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Implementing Balanced Scorecard in a Municipality Setting – and they lived happily ever after?

- A case study of the City of Copenhagen

Master Thesis

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Sammanfattning

Examensarbetets titel: Implementing Balanced Scorecard in a Municipality Setting – and they lived happily ever after? A case study of the City of Copenhagen

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Fem nyckelord: Balanserat Styrkort, Kommunal Sektor, Köpenhamn, Ekonomistyrning & Styrverktyg

Syfte: Syftet med denna uppsats är att beskriva och analysera utvecklingen och den upplevda användarvänligheten av det balanserade styrkortet, ett par år efter den initiala implementeringen.

Metod: Studien tar en kvalitativ metodansats där insamlingen av primärdata sker genom intervjuer.

Teoretiska perspektiv: Uppsatsen grundar sig i tidigare forskning och studier av användandet och implementeringen av det balanserade styrkortet. Dessa teoretiska inslag jämförs och analyseras mot empiriska resultat.

Empiri: Studien baseras på intervjuer med projektledare och representanter för de sju departement som utgör Köpenhamns kommun.

Slutsatser: Implementeringen av det balanserade styrkortet (BS) i Köpenhamns kommun har följt vetenskaplig praxis. Under undersökningens gång konstateras att tre förvaltningar använder verktyget, tre förvaltningar har slutat använda det och den återstående förvaltningen har valt att inte implementera det. Gemensamt för alla departement är att de fokuserar främst på det strategiska inslaget i BS, genom att konstruera strategikort. Identifierade problem med det balanserade styrkortet innefattar koppling mellan de fyra perspektiven, begränsade IT-supportsystem och krävande resultatmätning. Vidare konstateras en tendens bland departementen att gå mot mindre komplicerade ekonomistyrningsverktyg.



Summary

Title: Implementing Balanced Scorecard in a Municipality Setting – and they lived happily ever after? A case study of the City of Copenhagen

Seminar date: June 17th, 2010

Course: Accounting/Management Accounting & Control – BUSP02

Authors: Athar Ali Khan & André Weich

Advisors: Per-Magnus Andersson & Olof Arwidi

Five key words: Balanced Scorecard, Public Sector, Copenhagen, Management Accounting, & Strategic Performance Measurement Tool

Purpose: The purpose of this thesis is to describe and analyze the development and perceived usefulness and problems of the BSC in the city of Copenhagen a few years after its original implementation.

Methodology: A qualitative approach is used throughout the thesis. Primary data is collected through interviews.

Theoretical perspectives: The study takes its theoretical stance in previous research and studies conducted within the Balanced Scorecard area. These theoretical contributions are compared and weighted against empirical results.

Empirical foundation: The study is based on interviews with project managers and management in the seven departments that make up Copenhagen Commune.

Conclusions: The implementation of the Balanced Scorecard (BSC) has followed scientific suggestions. During this study the authors conclude that only three departments are using the BSC while three departments have stopped using it. One department has chosen not to implement the concept. In common for all departments is the focus on the strategic parts of the BSC, primarily through the use of strategy cards. Identified problems with the BSC include; linking between the perspectives, limited IT –support systems and extensive measurements. We see a tendency of moving towards more simplified management control tools among the departments.

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1. Introduction

The introduction chapter presents the basic ideas behind this thesis and gives an explanation what the authors aim to achieve with the study.

1.1 Background

“What you measure is what you get”. These words were the first words in the paper presented by Kaplan & Norton and published in the Harvard Business Review (1992). The paper introduced the concept of Balanced Scorecard (BSC), a measurement tool that claimed to put emphasis on all aspects of a company’s business by including financial measures as well as non-financial measures. Since then the concept of BSC has gained ground and a large number of both public and private sector organizations have applied it. There is no doubt that the concept has spread rapidly and today can be considered as one of the most common management accounting tools in Scandinavia.

1.2 Problem Discussion

The use of the balanced scorecard has spread tremendously in Scandinavia and according to Swedish studies, the balanced scorecard is common in both the public (Hult & Svensson, 2006) and the private sector (Ax et al, 2005). Due to the differentiated performance measurements that move outside the traditional financial measurements, many public institutions and non-profit organizations (NPO’s) have implemented it. However, many of the studies conducted focus more on the identification of the actors using BSC (Hult & Svensson 2006, Ax et al, 2005) and the actual implementation process (Käll 2005) itself rather than the implications of this implementation. BSC development seems to have been overlooked after its implementation, as well as difficulties encountered after the initial phase. A lot of the research seems to assume that once the balanced scorecard is successfully launched the process is over and the use of the BSC will continue without challenges. Even though the number of BSC users are still rising and the tool is gaining popularity in new parts of the world (Kaplan, 2003), the question if the BSC is just another temporary management fad is being discussed (Andersson & Seiving, 2008). Critic and suggestions for improvement have also been presented by several authors (Norreklit 2003, Voelpel, Leibold, & Eckhoff, 2006). Despite this criticism, BSC has stood its ground and an estimated 36% of Swedish communes use it (Hult & Svensson, 2006). The Danish municipalities are working in a similar way as their Swedish counterparts, but the academic literature on the issue is not as extensive compared

to the Swedish public settings. The BSC implementation in Danish Municipalities started, as in Sweden, in the early 2000's (Nielsen & Sørensen, 2003), and has started to settle in. To our knowledge, a study like this has not been made in a public context, in region Zealand. Since the implementation of the BSC started 5-10 years ago in the Copenhagen municipalities, consequences from the implementation along with further development and perceived challenges will most likely have surfaced today. Thereby arises the opportunity to see what the BSC has contributed with since its original implementation in the city of Copenhagen.

1.3 Problem Formulation

We have set out to analyze the use of BSC in a municipality sector in Denmark, more specifically the township of Copenhagen and the different departments that make up the municipality setting. We will look at the difficulties and shortcomings BSC might contain and analyze them, and also take into account the efficiencies obtained after a number of years of BSC implementation. Furthermore, we will try to see which of the four elements from the BSC is used by the municipality and if the elements included in the BSC are adapted through the different departments, and to what extent the BSC has developed over time. We aim to find municipality departments which have not implemented BSC in order to look for the reasons behind their rejection of the balanced scorecard, or departments that have chosen to end the use of balanced scorecard. We will also focus on the development of BSC and if these developments have made it across the academic world and into the public sector. By looking closer into these various issues we hope we are able to perform a case study that identifies the usefulness, nature and development of the Balanced Scorecard in a Scandinavian municipality setting, but also to identify and acknowledge any eventual problems and resistance that the BSC has encountered.

1.4 Purpose

The purpose of this thesis is to describe and analyze the development and perceived usefulness and problems of the BSC in the city of Copenhagen a few years after its original implementation.



1.5 Delimitations

We have chosen to do a case study that involves the different departments within the Copenhagen commune. By doing this we have deliberately chosen not to look further into other communes in Sweden and Denmark that have implemented the BSC. We thereby reject the opportunity to produce highly generalizable results, even though this study aims to produce useful results for all persons with an interest in Balanced Scorecards. Furthermore we have chosen a top-level focus that focus on managers responsible for BSC practices, or persons acting as project managers during the implementation phase of the Balanced Scorecard. By limiting this study to include only managers we intentionally reject the prospect of following the perceived usefulness of the BSC throughout the whole organizations.

We have in our theoretical framework decided not to describe the French *tableau de bord* (literally *dashboard*.) Some authors write that development of the balanced scorecard could be, or is, inspired by *tableau de bord* (Chiapello & Lebas, 1996), which has existed since 1932 (Nörreklit et al 2001).

1.6 Target Groups

This thesis is aimed towards all people with an interest in measurement systems and the balanced scorecard in particular. We have chosen to include a basic introduction of the BSC in our theoretic section in order not to exclude people that have not specifically focused on management accounting studies. Furthermore we believe that this case-based study can serve as a relevant piece of reading for municipalities that are thinking of implementing the BSC.

1.7 Definitions & Clarifications

Even though we have tried to write this thesis with a uncomplicated use of language in order to make it accessible to all people not specialized in management accounting, there might still be some terms that need to be defined or clarified.

City of Copenhagen; This is a case-study of the city of Copenhagen and the departments that make up the commune. Throughout this thesis the terms City of Copenhagen, Copenhagen Commune, and Copenhagen municipality will be used interchangeably.

Departments within Copenhagen Commune; The terms department, administration, and committee are used interchangeably throughout this paper. The terms "institutions" and "centers"

are used interchangeably for the units that are within the departments, but further down the organizational chart.

Management control tool: the terms control tool and management control tool will be used interchangeably throughout the paper.



2. Method

The chapter aims to explain what research methods have been employed in the study as well as data collection methods. Potential problems that arise from the chosen ways of reasoning and gathering data are also discussed.

2.1 Research Approach

We have chosen to employ a qualitative approach in order to fulfill the purpose of this thesis. The study can be seen as a qualitative case study with interviews as the primary data collection method. Needless to say a qualitative method is the most logical choice when analyzing an organization in depth, and it also offers the opportunity to focus on very specific issues if properly applied. The research method also offers more flexibility along the way (Holme & Solvang, 1997) and compared to quantitative methods, the qualitative methods are often believed to offer the opportunity to perform the study more closely to the research subject (Jacobsen, 2000).

What is clear is that both qualitative and quantitative research methods have pros and cons and they should not be seen as competitors, but rather as complements with each research approach being more suited for different settings and purposes (Jacobsen, 2000). For this study we believe that the qualitative approach is more suitable.

2.2 Reasoning behind the study

Since we are working from existing theories about the intended implementation and use of the BSC, and then testing these theoretic assumptions against our empirical results, this study can be said to rely on deductive reasoning (Jacobsen, 2000). By working with these theoretical assumptions we have chosen not to employ an inductive standpoint which would imply collecting empirical results without any assumptions about the future outcomes of the empirical results, along with the requirement of a blank mind regarding previous developed theories (Jacobsen, 2000). The dilemmas when employing deductive reasoning is the risk of only looking for the data that supports you initial beliefs about the outcome, but since we do not have any direct assumptions of the outcome we do not believe this should pose any problems regarding the validity and reliability of the study.

A deductive stance can be described in 4 points (Jacobsen, 2000);

1. *The researcher has his perception of reality and standardizes it, for example in the form of set questions*
2. *The respondent interprets the researcher's questions and possible answers in his/her own way*
3. *The researcher interprets the information given by the respondent*
4. *The person reading the results interprets them in his/her own way*

Since our empirical data collection is based on a fixed set of questions that is provided to the respondents, we are employing the deductive reasoning in this study, but it is also important to point out that we are working with open questions and with no (remove set) expectations in particular for the empirical outcome.

2.3 Working with a case study

A case study can be seen as a suitable choice when the research questions raised can be viewed as “how” and “why” questions (Yin, 2003). Since our intention is to look further into the issue of Balanced Scorecard development in the city of Copenhagen, these type of questions are highly relevant. When conducting a case study, a subject is set as the primary research subject, while this research subject often consists of a number of sub-layers (Yin, 2003). In this study our primary research subject is the city of Copenhagen and the different sub-layers are the different municipalities that make up the commune. Jacobsen (2002) argues that the objective of case studies is to test specific scientific theories and also to generalize the results, but he also argues that a case study can be performed in a chosen setting where distinct characteristics of the organization can give very specific results. Thereby arises the question of the possibility of generalization.



Much criticism have been aimed at case study settings for lacking the possibility of generalization, but also towards the issue of researchers being biased when testing specific theories in a chosen setting (Yin, 2003). What is important to understand is that the goal of a case study is to expand and generalize theories, (analytic generalization), and not to enumerate frequencies, (statistical generalization), (Yin, 2003).

2.4 Choice of Interviewees

The reason for selecting the specific persons was mainly due to their direct involvement in the BSC implementation in their department, or due to their managerial position that would indicate a good overview of the use of the balanced scorecard within their organization. We have decided to interview the following persons:

1. Charlotte Urbak, Project Manager BSC, Department of Technique and Environment (TMF).
2. Sören Heinecke Svendsen, Project manager BSC, Department of Culture and Leisure (KFF)
3. Rene Bertramsen, Chief of staff, Department of Children and Youth (BUF)
4. Jacob Juul Nørregaard. Special Consultant, Department of Children and Youth (BUF)
5. Lisbeth Kjær Thomsen, The head department of the Department of finance (ØF).
6. Gitte Petersen Special Consultant, Department of Health and Care (SOF).
7. Malene Krogh Finance Consultant, Transverse economy department, Social Department (SF).
8. Carsten Godballe Chief of Staff, Department of Employment and Integration (BIF).

The reason for selecting these people is primarily to get an overall view of the BSC after ten years in the municipality of Copenhagen. The contact persons interviewed are all on a managerial level and all have been selected with the help of each department's secretary manager. Depending on the nature of the interview, (in person or over telephone), the length of the interviews vary. The average time spent with personal interviews is about one and a half hour, while telephone interviews average about 20-25 minutes, follow up questions excluded.

The interview with the project manager from the Department of Technique and Environment (TMF) is chosen because we would like to get detailed information about the pros and cons of the BSC. The abovementioned department is very engaged in developing the BSC to fit their Department. Finding out how other departments have used the BSC and how far they are compared to each other we have decided to also interview two other departments directly stating that they are using it. These are the Department of Culture and Leisure (KFF) and Department of Children and Youth (BUF).

By having called all seven different departments we quickly found out that some departments already skipped the BSC partly or entirely. Therefore it could be interesting to hear about their opinion as to why they have chosen not to use the BSC. The departments stating that they are partly or entirely are not using the BSC are: Department of Finance (ØF), Department of Social Services (SF), and Department of Health and Care (SOF). We here assume that some of the questions asked by us in the interviews could not be answered due to the fact that the person responsible for managing the BSC is no longer a member of staff within the specific department, or in some other means is not available. We have also chosen to shortly interview the Department of Employment & Integration (BIF) established in year 2006, to see what management control tool they use instead of the BSC.

In common for all interviewees is that they all have been involved in the process of implementing and using BSC, some have also chosen to stop using it and one department has never worked with the BSC in their department.

It should be further noticed that the choice of people interviewed are on a managerial level and working for the central division under the mayor and board of directors. Each department can have several divisions lower in the organizations diagram focusing on the different core areas the department has been assigned due to the municipal reform (see section 4.1 Case Setting). It is in our interest to see if BSC is used in a department and not in an individual subdivision and therefore the people interviewed are the key persons to answer such questions.

2.5 Primary Data Collection

According to Gillham (2008), there are a number of criteria's that should be fulfilled for a conversation to be classified as an interview. The issue of open questions is crucial since it provides the interviewee with the possibility to answer the questions the way he/she feels most suitable. A



conversation without open questions could easily be replaced with a survey since you lose the depth with non-open questions. The relation between the interviewer and the interviewee should be responsive or interactive, and provide room for adjustments and further issues (Gillham, 2008). The interview characteristics explained clearly describes the so-called semi-structured interview approach. Other interview requirements described by Gillham, in order to attain the requirements for a semi-structured interview are; the need for the same questions for all respondents, development behind the questions, follow up questions added when the relevant issues are not touched upon and an equal amount of time for interviewing each respondent (Gillham, 2008).

