



School of Business,  
Economics and Law  
GÖTEBORG UNIVERSITY

Handelshögskolans Civilekonomprogram  
ICU2008:23

# Hot or Not?

- scrutinizing the balanced scorecard from a  
management fad & fashion perspective

---

## Master's Thesis

Management Accounting  
School of Business, Economics and Law  
Göteborg, Spring 2008

---

## Authors

Christian O. Andersson	82
Erik Seiving	84

---

## Instructor

Urban Ask

# Abstract

**Master's Thesis in business administration, School of Business, Economics and Law at the university of Gothenburg, Management Accounting, VT 2008**

**Authors:** Christian O. Andersson and Erik Seiving

**Instructor:** Urban Ask

**Title:** Hot or Not? – Scrutinizing the balanced scorecard from a management fad & fashion perspective

**Background and problem:** A well established truth in the world of business is that companies need management control systems (MCS) in order to ensure the maximization of shareholder wealth, however, it is extremely hard – perhaps impossible – to design “the optimal MCS”. Consequently, it is not surprising to see that there is a multitude of management tools out there, many of which have been criticized of being fads. Of all the management tools designed to improve performance, the Balanced Scorecard (BSC) has, by far, been the most popular. Therefore, we feel that it would be very interesting to see if the BSC could withstand the scrutiny of being investigated from a fad & fashion perspective.

**Purpose:** The purpose of this thesis is to examine to what extent the BSC exhibits management fad or fashion related indications and to analyze what this tells us about the BSC itself.

**Method:** A quantitative investigation of volume, authorship, and content of publications will be conducted to discern popularity patterns and attitudes toward the BSC. To support the investigation secondary data in the form of studies made by Bain & Co and Chen & Jones, mapping the usage and satisfaction of the BSC will be used. In addition, another quantitative investigation will be conducted to determine whether the BSC is new or if it is “old wine in new bottles”, meaning that it is a repackaged bundle of already existing management concepts.

**Results and conclusions:** Our findings indicate that the BSC in fact exhibits some indications of management fads or fashion even though the evidence is inconclusive. Indicating that the BSC might be a trend is that satisfaction and attitude towards the model is waning and that the core concepts existed prior to its creation. Indications that the BSC is not a trend are that no bell-shaped pattern was discernable and that market penetration is stable at a fairly high level. In conclusion, it is too early to firmly establish to what extent the BSC could be considered a trend.

**Suggestions for future research:** Since we concluded that it is too early to firmly establish to what extent the BSC could be considered a trend; it would be interesting to conduct a similar investigation in a few years to see whether it, by then, is possible to discern a clear trend pattern. Other interesting areas for future research include: content vs. rhetoric analysis, studies of the interpretative viability of the BSC, and similarities of the foundation of the BSC with Abrahamson's fashion-setting process.

# Contents

<b>1. INTRODUCTION .....</b>	<b>5</b>
1.1. BACKGROUND .....	5
1.2. THE BALANCED SCORECARD .....	6
1.3. PROBLEM DISCUSSION .....	7
1.4. PURPOSE .....	8
<b>2. THEORETICAL FRAMEWORK .....</b>	<b>9</b>
2.1. DIFFUSION OF MANAGEMENT INNOVATIONS .....	9
2.2. A MANAGEMENT FAD & FASHION FRAMEWORK .....	11
2.3. A FRAMEWORK FOR MANAGEMENT TOOL CLASSIFICATION .....	15
2.4. REVIEW OF THE ACADEMIC CRITICISM ON THE “NEWNESS” OF THE BSC .....	16
2.4.1. <i>Analog Devices Inc.</i> .....	16
2.4.2. <i>Tableau de Bord</i> .....	17
<b>3. METHOD .....</b>	<b>18</b>
3.1. MAPPING ATTITUDE OF ACADEMICS .....	18
3.1.1. <i>Design of the study</i> .....	20
3.1.2. <i>Relevance, intersubjectivity, and reliability</i> .....	23
3.1.3. <i>Geographic allotment and validity</i> .....	23
3.1.4. <i>P/M-index, intersubjectivity, and reliability</i> .....	24
3.2. MAPPING ATTITUDE OF PRACTITIONERS .....	24
3.3. BSC – OLD WINE IN NEW BOTTLES? .....	25
3.3.1. <i>Core concepts, validity, and intersubjectivity</i> .....	25
3.3.2. <i>Design of study</i> .....	26
3.3.3. <i>A note on validity</i> .....	27
3.4. VALIDITY OF QUANTITATIVE LITERATURE STUDIES .....	27
3.5. ANALYZING THE FINDINGS .....	28
<b>4. EMPIRICAL FINDINGS .....</b>	<b>29</b>
4.1. POPULARITY PATTERNS .....	29
4.2. ATTITUDES TOWARD THE BSC .....	32
4.3. FINDINGS FROM BAIN & COMPANY’S “TOOL AND TECHNIQUES” SURVEYS .....	33
4.4. POPULARITY PATTERN OF THE CORE CONCEPTS OF THE BSC .....	36
<b>5. ANALYSIS .....</b>	<b>39</b>
5.1. ATTITUDE AND POPULARITY PATTERN .....	39
5.2. ATTITUDE AND PENETRATION .....	40
5.3. OLD WINE IN NEW BOTTLES? .....	41
<b>6. CONCLUSIONS &amp; DISCUSSION .....</b>	<b>43</b>
6.1. SUMMARY & CONCLUSIONS .....	43
6.2. EXTENDED DISCUSSION AND IDEAS FOR FUTURE RESEARCH .....	44
6.2.1. <i>Content vs. Rhetoric</i> .....	44
6.2.2. <i>The interpretative viability of the BSC</i> .....	45
6.2.3. <i>BSC and the fashion-setting process</i> .....	45
6.2.4. <i>Other ideas for future research</i> .....	46
6.3. ACKNOWLEDGEMENTS .....	46

<b>7. REFERENCES.....</b>	<b>47</b>
---------------------------	-----------

## List of Figures

FIGURE 1. ASSUMED CAUSAL RELATIONSHIP IN THE BSC-MODEL .....	7
FIGURE 2. EXPECTED ADOPTION RATE OF AN EFFICIENT-CHOICE DIFFUSION PROCESS (Ax & BJORNEK 2006).....	10
FIGURE 3. ABRAHAMSON'S (1996) BELL-SHAPED POPULARITY PATTERN OF FASHIONABLE INNOVATIONS.....	14
FIGURE 4. ABRAHAMSON'S (1996) FASHION MARKET.....	14
FIGURE 5. COMPARISON OF ABRAHAMSON'S BELL-SHAPED POPULARITY PATTERN WITH Ax & BJORNEK'S EXPECTED ADOPTION RATE IN A NORMAL DIFFUSION PROCESS.....	19
FIGURE 6. ALLOTMENT OF PUBLICATION ORIGIN .....	23
FIGURE 7. AMOUNT OF PUBLICATIONS ON THE BSC DISSAGGREGATED ON YEAR .....	29
FIGURE 8. BJORNEK & MITCHELL'S (2002) POPULARITY PATTERN OF ABC/M SUPERIMPOSED ON THAT OF THE BSC.....	30
FIGURE 9. POPULARITY PATTERNS OF THE BSC AND ABC/M, TWO YEARS AT A TIME.....	30
FIGURE 10. POPULARITY PATTERN OF THE BSC DISSAGGREGATED ON AUTHOR.....	31
FIGURE 11. ATTITUDE TOWARD THE BSC, OPERATIONALIZED BY THE P/M-INDEX OVER TIME .....	32
FIGURE 12. P/M-INDEX DISSAGGREGATED ON AUTHOR.....	33
FIGURE 13. POPULARITY PATTERN COMPARED TO PENETRATION LEVELS.....	34
FIGURE 14. DATA FROM THE BAIN SURVEYS (2007) IN RIGBY'S (2007) FRAMEWORK.....	35
FIGURE 15. DATA FROM THE CHEN & JONES STUDY (2007) IN RIGBY'S (2007) FRAMEWORK.....	35
FIGURE 16. BSC USAGE AND SATISFACTION OVER TIME.....	36
FIGURE 17. OTHER 2006-"BLUNT INSTRUMENTS" OVER TIME.....	36
FIGURE 18. TOTAL NUMBER OF HITS ON KEYWORDS.....	37
FIGURE 19. NUMBER OF HITS DISSAGGREGATED ON SOURCE.....	38
FIGURE 20. HITS ON KEYWORDS WHEN EXCLUDING BSP.....	38

## List of Tables

TABLE 1. ABRAHAMSON'S (1991) FOUR THEORETICAL PERSPECTIVES EXPLAINING THE DIFFUSION AND REJECTION OF INNOVATIONS.....	12
TABLE 2. RIGBY & BILODEAU'S FRAMEWORK FOR CATEGORIZING MANAGEMENT TOOLS BASED ON USAGE AND SATISFACTION.....	16
TABLE 3. DATABASE CANDIDATES .....	21
TABLE 4. SELECTED DATABASES.....	22
TABLE 5. EXAMPLES OF PROPAGATOR, NEUTRAL, AND MODERATOR STATEMENTS .....	22
TABLE 6. A CROSSTABULATION OF THE TWO AUTHORS' RELEVANCE ASSESSMENT.....	23
TABLE 7. CROSSTABULATION OF THE TWO AUTHORS' P/M-INDEX ASSESSMENT.....	24
TABLE 8. DATABASE CANDIDATES.....	26
TABLE 9. SELECTED DATABASES.....	27

# 1. Introduction

## 1.1. Background

A well established truth in the world of business is that companies need management control systems (MCS) in order to ensure the maximization of shareholder wealth, which is considered the supreme goal for all for-profit organizations (Merchant & Van der Stede 2007). However, because of the well known ambiguities concerning what actions actually lead to maximized shareholder wealth, it would not be farfetched to draw the conclusion that it is extremely hard – perhaps impossible – to design “the optimal MCS”. Consequently, it is not surprising to see that there is a multitude of management tools out there, each focusing on what its inventor believes to be the key factors for increasing shareholder wealth.

In a recurring study by Bain & Company (2007) that, over time, has surveyed over 8,500 companies worldwide, it was found that companies, on average, use 12.8 management tools with a tendency for larger companies to use more. Some tools have shown sustainable popularity over the years, e.g. *Strategic Planning*, *Mission & Vision Statements*, and *Benchmarking*. However, in the words of Bain (2007, p. 28) “no tool is right for everyone” and in general, management tools is an extremely vigorous area of research. Continuing with the Bain-study (2007), 20 % of the identified 25 most popular tools in 2007 were newcomers that year – a figure that holds in earlier studies as well (Bain 2005). In a study by Ax and Bjørnenak (2006), comparing current management innovations listed in a glossary of the 1982 and 2005 editions of Horngren’s textbook “Cost Accounting: A Managerial Emphasis”, they observe that more than half of the 1982-innovations were gone in 2005. Also more than half of the 2005-innovations were new in the sense that they did not exist in 1982.

Many critics have expressed skeptical remarks over this apparent extreme turnover in management tools and do often infer similarities with the fashion market. Des Dearlove (2004), a reporter with The Times, states that “an entire industry is now dedicated to producing what is, often euphemistically, called ‘thought leadership’. It is awash with consultants, academics, gurus, and others desperate to come up with the Next Big Idea. The creator of tomorrow’s fashionable concept will make a fortune.” Another critic from The Times (Crainer 2000) claims that “Pokemon cards probably have a longer life expectancy than your average new management tool.”

Indeed, it would seem as though some management tools fall “out of fashion.” Abrahamson (1996) exemplifies with *Quality Circles*, a management tool of the 80s that has basically fallen into oblivion. Commenting on the Bain study, Crainer (2000) observes that *Business Process Reengineering*, or BRP, “the big idea of the early 1990s, no longer features in the management tools top ten.” Bjørnenak & Mitchell (2002) found evidence that the number of articles published on *Activity-based Costing/Cost Management*, ABC/M, has started to drop and that concept recently fell off the Bain-list of most popular tools in 2006 (Bain 2007).

Crainer (2000) asks the question why managers are “so prone to following fashions?” and gives a twofold answer: “On the positive side managers are continually striving to do things better, faster and cheaper [however] many ambitious managers are looking for short cuts to whatever it is that drives them – fame, power, recognition, prestige, influence. The latest fad may help.” Crainer also recognizes that it can also be a protective measure. “It used to be said that you never got sacked for

hiring McKinsey & Company or for buying from IBM Now, your job is safer if you keep up to date with the latest managerial Pokemon” (Crainer 2000).

But, are the new management tools always to the better? Titles of recent publications such as “The nonsense of ‘knowledge management’” (Wilson 2002), “The Balanced Scorecard: what is the score?” (Nørreklit 2003) might suggest differently. As Crainer (2000) puts it “Management is not a science, it is a psycho-social practice, one that is complex, wooly, messy and stressful”. He argues that the inherent complexity of management cannot be explained by a single management tool and that the main problem is that many tools allow management to “masquerade as rocket science when it is pocket science”.

Sam Hill, a consultant of Helios Consulting quoted in Dearlove’s (2004) article, claims that “most great ideas have already been discovered. They are just continually rediscovered, and re-stated in a new and compelling way.” This experience is also acknowledged in the academic community. Abrahamson (1996) calls it the “old wine in new bottles”-phenomenon. Dearlove (2004) further observes that some take this idea one step further and argue that it only exists two management theories – theory X and theory Y – in which workers are seen either as self motivating individuals or lazy in need of policing, essentially analogous to the carrot and whip dichotomy. Supposedly, all management models are simply versions of either one of these. Rather than revolutionizing the way business is done, “the big idea [of a new management tool] is less important than stirring the corporate pot” (Dearlove 2004).

Now, what does this mean for society? Adoption of management innovation almost always comes with out-of-pocket cost. Changes that do not create enough shareholder value to cover these costs are in fact destroying shareholder wealth. If new trends are accepted without sufficient criticism by companies worldwide this might have an enormous aggregated impact on global wealth.

But where is the critical academic research? Would thorough, objective investigation separate the chaff from the grain? Eric Abrahamson, associate professor at Columbia University and creator of the most comprehensive and influential framework of management fashion (Ax & Bjørnenak 2006), ends his 1996 article “Management Fashion” with a plea to the academic community to rise to this challenge and for business scholars to “do their job” and supply critical reviews that make management fashion setting “a more real, as opposed to superstitious learning process” and to not only “passively watch sociopsychological forces shape technically inferior management fashions” (Abrahamson 1996, p. 275).

## 1.2. The Balanced Scorecard

In the wake of the 1987 “relevance lost”-discussion, in which the Harvard and Portland professors Kaplan and Johnson (1987) heavily criticized current management accounting practices as being completely out of date, a multitude of management innovations arose. Usually packaged in three letter abbreviations, some of the contributions to the flora of management tools were Activity Based Costing (ABC), Total Quality Management (TQM), Strategic Cost Management (SCM), Activity Based Management (ABM), Economic Value Added (EVA), and the Balanced Scorecard (BSC).

One of the major problems the BSC aims to address is the historical nature of the financial measures of contemporary management control systems (Nørreklit 2003). The rhetoric is that relying solely on financial (historical) measures is as efficient as driving a car with your eyes fixed on the rear-view mirror. By assuming the causal relationship in Figure 1, four perspectives of business were established and the idea is that the adopter should keep track of important measures in all the four perspectives along the assumed cause-and-effect chain. Measures early in the chain are considered performance drivers, or lead indicators, because what they measure will eventually be reflected in the financial measures.

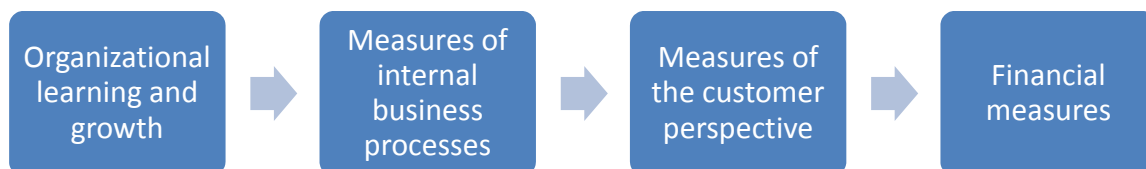


Figure 1. Assumed causal relationship in the BSC-model.

