Strategies and Organizational Problems: Constructing Corporate Value and Coherence in Balanced Scorecard Processes

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What is strategy? Management accounting researchers have often ignored this question when they say that management accounting is for implementing rather than formulating strategy. Inspired by Anthony's seminal work (1965), where management controls and strategic planning were separated, management accounting researchers have often treated strategy as a 'black box'. However, recent debates have paid more attention to strategy. The debates in the 1990s, for example, emphasized that the future of management accounting (e.g. Bromwich and Bhimani 1994; Ittner and Larcker 1998) is dependent on whether it can frame and conceptualize strategic issues in organizations; to articulate strategy is a way to regain the lost relevance of management accounting (Johnson and Kaplan 1987). These thoughts have also been reflected in management accounting innovations. In strategic cost management the value chain (Shank and Govindarajan 1993), product attributes (Bromwich 1990), and customer functionality and quality (Cooper and Slagmulder 1997) have been mobilized and strategic performance measurements systems take a point of departure in customers' value proposition (Kaplan and Norton 1996, 2001). Strategy is put forward in management accounting in order to illuminate what corporate value and coherence is about (e.g. Chenhall and Langfield-Smith 1998; Langfield-Smith 1997) and management accounting is no longer neutral as Anthony (1965) suggested. Strategic management accounting is involved in mobilizing objects and logic that seek to encapsulate what strategy is. Here management accounting enters a complex field because it has to navigate between multiple, heterogeneous, and even competing representations of what corporate value and coherence mean.

In this chapter we study processes of constructing corporate value and coherence in organizational practices. Thus, we do not consider corporate value and coherence to be pre-defined. On the contrary we consider them to be phenomena that are constantly retranslated in organizational practices. We contend that interpretations of corporate value and coherence are ingredients in any strategy formulation and consequently also in any strategic conceptualization in management accounting. However, we also claim that the conceptualizations from strategic management accounting might be challenged by what we call organizational problems, which we see as situated manifestations of pressures to act in organizational settings. Organizational problems translate, and problematization 'describes systems of alliances, or associations between entities, thereby defining the identity and what they "want"' (Callon 1986: 206).[1]

We explore these issues through four firms' mobilization of the balanced scorecard (BSC). The BSC is a well-known example of strategic management accounting in which 'pre-made' conceptualizations of corporate value and coherence can be found. Even though Kaplan and Norton (1996: 37–8) note that other conceptualizations of strategy may be used, it is primarily the 'Porterian' framing of strategy (Porter 1980) that lasts as the strategic conceptualization in the BSC (Kaplan and Norton 1996: 37, 2001: 89). Thus, the 'pre-made' conceptualization of strategy in the BSC is that first, environment and customers have to be considered and understood, and then it is possible to develop internal processes and investments in learning and growth activities. But when firms mobilize the BSC, other conceptualizations of strategy may emerge, and, as we will show, such other conceptualizations can be found in organizational problems that are internal to the firm and exist as local pressures act. This approach assumes that organizational action exists prior to the work to develop strategy and that therefore strategy is not before organizational action and problems but part of organizational action and problems. Strategy is one of the operations of organizational action. Thus, we suggest, like others, that strategic management accounting should be studied in the context in which it operates (Burchell et al. 1980; Hopwood 1983).

If strategy is one of the operations of ongoing organizational action, the possible effects of a BSC probably are not only to implement a strategy designed around Porter's strategic opportunities. It is related to the specific organizational problems that inform the design and mobilization of the BSC. In our four cases we found that Porterian

[1] We recognize that in this chapter all the facets of translations as described by Callon (1986) have not been addressed. In addition to problematization he also discusses interressement, enrolment, and mobilization. We pay only scant attention to the three latter processes in this chapter; however, we still have the possibility to illustrate the fluid character of corporate value and coherence and consequently strategy in practical settings.

strategy was a weak element in the implementation of the BSC and the strong elements were organizational problems such as planning systems, cross-functional integration, internal benchmarking, and business process reengineering (BPR). These problems framed the justification of the BSC in the four firms—one in each of the firms. Planning, cross-functional integration internal benchmarking, and reengineering are 'internal' problems rather than market strategies. These internal problems then coloured the mode in which value and coherence were debated, and they thus framed the concerns labelled strategy.

We analyse how four firms brought the BSC into practice and discuss what purposes and concerns it was related to. Our aim is not to examine how strategy should have been formulated in relation to the BSC but rather to analyse how the firms did discuss strategy. Some may suggest that managers in the companies misunderstood what strategy and the BSC were all about. We do not think so and we argue that studies of processes of developing BSC can enlighten us about what strategy formulation is as in practice. This persuades us that in our examples concrete problems of internal production processes rather than notions of the customer or the market facilitate the discussion of value and coherence in the company, ending in propositions of strategy. This does not imply that customers and markets were absent in the strategies of the companies, but they were not the point of departure in formulating what value and coherence were to the companies. There was a way from internal production issues to a strategy in the companies. This way was developed in the four firms, and what seemed to be narrow and particular or internal turned out to be inclusive and general.