Regarding type of interview, most authors concur (Kvale & Brinkmann 2009, Gillham 2008) that face-to-face interviews are highly preferable over email and phone interviews. This is quite logical but because of time and financial factors this is not always possible.

We have chosen to work with a type of interview that could be described as a semi-structured interview design. We have a set of open questions that have been designed to help us gain the data necessary to fulfill the purpose of this thesis. Due to the fact that we are interviewing key persons from different departments, which differ in terms of BSC usage, we can not ask all respondents exactly the same questions concerning BSC issues. Needless to say the interviews are thereby not homogenous in terms of duration, an issue that to some extent questions the semi-structured definition presented by Gillham (2008). However, the rather strict definitions and rules to follow in a semi-structured interview situation presented by Gillham (2008) is contrasted by Kvale & Brinkmann (2009) who emphasizes on more flexibility regarding questions and time. Due to more complex interviews with respondents still using the BSC, we have chosen to perform some of these interviews in persons, thus retaining vital information, departments currently not using the Balanced Scorecard will be interviewed through phone interviews.

Our choice not to use other interview methods such as surveys among all the managers and project managers in the departments in the municipality of Copenhagen is due to several factors. A survey could give us a general picture rather than the subjective opinions, but considering our focus with this thesis is not to draw a picture of how the BSC is affecting the individual posture, because the BSC has been implemented for over ten years now in the municipality of Copenhagen and thereby signaling the knowledge of the concept.

After conducting the interviews, the interviews have been translated and transcribed into text. There is no universal form or code for the transcription of interviews (Kvale & Brinkmann, 2009),

but there are some different standard choices in order to capture the essence of the interviews. We have chosen to write out laughter, hesitation and other reactions that could potentially be revealing the thoughts of the interviewees. We have also chosen not to transcribe longer explanations about the role of departments etc when these facts are not relevant to the study or have any impact for the interview itself. Since there are no direct rules, and the transcription mode should be the one that best fits the intended use of the transcripts (Kvale & Brinkmann, 2009), we feel that we are not compromising transcription reliability and validity.

2.6 A Critical View of Primary Data

A study can claim to have a high degree of validity if it measures the factors that are relevant for the purpose of the thesis. The issue of reliability describes the trustworthiness of the methods of measurements. Reliability is usually not seen as important in qualitative studies in comparison to quantitative studies due to the smaller possibility of representativeness (Holme & Solvang, 1997). Negative criticism that often occurs when discussing qualitative research interviews often include the issue of intersubjectivity, different readers find different meanings. The issue of generalizability is also a major issue since the interviewees often are too few to get results that can be applied on other situations (Kvale & Brinkmann, 2009). We are aware of this but also want to emphasize the fact that this study is a case study that focuses on the city of Copenhagen. Even though we hope and believe that our results can be guiding and helpful in other studies treating BSC in municipality settings, we are aware of the limited generalizability.

A major factor that we can influence regarding the reliability of the primary data collection is the issue of leading questions that lead interviewees to the answers the researchers look for (Kvale & Brinkmann, 2009). By bringing issue and question maps to the interviews, as well as being aware of the potential danger of leading questions and a pre-set mind, the risk of compromising the thoughts and opinions of the respondents is lowered.

2.7 A critical view of secondary data

Since we have chosen to work with interviews as a way of retrieving relevant data, our dependence on secondary data set to a minimum. We have however partially based this thesis and its case



setting on secondary data such as BSC implementation plans available on the municipality website, as well as organizational charts. Due to this information being originally constructed a few years ago, we have chosen to present the information to our interviewees in order for them to validate the info, or correct it. By doing this we are comfortable with the validity and reliability of this data is ensured.

2.8 Translation Issues

Since both the collection of primary and secondary data is conducted in Danish, the issue of possible translation mistakes occurs. In order to reduce the possibility of translation mistakes due to stress and misunderstandings during interviews, both telephone and in person interviews were recorded with the help of recording software for mobile phones and Dictaphone. The recorded conversations have then being translated and completely transcribed by the authors. By following this time-consuming practice we have in the end worked with written material in the English language when analyzing the material.

3. Theoretical Framework

Our intention with this chapter is to present a solid introduction of the Balanced Scorecard. Once a proper understanding of the concept is gained, we will discuss the development and suggestions for improvement of the BSC, as well as discussing the direct critique that has been launched on the concept.

3.1 The birth of the Balanced Scorecard

The Balanced Scorecard was first introduced to the academic world through the Harvard Business Review in 1992, by Robert Kaplan and David Norton. The idea of the BSC was born due to the perceived lack of performance measurements that managed to include the whole picture of the company, from operational performance to financial performance. Up to then performance measurements had either been operational or financial and never the two combined. The BSC was introduced as a way to present “a set of measures that gives top managers a fast but comprehensive view of the business” (Kaplan & Norton, 1992, pp 71). The original BSC model can be viewed as this;

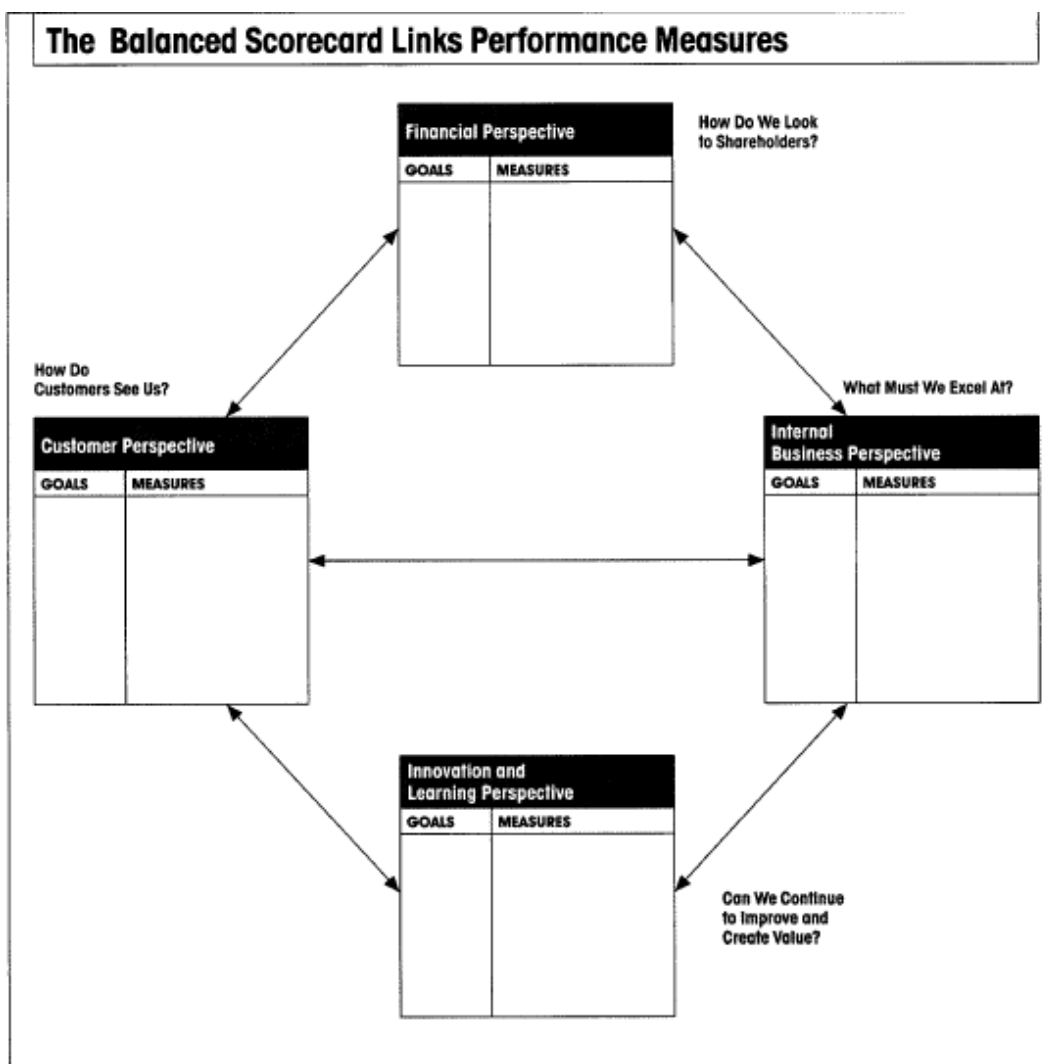


Figure 1. The Balanced Scorecard Link Performance Measures (Kaplan & Norton, 1992)

As the above figure shows, there are four main perspectives in the balanced scorecard; customer, internal business, innovation, learning, and the financial perspective. All of these perspectives derive from the company's vision and strategy. The four different perspectives are highly interrelated and the assumption is that the perspectives are linked in a casual chain where one perspective drives the other. The measures of learning and growth drive the measures included in the internal business processes that drive the measures in the customer perspective that eventually drive the financial measures (Hopper, Nortchcott, & Scapens, 2007).

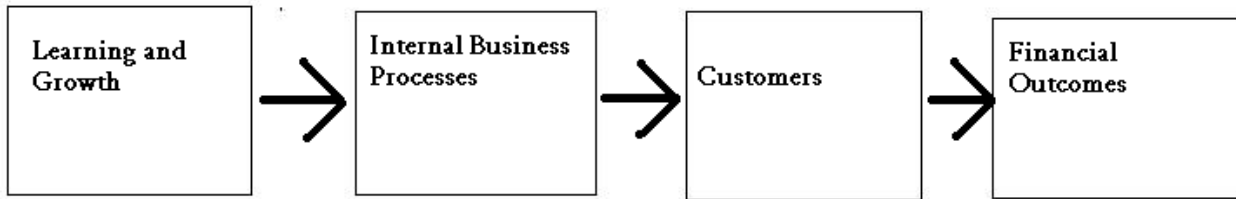


Figure 2. The assumed casual relationship in the BSC (Kaplan & Norton 1996, cited in Hopper, Northcott, & Scapens, 2006)

The financial perspective identifies how a company wants to be acknowledged by its shareholders through the use of quantitative outcome measures. The customer perspective tries to identify the view from the organization's customers, where the internal business process indicated the areas where the company must excel in order to satisfy its stakeholders further ahead in this above shown casual chain. The learning and growth perspective identifies the factors that need to be focused on in order to achieve the vision and strategy of the organization (Kaplan & Norton, 1996a). The construction of the different perspectives in a cause and effect chain design is what makes the BSC unique to other performance measurements ideas that simply combine financial measures with non-financial measures. However, the construction of a successful Balanced Scorecard therefore also requires a balanced mix of both lag indicators and lead indicators for each perspective. The reason for this is the multidimensional nature of the model where the cause and effects need to be described with adequate measures that both identify the performance drivers as well as the direct outcome measurements (Hopper, Northcott, & Scapens, 2007). A thoroughly developed BSC that uses relevant measures in a (assumed) casual relationship between the perspectives can thereby also be seen as a strategic control system other than a pure strategic measurement system (Kaplan & Norton, 1996a).

3.2 Evolution of the BSC

When Kaplan and Norton (1992) first presented the BSC it was primarily considered as a measurement tool which focused on combining financial and non-financial factors. Already in 1993, Kaplan and Norton had been expanding the concept into a strategic performance management system. Even though no larger changes had been made to the original concept, the authors managed to show the connection between the measurements and the desired destination for the company employing the tool (Bible, Kerr, & Zanini, 2006). The balanced scorecard offered the opportunity to



balance out, or to complete, rather static financial measures such as operating income with measures such as new product development (Bible, Kerr, & Zanini, 2006).

The rapid development of transforming the BSC from an alternative measurement tool to a more strategy driven tool continued and four new management processes were introduced in order to help link strategic objectives to direct action. These were; translating the vision, communication and linking, business planning, and feedback and learning (Kaplan and Norton, 1996). The BSC also targeted meeting the challenges of the new, more rapidly moving, financial environment. Focus was shifted away from financial measures that often are lag indicators, towards the other three perspectives in the model that drives the financial measures. The reason for this was that companies operating in today's information age need to look forward all the time and by focusing on perspectives other than financial measures, they constantly focus on the future (Bible, Kerr, & Zanini, 2006). The focus on the learning & growth perspective, the internal processes perspective, and the customer perspective in order to reduce the importance of lag indicators was primarily prepared for private sector firms working in dynamic environments (Bible, Kerr, & Zanini, 2006), but might also benefit public sector organizations due to their reliance on these perspectives.

Since the introduction of the BSC from Kaplan and Norton (1992), many authors including Kaplan and Norton have discussed how this tool should be utilized. In year 2001 (G. Lawrie 2004) an unpublished survey in a performance management forum, seemed to get one common question back which was "what is the BSC?" Kaplan and Norton (1992) do not provide a clear definition of what the BSC is, but they are focusing more on how to implement it in an organization and how it relates to other organizational attributes. Gavin Lawrie and Ian Cobbold (2004), describes the evolution of the BSC in three different generations. The first generation is the typical structure of the BSC as we have mentioned in earlier sections. This generation focuses merely on financial and non-financial measures, which are in the four perspectives used in the BSC. Furthermore there should be a causal relationship between performance drivers and outcomes. This unclear definition of the BSC by Kaplan and Norton made other authors (Olve and Sjöstrand, 2002; Niven, 2002, Parmenter, 2002; Davig et al., 2004) write books about how to implement the BSC. Second generation BSC has vastly improved compared to the first generation, mainly in two ways. First the design had some definition problems, because of the need to filter (chose few specific goals) and cluster (how to group measures into perspectives) was very vague, but this was radically changed by Kaplan and Norton and has been called "strategic goals". The second difference concerned casual relationships in the BSC. To measure the linkages in the BSC was a good way of analyzing the BSC, but for

users this was a very big challenge. Kaplan and Norton realized this in 1996 and changed the measure-based linkages to “strategy linkage models” or “strategy map”. Here the focus is on the strategic objectives themselves across the perspectives and not on the measures. This generation of BSC also needed to improve. First of all the idea that casual relationships between the perspectives, learning and growth → internal growth → customer → financial are very inappropriate, (see section 3.9). On a practical level the second generation BSC created problems in obtaining correct measurements and setting up targets (Barney et al., 2004). So the desire for increasing the user confidence in the BSC was significant. In the late 1990s the BSC reached a new level and the third generation of the BSC and was a refined model of the second generation BSC, but another design element, the “destination statement”, was created. This helped the users of the BSC to find any irregularity for the objectives chosen earlier in the process. This idea was not new, but it could be useful for managers as a reference point for the target setting process. The “decision statement” was utilized even better if it was associated with a time dimension and gave improved ownership and utilization in an organization.