The actual measures in the scorecard should be chosen carefully to ensure that they link with corporate strategy, which relates to the second major problem the BSC aims to resolve – the segregation of contemporary management accounting systems and corporate strategy. The recommended approach to tie measures to strategy is “strategy maps”, which, since 1996, is an integral part of the BSC concept. This also reflects the dual purpose of the BSC – it should be an information system as well as a communication device for managers to convey strategy to the other people in the organization. Some claim that the real value of the BSC lies in the formulation process when the measures are selected rather than in the final product itself because it forces management to think about strategy and also involves more people than just top management (Olve, Roy, Wetter 1997).

The Balanced Scorecard started off as a way of measuring smaller-scale operational activities and making sure that they were aligned with large-scale objectives (corporate strategy). Some say it was first conceived at Analog Devices, an American semiconductor company based in Massachusetts in 1987, that is before the “relevance lost”-discussion (Batra 2006, Wikipedia 2008). Nevertheless, it was popularized by the famous 1992 Harvard Business Review article by Kaplan & Norton. The concept was later developed even further in the 1996 book “The Balanced Scorecard” by the same authors.

### 1.3. Problem discussion

Of all the management tools designed to improve performance, the BSC has, by far, been the most popular (Lester 2004). Findings from the Bain-study (2007) introduced in the beginning of this chapter suggest that 66 % of all companies worldwide currently use it. In Asia and the emerging markets, the figure is slightly higher. But this is not the only indication that the BSC is to the benefit of companies.

Kaplan & Norton's "The Balanced Scorecard" (1996) has been awarded "Best Theoretical Contribution in 1997" by the American Accounting Association – a factor many would acknowledge as a sign of credibility and model value. Many success stories, in the form of case studies, have been presented to support the claims of the benefits stemming from the BSC (e. g. Olve, Roy, Wetter 1997) Moreover, the organization behind Kaplan – Harvard Business School – could very well be considered an authority and heavy-weight in the world of business. However, the BSC has also received its share of criticism.

Hanne Nørreklit (2003) of the Aarhus School of Business questions in a series of articles both the assumptions and the rhetoric behind the BSC concept. A feature in *The Times* (2004) described the BSC as "management wasting time asking people if they would be more productive if there were extra biscuits" and journalist Des Dearlove (2004) from the same newspaper claims that the BSC is one of several "management fashions to be embraced by the business world in recent years."

Some attempts have been made to measure effects on performance when companies introduce the BSC (e.g. Davis & Albright 2004, Ittner et. al. 2003, Malmi 2001) but the evidence presented is not unanimous. Also, it seems logical to assume that such statistical inferences are hard to make since many other factors affect performance besides the company's MCS.

In the light of this discussion, the authors feel that it would be very interesting to see if the BSC could withstand the scrutiny of being investigated from a fad & fashion perspective. Could the BSC be dismissed as a fad? Probably not; it has been in use for quite some time now, and penetration levels are extremely high. Would not someone already have discovered that the emperor has no clothes, were it nothing but a fad? It seems reasonable to assume so.

But even if it is not just a fad, are there any indications of fashion-like behavior? What can we learn about the BSC when putting in into the context of Abrahamson's Fad & Fashion framework? Can we see any signs that the extreme popularity of the BSC is a passing phenomenon, or is it here to stay? And even if it really is beneficial to adopters, was it really an entirely new concept? Or was it merely a repackaged bundle of already known and used techniques – an instance of the "old wine in new bottles"-phenomenon (Abrahamson 1996). This is what this thesis tries to answer.

## 1.4. Purpose

The purpose of this thesis is to examine to what extent the BSC exhibits management fad or fashion related indications and to analyze what this tells us about the BSC itself. To do this we try to answer the following questions:

- How present has the BSC been in the academic debate and in the world of practitioners?
- In what ways have the attitudes toward the BSC changed over time in the academic debate and in the world of practitioners?
- Is the BSC a new concept, or simply a repackaged bundle of already known and used techniques?
- What can we learn about the BSC by examining it from a Fad & Fashion perspective?



## 2. Theoretical framework

In this chapter we will introduce the Management Fad and Fashion framework proposed by Eric Abrahamson (1991, 1996) of Columbia University in a series of articles during the 1990s. To put it into context we will first discuss what is known and established regarding the diffusion of management innovations in general. As reference, we will use Ax & Bjørnenak's (2006) excellent review on the topic. After this we will present another framework suggested by Rigby & Bilodeau (2007) of the strategy consulting firm Bain & Company, for classifying management tools. Finally we will discuss some of the criticism aimed at the BSC regarding whether or not it should be considered a repackaged bundle of already established concepts.

### 2.1. Diffusion of management innovations

The study of diffusion is basically the study of how certain entities spread – or diffuse. It is a multi-disciplinary subject with applications in many fields, such as diseases, innovations in agriculture, and of course, management innovations. But what is an innovation in this context? Ax & Bjørnenak (2006, p. 3) defines it as “the successful introduction of an idea or a phenomenon, perceived as new, into a given social system.” Thus, an innovation does not have to be new in the sense that it is unprecedented; it only has to seem new. The innovation is basically a set of design characteristics, and it is the bundle of these characteristics that define the innovation (Ax & Bjørnenak 2006, p. 6).

In the words of Ax & Bjørnenak (2006, p.7) the major point of interest in the study of diffusion and diffusion processes is “how specific agents adopt particular ideas or phenomena”, and “why they do it (or not).” According to the same researchers, the relevant question to answer in order to describe a diffusion process is how and why some innovations spread more successfully than others – is it because they are better suited for a specific purpose (more efficient), or is it because of the different ways they are presented?

Ax & Bjørnenak (2006) suggest that management innovations exhibit similarities to products on markets and therefore they claim that studies of diffusion of management innovations usually assume one of three perspectives:

- A demand-side perspective
- A supply-side perspective
- A dynamic perspective

#### **A demand-side perspective on diffusion of management innovations**

The underlying assumption ascribed to the diffusion process by researchers conforming to this perspective is that the creation and diffusion of management innovations are fueled by the needs (demands) of the potential adopters. This assumption funnels the efficient-choice criterion – managers are constantly on the lookout for better systems that will increase efficiency and they will only adopt those innovations that actually improve efficiency and better suites their needs.

It has been suggested (Ax & Bjørnenak 2006) that diffusion of an efficient-choice innovation could be described as four-stage process during which a penetration vs. time plot would look like an S-curve (see Figure 2). The four stages are:

1. The primary stage, where leading adopters try the new innovations
2. The diffusion stage, which is characterized by rapid dissemination
3. The condensing stage, in which the last areas are being penetrated
4. The saturation stage, in which the innovation is completely diffused and possibly replaced by new and better innovations

The important variables that affect the shape of the S-curve are:

- **The potential adopters' information field**, which is the number of contacts they have made among other potential adopters. A larger information field propagates diffusion.
- **The barriers and resistance to change**. These are both physical (geographic distance between adopters) and cultural. Barriers and resistance to change moderates diffusion.

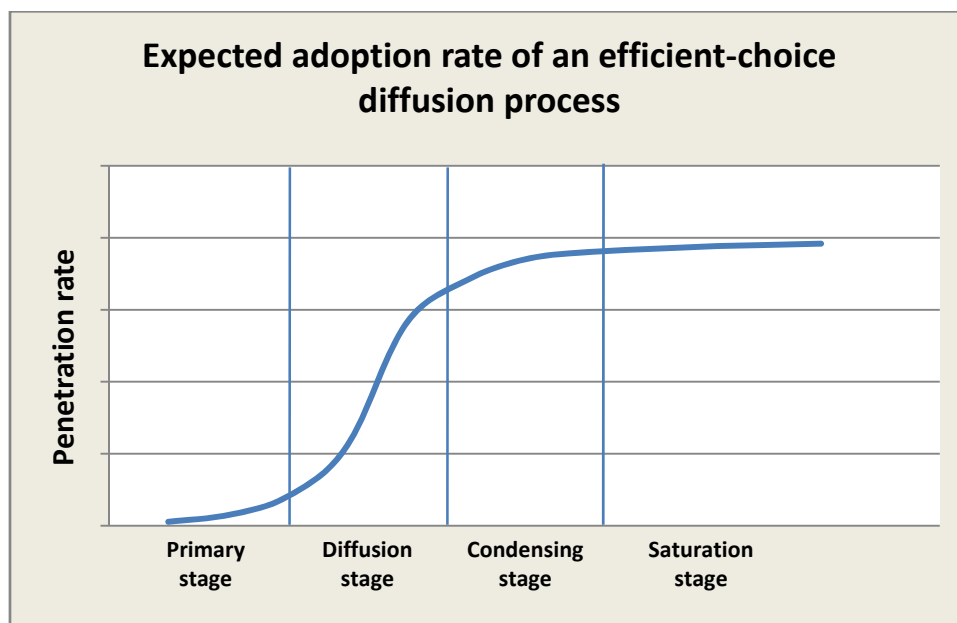


Figure 2. Expected adoption rate of an efficient-choice diffusion process (Ax & Bjørnenak 2006).

### A supply-side perspective on diffusion of management innovations

Researchers adhering to this perspective recognize the fact that not all management accounting innovations are equally successful in terms of penetration (Ax & Bjørnenak 2006). As a consequence of this, popular demand cannot (alone) determine the pervasiveness of the diffusion of innovations. Propagators or proponents of innovations (suppliers) are required to better explain the process. Such propagators could include consultants, academics, peers, or basically any party that could affect an adopters decision to adopt or reject a certain innovation.

The supply-side perspective adds another variable affecting the rate and shape of diffusion – availability. In this context, innovations must be made available to adopters by propagators who stimulate demand. This involves three activities (Ax & Bjørnenak 2006):

1. The establishment of diffusion agencies that can effectively propagate innovations.
2. The establishment of the particular innovation in the service area of each diffusion agency, basically creating the marketing mix (Kotler et. al. 2005) for the innovation.
3. The adoption of the innovation in question.

### **A dynamic perspective on diffusion of management innovations**

Combining the supply and demand perspectives will likely result in a better understanding of the diffusion process, however, one factor remains overlooked and that is the fact that management innovations are usually not static, immutable products. Instead, they change during the course of diffusion. A dynamic perspective acknowledges that both propagators (suppliers) and adopters (users) continuously shape and change the content and uses of the innovations as they diffuse (Ax & Bjørnenak 2006, p. 21). This perspective adds yet another important variable – the *interpretative viability* of the innovation, which is a conceptual ambiguity that opens for the adopter's own interpretation of some parts of the innovation. It also challenges the already established definition of an innovation as being completely defined only by the set of design characteristics it encompasses. Rather, innovations should be regarded as a binary entity with the following two components (Ax & Bjørnenak 2006, p. 22):

- **Design characteristics**, which constitutes the content or the “technical specification” of the innovation.
- **Rhetorical elements**, which consist of the “alleged benefits” of the innovation and holds its brand and name.

These two components can be changed, extended, restricted, and combined during the entire diffusion process in the dynamic perspective.

## **2.2. A management fad & fashion framework**

Eric Abrahamson (1991) is one of the critics of the narrower, but previously dominant, demand-side perspective. He does not accept the efficient-choice criterion because it can neither explain why some inefficient innovations are diffused, nor why some efficient innovations are rejected (Abrahamson 1991). It has been shown in many studies that innovation literature actually contains *pro-innovation bias* – presumptions that the innovation in question will benefit organizations – and Abrahamson (1991) claims that a strictly demand-side perspective in research will only reinforce these biases.

The efficient-choice criterion is essentially based on two assumptions (Abrahamson 1991, p. 590):

1. Organizations can “freely and independently choose to adopt [an innovation.]”
2. Organizations are “relatively certain about their goals and their assessments of how efficient [innovations] will be in attaining these goals”

Abrahamson questions these assumptions and suggests the following counter assumptions (Abrahamson 1991, p. 590-591):

1. Regulatory bodies, consulting firms or other outside actors “influence the choices made by organizations.”
2. Organizations have “unclear goals and high uncertainty about the [efficiency of innovations]” and consequently they will imitate other organizations.

Abrahamson labels the first dichotomy the “Outside-Influence Dimension”. This dimension has much in common with the established demand-supply perspectives. The second dichotomy is labeled the “Imitation-Focus Dimension”. The entire model is depicted in Table 1.

		Imitation-Focus Dimension	
		Imitation Processes <b>Do Not Impel</b> the Diffusion or Rejection	Imitation Processes <b>Impel</b> the Diffusion or Rejection
Outside-Influence Dimension	Organizations <b>Within</b> a Group Determine the Diffusion and Rejection Within This Group	Efficient-Choice Perspective	Fad Perspective
	Organizations <b>Outside</b> a Group Determine the Diffusion and Rejection Within This Group	Forced-Selection Perspective	Fashion Perspective

Table 1. Abrahamson's (1991) four theoretical perspectives explaining the Diffusion and Rejection of Innovations.

### The Efficient-Choice Perspective

Not much needs to be said about this perspective since it coincides with the traditional demand-side perspective of diffusion. The main idea is that *performance gaps* – differences between an organization's goals and what they can achieve – caused by environmental changes, prompts the diffusion of innovations that will only be adopted if they effectively close these gaps. Innovations will be rejected when environmental changes render them less efficient in doing so.

### The Forced-Selection Perspective

This perspective acknowledges the “political environment of organizations” (Abrahamson 1991, p. 594). Organizations might be forced to adopt less efficient innovations because powerful institutions (government bodies, labor unions, etc.) back them up. Innovations would, in this perspective, be rejected when political institutions opposing (moderating) the innovation are stronger than the ones favoring it.

### The Fashion Perspective

The underlying assumption of the fashion perspective is that organizations under conditions of uncertainty imitate administrative models (management innovations) “prompted by fashion-setting organizations” or “opinion leaders” (Abrahamson 1991, p. 595). In this perspective, innovations are adopted when fashion setters promote them and they are rejected over time or when fashion setters introduce new replacements.

### The Fad Perspective

The main difference between the fad and the fashion perspectives lies in who the adopters imitate. In the fad perspective there are no fashion-setters, rather, pressures “impelling and countering imitation and the demography of immunities [...] to succumbing to these pressures” explain the adoption/rejection of innovations (Abrahamson 1991). Such pressures are:

- **Bandwagon effects** – a phenomenon where pressures to adopt increase relative to the amount of adopters. Abrahamson (1991) exemplifies with Granovetter’s model in which entities with lower thresholds to imitation (more sensitive to peer pressure) adopt first, which causes pressure to increase, making entities with higher thresholds adopt. This recursive spiral goes on until everyone has adopted the innovation in question.
- **Emergent norms.** Organizations want appear legitimate to their stakeholders by conforming to societal and industry norms. An innovation adopted by many others could be considered as a norm.
- **Reduced ambiguity.** Captured knowledge from other organizations who have adopted an innovation reduces the ambiguity of the innovation and consequently makes it more attractive for adoption.
- **Risk of competitors attaining a competitive advantage** by using an innovation.

Abrahamson (1996) further explores the Fashion perspective in a later, extensively quoted publication in which he claims that management fashion differ from ordinary, aesthetical fashion in one important way. Not only sociopsychological forces shape management innovation demand, but also technical and economic forces. Whereas traditional fashion needs only be progressive – modern and fresh, fashionable management must be both progressive and rational.

Abrahamson (1996, p. 257) defines Management Fashion as a “relatively transitory collective belief, disseminated by management fashion setters, that [an innovation] leads rational management progress”. Waves of interests in management innovations occur when “national norms of both rationality and progress govern managerial behavior” (Abrahamson 1996, p.256). Abrahamson describes these waves as bell-shaped *popularity patterns* with extensive similarities to the curve of the normal distribution in statistics (see Figure 3).

