Balanced scorecards in Finnish companies: A research note

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The balanced scorecard (BSC) seems to be the latest management fashion to sweep the organizational world. Despite its apparent popularity, we have only limited systematic, research-based evidence on BSC applications. This study aims to find out how BSCs are applied in Finland and why companies adopt them. The study comprised a series of semi-structured interviews in 17 organizations. It appears that BSCs are used basically in two different ways. The first approaches management by objectives. The second is to use BSCs merely as an information system. Moreover, our findings suggest that the idea of linking measures together based on assumed cause-and-effect relationships was not well understood by the early adopters of BSCs. In explaining the popularity of BSCs in Finland, supply-side forces seem to have an important role. These results, as well as the definition of the BSC, are discussed and ideas for further research are presented.

Key words: balanced scorecard; non-financial measurement; performance management.

1. Introduction

The balanced scorecard (BSC) seems to be the latest management fashion to sweep the organizational world. After its introduction in the early 1990s, it has attracted considerable interest among companies in recent years. This is evidenced by the large number of seminars and workshops devoted to the issue, including a number of case presentations by companies that have adopted BSCs. Books have been published containing case examples of BSC implementations (e.g., Olve et al., 1998). A number of software vendors provide tools for BSC (Sharman and Kavan, 1999). A recent survey (Pere, 1999) suggests that balanced measurement systems, both BSCs and others, are already widely used in large companies and their business units located in Finland. Of the respondents, 31% indicated they have such a system and 30% Helsinki School of Economics and Business Administration, Department of Accounting and Finance, P.O. Box 1210, 00101 Helsinki, Finland. E-mail: malmi@hkkk.fi

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were implementing one. Similarly, a survey conducted in the USA estimates that 60 percent of the Fortune 1000 firms have experimented with BSCs (Silk, 1998). Despite tremendous interest among practitioners, we have only limited systematic, research-based evidence on BSC applications (see also Ittner and Larcker, 1998).

The BSC was initially described as a performance measurement system containing both financial and non-financial measures. The measures of the BSC span four areas: financial performance, customer relations, internal business processes, and the organization’s learning and innovation activities. One of the core ideas in the early writings was to tie the measures in the BSC to an organization’s strategy (Kaplan and Norton, 1993). More recent writings on the BSC stress its development from an improved performance measurement system to a strategic management system (Kaplan and Norton, 1996a,b). In addition to linking measures to vision and strategy, measures should now be linked to each other, following a series of cause-and-effect relationships. Moreover, strategic management systems involve use of BSCs for goal setting, compensation, resource allocation, planning and budgeting, and strategic feedback and learning. Hence, the early image of the BSC serving the CEO like a control panel serves an aircraft pilot seems to have expanded to include mechanisms to alter the course of action as well. Now, the BSC seems to serve as a control panel, pedals and a steering wheel.

Thus far, the BSC has attracted relatively little criticism. Butler et al. (1997) considers Kaplan and Norton’s model to be too general. They point out that it may not fit the organizational culture and jargon. They also feel that BSCs may ignore corporate missions; in situations where employees accept the company mission it may be better to build metrics on that mission instead of importing an unfamiliar concept from outside the company. Laitinen (1996) in turn considers the selection of (four) basic dimensions and their interrelationships problematic. He claims that measures in practical applications appear to be only loosely connected to each other, being unable to provide any clue about which company-internal factors should be developed to achieve success in the market place and in financial terms. Norrekilt (2000) has similarly questioned the existence of a causal relationship between the four areas of measurement. Moreover, she questions the validity of BSCs to serve as a strategic management control tool. Epstein and Manzoni (1997) question the ability of companies to agree on a strategy in such clear terms that it would enable construction of a BSC. They also feel that maintaining such a system may prove laborious. Vaivio (1995) in turn questions the idea that a handful of quantitative measures can portray the various facets of a company’s strategy.