Our exploration of BSC processes may add to our understanding of what implementation of strategic management accounting is about. We supplement studies of implementation, which have provided important insight into the general factors at stake when implementing new management control and performance measurement systems (e.g. Anderson 1995; Shields 1995; Anderson and Young 1999; Cavalluzzo and Ittner 2004), showing how selection and interpretation of metrics, decision-making authority, training, etc. affect their implementation. In contrast, we attempt to conduct a 'performative' study where we focus on how elements come into being and create the meaning of BSC in the specific situations in which they are located. The objects for analysis are the singular *translation processes* of value, coherence, and strategic management accounting/performance measurement (see also Preston et al. 1992; Chua 1995; Briers and Chua 2001). The analysis refrains from seeing strategy as a black box and attempts to see and illuminate its adoption to and fluidity compared with local conditions and concerns (see also Roberts 1990; Miller and O'Leary 1993; Mouritsen 1999).

Strategy and the BSC

Strategy has many faces (Mintzberg 1987; Mintzberg et al. 1998). Numerous dichotomies have been mobilized in order to cope with the complexity of the concept. Is strategy a top–down or a bottom–up process (Goold and Campbell 1987)? Is strategy emergent or deliberate (Mintzberg and Waters 1985)? Is strategy outside–in (Porter 1980) or inside–out (Prahalad and Hamel 1990)? In this chapter we ask how strategies require organizational problems to respond to and thus how strategies get form and content. This may be an awkward discussion for those blinded by the separation between formulation and implementation of strategy. However, as we try to make sense of the four cases we present hereafter, it appears to us that emergent strategy is part of (strategic) management accounting because, seen as practice, strategy often starts as a discussion of organizational problems, and (strategic) management accounting is involved in developing and responding to organizational problems. Kaplan and Norton's conceptualization (2001: 89) of strategy starts with 'the value proposition [that] enables companies to define their targeted customers', which informs the selection of target customers and a positioning of one self in the market. They (e.g. Kaplan and Norton 2001: 75) draw on Porter's conceptualization (1980) of strategy so that a company 'selects the value proposition at which it will excel, a company also selects the customer segment or segments for whom that value proposition will be the differentiator, causing them to do business with the company. It is important to identify clearly the company's targeted customers' (Kaplan and Norton 2001: 89). This is a 'positioning perspective' on strategy (Mintzberg 1987) and three generic value propositions are possible: product leadership, customer intimacy, and operational excellence (Treacy and Wiersema 1995). To Kaplan and Norton, strategy is 'a means of locating an organization in what organisation theorists like to call an "environment"... Strategy becomes a "niche", in economic terms, a place that generates "rent"' (Mintzberg 1987: 15).

The value proposition embedded in target customers represents an *outside–in* logic as the value proposition is considered to 'describe the context' (Kaplan and Norton 2001: 11) for the internal processes and intangible assets within the company. The job of realizing strategy becomes one of 'ensuring alignment between an organization's internal activities and its customer value proposition' (Kaplan and Norton 2001: 90). However, the outside–in logic may be challenged with an inside–out logic (e.g. Johnson and Scholes 2002), where strategy begins by appointing internal competencies and routines (e.g. Prahalad and Hamel 1990; Grant 1991). One might say that these challenges are symptoms of the multiple and heterogeneous character of strategy which Kaplan and Norton (1996: 38) seem to recognize implicitly, as they say—even if they do not analyse how—that BSC may accommodate an 'inside–out' or other perspectives on strategy. All in all, these reopenings of the strategy black box must intensify the call made by management accountants for insight to the processes of construction of strategic issues in practice; if there is no grand scheme of strategy or corporate value and coherence what is it then that constitutes the ideas that prevail in practice?

To study the implementation of BSC, we draw on a constructivist or performative perspective on action (Latour 1986, Callon 1986), where strategy—and corporate value and coherence—is constructed or performed by actors. In this chapter we analyse the BSC as what Star and Griesemer (1989: 393) call a boundary object: 'Boundary objects are objects which are both plastic enough to adapt to local needs and the constraints of the several parties employing them, yet robust enough to maintain a common identity across sites.' The BSC is to us an open concept, which can take a series of different forms, and yet it is also robust (which we consider to be the distinction between non-financial and financial numbers—leading and lagging indicators—organized and balanced in several perspectives and with a relation to strategy implementation. There is, however, a considerable space for local adaptations and innovations.

In our conceptualization of the construction of corporate value and coherence we draw on the notion of translation (Latour 1986, Callon 1986), and the significance of phenomena will be performed rather than found in the phenomena themselves since 'everything . . . is uncertain and reversible, at least in principle. It is never given in the order of things . . . ' (Law 1999: 4). Accordingly, the BSC is given content and identity via the relations it entertains with other entities in practice. This theoretical position is one that tells that entities take their form and acquire their attributes as '*a result of their relations with other entities*' (Law 1999: 3, italics in original). In principle, any entity and relations can play; they are heterogeneous rather than pure (Law 1999: 5), and it is not possible a priori to point out the relations that will be decisive for translations of corporate value and coherence. This approach contrasts with other theories of strategic management accounting, which assume that by definition we know what items such as strategy and performance are a priori.

In this chapter we challenge whether strategy in relation to the BSC is in fact (always) deliberate and builds on an outside–in logic. We suggest that realized strategy in relation to the BSC emerges from particular organizational problems. The entities constituting strategy are different from those suggested in strategic management accounting because the notions of the market and the customer were distant in formulating the objective of the BSC in our empirical situations. Rather, organizational problems that developed over time in the firms constituted the interests that BSC was to bend around. In effect, if this is true, this means that the presumptions and articulations of strategy in much strategic management accounting literature can be challenged. It may be that the answers to the question of what strategy is are too institutionalized in the academic debate on strategy and management accounting and that new possibilities of their relationships and practical constitution have to be considered.