As seen above there are several ways to describe the evolution of the Balanced Scorecard. What is clear however is that the BSC has developed from a performance measurement reporting tool to a strategic management system in a short time. There are discussions that the BSC has been overdeveloped, but there is always the possibility to go back to basics for a company if preferring a simple measurement tool (Bible, Kerr, & Zanini, 2006).

3.3 BSC Construction

When constructing a balanced scorecard it is important to realize that the BSC is a tool for controlling the business and thereby it is closely linked to strategy. Before the building process is started it is therefore important to work from the vision and strategy of the company and make sure all concerned parties agree on this. However, the vision and strategy might also be changed along the way due to the descriptive nature of the BSC that could offer more overview (Olve et al, 2000). The building process of a BSC will in larger organization be repeated on each level and department and therefore it is important to involve as many employees as possible in the construction phase in order not only to get the initial support for the implementation, but also in order to spread



understanding of the casual relationships and get employees to see their role in the main picture. If succeeding with this initial approach, the every day use of the balanced scorecard will be more efficient later on in the process (Olve et al, 2000). Other functions that need to be addressed before the construction of the balanced scorecard are Systems and IT solutions for handling measurements. Systems that are highly user friendly and not too complicated are preferable in order to ensure that employees on all levels are capable of sending results and measurements. Regarding the building process, Olve et al (2000) presents their view of the steps in the building process:

- 1. Defining the industry, describe its development and the role of the company**
- 2. Establish/Confirm the company's vision**
- 3. Establish the perspectives**
- 4. Break the vision down according to each perspective and formulate overall strategic goals**
- 5. Identify critical factors for success**
- 6. Develop measures, identify causes and effects and establish a balance**
- 7. Establish the top-level scorecard**
- 8. Breakdown of the scorecard and measures by organizational unit**
- 9. Formulate goals**
- 10. Develop an action plan**
- 11. Implementing the scorecard**

Figure 3. The steps in the building process (Olve et al, 2000, p48)

The approach presented above is rather similar to the original building approach that was presented by Kaplan & Norton (1993). The main objective is to anchor the idea throughout the organization through a top-level scorecard that is gradually spread throughout the organization and adapted to fit. The top-down approach is something that was considered the way of working by Kaplan and Norton (1996, p8-10) and most likely derives from the need to establish/confirm the vision, a process that only can take place in top management and is seen as a fundamental step in the building process. An element in the building process that Olve et al (2000) has chosen to oversee is the last step in Kaplan & Norton's (1993) construction model; periodical examination. This step can

be seen as feedback/review function with the main goal to regularly provide top management with relevant information that lays the foundation for annual reviews of the measures and strategic goals employed.

Even though many of the steps in Olve *et al's* (2000) model are easily comprehensible, the actual building steps in step 4-8 might require some closer examination.

3.3.1 STEP 4 - Break the vision down according to each perspective and formulate overall strategic goals

A well-structured BSC can be seen as a presentation of a company's strategy. The purpose of the fourth step can therefore be seen as translating the vision into tangible terms from the four perspectives, if these are the perspectives used. By doing this the strategic emphasis is spread and the balance within the model is reached (Olve et al, 2000). The financial perspective should mirror the strategic results from the other perspectives and at the same time establish the long-term (financial) goals. The customer perspective should describe how value is being created for customers, while the strategic goal for the internal process perspective should describe what processes generate value for customers as well as processes necessary for fulfilling shareholder expectations. The strategic goal for the learning and growth perspective should be to show how to ensure its capacity for the long-term (Olve et al, 2000).

3.3.2 STEP 5 - Identify critical factors for success

Once the strategic goals are determined within the different perspectives, the main objective is to identify the critical factors that are going to account for achieving these strategic goals. Olve et al (2000) suggest trying to identify a set number of factors that are the most critical in order to achieve the set out goals. However, it is of utmost importance to align the success factors both vertically and horizontally before establishing the measures, to see if the factors are linked to each other. Another major concern is to make sure to not have any conflicting interests among these success factors. In other words, the improvement of one of the success factors cannot lead to the downturn of another success factor (Olve et al, 2000).



3.3.3 STEP 6 - Develop measures, identify causes and effects and establish a balance

When developing the measures that are to be employed, the major concern is the identification of cause and effect relationships in the structure, together with making sure that different measures do not cause conflict between short-term and long-term goals (Olve et al, 2000).

3.3.4 STEP 7 - Establish a top-level scorecard

When the previous step has been completed, it is possible to put together a top level BSC that applies to the company as a whole.

3.3.5 STEP 8 - Breakdown of the scorecard and measures by organizational unit

The step of decomposing the BSC and applying it to lower-level units within an organization is not a process that is identical for all firms. Considering a very small company, the top-level BSC might very well be sufficient to capture all relevant aspects of the organization, while large firms might consist of multiple organizational layers with very different characteristics. Since one of the main objectives of the BSC include presenting a graspable picture of the strategy for all employees, it is necessary to break the scorecard down to a level that is understandable (Olve et al, 2000). Dependent on the size and nature of the organization, it might be useful to develop top-level scorecards for each department. In a conglomerate (or in a municipality setting) where the divisions/departments are separated from each other this might make sense, with the only add-on being to describe on their BSC how they help the main goals of the parent organization. However, in a large organization where the subsidiaries and departments are clearly integrated, the same top-level BSC can be decomposed throughout the organization (Olve et al, 2000).

3.3.6 Summary of the Building Process

Once the steps in the building process are completed, the BSC should be robust with clear casual relationships identified, horizontally and vertically aligned, and all factors involves should be highly relevant. The idea should have spread throughout the organization along with the proper knowledge, in order to help the implementation phase that is now about to begin.

3.4 Implementing a balanced scorecard

What is highly stressed by Olve et al (2000) is that the work of constructing and implementing a Balanced Scorecard does not end with the last step in the building process (Figure 3). Working with the BSC is an on-going process that requires regular follow-ups in order to keep the tool relevant among employees. It is crucial to integrate BSC as a part of daily work among management, in order to achieve the impact on day-to-day operations that it is designed to have. An implementation plan should therefore include clear rules and guidelines about how the BSC should be employed on a daily basis (Olve et al, 2000). Regular reviews of measures, especially for short term control measures, should be employed in order to keep the BSC relevant to all employees. Failure to integrate the balanced scorecard on a daily basis, or lack of follow-up and development, can therefore threaten the perceived usefulness (and survival) of the BSC (Olve et al, 2000).

A critical view from a more hands-on perspective is presented by Schneiderman (1999) who draws attention to a number of issues why Balanced Scorecards might fail when being implemented into an organizational setting. Traditional reasons for failure include viewing non-financial variables as primary drivers for future stakeholder satisfaction, metrics are poorly defined, improvement goals are negotiated rather than being based on fundamental process limits and improvement process capabilities, no deployment system that break down high level goals to sublevels, and no stated use of a superior improvement systems (Schneiderman, 1999). These are issues that every implementation phase face and that implementers need to be aware of.

Ericsson and Gripne (2004) focus on implementing BSC in municipality settings and highly recommend bringing in external consultants during the implementation phase. The reason for this is as in so many outsourcing situations, the current staff is believed to be pre-occupied with their primary work tasks. The authors also stress the importance to start out with pilot projects in the organization, both in smaller divisions further down the organizational structure, but also in a larger department if possible. An important way of anchoring the concept within the organization is to adapt the quarterly and annual reports to fit the BSC. By doing this, the concept is acknowledged and also regularly overviewed. This is a practice that has been applied in several Swedish municipality settings (Ericsson & Gripne, 2004)



3.5 BSC in the public sector – Conditions and adaptations

Due to the fundamental idea of the balanced scorecard of not only measuring financial factors, it is quite logical to see that the BSC has become very popular in the public sector where financial targets often are subordinated to other issues. The use of BSC can therefore be seen as ideal for service sectors and municipality departments (Olve et al, 2000) and numerous studies have been made on BSC implementation in hospitals (Dolenec, Lindberg & and Winquist 2005; Tammi & Odendal 2009) and other municipality settings (Käll 2005).

However, the public sector operates under different conditions than the private sector, for which the BSC was initially constructed for. One major difference is of course the vision which is not set by management, rather by government who set up tasks and targets for the different municipality functions. Even though the four perspectives can be employed, it might be hard to keep the financial focus in its original form which implies profit measurements. Furthermore the customer perspective can be a bit ambivalent considering the customers in the public sectors consist of all inhabitants. A number of Swedish municipalities have focused key ratios and performance measures against a benchmarking system towards other municipalities (Olve et al, 2000). This approach could be useful since public information is more available than information within the private sector.

Niven (2003) claims that a clear difference between public and private sector use of the BSC is that mission objectives and customer objectives are elevated in the public sector while the financial perspective, although being highly relevant also in the public sector, is somewhat downplayed. Niven (2003) also concludes that all four original perspectives belong in a balanced scorecard prepared for the public sector.

Regardless of the major differences between the public and the private sector, the development of BSC in these settings is rather similar according to literature that handles public sector implementation (Olve 2000, Niven 2003). All four perspectives from the original BSC can be used, even though the financial perspective often is modified or given less importance (Olve 2000, Niven 2003). Ericsson & Gripne (2004) propose the addition of an employee perspective in the balanced scorecard when implementing it in a municipality setting, since they see the human capital side as neglected, but also since the personnel side in a municipality setting is by far the largest side of the cost side in the organization and can be as high as 50-70 per cent (Ericsson & Gripne, 2004)

3.6 BSC in Danish Municipalities

The municipalities in Denmark are over the last decade characterized by using performance measurement, which has evolved in the direction of contracting- and performance management. This has resulted in greater need to work more systematically with performance measurement. In addition we see in the municipalities in Denmark, like the private and the public sector, a tendency to focus on other values rather than the non-tangible and therefore supplement the traditional financial part with for example social, green or ethical accounts (P. Bukh, J. Frederiksen and M. Hegaard, 2000). Local Government Denmark (LGDK) is the interest group and member authority of Danish municipalities¹ and they have specifically, based on the above mentioned evolving, mentioned BSC for being a possible performance measurement tool. They have adapted the BSC to fit the Danish municipalities and therefore an approach for using five perspectives rather than four, was used to adapt the BSC to the Danish municipal Sector. The new perspective is here the employee perspective and the others are mainly reformulated but still the fundamental four perspectives from traditional BSC.

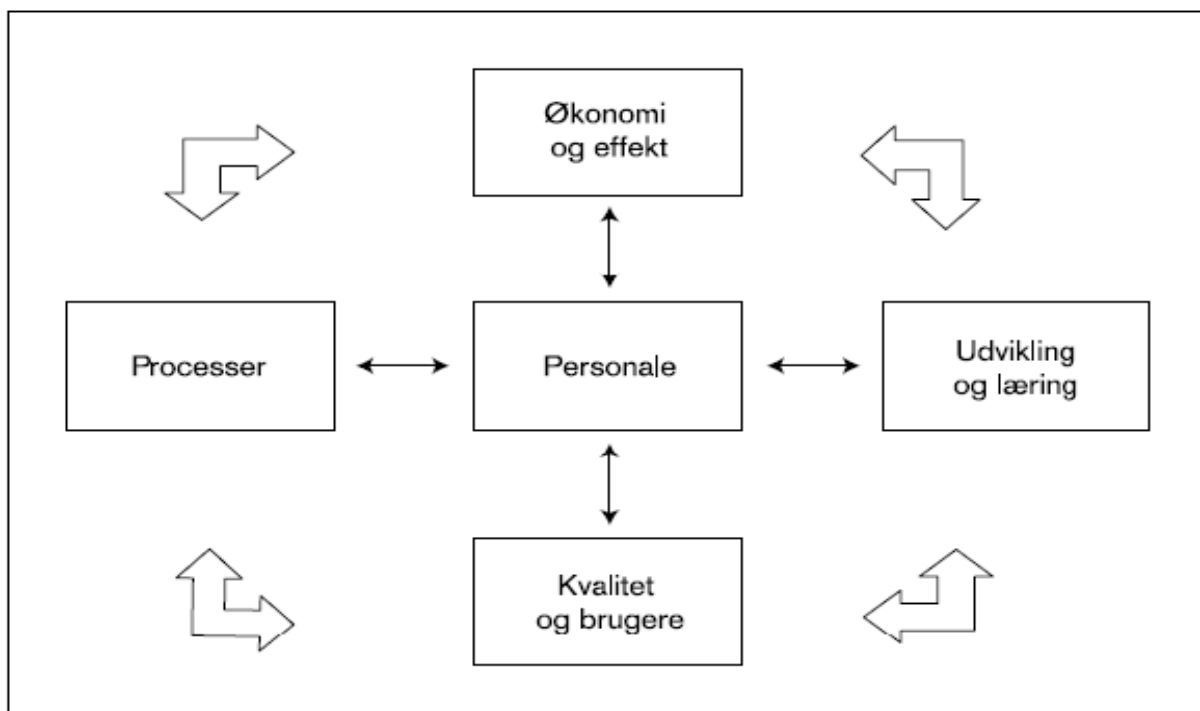


Figure 4. The scorecard for a municipality. Proposed by Local Government Denmark (LGDK) (1999)

In the sector of municipals in Denmark, a more holistic (P. Bukh et al, 2000) approach seems to be chosen to manage the task and focusing mainly on the financial values seems to be over. The

¹ <http://www.kl.dk/English/>



holistic approach has affected the accounting forms, so now an ethical, social and environmental presentation is used to indicate the underlying vision of the municipality and its daily operations.

The municipalities in Denmark have to be much better to demonstrate their own value, comply with different demands from the stakeholders (mainly citizens), compete with private companies about working tasks and employees, and handle contract management, while the dependency and work tasks grows more than the enclosed grants. The pure financial management is no longer proposed and it is in relation to this that the BSC has found its place in the municipal sector.

It all started with performance measurement

Many municipalities have since the 1980's decentralized the organization and have used a framework where the focus was to control the overall tasks, in contrast to the older type of management control where each specific budget was controlled and an overview of the municipality was very centralized. In the end of 1990s, performance measurement was a concept which was used in the majority of the municipalities in Denmark. Goals as transparency towards the citizens and employees were growing rapidly. A political wish to create vision, strategy and value in the specific department also meant another way of controlling the municipalities. It is in this context the BSC philosophy can be used and at the same time be a tool which turns dreams to reality.

3.7 Earlier BSC Research in Danish Settings

The Balanced Scorecard in Denmark has got a lot of attention in the latest years and mainly two authors, Steen Nielsen (professor in Economics and Lector at Aarhus university), has been focusing on the presence of the BSC in Danish organizations and Per Nikolaj Bukh (Professor at Aalborg University) has written various articles about ABC (activity based costing) and also focused on the balanced scorecard.

