors and different control systems. This has been done in order for us to get insight concerning how different control systems work in practice. With this knowledge in mind, questions have been constructed which intend to cover the respondents' view on the BSCs relation to success factors, and from their discussions tables have been constructed of which enlighten us regarding if and to what degree success factors may come about when employing the BSC concept. Suggestions to questions have also been put forth by our supervisor, and thereby we have been able to modify our questions in order to make them relevant so as to carry out our study.

Esaiasson et al. (2005) reflect around the term *inner validity*, which basically means to what extent the results correspond with reality. In this study, personal interviews have been carried out concerning the empirical material, and these interviews have been performed with several people of who have had deep knowledge regarding the BSC concept and what success factors this tool may lead to. This insight concerning what factors may come about with respect to the BSC use is estimated to a large degree as corresponding with reality. With this in mind, this study is assessed as having a good inner validity.

Esaiasson et al. (2005) also discuss the concept of *external validity*, which reflects if this study can be carried out anew in another situation. To strengthen this validity, this study can be carried out, more specifically, by carefully and accurately present how the investigation's every step has been accomplished and what considerations have been brought to the surface.

**Reliability.** Good reliability principally refers to accuracy, that is, the researcher does not make any unsystematic errors which can occur from, for instance, tiredness, lost material, or in the case of interviews – the researcher forgets to put on the tape recorder, he does not hear correctly, or he misunderstands what the respondent means (Esaiasson et. al. 2005: 67). Further, when high reliability is reality the study can be repeated and the same results can be attained independent of who perform the study or under what circumstances the study is carried out (Patel & Davidsson, 1994).

As we rely on a great many success factors in this study it may have been times when the respondents have misunderstood what was meant by the different terms. For instance, productivity and efficiency have been difficult to keep apart as they can, under some circumstances, mean the same thing. Even so, we have been opened about this problem and let the respondents themselves identify and define the terms in order for us to be objective regarding our questions related to these success factors. We did not find a meaning in “pushing” one definition of productivity and efficiency on the respondents as we would then have controlled the questions too much, and as such, skewed results could have been obtained. The other success factors that we brought on to the respondents seemed relatively easy to understand as they had no problem in answering the questions in our interview guide.

However, some errors may have occurred when the primary sources have been collected. As a partly structured and opened interview form has taken place it is more difficult to perform the same investigation and receive the same results. There is also a risk that the interview situations have been affected negatively by the loss of interview experiences both with the interviewees and the authors of this thesis. In this sense, the reliability might have lost some substance. Despite this fact, we have tried to strengthen the reliability through performing some actions. During the interviews, objective questions have been put forth and no attempt to affect the respondents in any sense have been done. Both of this study's authors have been present – when performing telephone interviews as well as when performing direct conversations at the respective interviewees' offices – at the same time as all of the conversations were recorded. In this sense, possible misunderstandings can be said to have been reduced. When imprecised answers occurred once the results were compiled, the respondents were re-contacted in order to clear out the confusion.

Finally, in order to strengthen the reliability of our results we chose to perform several interviews so that we could reduce the risk of receiving skewed results. We have also looked at annual reports as well as looked at internal material in order to strengthen the analysis as well as the results. As unclarity existed regarding whether Nordea made use of the BSC in every day working life, we made sure that one of our interviewees visually presented Nordea's scorecard concept to us. This, in turn, can be said to strengthen the reliability of this study.

## 2.6 Choice of Interviewees

In a qualitative interview situation we do not work with any statistical choice of cases, and the ambition is not to find out *how many* employees at Nordea who reflect in a certain way concerning the area of BSC improvements. Rather, the interviewees are mainly employed in this investigation

in order to help us map out and evaluate the use of the BSC within this business area, and therefore they are only used as witnesses in this research.

The choice of respondents in this examination is limited to include employees at Nordea and Handelsbanken. More specifically, these employees are people who work actively with as well as employing the strategies of the two businesses, respectively. Further, the interviewees have been working at Nordea and Handelsbanken for several years, which mean that they are more reliable as we expect them to have complete insight into the affairs of the company. We also demanded that the respondents' positions should include an area of responsibility that is of interest for this type of study. After several conversations with employees at the chosen companies we could conclude with the fact that it was people who held a managerial position that was the most suitable interview respondents. When the interview respondents were chosen we contacted them by calling them or sending them an e-mail and then we booked time with the respondents in order to perform the eight interviews.

The thesis' respondents include:

Company	Respondents	Positions	Region	Interview time
Nordea AB	Mats Engström	Region manager	West	19-05-2008
	Respondent A	Former controller		09-05-2008
	Respondent B	Region manager	South	20-05-2008
	Respondent C	Region manager	East/Stockholm	20-05-2008
Handelsbanken AB	Michael Green	Region manager	West	09-05-2008
	Martin Björnberg	Business controller		09-05-2008
	Claes Norlén	Region manager	South	20-05-2008
	Anders Ohlner	Region manager	East/Stockholm	26-05-2008

Note: Respondent A only contributed with historical facts regarding Nordea as this person took part of the development of the BSC.

As can be seen from the above table, some of the interview respondents have chosen to be anonymous, which we have respected. It is important to note, however, that the main reason for carrying out interviews in this thesis is due to the fact that we believe the researcher can then give the best possible account of the course of events (See Esaiasson et. al, 2004: 254). We only need to interview a few key employees in order to gain the information we require when performing this research task.

## 2.7 The interview Guide

Our interview guide (see appendix 1) consists of questions related to the theoretical framework that will be mapped out in the following two chapters. These questions were used as a structured guide during the interviews. When we constructed the interview guide we thought in terms of themes. Our topics are, as it were, *thematically* set up, which means that they departure from the theoretical conception that is the foundation of this investigation (Kvale 1997: 121). In this sense, we found the interview guide as being more systematic, which indicates that it was easier to capture every aspect of the different themes of which we needed for our investigation. In order for us to come to a conclusion regarding the evaluation of the BSC we needed to bring forward two main topics that would make a frame around our evaluation process; (1) The background and (2) the success factors.

First out, we started to ask questions about the organization, the interviewees' positions within these businesses, for how long they have been working there, and their relationship with the respective management control systems. We then went on to keep a conversation around what



management system each company made use of when delivering their strategies. As the success factors are the main contribution of this thesis, we made sure that our conversations with the respondents were mostly concentrated on these aspects. We brought up one success factor at the time and asked the respondents if the success factors have increased during the last 10 years (as the BSC was developed in 1998 we used this time-span in order to get a picture of the development). We then went on to ask the respondents if they could rate to what degree their respective management control system has contributed to improvements (success factors). We made use of a five-grade scale; (5) Very large degree, (4) Large degree, (3) Neither large nor small degree, (2) Small degree, and (1) Very small degree. We finished the conversation around each success factor by asking the respondents if they could comment on why they gave the respective success factor the rating they brought forward. We found that one last question needed to be answered, that is, if there were other so-called success factors that their respective control systems have contributed to, to what degree these success factors have been of contribution, as well as commenting on why this has been the case.

The interviews were performed between May 9<sup>th</sup> and May 26<sup>th</sup>, 2008, and every interview lasted for approximately 30-60 minutes, depending on how eager each respondent was to elaborate his/her answers.

## 2.8 The Print-Outs

Instantly after each interview we “printed” them out or transcribed them, still when the interview situation was fresh in mind. It is quite difficult for the human mind to remember the interview situation in detail a while after the conversation has taken place (see Kvale, 1997), and as such, we would not take that risk. Further, we found it easier to interpret the interviews and carry out an analysis as long as we had them completely written down in paper form. For this kind of researching, it is not that important to write down everything in detail (every word, every pause, every repetition, etc). Instead, we made sure that we transcribed the valuable information necessary for our analytical part and of which reflected our theoretical outline. In this sense, we saved time when transcribing the interviews as not every word needed a place on the paper.

## 2.9 The Analysis

The analysis can be divided into three parts; the first being that we will analyze what answers we received from Nordea, the second being that we will compare these answers to the respondents of Handelsbanken, and the third being that we will relate these answers to earlier research that are further developed in chapter 4. When we received all answers from our respective respondents we made a classification of the success factors and put them into a table which showed how the respondents rated these factors. This was due to the fact that we would get a better overview of the different answers.

**Conclusion indicators:** When comparing the answers brought forward by the respondents of Nordea to one another as well as between Handelsbanken and Nordea, following conclusion indicators can be reflected upon:

(a) If the respondents rate their answers in similar ways considering the same success factor(s) it is more likely that the BSC tool has made a contribution to successes within Nordea, assumed that they rated their answers on the upper side of the five-grade scale.

**(b)** When comparing the respondents of Nordea to one another we have to be aware of the fact that if the answers separate themselves from one another it can be concluded that the BSC concept may not have had a high impact on success factors.

**(c)** If Handelsbanken and Nordea rate the success factors similarly it can be concluded that the BSC concept can be questioned as the prior does not rely on any given model of control as in the way of Nordea, and one might wonder if Nordea's BSC really was worth implementing.

**(d)** If Nordea's respondents rate one or more success factors similarly and to a "large degree" and Handelsbanken's respondents rate the same success factors to a "small degree", then we can conclude with the fact that the BSC has been the reason for different success factors.

## 2.9 Reflections on generalization

When doing a qualitative research we lose the advantages that a quantitative method produces. If we instead had chosen to investigate the evaluation of the use of BSC through, for instance, a survey examination we could have worked with a statistical selection, and through such an investigation we could have generalized our results in a better way. Through a strategic selection of businesses we could have made conclusions about the whole population and thereby generalize our results. Though, Bell (2005: 24) argues that survey examinations can answer questions concerning *what, where, how* and *when*, but it is more problematic to answer questions like *why*, which a more qualitative investigation will produce. Causal relationships are also difficult to prove through surveys of which are easier to prove through qualitative studies. Though, surveys rather bring about facts regarding a phenomenon.

However, it is quite problematic to generalize *one* case study to a whole population as will be the situation in this thesis. Certain people question the value of the study of single events or units. They point out that it is close to impossible to control the information gathered, and that there always is a serious risk in receiving results that are skewed. Yet others call attention to the fact that there normally is not possible to generalize the results from case studies even though Denscombe (1998: 36-37) indicates that case studies can be generalized as long as the examined case study is similar to other cases.

Bassey (1981; cited in Bell, 2005: 21), however, points out that if a case study "[...] is carried through systematically and critically, [...], constitutes a ground for comparison, and widen the boundaries for the existing knowledge through publication, you can look upon these investigations as a valid form of pedagogical research" (Our translation from Swedish). Eckstein agrees with Bassey, but indicates that case studies are valuable when you would want to widen or reduce the theory's area of validity or make its mechanisms finer (1992; Cited in Bjereld, Demker & Hinnfors, 2002: 86). In this sense, we believe that our study will contribute to the theory's validity.

## 2.10 Operationalizing the Purpose

Now that the methodological outline has been discussed and argued for we can turn our eyes to the fact that we can, more specifically, operationalize the purpose of this thesis. The purpose of this study is, then, to evaluate the use of the BSC with respect to Nordea.

### 3. THEORETICAL FRAMEWORK

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*In this chapter we will initially describe the theoretical disposition. Then we will describe the Balanced Scorecard (BSC) and the background, before we move on to shortly explain the four perspectives that are included in the scorecard concept. Following this, we will argue for that there is a cause-and-relationship between these perspectives, and finally, we will give a brief introduction to the Key Performance Indicators (KPIs) that surround the BSC concept of every company that has applied this tool within their businesses. We will, however, devote the success factors a whole chapter (see chapter 4) as these factors are the main contribution of this thesis.*

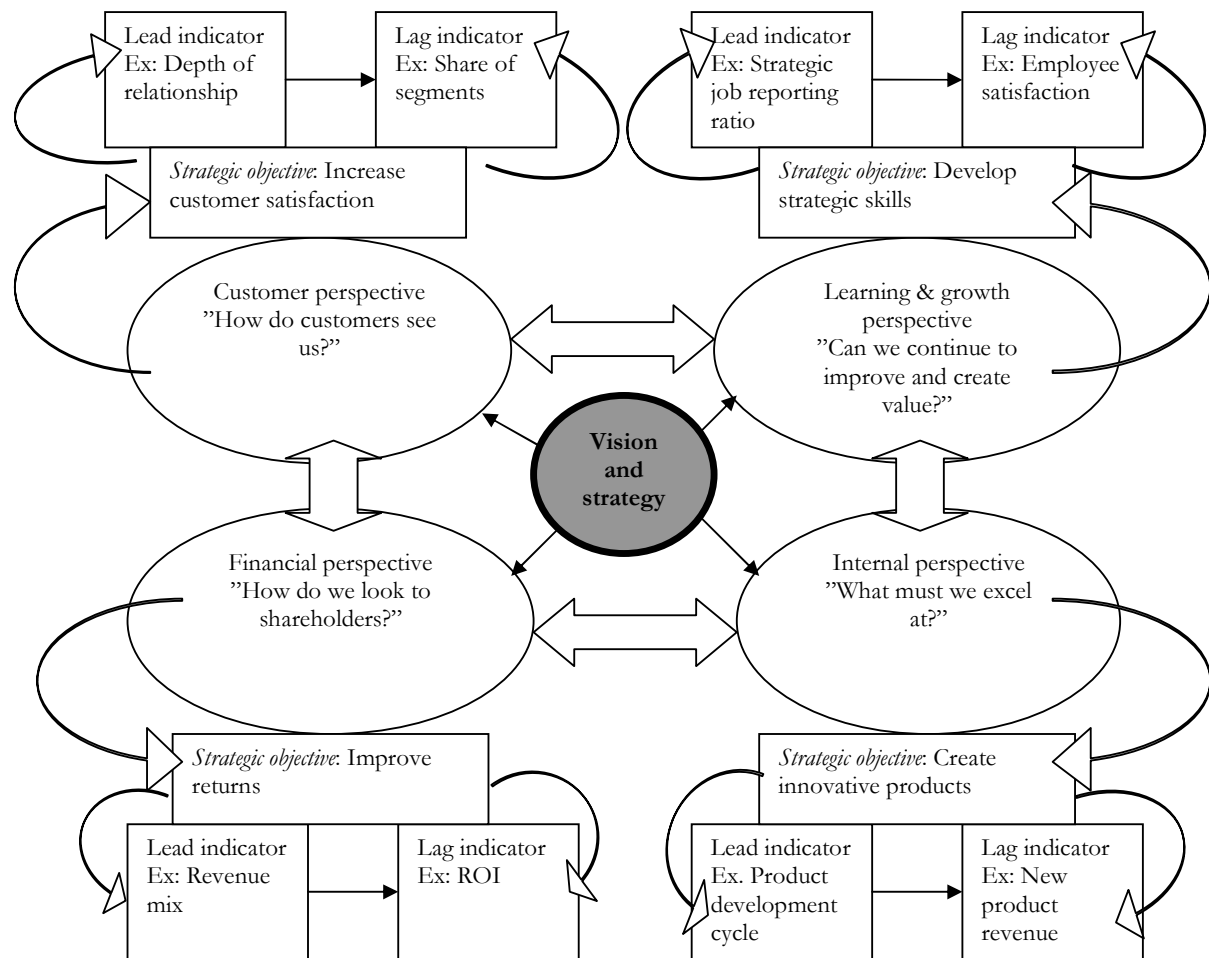
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#### 3.1 Theoretical disposition

The theoretical framework is based on a book written by Kaplan and Norton (1999). The reason for this is that this book is considered as being unique in the sense that it describes in a pedagogically way the background of the BSC, the four perspectives included in this tool, the cause-and-effect relationship, as well as the KPIs. Further, this book is chosen because Kaplan and Norton were the inventors of the BSC and in order to get a more reliable picture of the different parts surrounding the BSC, we found it utmost useful to depart from this book. The reason for why the background story of the BSC, the four perspectives of the tool, the cause-and-effect relationship that exists within this control system, and the KPIs are chosen to elaborate in this theoretical chapter is because these different parts found the ground for why the BSC might lead to successful outcomes, as will be discussed in chapter 4. It is important to understand this tool in a deeper sense in order to understand what this tool can be a contribution of. Further, Kaplan and Norton have brought forward different works that contribute to the same explanation as to why we only have departed from one book (see, for instance, Kaplan & Norton, 1992; 1992: 1996; 1996; 1997; 2000; 2001).

It is worth noting, however, that in recent years the BSC has come to include other aspects like that of the employment perspective (Olve et al., 1997). Some researchers may say that the employment perspective is included in the *learning and growth* perspective, but in Sweden the employment perspective have come to be included in companies' BSC as the employees traditionally have had a strong position. We choose not to elaborate this perspective further in this thesis as the case study that we will investigate departs from the original design of the BSC.

In the following figure we will in an illustrative way describe what parts the BSC consists of and of which we will discuss in the remainder of this chapter. The examples in the model are inspired by Metro Bank's BSC (Kaplan & Norton, 1999, p. 146):



### 3.2 Balanced Scorecard – The Background

The initial thinking of the BSC concept was introduced in an article written by Kaplan and Norton and published in the *Harvard Business Review* in the year of 1992. These scholars believed that companies needed to maintain a strategic management control system that does not only include financial measurements; rather, it was crucial that the historical financial measures should be harmonized with aspects that would include the organizations' future performances in order to be successful on the market place. Put more specifically, the BSC concept should be based on three important time dimensions in order to *maintain maximum performance*, that is, the time dimensions of yesterday, today and tomorrow. This initial thinking was suppose to express the need for a BSC concept that would provide a tool for companies to achieve successful organizational health and activities, but also to maintain a powerful organizational construction (Kaplan & Norton, 1999).

It was believed that by utilizing the BSC as a management control system it would essentially provide an opportunity for managers to find a sustainable balance between the presentation of both financial and operational measurements. The main discussed premise regarding the BSC is that it provides a strategic management tool which can help companies to perform better in a more rapidly changing business world than a traditional management control system. Moreover, the BSC is a method of which describes the compliances of where an operation should be

heading, and further; that it keeps a sustainable course in the right direction, that is, towards profitability. In this sense, the BSC was from the start of its existence developed in order for organizations to think rationally in their performances. Further, the BSC was meant to convey a possibility for organizations to communicate their strategic plans to all employees. This system was also supposed to be developed in order to achieve consensus among the employees so that they would know what organizational goals to strive for (Kaplan & Norton, 1999).