The cases

The four cases are all well known in the Danish debate on the BSC, and they all used external consultants to help in their implementation. Table 4 summarizes understandings (translations) of corporate value and coherence in the four companies. These particular translations were formulated in fairly early stages of the implementation of the BSC in companies. Other translations have emerged since but these early stages hold interesting insights because propositions about what value and coherence in respect to strategic performance measurement are much debated in these stages. No particular translation was stabilized or institutionalized. Things were in the process of becoming.

The table depicts the organizational problem related to the implementation of BSC in each company. This problem was the barrier to the development of corporate value and coherence and was an input to staging the concerns and justifications about what the BSC was supposed to achieve for the firms. The table also summarizes the role of performance measurement in the firms.

Table 4 Corporate value, coherence, and strategic performance measurement in four cases

Company name	ErcoPharm	Kvadrat	Columbus IT Partner	BRFkredit
Industry	Pharmaceuticals	Textile	IT	Mortgage credit
Problem	Corridor thinking—suboptimization due to functional orientation. The solution is cross-functional integration.	The innovative and creative culture is a barrier for growth. Demand for a planning culture.	Growth and heterogeneity in the sales divisions A need to standardize the sales divisions.	Cost full and slow order expedition within the company—there is a need to reengineer certain processes within the company.
Value proposition	Cross-functional integration	Planning	Internal benchmarking	Reengineering
The role of performance measurements	Performance measurement accounts for mutual dependency between the functions.	Performance measurement initiates individual goal setting and planning.	Performance measurement enables comparison of process and performance in different sales divisions.	Performance measurement facilitates control of reengineered processes and possibility to document success.

We may add that the customer was not absent in discussions related to the BSC, but it was not the point of departure to propose what value was to the firm or what corporate challenges were. Customers and markets were mobilized as appendices to the central purposes of the BSC in the firms, but only after organizational problems were addressed. This makes strategic logic into something that is embedded in particular organizational problems rather than in the target customer's value proposition, as suggested by Porter.

The cases illustrate how the BSC can be justified by entities other than the customer and the market. A broad set of possible purposes is in place, and the BSC is spacious enough to accommodate them all without losing its appeal as a strategic management accounting system. We present the cases as illustrations of four distinctly different/singular purposes in each of the firms. This is clearly a simplification. In each of the firms there were undoubtedly more propositions about the problems to be negotiated and handled through the BSC as the firm's problems could be conceptualized differently—they were not fixed but negotiable.

This perspective that the BSC can be understood as an object with many possible functions and effects has not been addressed much in the literature. Literature on the BSC illustrates its possibility as a strategic management accounting system, either as a causal business model or as a communication device. We suggest an addition, namely, to study it as a *boundary object* (Star and Griesemer 1989) that is filled with purpose and function as an effect of particular organizational problems mobilized in the implementation process.

We learned about the four firms through visits and interviews with key persons involved in BSC *projects*. The interviews were semi-structured, lasted for about two hours, and dealt with questions related to strategy formulation, the functionality of the BSC, choice of performance measurement, and the conditions for and effects of implementing the BSC in the particular organizations. These interviews allowed us to explore the process of identifying how the BSC was equipped (in this phase of the project) with purpose and ambition. In the subsequent sections of the chapter we present the four cases one by one.

ErcoPharm: BSC for cross-functional integration

ErcoPharm is a production division of OrionPharma based in Denmark. OrionPharma is an R&D-oriented pharmaceutical division of the OrionGroup, a Finnish company specializing in health care products.

Pharmaceutical R&D at OrionPharma focuses on three therapy areas: central nervous system disorders, cardiology and critical care, and hormonal therapies related to both human and animal health. The company globally employed more than 5,800 people with R&D, sales, and production in both sales and product divisions all over the world in 2002, and OrionPharma's net sales were €483 million.

The implementation of the BSC in ErcoPharm was a local implementation as it was carried out before the BSC became an official management control system (MCS) in the OrionGroup. Yet the local implementation in ErcoPharm played a role in the overall implementation of the BSC in the group through its learning effects as a pilot project.

The recurrent concern in our interviews was cross-functional integration, which tied concerns of strategy and performance measurement to the firms' (important, strategic, and problematic) issues. A systematic effort to establish coordination between functional entities was a crucial problematization towards improving the performance of the firm. To go through a BSC process was considered as a means to address this problem. The chief controller explained:

> People's mindset was at that time, when we discussed balanced scorecard for the first time, embedded in 'corridors'. At that time the cross-functional integration in the company was poor. We experienced solid boundaries between production, sales/marketing, clinical testing etc. and even competition between the functions. They simply did not communicate with each other. Not because they did not want to, but because they could not see the interdependence between the functions. It meant that each function became isolated and sub-optimised. So one of the reasons that we considered balanced scorecard was—and I guess the most important reason—that it could help us to facilitate a better co-ordination between the entities. I guess you can say that in the process of developing balanced scorecard, cross-functional integration was the point of departure.