The balanced scorecard is well known by Danish midsize- and big- companies. Research conducted by Nielsen and Sørensen, (2003), revealed that 83 % of the responding companies had a relative or very high knowledge about the BSC and its features, but only 17 % highly prioritize BSC. The reason for such low prioritizing could be rooted in the fact that only half of the companies in this survey do use the BSC (Nielsen & Sørensen 2003). This can be compared to other countries like USA, Germany, and Australia where use of the BSC is very high, respectively 17 % uses *de facto* BSC in Germany compared to only 4 % in Denmark. According to the study, only 17 % consider to use BSC in Denmark compared to Germany where 43 % percent considered using it. Therefore it is

concluded that Denmark is characterized to be in an introduction phase of this area. This survey has been compiled by interviewing CEO's from the respective companies mentioned above and out of 210 (100%), 53 (12 %) answered back. The survey also shows that 80 % of respondents mean that there should be a balance between the financial and non-financial parts. However one crucial factor is that "only" 65 % of the respondents mean that there should be a relationship between cause- and effect, which is one of the most important conditions for a BSC working in its entirety. This can also be seen as an indication of the introduction level Danish companies are in and their lack of experience to get the cause and effect measures as a main feature.

Other research conducted by Professor Bukh (2008), has looked upon the traditional budget praxis, which is the budget made on estimations for a year or similar and is the most important tool for a finance department in a company to solve the tactical control tasks. He finds relatively small amounts of companies (4%) who have abandoned it completely while a relative high (51%) amount of the respondents are not considering abandoning the budgets. Even though companies are still using the traditional budgeting it should not be concluded that a change is not happening. Therefore another interesting issue is what other management control tools they are considering to implement or already use in their companies. Here Bukh (2008) finds rolling forecasts and low estimates for budget to be most attractive, while BSC or similar is thought to be used or is already in use by 62 % of the respondents. Also a big interest for LEAN accounting in the company is considered by the companies. Therefore Denmark is characterized to be at a stage where the traditional budgeting is improving by using other management control tools to measure other values such as non-financial by the BSC.

P. Bukh (2008) argues in an another article, where he compares the Danish traditional budgeting to one of Kaplan and Norton's latest book the execution premium (2008) in which they focus on controlling the strategy in constantly developing process. P. Bukh (2008) here argues that new and old management control models should be integrated and the design of a Balanced Scorecard is up to the individual company to do because the BSC should be used as a framework instead of a set of rules.

Kilji and Jankowski (2001) conducted a case study that focused on the benefits of implementing the BSC in a Danish municipality in Aarhus. They find the BSC very relevant to find a link between the goals and the political targets, and that the BSC therefore could be seen a possible management tool. The authors also find cause- and effect relations to be very important and effective for each



division using the BSC and from this it is possible to modify the goals for each division. Another issue is that the total involvement of the division using a BSC is more effective. However they also find disadvantages in using the BSC in the municipality of Aarhus. The main issue is the issue of employing too many goals when using a BSC, which can make the municipality lose the overview. Therefore it is important to make few success criteria's. Furthermore they find that some of the "soft values" such as non-financial values can be misunderstood by the respective subdivision using the BSC. Too much focus on measuring the single department can de-motivate the employees and managers if the goals are not reached.

A study by Gjørdvad, Kruse & Vámosi (2007) constructed a survey, targeting the companies and municipalities using the BSC in Denmark, about the problems encountered during the implementation phase for BSC. Resistance in the sub-divisions was relatively high, 41% partially agree and 6% entirely agree. Challenges in running the BSC together with other management accounting tools, seems to be very dependent on the company or municipality itself, giving relatively high disagreement on this questions, 24% entirely disagree, 12% partially disagree, 12% entirely agree, and 29% partially agree. Almost the same opinion goes for the question, if they are having IT problems in supporting the BSC. One significant factor however, is the cause and effect relationship which seems to be very difficult for Danish companies and municipalities to fit in their strategy, with 59 % of the respondents partially agreeing.

3.8 The Quality Reform

In 2007, a quality reform was implemented on the Danish municipalities (H. Hjortdal et.al. 2008). The reason for this was because the government wanted to compare how the different institutions utilize the resources given and by that stimulate the competition, and also give the individual citizen the opportunity to make decisions out from this quality reform. The quality reform operates by dividing three quality issues, which includes user experience quality, professional quality and organizational quality. The municipalities should make simple and short quality contracts where the goals should be clear for every service area and employee and manager should be involved. The quality reform focuses on rewarding the institutions reaching their goals. This reform has been criticized for being a model which turns municipalities into "production factories" and thereby some of the goals are succeeded through a long term process with more departments/institutions involved, which creates injustice for some of the employees. (Nørreklit et al. 2008).

3.9 Criticism of BSC

The balanced scorecard (BSC) was awarded the price for *best theoretical contribution in 1997*, by the American accounting association and the business world has showed major interest to this model (Nørreklit, 2003). However some authors criticize the BSC for being too simplified, vague and not up to date (Nørreklitt, 2000, Voelpel et al 2006). The work with non-financial measures is not relatively new and was already used by companies, for instance General Electrics in the 1950's (Nørreklit, 2000). In this section we are going to show the major issues in the BSC which have been debated among authors.

Cause and effect relationship:

“Many managers believe they are using a Balanced Scorecard, when they supplement traditional financial measures with generic, non-financial measures about customers, processes, and employees. But the best Balanced Scorecards are more than ad hoc collections of financial and non-financial measures.... A scorecard should contain outcome measures and the performance drivers of those outcomes, linked together in cause and effect relationships” (Kaplan and Norton, 1996 b, p. 4)

Kaplan and Norton have not defined the cause and relationship, but within the theory of science HUME's criteria are usually used (Nørreklit, 2000, p. 26). This assumes a relationship between X and Y, in a cause-and-effect relationship, is logically independent, why a cause-and-effect relationship is determined empirically. Logical relationships are a part of our language and can not be verified empirically. Cause-and-effect relationships are parts of the empirical world and are proved empirically.

The first problem with this is the time dimension. To measure an outcome (effect) of the BSC, it could be determined in the short- or long-term. So if customer satisfaction can be measured quite early, a launch of a new product could be measured one to two years in the financial results.

Therefore the casual relationship mentioned above, seems very problematic to follow because of the time difference in effects from the four different perspectives. This also leads to another criticism of Kaplan and Norton's BSC, where they in the last two dimensions state that the loyalty of a customer equals high probable profit to the company. This is based on Jones and Sasser 1995, Reichheld and Sasser, 1990 and Buzell and Gale 1987, who have empirically tested the relationship between loyal customers and profit. However, this conclusion is misleading because loyal



customers could also be those who come to the shop only because of the cheap prices which is not always the most profitable.

The causal relationship mentioned above cannot be determined by the cause-and-effect relationship. Investing in R&D a company must have fair financial results and achieve good financial results. A company must invest in R&D or as mentioned above, if high customer satisfaction leads to high profit then high customer satisfaction comes from investing in courses for staff and products which in the end give satisfied customers. Therefore most of the four perspectives seem to be interdependent of each other. Summing up these quite complex cause-and-relationship phenomenas, one can say that Kaplan and Norton (1993) do not specifically describe the relationship and thereby much critique is expressed on this issue, as described above.

Nörreklitt (2000) also see limitations in using the balanced scorecard, for instance stakeholders, such as institutional bodies and suppliers relying on the fact that Kaplan states that not all stakeholders are decisive. Firms using less or more than the four perspectives must invent new perspectives themselves and also remember that the new perspective should be related to the cause-and-effect relationship. A more problematic area is the monitoring of competition and technology development which is recommended at the beginning of the scorecard and this could refer to the BSC as being more stationary than dynamic. The model also does not take into consideration the risks of doing business. It measures how to set a strategy, but it does not see what may block the strategy. Therefore the culture of the organization has to be adapted to the balanced scorecard which is another limitation, Nörreklit (2000) argues. To motivate the employees to achieve certain goals they can be rewarded with a bonus check. However this will make the employee, focus only on the external commitment (If external commitment is too high the employee will focus too much on what is measured in the organization). Opportunistic behavior from employees only focusing on what is measured, could lead to other roles of the employee in the organization would be left open for neglectation.

Due to all this critique of cause and effect relationship, others (*P. Bukh & T. Malmi, 2005*) defend Kaplan and Norton by stating, through empirical surveys of the use and understanding of the BSC in companies throughout Europe and Scandinavia, that Nörreklit's view on the cause and relation effect is misleading. They still question whether a cause and effect should be determined is the start phase of implanting the BSC.

SSC (Systemic Scorecard)

There have been vast changes in the industrialized economy, to now a more complex, uncertain and mobile business world. This change occurred in the last decade of twentieth century and has given new perspectives on the traditional business competences, practices and processes (Voelpel, Leibold and Eckhoff, 2006). Companies live in a very global business network, which undergoes a constant change in its environment and culture. Therefore innovation has become a crucial factor for companies to survive in this new form of competition, where boundaries seem to “fade” away and main principles in a value chain of modern companies are challenged. Some call it the innovation economy (Christensen and Raynor, 2003).

Five Critical Issues:

The Balanced Scorecard focus on the four perspectives (Learning and Growth, Internal, Customer and Financial), but these perspectives has been described earlier by Parker (1979, cited in Voelpel, Leibold and Eckhoff, 2006). Kaplan and Norton (1992) made it more than just as description of these perspectives. They turned it into a universal toolkit for companies globally. But as will be described there are five fundamental issues in the BSC which can threaten the existence for the company and its stakeholder. The first issue is inflexibility of the BSC. Even though Kaplan and Norton (1996) state that this model shouldn't be a “straitjacket “, which means that the company shouldn't only stick to the 4 perspectives and forget everything else, managers will tend to focus mostly on this, because this is where you measure everything and therefore other perspectives can easily be overseen.

In this innovation economy described above, the dynamic is crucial and therefore it is very dangerous for the company not to follow the evolution. As mentioned earlier the BSC has been criticized for not being dynamic enough. In the BSC some goals are set through the strategy and managers will follow that strategy. However this can lead to employees and managers only focusing on that which of course is very optimal to reach the goal, but on the other hand there are activities and initiatives that go beyond the goals. To simplify everything into some goals is very effective, but one can ask if the full potential is used from the managers and employees?

The third problem is the internal perspective of the BSC. With internal perspective we mean not considering the external environment and its effects. BSC focuses on the organization and its core strategies and less on the environment such as suppliers and alliance partners who can be very



critical. In this new type of innovation economy an organization is acting in a global network of varied actors and the BSC does not cover them all.

The Fourth issue criticizes the four perspectives in the BSC to be focusing on the company and thereby not looking on the external challenges for each of the four perspectives. This issue also addresses, that learning, growth, and creation should be applied on every perspective instead of isolating it, because in the innovation economy, the typical R&D is getting more and more open in the network. This could also be related to the already described interdependency part from the Nörreklit (2000) article above, which described the four perspectives in the BSC being interrelated with each other and dependant instead of four totals instead of four independent and causal relationships.

Fifth and last problem with the BSC, according to Voelpel, Leibold and Eckhoff (2006), treats the problem of the cause-and-effect for being too much of a linear one-way relationship, because in a complex world of networks there can be several reasons for the effect of a cause. Again this has been described as the interdependency of the four perspectives earlier.

A critical argument that has been around for some time is the issue of the BSC being seen as a management fad, or a repackaged package of old concepts. Previous studies, (Andersson & Selving, 2006), addresses this issue through a quantitative study with inconclusive results. The BSC shows some management fad resemblance but due to the high market penetration rate and the life-time of the concept, the results can not be seen as valid. Further criticism towards the BSC is presented by Schneiderman (1999) who argues that companies that have been employing the balanced scorecard for a number of years have developed it until there is no more to develop. Thereby it is theorized that the need and importance of the BSC somewhat vanish in time when all obvious improvement possibilities are carried out.

Despite these critics about the BSC being static and designed for the old industrialized economy one can argue that if everything is so dynamic, not hierarchical and one perspective patch over the other, then what is left to measure? If the business network for an organization is rapidly changing and the only thing to do is to follow the change and become more and more external then everything will be much more difficult to measure. We will below describe an alternative perspective on the BSC which has been updated according to the authors. We are aware that this is not part of our main focus with this thesis, but we will shortly introduce it so the reader can understand the limitations of the BSC from a new perspective.

An alternative view:

Dimension	BSC focus	SSC focus
Financial	Improve organizational shareholder value	Improve network stakeholder value
Customer	Improve customer satisfaction and relations	Improve customer success and customer partnerships
Business Processes	Optimize particular internal business processes	Robustness and resilience of business-network processes, both competitive and collaborative
Learning and growth	Continuous organizational learning and growth	Systemic knowledge management and innovation through all four dimensions

Source: Leibold *et al.* (2002)

Figure 5. The SSC

However Voelpel, Leibold and Eckhoff (2006) come up with an alternative view of the BSC. The background for this alternative view is rooted in the new innovative economy where the company is operating in a global network with a constantly changing environment and the company's ability to adapt to these challenges. The SSC (systemic scorecard) approach was introduced by Leibold et al (2002) in the book "Management in the Knowledge Economy", and they take the BSC from only the corporate focus to the socio-cultural focus. The SSC also works with four perspectives as showed in figure 5. Customer value, systemic change and renewal, networked extended business processes, and stakeholder value. The first perspective customer value is different from the old BSC model in the following way, instead of having a goal to give more value the SSC focuses on giving customer new values from this. Instead of having focused on the product compared to the competitors the SSC wants the companies to use the full networking environment they are operating in and thereby fulfill some need of the customer which they are not aware of. This was not possible if we think back on the industrialized economy where the economy was closed and the main focus was the company.

Next perspective, systemic knowledge, focuses in the innovation of development of all four perspectives. Where the BSC focus on the learning and growth in the organization, the systemic knowledge should become a cross-section through all internal and external business areas.



The third perspective replaces the optimization of the internal business process to the flexibility and robustness of the network the company is operating in, because today's companies are more inter-linked with their stakeholders.

Last perspective is the stakeholder holder perspective where the BSC focus on the financial perspective and directly to the shareholder value. The company should in this new business culture, also called eco-system (Voelpel, Leibold and Eckhoff 2006), focus more on the stakeholder and their value for the company and whether their demands are met or not. By knowing the demands of the environment the company should not only work more efficiently, but more effectively.

3.10 Summary of theoretical framework

As shown above there has been extensive research performed on the Balanced Scorecard, all the way from how to construct and implement it correctly (Olve et al, 2000), to the issue of its relevance and questioning of its claimed benefits (Nörreklit, 2000). The entrance of BSC into public sectors has also been thoroughly researched and the different criteria for public and private sector implementation have been discussed. The Balanced Scorecard is well known in most of the world today and it has been employed in the western world for quite some time. In Scandinavia the concept is well established and there are large amounts of BSC research conducted in Sweden. Despite Sweden and Denmark being rather alike in terms of business environment and municipality structures, the use of the BSC seems to still be in an introduction phase in Denmark. The small amount of Danish BSC research available further strengthens this assumption.