In addition to such criticism, a few authors have questioned the novelty of the idea. For example, the French are known to have used a somewhat similar system called Tableaux de Bord for decades (Lebas, 1994; Epstein and Manzoni, 1998; see also Lynch and Cross, 1991). Moreover, the idea of linking measures to strategy is not unique to the BSC (McNair et al., 1990; Beischel and Smith, 1991; Grady, 1991).

The main purpose of this study is to find out how Finnish-based companies apply the BSC concept. As the concept seems to have evolved in recent years, we aim to assess, in particular, whether BSCs are used as an improved performance measurement system or as a strategic management system.

\(^1\)See also Anthony and Govindarajan, 1998. For a more general critique of comprehensive performance measurement systems, see e.g. Eccles and Pyburn, 1992, and Fisher, 1992.
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There are a number of sub-questions through which the nature of applications are studied. We will first focus on the content of scorecards, including perspectives on the use, number and novelty of the measures used, and an assessment of whether the assumed cause-and-effect relationships are reflected in the scorecards (see also Laitinen, 1996; Norrekilt, 2000). Content provides a basis for understanding use of the BSC, which is studied next. The key questions addressed are the following: Who is interested in the performance reported by BSC measures? Are targets set for measures? Are managers rewarded on the basis of scorecard measures? And in which hierarchical level(s) of the organization is the BSC applied? Moreover, BSC’s relationship to ‘old systems of control’, usually budgeting, helps to assess the type of use (see also Otley, 1999). We also address the perceived benefits of the BSC. The economic benefits from using a BSC may be regarded as one of the primary research questions in this area (Ittner and Larcker, 1998). Although the assessment of economic benefits from using BSCs is bound to be difficult, the perceived benefits will help us to assess their role in an organization.

Another purpose for this study is to provide some preliminary insight on why companies adopt BSCs. Moreover, based on empirical observations, this study aims to contribute to the discussion of what makes a performance measurement system a BSC, a prerequisite for further empirical research on the topic.

As the phenomenon is relatively recent, this study is of an exploratory nature. We feel, however, that it is important to provide even preliminary insight on these issues, as the BSC appears to be a current topic in a number of organizations, both private and public. Hence, this study aims to respond to calls to study accounting and management control practice.

The article is organized as follows. The second section describes the research method used. The third section presents the results, and the final section a discussion.

2. Research method

The study comprised semi-structured interviews. Interviews were considered the most suitable method to provide answers to the research questions at this early stage of BSC diffusion. Interviews were conducted during spring 1998. Our initial intention was to interview all organizations known to use BSCs at that time. Use was identified through seminar brochures and by contacting a number of seminar organizers. Moreover, questions about possible BSC adopters were asked at numerous management seminars and workshops over the previous 2 years. Consulting companies and software vendors were also asked for known applications.

We ended up identifying 27 organizations that had adopted BSC. We contacted 19 of them, all located in the Helsinki metropolitan area. The selection was made on a purely geographical basis. As we found that most of the companies were in the fairly early phase of implementation, and thus increasing the number of interviewed companies would add only limited value, we decided not to visit the rest of the identified companies located elsewhere in Finland. Two companies were not willing to take part in the study. Hence, we ended up interviewing 17 companies, representing diversified fields of business including telecommunications, media, retailing, banking, food processing, beverages, metal, engineering, oil and gas, and utilities (Appendix). The smallest interviewed company/unit employed only 360 persons; the largest had 25 000 employees in Finland.
In each company we tried to identify the person most knowledgeable about the development and use of the BSC application. Eight of the interviewed persons represented business planning, six were from accounting and finance, and three were CEOs or other managers. Interviews were semi-structured, lasted from 1 to 2 hours and were all tape-recorded.

