

**ASSOCIATION OF TECHNICAL AND
ORGANIZATIONAL TRANSLATION WITH BALANCED
SCORECARD - AS A TOOL TO STRATEGIC
MANAGEMENT**

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ABSTRACT

The interpretative variability of ideational innovations makes its implementation processes even more complex, and – partly as a consequence. Different ways of implementing and using the BSC may have different effects on company performance and firms' competitive positions which raises the question of how a company should interpret and use management innovations to achieve favourable results such as substantial performance improvement. The translation of vision and strategy into operational measures is a complicated and dynamic process. The BSC 'should be continually reviewed, assessed, and updated to reflect new competitive, market, and technological conditions consistent with the organizational translation. BSC implementation may induce both functional and dysfunctional behavior and does not guarantee improved company performance also. Two dominant, loosely coupled clusters of interpretations: the technical and the organizational translation are described in

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this paper. These clusters could be regarded as distinct and contrasting categories and are closely related to the different professional groups that shaped them. In spite of the fact that the BSC is an interesting and potentially powerful management tool that can positively influence organizational behavior and enhance company performance.

Key words: *Business Scorecard, Technical Translation, Organisational Translation, Implementation*

FULL PAPER

Introduction

The Balanced Scorecard (BSC) is a strategic management system that aims to clarify strategy and translate it into action. It is widely used by organizations as a tool to assess and manage their companies' performance. There is an emphasis on the need for companies to align the BSC with their strategy in order to reach maximum benefits. In contrast with technical innovations which tend to have tangible designs and content, management innovations like the BSC typically lack strong physical components. As an 'Ideational' innovation amalgamated with a set of novel ideas that lack a material component, the BSC lends itself to various interpretations under the same label, the BSC can be used in various contexts involving many different functional areas and indicators. Empirical evidence suggests that varying professional communities may interpret and use the BSC in possibly conflicting ways, which may have both functional and dysfunctional effects on organizational behavior and change. In addition, different ways of implementing and using the BSC may affect performance and the competitive position of an organisation. The BSC are important sources of firms' competitive advantage. Specifically, these organizational concepts would accompany in shaping contemporary organizational processes, structures and organizational behavior.

Several implications for organizational changes are associated with the BSC. Firstly different BSC translations and interpretations are related to specific groups of professionals and use of the BSC in practice may not be considered as homogeneous. For instance, managers might

rely on different discourses as sources of inspiration and legitimization and be influenced by different specific ideas than professionals in the Accounting, IT and HRM disciplines. This suggests that BSC implementation may become a matter of internal organizational confusion, if not conflict. Contrasting yet latent views on what the BSC is may become manifest during its implementation and use, possibly creating ‘contested zones’: accountants are likely to have other preferences than HR managers, which is likely to affect the ways of use of the BSC in an organization. Implementers and users who are aware of such possible contradictions may be able to counter their effects and reconcile different interpretations to align organizational and behavioral change processes.

The translation of vision and strategy into operational measures is a complicated and dynamic process. The BSC ‘should be continually reviewed, assessed, and updated to reflect new competitive, market, and technological conditions consistent with the organizational translation. Research studies confirm the need for continuous adaptation which may be difficult to realize in practice. For this reason, it is important to improve managers’ understanding of conditions facilitating or inhibiting BSC-implementation as a strategic management system.

Objectives

- 1) To analyse how vital it is to strategically align a firm’s comprehensive performance measurement system with the help of technical translation.
- 2) To study how the organizational translation acquaintances the BSC with a holistic, organic concept for managing strategy.
- 3) To evaluate the management implications while implementing BSC

Review of Literature

Adoption of management innovations like the BSC is generally not a straightforward process. Adoption of these non-material innovations involves many subdecisions, different functional areas and indicators, and customization is often required before firms can enjoy the benefits of these innovations (Braam and Nijssen, 2011). The interpretative variability of these ideational innovations makes their implementation processes even more complex, and – partly as a consequence – their use will not automatically improve company behavior and performance. Empirical studies show that the way of interpretation of management innovation like the BSC is a key for successful application. More specifically, the manner of its use matters: different ways of implementing and using the BSC may have different effects on company performance and

firms' competitive positions. This raises the question of how a company should interpret and use management innovations to achieve favourable results such as substantial performance improvement.