The value attached to the BSC was a capability to speak for cross-functional, sequentially dependent processes and to create attention to their synchronization. The business controller argued:

> Cross-functional integration is very much what strategy and balanced scorecard is all about in our company

The BSC was envisaged as a mechanism that could give visibility to the interdependence between organizational entities. For example, the manager for clinical testing emphasized as follows:

As we see it, we have got a chain of processes that are connected. Through balanced scorecard it is possible to directly address the question of what each function expects from others. What does clinical testing expect from sales/marketing, sales/marketing from production etc. We set up goals and measurement for all that in the balanced scorecard process. We've got everything on print now—what it is that we expect from each other now—an understanding of what it is that we can do for each other. When we start to measure the key processes in each functional area and start to talk about the possibilities to control it, the interdependence between the functional areas becomes clear. And we can begin to optimise overall. This is why balanced scorecard and the process we have been through have been so important to us. We can now easily see when things are interconnected. And when there is a point in discussing things with other functional areas.

So, to create value, attention had to be related to the linkages between operational processes, and thus the problem was to synchronize functional processes. The customer and the market position were considered secondary, or at least taken for granted, as the business controller stated:

We all know who the customer is. The thing that really matters to our company is to get the integration between the different functions right. This is the issue that has to be the point of departure when we develop strategic performance measurements.

The BSC was adequately spacious to inscribe this concern and hence contribute to functional integration. It allowed the problems encountered in the firm to be stronger than its own design principles, but it also maintained its status as an organizing element in developing the responses to organizational problems. The BSC maintained its identity in

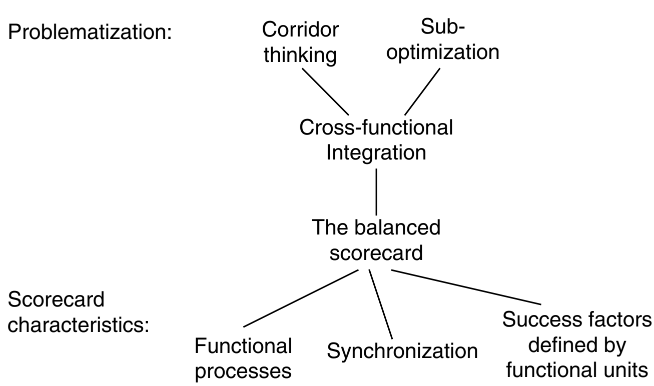

Figure 7 Organizational problems and the BSC in ErcoPharm

the image of four dimensions of performance measurement, and it allowed a local interpretation of what strategy was about, namely the local problematization of cross-functional integration. Figure 7 illustrates how the BSC gained its initial characteristics in ErcoPharm.

Kvadrat: BSC for planning

Kvadrat develops and markets modern soft furnishing designs and curtains to the contract market and selected segments of the retail market. Today, Kvadrat is a brand name in a professional market where quality and design are vital parameters. Production takes place in twenty-eight textile factories and print-works in Western Europe. In 2001/2002, with the combined effort of some 160 employees, Kvadrat achieved a turnover of approximately €50 million. Exports account for 80 per cent of the turnover.

The rationale behind the development of BSC in Kvadrat was enhanced integration of planning activities. At the time when the BSC was mentioned as a solution, the firm saw itself as overly creative and innovative. The chief controller explained the rationale of the then possible implementation as follows:

> Our most important reason for implementing balanced scorecard was that we needed a planning culture at that time. The employees are not good at writing down what they wanted and committing themselves to what they have planned. If plans are written, like in BSC, you can actually check whether you have done it or not afterwards. Kvadrat is a creative company and we think it is important that we've got the spirit—creativity—in the air. However, the creative culture can be hard to handle. It cost a lot of money and can be a problem when we want to produce things and get them out of the door. We simply have to plan in order to survive. People have to commit themselves.

In Kvadrat the BSC was mobilized as a means to promote a planning culture, which stood in contrast to the reliance on the power of individuals' pursuance of creativity and innovation. The BSC was presented as a mechanism to express goals, ambition, and measures so that reporting and evaluation could be performed. The notion of performance came into light as accountability to plans. This was the basis for developing a planning culture, it was argued.

The BSC was launched as a tool to be used by the individual employee for his or her own planning. The process was centred on 'mini-scorecards'—personal BSC where each employee had drawn up his or her own quantified goals related to the work process. The chief controller explained:

> The planning our employees carry out now is framed by balanced scorecard. They plan through their 'mini-scorecard'. They set up goals and measures for their plans and relate them to specific activities. They explicate activities, time them and reflect upon what the realisation might be dependent upon—interdependencies and so on. Of course they also address issues of performance directly because they commit themselves to a target.

A powerful aspect of the BSC, according to the CEO, was that it drew on a non-financial language. This helped make the creative culture a planned one, because this language was direct and about the activities performed by employees. They could better identify themselves with goals and measures when the terminology was a non-financial language about activities.

As employees recorded their own goals individually, a high number of performance measures were incorporated in the BSC and it was developed as a planning tool, because it detailed the actions and effects to be expected from the organization's members. This use of the BSC was at odds with the idea of BSC as a means for implementing market strategy, the chief controller underlined, where the ambition was to involve a much smaller number of measures. The chief controller elaborated:

> The consultants that helped us implement balanced scorecard had a special idea about how the scorecard should be and how the measures should be structured. They began the process elsewhere. They began with the customer. In our mini-scorecard everything is filed—all the things that the employees plan, all the plans, goals and measures. If you for instance have an area where employees have outlined six goals and related measures, then we think we should include them all unless they overlap. According to the consultants you should take another point of departure. We argued these issues with the consultant. However, we think that we use balanced scorecard for something special in our organisation. We would like to teach people how to plan.