3. Results

Content of the scorecards
Most of the companies interviewed (15 out of 17) have four perspectives in their scorecards, mainly those suggested by Kaplan and Norton. Two service organizations\(^2\) have added a fifth employee perspective to their scorecards, a choice common among Swedish companies (Ewing, 1995, Ewing and Lundahl, 1996; Olve et al., 1998). The number of measures in the BSCs vary, the minimum being four and the maximum 25 among the companies interviewed.

Implementing the scorecard has meant adopting new measures that were not used earlier by most companies; in only two units did the BSC not bring any new measures. Those companies with no or only some new measures emphasized that the BSC had forced them to select the most important measures from the existing ones and helped them to focus their attention.

One of the key ideas suggested by Kaplan and Norton (1996a,b) in constructing scorecards is to link the measures to strategy and to each other following the assumed cause-and-effect relationships. On this issue, there seems to be some confusion (see also Laitinen, 1996; Norrekilt, 2000). Most interviewees stated that they have derived their measures from strategy, based on cause-and-effect reasoning. When asked to give an example of such cause-and-effect chains, the claimed link between strategy and measures appeared weak in most companies. Comments such as ‘each measure has its strategic target’ (manager of a large, pioneering production organization), ‘as we aim to do research and development, we measure R&D volume’ (manager of a medium-sized service organization), ‘supervisors have their own measures and when they discuss with their subordinates they set targets for them’ (manager of a large defensive production organization) suggest that the initial idea of linking measures is not well understood. It seems that this applies to all type of companies interviewed here, and this linkage is not perceived even by the managers interviewed, who should possess the best understanding of such relationships in practice. Moreover, a few companies claimed that ‘we do not know how much some factors and measures affect other factors and that there might be a chance to establish such relationships in the future’ and ‘we are not so far along yet’ (business planners of two medium-sized mature production organizations), suggesting that it is assumed that cause-and-effect relationships should be known before the measures can be linked. This is contrary to the idea of strategy being a hypothesis of the cause-and-effect relationship.

\(^2\)We use the terms service and production organization instead of more specific descriptions to assure anonymity for respondents. Service organizations include banks, the post office, an engineering company, real estate services and retailers. Others are classified as production organizations. There are only two project-type organizations in this sample and they are mentioned whenever referred to.
The use of scorecards

BSCs are primarily applied at business unit level. Business unit refers to profit center, division, subsidiary, or the like, in contrast to corporate level on the one hand and to department, activity, team or individual level on the other. This is not surprising, because it is usually at business unit or division where competitive strategies become crucial. Similarly, Kaplan and Norton (1996b, p. 300) argue that the initial scorecard process works best in a strategic business unit. In some corporations, BSCs have been applied only on a single organizational level, in others on various levels. This scope seems to be mostly connected to the time at which the BSC was applied. Roughly half of the companies interviewed said they have or plan to develop a corporate level scorecard. Similarly, there are BSCs at departmental and activity levels and interviewees indicated that the intention is to develop scorecards at these lower levels of organizational hierarchies. The hierarchical level(s) at which BSCs are applied may not explain much about their use at this early stage of applications, but in further studies this would be one of the key issues to consider in evaluating their scope as a strategic management tool.

Scorecards are used basically in two different ways. Most companies set targets for BSC measures. Managers are held accountable for achieving the targets. In a sense, the use is no different from the idea of management by objectives. Non-financial measures and targets are used along with financial measures to provide more comprehensive accountabilities and to direct managerial emphasis to issues thought to have strategic relevance. Some companies, on the other hand, appear to set no targets for the measures. In those companies, BSCs seem to act more as an information system than a steering device. As one business planner of a medium-sized, mature production organization commented on the role of the BSC in his company: ‘a tool for management so that they are able to see what to improve’. Hence, while in some organizations BSCs provide a tool for upper and lower levels of management to agree on targets, in others the role is more one of providing the managers responsible for financial targets with information. This is also evidenced by the fact that few companies indicated clearly that upper level management review lower level BSC achievement. In others, the use of BSCs rests purely with the managers responsible for unit performance.