The two norms of rationality and progress are defined as follows:

- **Rationality** – Managers are expected to use innovations that are the “most efficient means to important ends” (Abrahamson 1996, p. 256)
- **Progress** – Managers are expected to continually use new and improved innovations

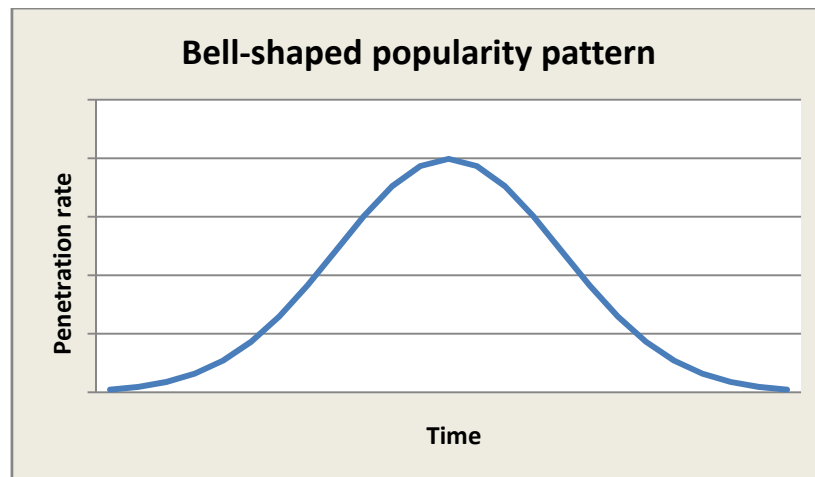


Figure 3. Abrahamson's (1996) bell-shaped popularity pattern of fashionable innovations.

Often, it is ambiguous which are the most efficient means (or important ends) and whether an innovation really is new and improved. In these cases, managers do what they consider second best: creating the appearance of rationality and progress. As long as shareholders believe that managers adhere to the norms, managers will keep their job, reputation, compensation etc. Abrahamson (1996, p. 259) observes that this creates "a management fashion market for rhetoric" in which fashion setters are suppliers of innovations to management (see Figure 4).

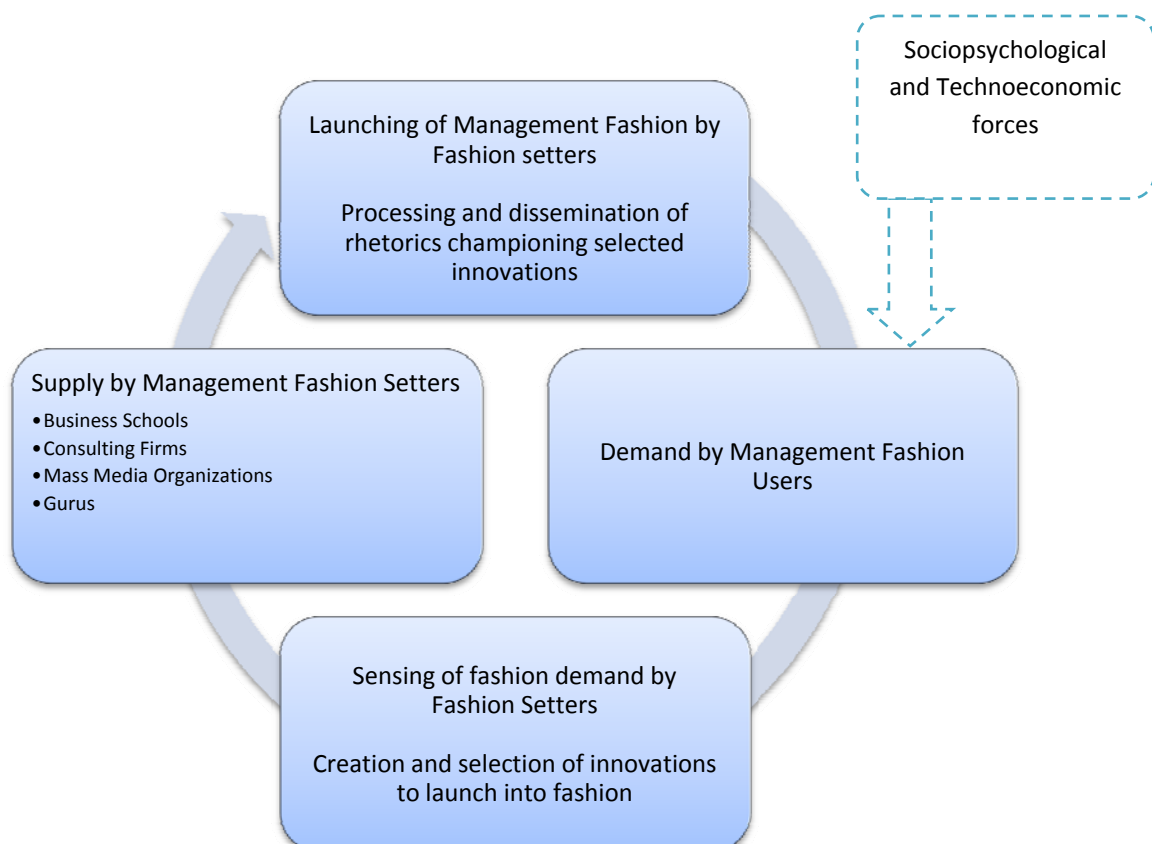


Figure 4. Abrahamson's (1996) fashion market.

To describe the process of fashion setting, Abrahamson (1996) borrows a four-fold process from research on the motion picture industry:

1. **Creation.** Innovations are invented, reinvented, created, or recreated by an actor that does not necessarily have to be associated with the fashion setter themselves. As we established in section 2.1, innovations need only be perceived as new and might just as well be “old wine in new bottles” (Abrahamson 1996).
2. **Selection.** Fashion setters sense the demands of the fashion users – management – and select those innovations they believe they can sell. However, Abrahamson acknowledges that demand alone does not explain which innovations are selected. To a certain extent, fashion setters shape the demand in this process.
3. **Processing.** This is when fashion setters develop the rhetoric associated with the innovation. As established earlier, the rhetoric must be convincing in the fact that the innovation is both rational and progressive. Abrahamson (1996, p. 268) establishes that it is done by creating “the belief that managers must pursue certain goals by highlighting organizational performance gaps whose goal it should be for managers to narrow”. This is done in three ways:
  - a. Success stories of a few case companies
  - b. Quasi-theoretical statements on how an innovation remedies performance gaps
  - c. Full-fledged empirically validated scientific theories of the causes of effects
4. **Dissemination.** This is the marketing process for the innovation. The word is spread in business press, academic publications, consultants’ own magazines, seminars, books etc.

### 2.3. A framework for Management Tool Classification

In an article in Harvard Business Review, Rigby and Bilodeau (2007) presents a framework for analysis and classification of management tools. The tools are grouped into four categories based on usage and satisfaction. The framework is depicted in Table 2 and the groups are defined as follows:

- **Rudimentary implements.** These are tools with less than average usage and satisfaction. Rigby claims that they are usually underdeveloped due to complexity or non-cost-efficiency, but can still “generate buzz” (Rigby & Bilodeau 2007, p. 20).
- **Specialty tools.** These tools have low usage but higher than average satisfaction. Supposedly, they fill niche needs and are highly effective when applied correctly (Rigby & Bilodeau 2007, p. 20).
- **Blunt instruments.** Completely opposite of specialty tools, blunt instruments come with high usage but lower than average satisfaction. In the words of Rigby and Bilodeau (2007), these tools “attack pervasive problems in cumbersome ways” and could sometimes be considered management fads.
- **Power tools.** These are tools with both high usage and satisfaction.

Usage	Higher	<b>Blunt instruments</b>	<b>Power tools</b>
	Lower	<b>Rudimentary implements</b>	<b>Specialty tools</b>
		Lower	Higher
		Satisfaction	

Table 2. Rigby & Bilodeau's framework for categorizing management tools based on usage and satisfaction.

As business conditions change and concepts evolve, a certain tool could easily change group over time.

## 2.4. Review of the academic criticism on the “newness” of the BSC

The BSC has received much attention from academics and practitioners alike since its introduction. Since the subject of this thesis is to investigate to what extent the BSC exhibits fad or fashion related indications, it is interesting to highlight some of the criticism directed against the model, such as Nørreklits (2000, 2003) criticism of the BSC of not being theoretically innovative and that Kaplan and Norton mainly play on people's emotions and the credibility they have through Kaplan's connection to the Harvard Business School in their rhetoric. But more interesting for us is to examine the critique on the BSC in regards to its “newness”.

### 2.4.1. Analog Devices Inc.

There are those who claim that Kaplan & Norton were not the creators of the BSC, but simply picked up on already existing ideas and made them popular through an easy-to-use design which formalized the concepts (Pandey, 2005). Some claim that the first BSC was conceived and implemented by Analog Devices Inc (Schneiderman, 1999), where it was developed as an extension of the company's strategic planning process.

There are several similarities between the model used by Analog Devices and the BSC. Some of the most apparent similarities being that, both models realize the need to complement the traditional financial measures with non-financial measures in order to achieve business success. Another resemblance is that both models exhibit a clear link between the measures and the strategic objectives. In addition, both models recognize the need assure employee commitment to decisions made by the top management.



### 2.4.2. Tableau de Bord

A greater number of authors consider the French strategic management tool Tableau de bord, which translates into dashboard, to be the first BSC since it dates back to 1932. Some authors have even suggested that, "being a precursor of the BSC, it may have inspired its development" (Chiapello and Lebas, 1996). The Tableau de bord is the reason why the BSC has not managed to penetrate the French market to any greater extent. In a study by Gehrke and Horváth (2002) it is established that, while 41 % of the French companies were familiar with the BSC but only 3 % or 1 company planned to implement it.

Some of the most readily discernable similarities between the BSC and the Tableau de bord are that both models strive to translate strategy and vision into objectives and underlying measures, and therefore both can be classified as strategic management tools (Bourguignon et al, 2004). Further similarities are that both models consider anticipating future events more important than reacting when the event comes to pass. Also, both the BSC and the Tableau de bord use non-financial measures as a complement to regular financial measures. In addition, both models recommend selecting the measures with care to avoid drowning in excess information. A final resemblance is that both models strive to link top management decisions to the actions of the employees through a top-down hierarchical system.

However, while there are similarities, the models differ in a number of aspects (Bourguignon et al, 2004). The underlying strategic concepts of the models differ in the sense that the BSC builds on four pre-categorized perspectives while the Tableau de bord is free to shape as managers see fit. Another difference is that the BSC assume a causal relationship between the measures, whereas the Tableau de bord does not assume an overall link between the measures, the objectives can even be in conflict. An additional difference between the two is the top-down hierarchical process. In the BSC, decisions made by top managers are cascaded down through the organization, whereas the Tableau de bord rely on interaction and negotiation between managers of different levels in the hierarchy (Bourguignon et al, 2004). A fourth aspect in which the models differ is their link to incentive programs. The last difference between the models presented by Bourguignon et al (2004) is their tradition. The BSC is a new model without tradition, whereas the Tableau de bord has changed and evolved since its introduction in 1932.

## 3. Method

### 3.1. Mapping attitude of academics

In order to answer the questions of how present the BSC has been in the academic debate and how the attitudes toward it have changed over time, both in the academic and the business world, we will perform quantitative investigations of publications on the BSC. Bjørnenak and Mitchell (2002, p 482) advocates the approach of not using literature as theoretical framework for analysis of empirical data, but rather as empirical data itself, since publications “are an important topic for research as they underlie the development and dissemination of knowledge”.

In their 2002 study of the development of activity-based costing (ABC)<sup>1</sup> journal literature, Bjørnenak and Mitchell (2002, p. 482) concluded that the accumulated literature constitutes a “unique and substantial chronological trail of evidence” on the topic in question. Analogously, we expect that the accumulated literature on the BSC would, very well illuminate the BSC phenomenon and its diffusion.

In the ABC/M study, five dimensions of the published literature were investigated:

1. Literature volume and distribution among journals
2. Source or authorship
3. Research method employed
4. Focus of the work
5. Content and role

In this study, we will focus on volume and distribution, source or authorship, and content and role since these are the only relevant dimensions in terms of how present the BSC has been and how attitudes toward it have changed over time in the academic world. The limitation is also attributable to feasibility constraints such as time.

#### **Volume dimension and distribution**

Since the size and quantity of the literature body constitutes the most easily investigated characteristic of the BSC and provides an approximation of publishing activity, we use this dimension to discern the presence of the BSC in the academic debate as well as ground for establishing a time line covering the duration and development of the topic’s importance in the debate.

Abrahamson uses a similar approach for Quality circles (QCs), a management fad of the early 1980s, and concludes that management fads are likely to exhibit a bell-shaped popularity pattern (Abrahamson 1996). This bell-shaped popularity pattern should be compared to the expected adoption pattern in a normal diffusion process (Ax & Bjørnenak 2006), see Figure 5. The defining difference, and also what we would look for here as an indication of fad/fashion, is the “right side of the bell”. Waning interest after the popularity peak would indicate a fad and fashion-like behavior of the innovation in Abrahamson’s model.

---

<sup>1</sup> ABC/M is another management technique proposed by Cooper and Kaplan.

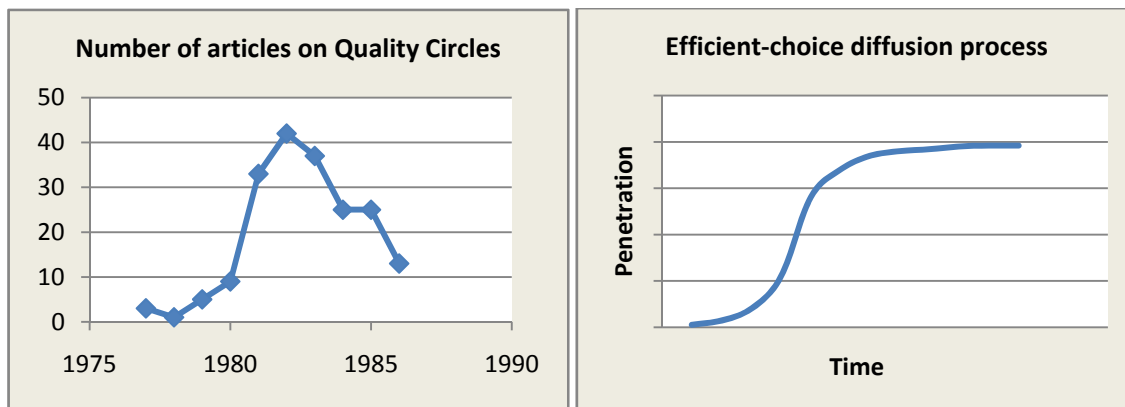


Figure 5. Comparison of Abrahamson's bell-shaped popularity pattern with Ax & Bjørnenak's expected adoption rate in a normal diffusion process.

According to Abrahamson, the bell-shaped popularity pattern is also likely to occur among trend followers. Using secondary data from the study on Management Tools and Trends by Bain & Company (2007), we will also investigate if such a pattern is evident in the case of the BSC.

### The authorship dimension

This dimension identifies the source and supply of published material on the BSC and how the different authors interact in the debate. It also gives indications on the differences between the three authorship constituencies that can be considered, namely: academics (scholars and researchers from business schools), consultants (the actors providing service to practitioners) and practitioners (the managers implementing an MCS into their organization) (Bjørnenak & Mitchell 2002).

Bjørnenak & Mitchell (2002) claim that academics are often more objective in their assessment of management innovations because they usually present more substance to support their claims. It is therefore not surprising that academics tend to be more negative or moderate toward these innovations than consultants, a constituency that normally uses these innovations as "shop windows" to sell their services (Bjørnenak & Mitchell 2002). Practitioners, on the other hand, are likely to be less prolific in terms of publications. This is not surprising since publishing in general could be seen as fairly alien to their normal undertakings. It is likely that they would prefer not to disclose successful implementations of new techniques since these could be seen as competitive advantages unless they choose to disclose developments as part of a strategy to improve their reputation. Bjørnenak and Mitchell observed these differences as significant for ABC/M (Ax & Bjørnenak 2006).

### Content and role dimension

In their 2002 study of ABC/M publications, Bjørnenak & Mitchell (2002) established a propagator/moderator index (P/M-index), where publications with a positive attitude, both direct and indirect, towards the innovation in question (ABC) were categorized as propagators of diffusion, whereas restrictive publications were categorized as moderators of diffusion. The P/M-index itself is a subjective assessment on a scale from -1 to 1, where a clear cut propagator counts as 1, a neutral publication counts as 0 and a clear cut moderator counts as -1. This P/M-index will serve as an indicator of attitude toward the BSC. We will also investigate changes in this index over time and whether it exhibits any resemblance to Abrahamson's bell-shaped popularity pattern.

### 3.1.1. Design of the study

To perform a quantitative investigation of publications on the BSC in a controlled environment, certain boundaries, criteria, and requirements surrounding and defining the investigation has to be set.