4. Empirical Findings

The chapter presents the results attained from the primary data collection, which has been carried out through interviews, as well as an overview of the case setting with information attained from secondary data.

4.1 Case Setting

Case setting:

The municipality of Copenhagen is the largest municipality in Denmark. It covers greater Copenhagen which has approximately 509.362 inhabitants². The municipality employs approximately 50,000³ employees and is the country's second largest public employer, surpassed only by the state.



Figure 6, Organization diagram for the municipality of Copenhagen

² http://im.dk/publikationer/kommunalreformen-kort_fortalt/kap08.htm

³ <http://www.kk.dk/FaktaOmKommunen/LedelseOgPersonale/MaalingerRapporterOgStatistik/~media/3D804A308BB34F9EB051313DA4EAED05.ashx>



In 1997⁴ the traditional organization was rescind and a new form of running the municipality was presented which had similar structure as some other municipalities in Denmark. This organization model was introduced the 1st of January 1998 and is called “mellemforstyre” with shared administrative management, which meant for the municipality of Copenhagen, that the City Burgomaster had to share the management with the other mayors. The new “mellemforstyre” gives the opportunity to the individual department to make decisions within their own focus area, which also give a faster and more efficient proceeding because the decision-making is decentralized. The decentralization also involves the politicians in a more active role because the committees do not have the advisory role anymore. Furthermore the tasks between government and municipalities can be distributed better due to this new reform. Before 1998⁵ it was a “magistratstyre”, more centralized control, which was criticized for being too slow in solving specific cases for the public. Each committee has a mayor who is elected by the citizens the 3rd Tuesday in November every 4th year. Recently the number of municipalities in Denmark was reduced to one third (271 to 98), because of the new municipality reform which focused more on effectiveness and financial aspects⁶.

The municipality of Copenhagen has 7 administrations (departments/committees) which are Finance (ØF), Culture- and leisure committee (KFF), youth- and children-committee (BUF), Health- and care-committee (SOF), Social Committee (SF), Technology- and environmental-committee (TMF) and employment- and integration-committee (BIF).

The 7 departments have been set out by a statute which has been designed to make the decision-making simpler. According to the statute, one municipality must have a finance committee and one or more committees whose role is to support the municipality. Every committee has a mayor and politicians selected by the citizens in Copenhagen. The politicians and directors of each committee set the initiatives which then go further down to the individual centers or divisions. A short presentation of the seven committees and their focus area is presented below;

⁴ <http://www.kk.dk/PolitikOgIndflydelse/ByensStyre/~media/F4D321902090485689496D7B476CCB04.aspx>

⁵ <http://www.kk.dk/FaktaOmKommunen/Forvaltninger.aspx>

⁶ http://im.dk/publikationer/kommunalreformen-kort_fortalt/kap02.htm

THE COMMITTEES / MAYOR

AREAS

THE FINANCE COMMITTEE
FRANK JENSEN / A

FINANCE / PAYROLLS AND HR / COMMUNITY PLANNING / IT / BUSINESS SERVICE / INFORMATION AND / COMMUNICATION / DEMOCRACY DEVELOPMENT / STATISTICS / FIRE BRIGADE / CITIZEN SERVICE SAFE CITY

THE CULTURE AND LEISURE COMMITTEE
PIA ALLERSLEV / V

LIBRARIES / GENERAL EDUCATION / CIVIL REGISTER / SPORTS FACILITIES / COPENHAGEN CITY PROPERTIES / CULTURE HOUSES / MUSEUMS / THEATRE, MUSIC AND ART SUBSIDIES / EVENTS AND INTERNATIONAL CULTURAL AND SPORTS COLLABORATION

THE CHILDREN AND YOUTH COMMITTEE
ANNE YANG / A

DAY CARE (0-5 YEAR OLDS) / AFTER SCHOOL CENTRES AND CLUBS / PRIMARY AND LOWER SECONDARY SCHOOLS / SPECIAL-NEEDS SCHOOLS / SPECIAL-NEEDS INSTITUTIONS / EDUCATIONAL PSYCHOLOGICAL ADVICE / YOUTH SCHOOLS HEALTH CARE AND COUNCIL HEALTH OFFICER / EDUCATIONAL GUIDANCE FOR YOUNG PEOPLE / SPECIAL EDUCATION FOR ADULTS / CHILD AND YOUTH DENTAL CARE / NUMEROUS TASKS ACROSS THE CITY FOR 0-18 YEAR OLDS

THE HEALTH AND CARE COMMITTEE
NINNA THOMSEN / F

HOMES SUITABLE FOR CARE / HOME CARE / AIDS AND APPLIANCES / DAY CENTRES / ADULT DENTAL CARE / PREVENTION OF DISEASES AND HEALTH PROMOTION / REHABILITATION / REHABILITATION VS. CHRONIC DISEASES / FREE PHYSIOTHERAPY / COLLABORATION WITH THE CAPITAL REGION OF DENMARK ON HOSPITALS AND HEALTH / CASH BENEFITS FOR SENIOR CITIZENS / CITY OF COPENHAGEN OCCUPATIONAL HEALTH SERVICE / BASIC SOCIAL AND HEALTH EDUCATION AND NURSING EDUCATION

THE SOCIAL SERVICES COMMITTEE
MIKKEL WARMING / Ø

DISABILITIES / THE MENTALLY ILL / ABUSE / HOMELESS PEOPLE / ALCOHOL TREATMENT / SOCIAL HOUSING WORK AND HOUSING AGENCY SERVICES / PLACING OF CHILDREN AND YOUNG PEOPLE IN RESIDENTIAL CARE / DISABILITY PENSION / PREVENTIVE SOCIAL MEASURES / NON-RESIDENTIAL FOLK HIGH SCHOOLS

THE TECHNICAL AND ENVIRONMENTAL COMMITTEE
BO ASMUS KJELDGAARD / B

LOCAL DEVELOPMENT PLANNING AND ARCHITECTURE / ENVIRONMENT / TRAFFIC / PARKING / PARKS AND RECREATIONAL / NEIGHBOURHOOD AND AREA IMPROVEMENT / CLEANING AND MAINTENANCE OF OUTDOOR AREAS / CONSTRUCTION CASES / CEMETERIES

THE EMPLOYMENT AND INTEGRATION COMMITTEE
KLAUS BONDAM / B

EMPLOYMENT / JOB CENTRE COPENHAGEN / QUALIFICATION-IMPROVING EMPLOYMENT CENTRES / CASH BENEFIT AND SICKNESS BENEFIT SERVICES / DISABILITY PENSION ASSESSMENTS / CROSS-SECTOR INTEGRATION ACTIVITIES / TEACHING OF DANISH TO ADULTS / INTERACTION WITH BUSINESSES AND SUPERVISION OF BUSINESS STRUCTURE

Figure 7. Different roles of the Departments⁷

Different budgeting in the City of Copenhagen

⁷ <http://www.kk.dk/FaktaOmKommunen/~media/747939461B374C5999C56087C81AEE02.aspx>



The figure shown above has seven departments/administrations and they all have different targets. Therefore the budget is set different from department to department.

The budgets for each department are changed annually by the politicians and mayors. The individual goals made every year will of course be prioritized higher than the goals last year, because the goals are set due to the development in the municipality and therefore the politicians and mayors of course wants to prioritize what is relevant to win more votes for next election. Despite this risk of possible opportunistic behavior, a look on the budgets made for the last four years in each different department shows a picture of what the tendency has been for each department⁸. The two most significant results are the growing operational costs for the Social service department and the children and youth department, while the other departments have a stable growth.

The introduction of the BSC in the City of Copenhagen

The BSC was introduced to the departments in year 2000/01⁹. It was proposed by the department of finance and a presentation for this was sent out to the other departments¹⁰. In this publication they explain and describe how a BSC should be used in the different departments and we will therefore briefly sum up the key points of this publication. The reason for why a department should use the BSC is expressed in two main reasons:

- 1. To ensure coherence between the different types of goals, which exist for public institutions.*
- 2. To make it possible to control several types of goals in the same time: short- and long-term goals and financial and non-financial goals.*

⁸ http://www.kk.dk/PolitikOgIndflydelse/OekonomiOgBudget/Budgetter/~/_media/2EC781A601B24FC980D1BDEF98B040C0.ashx

⁹ Interview with finance department, Lisbeth Kjær Thomsen, Head of Department.

¹⁰ <http://www.netpublikationer.dk/kk/4046/>



Figure 8 How to construct a BSC according to the department of Finance¹¹

Before the introduction of this publication the municipality has made some pilot projects and by that knowledge they have made a framework for how to implement the BSC in the departments, which is illustrated to the right. The first two steps are to create the mission and vision, and after that strategically themes should be made. It is recommended in the publication that a maximum of three strategic themes should be chosen to keep the overview of the entire BSC. The themes should be what the department or subdivision will focus on in the respective period. Hereafter the critical factors should be decided for the four perspectives which again should be under the strategic themes which are constructed. These will together create a strategy card which should have a cause and effect relation, which means that the critical factor should be answered through all four perspectives. In the end they should create initiatives that should tackle the specific problem which then should be measured in several ways depending on what kind of critical factor they have solved.

To work with the BSC and implement it, is described in three phases and is mainly to give the managers an idea of how to tackle the implementation phase. The first phase is to evaluate in the specific department what kind of operating control systems are used now, (existing goals and budgets etc.) and how the BSC can be used together with other control tools in the organization.

¹¹ <http://www.netpublikationer.dk/kk/4046/pdf/BalancedScorcardpjecen.pdf>



The second is to sit down in project groups or something similar and then design the pyramid described above. The third phase is how to follow up on the BSC and who should join the follow up or if they should implement an IT system to control the BSC.

Structure of primary data

Interviews have been made as mentioned earlier with the seven different departments in the city of Copenhagen. After the interviews were completed we found out that three departments were using the BSC, one had never used it and the last three have stopped using it. Therefore we will start by having one mini case including the three departments using the BSC and hereafter two separately minicases with the departments not using it, or have used it before. The reason for doing this is to get a structure over the interviews and also because some questions we asked the departments using the BSC varies from the departments not using the BSC.

4.2 Departments using BSC

Departments using BSC are; TMF (Technical and Environmental Department), KFF (Culture and Leisure Department), and BUF (Children and Youth Department). The departments will be presented here where we will describe the role of the BSC in these three specific units. The other departments will be analyzed afterwards.

Start of implementation

The implementation phase of the BSC started, as mentioned in the theoretical framework, in Danish municipalities in 1999. After some years of trying out on smaller municipalities as pilot projects, it was moved on to the municipality of Copenhagen. Mainly the stakeholders such as politicians and citizens made more demands for the municipal and the directors had also been very interested in this control system. Therefore a purpose by the finance department in the municipal of Copenhagen was proposed in early 2000's¹². In the proposal the BSC had been tested on smaller municipalities as a pilot project and with positive results¹³. The merging of the municipalities and different

¹² <http://www.netpublikationer.dk/kk/4046/pdf/BalancedScorcardpjecen.pdf>

¹³ <http://www.kommuneinformation.dk/upload/6109-ud.pdf>

departments in Denmark also meant that many municipalities, due to the task and structure reform, became very busy with coordinating not only the service level but also management accounting tools. The reason for different management control systems in the municipalities are, according to the mayor of Faaborg-Midtfyn¹⁴ municipality, because of the different goals each mayor has. Some prefer decentralized ways of controlling a municipality where others want more of centralized controlling function. The three departments using the BSC are presented below.

The introduction of the BSC in each of the departments in the city of Copenhagen was according to a project manager from KFF:

“I think it was introduced in the beginning of year 2002/03, and the finance department started out to recommend us to use it. Thereafter we have used it for a couple of years with some help from a consultant firm...” (Project manager from KFF)

“We had a consultant firm to help us out the first year. It is called implement. After that, I was a part of evolving it together with my colleagues. It was the former building and technique division director who wanted us to use it” (Project manager, TMF)

“We got introduced to this system, which is the Balanced Scorecard, for 3 years ago by the recommendation of LGDK (Local Government Denmark). Earlier, our organisation was divided up in different sections, but I have talked to some colleagues about if they can remember the proposal from the Department of Finance and they answer yes.” (Project manager, BUF)

What was used before also depended of the reform because in 2005 and 2006 many of the departments was operating alone or were separate. Some of the departments today are in fact two independent departments that merged. *“Before 2006 we in TMF were 2 different units, one department concerning environment and the other technique. And there one of the divisions used the BSC already... from 2007 when the 2 divisions were united we started to use the BSC. Since there we have made this strategy for the whole TMF and not so long time ago we have implemented the subdivision strategy card” (Project manager, TMF)*

¹⁴ <http://app.kl.dk/netvideo/Styringsmodeller.html>



Many of the departments using a balanced scorecard or strategy cards have developed them in accordance to the wishes of politicians. *“This is a very “department process tool” (Talking about the BSC) which means that it is rooted in the board of directors... , ...but the individual section has to make a strategy plan according to the framework made from politicians, directors and us.”* (Project manager from KFF) The same decision making process is the situation for TMF and BUF.

Top-down or bottom-up

There haven been different ways of implementing the BSC and as noted below different approaches have been used in the start of the implementation phase.

“I would say it is top down. But again the framework is very open so the frame is defined and the each specific goal for the respectively perspective is up to the manager to choose. But again, it is up to the directors to put in some other goals no matter what. This is what has happened now where we in the internal section this year have to set a goal for absence due to illness” (Project manager from KFF).

“To start with we used bottom up approach, we started with this very widely. And now it is top down. And I don’t think there was any reason behind it, but when I came in and became responsible for the BSC, I found out that bottom up did not make any sense because of the decision making was a bit vague, so we moved it to top down approach”(Project manager from TMF).

“To start with, we have asked the individual employees about what they would like to get measured on and what kind of goals they would like. This has given a lot of different goals which then in the in has been selected by the top management, but it started to be bottom up which then turned into top down approach in the end. The different employees on different level seemed not to understand how to link for instance the financial and HR perspectives to their goals so therefore it was moved in the end to the top down approach” (project manager BUF, Jacob Juul Nielsen)

The departments using a BSC are employing a top down approach, however it was recommended in the proposal by the department of finance to use either top-down approach or bottom up.

4.2.1 BSC Construction in the departments

Below we have three different strategy cards from different departments using the BSC. The first strategy card is very similar to the instruction from the publication from the department of finance. The two others are however not as the instructions from the finance department.