To the direct question of whether BSCs are more of an information system than a means of implementing strategy, nine respondents, including managers, business planners and controllers, indicated that they serve both purposes. These respondents come from both large and medium-sized production and service organizations, from mature and fast growing businesses, including one project-type organization. Six respondents from business planning and controller functions saw the BSCs mainly as a tool to implement strategy. They represented both large and medium-sized production and service organizations, including one project-type organization, though most organizations were in mainly mature businesses. Two business planners considered BSCs to be pure information systems. These interviewees come from a large and a medium-sized production company, both in mature businesses. Hence, it appears that use of BSCs is connected neither to the type of company nor to its organizational structure. Moreover, the professions of the respondents do not seem to affect the way BSCs are perceived.

A related issue is how managers are rewarded. Kaplan and Norton (1996a,b, p. 217) suggest that reward systems should sooner or later be linked to scorecard
measures. If companies pay on the basis of BSC measures, we may assume that they are able to steer the organization with the BSCs. If monetary rewards are based on criteria other than BSC measures, we may at least question the steering impact to be achieved by adopting BSCs. Thirteen out of 17 interviewed companies had some sort of bonus program. In four companies, including both production and service organizations operating mainly in mature businesses, BSCs had nothing to do with the existing bonus program. In three service organizations, including one project-type organization, bonuses are tied directly to all or some of the scorecard measures, but to no other measures outside the BSC. In six companies, including both production and service organizations of different sizes and strategy, part of the bonus is based on the achievement of BSC targets and part on other indicators such as personal development targets. Hence, there are a number of different ways in which companies have solved the issue of incentive pay and BSC. From this sample it appears impossible to identify background variables to explain this variation. However, the interviews did suggest that as BSC applications mature, incentives will be more often tied to BSC measures. The two companies, one production and one service organization, that set targets for BSC measures and aim to use them to implement strategy, but pay bonuses on a different basis, may benefit from reconsidering their control system and the role of the BSC in it.

Budgeting has long served as the core of the control system in most companies. Targets can be set and performance measured with the aid of the budget. Kaplan and Norton (1996b, pp. 247–248) argue that in most organizations the strategic planning and budgeting processes are separate, but continue that ‘strategic planning and operational budgeting processes are too important to be treated as independent processes’. In contrast, Ax and Bjornenak (2000) refer to fashion setters promoting BSCs to replace budgeting in Scandinavian countries. One way to understand the use of BSCs is to consider whether companies have changed their budgeting practices, either by reforming, e.g. yearly target setting as suggested by Kaplan and Norton, or by abandoning budgeting, as suggested in Scandinavia. For most companies interviewed it appears that BSCs have been developed independently of the budgeting process. There were two interesting exceptions, however, both of which operate in mature fields of business. One is a large capital-intensive production organization. Its production process is continuous and it has a matrix organization. The operating environment is quite unstable and therefore forecasting is difficult. Another is a medium-sized service organization. It is a profit-center organization, each profit center being responsible for a certain geographical area. For this less capital-intensive company, the environment appears fairly stable. Both companies claimed that they do no yearly budgeting and that this is related to use of a BSC. They both do rolling forecasts that they may or may not call budgeting. Target setting and performance measurement are accomplished with BSCs. Hence, control by budgets has changed to control by BSCs in these companies.

Practicalities of applications
Thus far, data for BSCs are collected mainly manually and systems are usually maintained in spreadsheet programs or in the Lotus Notes environment. In two of the companies interviewed a special software was acquired/developed. This is quite natural given the relatively short time in which companies have experimented with BSCs and the relatively recent introduction of BSC software (Sharman and Kavan,
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1999). As one of the controllers interviewed commented: ‘we would first like to probe the applicability (of BSC) manually’. More than half of the companies interviewed were not happy with their IT solution for BSC.