Past studies revealed that the way a concept has been taken up is largely impelled through the actions of specific professional subgroups (Shenhav, 1999) and suggests that different concept discourses co-exist with different 'speech communities' (Raub and Ruling, 2001). Common backgrounds of individuals, for Balanced Scorecard's Interpretative Variability and Organizational Change illustrate their professional origins are likely to influence the specific ways in which they interpret a particular concept. Individuals who share a common background often make similar interpretations, which differ from individuals belonging to other groups. Such interpretation which are displayed in specific professional discourses, shape how they translate the abstract notions contained in a concept into actions (Zbaracki, 1998). In sum, understanding of how different professional groups may differently interpret and implement a management innovation like the BSC is important, as it may advance management's knowledge about the effectiveness of the innovation in their specific organizational context while reducing uncertainties and risks associated with it.

Initially the BSC was developed as a comprehensive performance measurement system encompassing a coherent set of financial and non-financial performance measures covering different perspectives of the organization (Kaplan and Norton, 1992). Four different key perspectives were identified as being critical and thus should be included, i.e., the financial, customer, internal-business-process, learning and growth perspective. Although Kaplan and Norton (1992) emphasized that "The Balanced scorecard puts strategy—not control—at the center", directions on how to link an organization's strategy formulation and its measurement system were limited. Since 1996, the authors have extended their view, developing and formally proposing it as a strategic management system stressing the importance of aligning the scorecard-information with the business strategy. To translate the strategic goals efficiently into tangible objectives and measures, Kaplan and Norton suggested four interrelated management processes:

- 1) Clarifying and translating vision and strategy
- 2) Communicating and linking strategic objectives and measures
- 3) Business planning and target setting and

4) Enhancing strategic feedback and learning

In 2001, Kaplan and Norton introduced five principles to strategically focus organizational management processes:

- 1) Translate the strategy into operational terms
- 2) Align the organization to the strategy
- 3) Make strategy everyone's everyday job
- 4) Make strategy a continual process and
- 5) Mobilize change through executive leadership.

Subsequently, they extended and refined the tool by describing and explaining the tool's management processes and principles in more detail and by showing how strategy may be "mapped" using a formal and integrated set of financial and non-financial strategic performance measures allowing for alignment between the control system and firm strategy (Kaplan and Norton, 2004, 2006; Kaplan, 2010). Business Dynamics in the 21st Century Thus, in their work Kaplan and Norton gradually moved from defining the BSC as a comprehensive performance measurement system to the BSC as a strategic management tool describing management processes and principles to develop and implement a strategy-focused and aligned management system built on sound, formal accounting principles (Kaplan and Norton, 1996; 2001; 2004; 2006; Kaplan 2010). Partly as a consequence of these conceptual developments, under the label 'BSC' tools of various interpretations and ways of use might exist (Braam and Nijssen, 2004).

The description of the evolution of the BSC indicates that the BSC can be viewed as an umbrella that may encompass a large variety of interpretations. However, where the diffusion of material innovations can simply be measured by repeated counts of their incidence within a population (Rogers, 2003), it is more difficult – and far from straightforward – to catch purely ideational innovations empirically. In addition, and as argued, a major problem in the empirical study of the diffusion of non-material innovations is the possibility, and indeed likelihood, of loose coupling between label and content. A study on the diffusion of innovations (Rogers, 2003) is often taken as the model, yet this cannot be applied to non-material innovations without further ado. Managers may answer "yes" to the question whether a BSC is used in their organization, but this might cover many different interpretations and actions. Studies on the diffusion of organization concepts like the BSC generally suffer from the weakness that the researcher has no

clue as to what interpretations of a concept have been made. Therefore, in order to determine how the BSC is interpreted and used in practice, it is important to develop an understanding of what people mean when they say they have deployed a concept. Particularly, it requires a systematic process of discovery to develop a notion of how different communities within different contexts have constructed such a concept in time (Braam, Heusinkveld, Benders and Aubel, 2002; Braam et al., 2007). However, data about the actual use of the BSC in practice is scarce.