#### **Publication domain**

In the ABC/M study, Bjørnenak and Mitchell (2002) selected certain accounting journals in the US and the UK based on the facts that the innovation originated from the US, has been very popular in the UK, and that most of the world's leading accounting journals originate from these two countries. A problem with this approach is that management journals are excluded. Another risk in selecting specific journals is that they might be biased or intended for a special interest group. The authors of this thesis believe that searching through publication databases, covering a multitude of journals, better approximates a random sample of the publication domain we wish to draw conclusions from. For these databases, we set two criteria: (1) they must be international in order to compensate for potential country-specific circumstances and (2) feasibility – it must be easy to search within the found documents.

#### **Time period**

Kaplan and Norton defined the BSC in a series of articles during 1992-1996; therefore, a search for publications before this period would not be meaningful. Since we find it logical to assume that experience comes with time and that trends are more reliable when constructed from a longer interval, a longer time period would generally be preferred to a shorter.

#### **Hit/rejection criteria**

When searching through databases encompassing everything between journals of distinguished heritage to press releases we are likely to get plenty of “junk”. Therefore, we need some sort of criterion that ensures that the BSC is the focus of the publication. Apart from the formal criterion that the title or abstract must contain the words “balanced scorecard” or its abbreviation “BSC,” we will use subjective judgment to decide whether a publication is relevant or not for this purpose. Some domain-specific criteria will be discussed below as they were developed during the course of research.

#### **Keywords**

Basically we isolated two approaches, either a search by name – “balanced scorecard”, “scorecard”, “balanced”, “BSC” etc. – or by content. Since we are interested in the “branded product BSC”, a search by name seems more relevant. Regardless of the different approaches, the keywords needed to result in a sample that would be large enough to say something about its population. We subjectively set this restriction to at least 30 hits. To minimize doublets, only one search per database was desirable.

Based on the criteria above we isolated the candidates in Table 3 for databases. The table also reports how many hits a preliminary search on only the keyword “balanced scorecard” rendered.

Database	Type of publications	Prel. search
<b>Factiva</b>	Business press	169 hits
<b>JSTOR</b>	Journals	95 hits
<b>ProQuest</b>	Academic articles	84 hits
<b>Social Science Research Network</b>	Working papers	104 hits
<b>Business Source Premier</b>	A mix	999 hits

Table 3. Database candidates

Based on the feasibility requirement, we discarded *JSTOR* and *Business Source Premier*: The viewing system used in *JSTOR* was very awkward with no means to do in-document searches and in *BSP*, the hit rate was simply too high. But also, since *BSP* has publications from many areas, we believe that the risk of counting doublets would be too high for *BSP* together with the other databases.

Because the aggregated sample size of the remaining databases in Table 4 was already large (357 hits), we decided to use only the search word “balanced scorecard”. Even though this underestimates the extent of the population, we see no reason that the relative differences in popularity (hit rates) over time should be affected by this limitation.

It should also be noted that we limited *Factiva* to “Major News and Business Publications” and searched only in headline and lead paragraph. We also excluded republished news (to avoid doublets), recurring pricing and market data, obituaries, sports, and calendars. Had we not done this, it would have produced almost 8000 hits.

To sum up:

1. The sample used was the preliminary search results in *Factiva*, *ProQuest*, and *Social Science Research Network (SSRN)*.
2. The time period was fixed to 1997 – 2007, the longest period we believed feasible and still avoid “boundary effects”, that is distorted numbers due to the fact that the concept hadn’t been fully developed or that a year wasn’t completely over.
3. For the hit/rejection criteria, the only formal criterion we set was that the publication had the words “balanced scorecard” in its title or abstract.
4. For each hit we recorded
  - a. Publication date (year)
  - b. Publication source (*Factiva*, *ProQuest*, or *SSRN*)
  - c. Publication title
  - d. Author’s role (academic, consultant, practitioner, or business press)
  - e. Country of publication
  - f. Publisher
  - g. Two individual subjective assessments on relevance of article
  - h. Two individual subjective assessments on P/M-index

Database	Type of publications	Prel. search
<b>Factiva</b>	Business press	169 hits
<b>ProQuest</b>	Academic articles	84 hits
<b>Social Science Research Network</b>	Working papers	104 hits

Table 4. Selected databases.

In *Factiva*, we found that most articles were written by journalists conveying the view of their interviewees. In these situations we defined “author’s role” to be the role of the interviewee instead. In situations where no clear cut interviewee could be found, the author’s role was classified as “business press”.

The rationale for the two authors to independently assess the relevance and P/M-index of an article was to give an estimate of the reliability of the investigation, which will be operationalized in terms of correlation of the two authors’ assessments. To strengthen reliability (correlation), we discussed every hit that we assessed differently as the investigation moved along and we tried to establish general guidelines for how to assess similar statements. For example, theses suggesting extensions to the BSC were awarded 0.5, theses using the BSC as an indicator of performance when investigating the effects of other initiatives were deemed irrelevant. In hindsight, these theses should perhaps not have been considered irrelevant. A few examples of what we consider to be clear cut propagator and moderator statements are shown in Table 5.

---

#### Examples of propagator messages

*An effective tool to evaluate an organization, and its performance* (Dorweiler & Yakhou 2005)

*With the balanced scorecard, companies can empower their boards* (Epstein & Roy 2004)

*We find evidence of superior financial performance for branches implementing the BSC* (Davis & Albright 2002)

#### Examples of neutral messages

*The article outlines the evolution of the balanced scorecard (BSC) in management accounting.* (Bible, Kerr & Zanini 2006)

#### Examples of moderator messages

*There is no cause-and-effect relationship between some of the suggested areas of measurements* (Norreklit 2000)

*High level of subjectivity* (Ittner et al. 2003)

---

Table 5. Examples of propagator, neutral, and moderator statements

After recording all the 359 hits – two additional publications were added to *SSRN* during the week we performed the investigation – we needed to “clean” the data. Six articles were removed because the date of their publication was outside our defined interval (1997-2007). The reason these hits showed up in the first place was because *SSRN* did not allow for specific date restrictions that far back in time. 27 articles were discarded because they were duplicates (or republications in a different medium). One of the articles was inaccessible and had to be discarded also. In the end, 325 articles remained.

### 3.1.2. Relevance, intersubjectivity, and reliability

Table 6 shows the distribution of the subjectively assessed relevance of the 325 remaining articles. Approximately 1/4 to 1/3 of the articles were deemed irrelevant, Christian being slightly more conservative. The Pearson coefficient estimates a correlation of 0.788 which indicates that the two authors' assessments are roughly unanimous (the correlation is significant at the 0.01 level), we disagreed on less than 10 % of the articles in the sample.

		Relevant (Andersson)		Total
		false	true	
Relevant (Seiving)	false	80	21	101
	true	8	216	224
Total		88	237	325

Table 6. A crosstabulation of the two authors' relevance assessments.

### 3.1.3. Geographic allotment and validity

Eventually, the sample was cropped to encompass only the 216 articles on which both authors agreed on their relevance for this investigation. Figure 6 shows the geographical allotment of the origin of these articles. Disaggregated on country, the UK and the US are dominant; however, the authors consider this to be expected due to the abundance of business schools and business journals of these countries.

One noteworthy observation made by the authors was that most publications from Africa were news articles on the South African government's "Empowerment Scorecard". The quantity of these articles was substantial and there were times when the authors worried that they would skew the sample. In hindsight, these articles should perhaps have been regarded as irrelevant.

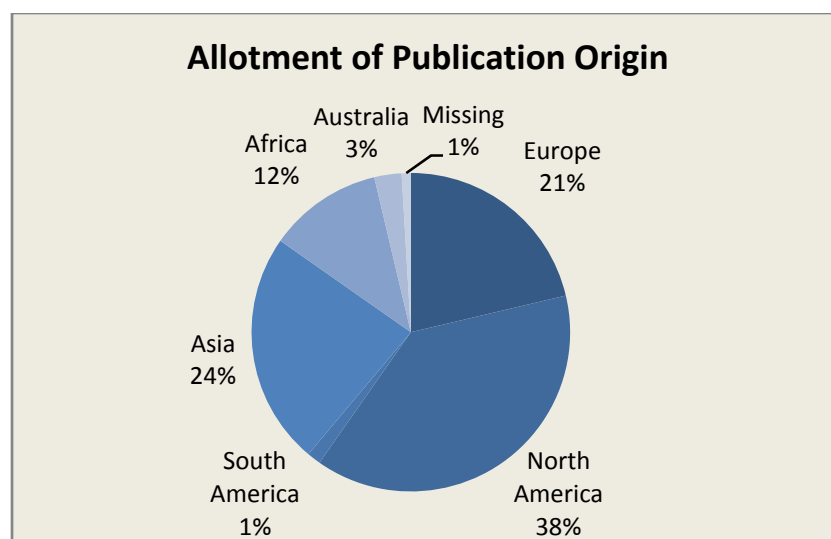


Figure 6. Allotment of Publication Origin

### 3.1.4. P/M-index, intersubjectivity, and reliability

When assessing the P/M-index of the 216 articles both authors consider relevant, we are even more in accord. Table 7 has the full cross distribution of our individual assessments. The Pearson coefficient again suggests a significant correlation at the 0.01 level, this time of 0.902. In 75 % of all cases we have awarded the exact same index.

	P/M-index (Andersson)					Total
	-1,0	-,5	,0	,5	1,0	
P/M-index (Seiving) -1,0	13	3	0	0	0	16
-,5	4	8	2	1	0	15
,0	0	2	24	4	0	30
,5	0	0	8	32	18	58
1,0	0	0	3	9	85	97
Total	17	13	37	46	103	216

Table 7. Crosstabulation of the two authors' P/M-index assessments.

## 3.2. Mapping attitude of practitioners

The quantitative investigation of publications on the BSC gives a good estimate of in what ways the attitudes toward the BSC have changed over time in the academic world. In order to assess the attitudes of practitioners in the business world, we will use secondary data from the recurring Bain & Company "Tools and Techniques" surveys.

Each year, starting in 1993, Darrell Rigby – a Boston partner with Bain & Company – identifies the 25 most popular management tools by "weighting and rating their mentions in academic and mainstream business articles" (Rigby & Bilodeau 2007, p. 20). A survey on these 25 tools is then sent to senior executives all around the world and the results are published on the Bain website (Bain 2007). Using data from Bain studies in previous years, we will track the development of the BSC in terms of usage/penetration (percentage of respondents who use a particular tool) and satisfaction (a subjective assessment from 1 to 5, where five represents high satisfaction) through the framework Rigby proposed for management tool classification (see section 2.3).

As a complement, we will compare it with another study by Clement C. Chen and Keith T. Jones (2007), associate and assistant professors at University of Michigan-Flint and Illinois State University. In that study, the authors surveyed 101 MBA students at two American universities, most of which were managers (70 %). It should be noted, however, that these studies are somewhat different in terms of how they were executed. Apart from the fact that the respondent domain was somewhat different (MBA students could hardly pass as a random sample of senior executives), Chen and Jones used "efficiency" rather than "satisfaction" as second measure. It is our impression that even though the labeling was different, the variables are closely related. It would not be completely off the wall to assume that satisfaction depends strongly on perceived effectiveness of the tool. Also, the scales were identical (1-5).



### 3.3. BSC – old wine in new bottles?

The third question this study tries to answer is whether the BSC, as it was introduced by Norton and Kaplan in 1992, is a new concept or merely a repackaged bundle of already existing management techniques – a so called “old wine in new bottles” phenomenon. The most straightforward way to answer this would be to isolate the core concepts of the BSC and simply look for evidence of their presence before the BSC was introduced in 1992-1996. The problem, of course, lies in defining the core concepts that constitutes the BSC.

In this thesis we will not try to make our own definition of the BSC, but rather use findings by others (Kaplan & Norton 1996, BSC Collaborative 1999, Miyake 2002) in order to synthesize these core concepts. There are many publications discussing the contents of the BSC but we decided to limit our use to the three mentioned above, since they represent the creators, regulators and propagators for the BSC and thus a valid source for establishing the core concepts.

- In 1996, Kaplan and Norton published their book on the BSC. Since they created the model, or at least made it popular, they are an obvious choice to consider when establishing the core concepts of the BSC.
- The organization, earlier known as, the Balanced Scorecard Collaborative set standards for what is required for a model to be named a BSC and is therefore an obvious choice since it clearly states the key elements of the BSC.
- In his article “Beyond the Numbers”, Miyake (2002) briefly outlines the history of the BSC and how it has developed from being solely a tool for performance measurement to become an integrated strategic management system. For this reason we find it interesting since it shows how the BSC has changed over time by adding more dimensions.

#### 3.3.1. Core concepts, validity, and intersubjectivity

The core concepts that were identified and used for the investigation are the following:

- Non-financial measurements
- Causal relationship between measures
- Measurement system reflecting an organization’s strategy

The third concept had to be operationalized into a set of key words to facilitate the search, namely: “management accounting model link to strategy”. Since there are a number of ways of naming a management model, such as management tool, management technique and management control system, one might question the validity of our choice of keyword. Although, after reading several academic articles and noting the name of several academic journals, such as the *Journal of Management Accounting*, we concluded that the name used in our investigation was used frequently by others, which is why we chose it. For the first and second concepts, the keywords used were the same as the concept. As with the previous investigation, the only formal criteria was that the keywords appeared in the title or the abstract and that the content conveyed the same meaning as the BSC concepts.

One could also question the intersubjectivity of the study. The three core concepts chosen are not the only concepts of the BSC, one might argue that there are other concepts better suited for this investigation, for example the four perspectives of the BSC or its executive alignment, or at least that including all the concepts would result in a better assessment. However, after examining the chosen publications, we concluded that the three concepts are what connect the different aspects of the BSC, which is why we limited our search to those three. Another reason for the limitation is the feasibility requirement that was established earlier.

### 3.3.2. Design of study

After establishing the core concepts, another quantitative investigation of publications on these concepts prior to 1992 will be made. In this investigation, we will only focus on the volume dimension (Bjørnenak & Mitchell 2002) since we are only interested if they existed or not prior to the introduction of the BSC. To support this, rather crude, investigation we will also look at contemporary research on the “newness” of the BSC, in particular we will discuss findings by Bourguignon et al (2004), who compare the BSC with the French Tableau de Bord.

The course of action for this quantitative investigation will be similar to the previous one, with the main differences being the keywords and timeline for the search. The timeline for the investigation was set to 1950-2007. Since the BSC was introduced during 1992-1996, the hits registered from 1992-2007 serve as a control group. In order to be consistent throughout the thesis, it was desirable to use the same databases as in the previous investigation. These candidates are illustrated in Table 8.

Database	Type of publications	Prel. search
<b>Factiva</b>	Business press	84 hits
<b>ProQuest</b>	Academic articles	168 hits
<b>Social Science Research Network</b>	Working papers	0 hits

Table 8. Database candidates.

Since the time period of this study begins well before the conception of any of the databases, the question of the reliability of the investigation is apparent. An obvious problem we encountered is that *ProQuest* only contains publications from 1980-2008 and *SSRN* had to be discarded due to the fact that it was created in 1994 and therefore only contains publications from 1994-2008. As a substitute to *SSRN* we used *BSP*, since it is a database we have considered using earlier and also because it contains a large amount of academic journals, which is often were new concepts get published for the first time. The databases finally used for the investigation are illustrated in Table 9. Another limitation is that, although both *BSP* and *Factiva* contain publications dating back as far as around 1950, they most likely do not cover all publications from that time seeing how those publications must be added afterwards since the databases are relatively new and also, the number of academic journals might have increased over the years, adding to the increased number of hits late in the time period. An effect of these limitations and changes is that our hits will, to a large extent, consist of academic articles rather than dissertations and also that hits might register earlier in *BSP* and *Factiva*, compared to *ProQuest*.

Database	Type of publications	Prel. search
Factiva	Business press	84 hits
ProQuest	Academic articles	168 hits
Business Source Premier	A mix	956 hits

Table 9. Selected databases.

### 3.3.3. A note on validity

As to the validity of the investigation, one might question whether investigating the number of publication that mention core concepts of the BSC during the time period is a good operationalization of degree of “newness” of the BSC in order to answer whether the BSC is a new management technique or simply a re-packaged bundle of concepts. An alternative approach would have been to study contemporary criticism of the BSC and focusing on arguments suggesting that the concepts of the BSC in fact are not new. We will complement this investigation with such a discussion based on the criticism identified in the theoretical framework (see section 2.4).