The chief controller contended that the BSC as a means to constitute a planning culture did not necessarily match the concern for implementing the customer value proposition through the BSC. In Kvadrat the aim was to use the BSC to develop measures and goals for the individual employee and groups, and the input for setting up measures and goals was less a general business model than the experience of individual labour processes.

The customer was not absent in Kvadrat's discussions, but it was not a problem. It was obviously important but since it was no problem there was no reason to design and develop strategic management accounting around the customer.

The pursuance of a planning culture affected the identity of the BSC in Kvadrat. The issue was to get the employees to think about how they could plan in relation to their own personal processes and how their plans could benefit Kvadrat. Individualizing the planning process, or perhaps more clearly adding planning and communication of objectives to the individual's activities, the effect was more a reflection of internal concerns than an implementation of the customer's value proposition. The 'bottom–up' planning process was not to accommodate the customer but to teach the employee to plan. The development of planning capabilities was singled out to be the problem, which—if solved—would have important ('strategic') implications for how the firm would conduct its affairs. The drive towards planning, irrespective of their knowledge that the BSC was about the customer (it was claimed), was a big issue that was seen to transform the identities of employees and thus construct a completely new company where the path into the future was laid out much more coherently (and also linearly) than before.

In this sense Kvadrat's BSC resembles a conventional BSC, but it looks different because the ambition is to use it to inscribe all employees and make the sum of employee goals the firm's goals. Among managers there was an understanding that employees were capable and resourceful and therefore that in a sense the capabilities of employees were such that they could override the specific concern for the customer. The collective of creative individuals could even know more about the customers'

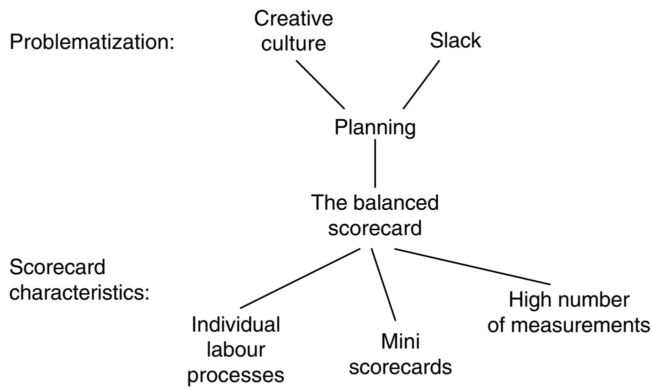

Figure 8 Organizational problems and the BSC in Kvadrat

needs than customers would themselves know, and possibly therefore the initial marginalization of the customer comes back in another way, not through the wants expressed by customers, but perhaps via the coherence of the capabilities that increased planning could do for the development of interesting actions—also for customers. The problem of a creative culture was mitigated via a BSC, and the resulting planning culture would have lasting ('strategic') effects on the operations of the firm. Figure 8 illustrates the role of BSC in Kvadrat.

Columbus IT Partner: BSC for benchmarking

Columbus IT Partner, founded in 1989, is a leading supplier of business management systems for the mid-market, and a global partner of Microsoft Business Solutions. Columbus IT Partner had in 2001 approximately a turnover of €100 million and more than 850 employees in twenty-six countries. Headquartered in Copenhagen, Denmark, the Columbus network of strategically located subsidiaries in Europe, Africa, Asia, and the Americas ensures customers an integrated standard approach worldwide, supported by local knowledge.

Since it started, Columbus has experienced high growth and in parallel with its increasing size it has faced a problem of controlling expansion. Particularly, there was an increasing problematization of the variation in the execution of key processes, and the claim that standardization was needed was increasingly aired. Through standardized processes the expectation was that sales divisions around Europe could transfer knowledge among each other. The chief controller described growth and the problem of lack of standards and structure as follows:

> What happened was that the sales divisions were too much alone. It was clear during the period with high growth. It was harder and harder to obtain synergy between the different divisions unless more administrative procedures were installed. 250 new people were employed last year. With a growth like that we needed more structure and principles. Things do not just happen by mouth-to-mouth. At the same time we could see that if we wanted to be aggressive and be 200 in England and 200 in Germany, there was no reason to learn the same thing twice in each country. In addition we have learned a lot in Denmark and these experiences had to be transferred.

The BSC was related to the salient demand for more control. At the time, to Columbus, standardization concerned the numerous sales divisions that were deemed to be largely similar production systems. This was the reason that standardization could be contemplated. In Columbus the BSC was related to the problem of benchmarking. It became a tool for standardization. The chief controller explained:

> Balanced scorecard was warmly welcomed in the sales divisions because they saw something useful. They could also use it in the interaction with us. They could ask: how should I do this or do you have anything in relation to this issue? It became possible to compare Austria, US, England, etc. Some were good at something, others at other things. They learned how to do things in respect to all the measures in balanced scorecard, which we tried to relate to best practices. I think that is the reason why balanced scorecard was so well accepted. The balanced scorecard is not just a strategic measurement system, it is a short way to do things better.

The measurements in the BSC were seen as resources for comparing sales divisions; it was possible to compare a process in one division with the same process in another. To facilitate comparison between sales divisions, Columbus developed distinctions between different stages in the development of the sales divisions; a sales division could be a support office, a mainstream entity, or an integrator. For each of these different organizational forms a series of key processes were set-up, and related goals and measurements followed:

> It was more a matter of comparing processes rather than talking about customers. It was another point of departure but nevertheless crucial at that point of time.