The ways in which BSC results are reported varies quite a lot. In some companies, paper reports are distributed to selected managers; in others manually crafted reports in electronic form are available to those interested or access is allowed to them. Finally, some applications allow more advanced drill-down features to see behind the numbers. In most of the companies, reports fit on one A4 page or screen. The most common reporting frequency appears to be once a month; some companies compile their BSCs three or four times per year. Automation of data collection and improvement of reporting abilities were seen as future targets for improvement.

The effects from using BSCs
All interviewed persons had a positive attitude towards BSCs. As it is always difficult to obtain critical comments from people that have been personally responsible for adopting new innovations, the interviewees were asked to determine what had changed after the introduction of BSC. A manager of the large, pioneering production organization gave the following example: ‘For example logistics. The whole organization is interested in following-up and improving these things. Delivery reliability and warehouse turnover have improved a lot’. Quantified changes were rare, however. Most companies emphasized the changes in discussion topics. ‘These days we equally discuss all five topics in board meetings’ (manager of a medium-sized service organization) and ‘so far we have discussed mainly growth and results, now there are new topics in the discussions’ (business planner of a medium-sized production organization). One business planner from a large service organization stated the following: ‘the whole planning and control system has changed. Earlier only sales and profit targets were determined, now we set and follow-up targets for know-how’. Although the majority of the respondents were able to identify changes, it seems that in some companies BSCs were created in the hope that managers would realize their potential. Unfortunately, the small number of companies studied and the relatively short experience with BSCs in companies in Finland prevents us from making a more far reaching analysis of the possible impact of various firm characteristics or type of use on the usefulness of the BSCs.

Why BSCs?
The reasons for adoption are certainly many. Five different reasons that appear to influence adoption decisions are discussed below.

First, some companies stated that BSCs translate strategy into action. Comments by the controller of a large production company: ‘we needed a bridge between strategy and operations’ and by a business planner of another large production organization: ‘we wanted to make sure that our strategy proceeds in the new organization’ were among those explanations close to the argumentation of Kaplan and Norton. The BSC model was found to be ‘smart’, as one business planner of a medium-sized service organization put it. Hence, it seems that companies have had some problems in tying strategy work and yearly operations together and that BSCs appear to be an appealing solution to this problem.

Second, quality programs and especially various types of quality awards sought by organizations seem to encourage BSC adoptions in Finland. Twelve out of the 17 organizations interviewed claim to apply TQM, to be certified or to be conducting
some other type of quality development. Seven out of these do self-assessment. As one business planner of a medium-sized production organization put it: ‘this (BSC) is a crucial part of quality award self-assessment, to be able to score high points’. Similarly, another business planner from a large service organization stated that ‘the BSC is a tool for quality management’.

Third, some companies seem to have adopted BSCs to support some other change agendas. In one service company, the BSC was adopted to support a new value chain concept. In a large production company, the controller claimed that ‘we are moving to the era of process management and this will require new measures and ideas of what are the most important measures’. Furthermore, another large production company had undergone a process of merging two formerly separate companies. The management of the new entity required management structure and systems different from those that had prevailed in the once independent companies. Introduction of the BSC served as one of the cornerstones of the new, neutral system.

Fourth, a surprisingly high number of interviewees mentioned motives which relate to managerial fads and fashions (see Abrahamson, 1991, 1996; Malmi, 1999). Half of the companies said they obtained information about the BSC from consultants. Some respondents were quite frank about the role of consultants. As one controller of a large production organization put it: ‘the BSC was marketed to us during Activity-based costing project. Involved consultant ‘sold’ the idea to us’. Likewise, a business planner of a medium-sized production organization told us that ‘a consultant was originally involved in a self-assessment. That is where the BSC originated. In the beginning of the project the consultant was actually involved too much’. One manager of a large production organization commented on their motives for adopting the BSC and the consultant’s role in their change program: ‘there was a foreign consultant as project manager. He represented a consulting organization closely connected to Kaplan and Norton.’ In addition to consultants selling new ideas, public seminars seem to have been an important source of information about the BSC for companies. In addition to providing information, a number of seminars and workshops devoted to a certain issue tends to promote the topic as fashionable.