## 3.4. Validity of quantitative literature studies

Quantitative literature studies is basically a way of measuring attributes of publications and drawing conclusions of the field of study based on these attributes. Actual content and the reasoning in these publications are less relevant as we do not apply their suggested frameworks or draw conclusions based on their findings. Naturally, there are some pitfalls and risks with such an approach. In particular, certain attributes may not sufficiently well estimate the phenomenon we want to investigate. For example, the number of articles (popularity pattern) does not only depend on interest in the academic community, but also on the amount of available publishers and journals. It would seem reasonable to assume that the grand total of published articles is larger now than 50 years ago since there are more journals to publish in. This is obviously mostly a concern for time series. Also the number of articles might not reflect popularity in the public debate because certain areas lack funding, are politically sensitive, or not considered “academic enough”. This problem is also likely to affect cross sections.

One could also question the validity of the publication domain used. In this thesis we use electronic databases available through the Gothenburg University Library. This contrasts with the approach used by Bjørnenak & Mitchell (2002) who selected certain journals only. We find it reasonable to believe that databases cover a wider extent of researchers, especially since many journals are geographically bound to certain areas of the world and that others are devoted to special interests. However, we must also acknowledge that databases should probably be considered a very dynamic domain. During the course of time, new journals are added and some might even be removed.

### 3.5. Analyzing the findings

Once we have mapped the popularity pattern of the publications we will compare our findings to those of Bjørnenak & Mitchell (2002). Their study of ABC/M was in many ways similar to this study, especially seeing that it inspired this study to a large extent.

- The time periods of the studies are similar in terms of range and proximity – 1987-2000 compared to 1997-2007, this study being three years shorter.
- We both study a phenomenon suggested by Kaplan of the Harvard Business School. Assumedly, both management tools suffered the same preconditions and initial chance of success in terms of likelihood to get the attention of academics, practitioners, consultants, and business press.

Unfortunately, we cannot extract sufficient data from the content dimension in Bjørnenak & Mitchell's study (2002) due to the way they present their findings. Thus, we cannot compare P/M-indices in the same way we can popularity patterns.

After analyzing aggregated popularity pattern and P/M-index, we will disaggregate it over the author dimension to see if there are any differences between our previously defined constituencies. We will also compare the popularity pattern with the penetration levels of the BSC that we find in the secondary data from Bain & Co. (2007) to see if academic interest matches interest of practitioners. Penetration and satisfaction will then be discussed in the context of Rigby & Bilodeau's (2007) framework. Finally, we will discuss the popularity patterns of the identified core concept of the BSC to discern whether they existed in the academic debate prior to the introduction of the BSC by Kaplan & Norton in 1992-1996.

## 4. Empirical Findings

### 4.1. Popularity patterns

#### Volume dimension

Aggregated on year, Figure 7 has the popularity pattern of the BSC in the academic debate over the last decennium. What we are seeing is a stable rising trend and even though our empirical findings suggest a dip in 2007, it is hard to say if this is statistical noise or the beginning of a new trend. It might also be the case that not all of the 2007 publications have been uploaded to the databases yet since we are only five months in on 2008 at the time of writing this thesis. Apart from the possible shift in 2007, we notice that activity increased substantially in 2003 with twice as many publications as in the year before.

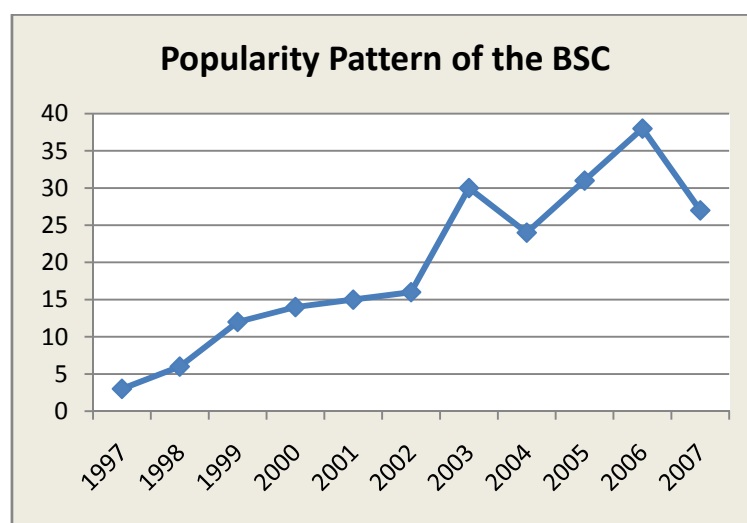


Figure 7. Amount of publications on the BSC disaggregated on year

It is obvious that Figure 7 does not resemble a bell-shaped pattern (Abrahamson 1996), but does it really look like the typical efficient-choice, S-shaped curve suggested by Ax & Bjørnenak (2006) and others? If we compare our findings with those of Bjørnenak & Mitchell (2002) by superimposing their found popularity pattern of ABC/M (see Figure 8) we make some observations:

- If we assume a similar and comparable diffusion process for BSC and ABC/M, a time frame of 11 years is too short to see convincing evidence of a possible waning side of a bell-shaped pattern.
- Consequently, just as well as we might be looking at the primary and diffusion stage of an S-curve, we could be looking at the first half of a bell-shaped curve. It is simply too early to say.

This observation is even more obvious if we present the data two years at a time, which was the approach used in Bjørnenak & Mitchell's (2002) study (see Figure 9). Both Figure 8 and Figure 9 show the popularity pattern of the BSC on the primary axes (to the left and bottom) whereas the secondary axes (to the right and top) are for the ABC/M ditto.

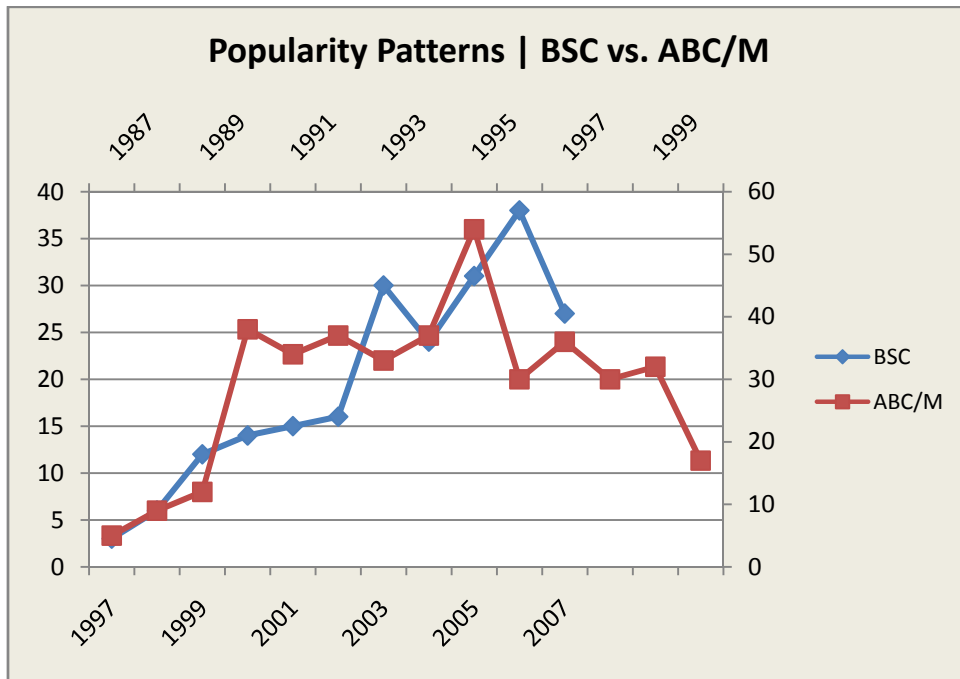


Figure 8. Bjørnenak & Mitchell's (2002) popularity pattern of ABC/M superimposed on that of the BSC

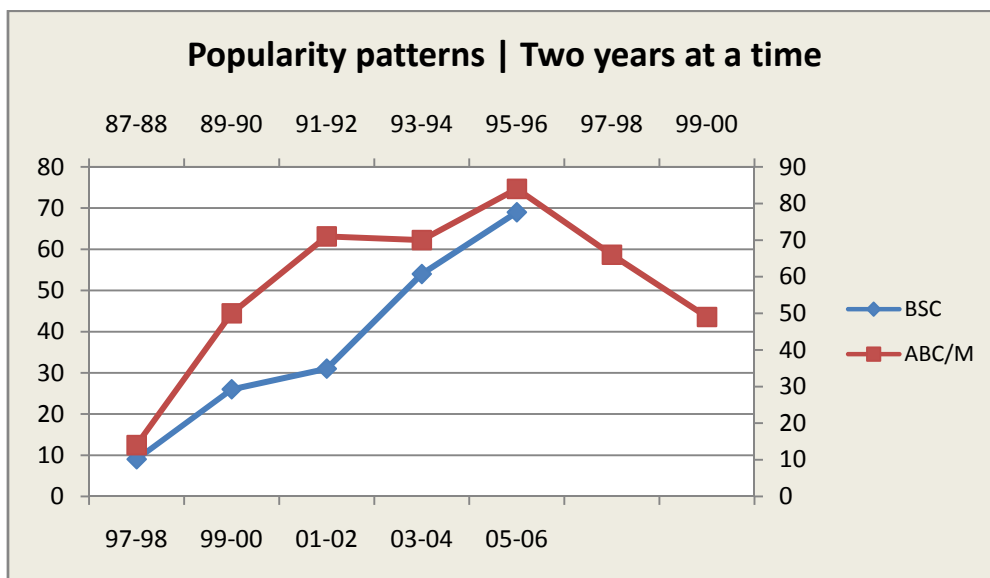


Figure 9. Popularity patterns of the BSC and ABC/M, two years at a time.

### Authorship dimension

Figure 10 shows the popularity pattern of the BSC disaggregated on the four different constituencies we defined for the authorship dimension – academics, consultants, practitioners, and business press.

Regarding the authorship dimension we make two observations:

- Academics were slow starters. At first glance, Figure 10 might give the impression that, up until 2002, academics were about as prolific as the consultants, practitioners, and journalists. However, due to the academic nature of two of the three databases used as search domain, 55 % of all recorded publications were in fact written by academics. Under these circumstances we would expect more from them during the first five years.
- Whatever happened in 2003, it happened in the academic community. Perhaps inspired by the consultant peak in 2002, the number of publications more than doubled.

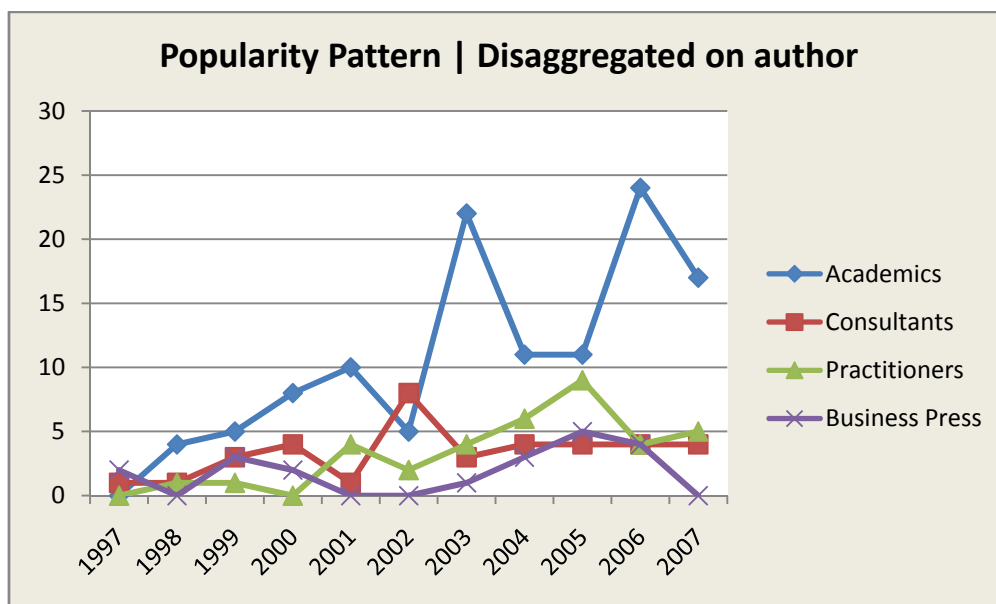


Figure 10. Popularity pattern of the BSC disaggregated on author.

## 4.2. Attitudes toward the BSC

### Content and role dimension

Figure 11 shows how the average P/M-index has changed during the period of the study. Each measure is an average of the two authors subjective assessment of each article published that year.

Regarding the content and role dimension we make the following observations:

- The aggregated P/M-index is always positive during the entire measurement period.
- The attitude toward the BSC seems to be falling. A linear regression (the black line in Figure 11) suggests a negative trend of 0.25 per year. However, the correlation between year and P/M-index is extremely weak (Pearson coefficient of -0.049). For that reason, we cannot possibly claim that this trend is significant.
- There is an apparent attitude trough in 2000 and 2003.

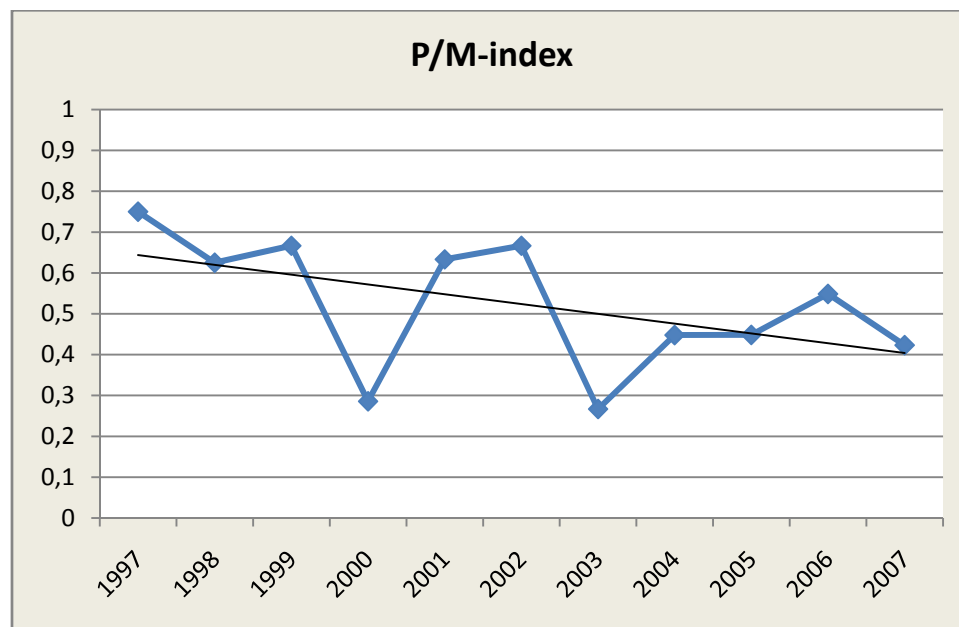


Figure 11. Attitude toward the BSC, operationalized by the P/M-index over time

### Combining the content and role dimension with the authorship dimension

A problem when disaggregating the P/M-index on author is that empirical data is not extensive enough. As a reliability constraint, Bjørnenak & Mitchell (2002) required at least five publications per statistic. By inspecting the popularity pattern in Figure 10, which shows the distribution of publications on year and author, it is obvious that quite a few measures would have to be disqualified if we used the same constraint. Figure 12 has the somewhat chopped up patterns; observations include:

- Academics seem to be more critical toward the BSC. These findings coincide with those of Bjørnenak & Mitchell (2002). There is, however, one interesting exception that relates to the next observation – practitioners in 2007.



- The attitude of practitioners seems to have fallen sharply the last two years. Had we lowered the reliability constraint to a minimum of four publications, this trend would be even more apparent. Later, we will see that this observation is supported by observations of the Bain-data.
- The only reliable measure we have for the business press constituency is for 2005, in which they were negative, surprisingly enough.