According to Kaplan and Norton (1991), the BSC offers companies the opportunities to connect their business concepts, strategies and visions into a compounding set of measurements. Further the BSC translates the objectivities and measures into four perspectives; *the customer perspective, the internal business processes, the learning and growth perspective* as well as *the financial perspective*. In this sense, the concept grants organizations the possibility to evaluate and asses their results with respect to these perspectives when answering four questions: (1) How do customers see us? (The Customer perspective), (2) What must we excel at? (The Internal perspective), (3) Can we continue to improve and create value? (The Learning and Growth perspective), and finally; (4) How do we look to shareholders? (The Financial perspective).

### 3.3 The Four Perspectives integrated in the BSC

Kaplan and Norton made a distinction between four perspectives related to customers, internality, learning and growth as well as the financial aspect in their development of the BSC. These perspectives are not mutual exclusive to one another; rather, they affect each other to quite a high degree. In the end, it all comes down to reaching a satisfying long-term financial growth within companies. In this sense, non-financial aspects are included in the BSC as a way of giving the financial perspective a little “push” in the right direction. In the following paragraphs, then, we will elaborate what is meant by each perspective as well as describing why these elements of perspectives are seen as important indicators of the BSC. The integrated relationship between the perspectives is further discussed in chapter 3.4. Here we will only concentrate on mapping out the different perspectives.

**The customer perspective.** The customer perspective aims first and foremost at creating value for the customers and as such, it is important for the organization to identify the market segment of which will be profitable and contribute to the company’s financial objectives. The outcome measures, as it were, should be adapted to the customer groups and the pinpointed market segments, which, in turn, can be facilitated by linking the performance drivers. According to Kaplan and Norton (1999) the organization should translate its vision, business concept and strategies into measures that really matters to the customers. It is also important for the organization to be able to focus the strategy to targeted customer groups. The main reason for this is that if the organization has a strategy where the aim is to satisfy *all* customers, they might instead create a turnover, meaning that they may create a situation where no one gets satisfied (Kaplan & Norton, 1999). Considering this, it is of great importance that the organization puts forward good analyses of what their customers expect of them.

Kaplan and Norton (1999) state that the outcome measures regarding the customer perspective, entitled *the customer core measurements*, should be tailored to the targeted customer groups for best results on the financial objectives. These measurements include market share, customer retention, customer satisfaction, customer acquisition, and customer profitability.

In order to understand the creation of the customer core measurements it is important to understand the customer value propositions which is, according to Kaplan and Norton (1999:73), one important key objective for future value creation. Kaplan and Norton’s research shows that

the measurements can to a large degree vary between different organizations. However, they have identified three generic categories considering the measurements; (a) products/services attributes; (b) customer relationship; and (c) image and reputation. The attributes that contribute to the functionality of the products/services are price, quality and time. The customer relationship measurements aim at measuring the delivery time dimensions and the customers' experiences concerning the particular transaction between the customers and the organization. Finally, the main principle of the image and reputation categorization is mainly to interact with the customers through intangible factors, that is, for instance, through advertising (Kaplan & Norton, 1999). In this sense, we understand that the customers are very important to the organization in the way of generating profitability.

**The Internal Perspective.** Kaplan and Norton (1999) has criticised the traditional management control systems for focusing too much on controlling and developing already existing operational processes and not so much on stimulating the development of new processes. The BSC, on the other hand, evaluates and identifies new processes which can make it easier for the organization to control the financial objectives as well as retaining their customers and at the same time attract new ones. Kaplan and Norton (1999) state that the organization needs to evaluate processes that generate the right form of value for the customers and thereby lead to fulfilment of the expectations of the shareholders.

In order to make satisfying result measurements regarding the internal perspective, Norton and Kaplan recommended that businesses should structure an entire internal chain of processes, which include the following steps; (a) the process of innovation; (b) the process of supply, and (c) the process of future markets. The purpose with the first step - the process of innovation - is to identify present and future customer needs and develop solutions concerning the identified customer factors. Further, the process of supply aims at generating available products/services to existing customers. Finally, the process of future markets would offer services following the actual purchase, which, in turn, aims at increasing the value for the customer. Aspects like service effectivity, warranties, treatment of defects and return, etc., concern the increasing future value for the customers (Kaplan & Norton, 1999).

The generic measurement objectives that are in focus regarding the internal perspective are quality, lead time, cost, and product launching. These measurements make it possible for the organization to evaluate and improve existing processes from a cost, quality and time perspective. It can be understood that Kaplan and Norton assume that the BSC within the internal perspective obtains the objectives and measurements from concrete strategies where the purpose is, in the end, to fulfil the shareholders' and customers' expectations.

**The Learning and Growth perspective.** The third perspective the BSC stresses gives the organization the possibility to evaluate the capacity for long-term renewal. The organization's strength when having the ability to innovate, improve and learn is directly connected to how well the organization creates value. Kaplan and Norton (1999) assume that the objectives in the learning and growth perspective have a critical and driving influence on the other two perspectives discussed above as well as the financial perspective that we will discuss shortly. One main reason for why the BSC is concerned with the importance of this perspective is that many companies today duly focus on retaining savings by decreasing the investments in employees, and it can much too often be forgotten how these decisions can influence the long-term effects on firms. Kaplan and Norton (1999) state that if companies avoid this quite important aspect it can end up in a debilitated futuristic competitive success.

Kaplan and Norton (1999) define three generic categories for the learning perspective; (a) Employee Capability; (b) Information Systems Capabilities; and (c) Motivation, “Empowerment”, and Alignment. The first category is directed to evaluating the employees’ abilities and skills in order to detect what kind of possibilities are conducted in processing and performance improvements. It is, as can be understood, the employees that are closest to the internal processes and the customers. It is of great importance that the employees feel satisfied with their work because it affects, in turn, the degree of motivation. If this degree of motivation is high the level of productivity will increase, and, at the same time, the eagerness to reach the organizations set of objectives will arise among the employees. The second category – Information Systems Capabilities - makes it possible for the employees to get access to important information that include a substantial set of areas within the organization in order to be able to perform better as well as working towards the business’ objectives. This information includes data concerning the customers, the internal processes and the financial consequences regarding the employees’ decisions (Kaplan and Norton, 1999). The last category, that is, Motivation, “Empowerment”, and Alignment, handles the question whether the organization’s environment is reasonably suitable for the employees in order to make it possible for them to feel the motivation and have the initiative power needed with the purpose of carrying out good results. Put more simplistically, if the organization has expectations regarding their employees it is crucial that they feel that they are *motivated* so that they can act in the expected way. The organization, as it were, also needs to give enough space and trust in favour of their employees so that they feel secure enough in order to make their own decisions (Kaplan and Norton 1999).

**The Financial Perspective.** The financial perspective informs us about the results of a company’s strategies, the implementation success as well as the evaluation of the improvements of the organization’s profit. This perspective unites the other perspectives’ objectives and measurements and the organization’s connection between its strategies. The other three above discussed perspectives and the financial perspective are meant to be linked through a cause-and-effect relationship (which will further be discussed later in this theoretical section). This process should facilitate the company’s performances in the long run and reflect a clear picture of the organization’s strategy concerning its long-term sets of objectives. Further, this reflection includes evaluating the outcome measures. When evaluating the success of the outcome measures in relation to the organization’s objectives the business therefore needs to include the performance *driver* and *outcome* measures into a cause-and-effect relationship (Kaplan and Norton, 1999).

Kaplan and Norton (1999) state that organizations have freedom to decide how to divide their strategy, that is, instead of deciding *one* strategy for the whole corporation, the organization can decide whether the strategic business units should have their own strategies. The decision is based upon what stage within the business cycle the business units are in and what are the business unit’s product areas. Depending on how organizations decide what strategies to implement it should be clear that the financial measurements are appropriate and “correct” for an optimal evaluation as well as for optimal results for the whole company. The financial objectives also include an accurate evaluation of the risk that the strategy can bring about; therefore, the organization should take this evaluation into account and thereby finding a balance with the management team as well as controlling the risk of the objectives. The financial perspective can, as an illustration, include measures such as Return on Investment (ROI) and Return on Equity (ROE).

### 3.4 The Cause-and-effect Relationship

According to Kaplan and Norton (1999) the outcome measures should be linked into a cause-and-effect relationship in order to mediate the organizations business concept to the employees. Kaplan and Norton (1999) characterize a strategy as “a set of hypotheses about cause and effect” and proclaim that these measurements should be interrelated between the hypotheses and the objectives (and the outcome measures) between the four perspectives. The interrelation is important to the fact that it creates a consistency in the BSC and aims at working as a “feedback process”. The feedback involves analyzing the relationship between the measures and thereby to maintain optimal value creation. An illustration regarding this argument could be that good relations between the perspectives provide improvements in employee skills, which, in turn, cause improvements in process quality and process cycle time, which, consequentially, improves time delivery, customer loyalty, and, as a final result, affect the return on investment (Kaplan and Norton, 1999: 37). They further claim that it is of great importance to identify and illustrate the relation between the lag (the outcomes) and the lead (the drivers) indicators, for the reason that every outcome measure of which is chosen should make a comprehensible explanation of what is involved in the strategy for the sake of every business unit.

Kaplan & Norton (1999) claim that if the BSC is correctly constructed when containing these performance measurement drivers linked into a cause-and-effect chain it will develop and make it possible to implement the strategy throughout the whole organization.

### 3.5 Key Performance Indicators (KPIs)

As earlier mentioned, the BSC is a strategic tool that attempts to connect companies' strategies with measurements that are included in a cause-and-effect relationship of where it communicates causes of specific attained strategies. The main task of these measurements, which, in this thesis, will be defined as *Key Performance Indicators* (KPIs), is to communicate the factors between the perspectives which affect the results today and in the future. The KPIs are developed as well as derived from the organizations strategies, which are consequently connected within a cause-and-effect relationship, which, in turn, are expected to achieve the desired measurements. The criteria for selecting KPIs of which are having a connection to the organization's objectives are twofold; (1) they have to be a key to success, and (2) they have to be measurable. Kaplan and Norton (1999) explain that the KPIs can be divided into two groups, that is, external and internal indicators. The external indicators keep a focus on the organization's stakeholders, that is, for instance, loaners/owners and customers, and the internal indicators are concentrated on the internal processes, illustrated by, for instance, the development of competencies and growth. In order to accomplish the solidarity between the measurements' objectives and thereby creating a cause-and-effect relationship, there has to be a consistency between the lag (outcome measures) and lead indicators (performance drivers) (Kaplan and Norton, 1999).

According to Kaplan and Norton (1999), a first function of the lead indicators is to express factors which will have an important role on the organization's future profitability. Yet another important function of these indicators is to create an easier way for the employees in understanding what kind of performances are expected at the present point in time of which will result in creating value in the future. The lag indicators, on the other hand, specify measures on the already achieved results as well as evaluating if there are any improvements accomplished. Achieving a balance between the KPIs, where the lead and lag indicators are adapted and thereby connected within the organization's strategies, are believed to eventually end up into satisfying results.



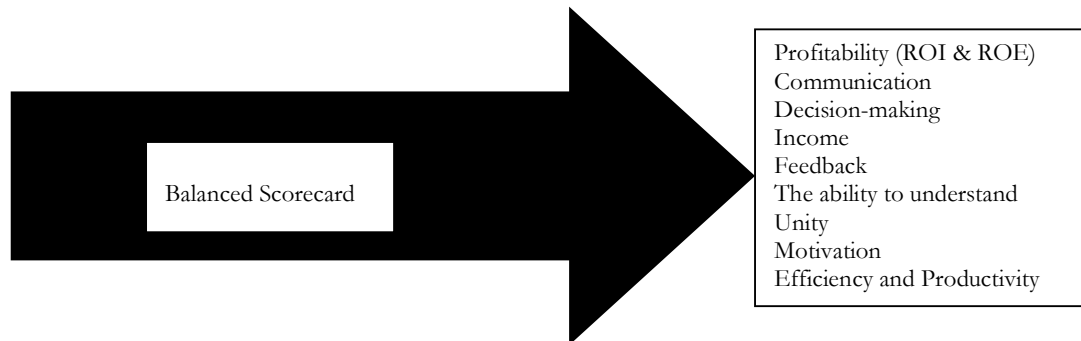
As a last remark, the functions of the indicators are that; (a) they have to be capable of communicating how the company looks upon itself as well as making the surrounding environment understand the indicators; (b) they have to be connected and interrelated in a cause-and-effect relationship; and (c) they have to be comparable through time and space, both within the company (among units) and between companies.

## 4. SUCCESS FACTORS

*In this chapter we will look at what success factors may come out of different management control systems, such as ABC, BSC, JIT, TQM and Benchmarking.*

### 4.1 Choice of success factors

When reviewing earlier studies on this subject, we have identified the following factors:



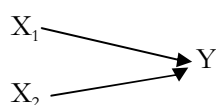
**Figure 4.1:** A summary of the believed success factors the employment of the Balanced Scorecard may lead to.

In this thesis we have gathered all of these success factors in order to investigate whether the BSC may lead to some (or all) of these improvements. These success factors, as we choose to call them, are both of financial and non-financial characters. A first criterion for why these are chosen to be explored further within the area of BSC is the fact that they are well-known and that they are utmost relevant for the examined BSC in this thesis. A second criterion for the chosen success factors is that they are mutual exclusive to one another, meaning that they are different categories which cannot and must not be mixed together. This means that we have to argue for how they can be defined with the aim of clearly separating the concepts from one another. Most of the earlier studies that will be discussed below have departed from statistical designs, and others have only stayed within theoretical assumptions that the investigated control system leads to a certain outcome. As for this study, then, we will depart from a different point-of-view when doing an in-depth analysis of the chosen case study, apply all of these success factors and see if they have any substance in reality regarding the use of the BSC. However, there is room for arguing that there may exist other relations between management control systems and success factors than the one illustrated in figure 4.1. In their article, Shields and Shields (2005) discuss different variable effects concerning how variations of *revenue drivers* like that of customer satisfaction can affect companies' revenues. We will apply some of their models in order to illustrate how different management tools may have an effect on success factors:

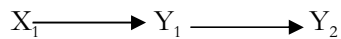
(1)  $X_1 \longrightarrow Y$

The arrow in the first example (1) illustrate that there exist a positive relationship between the management control system ( $X_1$ ) and different success factors ( $Y$ ) while the second example (2) illustrate a negative relationship.

(2)  $X_1 \dashrightarrow Y$



This model shows an *additive* relationship, which means that the management control system ( $X_1$ ) has a direct and independent effect on the success factors ( $Y$ ). The management control system has thereby the same effect no matter what other factors are involved.



This is a relationship that Shields and Shields have left out in their discussion. We believe that there is also possible to see that the management control system ( $X_1$ ) may lead to one success factor, ( $Y_1$ ) which, in turn, may lead to a second success factor ( $Y_2$ ). For instance, the BSC may lead to the success factor of *understanding* which will lead to higher *motivation* and so forth.

We have, though, chosen to depart from the first example, which is a simplified reconstruction of figure 4.1. as it can be argued that this is one of the ways to look upon how management control systems may lead to successes. In the remainder of this chapter we will first identify what is meant by “success” as this notion is quite difficult to define, and secondly, we will discuss each of the above mentioned factors in the way of defining them as well as giving brief descriptions of how authors of respective studies see the relationship between management control systems and success factors.

#### 4.2 Definitions of the term “success”

In the literature the term “success” has been defined in different ways. Certain authors have chosen to apply a narrow definition of this term and others have applied a broader definition of this concept. Following Cagwin and Bouman (2002: 3) success has been defined as “use for decision-making”, “satisfaction” with the costing system, perceived “financial benefit” – a dichotomous measure with no reference to the criteria of benefit *per se* -, or “other non-financial benefits”. With these definitions in mind, we understand that success may come out in different shapes, thus with the reference to positive connotations. As success can be defined in various ways we have let the respondents rate the degree of success with whatever definition they have deemed relevant.

#### 4.3 Profitability

The first success factor that is critical for organizations to obtain is the constant improvement in financial performance. In this thesis, profitability will be measured as *Return on Investment* (ROI) and *Return on Equity* (ROE). Following previous studies (Roberts & Sylvester, 1996), it has been exposed that enterprises have adopted management control systems such as ABC, JIT and TQM in order to obtain benefits that have an impact on financial performance measures. From a theoretical standpoint, first of all, evidences have revealed that ABC has proven to be beneficial (Barnes, 1991; Brimson, 1991; cited in Al-Khadash & Feridun, 2006). Empirical studies on ABC, on the other hand, have “only” concentrated on factors that lead to successful ABC systems (Al-Khadash & Feridun, 2006), which means that empirical studies have for the most part avoided the discussion of whether the ABC leads to success or nor. Further, Kinney and Wempe (1998; cited in Al-Khadash & Feridun, 2006), for instance, argue in their article that JIT positively affect ROI in the 1-4 year period after the JIT system has been adopted.

Cagwin and Bouwman (2002) investigate in their study the improvement in financial performance that is associated with the use of ABC. These authors found through statistical design and survey studies that when ABC is used concurrently with JIT, TQM, etc., they have a direct effect on financial performances or profitability, that is, ROI and ROE, in complex and diverse firms. This can be stated as the correlation between ABC and profitability is stronger than that obtained from use of those strategic business initiatives without ABC. This finding is consistent with statements by researchers that management control systems are meant to be efficient in

supporting firms' operational effectiveness (Granlund and Lukka, 1998; Cooper, 1996; Porter, 1996; Granlund, 1997; cited in Cagwin and Bowman, 2002: 27). In light of previous studies, we find that profitability in terms of ROI and ROE is an important success factor to explore further in relation to the BSC control system.