STRATEGISKE TEMAER:	BYLIV	MILJØ		
EFFEKT PÅ BORGERE OG BRUGERE:	Fra klimaplan til CO2-reduktion	Byliv i udsatte byområder	Byliv i nye byområder	Klimatilpasning
	Grøn mobilitet			
EFFEKTIVITET OG UDVIKLING:	Digitale værktøjer	Professionelle partnerskaber		
LEDELSE OG MEDARBEJDERE:	Det professionelle lederskab	Den kompetente medarbejder		
ØKONOMI:	Åbne budgetter	Forankring af god økonomistyring		

Figure 9. Overall Strategy card for TMF, Internal Communication



Figure 10, Overall Strategy card for BUF, Internal Communication

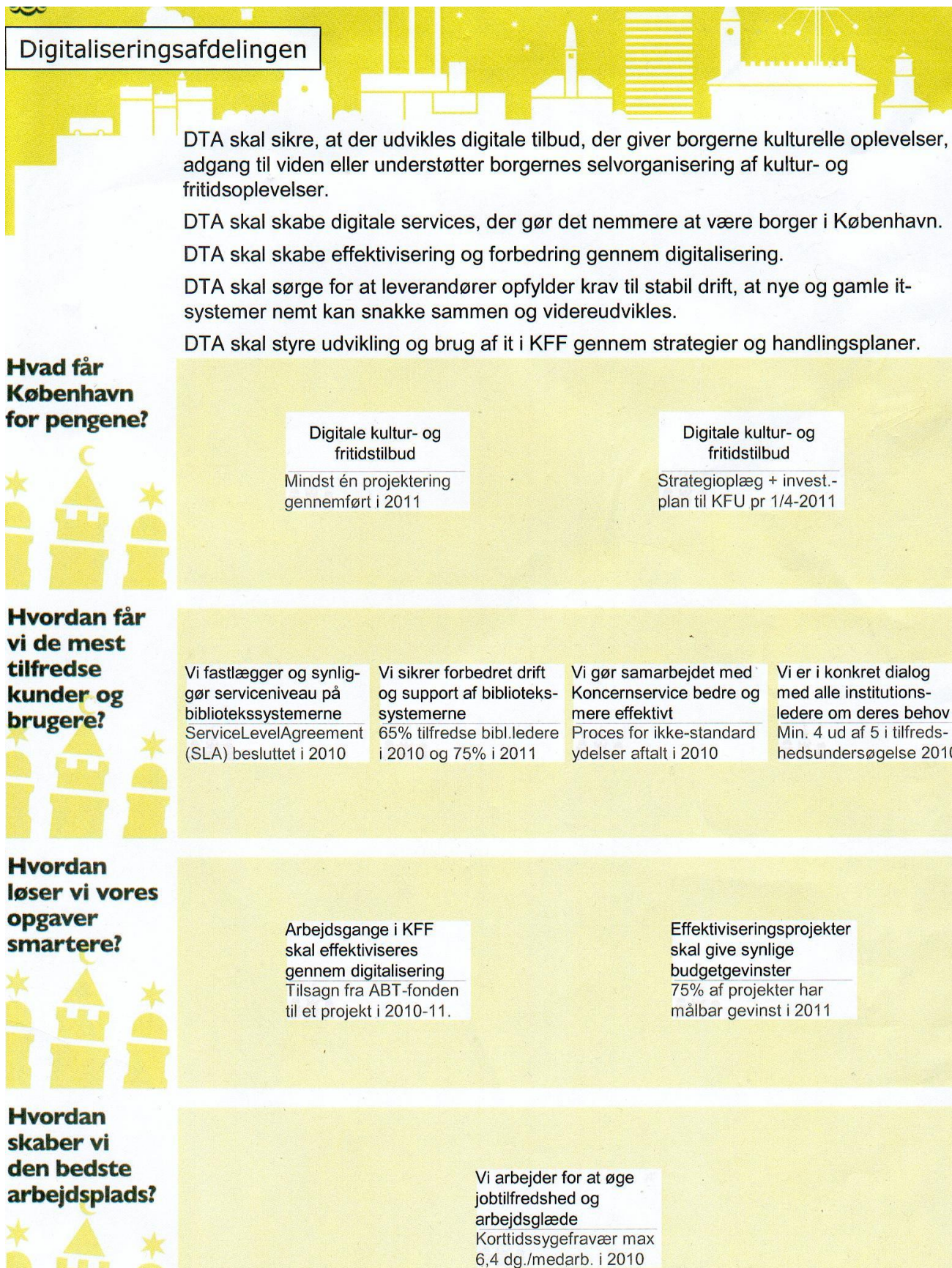


Figure 11 Proposal for one center in KFF, Internal Communication

Three different strategy cards have been presented above and all of them are using the four original perspectives. These are the main strategy goals, which mean that each institution has their own goals, also called center strategy card, but have to follow the overall framework which is set by the directors in accordance with the project managers. In KFF the first strategy card for the individual institution was approved by the directors, for the first time in March 11th 2010. In TMF they are just about to finish off their pilot project in 3 of the 12 divisions and their goal is that all divisions should have an individual BSC before the end of year 2010. Furthermore the strategy card in TMF has two strategic themes which are characterized by having a red line through all four perspectives.

The perspectives on the figures are basically the four perspectives from the BSC by Kaplan and Norton. Each department has chosen to call it something else and more understandable and all three departments have different named perspectives, but in accordance to the BSC perspectives.

4.2.2 The use and development of BSC

In this section we will present the main changes that have been made by the departments. Thereafter a more in-depth description of the use will be explained. The three departments using the BSC have all modified the BSC to fit their main purposes.

- TMF changes and use :

TMF have a well developed strategy card as shown in the figure above. They earlier had one strategy card each year, but this gave many problems especially with the goals which were set. *“We have had the same strategic themes for year 2008 till 2010, but the critical success factors have been changed every year. And that we try to stop now, because of many reasons. First it costs too many resources in making this strategy and also that this is too short perspectives to work with. It is not like some of the success criteria’s are finished in one year ...”* and she continues *“What we are trying to this year is to, focus on a four year period instead of one year. There we have green growth, innovation and quality of life as themes. With this it is our intention that this new strategy card is more dynamic than static. The critical success factors should be the same, but again we have to follow the political reality and agenda, so we always have to revalue these factors. And that is what I mean with dynamic...”* She also mentions what other problems the one year strategy card gave. *“Some of the problem with this is that some targets can be measured several years after we are finished with it. So right now we are good to make the strategy card, but we have to be better to follow up the specific cases. And I think when we have reached that; it will be much easier to use it.*



So it is much more difficult to do this with the earlier strategy card we had, because it was difficult to keep a focus on the things because new issue were coming the year after.”

The BSC evolution continues for TMF and at this moment in time there are still some main issues which bother the project manager. When she is asked how far she would say they have reached on the process of implementing the BSC and get the full advantage of it she answers: *“We have our vision and mission, united strategy card and strategy card for each sub division, but we have to make the subdivision understand how we are working with this. We should have more transparency in our budget. It is important to have transparency so we can see how and what resources are used on, so we can make it more effective...”*

- KFF changes :

When the project manager was asked about which perspectives they were following in their balanced scorecard, he answered the following:

“We are following the four perspectives from the original BSC and we have called them something else, but the perspective is the same. Before it was economic perspective was called economy and effect at the top. Then Customer and User. Then internal processes. The last was learning and perspective. Now they are called something else (see strategy card for KFF above)... Before we used to have another structure of this BSC which was in fact very similar to the one they have in TMF, but we stopped it because the themes became very similar to the perspectives and it also made the map look more un-arranged” (Project manager from KFF).

Today it is the same main four perspectives, but they have another name in order to make it is easier for the users to understand it and easier to present it for those who have not heard about the BSC before. *“...We have called them something else and then we have our main focus on our strategic goals and what we want to change, compared to earlier where our goals were that 80 % of the activities should be our goals. And that’s something else that we do now, because there we get out on issues related to measurement and what can be measured and not. We are not an organization which produces salt pastilles and uses ABC for measurement and etc.”(Project manager from KFF)*

The project manager states that the missions are the specific strategic goals which are different from before where they had to reach 80 % of the goals set, but it was a bit vague because not everything could be measured. Furthermore the organization became more centralized and this was mainly

because of utilizing the BSC fully. *“...before we used to make some BSC for each sections and also the individual employee was involved because a manager for they library institution could tell an employee that I have set some goals now if you have some then just add on. And it was nothing that was used actively... It was starting to be varying a lot and no utility value was there...”*

The issues mentioned above also gave problems in the beginning to utilize the BSC fully, but an origination change which has occurred was the reason, according to the project manager, to fully utilize it and realize the advantages the BSC could imply. This organizational change decentralized the organization which was the main thing to fully utilize the BSC and they have used all of the year 2009 to do decentralize this. And now they have done it simpler for the users: *“We have set up the rules for this game. We make sure that the goal in the process is so compressed and simple but very useful in the same time.”*

- BUF changes:

The project manager were asked the same question, but because he was relative new in this organization and also because the implementation of the BSC was in a very introduction phase he could not give specific answers on this question, but he also mentioned that many changes are going on at this moment of time because they learn a lot by the pilot projects and goal settings.

“To start with we have decided not to call this management control system for BSC, but renamed it to “Good Goals” and also the four perspectives are renamed. We are in the phase where we just have finished one pilot project in one of our nine centers and will now continue to implement this in all of the centers. Therefore this tool is not in the operational phase yet. But we have a target to control this by having contract based agreements with different institutions and hopefully start by measuring these in January 2011. However new changes can also come from the mayor or directors who wants certain things changed in this management tool or clarified new goals. (Project manager BUF, Jacob Juul Nielsen)”

Similarities between the departments

To answer the question of how many of their employees are aware of how to use the BSC and what expectations the project manager has for each division working with the BSC the answers from all three departments sound similar; *“I am sure that every institution manager has been through a process and workshop to learn how to use this BSC. All managers should therefore have knowledge*



to this. But all employees I don't know. We have everything from highly educated academics to "blue men" cutting grass." (Project manager from KFF) or "There is a big difference in how each subdivision have chosen to work with the strategy card. Some have a wide involving process, very bottom up to get all included, others have chosen to say this tool is a tool for the top leaders and directors and they should work with it and we will use our staff according to what they want us to do. So it is very different. It is very important to us to get these people to understand it. How can the road sweeper see the red line between his job and the environmental aspect of this strategy card? I do not have an expectation and intention that all employees have to know about BSC." (Project manager TMF)

The tone is the same when asked in what kind of perspective they weight most on in the specific departments: "I think it is very difficult to say. Because it is a balanced strategy and it is a very broad framework we have. The only thing is that there has to be a goal in each perspective... I would say customer perspective and effective perspective, which is internal growth, are most important." (Project manager from KFF)

"We are in this world because of the citizens (customers). We are different from a private company because we are not in this world to earn money. Our value and the reason for why we are in this world are to create a good city for our citizens." (Project manager TMF)

"I would say the profession and user perspectives are the most important leaving the two other perspectives to be less important. But of course the economic perspective is also very important especially in our department where we have had a big problem with the economical part." (Project manager BUF)

A follow-up on the initiatives made by the economy centre of each of the departments is done 4 times a year and another meeting with all the divisions and the directors is held once a year.

The project managers were also asked if they felt that some perspective was missing and the answers were very different varying from department to department.

"Yes I feel these are okay. I haven't been in a situation where I had a feeling of maybe we should skip or implement a certain perspective. In our organization it feels like it gives some kind of a red line in all these four perspectives" (Project manager from KFF).

We have had the economy perspective out a couple of years, because we thought it didn't make sense to have it excluded from the other factors... We moved it because it was internal and it wasn't about numbers on the bottom line. But now we have it back. It is mainly because now we have integrated IT and economy with each other so it is easier to use with the other measures.... Our intention is to cover it all, but we cannot cover it all (Project manager TMF).

“We cannot cover it all within the four perspectives and it is difficult to say if we do it, at this moment of time because we have to evaluate the last results from our centre with the management and thereby restructure it if necessary. (Project manager BUF)

Further on when the project manager from KFF is asked where they are in the process of the implementation phase he answers:” *We are there where the managers are about to be through the process. After that we will evaluate it so we can learn about our mistakes in the workshops. And after that we JUST need to follow up on them. And then next year we can get some feedback and get to know how this can be used... Afterwards one could think of systemize or digitalize it more or could you use other management tools to help put with the united goals” (project manager KFF).*

The project manager from BUF already answered this question when he was asked about the changes in their BSC and the answer is very similar to the one from the KFF project manager as shown above.

4.2.3 Perceived problems and limitations of the BSC

This section covers the questions about limitations and the problems the BSC has brought with it. The first questions the managers were asked was about how to utilize the BSC fully and what concerned the Project managers mostly. The project manager from the TMF department mentions two main problems. The first is to define the strategies clear as possible and she mentions; *“It is the balance that, if you have to make it all transparent it will also be a question of how detailed should we be, to allocate the resources we get to the right projects and to cover all the strategic objectives in our department” (project manager TMF)*, but it is there she has her main worries. The main worries are concerning the fact that due to the large amount of resources used to develop the management control system and the set up should be creating value for the individual employee, especially managers in this department. How to use it? For instance as a portfolio control or similar, so that they get this BSC translated into a daily day management tools. She also mentions that this should be a dynamic and flexible tool that should create value for the individual. The questions are



continuous towards if more measurement could make the BSC be a part of the manager more and she answers; *I think we are measuring a lot already and I do not think that if we had a person constantly measuring everything will give a good organisation. On the other hand I don't want a manager to sit and make smiles for each goal, because that does not create value as well. To create value according to me would be that one manager sit with another and sit and talk about the progress, how to adjust this and to have a dialog about this set up and for the follow ups. I would wish that this would be a dialogue tool. And I think it will come later in this progress, but it will take time*" (project manager TMF). The worries for the follow-up between the different managers in different levels of the organisation can maybe be eliminated if the BSC gets integrated with their Management information system. She also mentions following when asked about measuring in the department. *"My personal opinion about this is that we have built up a measurement hell, but again it is very in to run organisations like that."* We then comment on her answer by saying that measurements are created to give an effect and she answers: *"I am not against measurements. I think that measurement is good if you use it for the right purpose. Otherwise it is a waste of money. It is again the issue that measurement should be made to create value. And then there have to be balance with all these measurements in this way that; Can I make one strategic goal finished before the next one comes up and the next one again"*. The interview ends with the questions that due to the worries she has, if she can see a brighter future with the BSC. And she answers that earlier they have had the strategically process and economical process separately which means that when the yearly budget was given there was not any dialogue between the strategic departments and the economical departments which gave some unbalance in the goals. But now they have integrated it and this makes good sense and they get qualified inputs to their budgets. They started this integrated process in 2010 for first time, but he also mentions that the organisation has not been ready to run these two processes integrated. *"And if we manage to make it dynamic, follow up more and make it a part of the managers workday I would say that this give a lot of sense. It has taken time to implement, understand and root in our organisation, but now we are in the process of making the BSC give value, I think, I hope."*

The same question to the KFF department is however answered in a completely different way: *"I don't feel there are any concerns in using the BSC, however we use this to talk about strategic goals and this will mainly be about the organizational behavior. We cannot control everything from this tool. There is a lot of this like accounting and financial issues which are measured by other tools. This is more about employee involvement, but it demands a lot to the process and big demands in the framework we tell"*. (Project manager KFF) He also adds that a way to fully utilize

the BSC would be if every manager out in each division could succeed to define some goals which are interesting, important and substantive enough so they are willing to follow up on them.