It was a conscious decision to make the BSC different from its stipulated procedures. The customer had no priority in the narrative of the BSC, and learning through benchmarking was favoured, which was an effect of the internal problem of growth:

> The basic reason why we implemented balanced scorecard was that we had grown so much, and that it was recognized by top management that the 20 countries we were in and the new ones that were yet to come were making or would make the same mistakes. Of course they make mistakes, but there has to be a medium to report the mistakes and initiate a learning process and communicate standards for all the things that we do and the things that create value to our organisation.

The inside was made up of operational issues and concerns of learning from each other. Problematizing through benchmarking was an impetus for making organizational strategy a mechanism to build efficiency into

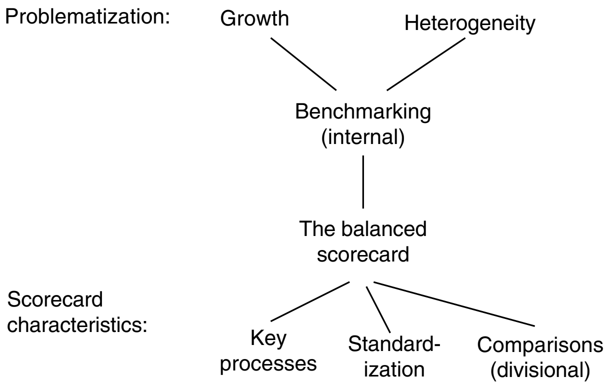

Figure 9 Organizational problems and the BSC in Columbus IT

operations and allow growth to happen simultaneously. Figure 9 illustrates the character of the BSC in Columbus IT.

BRFkredit: BSC for Business Process Reengineering

BRFkredit is an independent mortgage credit institution that offers financial solutions and other services related to real estate and property. BRFkredit offers loans against a mortgage on owner-occupied homes, commercial properties, and subsidized housing. In the corporate lending segment, BRFkredit focuses on loans for office and business properties and for private rental and cooperative housing. Loans for residential purposes account for almost 90 per cent of the total lending, whereas office and business properties make up less than 10 per cent. Being owned by a foundation, BRFkredit is under no pressure to pay dividends or increase share prices. Hence, BRFkredit has its focus on providing bondholder value rather than shareholder value. The company administered in 2001 loans for approximately €20 billion and its equity was valued €1.2 billion.

The BSC was implemented in BRFkredit in parallel to a BPR project. The financial manager explained about the BPR project:

> At that time we decided to change our organisation. The reason was that we recognised that we didn't perform well enough: too high process time and costs.

Consequently, BRFkredit initiated two BPR projects:

> The first reengineering project was about improving the efficiency in the loan processing process. The target was shorter process time, professionalism, improved communication, and a higher success rate (offer vs. contract). The second reengineering project was about the distribution channel for the private sector, primarily the estate agents. We thought we could get more loans out here—there was a high potential, but we really didn't exploit our possibilities. We also looked at other channels and also the communication between the estate agents and BRFkredit.

To monitor BPR projects, a control system was needed, the financial controller explained. The BPR process was extensive and complex and a formal goal setting system was needed. The BSC became the resource here and it was closely linked with the BPR process. The financial manager explained:

> When we started with balanced scorecard it was with a point of departure in two BPR-processes. We found that the philosophy behind balanced scorecard easily could be used as a tool to manage the input and the output related to the BPR processes. When we started to use balanced scorecard the theory behind it was quite new and we gave it our own touch. However, I think the way we used it was powerful.

The BSC was presented as an MCS, which could control the process of reengineering. The financial manager, and with him other top managers, used the BSC to outline goals and measures and to formalize the evaluation of the processes. They sought to grasp the change of the processes, and the BSC gave them a framework for converting success factors into measures and wrapping them in systems of accountability:

> We have used balanced scorecard to control the processes. For all the input and output we had in the BPR process we evaluated critically the question of Critical Performance Indicators. We went thoroughly through the two processes with senior management and asked: what is it that we want to contribute with and what are the results? In addition we asked: does it work? And we measured the effects. It was the reason why we got success with balanced scorecard, I guess, we could see what worked and what did not. We spend a lot of time deciding in what way we should measure the effects of the reengineering work.

The construction of this BSC was built on an inside–out logic. The processes needing revitalization were catalysts for developing strategic performance measurements and the scorecard played a role in

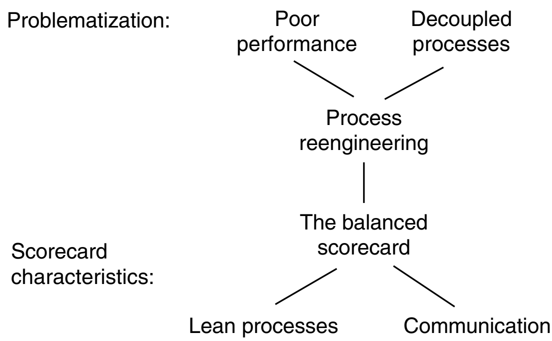

Figure 10 Organizational problems and the BSC in BRFkredit

conceptualizing and understanding the organizational change initiated by the reengineering projects. This combination between measurement and process development was characterized as crucial by the financial manager. He suggested:

> We worked with processes and reporting simultaneously. We developed the processes and documented the result via the numbers. The scorecard actually reveals the way we have organised our BPR-process. These are the background for our measures—for example: reduce our portfolio exit by xx. Now we have set-up some five years measures based upon these criteria. We use them in our strategy process now, and they provide the managers with some good input for discussion.