#### **4.4 Communication**

The second success factor that organizations may obtain when utilizing a new strategic tool is related to the phenomenon of communication, or rather; the internal communication. In this thesis, internal communication refers to the strategic tool as acting as a communicator between employees at all levels of the organization. In this sense, the BSC tool is expected to *communicate* the strategies employed in the organization. Some researchers such as Hoque and James (2000) provide evidences that the BSC system can satisfy companies' internal communication needs, which, in turn, facilitates decisions and actions that "support strategies based on the needs of stakeholders, internal and external customers, regulatory bodies, managers, and employees and requires involvement by all levels of the organization" (p. 4). Other researchers (Hendricks et al., 2004; Stewarts & Carpenter-Hubin, 2000-2001) found that as firms grow, problems in communication increase, and the BSC can thereby represent a management tool that is useful for coordinating cross-functional and cross-level decisions and activities. These researchers further state that by encouraging cross-functional communication through the BSC employees will better understand linkages between business activities and unit's strategic objectives. In this sense, earlier studies show that communication is an important success factor where the BSC may be of contributive importance.

#### **4.5 Decision-making**

The third success factor deals with the decision-making process and whether the new management tool may contribute to different and better decisions once implemented. Following Foster and Swenson (1997), they found that the decision-making and decision actions taken with ABC information are of strong explanatory power. This explanatory power relates to the fact that the more extensive the use of ABC information, the more successful the implementation. This information further communicates that when the ABC implementation causes a change in decisions, it is viewed as successful; if it does not cause a change in decision, it is viewed as unsuccessful. Stewarts and Carpenter-Hubin (2000-2001) found that when decision-making in organizations are to be realized it is easier to implement them when the BSC system has been employed as the BSC can provide substantive information for strategic decision-making. Yet other authors such as Olsen (1998) argue that the ABC system is considered necessary in the organization as it can be used as a control-oriented data needed for critical decision-making. He puts forward a few examples, such as that the ABC can act as a cost-control tool as activity-based costing is a method of identifying each and every cost to a specific activity. In such an understanding, it is easier to make decisions on how to keep the costs down, especially when new products are introduced or invented. With these explanations in mind, we find it likely that the BSC may also act as a much needed decision-making tool.

#### **4.6 Income**

The fourth success factor that will be exploited in this thesis is the improvement of organizations' income, meaning revenues (sales and turnover) minus costs. This success factor must differentiate itself from that of profitability (ROE and ROI). According to Ax et al. (2005: 29) the income measurement cannot be used as an indicator for how "well" or "bad" a company is running. As an illustration, a company with a high profit does not necessarily have to be more

profitable than a company that has generated a lower profit; that is, a company with a lower profit may be more profitable than a company with higher profit. In this sense, the concept of income differentiate itself from the notion of profitability in the way that the income measures are measured in absolute terms while profitability is measured in relative terms. Further, profitability is a more correct way of measuring how “well” or “bad” a company is running, as the reason for this is that this measurement says something about how well the business is doing. Foster and Swenson (1997), who studied the determinants of ABC success, found that improvements in dollar measurements could evidently be established when making use of the activity-based-costing tool. These authors inform us that the dollar improvement are related to the comparison between revenues and costs (income) and the higher the revenues in relation to the costs, the more successful the firm. They showed through statistical design that the explanatory power of this determinant was greater when a broader success measure was used (they made use of multiple attributes of success in their study).

The positive relation between a management control system and the income measurement can further be stated by Cooper and Kaplan (1991). These authors found that ABC analysis highlights for managers where their actions will most likely have the greatest impact on income. For example, if we are to analyze an organization’s brand, such as “Snappy Cereals”, a brand analyzes could look at all the expenses associated with sustaining a brand, and whether it leads to high revenues or not (Cooper & Kaplan, 1991: 133). ABC analysis of, for instance, unprofitable customers may show that the customers demand low prices because of their requirements for larger purchasing volumes. In this sense, Cooper and Kaplan (1991) found that ABC can help the company in deciding what actions to take in order to higher its revenues and lower its expenses by deciding to, for instance, maintaining the existing level of customers but reducing discounts, and save expenses by cutting down customer-sustaining services.

Further, Schoeneborn (2003) found, when studying the concept of BSC, that on-time delivery and customer loyalty are important elements of this tool as the increase in these elements results in growing sales (turnover) and revenues. Based on these researchers’ findings, we find it necessary to make use of the income measure in this thesis as one of the success factors when the BSC tool is to be evaluated.

#### **4.7 Feedback**

The fifth success factor that can be related to the BSC in this study is the feedback process. By feedback we mean, in accordance with Kaplan and Norton (1999), that the ability of the BSC is to achieve a realization in the systematic process regarding receiving feedback on how well the strategies and their measures have turned out to be. This success factor must be separated from the term communication discussed above. This can be stated as communication is “forward-oriented”, meaning that the strategies are communicated to the rest of the employees, while feedback is “backward-oriented” meaning that the strategies are communicated *back* to the management team within the organization.

In theoretical terms, Kaplan and Norton “invented” the scorecard as a way of being a mechanism supply for strategic feedback and review in order to constantly improve processes, and that BSC helps organizations foster a kind of learning often missing in companies; [...] and the ability to reflect on inferences and adjust theories of cause-and-effect relationships” (Kaplan & Norton, 1996: 1). Certain authors like Arveson (1998) found, through empirically findings, that the BSC provides feedback around both the internal business processes and external outcomes in order to constantly improve strategic performance and results. The positive relation between a management control system and feedback can further be strengthened by Argyris and Schon

(1978). They found that feedback can be related to continuous learning within the “learning organization” where culture is the key concept. By a “learning organization” these authors mean that organizations develop and use new knowledge to improve performance. This can happen through the processing of feedback, they argue. Without feedback there is no chance of learning, and without continuous learning, it is difficult for the organization to succeed or improve in its processes. Such an understanding makes us believe that the BSC can act as a better feedback instrument at the same level as the success factors mentioned above.

#### 4.8 The ability to understand

The sixth success factor that we will carry forward in this thesis is the understanding process. Understanding, in this case, points out to what degree the employees understand the strategies and how to implement them (Holloway et al., 1997). Othman’s (2006) purpose in his research was to examine the effects of the development of the causal model of the strategy in the implementation of the BSC. His main contribution was to find a difference in BSC implementation of those who adopted a causal model of their strategies and those who did not. He found that companies who had managed to develop a cause-and-effect relationship in their strategies found it easier to make employees understand these strategies and how to carry them out than what was the case within firms who failed to develop a cause-and-effect relationship in their strategies.

Further, in their research, Holloway et al. (1997) aim at providing a contribution as to what benefits may come out of the benchmarking process. They interviewed a number of respondents through survey studies in order to find what benefits may exist among benchmarking practices, and a vast majority could conclude on one aspect; Benchmarking contributes to a better understanding of the workings of the business – their own or their competitors’ – which could, in turn, lead to improvement in action. Benchmarking, as it were, can be argued to be used in order to improve performances by understanding what methods and practices lay the ground for achieving world-class performance levels.

Other authors (Olve, 2000; Kaplan & Norton, 1999; Zeng, 2005) found a growing understanding at firms which have employed the concept of BSC. For instance, in his article, Zeng (2005) investigates the BSC in enterprise’s strategic management. He found that there is quite a large degree of common understanding in strategically planning and enterprise prospect amongst administrative staff of enterprise and of which can motivate people’s working enthusiasm and determination. The ability to understand, then, with reference to earlier studies, will work as a success factor in this study.

#### 4.9 Unity

The seventh success factor that will be discussed in this thesis is the *unity* aspect. Unity refers to what degree employees are unified concerning what strategies to implement and how to carry them out, that is, everybody is working together toward a unity of purpose in achieving an integrated strategy.

Within this limited area of research, Zeng (2005) was one of the researchers who found a positive link between the BSC and unity. In his study, Zeng found that within the area of BSC there is a growing unity amongst employees when making the enterprise’s prospect accord with reality. Although this research has been limited, we find it necessary to explore if this factor has been affected by the implementation of the BSC.

#### 4.10 Motivation

Nilsson (2005) argues that the control system's most important assignment is to get the employees motivated to perform the actions that are of interest for the organization. In this sense, motivation (our ninth success factor) can be defined as the degree to which employees are engaged in a particular behaviour. Some authors such as Olve et al. (1997) point out that the BSC model concretizes the company's long-term direction and vision into the daily activities. For the reason that the scorecard is broken down into different parts of activities the control of the business is adapted in a way that locally is understood as more relevant than earlier models. This increases the understanding and motivation, which, in turn, leads to higher propensity to change as well as stronger forces to carry through the strategies.

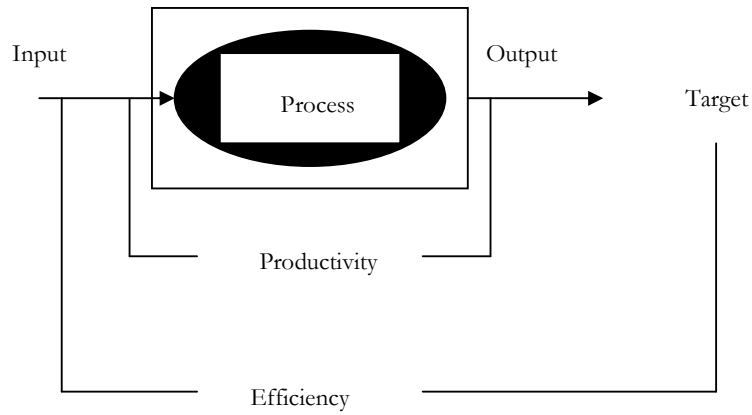
Talaq and Ahmed (2003) also discuss the concept of motivation in their study. They saw that through the evolution of total quality management (TQM) a greater emphasis has been put on the people. The outcomes, as they put it, have to be produced through the organization's employees. The firm's ability to motivate its people is therefore the key to quality performance, which, in turn, lead to the desired actions and behaviours as well as an increasing level of the people's quality consciousness. In their study, they developed a pragmatic model which they call "the 5 R's of motivation": Requirements, resources, rewards and recognition, relationships, and responsibility. These concepts are embedding a strong belief in the people regarding the deep values and norms that labels the TQM and lead employees to act out of quality in their every day working life. With only theoretical assumptions related to this concept, we conclude with the fact that a control system may give the company the possibility to improve its workers' motivation, which, in turn, leads them to strive for achieving and delivering the firm's vision and strategies.

#### 4.11 Efficiency and productivity

The last success factors that we will discuss in this thesis are the concepts of efficiency and productivity. With references to Brorström and Kastberg (2006), Häckner (1998) as well as Ax et al. (2005) we will first try to define these concepts in the way of separating them from one another and then rely on earlier studies to see how management control systems have been argued for regarding if there exists a positive relation between the control system and these measurements. Häckner (1998) as well as Ax et al. (2005) position efficiency by attaining a level of fulfilments of targets where "targets" is described as the desired results. Further, Häckner (1998) illustrates this concept by expressing the contents of the internal and the external efficiency. The internal efficiency is related to "performing the activities in a right way", which will, consequentially, lead to achieving the opportunity to economize the resources. The external efficiency, on the other hand, involves "performing the right activities" which will, in turn, have an influence on the value creation of the activities. Häckner (1998) departs from the same view as Brorström and Kastberg (2006) and claim that a substance between the internal and external aspects will influence the results of the economized resources and the value creation. In a similar way like that of Kaplan and Norton's (1999) work, Häckner (1999) states that by achieving this defined substance it will result in an agreement between made-up targets, plans and the consumption of resources in order to see that desired outcomes have been achieved.

With help from Ax et al. (2005) we define the internal efficiency as related to high productivity while the external efficiency is defined as being related to growth (meaning growth in sales, growth in employees etc) and quality (meaning the degree of time spent on customers, and the degree of good and bad services and products). The external efficiency is often measured in financial terms as companies' attained goals are often of that kind. "Income related to capital" is an example of efficiency measurement (profitability). However, we choose to define profitability

as one separated success factor as discussed above as we believe this measurement deserve its own area of interest. This is due to the fact that companies value to a great extent this measurement in order to see how profitable they are on the market place. Efficiency will in this thesis only be defined in terms of growth and quality, which cannot be seen as profitability measures. The relationship between productivity and efficiency can be illustrated in the following figure:



**Figure 4.2:** Productivity and Efficiency (Ewing & Samuelsson, 1998)

As we can understand from the above figure, productivity measures the relationship between produced output (in quantity, value, etc.) and one or more contributions of resources (input). Efficiency is thus a wider notion. Efficiency estimates the degree of target fulfilments relating to the contribution of resources (Ewing & Samuelsson, 1998: 59). In order to make it a bit clearer, Murray (2006: 127) points out that one cannot judge whether an organization is efficient by looking at the company's productivity measure. If this is at all possible the same measures, that is, the relationship between the resulted performances and the sacrifices of resources, have to be valued by employing the same terms. In conclusion, then, as the difference between efficiency and productivity is difficult to separate at times we will let the respondents define these concepts in what ways they deemed relevant.

In his dissertation, Nilsson (2005) discusses three actors' expectations of the multiple management control system. By multiple management control systems, like that of "The New Public Management", he means that companies have been inspired by several control systems and transformed and transported them into their own businesses (p. 2). This can further be understood when we state that multiple control systems have both financial and non-financial measurements, like that of the BSC, while one dimensional control systems only contain financial measurements. Nilsson departed from a pilot study where the effect of multi dimensional control systems were explored and discussed. In this pilot study, not one of the four respondents could clearly point out that multi dimensional ways of control would lead to better productivity and efficiency. Nilsson's aim was to take this investigation further, when examining Luleå municipality's way of controlling. Instead of investigating if the respondents could clearly point out whether or not the multiple control system would lead to productivity and efficiency he instead explored the respondents' *expectations* on the subject. He chooses to employ these concepts as he means that these effects are something all companies should expect when employing a control system within their businesses. He found that there was no direct link between the multi dimensional control system and productivity and efficiency. Still, in accordance with Nilsson, we find this area of research quite intriguing to explore further, and see whether this argument can only be related to Luleå municipality or if this argument can be applied to our study as well. When investigating Nordea and its BSC, we will (hopefully) conclude with a satisfying answer regarding this area of interest.



## 5. RESULTS - NORDEA

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*This chapter will present the results from the interviews carried out with the respondents from Nordea. Initially, we will give a brief description concerning the reason for why the BSC tool was introduced to Nordea as well as how this model have been designed within this business. Further, this chapter will also include a description of the four perspectives introduced in the theoretical outline, the cause-and-effect relationship within the scorecard concept and Nordea's KPIs. Finally, we will discuss the empirical results that were brought forward concerning the respondents' answers on the success factors.*

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### 5.1 Background

Nordea started its business in the finance world in the year of 1820 and is one of the largest bank organizations in the whole of Scandinavia. Nordea's vision initially was described as "*making it possible*", but the vision has been re-defined to better reflect the ambition of becoming "the best" company – Nordea's new vision is; "*The leading Nordic bank, acknowledged for its people, creating superior value for customers and shareholders*". Further, its strategy is based on an organic growth, with a well-diversified organization and of which is able to managing the risks. The organization includes four regional bank offices in Sweden – West, East, South, and the Northern and Middle Region. Nordea's comprehensive financial objective is to create value for the shareholders and thus compare these objectives with the five most leading banks in Europe (Nordea's Annual Report 2007).

Nordea can be described as a hierarchical organization with a strong centralized structure. Each and every "product area", such as private and corporate merchant banking, has its own responsibility (Nordea's Annual Report 2007). The management control system in Nordea is based upon the BSC concept, and this management tool was introduced to Nordea in 1998-1999 (Respondent A, 09-05-2008).

### 5.2 The Balanced Scorecard Tool

Nordea decided to implement the BSC tool ten years ago, and one might wonder why Nordea found it so useful to introduce this concept to the company as the business went well at that point in time. One argument that was put forth was that Nordea found the concept interesting as they could now work from a new dimension, that is, it made it easier for them to follow up the results from different ratios. Further, as Nordea values benchmarking in their concept they found it easier to compare the different regions and local offices to one another as well as comparing itself to other businesses within the same branch of industry. It was all about competing against the best businesses on the market place, and the BSC tool was one way of structuring the benchmarking process as to how and in what ways the company should compete. A second argument that was brought up by the respondents was that the organization's strategy could be seen in all four perspectives of the BSC. As such, the BSC gave a clear structure on how to implement the strategies (Respondent A, 09-05-2008, and Mats Engström, 19-05-2008). What is more, the BSC was also considered as a "modern" management control system that many businesses implemented during that period in time, and Nordea did not want to be "left out". Nordea looked upon this control system as contributing to other/additional information – to visualize what they needed to change (Respondent A, 09-05-2008).

Before the employment of the BSC took place, Nordea made use of many other control reports where they only concentrated on the financial ratios such as income and profitability. Even though Nordea went well before the implementation of the BSC, other businesses within the

same branch of industry went better. Nordea found it then interesting to try out a new tool of which could help them perform even better on the market place. In the beginning, though, the BSC was only focusing on one area of interest – the financial perspective (Respondent A, 09-05-2008).

Working with the BSC has been a constant development process for Nordea as the company continually strives to increase its effectiveness within different processes. It was not long before the focus area increased within the BSC concept as Nordea saw a need for introducing more perspectives to the scorecard. In addition to the financial perspective, which the business already had employed, the non-financial perspectives, such as the customer perspective, the internal processes, as well as the learning and growth perspective, were introduced to the scorecard. This was due to the fact that the financial perspective only created short term value while the non-financial perspectives created value for the future. As such, the non-financial perspectives were meant to affect the financial perspective in a positive way (Respondent B, 20-05-2008).

However, as we look at different regions within Nordea, it should also be emphasized that every region works with the same BSC model, though, according to Mats Engström, some exceptions can be expected. These exceptions depend on whether some regions find it useful to perform special adjustments which do not concern the other regions (19-05-2008).

### 5.3 The Four Perspectives

Nordea's BSC, as it were, contains four perspectives; *the customer perspective*, *the financial perspective*, *the internal perspective* and *the learning and growth perspective* (see appendix 2).