Management implications in Implementing Business Scorecard:

It is important to improve managers' understanding of conditions facilitating or inhibiting BSC-implementation as a strategic management system which can be supplemented with some additional suggestions:

- i. Use multidisciplinary project teams to help effective implementation of the BSC. It will create involvement from different functional areas and use knowledge from different disciplines to integrate and optimize processes. It may help create momentum particularly when people with a positive attitude towards adoption are selected.
- ii. Create a multidimensional and balanced baseline set of performance indicators, and start measuring and monitoring. Use simple measures initially, and focus on the ones that are considered as key for organizational control and strategy.
- iii. Careful validation of the instrument's effectiveness in measuring firm efficiency and effectiveness is critical.
- iv. A proactive stance is critical. Top management should be alert to the dynamic environment of the firm affecting the fit between its strategy and the BSC. Changing contexts may require varying the set of indicators used and re-balancing the BSC-profile across the perspectives.
- v. Interdepartmental communication may facilitate BSC implementation by reducing ambiguity, and integrating and aligning the multidimensional performance indicators of different departments into a single "strategy map"
- vi. Introduce more unique measures to better reflect the specific market and strategic conditions of the company or business unit in order to build a more tailored measurement system. This fine-

tuning involves an iterative and partly experimental process and should be based on careful monitoring of initial BSC measurement effectiveness.

Technical Translation

The technical translation presumes the strategy as starting point. It is important to strategically align a firm's comprehensive performance measurement system. The BSC offers a structured approach to translate and implement this strategy using an integrated set of performance measures. Within this translation, three dominant (sub) clusters of interpretations emerged. These interpretations are strongly associated with the professional disciplines of Accounting, Information technology (IT) and Human resources management (HRM) in literature. First, and especially in the accounting discipline, the BSC is associated with improving performance measurement systems and reporting formats by measuring and presenting coherent sets of financial and non-financial performance indicators allowing for alignment between the control system and the strategy of a firm. The BSC helps to think strategically about performance measurement and to broaden insight into actual and future organizational success. In addition, it widens the range of performance indicators to improve organizational control. Systematically streamlining and optimizing the performance measurement system should ensure that the resulting financial and nonfinancial information becomes one of the most important control instruments for management. In the IT interpretation, which has close similarities with the accounting interpretation, the BSC is strongly associated with data and information processing. To improve the accessibility of information, the BSC is accentuated as tool to structure data in databases.

The BSC should help to computerize the assumed relations between the dashboard indicators. In addition, the BSC is perceived as a useful concept to control and improve the quality of IT-projects. In particular, the IT discipline suggests using an IT-scorecard to measure 'IT performance' and manage IT implementation projects. In the HRM discipline, the BSC is particularly interpreted as a strategic evaluation and control instrument for human capital. The BSC makes the increasing importance of intellectual capital and especially HR as strategic asset and source for competitive advantage visible, thus indirectly emphasizing the essential role of HRM. BSC implementation and use should help to create alignment between the actions and behavior of teams and employees and the strategy of a business. The BSC offers a framework to

show how people within the firm create value by strategically measuring and evaluating performances of teams and individual employees in both quantitative and qualitative terms. In addition, the linkages between the scorecard results and the reward structures should increase people's motivation and commitment.

Within the technical translation, implementation processes can be characterized as 'deductive' and 'linear', which means that in an instrumental way step-by-step plans and conditions, are formulated to implement the presumed strategy successfully. Despite the fact that the idea of the BSC as a strategy implementation tool is widely accepted, a wide range of implementation problems is identified.

Examples of difficulties that are associated with deploying the concept are:

- Strategic goals and objectives are unclear, ambiguous and give insufficient guidance to define performance indicators;
- Performance indicators do not or cannot measure what they should measure, the quality of the underlying data may be questionable, data are not available;
- It is difficult to set targets and to link rewards to the measures;
- BSC implementation and use is too mechanistically which may result in over bureaucratization and focus on details rather than on the overall picture and the strategic direction.