When the projects manager is asked about where he sees the critical issues relating to this he answers: *It is a difficult pedagogical and communicative task to make all people understand the same and think about it in a similar way, because people are different places and with different backgrounds. We need to develop a united language. Therefore we also need to learn something about where are the other institutions, because we are very heterogenic and we are very different and also their leaders have a different view on everything so we can also see what kind of challenges there are internally. For instance what kind of management challenges should we learn from? Also it is difficult to make the managers use this as a long term strategic goal tool.* (Project manager KFF)

The project manager from BUF is asked the same question and he points out two main issues which he sees as main problems having this strategy card: *“The first thing is the communicative problems between our institutions. With over 16.000 employees and mangers on different levels I see this to be a very big challenge to implement this in a way where it should be useful for all, or at least the managers. Second, the IT system is not developed so we can get all the measures we want. And different things are measured by different systems that are not able to communicate together so we in the managerial level cannot see all the measures in our management system.”* (Project manager BUF, Jacob Juul Nielsen)

4.3 Department not using BSC:

Department of employment and integration (BIF)

This department is relative new and was developed in 2006 when a new reform for the municipalities was made. As a result of that the BSC is not used in this department. When the Project manager for BIF is asked if they have used the BSC, he answers: *“No, but I think we use it in such an implicit way, but not that we make strategy card like the others departments have. We of course focus on the citizens and economical perspectives which means that we internally should move the money towards the citizens and we do certainly also have goals for this, but we have no tool in this department called balanced scorecard or strategy card.”* For controlling economy they



are using ABB (activity based budgeting) with monthly budget follow-up¹⁵ and a continuous result follow-up. Furthermore Deloitte has in spring 2009 performed a quality test for each of the 7 departments and has classified BIF's management accounting to be on a "developed level", but the definition of the developed level is not published. The overall transverse management accounting systems in the 7 departments are classified to be on a "basic level". This department also has an effect-based controlling which means that they give the "job-centre" (centers who try to help the citizen to get a job), some goals they have to reach and if they are reached they can allocate the resources to other areas which concerns BIF activities. According to the contact person, they have used the described model mentioned above since 2006 and he says that the overall reason for not using the BSC could easily be because they first were established in 2006. However, he also tells that they do have goals for the individual institutions, but it is not cut down into themes, strategies, and success criteria as we have seen it in other departments. Another interesting point about the way BIF is controlled is mentioned shortly by the project manager in SF, who expresses the following view: *"there is a big difference in the way budgets are set in the different departments. For instance our budget in SF is not dependent on the effects where in BIF where some institutions get the budgets developed according to the measured goals..."* There is of course a big difference between these two departments where one is focusing on socially marginalized people and the other on employment and integration.

4.4 Departments stopped using the BSC

These departments have stopped using the BSC entirely or partly due to several reasons and there will be a presentation for each of the three divisions that chose to end the use of the balanced scorecard. The first question asked to all three departments was what the primary reasons for stopping usage and this is what they answered:

"To start with we got it introduced from the economic department (ØF) in year 2003 and 2004. We implemented it and gradually we have had a feeling of that BSC wasn't that proactive as we thought. And I think it was because we did not understand how we should use the strategy card, but we saw it more like being a tool where you can walk into the machine room and get access to all the elements to control a machine. But we would rather like to work with "effect control"... Another thing is that our department does not have the customer perspective as they have in other

¹⁵ <http://www.kk.dk/eDoc/Besk%20-%20og%20Integrationsudvalget/22-03-2010%2013.15.00/Referat/24-03-2010%2013.32.34/5299875.PDF>

departments using it, because our customers are socially marginalized people... Yes we tried using it on our psychiatric institution, in year 2006/07/08. It was built up with “Balance Scorecard”.

(Project manager for transverse economy in SF.) MALENE KROGH

“To start I would like to tell you a little about how we implemented it and what happened since. We got presented to it in 2004 and 2005 by the economic department and the directors thereafter decided to implement it in our department. However it should be said that in that moment of time we in our department had substantial economical problems and with the structural settings, so the reason for having more focus on the controlling issues in our department was the fundament for implementing the BSC... The reason for skipping the BSC was mainly because it gave one million projects and it is difficult to have many ships in sea without getting some back to the harbor. This was the biggest challenge we had because it generated so many projects which sticks out in all directions and that is the reason for we are doing things in another way today. (Project manager in SOF) (Gitte Petersen)

The department (ØF) who introduced the BSC to the other departments has also chosen to cancel the use of BSC and the head of department was asked whether BSC was a success or not; *“Yes it (the BSC) was very “in” that time, and after that it went over to something, where a lot of resources were used and the outcome was too little. So we went to a more simplified strategy card in year 2005, which we also banned because it also became complicated as the BSC..., ...we would try to avoid the measurement tyranny the strategic card and BSC caused.” (Head of department in ØF)(Lisbeth Kjær Thomsen)*

As cited above there are three different reasons for why the BSC has been banned and replaced by something else. The issue to control the strategic objectives and get some kind of outcome is what two of the three department’s see as being the main reason for replacement of the BSC. Another problem identified was that the BSC has been too static and difficult to understand how to utilize fully as project manager as the SF department refers to. It could now be interesting to see what they are using instead of BSC and what they prioritize. After the question of why they replaced the balanced score the next question was what they use instead.

“We use the result-based management or the balanced result-based management to see whether we are heading in the right direction. The result-based goals which we set take starting point in what we can do to reach these goals” (Project manager Malene Krogh) The reason for choosing one of the two mentioned management tools is according to her more directing oriented. However she is



aware of the BSC is also directed towards the strategy and goals made, but she means that they have modified it in such way that she rather would call it for the two above mentioned. The project manager afterwards tells us that she would say that the result-based management or the result-based management of the BSC also could be called the BSC 2nd version. The reason for that according to her is following: *“...Because in the model which was produced in the year of 2003, economy was included, employees were included and citizens and internal growth... When we work in our own way, we recall these subjects, but there is a direction for these subjects then. For example, we haven't got a subject named employees, but instead a subject called attractive place of work. So that there is an objective, and regarding economy, we have a subject called effective resource exploitation.”* (Project manager in SF) The project manager furthermore states that originally the BSC was made for private companies and the introduction of the modified BSC to the public sector by ØF was not enough so they have modified it so much that it does not fit into the balanced score card definition any more. The interview continues by her telling us how they have constructed it and how they try to make all four perspectives interrelate with each other; *“We compare things, and consider the risks, because we cannot make good results for the citizen if there is a high sickness absence or a big process of replacement”*. The way they have constructed their strategic goals is not similar to other departments. They have ten goals and each institution has more goals and it is not put into a strategy card as shown above for some of the other departments using a BSC or strategy card. There is also a different view on the customer perspective because SF customers are socially marginalized people. In some institutions under SF one can use customer satisfaction surveys etc, but others have different target groups so the perspective is called better results for the citizen. She also tells us what her personal meaning is regarding the modification and the “red thread” through all four perspectives: *“I believe that, when we modify the concept so much and basically lose the thread and where it came from, it becomes a little less theoretical. Personally I think it is bad, because it would be good to argue for the concept and why it makes a good difference...”*

The interview with the other department SOF reveals another way of replacing the BSC; *“we call it direction and prioritizing and then we have a control tool called value to the citizens. These two things support each other. So values to citizens are the fundamentals where direction and prioritizing are the tool used for generate approximately a couple of year's goals or challenges. And by this you try to utilize the specific goals in 6 different categories. For instance direction and prioritizing number one is; how the future should be for the nurses?”* (Project manager SOF)

Furthermore she tells us that the economical and internal learning and growth are not included in this, but there is a big link to this all the time.

The last interview is the Finance department which was the department who recommended the BSC for all the other departments. And therefore it is interesting to hear why they have replaced the BSC. The reason for them to replace the BSC was as mentioned above because of the measurement tyranny. Hereafter the head of department continues to explain what they are using now: *So in fact we are down to now measure some few strategic goals we have... because we really try to avoid the tyrannical measurement they caused... We have chosen a few strategic goals which are made by us and the board of directors so some of those are attached to the political decisions, which we have called effectiveness goals.*” (Head of department in ØF) The question of whether they are still getting measured is asked and she answers that they still are, but not in the same way as they used to be. The few strategic goals also mean that they can reach the goals before new ones are set. Many of the questions that asked for more in-depth knowledge about the BSC was difficult because she couldn't think of whether or not the manager who had the responsibility was still in this department. However at last the question is asked why she thinks other departments still uses the BSC and she answers: *“No I think it because of the culture in the organization. In the local areas (smaller department the BSC could be very useful). We are sitting up level higher than the other departments, and we do not need to get measured as they do in each of the local departments. So we have not the need to have the measurements in the higher form of organization.”*

After a description of our empirical material we will try to analyze these answers in accordance with our theoretical framework to give a picture of how BSC has since its presentation developed.



5 Analysis

The chapter focuses on testing the theoretical framework and assumptions of the thesis against the results attained from interviews.

5.1 Introduction

Like the previous chapter, this chapter is also divided into sections that treat the departments using the BSC and not using the BSC separately. Once these different sections have been discussed, a cross-analysis is conducted where departments using the BSC are compared to the ones that have chosen to end the use of the concept, or have chosen not to implement it all. Decision structure and the scope of operations for the different departments will be compared in order to identify differences between the implementation success and reasons for the BSC development in the departments.

5.2 Departments using the BSC

5.2.1 Characteristics of the departments

The three departments using the BSC are; TMF, KFF and BUF. They were all introduced to the BSC by the department of Finance in the early 2000's. The reason for the implementation can be found in the top of the organization, where politicians and mayors also want more soft values to be measured together with the financial measures. The two departments, TMF and KFF, have their focus on the infrastructural and cultural aspects of Copenhagen, while BUF's main focus is the children and their educational and social needs within the borders of Copenhagen Commune.

In common for all three departments is the fact, that they want to send out a message to their stakeholders that they are using a more holistic approach to their working tasks, but they are limited due to the constant changes in budgets and political demands.

5.2.2 Construction and implementation of the BSC

The construction of the BSC or strategy card, was started after the introduction by the Department of Finance. After some pilot projects made in the individual institutions they started out

constructing the BSC. As mentioned in the empirical section the strategy cards are very different from each other. The publication of how to implement BSC by the Finance Department seems to be copied by TMF. The reason for this is that, they have the recommended four perspectives and themes. As the project manager explains, the technical and environmental department (TMF) tries to set goals which are meaningful in each perspective. Hence the cause- and effect relationship is met. Still the project manager from TMF had difficulties explaining how the process for these cause- and effect relationship is. BUF's way to construct their strategy card is a bit different from TMF and KFF. They have chosen to have 20 focus areas, which are the strategies from the seven centers/institutions derived from BUF and four administrative institutions. These 20 focus areas are the main goals for the department. This is not in accordance to the introduction by the Department of Finance, but a more developed strategy card. However, the four perspectives are in accordance to the perspectives Kaplan and Norton introduced (1992), but they are renamed. A more striking issue, which cannot be seen on the overall strategy card, but can be found on their webpage¹⁶, is that some of the centers have goals within all four perspectives and others only have in the customer perspective. The last department using the Balanced Scorecard, KFF, has had their first strategy card for single institutions approved in March 2010. They also have four perspectives in accordance with Kaplan and Norton (1992). However, there seems to be no link between the four perspectives and therefore no cause and effect relationship, which was recommended in the publication by the Department of Finance. On the other hand, having difficulties in making the strategically goals with an cause- and effect relationship is also characteristic for Danish companies (Gjørdvad, Kruse & Vámosi, 2007 & (Nielsen & Sørensen 2003). The last mentioned author also characterizes Denmark's use of the BSC to be on an introduction level. Furthermore, the proposal from LGDK (Local Government of Denmark) and P. R. Niven (2000) and others suggesting the five perspectives instead of four for public organization is not followed, thereby not following the proposal by Ericsson & Gripne (2004). The reason for this could be found in the proposal by the Department of Finance, who recommends the departments to work with four perspectives. What is rather evident is that all departments explaining their implementation of the balanced scorecard have followed the theoretic suggestions of BSC implementation practices. Once the proposal to implement the BSC was sent out by the Financial Department, external consultants were brought in all departments choosing to implement the concept. And before the major implementation begun,

¹⁶ <http://www.kk.dk/FaktaOmKommunen/Forvaltninger/Boerneforvaltningen/VisionOgMission/BUFStrategi.aspx>



the pilot projects were no longer given same importance, hence they were pushed further down the organizational structure to get an overview of the implementation process. These practices are identical with the suggestions proposed by Ericsson & Gripne (2004) and by Olve et al (2002). But it is very likely for the managers to experience resistance, having BSC as a control tool in the institutions further down in the organizational structure. While all these three departments are relatively large, measured on numbers of employees, the proposal in step eight in which the organization should have different strategy cards for each department or division, from Olve et al (2000) seems to be followed. However, the practices are at the same time different from department to department. Initially, the KFF followed the classical approach suggested by Kaplan & Norton (1992) where a top-down approach is employed. Though TMF and BUF started out with a bottom up approach. However, this bottom-up was later replaced by a more top-down related approach due to problems with decision authority in the lower parts of the organizational structure.

5.2.3 Development of the BSC

The different departments have since the introduction made some changes to make the strategy card more reliable. TMF (Technical and Environmental Department) used to make a strategy card for each year, but this resulted in problems every year when new goals had to be set. This resulted in the old goals were easily forgotten which gave the department problems to see the benefits of the efforts made to reach the goal. Therefore they have now set out goals for a longer period of time, but again changes can occur because of certain wishes by the mayor or director or something uncontrollable can happen. The reason for setting the goals as four year plans is also because of the flexibility the strategy gives. Furthermore, TMF has tested the strategy card in two of the individually centers and thereby will develop it further to all the individual centers. TMF can be said to use the BSC on a highly developed level and has developed it from not being too static control tool to a more flexible and dynamic control tool. Their development with their strategy card is very similar to the 2nd generation of strategy card presented by G. Lawrie & I. Cobbold (2004), where the definitions of the BSC have been improved and the relationship between cause and effect as well. However, it is still difficult for users to utilize it fully as is the case for TMF. Furthermore, TMF had for some years the financial perspective removed and only focused on the non-financial issues, which in fact do not follow the description of the BSC by Kaplan & Norton or any other authors we have mentioned in our theoretical framework. Some authors might stress that the financial perspective is less important for the public or non-profit organization but it has to comply with the non-financial perspectives otherwise it is not characterized as being a BSC.