**The Customer Perspective:** The main contribution of this perspective, according to Mats Engström, is to be able to see how well Nordea satisfies its customers. Within this perspective, it can be stated that the scorecard has different measurements depending on the customers, that is, whether they are Gold Customers or Banking Customers. The main measurement is, however, called the Customer Satisfaction Index (CSI) and is divided on the different product areas (Mats Engström, 19-05-2008; Internal material).

**The Financial Perspective:** The focus area within the financial aspects is concerning the income measurements. GAP is one aspect which describes the revenue growth in relation to the cost growth. This measurement, in turn, indicates that the growth of the income is expressed in financial terms. A positive GAP, explicitly, indicates that there is a good income development (Respondent B, 20-05-2008). The financial perspective also includes measures like improved efficiency in sales and production processes as well as total expenses which, to be exact, is related to the Return on Equity (ROE) (Respondent B, 20-5-2008; internal material).

**The Internal Perspective:** This perspective deals with the effectiveness in the internal processes and how to allocate capital. Other aspects within this perspective are concerned with connecting the organization, governance and processes into “one bank”. Yet another important focus area in this regard is to increase quality and product lead-time - “how much time do we spend on every customer?” (Mats Engström, 19-05-2008; Internal material).

**The Learning and Growth Perspective:** In this perspective, ESI is measured, which refers to the Employee Satisfaction Index. This measurement can be resembled with the CSI mentioned above as both of them are measured in the same way, though CSI refers to the satisfaction of customers whilst the ESI refers to the satisfaction of employees as well as employee motivation (Mats Engström, 19-05-2008; Internal material).

#### 5.4 The Cause-and-Effect Relationship

The respondents believe that there exists a cause-and-effect relationship between the four perspectives of Nordea's BSC concept. The strategic map, as they like to call it, includes so called "bubbles" which shows the relationship between the perspectives. The aim regarding these "bubbles" is to make a simplified overview for the region managers to follow so that they can in an easier way evaluate each local office and create a picture on what generates income. This, in turn, may help the region managers realize what creates value for the firm. This interpreted relationship among the perspectives and "the bubbles" is only available for the region managers to see and cannot be viewed by the local managers (Mats Engström 19-5-2008; Respondent B, 20-5-2008).

This relationship is further evaluated and commented on by each region offices. The evaluation of the measurements from the different perspectives is carried through by these so-called quarterly reports, also known as Q1, Q2 etc in the BSC. The respondents also emphasize the importance of understanding the interrelationship between the perspectives as this interrelationship expresses the strategies each perspective contains (Respondent C and respondent B, 20-05-2008; Mats Engström, 19-05-2008). However, the usage of the "bubbles" is, according to respondent B, rather to mainly *understand* the connecting "picture" within the BSC and does not involve any deeper analyses regarding the perspectives. The same respondent also believes that the feedback processes concerning the cause-and-effect chain is rather a question for the top-management team (Respondent B, 20-05-2008).

#### 5.5 The Key Performance Indicators (KPIs)

The KPIs in Nordea's BSC are described as KPI-objectives where the general definition of these indicators is that they are "the supporting objectives" (Respondent B, 20-05-2008). Respondent B illustrates these supporting objectives through the following example;

<b>Perspective</b>	<b>Driving objective</b>	<b>Supporting Objective</b>
Financial	GAP (X %)	Increased volume (KPI)

Explanation: As an illustration, in order to attain X % in GAP, which shows the relationship between revenue and cost growth, a certain KPI target is also set up. When the desired KPI is attained, which, in this case, is the increase in volume, then the desired GAP is also attained (Respondent B, 20-05-2008).

The role of the KPI-objectives as of Nordea is that they are included in the benchmarking process, which means that the specific local office can evaluate their own results and compare these results to other local offices. This will, in turn, make it possible for the local offices to improve their own working processes by constantly questioning what they have carried out well and what has been done in a less satisfying way as well as how to keep on developing (Mats Engström, 20-05-2008).

## 5.6 Success factors Related to the Respondents' Answers

In this paragraph, we will first shed a light upon how each region within Nordea defines success. Then we will move on to discussing their reflections on the different success factors, that is, profitability, communication, decision-making, income, feedback, the ability to understand, unity, motivation, efficiency, and productivity. As can be noted, the respondents will also contribute to definitions regarding the productivity and efficiency measurements as these measures have been quite difficult to define.

### 5.6.1 Definitions of the Term Success

**Region West:** The definition of success can be expressed in many ways, according to this respondent. He points out that success factors can be described as when you define different objectives for the coming year of which will be included in the KPIs. Well-achieved developments regarding the KPIs as well as an increase in income are indicators of successes. Success can also be looked upon in relation to how well an organization handles its employees. The employees play an important part for achieving success. By employing the “right people” within the organization customer satisfaction will be generated, which will, in turn, generate revenues.

**Region South:** Within this region area, success can be defined as a way of creating a valuable interrelationship between the four perspectives and the expected requirements. By so doing, it is important to have the right conception linked to the right requirement.

**Region East/Sthlm:** Success is here described as to how well the outcome measures are related to the budgeted objectives. When achieving a positive income growth between the budgeted and outcome measures it is important to have a working management and evaluation system.

### 5.6.2 Profitability

**Region West:** According to Mats Engström, the profitability for Nordea has increased during the last ten years. The profitability measurement that concerns Nordea is the ROE, and Nordea is constantly striving to increase this measurement by 10% per year. The use of the BSC is that it contributes to linking the perspectives to one another, which will, in the end, have an effect regarding the ROE outcome. For instance, if the CSI are not developed positively, it will, in turn, have consequences on the financial outcomes. This is the reason why every perspective must work together.

**Region South:** The respondent from the southern region points out that the profitability has increased during the last ten years and that ROE is mainly in focus. The BSC has affected the ROE to such an extent that the driving measures can more effectively be connected with the KPI-objectives. Further, in this sense it is easier for the employees to know how the “focus areas” should be prioritised.

**Region East/Sthlm:** The development concerning the ROE is constantly developing, according to this respondent, and that there has been a positive development during the last ten years since the implementation of the BSC. However, the respondent says that it cannot be stated that the BSC has been the mainly contribution regarding the ROE successfulness. No matter what kind of management control system a firm relies on one should also remember that the market development in general, the existing inflation, and the stock market have a certain influence on the ROE.

As the respondents could not give a clear answer as to how much the profitability has increased during the years within each region we will look at the annual reports from the years of 2003 and 2007 in order to strengthen or weaken their arguments. However, it must be noted that we do not have data from the different regions as we were informed that this data was classified information. In the year of 1999 the ROE was 16,1 %, in 2002 the ROE was down to 7,5 %, in 2004 the ROE increased to 16,9 %, and in 2007 the ROE was up to 19,7 %. This means that there has been a positive development regarding the ROE for the whole of Nordea.

### 5.6.3 Communication

**Region West:** It can be stated, according to this respondent, that the internal communication is working well within the organization and that the communication process has improved since the introduction of the BSC. It is mainly because of the technical development regarding the Internet and Intranet that this can be stated. The BSC plays an important role here as the data information can be gathered within the same area, thus meaning the scorecard.

**Region South:** The respondent says that the communication process has increased enormously during the last ten years, especially with respect to the internal “Intranet system”. How well the communication flows internally has always been an important aspect for the organization, although it is of no immediate importance as of the scorecard. The communication works, as the respondent puts it, as a factor that comes naturally.

**Region East/Sthlm:** The internal communication is much better today than it was ten year ago, according to the respondent, and is thus much more effective. The BSC can contribute to better identification, feedback and consistency throughout the organization.

### 5.6.4 Decision-making

**Region West:** According to the respondent, the decision-making processes work more effectively today compared to only ten years ago. There is a great deal of information in the scorecard which, in turn, presents a collective picture of reality. In this sense, it is much easier to work towards easily accessible and better decision-making.

**Region South:** There is a larger set of different decision-making processes today than it was ten years ago, according to this respondent. This has, however, always been an important issue within the organization, that is, how to make the decisions more effective. The BSC has not contributed much to the effectiveness regarding the “break-through” in making better decisions; rather, the respondent views the BSC as contributing to a low degree on the effectiveness of the decision-making processes.

**Region East/Sthlm:** The respondent says that there exists a well-defined increase of effective decision-making within the organization. Further, the BSC can work as a high-quality tool concerning the decision-making process, but there are yet many other tools that can be more effective.

### 5.6.5 Income

**Region West:** The income development has showed a positive development during the last ten years concerning this region. The revenue growth has increased, according to the respondent, and the costs have been stable during this period in time. The strength concerning the BSC is that the benchmarking process stays “alive”, meaning that there is an ongoing process of constantly

comparing themselves to other competitors with the aim of constantly improving. The BSC also provides the local offices with information regarding where good work has been carried out within the area of revenue and costs and in what ways the organization can learn from this information.

**Region South:** The respondent points out that the BSC has affected the positive income development to such an extent during the last ten years that it has been easier to receive information about what the customers demand, which, in turn, influence the other perspectives. As such, this will make it easier to organize and evaluate the different areas within the BSC which will end up affecting the income.

**Region East/Sthlm:** The respondent within this region believes that the use of the BSC is not the most powerful management tool that has an influence on the income. He further points out that the centralized management team perhaps would experience the BSC as a more powerful tool than the local offices. However, he informs us that the income has developed positively during the day of the BSC introduction.

Due to classified information like mentioned under the paragraph of profitability the annual reports from 2003 and 2007 will serve as a guiding tool as to how the income has developed during the years. According to this information the revenue has increased by 42.43 % between the years of 1999 and 2007. The costs, on the other hand, have increased by 32.76 %. The income has then increased by 46.7 % (These figures are calculated by the authors of this thesis with respect to the figures in the annual reports).

#### 5.6.6 Feedback

**Region West:** A great deal of the feedback regarding every region is related to the quarterly reports carried out by the local office managers, the respondent says. This has been handled well since the work with the BSC tool started as all information is gathered within this tool.

**Region South:** The feedback processes have increased enormously during the last ten years, according to this respondent. Before, it was more popular to only focus on the income. Today, however, in relation to the BSC the focus has shifted to include more aspects with the aim of receiving a satisfying picture of reality, that is, what will happen today and what will happen tomorrow.

**Region East/Sthlm:** The interactive system regarding the BSC, according to this respondent, provides the organization with the opportunity to go through a feedback process, which, in turn, will provide an insight to what results have been achieved. When this information has been gathered, the region will know how the future work should be handled. The feedback process can then be said to have increased since the implementation of the BSC.

#### 5.6.7 The ability to understand

**Region West:** The employees' understanding regarding the strategic perspectives has increased within the last ten years, the respondent puts forth. The BSC thus provides a good way of translating the strategy into measurements throughout the whole organization.

**Region South:** This respondent means that it is much easier for the employees to understand the different focus areas within the scorecard concept than was the case before the scorecard was

introduced, which indicates that the understanding process has increased during the last ten years. This makes it thus easier for the employees to be adjustable and keep up with the development.

**Region East/Sthlm:** The understanding process regarding Nordea's strategy has increased during the last ten years, according to the respondent. This process is, though, not totally related to the BSC as it is the managers at the centralized level who have, among other things, succeeded to communicate Nordea's value propositions and what the organization stands for throughout the company.

#### 5.6.8 Unity

**Region West:** The unity has neither increased nor decreased during the last ten years, according to this respondent. The BSC has had no direct impact on the unity aspect.

**Region South:** The unity within the organization has always been an important element as of Nordea's survival. It can therefore be said, according to the respondent, that this is nothing new due to the BSC. In this sense, the BSC cannot be linked to the unity aspect

**Region East/Sthlm:** For Nordea, the unity aspect has always "been there", according to the respondent, which is why it is difficult to tell if the BSC has contributed even more to the unity within the organization.

#### 5.6.9 Motivation

**Region West:** According to the respondent, the motivation amongst the employees has increased during the last few years, but the BSC tool has not contributed to this fact.

**Region South:** The respondent informs us that it is more apparent that the motivation has increased today compared to previous years. The employees would like to constantly reach a higher level within the organization, and the respondent believes that the assignments that exist today have more motivational powers than was the case a few years back. The BSC *per se* has not contributed to these motivational powers as he points out that other additional factors have contributed to this existence.

**Region East/Sthlm:** The respondent informs us that the motivation plays an important part both for the employees *per se* as well as for the entire organization. The motivational aspect has been more visualized today than was the case a few years back. However, this is a factor that would have been focused on with or without the BSC tool.

#### 5.6.10 Efficiency

**Region West:** The efficiency, according to the respondent, can be connected to the definition of productivity, though, some efficiency measures cannot be defined in quantified measures. For instance, if there is a customer group that believes that they do not get enough quality time, it is important to find strategies of change in order to make the process more effective, that is, both internally and externally. This respondent also points out that efficiency can also mean "effective bank salesman". The efficiency has increased to a large degree, and the BSC contributes to a great deal here with respect to the functionality of the "operational excellence".

**Region South:** The respondent points out that the efficiency is one of the most important success factors as of Nordea, and this factor has increased significantly. This definition can be

said to involve positive GAP results. The efficiency measure, GAP, is thus presented externally to the market. The GAP measurement is important to the financial perspective and has a clear correlation with the strategy. In this sense it can be said that the BSC can contribute to being an easier way of working toward the strategy.

**Region East/Sthlm:** The respondent here puts an equal sign between the definition of efficiency and productivity and departs from the same argument concerning the BSC as mentioned in the following paragraph.

#### 5.6.11 Productivity

**Region West:** Productivity is considered by the respondent to indicate the effectiveness regarding the flow of production. In this sense, there exists an outsourcing of data from the local offices to different production units. The measurements include, for instance, advanced time studies, which can be explained by the extent of lead time in production. How the BSC has affected the productivity is regarded as doubtful by the respondent as there have always been these types of measures, even before Nordea started to work with the BSC. He points out, though, that the productivity in lead time has increased during the last ten years.

**Region South:** The productivity is defined as an internal related process, according to this respondent, and during the last ten years the productivity has prominently increased. Some of the measures included within this area are sales, the quantity of customer meetings, and the number of customer per product area and volume growth. The BSC has been helpful here as this tool can be considered as being a “measure” containing the different measurement areas.

**Region East/Sthlm:** The productivity can be defined as “how well the organization can economize the internal resources in relation to the internal processes”, according to this respondent. The productivity can also be translated into how much earnings one gets out of every used resource. The BSC use *per se* has not had an immediate influence on the processes regarding the productivity, though the respondent informs us that the productivity has increased during the last few years.



### 5.7 Summary of the Results

The results from the interviews carried out with the respondents at Nordea concerning how they rated the success factors related to the BSC are summarized in the following table:

Success Factors	1	2	3	4	5
A= West B= South C= East/Sthlm					
Profitability			C	A, B	
Communication		B		A, B	
Decision-making		B	C	A	
Income			C	B	A
Feedback			A, B, C		
The ability to understand			C	A, B	
Unity			A, B, C		
Motivation		A	B, C		
Efficiency		C		A, B	
Productivity		C	A	B	

Table 5.1; (5) Very large degree, (4) Large degree, (3) Neither - nor, (2) Small degree, and (1) Very small degree.

## **6. RESULTS - HANDELSBANKEN**

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*This chapter will present the results obtained from the interviews performed with the respondents of Handelsbanken. We will initially introduce the “background story” concerning Handelsbanken as an organization, which will be followed by an illustration of their control system. The remainder of this chapter will present the empirical results that can be found when interviewing the respondents concerning the success factors.*

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### **6.1 The Background**

Handelsbanken was founded in the year of 1871 and is defined as a universal bank as they work within different areas of services. Their services include investment and banking, life insurances, trading as well as private and company banking businesses. Handelsbanken's main financial objective is to gain higher Return On Equity (ROE) than the weighted average when comparing themselves to other leading banks listed on the stock-market. This financial objective can be accomplished by gaining satisfied customers and lower the costs in comparison with the competitors. Further, the main office is located in Stockholm, the organization has seven regional bank offices in Sweden and contains 660 local offices in total (Handelsbanken's Annual Report 2007).

Handelsbanken is defined as a decentralized organization where the environment and culture have gained considerable attention. This stabilized culture believes that every local office is responsible for its own “personal” results. In this sense, it can be stated that Handelsbanken places a high degree of trust in their co-workers, which, in turn, can be seen as a part of their control system (Martin Björnberg, 09-05-2008). Moreover, the decentralized structure also illustrates the responsibility each office has been given of which includes the responsibilities of marketing as well as credit and investment limitations. This decentralized structure is of great importance regarding how their control system is structured (Handelsbanken's Annual Report 2007).

### **6.2 The Management Control System**

Handelsbanken emphasizes the built-in culture as a main reason for their successfulness. As several respondents put it, it can be stated that the culture affects the company in many ways, meaning that the employees “personal” goals go together with the company's goals, the strategy and vision is strongly related to the culture, and the long term profitability rises as of the strong culture obtained within the company. It is also believed that the strong trust in the co-workers rises as a direct consequence of the strong culture. This trustfulness is of imperative importance in the organization as it is believed that the employees have the knowledge to make valuable decisions concerning what actions must be taken in order for them to act in the interest of the company (Michael Green and Martin Björnberg, 09-05-2008; Anders Ohlnér, 23-05-2008).

Handelsbanken's strategy in order to compete with the best banks on the market place is to perform extreme benchmarking. Benchmarking, in short, is processes which involve evaluating the organizations' own situation and comparing themselves to the processes of other organizations. As such, benchmarking creates a possibility for the companies to improve their processes, which, in turn, will influence and improve value creation such as quality, products and/or services ([http://www.12manage.com/methods\\_benchmarking\\_sv.html](http://www.12manage.com/methods_benchmarking_sv.html)). In addition to the culture, then, the benchmarking process is also of great importance regarding Handelsbanken's control system. The benchmarking function within this company is that it

always strives for staying “on track” as well as being updated on the internal and external changes in order to be adaptive and follow the market. It is further important that Handelsbanken will, on a daily basis, be informed about the internal and external environment in order to react and take actions when it is necessary for the company to change focus (Michael Green & Martin Björnberg, 09-05-2008) (See appendix 3 for an overview over Handelsbanken’s control system).