Organizational translation

The organizational translation associates the BSC with a holistic, organic concept for managing strategy. By testing, validating and modifying the hypothesis embedded in a business units' strategy and initiating discussions about connections between strategy and management control and their supposed means-end relationships, the BSC offers a continuous strategic learning system. So, the BSC is considered as a management philosophy - a 'mental' framework - that creates a cause and effect mindset. It helps managers and employees realize what they do and why they do it by discussing and clarifying the underlying strategy and its relationships with the management system. This translation is mostly associated with the discipline of management.

The consciousness of the comprehensiveness and complexity of the organizational changes that the BSC might induce is closely associated with the changing role of management. The BSC is a performance measurement-based management tool that aims to help the management to look to at the organization in a distant way. It has to initiate processes aimed at strategic learning to deal with contingencies for which it may need to change its management

style and ways of communicating, to motivate and involve employees. The introduction of the BSC may involve unanticipated dysfunctional consequences for individual behavior and corporate culture. For instance, people may feel threatened by the close monitoring system, leading to feelings of distrust towards company top management. To overcome these feelings, top management should engage in trust building behaviors, including taking the lead and endorsing openness, transparency and benevolence in favor of overall company effectiveness and efficiency. In addition, the BSC aims to clarify strategic goals and objectives and alignment of resources. This may be very confronting because explicating these goals and objectives and the resulting actions implies that, on a deeper organizational level, the underlying norms have to be clarified and targets must be made explicit and have to be met. Maybe in the actual culture it is not done to address somebody on his not-achieving performance targets. So, a successful BSC implementation may imply that management has to change both its management style, the mindset of its employees and corporate culture to support effective execution of the strategy. Within this translation, the implementation processes may be characterized as 'inductive', nonlinear and comprehensive.

The holistic nature of the BSC appears to offer opportunities to conceptualize strategy and performance measurement next to technical issues and behavioral, social aspects in a coherent way, which creates opportunities for integration and synergy. To bridge the gap between strategy and operations, these continuous recursive and multidimensional learning processes have to result into action, i.e., interactive, multiplicative organizational change processes. In this perception, the BSC aims to function as an intermediary - an organizing framework and communication mechanism - to motivate and guide organizational change processes and develop a matching culture. The BSC should induce ongoing processes of interaction and participation aimed at developing a way of working in which teams increasingly is self-driven and self-organizing. Therefore, interrelated key success factors have to be stressed, such as:

- Commitment of top management and the management style
- Engagement and motivation of employees
- Continual willingness to change individual behavior and corporate culture
- Creation of multidisciplinary and empowered teams that gradually have to implement the BSC, both on central and local level

- Capacity to deal with contingencies
- Reduction of formal procedures and highly standardized processes that act as barriers for dynamic organizational adaptation
- A high level of information exchange between organizational departments that allows for resolving differences and overcoming resistance

Conclusion

Managers should keep on the use of BSC which may not certainly result into better performance. This paper details how professional groups may differently interpret the BSC, and how the variety of interpretations and manners of use of the BSC may affect organizational behavior and performance. For this reason, this paper described two dominant, loosely coupled clusters of interpretations: the technical and the organizational translation. These clusters could be regarded as distinct and contrasting categories and are closely related to the different professional groups that shaped them. In the technical translation, which is closely related with the professional disciplines of Accounting, IT and HRM, the BSC is frequently associated with implementation problems. On the other hand, the organizational translation, which is relatively more closely associated with the discipline of management, interprets the BSC as a strategic learning system. In this 'inductive', holistic interpretation, hypotheses embedded in a business units' strategy are tested, validated and modified to result into strategy-focused and aligned organizational change. In spite of the fact that the BSC is an interesting and potentially powerful management tool that can positively influence organizational behavior and enhance company performance, it is suggested by many researchers that managers should be careful of the requirements for its implementation and use. Particularly in complex ambiguous situations different professional groups may interpret and use the BSC in various ways. BSC implementation may induce both functional and dysfunctional behavior and does not guarantee improved company performance also.

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