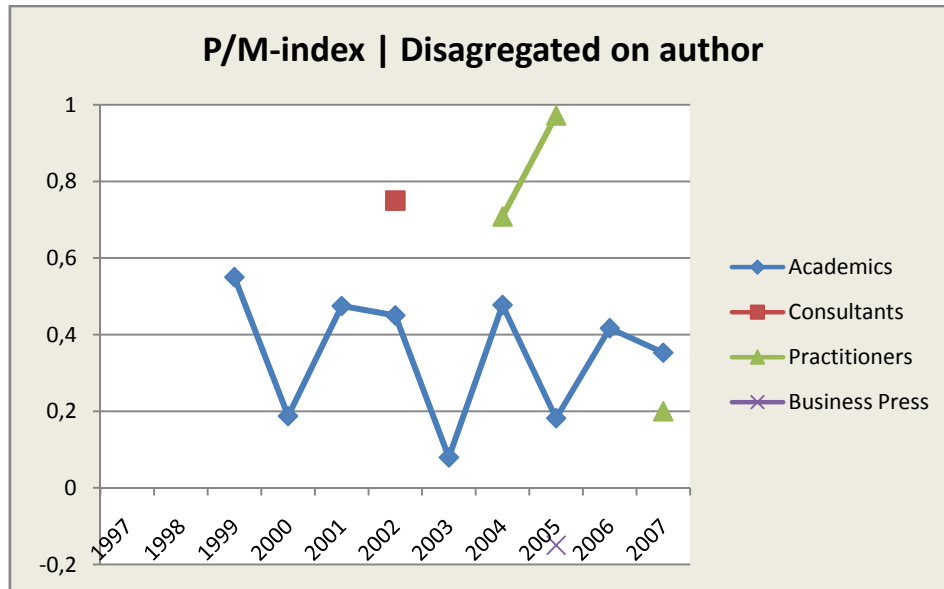


Figure 12. P/M-index disaggregated on author.

### 4.3. Findings from Bain & Company's "Tool and Techniques" surveys

The first observation we make from the Bain surveys (2007) is that something happened in 2003. Going from a relatively stable penetration level of 40 %, the BSC bounced to a fairly stable penetration level of 60 %. As we have already hinted, this coincides very well with the popularity pattern climb this study found as indicated in Figure 13 where the penetration levels are superimposed on the previously identified popularity pattern. Figure 13 has popularity pattern on the primary (left) axis and penetration level on the secondary (right) axis.

The second observation is that satisfaction seems to take a plunge from 3.8 – 3.9 down to 3.6 around 2006. Again, this is consistent with the findings of this study if we consider the observation on the attitude of practitioners in the previous section. This dive will seem even more significant when we apply Rigby & Bilodeau's Management Tool Classification framework (2007).

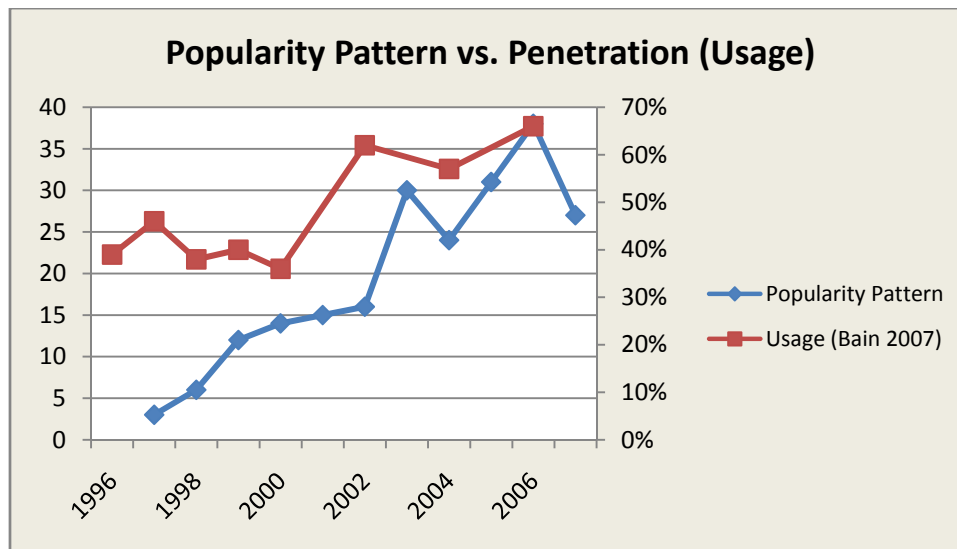


Figure 13. Popularity pattern compared to penetration levels.

When applying Rigby & Bilodeau’s framework for management tool classification, the first decision to make is which cut-off points should be used to distinguish high from low values, both in terms of usage/penetration and satisfaction. Although not clearly stated, Rigby & Bilodeau (2007) uses the mean values for all 25 tools in the Bain & Company (2007) survey of 2006. These values are 61 % penetration and 3.73 in satisfaction. As Figure 14 indicates, the BSC has slightly more than average usage (66 %) but less than average satisfaction (3.60), making it a “blunt instrument” in the nomenclature of the framework. In the Chen & Jones (2007) survey the BSC had roughly the same satisfaction (effectiveness), but lower usage (only 38 %), barely making it a “rudimentary implement” (see Figure 15).

It should be noted that most tools had lower usage in the Chen & Jones (2007) survey (45 % average penetration), but since the cut-off points consequently also were lowered, it should not affect the framework. In both surveys, usage was close to the cut-off point. Figure 16 shows usage and satisfaction of the BSC over a 10 year period. From being a fairly stable “specialty tool” in the first five years it started wandering off and landed among the “blunt instruments” in 2006. When comparing this time series with those of the other two 2006 “blunt instruments” – knowledge management and outsourcing – in Figure 17 we make the following observations:

- All current blunt instruments “became blunt” in 2006. Before 2006 they belonged to another category of management tools in Rigby & Bilodeau’s framework (2007).
- All current blunt instruments come from different previous categories. The BSC used to be a “specialty tool”, knowledge management was considered a “rudimentary implement”, and outsourcing came from “power tools”.

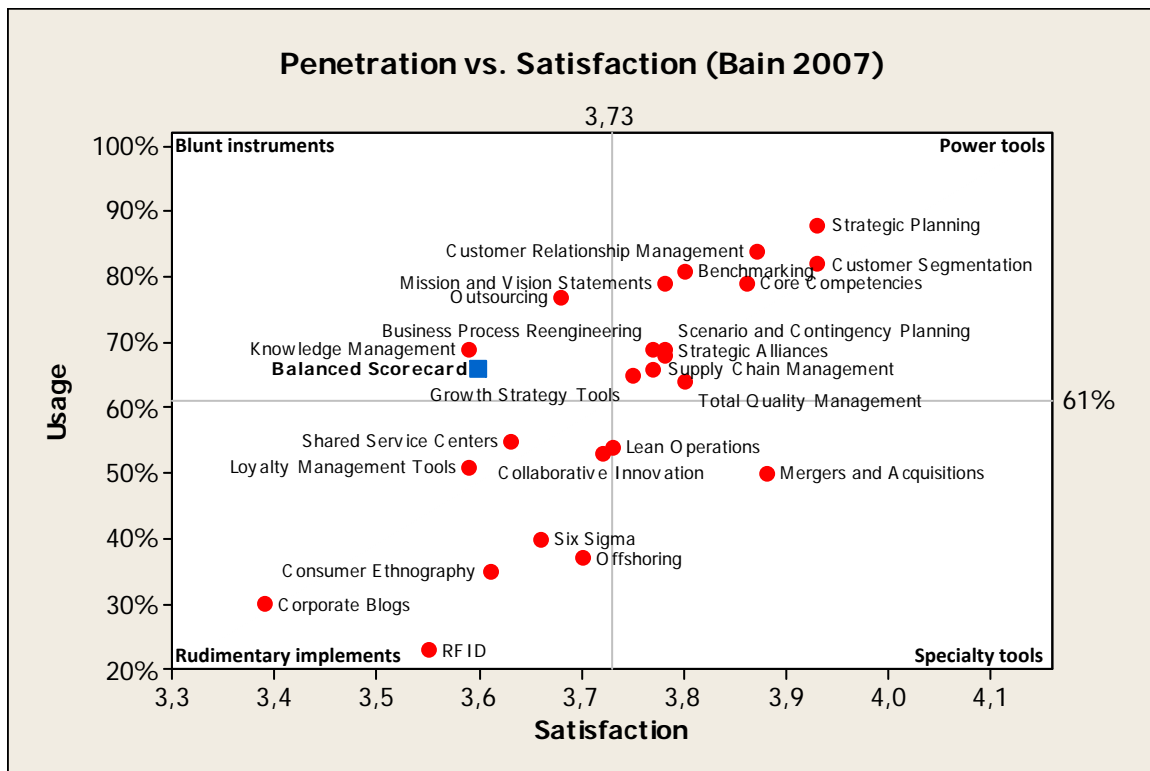


Figure 14. Data from the Bain surveys (2007) in Rigby's (2007) framework.

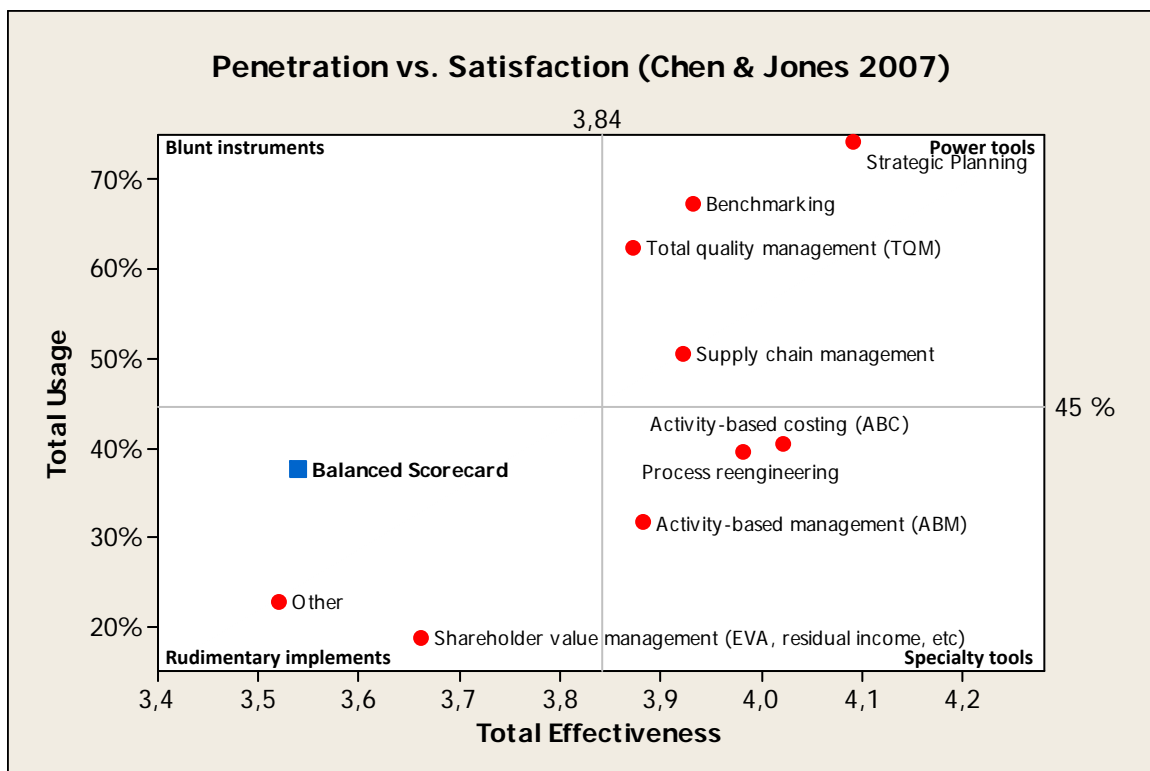


Figure 15. Data from the Chen & Jones study (2007) in Rigby's (2007) framework.

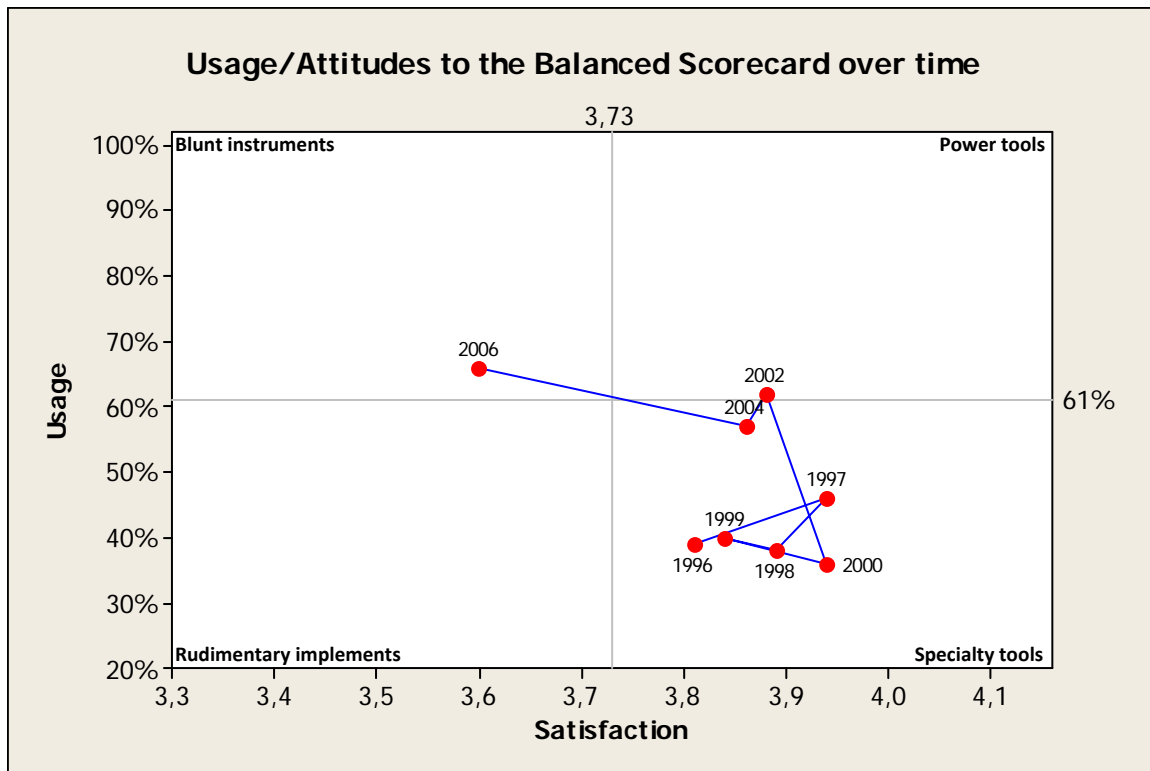


Figure 16. BSC usage and satisfaction over time.

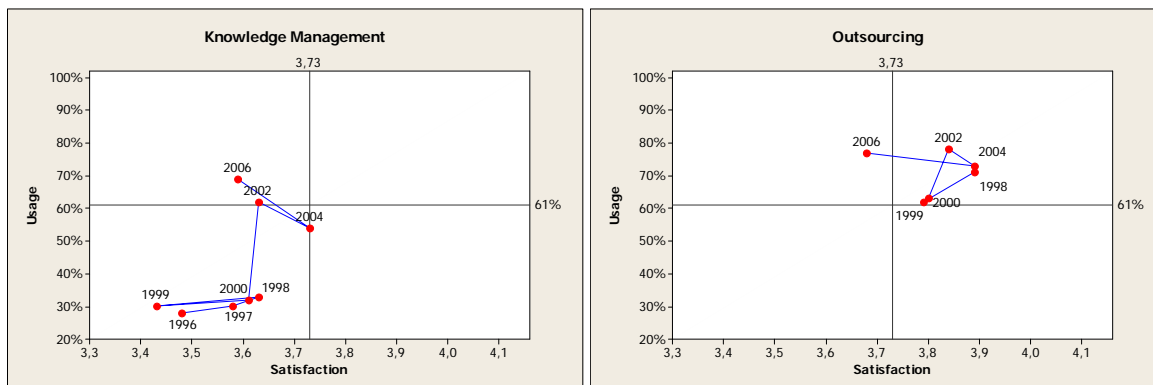


Figure 17. Other 2006-'blunt instruments' over time.

#### 4.4. Popularity pattern of the core concepts of the BSC

Figure 18 shows the number of publications containing the keywords found during the component search of core concepts of the BSC. As we can see in the graph, hits were registered on each concept prior to 1992, although on a modest scale. We can also establish that around the period of Kaplan’s critique on the relevance of contemporary management control systems, the so called “relevance lost” discussion (Johnson and Kaplan, 1987) the number of hits started to slowly increase. Around the period of introduction of the BSC the number of hits escalated rapidly, which would indicate that the introduction of the BSC brought about a change in the collective thoughts on management.