Every region within Handelsbanken receives an amount of capital which is related to the regions risk mortgage, which, in turn, aims at carrying a high yield. The report system the company makes use of when evaluating the economic results is based on data communicated from the local levels up to the region offices. It is important to state that the evaluation process differs between the local, regional and centralized levels. The bank as a whole as well as the regional offices are mainly evaluated by using the measurement of ROE whilst the local offices are evaluated by using other types of ratios. The use of the benchmarking process as the company’s control system can create a possibility for them to achieve a comparable development between offices internally as well as externally (Martin Björnberg, 09-05-2008; Claes Norlén, 26-05-2008).

The measurements that are most interesting for Handelsbanken are the ROE and the K/I-ratio. The K/I-ratio is expressing the relationship between the costs and the revenues. The K/I-ratio is also used when comparing the local offices to one another (a typical sign for benchmarking) as well as measuring the volume development of loans (All respondents).

Finally, in order to attain positive financial outcomes there has to be a workable interrelation between the different units within Handelsbanken in order to create value for the customer. When satisfying customers it is believed that it is possible to yield higher financial outcomes. Customer satisfaction, in turn, indicates that there has been a positive development and a well-performed working structure within the organization. The managers strongly believe in their co-workers when it comes to making valuable decisions which further will make an influence on the results of both the local offices as well as the regional offices. Handelsbanken believes in the philosophy that the employees who can make the best rational decisions are those closest to the customers - “we believe in the people” (Martin Björnberg, 09-05-2008; Claes Norlén 26-05-2008; Anders Ohlnér, 21-05-2008).

### **6.3 Success Factors related to the Respondents’ Answers**

In the following paragraphs, we will first give brief definitions as to how each region within Handelsbanken defines success. Then we will move on to map out their reflections on the different success factors which is the same as for Nordea, that is, profitability, communication, decision-making, income, feedback, understanding, unity, motivation, efficiency, and productivity. As can be noted, the respondents will also contribute to definitions regarding the productivity and efficiency measurements as in the case of Nordea. However, not one of the interviewed respondents has noted that any of the investigated success factors have had a negative trend during a ten-year period within Handelsbanken as to why we, initially, inform the reader that no such argument was put forward. Further, as it was difficult for the respondents to estimate how the financial success factors have developed during the last ten years data will be collected from the annual reports of 2004 and 2007 in order to strengthen or weaken the arguments of the respondents.

### 6.3.1 Definitions of the term success

**Region West:** The respondents within this region define success as being equal to profitability as this is an indication of how well a company develops. It is important to stay profitable both on the market and for the shareholders.

**Region South:** According to this respondent, success is an expression of the following aspects; (a) attaining long term businesses, (b) staying attractive to the customers, and (c) keep up good development regarding cost effectiveness.

**Region East/Sthlm:** This respondent points out that success is achieved when a company creates “evolution and not revolution”. Handelsbanken works with people and not products, and that involves working with the employees and make sure that they agree on the company’s values.

### 6.3.2 Profitability

**Region West:** According to these respondents, the ROE is the most focused key area with respect to Handelsbanken. The development within these measurement areas has shown positive outcomes during the past ten years. The economic and the cultural system are believed to be working “hand in hand”. This relationship has to work well together in order to achieve a good development with respect to the ROE.

**Region South:** This respondent explains that the ROE measure is the key ratio that every region manager relies on and is constantly working with. In fact, the respondent says, this is what their work is all about, and the ROE is an indicator on how well every region is developing. The control system of Handelsbanken plays an important part with respect to how the region managers are able to work towards specific targets.

**Region East/Sthlm:** Working with the ROE is the most important key ratio, this respondent states, and designates what Handelsbanken stands for. This is, in turn, a success factor that is included in every region managers’ agenda. It can further be stated that Handelsbanken’s control system takes into account where the regions are placed as the work procedures at times need to be adjustable depending on the location of the region offices. As such, it is up to every region to find “their own focus areas” and that it “always exist different types of affairs”.

Due to classification as in the case of Nordea we will estimate the profitability on a centralized level even within Handelsbanken as a way of strengthening or weakening the respondents’ answers. In 1999 the ROE was estimated to be 18.4 %, in 2002 it was 14.6 %, in 2004 it was 16.4 %, and in 2007 it was 20.9 %. These figures inform us that between the years of 1999 and 2007 the ROE differentiate itself with 2.5 % (Annual reports 2004 and 2007).

### 6.3.3 Communication

**Region West:** The respondents inform us that the control system utilized within Handelsbanken can create certain inertias when it comes to communicating new information throughout the whole organization. Though, when the information is finally communicated and has reached every level of the organization, the best outcomes will be produced.

**Region South:** The communication is so impressed upon the system within Handelsbanken that the communication process acts as a natural cause, according to this respondent, which can, in turn, be characterized by the culture that exists in the organization today. Once you get used to

the communication system, the respondent emphasizes, it will work out effectively. The communication is “easy to understand” and has a transparency throughout the whole organization.

**Region East/Sthlm:** The communication has always been an important aspect, the respondent articulates. The communication process that exists within the organization is based upon the fact that every employee is expected to know what there is to communicate. This respondent utters that they communicate through e-mails and meetings, though no Intranets are in use within the organization.

#### 6.3.4 Decision-making

**Region West:** There is a considerable amount of decisions that have to be made today compared to earlier periods, according to these respondents. This is due to the fact that the external environment is changing in a more rapid pace today than was the case in previous years. When changes occur on the market place there exists a degree of “slowliness” that is a direct effect related to Handelsbanken’s control system. Handelsbanken is not as fast to adjust to the external environment in this sense as they find it valuable to make the right decisions. However, when they finally are adjusted to the environment they become more effective in implementing their decisions, and further, the outcomes of the decisions are then of high-quality.

**Region South:** The respondent within this region informs us that the decisions are effectively made for as long as the decisions are well-suited to the particular affairs. The decisions are depended upon what purpose and set of goals are in focus concerning the affairs. The respondent does see an increase in decision-making over the years, but he mentions that the quality concerning the decision-making has not decreased in any sense. It is all about having a constant presence when making decisions.

**Region East/Sthlm:** According to this respondent, the most valuable consequence regarding the control system is that it is impossible to blame the decision-making processes on other people working within the organization when bad decisions have been made. Everyone is responsible for their own actions, and in this sense the control system works as a positive “driving force”. The control system is based upon a trust that everyone has the knowledge needed to carry out the decisions made as well as deciding upon how to act.

#### 6.3.5 Income

**Region West:** “The control system is in itself the income” as expressed by the respondents. The net incomes, as the respondents more specifically defines it, are reflected in how well the regions can find an adjustable and flexible model related to the market environment in which the regions are situated. Every assignment that is performed within the control system of Handelsbanken relates to being flexible, adjustable and making valuable decisions, for instance, decisions in different investment opportunities.

**Region South:** The control system is influenced by the situation on the market, according to this respondent, and the control system has to reflect existing conditions. The strength with Handelsbanken’s control system regarding the income is that it provides an opportunity for the region manager to easier adapt to the market, which, in turn, creates clarity on what to focus on.

**Region East/Sthlm:** The income is important, as this respondent puts it, due to the fact that the income is related to the capital, which the region, in turn, has gained to work with and make

use of within their own sphere of business. The local offices are then evaluated in order to see how well the capital is being economized. There are a lot of different aspects that influence the income development, that is, the market positions, the inflation, and the stock development. The control system gives the regions the opportunity to work effectively and adjust themselves to the market and thereby heading in the same direction as the market.

Due to classified information we will make use of the annual reports from 2004 and 2007 as a guiding tool as to how the income has developed during the years. According to this information the revenue has increased by 43.6 % between the years of 1999 and 2007. The costs, on the other hand, have increased by 34.3 %. The income has then increased by 49.85 % (These figures are calculated by the authors of this thesis with respect to the figures in the annual reports).

### 6.3.6 Feedback

**Region West:** According to the respondents, the feedback processes have a definitive influence on the long-term income development. The so-called “wheel” exists within the organization (translated from Swedish - “Hjulet”), which can be said, in turn, to be included in the control system. Within the area of the “wheel” personal dialogues are performed between the local managers and their employees. The conversations with the employees include questions that have a direct importance regarding the organizations’ growth. In this sense, different processes are reflected upon which concerns what processes have been carried out well and what processes have been of less contribution to the organization. The aim with these conversations is to improve their processes and achieve a positive future development.

**Region South:** The feedback process, the respondent declares, mainly gives the region managers a deeper insight into the affairs of the business. This process covers important questions such as on what level the income is today as well as how improvements within this area should be achieved for the future. Every employee receives a developed activity plan (what activities need to be performed today?), which, in turn, will be broken down into specific plans of actions that every employee have to rely on when performing. The activity plans can be said to be included in the control system.

**Region East/Sthlm:** The respondent points out that there is a lot of information to take in for the region managers as they have a lot of local offices belonging to their specific district. Each of these offices, in turn, will be delivering information back to the regional level. As there is a great deal of information to take part of the region managers ”funnel down” the information in order to only evaluate the most valuable information. The feedback process within the organization is working out well, according to this respondent, and it also works in a harmonious way between the co-workers.

### 6.3.7 The Ability to Understand

**Region West:** As Handelsbanken has a strong culture constructed within their own organization, these respondents reveal, understanding what strategies to carry out as well as what is included in the organization’s vision is naturally incorporated in their control system.

**Region South:** Understanding the strategies and visions is important to Handelsbanken; otherwise it is difficult to carry out the correct and desired actions which the organization almost demands from its employees. However, as this respondent puts it, the employees have always understood the strategies and visions and carried out the right actions. The organization’s philosophy is, in this sense, well defined and easy to understand.

**Region East/Sthlm:** Understanding the strategies and visions within the organization can be said to be the “livelihood” for carrying out successful work, according to this respondent. As such, it is important to have co-workers that accept Handelsbanken’s values with the aim of achieving continuous and renewed success. This factor of understanding, however, has to be quite an important part within any kind of control system, the respondent reflects on, and this is also a fact within Handelsbanken’s system of control.

### 6.3.8 Unity

**Region West:** The respondents within this region mean that the unity is an important part within the organization as the control system connects the different levels of the company by strengthening the unity that exists between the employees.

**Region South:** The unity has proven to be quite successful within the organization, according to this respondent, of which the control system has been of huge contribution. The control system provides the employees the opportunity to work in the way “they know what is best”. As they have plenty of room for manoeuvre the unity between the employees will increase in the whole organization.

**Region East/Sthlm:** The respondent means that the unity aspect is a natural part of the control system as there exists a common spirit between the employees within the culture organization.

### 6.3.9 Motivation

**Region West:** There has always existed a continuous work with respect to increasing the employees’ motivation, according to these respondents, and so far it has worked out quite well. It can generally be stated that if Handelsbanken cannot motivate their employees with reference to their control system, then the entire concept will eventually fall.

**Region South:** Handelsbanken’s control system has definitely had a positive effect on the motivation of the employees, this respondent deliberates. Oktogonen, that is, the organization’s system of rewards, works both as a system of reward as well as a system of motivating the employees. This system is well integrated in Handelsbanken’s own control system.

**Region East/Sthlm:** According to this respondent, the purpose of maintaining the control system within Handelsbanken is, among other things, to increase the employees’ motivation; otherwise the whole organization might experience negative consequences in the way of less effective process of work. The respondent is referring to the organization’s history when stating that there has not yet been a significant problem with the lack of motivation.

### 6.3.10 Efficiency

**Region West:** The efficiency does not have any efficiency definitions *per se*, as can be stated by these respondents. Rather, this factor is more about whether the capital is being used in an efficient way. The control system has an impact on the efficiency aspect, meaning that it manages to make a defined clarity on what values are expected as well as making the employees heading in one “direction”. This will, in turn, affect how the efficiency develops.

**Region South:** The efficiency aspect is well integrated with the productivity, according to the respondents, and it can be stated that every efficiency objectives in one way or the other ends up focusing on the improvements of productivity. The efficiency and productivity *together* are factors

that naturally are involved and integrated in the control system and are very helpful “tools” regarding the long term financial development.

**Region East/Sthlm:** This respondent defines efficiency as related to, for instance, how well organizations can make use of the economized resources. This, in turn, has an effect on the cost efficiency.

### 6.3.11 Productivity

**Region West:** The definition of the productivity measurement, as defined by the respondents, conveys the relationship between costs and invested capital. Further, Handelsbanken makes use of the so-called “T-values”, which is another type of productivity measurement. This measurement defines the different performances in relation to the resources. Depending on what is in focus today it will influence what product measures that are of current interest. The productivity plays a supporting role regarding what decisions to make.

**Region South:** Productivity can be explained, according to the respondent, as an increase in the number of transactions in relation to the resources. For instance, the southern region consisted of 425 employees in the year of 1982 and carried out 6 billion transactions. Today, however, there are 660 employees and the amount of transactions is 130 billion. The regions have the opportunity to constantly focus on different productivity areas that are of great importance to them and of which is in consistency with Handelsbanken’s philosophy. This, the respondent states, can be said to be accepted within the control system that exists today.

**Region East/Sthlm:** This respondent notifies that the K/I measures has a huge importance as to how productivity can be defined. It is important to evaluate how to maintain a sustainable low cost development, in accordance with this respondent. He also places great emphasize on the economical perspective of the company’s culture, meaning that there is a certain stinginess in relation to saving money and lowering the costs.

## 6.4 Summary of the Results

The results from the interviews carried out with the respondents at Handelsbanken concerning how they graded the success factors related to the control system are summarized in the following table:

Success Factors	1	2	3	4	5
A1= West B1= South C1=East/Sthlm					
Profitability (ROE)				C	A, B
Communication			A	C	B
Decision-making				A, B, C	
Income				C	A, B
Feedback				A, C	B
The ability to understand				A	B, C
Unity				A	B, C
Motivation				A, B	C
Efficiency				A, B, C	
Productivity				A, B, C	

Table 6.1; (5) Very large degree, (4) Large degree, (3) Neither - nor, (2) Small degree, and (1) Very small degree.



## 7. ANALYSIS

*This chapter will contribute to a discussion related to the empirical results and of which are associated with the thesis' purpose - ...to evaluate the use of the BSC. The opening paragraph will present a summary of the results in table form regarding how each respondent rated every success factor within their respective region. From this table we will get a better overview of how similar or dissimilar the respondents rated their answers within Nordea and Handelsbanken. Following this, we will in short discuss how the respondents define success and what similarities can be seen between these definitions. This will be carried out in order to understand what "success" is all about as a way of "accepting" why the respondents have put forward their respective answers. The remainder of the chapter will include a discussion on the success factors brought forward in this thesis where the respondents' answers within Nordea first will be compared to each other and then each region offices within this company will be compared to how the respondents of Handelsbanken have put forward their answers.*

### 7.1 An Overview

In the following table, an overview of the respondents' answers to how they rated the success factors is presented. In order to make this table understandable we have re-coded the different regions' respondents into letters where Nordea is coded as A<sub>1</sub>, B<sub>1</sub> and C<sub>1</sub> and Handelsbanken is coded as A<sub>2</sub>, B<sub>2</sub> and C<sub>2</sub>.

Success Factors	1	2	3	4	5
A1 & A2= West B1 & B2= South C1 & C2= East/Sthlm					
Profitability			C <sub>1</sub>	A <sub>1</sub> , B <sub>1</sub> , C <sub>2</sub>	A <sub>2</sub> , B <sub>2</sub>
Communication		B <sub>1</sub>	A <sub>2</sub>	A <sub>1</sub> , C <sub>1</sub> , C <sub>2</sub>	B <sub>2</sub>
Decision-making		B <sub>1</sub>	C <sub>1</sub>	A <sub>1</sub> , A <sub>2</sub> , B <sub>2</sub> , C <sub>2</sub>	
Income			C <sub>1</sub>	B <sub>1</sub> , C <sub>2</sub>	A <sub>1</sub> , A <sub>2</sub> , B <sub>2</sub>
Feedback				A <sub>1</sub> , B <sub>1</sub> , C <sub>1</sub> , A <sub>2</sub> , C <sub>2</sub>	B <sub>2</sub>
The Ability to Understand			C <sub>1</sub>	A <sub>1</sub> , B <sub>1</sub> , A <sub>2</sub>	B <sub>2</sub> , C <sub>2</sub>
Unity			A <sub>1</sub> , B <sub>1</sub> , C <sub>1</sub>	A <sub>2</sub>	B <sub>2</sub> , C <sub>2</sub>
Motivation		A <sub>1</sub>	B <sub>1</sub> , C <sub>1</sub>	A <sub>2</sub> , B <sub>2</sub>	C <sub>2</sub>
Efficiency		C <sub>1</sub>		A <sub>1</sub> , B <sub>1</sub> , A <sub>2</sub> , B <sub>2</sub> , C <sub>2</sub>	
Productivity		C <sub>1</sub>	A <sub>1</sub>	B <sub>1</sub> , A <sub>2</sub> , B <sub>2</sub> , C <sub>2</sub>	

## 7.2 How to Define the term Success

All of the respondents point out that in order for a firm to be successful there has to be a development in the “right direction”. The most contributing factors to this development are referred to as being the profitability as well as income. Apart from this common definition their statements regarding why these factors are important for achieving success differ to a great extent. The respondents within Nordea refer to the BSC when defining success, though with respect to different arguments. The respondent of the Western region believes that well-defined objectives that go well together with the KPI measures are reasons for obtaining success as this relationship is easier to understand when they “fit” together, which, in turn indicates that the strategies are easier to carry out by the employees. He also means that employees are an important contributing factor related to success as they are the ones that will contribute to customer satisfaction. This indicates that customers, in turn, are quite important to the organization in order to generate income and yield higher ROE. The respondent of the Southern region, however, concludes with the fact that it is the well-developed interrelationship between the four perspectives that yield success in the first place. Without such a well-developed relationship, it can be argued, profitability will not be obtained as the non-financial measurements “logically” affect the financial perspective. Further, the respondent of the Eastern region sees success as a relationship between the outcome and the budgeted measures. When evaluation of these measures is carried out, the company can get an overview of what to improve and within what areas in order to yield a constantly growing income measurement.