Fifth, it seems that in some companies the motive for the BSC has been abandonment of traditional budgeting. Some companies have found budgeting laborious and regard it as an inaccurate estimate of the future, even when it is completed (Walander, 1995; Hope and Fraser, 1997, 1999). However, abandoning budgeting in the traditional sense requires some mechanism for agreeing on targets for coming periods. This is where BSCs may help. Two companies referred to changes in budgeting practices as one of the motives for the BSC. One CFO of a medium-sized service organization explained their adoption of the BSC as follows: ‘There was a seminar in Stockholm on the irrelevance of budgeting. In the same seminar, the BSC was also on the agenda. For this type of business, making budgets does not make sense. Hence, there was a need for a new steering and control mechanism’. In another large manufacturing company, the BSC was introduced as part of a total redefinition of the company control system, one integral part of that redefinition being total abandonment of traditional budgeting.

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3 A number of other companies not interviewed in this study have provided similar comments in informal discussions.
4. Discussion

We studied companies that claim to have adopted BSCs to see what adoption means in those organizations. We did not intend to classify companies ex ante by judging whether they truly use BSCs or not. In fact, that would not have been easy to do. Initially, the BSC was said to be ‘a set of measures that gives top managers a fast but comprehensive view of the business’ (Kaplan and Norton, 1992, p. 71). In their next article, Kaplan and Norton (1993, p. 134) argued that ‘much more than a measurement exercise, the balanced scorecard is a management system that can motivate breakthrough improvements…’. And in their latest article (Kaplan and Norton, 1996a, p. 75) they claim that ‘we have seen some companies move beyond our early vision for the scorecard to discover its value as the cornerstone of a new strategic management system’. Hence, it is actually far from clear what makes a measurement system a BSC. Should we look at the type of measures used, the existence of a cause-and-effect relationship between the measures, the uses these measures are put to, or to some other aspects? The question is important with respect to further research in this area. Moreover, it is linked to discussion of the novelty of the BSC (Lebas, 1994; Epstein and Manzoni, 1998).

An implicit assumption in our research has been that the BSC is a construct containing both financial and non-financial measures (cf. Kaplan and Norton, 1992). We have considered how these constructs are used. It would be difficult to adopt the opposite view, that whether an organization has a BSC or not depends on how the measures are used. A car is a car whether you drive it or not. Moreover, the word scorecard is a noun, not a verb. Although some of the writings emphasize the BSC’s role as a management system, the titles of these articles are illuminating: ‘Putting the Balanced Scorecard to Work’, ‘Using the Balanced Scorecard as a Strategic Management System’. Both suggest that a construct called the BSC should be used in a certain way to derive the most from it. Hence, it appears that the BSC should be defined as a construct, not how this construct is used.

What then differentiates the BSC from other performance measurement systems if not the way in which it is used? An obvious way to distinguish the BSC from systems measuring only financial performance is the use of both financial and non-financial measures. As there are a number of frameworks integrating financial and non-financial performance measures, a more specific definition is required. Balanced Scorecard Collaborative, Inc., founded and managed by Kaplan and Norton, define the BSC as a ‘multi-dimensional framework… that uses measurement to describe an organization’s strategy’. Whether the measurement system describes or reflects strategy, and how it does this, may serve as one way of distinguishing between various measurement frameworks.