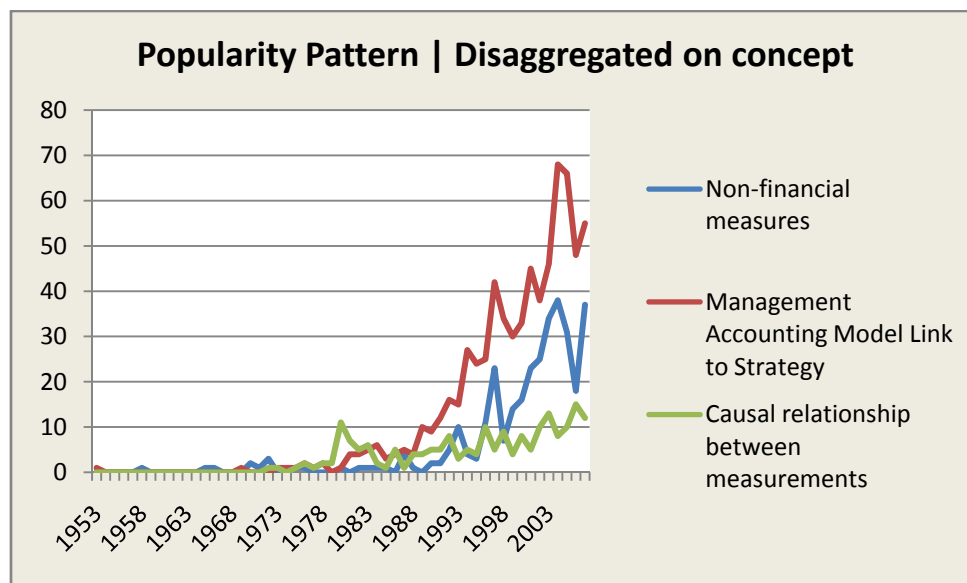


Figure 18. Total number of hits on keywords

Interesting to note is the fact that publications discussing the “causal relationship between measures” and the “link between strategy and measures”, two of the cornerstones of the BSC, are prominent among the hits prior to 1992, which gives an indication that at least some of the core components of the BSC have been used in management prior to its creation.

As we can see in Figure 19, *Business Source Premier (BSP)* totally dominates the hits registered and therefore the aggregated result compared to *Factiva* and *ProQuest*. As a result, it is interesting to examine the result of number of hits on keywords when excluding *BSP*. When examining Figure 20, we can see that the three graphs have very different shapes compared to Figure 18. Although the pattern of an increasing number of hits is still present, it is not as obvious as when *BSP* is included. A reason for this might be that *ProQuest*, which only contain theses and dissertations, experiences a lag compared to *BSP* in which academic journals are dominant. Also, important to note is that *Factiva* only registered hits on non-financial measures, which affects the shape of the graph in the sense that the increase of publication concerning the concept is greater compared to the other graphs due to registered hits from two databases. Even after the introduction of the BSC, *Factiva* still did not register hits on the other two concepts.

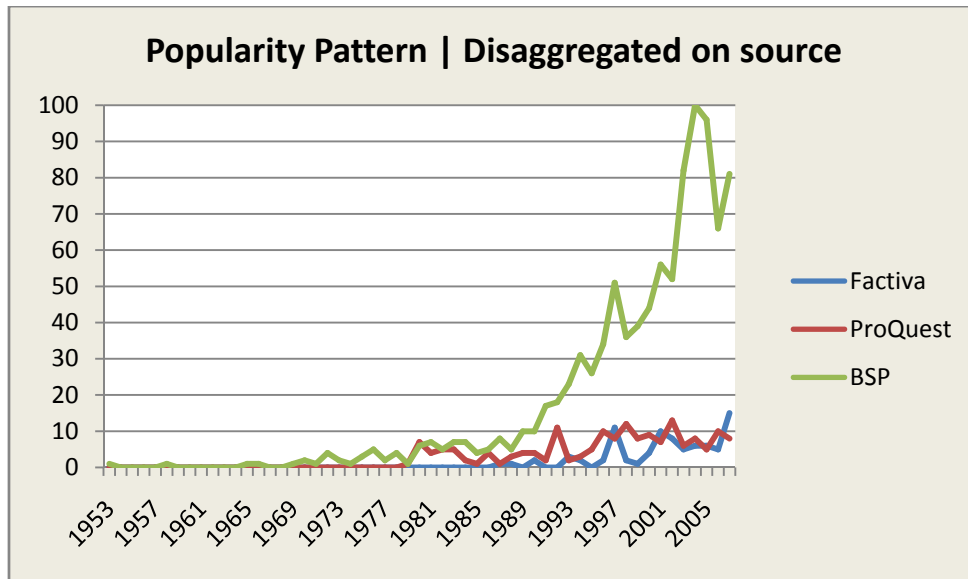


Figure 19. Number of hits disaggregated on source

Concerning the graph representing the causal relationship between measures in Figure 20 it is difficult to say anything definite. There was a slight increase in the number of hits starting 1996, but compared to the other concepts it had a rather large number of hits prior to the BSC as well. Regarding “link to strategy” we only registered hits around and after the introduction of the BSC. The clearest pattern is the increase of publications concerning non-financial measures after the introduction of the BSC. Although, it is important to keep in mind that, as mentioned above, the graph is represented by hits from two databases, whereas the other are solely represented by hits from *ProQuest*. The most readily discernable pattern concerning the core concepts of the BSC included in this investigation is that they were present prior to the introduction of the BSC, although on a modest scale, but after the introduction of the BSC they experienced a clear increase of mentioning in the management discussion.

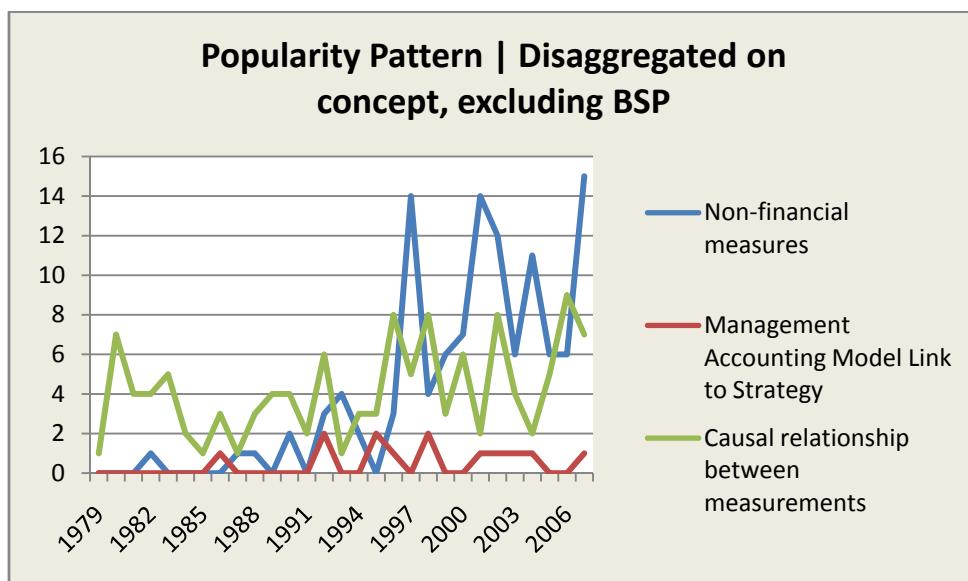


Figure 20. Hits on keywords when excluding BSP.

## 5. Analysis

### 5.1. Attitude and Popularity Pattern

When analyzing the popularity pattern of the BSC, the only possible conclusion to draw is that it is too early to say to what extent the BSC could be considered a trend or efficient-choice innovation. Still, a couple of observations can be made regarding the changes in attitude and popularity of the BSC during the last decade. As illustrated in Figure 11 and Figure 12, something happened in the year 2000, which caused the attitude toward the BSC to take a turn for the worse, mainly among academics. Because of lack of information we can only speculate as to what caused this change in attitude. Incidentally however, at the same time criticism toward the model increased, Kaplan & Norton published their second book on the BSC, *The Strategy-Focused Organization* (Harvard Business School Press, 2000), extending the concept into a “framework for implementing and managing strategy” (Miyake, 2002, p.28). Perhaps this caused skepticism concerning the model, among the academic community reflected in their publications. Was the strategy dimension asking too much of the model? Did Kaplan & Norton go too far in positioning the BSC as a tool for strategy?

In the same way that the publication of the second book might have caused skepticism among academics, it could also have triggered consultants to embrace the model as the solution for a much wider extent of problems and causing them to strongly market the model towards practitioners. We know from Figure 12 that the attitude among consultants toward the BSC was strongly positive in 2002. This fact, together with peaking activity concerning the BSC among consultants, something that is illustrated by the number of publications in Figure 10, seems to support the assumption. Also during this period (2000-2002), Bain & Co (2007) recorded a strong increase in the usage of the BSC, it almost doubled from around 36% in 2000 to the peak just above 60 % in 2002. Could it be that the publication of the second book on the BSC spurred consultants who, in turn, spurred practitioners? It would certainly fit in Abrahamson’s fashion-creation process. This is also consistent with findings by Malmi (2001) who examined 17 Finish companies adopting the BSC. About half of them cited consultants as the source from which they received information about the BSC.

With penetration levels climbing from 36 % to 60 % in two years, it seems most likely that bandwagon effects could, at least partially, explain the fast and intensive growth. It is possible that, as usage started to increase, managers felt pressured to implement the BSC even though they might have been uncertain as to what benefit it would bring to the company. It is also interesting to note that the popularity pattern of the BSC seems to follow the usage pattern and penetration of practitioners, albeit with a slight lag, peaking one year later, in 2003. This indicates that academics keep up very well with the business world of the practitioners. Further, it can be observed in Figure 11, that while the number of articles experienced a peak in 2003, the P/M-index registered an all time low, mainly because of heavy criticism from academics (Figure 12). This criticism might very well have been a reaction from the academic community to the positive, general-purpose-solution attitude among consultants and practitioners alike.

Another observation that can be made from the investigation is that the attitude towards the BSC worsened substantially among practitioners in 2006, illustrated both by the considerable drop in the P/M-index in Figure 12 and in satisfaction rates in Figure 16. Once again, we can only speculate as to why, but a reasonable explanation might be that, unlike academics who can analyze content, theory,

assumptions and rhetoric in order to form an opinion. Practitioners had to wait until the implementation of the BSC was completed before they effectively could evaluate its effect on shareholder value. Is it possible that experiences from 2006 provided a rude awakening for the practitioners who joined the bandwagon in 2002 with little or no clue as to what they wanted to achieve with the BSC? Now they are starting to see the results (or their absence) and perhaps like Malmi's 17 Finish companies, "quantified changes were rare."

## 5.2. Attitude and Penetration

In both the Bain & Co (2007) and Chen (2007) studies, the BSC exhibits a low level of satisfaction or effectiveness, in the terminology of Chen. An interesting observation is that in Chen's study, the BSC registered the lowest score out of all models investigated, save for the unspecified grouped-together "other". The major difference between the two studies regarding the BSC is that Chen registers a lower usage than Bain. The reason for this is partly because the overall level of usage is lower in Chen's study, which might be explained by the fact that Chen based his investigation on MBA students as opposed to executives in the Bain study. But that reason alone is not sufficient to explain why the BSC gets classified as a rudimentary implement rather than a blunt instrument (Rigby & Bilodeau 2007), when applying the framework on the individual studies. This implies that the relative usage (compared to other tools) was also lower and we cannot see any logical explanation for this. Measurement errors and statistical noise is probably only part of the truth since the difference seems too large. Could it be that some of the MBA students in Chen's study are unaware of the fact that the companies they come from use the BSC? If that is the case, then it must be considered a great failure for the top management of those firms seeing as how the BSC in fact is a way of communicating strategy to employees.

When applying the findings by Bain & Co to Rigby & Bilodeau's framework we observe how the BSC started as a "specialty tool" in 1996 with low usage but high satisfaction and then moved to become a "blunt instrument" by 2006 with high usage but low satisfaction, which, according to Rigby & Bilodeau, can be an indication of it being a management fad. Also, interesting to note is the fact that the BSC exhibits the same level of usage and satisfaction as Knowledge Management (KM), another management model which by many is considered to be a fad (e. g. Scarbrough 2001, Wilson 2002). However, a significant difference between the two management models is that, instead of starting as a specialty tool, KM moved from being a rudimentary implement to blunt instrument. This difference is also apparent when analyzing the third "blunt instrument" obtained from the Bain-data – outsourcing, which started out as a power tool.

Interestingly, all "blunt instruments" in 2006 came from different tool groups in Rigby & Bilodeau's framework. A more thorough analysis of all the tools in the Bain-study might shed some more light on tool movement over time, but it would seem as any tool, no matter where in the Rigby framework it resides, could become a "blunt instrument" when practitioners ask more of the tool than what it can deliver. This might support our speculations regarding the extension of the BSC as a framework for implementing and managing strategy proposed by Kaplan & Norton in their second book on the BSC.



Another interesting point is that all of the current “blunt instruments” have only become “blunt” in 2006. Is this an indication that practitioners have become more skeptical toward management innovations in general? The Bain study (2007) suggests that the average number of used management tools in companies has increased in 2006; also average defection rates are lower in 2006 than 2004. Based on this, it does not seem like practitioners have become more skeptical, the answer probably lies somewhere else. Could it be that the BSC, knowledge management, and outsourcing are relatively synchronized in their diffusion stages? The first of the annual Bain studies were done in 1993 and the first time the BSC and knowledge management appears is in 1996. Outsourcing does not appear until two years later, in 1998, but seeing how it was in use already in the 1980s, this explanation does not seem to hold; at least not for outsourcing. In the case of knowledge management it might still hold. Consequently, it would be very interesting to compare this study with a similar study on popularity patterns, attitudes and usage of knowledge management.

### 5.3. Old wine in new bottles?

The popularity pattern of the previously isolated core concepts of the BSC indicates their presence prior to 1992, although on a modest scale. As a result it is not possible to say that the BSC was a set of completely new ideas. When examining Figure 18, a couple of observations can be made. During the period of Kaplan’s argumentation concerning the relevance of management accounting (1982-1988), the number of hits started to slowly increase. Once again we can only assume why, but it might have been that Kaplan planted a seed of doubt among the management community concerning the management technique that were in use at that time, leading to increased activity and a search for better management tools.

After conducting the search for mentioning of the core concepts of the BSC, prior to 1992, we can only come to the conclusion that the concepts existed, although on a modest scale, prior to the introduction of the BSC, and maybe even the BSC itself (Analog Devices Inc.) but Kaplan & Norton made them popular.

When comparing our findings to those of Bourguignon et al. (2004) in their comparison of the BSC and the French Tableau de bord, we find support for our results. What is especially interesting is that two of the major similarities between the two models appear as two of the three core concepts we isolated for our search, namely:

- their use of non-financial measurements for anticipation and control
- their linking top management strategic decisions to the actions of the employees

Although there are similarities between the models they also differ in some aspects, such as their underlying strategic concept. What strikes us as odd, however, is that, although we registered hits on the two concepts prior to 1992, it was on a modest scale. One would expect the number of publications mentioning the concepts would have been higher, since the Tableau de bord has been in use for over 50 years in France. The fact that we did not register more hits on the two concepts implies that the BSC in reality was a new model, at least when considering it from a geographical perspective. It might have been that the Tableau de bord, which is used mainly in France, was too

rooted in French management tradition to be easily adapted to new markets. Therefore, Kaplan & Norton might have extracted what they considered good in the model and continued to adapt it to the American market while at the same time adding their own ideas.