The respondent of the Southern region within Handelsbanken argue that success also has to be looked upon in a long-term perspective in order to stay profitable in the long run. He values the customers and the development of cost effectiveness in his definition of success. The respondent of region East sees success as related to the employees, but in contrast to the definition regarding the employees that the respondent of the Western region of Nordea puts forward, this respondent sees success as when employees share the same values as Handelsbanken and are constantly striving to communicate the company’s values and work along with (not against) the business’ strategic views. In sum, it can be concluded that the respondents utilize a broad definition of success.

## 7.3 Profitability

**Nordea.** All of the respondents from Nordea point out that the ROE has increased during the last ten years. The results show that the respondents put great emphasise on the ROE measure in particular as a way of showing that the profitability has increased compared to previous years. This argument can also be strengthened by the annual reports if we look at the company as a whole. Ten years ago the ROE measure was down to 16,1 % and today this measure has increased by over 3 %, that is to say, the ROE is today 19,7 %. However, the annual reports presented during the years reveal that the ROE has not only increased; there have been down-fall periods as well.

There exists no doubt that the respondents from region South and West agree upon that the BSC has contributed to the increase in the ROE. They believe that this tool provides a structured illustration of how measures in the other perspectives, for instance the measurement of the CSI (customer perspective), help increase the ROE measure in the financial perspective. The respondent from the South also put forward an argument that when a structured way of organizing the measurements when using this tool the employees find it easier to prioritize, that is, to know what is in focus. When focusing, it can be interpreted, the employees can in an easier

way concentrate on what is important and strive for working with those factors that may increase the ROE, for instance, customer satisfaction.

The respondent from the Eastern region, however, clarifies that the BSC has not had a direct impact on how the ROE has turned out to be. Instead, he points out, other factors like the market and the inflation has contributed to, in this case, a better development of the ROE. In this sense, we understand that the ROE measure is an important aspect to consider in order to achieving profitability within Nordea. However, it can be argued that there exists some uncertainty whether the BSC *per se* has been contributing to this positive development as there may be other factors that affect this ROE growth.

**Nordea vs. Handelsbanken.** All of the respondents from Handelsbanken, in accordance with Nordea, also put forward arguments that the ROE has increased during the last ten years. These respondents state that the “good” culture within their company contributes to making the ROE grow, as it can be argued that when a strong culture is reality within a company, harmonize will arise and everyone will struggle to achieve the one main goal – to make their own contribution in order to affect the ROE positively. It can further be argued that the decentralized structure within Handelsbanken makes the employees more “free” to act the way they think is best within their own district. However, in this sense, Nordea and Handelsbanken depart a great deal from one another. Handelsbanken gives its employees a “free hand” in contributing to making the ROE develop as it is “written” in the culture as to how they are suppose to act and carry out the strategies, whilst Nordea puts forward divided arguments as to whether the BSC *per se* contributes to the growing ROE or if other factors play their part in this development. It can also be argued that the latter company has a more “structured” and “visible” way of carrying out their strategies in order to increase the ROE as they have to rely on a “top-down system”.

From the annual reports of 2004 and 2007 we can see that the ROE within Handelsbanken has gone from 18.4 % in 1999 to 20.9 % in the year of 2007, which indicates that the ROE level is about the same within the two investigated companies.

The respondents from Nordea rate the BSCs affecting the profitability as a “neither-nor”-measurement as well as a “large degree”-measurement. The respondents of Handelsbanken, however, point out that their control system’s affection on profitability deserves a 4 (“large degree”) versus a 5 (“very large degree”).

#### 7.4 Communication

**Nordea.** All if the respondents of Nordea agree upon the fact that the internal communication systems has developed positively and effectively in recent years. This can be stated as they all mention the technological development, and herein lays the development of the “Intranet system” that Nordea makes use of daily. However, the respondents put forward certain differences regarding in what ways the BSC has contributed to this success. The respondent of the Western region is of the opinion that the scorecard can contribute to gathering all the information necessary to carry out successful communication processes. The respondent of region East argues that the BSC can help identify what needs to be communicated and this communication process can further be said to be acting with a consistency throughout the whole organization. Such a statement cannot be identified regarding the respondent from the Southern region. In contrast, then, this respondent means that the BSC is a tool that has not been of direct importance in the communication process. Instead, if we are to interpret this respondent’s arguments, the communication is related to something that flows naturally and has been an important part of the organization even before the BSC was introduced. Without good

communication between the employees within Nordea the company would not have been successful before *or* after the BSC was implemented.

**Nordea vs. Handelsbanken.** Within Handelsbanken the communication process is said to work fluently, if we are to believe all of these respondents, and which, in turn, corresponds with the arguments put forward by the respondents of Nordea. However, the respondents of the Western region of Handelsbanken point out that the communication process may be troublesome when *new* information is to be communicated as it can be understood that Handelsbanken does not have a structured model like that of Nordea where it is easier to apply changes or gather new information that can easily be communicated to the rest of the employees. Rather, it can be argued that these respondents mean that there is always an adjustment to be made regarding the ability to adapt new information to the company's business concept or culture. New information has to relate to the culture that exists within the organization in order for it to have any meaning. When everyone has adapted to this new information good quality will arise concerning the communication process. This is a way of stating that all employees have to first work with this information so that no questions concerning this new information arise as questioning is not part of the cultural concept that the organization so much would like to mediate.

The respondent from region South, on the other hand, means that the communication process is very much integrated in the cultural system where the communication is supposed to flow naturally. However, he agrees with the respondents from the West in the way that it takes a while for all of the employees to process new information in order to act in favour of the company. Though, he further points out that the communication is easy to understand and contributes to a transparency throughout the whole organization. The respondent from region East emphasizes the aspect of communication as well, but in contrast to the regions of Nordea this organization does not have a fixed way of communicating as they do not make use of Intranets within their company.

The results show, then, that there is an inconsistency within Nordea regarding if the BSC has contributed to better communication processes whereas the respondent from the Southern region believes that the BSC has contributed to a "small degree" (2) while the other two respondents believe that the BSC has contributed to the communication success to a "large degree" (4). The respondents from Handelsbanken, on the other hand, are somewhat satisfied with their communication system as the respondents from region West rate this success factor as "neither-nor" (3), the respondent from region East rates the control system as contributing to the communication process to a "large degree" (4), while the respondent from region South believes it deserves a 5 ("Very large degree").

## 7.5 Decision-making

**Nordea.** The decisions have changed and/or are more effectively made according to all three respondents within Nordea with reference to previous years. The results show that the respondent of the Western region believes that the BSC has contributed to this "evolution". It can be understood that this respondent refers to this tool as having a clear structure in the sense that it has been easier since the implementation of the BSC to decide upon what decisions to be made or what direction of actions to be taken. The respondent of the Southern region, however, believes that it was not the BSC *per se* that contributed to the change in decision-making; rather, this decision-making process has always been of interest for the region and for the whole company. The respondent of the Eastern region, then, believes that the BSC to some degree has

contributed to the effectiveness of the decision-making, though he claims that other tools may be more effective in this regard.

**Handelsbanken vs. Nordea.** The respondents from Handelsbanken's Western and Eastern region believe that the decision-making processes are more effective today than what was the case ten years earlier. Thus, the respondent from the Southern region believes that the decision-making process have not changed or have not been more effective through the years, though this respondent argues that the quality of decisions has not decreased either. However, the arguments put forward by the respondents of Handelsbanken differ to quite a large degree of those arguments carried through by the respondents of Nordea. The respondents of the Western region yet again points out that their control system with respect to culture creates a certain "slowness" even when it comes to the decision-making processes. This is due to the fact that Handelsbanken finds it valuable to make the right decisions, and not delivering them in the most rapid way, as could be said was the case for the regions within Nordea. The respondent of region South does not mention the culture with regard to decision-making; rather, he emphasizes that there is a certain effectiveness as long as the decisions are well-suited for the purpose in which they are implemented. The respondent of region East, however, sees the decision-making processes from a whole new perspective than the other respondents. He points out that everyone is responsible for making their own decisions as it is their responsibility to see through that the decisions are implemented in an effective way as well as seeing that there will be positive outcomes regarding their decision-making. If bad decisions have been made, the person who has carried them out will be held responsible. In this way, Handelsbanken can also be seen upon as "the learning organization".

All in all, the results show that all of the three respondents believe that their control system contributes to a "large degree" (4) in making more effective and/or better decisions than was the case in previous years. Compared to Nordea, then, there exists an inconsistency within this company with respect to the answers put forward by these respondents. The results show that the respondent of region South within Nordea conclude with the fact that the BSC has contributed to the decision-making process to a "low degree" (2) while the respondent of region East rates this relationship with a "neither-nor"-contribution (3) and the respondent of region West gives this relationship a 4 ("large degree").

## 7.6 Income

**Nordea.** All of the three respondents point out that the income has increased within their own regions. The respondent of the Western region clarifies that the revenue has increased, though the cost has been stabilized during the last ten years. This respondent also refers to the benchmarking process within the BSC as a way of clarifying that this process "stays alive" as they constantly are comparing themselves to competitors in order to improve continually. It can be argued that this respondent sees the benchmarking process as a way of increasing their revenue and lowering the costs as benchmarking is a process of competing against "the best".

The respondents of the Southern region believes that as the income has increased to such an extent during the last ten years, it is easier today to know what the customers want. In this sense, we can argue that this region or Nordea as a whole has found "the way" of satisfying its customers to such an extent that they continually come back, and as such, they affect the income growth. However, he could not give a clear answer regarding the costs, but it can be argued that, as the income has increased during the years, the revenues have excided the costs in quite a substantial way. Further, he believes the BSC has contributed to this increasing income level as it

can be understood that the information is gathered in the BSC as a way of making the employees learn from where revenues can be obtained and where costs can be reduced.

The respondent of the Eastern region also points out that the income has increased, but it is not the BSC tool that has contributed to this development. The management team at the centralized level is the ones who should experience the BSC tool as more powerful regarding how the revenue and cost may be affected. In this sense, it can be argued that it is the management team at the centralized level who finally gather all the information regarding the revenue and cost (the income) from all of the regions and assess as well as analyzing in what regions the income has increased the most and within what area of product.

**Nordea vs. Handelsbanken.** The respondents from Handelsbanken point out that the income has increased during a ten-year period of time. However, they reflect about the income in quite a different way than those of Nordea. The respondents from West, for instance, point to the fact that the control system of Handelsbanken is in itself the income as it can be argued that the control system is built in such a way that it is supposed to generate good income. Further, these respondents point out that in order to generate this good income they have to adjust and be flexible concerning the market environment, and, as such, every region has to find its own “path” concerning how to generate revenue and minimize the increase in cost. It can be argued, in this sense, that there is an underlying trustfulness with respect to the individual employee that he knows best how to generate good income levels as this is, as earlier stated, a part of the company’s cultural philosophy.

The respondent from the Southern region also give credit to Handelsbanken’s control system as it can be argued that it is easier for this company to adapt to the market conditions as they do not rely on any specific model of control like that of Nordea. It can be understood that when they heavily rely on the employees closest to the customers these employees know what is best regarding how to generate revenue. This respondent further states that even the region managers will know how to generate income growth as it can be understood that when it is easier to adapt to the market it is easier to know what is in focus. In such a view, when knowing what is in focus, that is, for instance, to know what the customers desire, it is easier to generate higher revenues. The respondent from the Eastern region agrees with the one from the South, though this respondent also states that every region receives a certain amount of capital, which they will have at hand to work with. In this sense, it can be argued that the local managers can administrate this capital in the way they know best, and, as such, when receiving that kind of trust there is also an eagerness within the system that the managers struggle to increase the revenues and minimizing the increase in costs. This can be stated as this respondent points out that the income is influenced by the market positions, the inflation, and the stock development, and that the regions have the opportunity to work effectively and adjust themselves to the market.

From the annual reports of 2003 and 2007 regarding Nordea we can see that the income has increased by 46.7 %, which, in turn, indicates that the revenue has grown by 42.43 % and the cost has increased by 32.76 %. When looking at the annual reports of 2004 and 2007 regarding Handelsbanken, then, we can see that the income growth is estimated as being 49.85 % between 1999 and 2007, of which the revenue growth is 43.6 % and the cost growth is 34.3 %. In this sense, we can see that there is not a substantial difference between the income growths regarding these two companies.

However, from table 7.1 we can see that the respondents from Nordea and Handelsbanken are quite satisfied with their control systems leading to better income growth, respectively. Within Nordea, then, the respondent from the Eastern region rates the BSCs connection with the

success factor of income as a “neither-nor”-contribution while the other two respondents rate this connection as to a “large degree”. The respondents from Handelsbanken rate their control system leading to income growth as to a “large degree” (region East) as well as to a “very large degree” (region West and South).

## 7.7 Feedback

**Nordea.** Within this field of success factors the respondents of Nordea agree upon the fact that the feedback process has been working out better and better since the BSC was implemented in 1998. They all represent a coherent view that there exists a positive relationship between the BSC and the feedback process. A mutual argument that the respondents have in common is that the BSC contains information that affects the internal functions within the regions and the company as a whole. The respondents of the Southern and Eastern regions also put forth an argument that the BSC contains information on what will happen today as well as tomorrow as it includes both financial and non-financial perspectives, which strengthens the fact that the BSC can act as a good feedback tool when focusing on aspects more related to reality in order to know within what areas to perform better. The feedback process within the financial objectives, in this sense, is not enough as there are other factors contributing to the financial perspectives that need to be included in the feedback process in order to receive good results in the long run. In this sense, the BSC tool works as a good feedback instrument for the regions.

**Nordea vs. Handelsbanken.** For the respondents within Handelsbanken, like those of Nordea, they see a higher degree of better feedback procedures during a time span of ten years. Instead of relating to a specific management control system as can be seen within Nordea, it can be understood that the respondents of the Western region point out that they rely on the feedback related to each and every individuals that work at the local level within Handelsbanken. In this sense, they did not mention any specific system they relied on when receiving feedback; rather, the regional level puts faith on the local managers when having a conversation with their employees (the so-called “Wheel”) concerning how to perform better and how to contribute to the organization’s growth. The respondent of the Southern region, however, refers to the activity plans every employee has to rely on in order to carry out the strategies, and from this we can argue that the outcomes of these plans act as a feedback tool in order to see how well these plans have been carried out. The respondent of the Eastern region informs us that even the feedback process works well between the co-workers, as they, too, need to know how the results of the company is developing in order to get an idea on how well they perform. However, it can be argued that this respondent means that there is way too much information to be processed as to why the region managers only can evaluate the most valuable information at hand. In this sense, it can be argued that by employing the BSC the information is well-structured while Handelsbanken does not rely on such an instrument. Instead, the valuable information can be said to “flow freely” within the organization.

However, the results show a remarkable and quite stunning rating as the respondents from Nordea believe their BSC concept works somewhat “adequately” as the respondent of the Southern region rates the decision-making as being related to the BSC to a “low degree” (2), while the Western region gives this relationship a 4 (“large degree”) and the Eastern region rates this relationship as having a “neither-nor”-effect (3). As for Handelsbanken, all of the respondents rate their control system as contributing to the feedback process to a “large degree” (4), despite the fact that they have no “structured” management control system to rely on.

## 7.8 The Ability to Understand

**Nordea.** There can be no doubt that all three of the respondents stress that the understanding concerning the company's strategies and visions have increased during the last ten years. Though, there exist some differences in the respondents' answers regarding this success factor. The results show that the respondents from region West and South believe that the BSC has contributed to this high degree of understanding as it can be argued that the BSC translates the strategy so that it is for everyone to understand. Further, the employees understand more effectively the focus areas now that they are "translated" within the scorecard concept. In this sense, as the understanding process has increased as of the BSC it can be argued that the employees find it easier to adjust to the strategies as well as finding it easier to keep up with the development as the strategies are more understandable. The respondent of the Eastern region, on the other hand, does not agree with the other respondents. He mentions that it is difficult to say if the BSC *per se* has been of such great contribution as he believes that the management team at the "top-level" has communicated the company's values and strategies in such a predominantly way that the understanding among the employees has increased. From this it can be argued that there are shared beliefs among these respondents as to how or whether the BSC can contribute to better understanding among the employees within the organization.

**Nordea vs. Handelsbanken.** Handelsbanken puts a greater emphasize on the understanding factor than did Nordea. This can be argued as these respondents refer to the process of understanding as being a part of their cultural atmosphere. The respondents of the Western region comment on the fact that the ability to understand the company's vision and strategies are naturally incorporated in the culture, while the respondent of the Southern region strongly emphasizes that to be able to understand is a number one criterion that can be demanded from the employees. The respondent of the Eastern region goes one step further and points to the fact that an ability to understand the visions and strategies underlying the company's philosophy is the essence of the organization, meaning that the company's cultural ground will fall if the employees do not understand what actions to take or how to behave themselves within the organization. With regard to these arguments, it can be understood that the organization counts on their employees to understand the company's values as well as performing with the company's best interest in mind.

When comparing Nordea and Handelsbanken, the results show that the respondents from Nordea rate the relationship between the BSC and the ability to understand as a 3 – "neither-nor" (Eastern region) - and a 4 – "large degree" (Western and Southern region). The respondents from Handelsbanken, however, put a greater trust in their control system in relation to the ability to understand when rating this relationship as having a "large degree"-contribution (region West) and a "Very large degree"-contribution (region South and East).

## 7.9 Unity

**Nordea.** What concerns the unity aspect, the respondents of Nordea has quite similar opinions as to how the unity aspects have come about in the organization. They point out that the unity has been a natural part of the company for a long time and is a strong aspect as of the company's survival. However, they all agree on the fact that the BSC has had no direct impact on the unity aspect as this is not a new phenomenon within the company.