The problem with this distinction is the vague definition of strategy. It has been suggested that a company may have either cost leadership, differentiation or focus strategy (Porter, 1985); or a company may build its strategy on its core competences (Prahalad and Hamel, 1990). How do we judge whether these competitive strategies are reflected in the measures? Moreover, what companies seem to do in practice is to divide strategy into manageable pieces, usually according to responsibilities. Hence, it is not uncommon in practice to see companies with a marketing strategy, a manufacturing strategy, an R&D strategy, an HR strategy, an IT strategy, or a quality strategy. If these are derived from competitive strategy, should all these be reflected in the BSC in order to reflect strategy?
Kaplan and Norton’s (1996b, p. 149) definition of strategy—‘a strategy is a set of hypotheses about cause and effect’—calls for the existence of a cause-and-effect relationship in a ‘properly’ (ibid, p. 31 and p. 149) constructed BSC. They argue that a BSC should contain outcome measures and the performance drivers of outcomes, linked together in cause-and-effect relationships (ibid, p. 31, see also Norreklit, 2000). It would be tempting to define the BSC as different from other measurement systems based on these lead and lag indicators and the cause-and-effect links between them. The problem is that most early BSCs would not qualify as BSCs anymore, as also observed in this study. Given that there are various interpretations on how to derive measures from strategy even in the writings of those who have developed and commercialized the concept of the BSC, we suggest that one condition for a measurement system to be a BSC is that it reflects strategy. This should not depend on how the organization defines its strategy or how it derives measures from it. There may be different types of BSCs, early versions that might be called key performance indicator BSCs, and later versions that could carry the name of strategy BSCs, as recently suggested by Kaplan and Norton (2000). Hence, measurement systems without cause-and-effect logic may also qualify as BSCs.

The definition quoted above referred to multi-dimensionality as a key feature of BSC. One criterion for judging a measurement system to be a BSC could be its use of perspectives. Whether there are the original four, or more or less, or whether these perspectives carry a name other than that originally suggested, should not matter. However, the resulting measurement system should somehow be derived from the original BSC framework. This last requirement rules out all other multi-dimensional measurement frameworks reflecting strategy, but having another intellectual background. To sum, for a measurement system to be a BSC, it should fulfil the following criteria: it should contain financial and non-financial measures, these measures should be derived from strategy and the measurement framework should contain perspectives derived from the original four.

The main purpose of this study was to examine how companies apply the BSC. For some companies, the BSC seems to be no more than a new information system. There might even be only minor changes to the actual information managers receive as most of the measures presented in the BSC are not new. Then it merely compiles a set of strategically relevant information and presents it in a form that helps managers to focus. For other companies, BSCs seem to be more than a new information system. Having defined measures, these companies set targets for them, make someone responsible for achieving these targets and even make rewards based on achievements. This type of use comes close to the latter presentation of the BSC as a strategic management system by Kaplan and Norton (1996b).

Researchers should study further how BSCs are actually used in practice. Are these two types of use identifiable elsewhere? Why do organizations choose to apply BSCs in a certain way? In this study, we could not identify any particular characteristics related to organization type, strategy or structure that might explain differences in the ways BSCs are used. In fact, further research will determine whether we can better explain the various uses of the BSC by looking at organizational characteristics; or, does this present diversity of use reflect the development and dissemination of new ideas (Kaplan and Norton, 1992, 1993, 1996a,b, 2000), suggesting a supply-side explanation for the observed phenomena?
Ittner and Larcker (1998) suggest that economic benefits from adopting BSCs are a key theme for further research. Our findings complicate this task. It could be that one way to use BSCs leads to success, whereas considerably fewer benefits should be expected from the other. Norrekilt (2000), for example, has questioned the ability of BSCs to serve as a tool for strategic control. In other words, it is not meaningful to study economic benefits obtained from adopting BSCs without considering how they are used. Further research should study economic benefits from applying the BSCs in a certain way.

Moreover, there are a number of issues that may relate to the usefulness of the BSC as a tool for strategic management (see also Norrekilt, 2000). In some of the companies studied, BSCs have replaced traditional budgeting as a means for setting targets. Hence, it appears that in these companies BSCs extend the traditional profit responsibility to include other, non-financial measures as well. This in turn may indicate changes in accountabilities and ultimately changes in firm performance.