When the BSC was implemented in BRFkredit it took its character from the reengineering processes. Later, its identity also came from other sources, among other things from the development of a new market strategy. But in this initial stage the point of departure was the two reengineered processes: loan processing and distribution. Figure 10 illustrates the characteristics of BSC in BRFkredit.

Discussion

The four examples presented above suggest that BSCs are mobilized vis-à-vis organizational problems that colour the scorecards' identity. In these cases, the BSC came from important yet distinct organizational problems, and in its association with these problems, it gained character. It surveyed the implementation of cross-functional integration, introduction of a planning culture, the use of benchmarking, and the development of BPR. The BSC was bent around organizational problems, and the role of strategic performance measurement—the representation of corporate value and coherence—in the four firms differed dramatically. In ErcoPharm, measurements were used to link organizational entities, and therefore the attempt was to develop measurements 'between' the processes that the representations were to integrate, while in Kvadrat the ambition was to make individuals disclose their ambitions so that some form of coherence between people could be developed via visibility into goals and objectives. In Columbus IT the concern was to compare processes by measurement, and for BRFkredit, the measurements were used to signify the effect of a new and transformed process.

The situated logic of the process of developing strategic management accounting

The specific or situated logic that guided the development of the BSC in the four companies varied from case to case and its role was flexible as it was related to particular organizational problems in the companies. This tells us something about what it means to implement strategic management accounting in general and develop a BSC in particular.

First, there is a question about what corporate value and coherence are. Often in the strategic management accounting literature, conceptualizations are extrovert and oriented towards locating the firm in its environment. Our cases illustrate that these might be challenged because translations of value and coherence also emerge from particular organizational problems and these problems seem to be developing situated logic and justification of the BSC project and thus also the role accorded to it.

Second, the implementation of a BSC is itself a process that involves complements, overlaps, and conflicts between various articulations of what its purpose is to be. In the cases we found a discussion of what the BSC could achieve by itself and what it was supposed to do in the firms. This included an explicit discussion of what parts of the BSC were not relevant. It appeared, at least, that project managers were conscious of possible differences between what they would term the 'theory of the BSC' and the way they wished to draw it into their firms. They realized that BSC could be used for many other things and have very different presentations from what they considered to be the norm of a BSC. To project managers this did not invalidate the BSC; it gave it new power. It could be bent towards purposes so that a local identity could be upheld and yet, at the same time, the notion that BSC was implemented, and not something else, could be also be upheld.

Third, as a mechanism for strategic management accounting in the cases the BSC safeguarded the notion of strategy so that it partly came to refer to what was *important and problematic* in a firm rather than any distinct object like the market, the competition, or the customer, which appear to be favoured in texts of the BSC. This did not restrain the companies from using it liberally, but they added to it and made it perform distinctly in relation to the emerging concerns of their firms rather than vis-à-vis a preordained object in the environment. We saw that strategy, as practice, is a fragile and dynamic thing, which is bound to organizational problems, and it may not be possible a priori to define how these look. Does the BSC look for strategy and find organizational problems, or will organizational problems look for an implementation device and find the BSC? In both situations, the BSC only performs in settings; it performs by allowing additional complements to colour its identity.

Yet the BSC is also strong because it adds to the locality. It presents a strategic discourse where value, coherence, and measurement are tied together. It allows firms to develop closure around complex projects that reorient their identities because it helps frame connections that were not readily available beforehand. Notably, by insisting on goal-directed measurement that translates more or less vague ambitions and goals into measurements, it justifies a debate on connections and how such connections are part of the firm. The BSC in general allows 'grand ambitions' and 'reporting systems' to be talked about simultaneously. In addition, it is probably no disadvantage that the BSC also has a reputation in business; that it helps define what 'modern management' is about. It is an institutionalized object that is very difficult to be against, and therefore it also has power in particular settings and can be used to transform them.

A strategic management accounting system such as the BSC is one input into organizational action and it contributes to developing a situated logic around particular organizational problems. In their meeting points, strategies will emerge. Emerging strategies develop through inputs, many of which are intended strategies, but intentions cannot govern the development of actual strategies alone, because they have

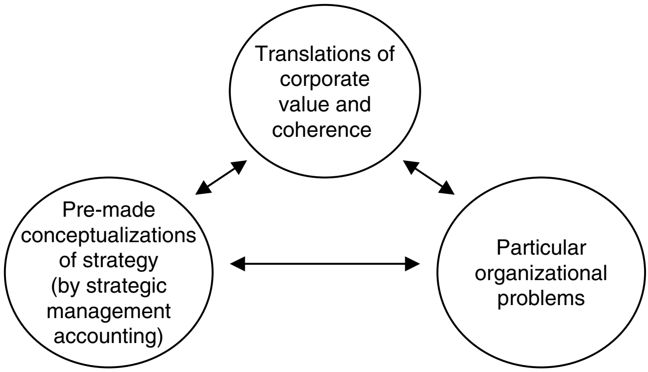

Figure 11 Components in translations of corporate value and coherence

to respond to organizational problems as they have sedimented themselves. Therefore, new strategic management accounting intervenes into existing organizational arrangements, but can only be strong if it adopts viewpoints parallel to those that emerge as organizational problems.