**Nordea vs. Handelsbanken.** Once again, the respondents of Handelsbanken refer to the cultural aspect that exists within the organization as a way of strengthening the unity amongst the



employees. Unity can be argued as being a paramount part of a culture as a common culture naturally affects the unity positively. The respondents of Nordea never departed from such an understanding, meaning that culture *a priori* has never been a consideration within this company. This can be one explanation to why Nordea's management control system does not lead to a stronger unity amongst their employees as they never emphasized factors that would lead to unity, such as the cultural aspect. The respondent of the Southern region at Handelsbanken also points out that the unity can be said to be a factor within the company as the employees have plenty of room for manoeuvre, meaning that there exists a mutual trust amongst the employees to decide upon how to act, and trustfulness can be argued to be leading to unity to a large degree.

The results show that the respondents within Handelsbanken place a greater emphasize on the unity aspect than do the respondents of Nordea. Within Handelsbanken, then, the respondents of the Western region rate their control system as being a contributive factor to the unity aspect to a "large degree" (4) while the respondents of the Southern and Eastern regions clarify that this contributive factor deserves a 5 ("Very large degree"). The respondents of Nordea place a "neither-nor" contributive effect on the BSCs relation to the unity aspect.

### 7.10 Motivation

**Nordea.** The results show that every one of the respondents within Nordea agrees on the fact that the motivational aspect has increased during the last few years. The respondent of the Eastern region even emphasize that the motivation has been more visualized, meaning that there is a mutual understanding as to what motivates the employees. Further, the respondent from the Southern region points out that this increase in motivation could be related to the fact that the assignments given to the employees today are more exciting to carry out, which, in turn, is in itself considered to be motivational. Despite these arguments, the respondents agree upon that the BSC *per se* has not contributed much to this existence as the motivation was an important factor even before the BSC was implemented.

**Nordea vs. Handelsbanken.** Within Handelsbanken and in accordance with Nordea the respondents put forward that the motivational aspect always has been an important factor to constantly reflect upon. In fact, the respondents of region West point out that the culture is suppose to act as a motivating tool, and if it fails to deliver and thereby motivating the employees, then the whole concept will eventually fall. The respondent of the Southern region further states that the reward system Oktogonen acts as a motivational tool, meaning that the employees get more motivated when they know that they will be rewarded when performing well on the market. No such argument, on the other hand, was ever put forth by the respondents of Nordea. The respondent from Handelsbanken's Eastern region claims that if the system fails at motivating its employees it will affect the processes negatively. Here it can be argued that the familiar culture within Handelsbanken contributes a great deal to motivating the employees and constantly increasing these motivational powers.

The results show that the respondents from Nordea do not find their BSC concept valuable as a tool for motivating the employees. This can be argued as of the arguments put forward above as well as that the respondents rated the BSCs positive relationship to the motivational aspect as to a "small degree" (Western region) and "neither-nor" (Southern and Eastern regions). In contrast, however, we can find the rating of the respondents of Handelsbanken at the upper level of the scale, that is to say, they rated their control system as contributing to the motivational aspect to a "high degree" (Western and Southern region) versus to a "very high degree" (Eastern region).

### 7.11 Efficiency

**Nordea.** The efficiency is seen by the respondents as being connected to the area of productivity, though the respondent of the Western region points out that efficiency cannot always be defined in quantity measures, the respondent from the Southern region means that the efficiency measure can be defined as a positive GAP result, while the last respondent does not see a difference between efficiency and productivity. It can be argued that it is quite a substantial agreement amongst the respondents from Nordea that efficiency is a success factor that is related to some sort of internal resource use (productivity), though it can also be argued that efficiency is, in addition, connected to external aspects (efficiency *per se*). The respondent of the Western region points out that the latter can be defined as growth, that is, the degree of effective sales (effective bank salesmen) as well as the degree of time spent on customers (quality). The respondent of the Southern region informs us that the GAP measurement is represented externally to the market, which indicates that this is an efficiency measure *in priori*.

As can be seen from the results, the respondent of the Western region claims that the BSC has contributed to the increase in efficiency as this respondent refers to the “operational excellence”, which indicates that the BSC can be used as a tool regarding how to constantly improve the efficiency within different processes. The respondent from the Southern region, however, points to the fact that the GAP is important to the financial measurement and has a clear correlation with the strategy, which can be understood as an external process (efficiency) where this respondent defines efficiency in financial terms. This respondent, too, claims that the BSC has contributed to the increase in efficiency as it has contributed to working toward the strategy in an easier way, thus meaning that the GAP within the financial perspective is related to the strategy.

**Nordea vs. Handelsbanken.** As in the case of Nordea the respondents of Handelsbanken believe that the efficiency processes have increased during a period of ten years. Though, in contrast to the respondents of Nordea the respondents of Handelsbanken do not see any clear differences in the definitions of efficiency and productivity. The respondents from the Western region, as can be seen, define efficiency in relation to capital and whether it is used efficiently. They relate the efficiency aspect to their control system as it can be understood that this control system brings about effective processes when employees adapt to the company’s values as well as when they are working towards the same goals. In this sense, it can be argued that when employees work “fluently” with as little obstacles as possible, the efficiency in processes will arise. This, in turn, can to some degree be related to the efficiency definition brought forward by the respondents of Nordea as they put forward a definition that cannot be quantified. The respondent of the Southern region points to the fact that efficiency and productivity are naturally working together in order to contribute to developing the long-term financial aspects, meaning that the employees make use of the capital they will gain to their exposure in an effective way. This, in turn, can be argued as being related to the internal production, and when this internal production is working out effectively the positive results will be revealed in the financial development. The respondent of the Eastern region defines efficiency in relation to how well the company can make use of the economized resources, meaning that to what degree these resources can be used. Further, he states that efficiency also has to be related to cost in the way that it is important to constantly lowering the costs within the company.

The results show that the respondents from Nordea and Handelsbanken differentiate themselves regarding how their control systems contribute to the success factor of efficiency. Within Nordea, the respondent of the Western region rates the BSCs contribution to efficiency to a “small degree” while the respondents of the southern and eastern region rate this contribution as

to a “large degree”. All of the respondents of Handelsbanken agree upon the fact that their control system’s contribution to the efficiency deserve to be rated to “large degree”.

### 7.12 Productivity

**Nordea.** There is no doubt that the respondents define productivity in similar ways as they all refer to internal process of producing, and that this productivity has increased during a ten-year period. The respondent of the Western region points to the fact that this definition can be related to the effectiveness in the flow of production, that is, that it exists an outsourcing of data from the local offices to different production units. This indicates that the production is related to the information regarding how well each office performs. As the respondent declares, this can be explained by different lead time in production. However, this respondent as well as the respondent of the Eastern region does not believe that the BSC has contributed to this development as these measures existed way before the BSC was implemented. The respondent of the Southern region agrees on the earlier mentioned productivity definitions, but he adds measurements like the area of sales, the quantity of customer meetings, and the number of customer per product area and the volume growth in this definition. In contrast to the previous respondent, this respondent concludes with the fact that the BSC has contributed to this as it can be argued that this tool in a better way frame the structure as to how and within what areas the production should be improved. The respondent of the Eastern region put forward an example of productivity as it can be translated into how much earnings one gets out of every resources. In this sense, all of the respondents quantify the productivity measures.

**Nordea vs. Handelsbanken.** The respondents of Handelsbanken agree upon the fact that the productivity has increased during the last few years within the company. However, the respondents of Handelsbanken define productivity differently than those of Nordea. The respondents of the Western region put forward the concept of the “t-value”, which is a productivity measure that shows the relationship between the performances and the resources. These respondents also see an importance in measuring the relationship between invested capital and costs. The respondents point to the fact that depending on the focus areas that are of interest today control what productivity measure to use. This can be argued as the respondents of Handelsbanken see productivity in relation to efficiency, and in order to increase this efficiency the right productivity measures need to be implemented in order for it to have any effect. This, in turn, controls what decisions to be made on the market place. The respondent of the Eastern region also define productivity as the invested capital in relation to cost as he calls this relation the “K/I-measures”. According to this respondent, the K/I-measures inform the company as to how cost effective they are within certain product areas. However, it can be understood that this respondent puts a great emphasize into how economical Handelsbanken really is, that is, the company appreciates efficiency in lowering the costs which indicates a certain efficiency in productivity.

The respondent of the Southern region also means, like that of the respondent of the Western region, that the productivity measures have to be seen in relation to the company’s philosophy as it can be understood that this philosophy must “accept” what measures to concentrate on and within what focus areas. It can further be argued that there exists no fixed way of defining productivity or how to measure this as it all depends on what areas are in focus today. As the respondent of the Southern region mentions, this is accepted in the culture of the company.

The results show that the respondents of Nordea yet again disagree on how the BSC has contributed to the success factor of productivity. The respondent of the Western region rates this relationship as having a “neither-nor”-effect while the respondent of the Eastern region rates it as

contributing to a “small degree” and the respondent of the Southern region believes it to be a “large degree”-contribution. Within Handelsbanken the voices are yet again unanimous as they all rate their control system in relation to productivity as being a “large degree”-measurement.

## **8. THE ANALYSIS COMPARED TO EARLIER RESEARCH**

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*This chapter will present a comparison between the papers' gathered results and earlier research concerning management control systems and their relation to success factors. Similarities and differences between management control systems and the investigated BSC will be discussed and commented on. The identified success factors are profitability, communication, decision-making, income, feedback, the ability to understand, unity, motivation, efficiency, and Productivity. It should also be noted that no other success factors could be identified when carrying out the empirical investigation. Further, in this chapter we will only relate to the answers we obtained from the respondents of Nordea as these are our main research objects. Handelsbanken, however, will be related to in the concluding chapter. Finally, we have to note that the respondents put forward arguments related to a broad definition of success, as can be stated in the analytical chapter. This can be due to the fact that the respondents respective control systems are meant to lead to several so called success factors.*

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### **8.1 Profitability**

Cagwin and Bowman call attention to the fact that their investigated management control system (ABC) in relation to JIT, TQM, etc., affect the financial performances or profitability positively. They concluded with the fact that this can be stated as ABC-users found a significant effect regarding how their ABC concept affected the ROE and ROI in complex and diverse firms in comparison to firms that did not make use of the ABC system. However, these authors found that ABC was more successful in affecting the financial performance when other control systems were used within the businesses. During the interviews, two of the respondents claimed that the BSC affected the financial performances substantially. This explanation can be due to the fact that these respondents believe in the cause-and-effect relationship that exists within this tool, that is, that customer satisfaction contributes to imperative financial performances. The third respondent put less emphasize to whether the BSC is such a great control tool in this regard. The result shows that this respondent believes that other factors outside of the BSC use contribute to the positive development of the ROE, such as the market development and the inflation, as it can be understood that other uncontrollable factors can control the ROE in "a better way" than the BSC *per se*. This indicates that there exists a small unanimous tone of voice as to whether the BSC leads to the success factor of financial performances in the ROE.

### **8.2 Communication**

Hoque and James (2000) as well as Hendricks et. al (2004) and Stewart and Carpenter-Hubin (2000-2001) point out that the BSC use can satisfy companies' internal communication needs in order to facilitate decisions and actions as well as coordinating cross-functional and cross-level decisions and activities. This is something that two of the respondents of Nordea put forward as the BSC can contribute to an effective internal communication process. The third respondent, however, clarifies that it was not the BSC *per se* that contributed to this internal communication process as this process has been a part of the organization even before the BSC was implemented. In this sense, it is difficult to draw a general conclusion as to whether the BSC really leads to the success factor of communication as the results show that there is no clear or direct relation between the two.

### **8.3 Decision-making**

Foster and Swenson (1997) means that when the ABC implementation causes a change in decisions it is viewed as successful; if it does not cause a change in decisions, it is viewed as unsuccessful. This is also something that two out of three respondents reflected upon regarding

the BSC tool. These respondents point out that the BSC is a good tool for structuring the information needed to make better decisions, though one of these respondents points out that there are other tools that are superior when making better and/or more effective decisions. Stewarts and Carpenter-Hubin, however, state that the decision-making process is easier to carry out when the BSC tool has been implemented as it provides substantive information for strategic decision-making. Olsen (1998) found that his investigated control system (ABC) can be used as a control-oriented data needed for critical decision-making. These are arguments that were not put forward by our respondents. Instead, the respondents were either to some degree satisfied with the BSCs relation to carrying out better or more effective decision-making or they did not believe the BSC contributed much to this decision-making. It can therefore be concluded that the BSC is not an imperative tool to implement when making better or more effective decision-making. The reason for this could be that Foster and Swenson (1997) departed from the ABC in their research, which is not the subject of this thesis.

#### **8.4 Income**

Foster and Swenson (1997) found that improvements in dollar measurement could be established when making use of the activity-based-costing tool, presupposed that a broader success measure was used. This can also be seen in the case of Nordea as the respondents made use of broad success attributes when defining what they meant with success. One of the success factors were defined in financial terms – income. In this sense, it can be argued that the BSC has had a certain impact on the income measurement as two out of three respondents pointed out that the tool has been of contribution in this sense. Cooper and Kaplan (1991) further found that the ABC analysis helps in the way that managers will know where their actions will most likely have the greatest impact on income. This is something one of the respondents also put forth as he meant that the information gathered in the BSC can make a clear structure as to where revenues can be achieved and where costs can be reduced. Another respondent valued the benchmarking process within the BSC tool as this process can contribute to comparing themselves with the competitors and thereby striving to yield a higher income. Though, this argument cannot be found in the earlier research that we have put forth in this thesis. These findings, however, indicate that the BSC might contribute to achieving higher income within Nordea.

#### **8.5 Feedback**

Kaplan and Norton (1999) originally invented the scorecard as being a mechanism supply for strategic feedback and review in order to constantly improve processes. When Arveson (1998) investigated the BSCs relation to the feedback process he found that there existed a positive relationship between the two concerning the internal business processes and external outcomes. This argument was something all of the three respondents put forward as they saw a positive link between the BSC use and the feedback processes within Nordea. Further, Argyson and Schon (1978) found that within the “learning organization” the organizations develop and use new knowledge to improve performances which can happen through the processes of feedback. The results show that the BSC within Nordea contributes to carrying out a better feedback process as the respondents put forth that the financial and non-financial measurements within the BSC can contribute to the knowledge of where to perform better. A reason for why all of the respondents agree regarding this success factor could be that Kaplan and Norton (1999) invented the scorecard as being precisely a tool for achieving better feedback within organizations.

## 8.6 The Ability to Understand

Othman's (2006) research concluded with the fact that the BSC tool could contribute to making the employees better understand the strategies when there existed a clear cause-and-effect relationship within the BSC. This was not something that was reflected upon by the three respondents within Nordea. Instead, some of them believed that the BSC could contribute to better "translating" the strategies so that it was for every employee to understand, though without any reference to the cause-and-effect relationship. That the result does not show such an argument could be that they reflect upon the different parts of the BSC as being separated from each other instead of reflecting upon the perspectives as being closely related to one another. Holloway et al. (1997) found that the benchmarking process could improve the ability to understand as one could learn from its own workings of the business or the competitors, meaning what methods and practices lay the ground for achieving world-class performance levels. Even though the benchmarking process has been emphasized to be included in the BSC by some respondents, the same argument as Holloway et al. put forth is not included in the respondents' arguments, which may seem a little bit odd. However, two of the respondents follow Zeng's (2005) argument when stating that the BSC contributes to a common understanding in strategically planning. As two out of three respondents state that the BSC contributes to better understanding, it could be concluded with the fact that the BSC may be a contributive factor regarding the increase in the ability to understand the organization's strategies and visions.

## 8.7 Unity

Within this limited area of research, we could only find one researcher who found a positive link between the BSC and the aspect of unity. Zeng (2005) found that when making the enterprise's accord with reality, which the BSC tool may provide, there is a growing unity amongst the employees. This was not an argument brought forward by the respondents as they believe the unity aspect existed way before the BSC was introduced. The results show that the unity is not an aspect that can come about when implementing the BSC.

## 8.8 Motivation

Motivation is of imperative importance regarding different control systems, if we are to believe Nilsson (2005), as the control system's most important assignment is to motivate the employees so that they will carry out the desired actions. Olve et al. (1997) point out that as the BSC model is broken down into different parts of activities the control of the business is adapted in a way that the motivation *per se* will increase as the understanding of the model also increases. This is not an argument put forward by the respondents. Talaq and Ahmen's (2003) research within the area of TQM shows that firm's constantly struggles to motivate its people, which is the key to quality performance. The link between quality and motivation was not an argument put forth by the respondents. An explanation to why this is the case could be that TQM concentrates on quality performance which the BSC does not to such an extent. However, Kaplan and Norton's (1999) main point when "inventing" the scorecard was to make it easier for the organizations to motivate its employees as it was easier to better understand the strategies and visions put forth in the scorecard. Surprisingly, however, the respondents did not see this connection.

Instead, the respondents disagree with Olve et al. (1997) and state that the BSC does not contribute to the increase in motivation as it can be argued that the motivational factor was

something Nordea worked with even before the BSC was implemented. The results show that the increase in motivational aspect cannot be explained by Nordea's implementation of the BSC.

### 8.9 Efficiency

In this thesis, we have argued that efficiency and productivity can be defined in different ways, depending on what is in focus. Ax et. al (2005) defined efficiency as being related to growth (meaning growth in sales, growth in employees, etc) and quality (meaning the degree of time spent on customers, and the degree of excellent services and products), which one of our respondents also put forth. This respondent defined efficiency as the growth in sales as well as the degree of time spent on customers (quality). However, two of the respondents did not mention these definitions as one of them meant that the GAP measurement could be seen as a definition of efficiency while the other did not see a difference between efficiency and productivity. *In priori*, the GAP measurement can be seen as an external efficiency measure as it is expressed in financial terms, though this definition is something that we have excluded as a definition regarding the external efficiency in this thesis. However, the respondent who could not separate the productivity and efficiency from one another in this regard can be explained by the fact that these measurements are so much integrated to one another that, at times, it can be quite difficult to separate them from each other. This can be the case, more specifically, if the respondent reflected upon that the internal efficiency (productivity) is affecting the external efficiency (efficiency *per se*) to such a great extent that they may be considered as one "item". This is closely related to Häckner's (1999) as well as Brorström's and Kastberg's (2006) arguments as these researchers state that a substance between the internal and external aspects will influence the results of the economized resources and value creation.