Does adoption of the BSC change accountabilities in practice? How are accountabilities affected in those organizations that continue to use budgeting and BSC in parallel? Lipe and Salterio (2000) suggest that common measures for multiple units are the only ones affecting the evaluations made by superiors. Will common, budgeted financial figures retain their dominance regarding accountabilities in those organizations using BSC for long-term planning and control and budgeting for short-term? How are these tools integrated in reality (Kaplan and Norton, 1996b)? Addressing these questions, further research should assess the role of BSCs among existing systems of organizational planning and control. The way they are applied together with existing systems is likely to influence usefulness. Furthermore, we observed a number of ways in which reward systems were linked to BSCs. The impact of the various ways of tying rewards to BSCs on economic benefits of using them is worth study.

Another major observation in this study was that the idea of linking measures following assumed cause-and-effect relationships is not well understood. This appears to be related to how original writings suggested that measures be derived. Having defined a vision, each perspective was to be considered separately (Kaplan and Norton, 1993, p. 139). Critical success factors and then measures for each perspective were to be defined. The attention was on each perspective in turn, not on the cause-and-effect relationship between measures and perspectives. Our interpretation is that most companies in Finland have created their scorecards in this manner. It appears that the resulting measures and perspectives are fairly independent, lacking the currently suggested cause-and-effect logic (see also Laitinen, 1996).

The key issue here is whether the existence of a causal model behind measures really affects the benefits obtained from BSCs. Moreover, is this related to one or another type of use for BSCs? In particular, do BSCs constructed according to cause-and-effect relationships also facilitate strategic learning and use of feed-forward control in practice, as suggested in the literature (Kaplan and Norton, 1996b; cf. De Haas and Kleingeld, 1999)? Further research should also focus on how measures are actually derived from strategies. Do these practices change as new advice reaches organizations (e.g. Kaplan and Norton, 2000)? Finally, the issue of whether the adoption of BSCs and an attempt to construct measures based on assumed cause-and-effect relationships has an impact on organizations' strategies should be studied (Epstein and Manzoni, 1997; Kaplan and Norton, 2000). Changes in strategies may produce economic benefits from the BSC.
How do we explain the increasing popularity of BSCs in Finland? Why are so many companies adopting them? First, the logic of BSCs is certainly appealing to many in Finland. Second, and perhaps more interestingly, preliminary insights derived from this study suggests that the supply-side organizations of the BSC have a significant effect on the decisions of organizations to adopt. Consultants have had an active role in a number of companies. A large number of seminars, articles and books have turned the BSC into a management fashion. Hence, the increasing popularity of BSCs at present may best be explained by imitative behavior (DiMaggio and Powell, 1983; Abrahamson, 1991, 1996; Malmi, 1999). However, more research will be required to confirm these insights and to assess their applicability in other countries. Moreover, it is of interest whether and how the motives influence the content and use of BSCs, and the benefits obtained. Could economic benefits obtained from BSCs be explained better by looking for motives (e.g. a tool in another change project, translating strategy into action, fostering quality) and the resulting content and use, than for example from organization type, strategy or structure?

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5. Appendix

Companies interviewed:

Alko (Wine & Spirits)
Borealis Polymers Oy
Engel (Real Estate Services)
Espoo Electric
Fazer Confectionary Oy
Helvar Merca Group Oy (Diversified)
Inex Partners Oy (Retail Logistics)
Kesko Oy (Retailing)
Neste Oli and Gas
Nokia Mobile Phones
Osuuspankkikeskus (Bank)
Postipankki Oyj (Bank)
Sanoma Osakeyhtiö (Media)
Suomen Posti Oy (Finnish Post)
Suomen Sokeri Oy (Food & Agricultural)
Valmet Oy (Metals)
Viatek Oyj (Engineering)
Balanced Scorecards in Finnish Companies

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