Thus, Figure 11 depicts our point that translations of corporate value and coherence relate not only to pre-made conceptualizations of strategy (for instance as suggested by Kaplan and Norton) but also to particular organizational problems (corridor thinking, lack of planning, heterogeneity, underperformance); the issue of corporate value and coherence is not given a priori. The four cases we have introduced portray the pre-made conceptualizations as marginalized. However, it may not always be so. Pre-made conceptualizations may interact more or 'fit' better into other settings; however, they can never make it alone. Particularities will always present themselves. Organizational problems hold significant insight into what is at stake in the individual organization, and therefore—in relation to strategic management accounting—a certain dose of modesty is welcome because there will be leaks in the pre-made conceptualizations of what it is that might generate value and coherence in the particular organizational setting. Thus, we suggest that we stop and reflect.

This chapter has called for pluralism. It suggests that theory about strategic management accounting should be concerned with the role of the specific resources that are present in practice in the form of particular organizational problems as they influence the translation of corporate value and coherence.

Organizational problems and the 'functionality' of strategic management accounting systems

To understand the juxtaposition between organizational problems and strategic management accounting systems generally is partly to engage in what Ahrens and Chapman (2004) term the enabling side of (strategic) management accounting system emphasizing their role in the process of learning and building competencies in organizations. They note that management accounting systems can have a very active and influential role in intervening in small and big decision-making processes. We may add that this is exactly because they are introduced and operated in view of organizational problems so that there is an interest in manoeuvring the management accounting systems towards decision-making. But this is hardly the effect merely of a 'good' management accounting system. It is because an effort has been made to tie the management accounting system with a context that a priori is only loosely coupled with this context, but it gains connectivity in the mobilization of the organizational process.

Organizational problems are thus not 'negative'—they are ongoing problematizations that continue to develop an appreciation of where the firm would go among the numerous paths that could have been followed. Organizational problems are 'positive' in the sense that they seek to engage the future of the firm. They are 'in action' because they respond to the history of the firm and develop alternatives to feelings of misalignment that push unintended consequences forward; at least they identify effects that are unbearable and therefore somehow need to be rectified. Organizational problems are—as part of emerging strategy—always a problematization that engages the future.

In the translation processes the problems and solutions were closely related; the problems were connected to a method of their rectification. In all our cases this method of rectification involved performance (which justified the problem), delegation (that makes things happen), and coordination (how elements are related). The solution—the counterpart to the problem—was an 'administrative' procedure that embedded organizational decision-making. This is where the BSC came in as a mechanism to tie together performance, delegation, and coordination and express them coherently; it helped create this integration. Here, the BSC was 'functional' as it devised a procedure to put the problems of benchmarking, cross-functional integration, individual goal setting, and process reengineering into solutions of decentralization, planning, control, performance, and change. It actually helped integrate various singular management areas such as marketing and production and intertwined them through a representational space where 'administrative' obligations and duties were drawn up.

The action between strategic management accounting systems and organizational problems is not only a discussion of the outside versus the inside, which has been the case in this chapter. Yet in our analysis of the four firms it was exactly the confrontation between the internal and the external that included the tension between BSC articulations and practical articulations.

Conclusions

Often, the idea of strategy has been left unproblematized in strategic management accounting debates. In this chapter we have found that the rhetoric and conceptualizations of corporate value and coherence made by strategic management accounting systems may not always be reflective of practice. We suggest that organizational problems are central aspects of a going concern where the firm is already in an operating mode and has a history so that strategy becomes emerging rather than pre-definable. The history is where organizational problems are and these attach to new strategic management accounting systems and provide them with identity and purposes, which in some situations are very far from the rhetorical functioning of such new systems. At the same time, however, new strategic management accounting systems also exist as entities that can function as a BSC in all four firms even if their local characteristics vary.

When Kaplan and Norton (2001: 104) precisely note in respect to their conceptualization of strategy that '[W]e do not claim to have made a science of strategy.... The description of strategy, however, should not be an art. If we can describe strategy in a more disciplined way, we increase the likelihood of successful implementation', they make an understandable distinction. The challenge is, however, that organizational problems are not easily inscribed and disciplined and they seem to have particular roles in terms of translating value and coherence in firms. As organizational problems are located in the history of the firm, they are also part of the emerging strategies of the firm. As illustrated in the cases, the strategic management accounting tool cannot be separated from the problem it is seen to negotiate, and, suddenly, how strategic management accounting can remain outside the realm of strategy formulation is difficult to see.

The BSC is analysed here as a boundary object (Star and Griesemer 1989). As a boundary object, BSC is plastic enough to appeal distinctly to a local situation where its identity is moulded through the specific network of affairs that make it up. This is why it can 'stand for' cross-functional integration, planning culture, benchmarking, and BPR. Its association with organizational problems forces it to attain colour from the specific situation. However, it is also plastic enough to keep an identity that traverses between the contexts of its application. It has an imagery with four dimensions and some relation between strategy and indicators that can be identified across contexts and can provide a blueprint of 'modern management'. The BSC does not encapsulate all activities in local situations, as the four firms knew they were not just applying the BSC. The global character is more an imagery that provides a form into which management practices can be put and which combine what may be shorthand for any conceivable concern that a management of a firm may have.

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