Nilsson (2005) states that efficiency is one concept that organizations must naturally expect when implementing the BSC, which were further pledged by two of the respondents of Nordea. Though, in Nilsson's research he found no link between the BSC and efficiency as his respondents could not, in a clear manner, point out that the BSC would lead to better efficiency. Two of our respondents, then, saw a connection between the BSC and the efficiency as a success factor, which can be said to be disputing against Nilsson's findings. This can be due to the fact that they first of all clearly understood how efficiency separated itself from the definition of productivity. Further, these respondents looked upon their BSC tool as being a tool for representing a clear structure in the sense that it would "hand out" information regarding within what areas the company could improve the efficiency within different processes. Another argument that was put forth was that as of the BSC it was easier to concentrate on what strategies were in focus and how to more effectively work towards achieving the goals expressed within these strategies. The results show, then, that two of the respondents disagree with Nilsson while one of them agrees.

### 8.10 Productivity

According to Ax et. al (2005) productivity can be defined in quantity measures, that is, the relationship between produced output (in quantity, value, etc.) and one or more contributions of resources (input). These definitions are also something our respondents put forward with regard to productivity as they refer to the internal process of producing. One of the respondents point out that the productivity can be seen as the effectiveness in the flow of production, while another states that it is the measurement in the area of sales, the quantity of customer meetings, and the number of customer per product area and the volume growth that can be included in this definition. The third respondent sees productivity as how much earnings one gets out of every resources. In this sense, they all quantify the productivity measurements. In accordance with



Nilsson (2005), who found no support for the BSC tool leading to better productivity in his research, two of the respondents of Nordea would have agreed. This can be due to the fact that productivity measures existed way before the BSC was implemented, and that it was not BSC *per se* that contributed to this increase in productivity. One of the respondents, though, disagrees with Nilsson and means that the BSC certainly has helped in the way productivity has increased. This can be stated as it can be understood that this tool frames a better structure as to how and in what areas the company can increase its productivity. The results show, then, a disagreement between the respondents, and it can be concluded that Nilsson may have had a point in his research, that is, that BSC *per se* does not lead to successes in productivity.

## 9. CONCLUSIONS

Initially, we would like to, once again, represent the purpose of this research, which is;

*“...to evaluate the use of the BSC with respect to Nordea...”*

When the examinations of the two companies Nordea and Handelsbanken had been completed we could draw the conclusion that there is both unanimous as well as different opinions regarding which success factors that are more important than others considering the implementation of the BSC. We will further point out that certain problems occurred when discussing two of the success factors, that is, income and profitability. The respondents could not give a clear answer as to whether these factors have increased/decreased (%) during the last ten years within their own regions. Further, we could not either obtain internal material regarding these success factors as this information was classified, and a great deal of changes have occurred internally as well as externally with respect to both companies during this investigated period of time. As such, this information can be argued of having a lack of relevance within this purpose of investigation. However, we have chosen to look at the companies' annual reports in order to obtain some information regarding the development of the income level and the profitability.

As the results show substantial differences regarding the answers obtained from the respondents of Nordea, we do not find it necessary to compare all of the success factors to the ones obtained from Handelsbanken's respondents. Those success factors that are related to earlier research will be presented in the following paragraphs:

**Profitability:** The result shows that all of the respondents support the fact that the ROE has increased. However, as earlier mentioned we could not obtain the exact data concerning the ROE development of each region. The respondents of Nordea have divided opinions as to whether the BSC can be seen as crucial to the ROE development. As such, we can make a conclusion that the popularity with respect to the BSC is stronger within some regions compared to others. If we are to make a comparison with Handelsbanken, the BSC tool may not be a revolutionary tool regarding the increase in the ROE.

**Communication:** The BSC concept within Nordea may contribute to the communication process, though one respondent disagree with this argument. As such, we can draw a conclusion that the BSC is more valuable in some regions than in others. As two of the respondents were positive to this relationship, we have to use the control group in order to make a definite conclusion. It seems like Handelsbanken is more satisfied with their control system leading to better communication. In this sense, we cannot conclude with the fact that Nordea's BSC is superior than other management tools with respect to the communication process.

**Decision-Making:** The results regarding this success factor differentiate itself between all the respondents of Nordea. This difference makes us conclude with the fact that the BSC support to a low degree the effect on decision-making.

**Income:** The income shows that the use of the BSC is valued differently by all the respondents of Nordea. However, the respondents find themselves at the upper side of the five-degree scale, which indicates that the BSC contributes to the increase in income to some extent. When comparing to Handelsbanken Nordea does not have a superior management tool with respect to the income measurement as the respondents of Handelsbanken point out that their tool also is successful in this regard. In this sense, we can make a conclusion that the BSC does not *per se* contribute to the development in income.

**Feedback:** Feedback is a success factor that is clearly useful as of Nordea's BSC. The result shows that both Handelsbanken and Nordea view feedback as a success factor. As of this

argument it is difficult to secure that the BSC is more powerful as a strategic management tool than that of Handelsbanken, but it could be said that it has some relevance in this regard.

**The ability to understand:** The ability to understand the strategy and vision within Nordea can be argued for within the BSC as two out of three respondents rate this connection that this tool leads to better understanding to a large degree. Though, it can be argued that the BSC tool may work out for certain regions in comparison to others. However, as the respondents within Handelsbanken also conclude with the fact that their control system to a large degree affects the ability to understand it can be concluded that the BSC cannot act as a superior tool in this sense.

**Unity:** The result shows that all of the respondents agree that the scorecard does not increase the unity within Nordea, and therefore we can conclude with the fact that this aspect cannot work as a success factor regarding the use of the BSC.

**Motivation:** That motivation will increase because of the BSC is not expressed by the respondents within Nordea. As such, it can be concluded that the BSCs relation to the motivational aspect cannot be seen as a success factor.

**Efficiency:** Once again there exist different opinions amongst the respondents of Nordea regarding the scorecard's usefulness with respect to the efficiency aspect as a success factor. It may be concluded that certain regions emphasize the importance of the BSC connected to the efficiency aspect than do others. However, as Handelsbanken's respondents also have concluded with the fact that their control system contributes to efficiency it is difficult to secure that the BSC is a superior tool in this regard. It must, then, be concluded that the BSC does not lead to the success factor of efficiency.

**Productivity:** The result shows that the respondents once again values the use of the BSC differently, and as the opinions regarding how the use of the BSC as a tool leading to productivity amongst the respondents of Nordea are rated differently at the five-degree scale it can be concluded that the BSC tool does not lead to the success factor of productivity. However, as one region rated this relationship positively, it can be argued that the BSC leading to productivity works for this region. In contrast, when compared to the ratings of the respondents of Handelsbanken it can still be concluded that the BSC is not a superior management tool in this regard.

## 9.1 A Final Discussion

- When it comes to the definition of success it is important to point out that the respondents' definitions can be classified as broad definitions. As such, we can confirm that the respondents put forward both financial and non-financial definitions of success. In this sense, we must be aware of the fact that the respondents have put forward answers that can be found within this broad definition of success.
- The results concerning the success factors and the use of the BSC indicates that the respondents within Nordea have different views regarding how the BSC has contributed to success. As such, we may question whether the BSC has contributed to an increase in those success factors that have been examined in this thesis. Further, we may even reflect upon that the use of the scorecard as an important management tool is prioritized higher in certain regions than in others, or, rather; if there are certain success factors that are prioritised higher in some regions than in others. It can be argued that the BSC tool does not have to work in every region regarding the different success factors. All of the respondents within Nordea agreed upon that certain success factors (motivation and unity) did not have an "influence of success" in relation to the BSC and therefore it can be stated that the faith in Kaplan and Norton's theory diminishes. According to Kaplan and Norton (1999) the aim with the BSC is, among other things, to motivate and "keep together" the company, which is not indicated by the respondents in this thesis. On the other hand, however, in this thesis the result shows that the feedback process is stressed

- as an important factor in relation to the BSC, and, in this sense, we can see a well-defined link between our results and Kaplan and Norton's theory.
- The respondents argued for and reflected upon the different success factors in a clear and structured manner, though they could not answer the question as to whether there are more success factors that may have arisen when implementing the BSC as a strategic management tool within Nordea. We can come up with two reasons for why this may be the case; (1) we mentioned all the success factors there is to know within this field of research, and/or (2) they have not thought well through what other factors may arise from the BSC use. We consider it to be the last one as we doubt that we mentioned every success factor that may come about when implementing the scorecard tool.
  - When reflecting upon earlier research we can see that this research does not give us a whole picture as to how specific branches of industry are related to the BSC and the examined success factors, which this thesis might be of contribution. This can be the case as most of the earlier research that we have brought forward in this thesis is based on survey studies and that is probably why they cannot define success factors within individual branches of industry. However, it is difficult to state that the BSC presents a complete picture on what success factors it contributes to and what it does not contribute to. Our investigation presents a basic explanation as to what success factors the BSC may lead to.
  - When collecting our empirical material we found it useful to reflect upon success factors as this is an area that has not been sufficiently explored with respect to the BSC. However, with our investigation we can get a broader overview within this field of research.
  - It is worth mentioning, however, that Handelsbanken has not changed their control system like Nordea did in 1998 and, as such, it can be said that it is more difficult to draw conclusions that the BSC *per se* is more superior as a management control system in comparison with that of Handelsbanken.
  - In conclusion, it can be argued that the BSC tool cannot be seen as a superior management control system as we found no success factor with great value within the area of the BSC. Even so, we suggest that the BSC tool should be further examined regarding what success factors this tool may lead to when implementing within companies. We believe that there must be a reason as to why organizations implement this tool in the first place. With this thesis, we hoped that we could contribute to such an understanding, though we still question the relationship between the BSC and the different success factors brought forward in this thesis. Can we really state that the BSC tool lead to *Maintaining Maximum Performance?*

## 9.2 Limitations

This study departed from investigating two companies where certain respondents were interviewed in the way of investigating how they relate their management control system to different success factors, respectively. However, it should be noted that there may be other possible success factors within the same branch that has not been put forward in this thesis. Further, as we have interpreted the respondents' answers, some misunderstandings may have occurred regarding what they have really meant. It should also be considered that perhaps the respondents forgot to mention important aspects or reflections regarding the BSCs relation to the different success factors and may in turn influence how the results have come to be.

We should also take into account that Handelsbanken did not make any reconstructions regarding implementing a new management tool like Nordea did when implementing the BSC. As such, it cannot be totally secured whether Nordea or Handelsbanken obtains the superior

management control system, due to the fact that they did not implement new management control systems within the same period of time.

Further, in order to be able to generalize the results of this thesis we had to guarantee an empirical validity, which cannot be stated in this regard as we cannot statistically guarantee our results. However, we can generalize our results theoretically as we could strengthen or weaken our theoretical framework.

### 9.3 Future Research

During this study period, a few interesting areas regarding future research were identified. The thesis is based on the BSCs relation to different success factors, and we can therefore say that the continuing research within this area can include the following recommendations:

(a) Now that we have mapped out different success factors that may come about when implementing a new management control system a survey investigation regarding these factors may be carried out. This, in turn, will contribute to making a statistical design where the researcher could generalize the results empirically.

(b) Another case study could be carried out between two companies that have implemented different management control systems during the same period of time. When so doing, it is easier to use one of the companies as a control group in the way that it is easier to conclude with whether one of the management control system is superior (or not) when it comes to leading to success factors.

(c) The models from Shields & Shields (2005) could be included in future research within this area of interest. Even though Shields & Shields (2005) discuss the *revenue drivers* in their study the relationship between the BSC and different success factors has also been identified when carrying out this research. For instance, there could be a strong relationship between the BSC leading to one success factor, which, in turn, leads to another success factor and so forth. There could also be that the BSC together with another management control system lead to a certain success factor.

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### **Internal Material**

"About the BSC in Nordea", 22-05-2008. Received from one of the respondents of Nordea.

### **Interview respondents**

#### Nordea AB

Mats Engström, Region Manager, Western region, 19-05-2008

Respondent A, Former controller, Western region, 09-05-2008

Respondent B, Region Manager, Southern region, 20-05-2008

Respondent C, Region Manager, East/Sthlm region, 20-05-2008

#### Handelsbanken AB

Michael Green, Region Manager, Western region, 09-05-2008

Martin Björnberg, Business controller, Western region, 09-05-2008

Claes Norlén, Region manager, Southern region, 20-05-2008

Anders Ohlner, region manager, East/Sthlm region, 26-05-2008

## Appendix 1

### Interview questions - Nordea

#### BACKGROUND

1. a) What perspectives are included in your BSC?
  - b) Can you describe the perspectives?
  - c) What measures are included in the perspectives?
2. a) How have the design of the BSC been put forth?
  - b) What arguments were put forth when implementing the BSC?
3. a) Does there exist any cause-and-effect relationship in the scorecard? (how is it designed?)
  - b) Does there exist an evaluation regarding this relationships? In what ways?
4. What kind of KPI's exist in the scorecard?
5. How do you define success??

#### SUCCESS FACTORS

**6. In the following questions we will make use of a five-grade scale; (5) Very large degree, (4) Large degree, (3) Neither - nor, (2) Small degree, and (1) Very small degree**

- a) **Profitability**
  - Have the profitability increased during the last ten years?
  - What type of profitability?
  - How much has it increased/decreased, approximately? (%)
  - To what degree has the BSC contributed to this development? (scale 1-5).
  - In what ways have the BSC contributed to this development?
- b) **Income**
  - Have the income increased during the last ten years?
  - How much has it increased/decreased, approximately?(%).
  - Revenues/Costs. Increased/Decreased? Approximately (%)
  - To what degree has the BSC contributed to this development? (scale 1-5).
  - In what ways have the BSC contributed to this development?
- c) **Communication**
  - Have the communication within the company improved during the last ten years?
  - To what degree have the BSC contributed to this development? (scale 1-5).
  - In what ways have the BSC contributed to this development?

**Appendix 1 – Continues**

**d) Decision-Making**

- Have the decision-making developed effectively/improved during the last ten years? What type of decisions?
- To what degree has the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**e) Productivity**

- How do you define productivity, and how do you measure it?
- Have the productivity increased during the last ten years?
- To what degree has the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**f) Efficiency**

- How do you define efficiency and how do you measure it?
- Have the efficiency increased during the last ten years?
- To what degree has the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**g) The ability to understand**

- Have the understanding (regarding the company's strategy and vision) increased during the last ten years?
- To what degree have the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**h) Unity**

- Have the unity amongst the employees increased during the last ten years?
- To what degree have the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**i) Motivation**

- Have the motivation amongst the employees increased during the last ten years?
- To what degree have the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**j) Feedback**

- Have the feedback process developed during the last ten years?
- To what degree have the BSC contributed to this development? (scale 1-5).
- In what ways have the BSC contributed to this development?

**k) Are there any other success factors that you expect to be generated regarding the BSC?**

Appendix 1 – Continues

## Interview questions - Handelsbanken

### Background

1. What is included in your management control system? Explain the design.
2. How do you define success?

### SUCCESS FACTORS

In the following questions we will make use of a five-grade scale; (5) Very large degree, (4) Large degree, (3) Neither - nor, (2) Small degree, and (1) Very small degree

#### a) Profitability

- Have the profitability increased during the last ten years?
- What type of profitability?
- How much has it increased/decreased, approximately? (%)
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

#### b) Income

- Have the Income increased during the last ten years?
- How much has it increased/decreased, approximately?(%).
- Revenues/Costs. Increased/Decreased? Approximately (%)
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

#### c) Communication

- Have the communication in the company improved during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

#### d) Decision-Making

- Have the decision-making developed effectively/improved during the last ten years?
- What types of decisions?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

#### e) Productivity

- How do you define productivity, and how do you measure it?
- Have the productivity increased during the last ten years?

**Appendix 1 – continues**

- To what degree have your management control system contributed to this development? (scale 1-5)
- In what ways have your management control system contributed to this development?

**f) Efficiency**

- How do you define efficiency and how do you measure it?
- Have the efficiency increased during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

**g) The ability to understand**

- Have the understanding (regarding the company's strategy and vision) increased during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

**h) Unity**

- Have the unity among the employees increased during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

**i) Motivation**

- Have the motivation amongst the employees increased during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what way have your management control system contributed to this development?

**j) Feedback**

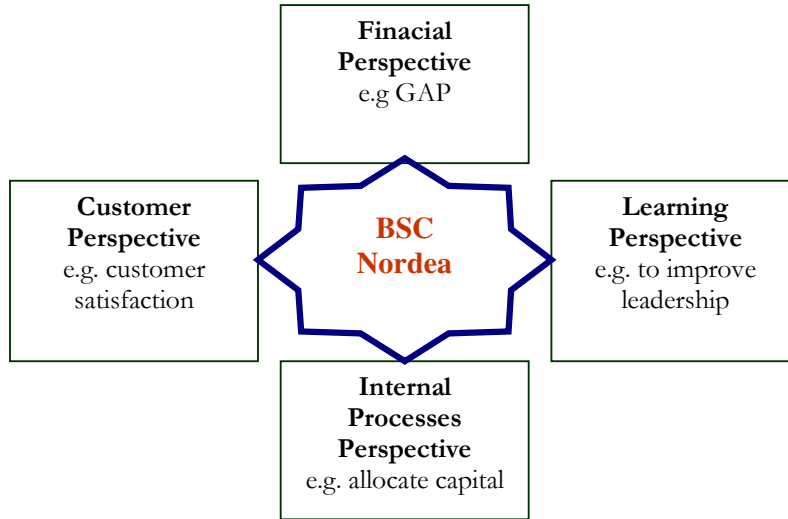
- Have the feedback process developed during the last ten years?
- To what degree have your management control system contributed to this development? (scale 1-5).
- In what ways have your management control system contributed to this development?

**k) Are there any other success factors that you expect to be generated regarding your management control?**

## Appendix 2

### The BSC of Nordea

The following figure describes the design of Nordea's BSC. It should be noted, however, that this figure has been modified by the authors of this thesis, where the information has been gathered from the respondents interviewed as well as from internal material.



### Appendix 3

A modified figure of Handelsbanken's control system.