Further supporting the previous discussion is an article from 2005 in which Pandey claims that “the concept and logic of the BSC is not new” (Pandey, 2005 p.64), but rather a new and easy-to-use-design formalizing the concepts. Pandey establishes that the management tool used by Analog Devices Inc. was in fact the first BSC. Supporting this statement are some of the similarities between the two models, which once again were used for our investigation:

- Their use of non-financial measures as a compliment to the traditional financial measures
- Their link between measures and the strategic objectives
- Their organizational alignment between managers and employees

This of course imply a similar situation as with the Tableau de bord, that Kaplan & Norton might have extracted, what they considered, the best aspects of the model and used them to create their own model. However, in the case of Analog Devices Inc., we cannot explain the lack of registered hits on geographical reasons. Assuming that it is true that Analog Devices Inc. used a similar model, then why did we not register more hits on the concepts prior to the introduction of the BSC? We find it reasonable to assume that this might be explained with proprietary arguments. Seeing how Analog Devices Inc. is a practitioner, perhaps they did not want to reveal a new technique they believe could potentially give them a competitive advantage. Bjørnenak & Mitchell (2002) also list this explanation when discussing reasons to why practitioners in general are less prolific than academics and consultants in terms of publications regarding management innovations.

## 6. Conclusions & Discussion

### 6.1. Summary & Conclusions

We started this investigation to see if there were any indications that the BSC exhibited fad or fashion-like behavior. After a quick summary of contemporary research on the diffusion of management innovation and fads & fashion in management we presented a review of major criticism against the BSC. The contribution of this study in terms of empirical material was a quantitative study on the dissemination of the BSC. We investigated publications on the BSC from three different perspectives – volume, author, and attitude. This was complemented with an investigation on penetration levels and attitudes of implementers from secondary data. The last part of the empirical investigation was on publications of concepts central to the BSC.

Our findings indicate that the BSC in fact exhibits some indications of management fads or fashion even though the evidence is inconclusive. We have found the following indications suggesting trend characteristics of the BSC:

- **A significant drop in attitude during 2006.** Both satisfaction rates and P/M-index support this observation. Fads are eventually exposed and, as practitioners lose interest, attitudes are likely to drop.
- **The BSC has become a “blunt instrument”.** According to Rigby & Bilodeau (2007), this is usually the place where management fads end up because it is being asked to do more than it can.
- **Core concepts of the BSC seem to have existed prior to 1992.** According to Abrahamson (1996), this “old wine in new bottles”-phenomenon is common among management fads and fashion. An innovation needs not be new; it only needs to be perceived as new.

The counter indications found suggesting efficient-choice nature of the BSC include:

- **No waning side of bell-shaped popularity pattern.** A bell-shaped popularity pattern normally represents a transitory collective interest in a management fashion in Abrahamson’s (1996) framework.
- **Continuously positive P/M-index.** An average publication is more likely to propagate than moderate the diffusion of the BSC. This is not likely to have been sustained over the years in the case of a fad. However, the conclusion does support Abrahamson’s observation that publications tend to contain pro-innovation biases.
- **A stable one-time increase in penetration levels in 2002.** Penetration jumped from 40 % to 60 % in two years and has remained fairly stable since. One would expect practitioners to start abandoning a tool if they realize that it is not “the efficient-choice.”

In a way, the authors regret that we did not do this study in 2011 instead of 2008. Assuming comparable diffusion affecting factors as in the ABC/M-study by Bjørnenak & Mitchell (2002), the next two or three years might be very interesting and perhaps settle the matter of to what extent the BSC could be regarded as fad or fashion. It took 11 years for the ABC/M popularity pattern to pass the peak and start to decline. We are now on the eleventh year counting from 1996. Is the

popularity pattern of the BSC stabilizing, or is it – like the right hand side of the bell – going for a plunge? Only time will tell.

## 6.2. Extended discussion and ideas for future research

This has been an investigative study, examining the BSC from a management fad and fashion perspective. The thesis has focused on establishing a popularity pattern for the BSC as well as to investigate how attitudes and usage has changed over time. Additionally, the study examined the “newness” of the BSC by investigating the mentioning of core concepts of the BSC prior to its introduction 1992. In order to pursue the subject further, we outline some possible means of continuing this investigation.

### 6.2.1. Content vs. Rhetoric

In section 2.1, we establish that a management innovation is a binary entity composed of design elements (content) and rhetorical elements (rhetoric). Abrahamson stresses the importance of the rhetoric dimension in a management fashion in the sense that it must convey both rationality and progress. In section 5.3, we analyzed the presence of the core concepts of the BSC prior to its introduction in 1992 and concluded that the concepts were there, but Kaplan & Norton popularized them. Supporting our conclusion were findings by Bourguignon et al. (2004) and Pandey (2005) concerning the Tableau de Bord and the management model used by Analog Devices Inc. and their similarity to the BSC. In light of the analysis, and in accordance with Nørreklit (2000, 2003), one might argue that the BSC is not theoretically innovative and consequently that Kaplan & Norton relies heavily on rhetoric in their presentation of the BSC. Nørreklit (2003) has studied the BSC rhetoric from the perspective of Aristotle’s three means of persuasion, which are:

- **Ethos:** Referring to the sender’s credibility and also to the recipient’s attitude toward the sender at the time of communication.
- **Logos:** Appealing to the recipient’s reason or understanding through facts or being objective
- **Pathos:** Playing on the recipients mood and emotions

Nørreklit (2003) claims that, rather than presenting sound argumentation, which is defined as empirical and unbiased (logos), Kaplan & Norton play on the readers emotions (pathos) using dramatic analogies and metaphors with built in ambiguity, which allows for interpretation and refers to the credibility of themselves and the institutions they come from (ethos) such as Harvard Business School. Nørreklit further criticizes the rhetoric saying that there are practically no valid arguments or technique, but rather that it closely resembles propaganda.

What implications do the discussion above have on the BSC from a fad and fashion perspective, is the extensive use of pathos and ethos rather than logos a sign of fad? It seems reasonable to assume so; however, further research aimed at verifying or falsifying this aspect of management fads and fashion would be interesting. Generally, could it be said that the rhetoric of management fads or fashion is more prone to use pathos and ethos as opposed to logos?

### 6.2.2. The interpretative viability of the BSC

Bender and van Veen (2001) establish that most management techniques and concepts contain a certain degree of ambiguity. They are not a recipe ready to use for managers to tackle organizational problems and situations that might arise. Thus, in order to increase the success rate of a management technique, fashion setters keep a degree of ambiguity in their products and by doing so, increase the size of the target group since managers faced with different situations might recognize their own situation in the description. In other words, “any concept must necessarily lend itself for various interpretations to stand a chance of broad dissemination”. (Bender and van Veen, 2001, p. 38).

How does this relate to management fads and fashion? In a paper using the role of management fashion to explain the diffusion of knowledge management, Scarbrough & Swan (2001) establish that ambiguity and interpretative viability is likely to amplify bandwagon effects in diffusion. Newell et al. (2001, p. 8) argues that interpretative viability is a “perfect ingredient[...] for the diffusion of a new idea” since it allows for “wide appeal and at the same time provide[s] a continued role for the fashion setter.”

It would seem reasonable to assume that interpretative viability is an interesting factor in explaining management fads and fashion. It would also seem like the BSC comes with a fairly high level of interpretative viability. Although Kaplan & Norton built the BSC around four pre-categorized perspectives, they claim that individual users are free to add new perspectives if necessary (Kaplan & Norton 1996). Another source of interpretative viability of the BSC is its measures, “A measure is a performance metric that will reflect progress against an objective” (BSC Collaborative, 1991) and it must be quantifiable. Kaplan and Norton suggested that 20-30 measures divided among the perspectives is sufficient, but as long as the measure follows the standard set by the BSC Collaborative each manager is free to use an unlimited amount. Is this interpretative viability another trend-suggesting indication of the BSC? This would be interesting to investigate.

### 6.2.3. BSC and the fashion-setting process

Another interesting aspect we stumbled upon while writing this thesis is that the establishment of the BSC, in many ways, could be considered a schoolbook example of Abrahamson’s four-step fashion-setting process – creation, selection, processing and dissemination. This study has only focused on the dissemination part, but it seems as though there are many trend-suggesting indications along the entire process.

- The central concepts seem to have existed before 1992, but on a modest scale. These were selected and synthesized into one entity with one, marketable name by fashion setters Kaplan & Norton.
- The BSC was then processed with crystal clear rhetoric – balance between measures, link to strategy, coupled with arguments related to performance gaps (“eyes fixed on rear view mirror”) and supported by many success stories of how the BSC has created value for companies.
- BSC was popularized and disseminated through articles in prominent management journals, books, seminars and supported by an organization – the Balanced Scorecard Collaborative.

It should also be noted that Kaplan & Norton fit the description of a fashion-setter extremely well, both stemming from respected universities, both having ties to the consulting industry. Perhaps there are interesting conclusions to draw from investigating the BSC formation process in the light of Abrahamson's framework?

#### 6.2.4. Other ideas for future research

We concluded that it is too early to establish whether the BSC can be considered a trend or an efficient choice innovation. Therefore, it would be interesting to conduct a similar investigation in a few years to see whether it, by then, is possible to discern a pattern – bell-shaped or s-shaped.

When analyzing the result of our investigation on the popularity pattern and attitude of the BSC, we observed a couple of significant events (2000, 2002-2003 and 2006). Due to lack of information, we could only speculate as to what happened during those events. Therefore, an interesting topic for future research is to investigate what actually happened during those events, thus being able to answer the questions:

- Was the strategy dimension asking too much of the model? Did Kaplan & Norton go too far in positioning the BSC as a tool for strategy?
- Could it be that the publication of the second book on the BSC spurred consultants who, in turn, spurred practitioners to implement the BSC without sufficient thought, causing a bandwagon effect?
- Is it possible that experiences from 2006 provided a rude awakening for the practitioners who implemented the model in 2002 with little or no clue as to what they wanted to achieve with the BSC?

### 6.3. Acknowledgements

We would like to gratefully acknowledge our instructor, Urban Ask, who has provided us with invaluable feedback and support during the course of writing this thesis. The value in having an instructor who cares about what you do, is engaged and committed to ensuring that we are able to do our best cannot be over stated. This is something we have learned from previous experiences.

## 7. References

- Abrahamson, E. (1991). "Managerial Fads and Fashions: The Diffusion and Rejection of Innovations." *Academy of Management Review*. Vol. 16. No. 3. pp. 586-612.
- Abrahamson, E. (1996). "Management Fashion." *Academy of Management Review*. Vol. 21, No. 1, pp. 254-285.
- Ax, C., Bjørnenak, T. (2006). "Management Accounting Innovations: Origins and Diffusion" in Hopper, T., Northcott, D., Scapens, R.W. (eds.) *Issues in Management Accounting*. 3<sup>rd</sup> edition. Chap. 17. Prentice-Hall, Hertfordshire, U.K.
- Bain & Company. (2005). "Management Tools and Trends 2005." [http://www.bain.com/management\\_tools/Management\\_Tools\\_and\\_Trends\\_2005.pdf](http://www.bain.com/management_tools/Management_Tools_and_Trends_2005.pdf)
- Bain & Company. (2007). "Management Tools and Trends 2007." [http://www.bain.com/management\\_tools/Management\\_Tools\\_and\\_Trends\\_2007.pdf](http://www.bain.com/management_tools/Management_Tools_and_Trends_2007.pdf)
- Balanced Scorecard Collaborative, Inc. (1999). "Balanced Scorecard Functional Standards Release 1.0". <http://www.bscol.com>
- Batra, R. (2006). "The Balanced Scorecard: An Indian Perspective". *The Icfai Journal of Management Research*. Vol. 5. No. 8. pp 7-27.
- Benders, J., van Veen, K. (2001). "What's in a fashion? Interpretative Viability and Management Fashion". *Organization*. Vol. 8, pp. 33-53.
- Bible, L., Kerr, S., Zanini, M. (2006). "The Balanced Scorecard: here and back". *Management Accounting Quarterly*. 7, pp. 18-23
- Bjørnenak, T., Mitchell, F. (2002). "The development of activity-based costing journal literature, 1987-2000". *The European Accounting Review*. No. 11. pp. 481-508.
- Bourguignon, A., Malleret, V., Nørreklit, H. (2004). "The American Balanced Scorecard versus the French Tableau de Bord: the ideological dimension". *Management Accounting Research*. Vol.15, pp. 107-134.
- Chen, C., Jones, K. (2007). "Management Tools – Who Uses Them, and How Effective Are They?". *The CPA Journal*. August. pp. 50-55.
- Chiapello, E., Lebas, M., (1996). "The Tableau de Bord, A French Approach to Management Information". *Presented at the 19th Annual Meeting of the European Accounting Association*, Bergen, Norway, 2–4 May.
- Crainer, S. (2000). "Pokemon-style fads? Try common sense". *The Times*. Jun 15<sup>th</sup>.
- Davis, S., Albright, T. (2004). "An investigation of the effect of Balanced Scorecard implementation on financial performance". *Management Accounting Research*. 15. pp. 135-153.
- Dearlove, D. (2004). "Wanted: the Next Big Thing". *The Times*. Apr 29<sup>th</sup>.

- Dorweiler, V. Yakhou, M. (2005). "Scorecard for academic administration performance on the campus". *Managerial Auditing Journal*. 20, pp. 138-144.
- Epstein, M., Roy, M-J. (2004). "How does your board rate?". *Strategic Finance*. 85, pp. 25-31.
- Gehrke, I., Horvath, P., (2002). "Implementation of performance measurement: a comparative study of French and German organizations" in Epstein, M.J., Manzoni, J.F. (eds.). *Performance Measurement and Management Control: A Compendium of Research, Studies in Financial and Management Accounting*. Vol. 9. pp. 159–180.
- Ittner, C.D., Larcker, D.F., Randall, T. (2003). "Performance implications of strategic performance measurement in financial service firms". *Accounting, Organizations and Society*. 28. pp. 715-741.
- Ittner, C., Larcker, D., Meyer, M. (2003) "Subjectivity and the Weighting of Performance Measures: Evidence from a Balanced Scorecard". *Accounting Review*. 78, pp. 725-758.
- Johnson, H.T., Kaplan, R.S. (1987) "The Rise and Fall of Management Accounting." *Management Accounting*. Jan 1987, pp. 5-12.
- Kotler et. al. (2005) *Marketing Management*. Prentice Hall.
- Lester, T. (2004). "Measure for measure". *Financial Times*. Oct 6<sup>th</sup>.
- Malmi, T. (2001). "Balanced scorecards in Finnish companies: A research note". *Management Accounting Research*. 12. pp. 207-220.
- Miyake, D. (2002). "Beyond The Numbers". *Intelligent Enterprise*. pp. 24-30.
- Merchant, K.A., Van der Stede, W.A. (2007) *Management control systems: Performance measurement, evaluation and incentives*. 2<sup>nd</sup> edition. Prentice Hall.
- Newell, S., Robertson, M., Swan, J. (2001). "Management Fads and Fashions". *Organization*. Vol. 8. pp. 5-15.
- Nørreklit, H. (2000). "The Balanced Scorecard – a critical analysis of some of its assumptions". *Management Accounting Research*.
- Nørreklit, H. (2003). "The Balanced Scorecard: what is the score? A rhetorical analysis of the Balanced Scorecard". *Accounting, Organizations and Society*. 28. pp. 591-619.
- Olve, N., Roy, J., Wetter, M. (1997) "Balanced Scorecard i svensk praktik". Liber Ekonomi, Malmö.
- Pandey, I. M., (2005). "Balanced Scorecard: Myth and Reality". *Vikalpa: The Journal for Decision Makers*. Vol. 30, pp. 51-66.
- Rigby, D. (2001). "Management Tools and Techniques: A Survey". *California Management Review*. Vol. 43, No. 2. pp. 139-160.
- Rigby, D., Bilodeau, B. (2007). "Selecting Management Tools Wisely". *Harvard Business Review*. Dec. pp. 20-22.



Scarborough, H., Swan, J. (2001). "Explaining the Diffusion of Knowledge Management: The Role of Fashion". *British Journal of Management*. Vol. 12. pp. 3-12.

Schneiderman, A. M. (1999). "Why Balanced Scorecards Fail". *Journal of Strategic Performance Measurement*. Jan. pp. 6-11.

The Times. (2004). "The balanced scorecard approach; Jargon decoder". Apr 20<sup>th</sup>.

Wilson, T.D. (2002). "The nonsense of 'knowledge management'". *Information Research*. Vol. 8. No. 1  
<http://informationr.net/ir/8-1/paper144.html>

Wikipedia. (2008). "Balanced Scorecard". 2008-05-25.  
[http://en.wikipedia.org/wiki/Balanced\\_scorecard](http://en.wikipedia.org/wiki/Balanced_scorecard)