KFF (Culture and Leisure Department) has since the introduction re-named the perspectives twice to clarify it more. Furthermore, they have abandoned the strategic themes because they did make the strategy card look un-arranged. Therefore KFF seems to evolve their department from the original proposal by the Department of Finance. Furthermore, the first strategy card has been approved by the managers in one of their centers. KFF does not have the overall strategy card for the department like TMF & BUF, instead they have set out rules and framework for how to create the goals. Furthermore, they have like TMF chosen to focus more on the strategic part, after a while of having the 80/20 rule (80% should be their goal). This can be seen as a sign of the difficulties they are having by working on a goal, which could be measured several years after. As Nørreklit (2000) mentions in her article there are some inconsistencies in the causal relationship. Their strategy card would also be characterized for being in the 2nd generation out of the three generations G. Lawrie & I. Cobbold (2004) describes.

BUF are characterized to be a bit behind in the development because of the size of the department, which is the biggest public organization in Denmark measured on numbers of employees, or maybe because the great organizational change it has been through the latest years. This could possibly have delayed the implementation process of the BSC. They are not on an operational process yet and their goal is to implement it to all institutions and start measuring in January 2011.

In Common for all departments using the BSC is that they all consider the customer perspective as the most important perspective. One factor is that the financial perspective is more or less in form of budgets and if some topics, for instance if the maintenance of public schools are very bad, the different institution will affect the mayor and politicians for the department responsible for it to prioritize that issue more. This can happen even if the budget for the specific example is set to be low. Therefore, the monitoring of the financial part is indirectly not up to the managers. This lower prioritization in public sectors is also mentioned by several authors. (Olve 2000, Niven 2003). Furthermore, the three departments using the BSC also have the same view on the importance of the employees to know the usage of BSC in the different institutions. The attitude for this is that only people working with this should know what the BSC is about, which in other words can be defined as people on the managerial level. This is not according to Olve et al (2002), who express the importance of having the employees to understand their role in the main picture. However, as project managers states, the gardeners or garbage collectors understanding for this is somehow irrelevant for the implementation of the BSC. The three departments also states that with this control tool they can not cover it all and they are aware of this. So the BSC could be seen as a



management tool complementing the existing budgeting, which Danish private and public organizations are well known to still be using (Bukh 2008).

The three departments are more or less in the implementation phase and TMF is the department that developed most towards implementing the BSC in all institutions. KFF just had the first strategy card for one institution approved and will now continue to develop it. BUF are on an early stage of implementing the BSC and still has to evaluate the pilot projects made in their institutions. This radically different stage of implementing the BSC in the three departments can be explained by several reasons. One could be that TMF before the merger already had some experience with the BSC, where BUF went through a more extensive merger process, and KFF organizational changes or problems with their IT systems. Another reason could be the lack of guidance from the consultant firm IMPLEMENT, or possibly they have overseen the dynamic environment of a public institution. Yet another dilemma could be that different politicians or directors had a different view on running the management control system. The implementation of IT systems for the measures on the managerial level can also be seen as a reason for the delay.

In Common for all is that the three departments, KFF, BUF and TMF have a deadline which states that they should start measure, or should have implemented it in all institutions derived from the respectively department, before January 2011. One could then wonder what would happen if these goals are not reached.

5.2.4 Perceived Problems and Limitations of the BSC

The understanding for this strategy card seems to be the most difficult thing at this moment of time and is also linked to the fact that all three departments still are on an implementation phase. Maybe new problems or limitation could occur once the management control tool is fully implemented.

TMF project manger's three main concerns are the transparency of how much to measure to allocate the resources correct and then make the BSC meaningful to the mangers daily day of work and also that this control tool should give value to the organization. The latter concern is one of the main issues, which can be the failure for the existence of the BSC according to Olve et al (2000) and therefore TMF in their implementation phase is set to be very sensitive towards noise and resistance.

The project manager (KFF) has no worries of using the BSC, but he emphasize that this control tool

is only used for strategic goals and organizational behavior, because other control tools are used to measure other factors such as financial. He also sees the critical issue in how to formulate this in a pedagogical way to employees who are not aware of the BSC. The last mentioned problem is almost similar to TMF, but as mentioned before, KFF in the beginning of the implementation phase and therefore the worries could be others after the implementation phase and maybe they would realize the importance of having financial measures integrated in the BSC.

The BUF project manager finds two main problems by using the BSC. First of all he acknowledges the great challenge to organize it in such a big organization as they are. This could also result in communicative problems between the different leaders when it is fully implemented. Furthermore, he sees a lack of IT integration for this tool, which could give measurements problems and also to have it implemented in their managerial IT system.

For all the three departments using this pedagogical tool, there seems to be two main problems. The first is the communicative problems among the different managers in different levels and how this tool should give value to the managers' every-day work. The second perceived problem is the IT integration of this. As the project manager for KFF states he would like in the near future to digitalize it or as they have done it in TMF in year 2010 to integrate the economical and strategic processes which start to make sense. Another limitation can be found at the project manager's statement that she feels like they by implementing the BSC has built up a measurement hell if the measurements are done just to measure, but if they make sense then they should use it.

5.3 Departments stopped using the BSC

5.3.1 Characteristics of the departments

The three departments which have stopped using the BSC has rather distinct features. The social department (SF) is targeted at helping socially marginalized people, the result measurements can thereby be seen as rather intangible since these people are not viewed as customers by the project manager, like in the traditional sense of the word. The financial department has also distinct features. Despite the organizational chart shown (figure 3), it becomes clear after the interviews that this chart does not mirror reality as the financial department (ØF), in reality it is located above the other departments - in a more supervisory function.



5.3.2 Perceived Problems and Limitations of the BSC

All the departments discussed have stopped using the balanced scorecards for varied reasons. In the case of ÖF it seems like their position above the other departments have caused difficulties using the BSC. Even though the project manager talks about a measurement tyranny, this is most likely the sole reason for abandoning the Balanced Scorecard. The amount of work that seems to have been needed in order to gather all measurement data is probably due to the need to collect data from all other departments. With the different focus areas of these other department, the task of compiling these measures into a more top-level oriented BSC might have become overwhelming if not having the labor to spare. Another prerequisite for this collection to work properly is the system compatibility, an infrastructure that should be in place before the implementation. Since all departments have had different implementation points in time, this could very well be a major factor. Further reason for the abandonment of the BSC in ÖF could also be the simple fact that the tool has become overdeveloped (Bible, Kerr, & Zanini, 2006), and that it therefore requires much more maintenance than originally intended.

For the social department the structural issue is also an issue, however, in a different sense. Since the possibilities for tangible result measurements are limited, the whole BSC should theoretically be affected by these difficulties due to the cause and effect relationships. The issue of understanding the BSC also arises when conducting interviews with the SF. There seems to be misbelief against the proactive approach of the tool as well as difficulties in understanding the strategy card. This could very well be a result of not being fully aware of lag and lead indicators as well as casual relationships. The department of health and care express the same opinions as pointed out in the financial department; it is too much measuring and too much work spent compared to the perceived benefits.

5.3.3 Alternative Control/Measurement systems employed

All these three departments have adopted other measurement/control tools. The result-based management that SF uses has features that are rather similar to the BSC, but are less detailed and easier to use. This is once again something that is also shown in the financial department where a few strategic goals have replaced the Balanced Scorecard. SOF has chosen to replace the BSC with

a new control tool called *value to customers* combined with an approach called direction and prioritization . This could possibly be viewed as the BSC customer perspective being carved out and focused upon, while other areas such as the financial are being left out. This is a rather radical change but still in line with researchers discussion (Niven 2003) of the need for highlighting customers in a municipality control tool. What is in common for the departments that chose to abandon the BSC, is that they all have returned to control and measure mechanisms that can be considered to be far simpler. The main reason can be seen as lack of understanding of the whole BSC concept, but also the fact that the BSC seems to have a tendency to grow too big and complex (Bible, et al 2006) is interesting.

5.4 Departments chosen not to implement the BSC

5.4.1 Characteristics of the departments

The only department within the city of Copenhagen that has not employed the Balanced Scorecard is the Department of Employment and Integration (BIF). What separates this department from the other departments is the fact that it was founded as late as 2006 when two departments merged. This late “birth” was in line with the earlier discussed municipality reform, which had features that included some forms of economic control.

5.4.2 Perceived Problems and Limitations of the BSC

Even though the project manager of BIF agrees that the most plausible cause for not employing BSC is the late establishment of the department, there are more reasons that could possibly be a factor. The fact that the department’s budget is not fixed in the same way as many other departments create difficulties for measuring. The non-set budgeting used in the department is of course attributed to the less tangible objectives of the department, along with the dynamic nature of the operative focus. When not knowing how many people to service, or how to measure satisfaction and results, the need for a highly detailed measurement tool as the BSC diminishes. This lack of tangibility in result measurements, together with the establishment during the new municipality reform could probably be seen as the major factors behind the decision not to implement the Balanced Scorecard.



5.4.3 Alternative Control/Measurement systems employed

BIF has chosen to employ activity based budgeting with monthly follow-ups. Even though the BSC is not employed, the manager concurs that some of the features are used in an implicit way, but that they do not construct features as strategy cards. This implicit “use” is quite logical. The features in the BSC is in no way new, (it is the balance and casual relationships in the model that are) and most companies that apply some form of measurements or strategic control can most likely find similarities with their preferred tools even if they have never seen the BSC.

5.5 Cross-sectional analysis of the departments

5.5.1 Analysis of the departments using it and stopped using it.

In this cross-sectional analysis we will analyze the main differences and similarities of the three departments using the BSC, (TMF, KFF and BUF) and the three departments that have stopped using the BSC (SF, SOF and ØF). Even if all three departments using the BSC can be characterized as being on a beginning stage of the implementation phase, we will look on the structure and main points which can be related to the departments not using the BSC.

The three departments using the BSC, or also known as Strategy Card, seems to have some benefits in common deriving from this control tool which mostly can be related to the strategic and internal perspectives. The focus on the financial perspective is more or less prioritized on a lower level. The limitation of the integration of IT systems and the communicative process is also similar in the departments.

The three departments not using the BSC have abandoned it for mainly two reasons. The measurement tyranny and the general overview loss of the goals set in each department. In Common for these departments, the new control tool is a simplified “BSC schedule” focusing mainly on the customer perspective and thereby fewer goals have to be focused upon. As these departments have used BSC and skipped it towards in favor of other control tools can their experience regarding the negative effects therefore be used by the three departments using it.

As a result, looking on the six departments under the same scope, we can analyze the following points:

They all agree that the customer perspective is being highly prioritized. They still have a so-called strategy card constructed in the departments not using the BSC, but this is modified in such an extent that it cannot be called a balanced scorecard. The BSC for the departments using this, are also focusing on the customer perspective and not much on the financial perspective and more is the lack of understanding of the cause and effect relationship, which are essential to have to use BSC as a management control tool. If the cause and effect relationship is not in their BSC then their strategy card is no different from the departments not using the BSC anymore. Therefore it could be stated that even if the name of BSC is used and the scorecard is called strategy card, they therefore mainly focus on the strategic part without any casual relationship with the other perspectives.

The IT integration seems to be a problem in common for all departments and also a barrier to why the cause and effect relationship is not prioritized highly even if it is recommended by authors as well as the department of finance. The organizational changing's and different reforms have created noise and recession to implement the BSC successfully in the departments at the same time period, and prevented the departments to communicate with each other. Today we see three departments that been through the BSC and use what they found interesting and easy to work with and leave the difficult perspectives or measurements rules. On the other side we have three departments using a lot of resources to create the BSC and they still seem to be in the implementation phase.



6 Conclusions and Reflections

The chapter summarizes the main results from previous chapter and also offers ideas for future research focusing on the Balanced Scorecard.

6.1 Conclusions and Reflection on Results

The BSC construction in Copenhagen commune has followed the classical BSC research regardless of the department in question and the time of the introduction. Kaplan and Norton's original four perspectives (1992) are used, or have been used, by all the departments familiar with the BSC. Pilot projects and external consultants have been employed in order to improve the chances of a successful implementation as well as workshops to anchor the concept on a broader basis in the organization. In accordance to public sector focused research, the customer focus can be said to have moved upward the casual relationship chain in all departments, and replaced the financial perspective as the final objective. These practices are to a high degree identical to suggested construction and implementation practices. However, some important aspects in the implementation phase seem to have been neglected. The issue of adapting IT support systems to support both the internal BSC measurement collection, as well as connecting the systems between departments, is something that both current BSC users and former BSC users point out as a flaw in the process.

The fact that the first three BSC implementing departments all have stopped using the concept while the latest department, founded in 2006, chose not to implement it all is interesting. Even though the managers in the former departments mainly refer the rejection of the BSC to the overwhelming measurement practices the BSC brought with there are more explanations. The structures of the department as well as the tangibility of operative results are highly relevant. Departments that have difficulties in getting tangible measurements due to the nature of their operative area have a harder time constructing a valid BSC for the organization, an example is the Social department where the intangibility of their results are obvious. Meanwhile the choice to end BSC use in the Financial Department can be seen as a result of the structure of the department in the hierarchical pyramid. When compiling a top-level BSC the collection of data from the information from other departments seems to have been time consuming, most likely due to poor IT support systems and the amount of data. A further discussion could be assessed on the departments which chose to discontinue with the BSC, if the bottom-up strategy could be

a more relevant tool for the respective departments. With this the individual could have more influence within the organization and throughout the top management and thus show less resistance towards the BSC after the implementation. It could also possibly have a positive effect on the overall measurement settings, firstly it would seem like less of a measurement mess because the employees have more control and information over the processes within.

The Department of employment and integration chose to not implement the BSC at all. This choice can largely be explained to the late founding of the department which took place at the same time as a municipality reform that focused on municipality control issues, thereby lowering the need for the BSC and prioritize the traditional budgeting praxis which is common for Danish organizations.

Regarding the departments still employing the BSC, it is clear that these departments are still in an introduction phase. The implementation phase has just started and it will most likely take a few years before the results are showing. The fact that the assumed cause-and-effect relationships within the BSC are neglected, is however highly apparent. Both departments using the BSC as well as the ones who do not, tend to switch to less complicated measurement tools. The reason for this is most likely difficulties in understanding the extensive BSC concept in real life, as well as the time consuming measurement practices.

So is the marriage between the City of Copenhagen and the Balanced Scorecard a happy one? Well, considering that the departments currently employing the BSC can be seen as being in an introduction phase of the BSC use, this is question is too early to answer even though they were introduced to this concept by the department of finance over ten years ago. However, when realizing that the departments first implementing the BSC has abandoned the tool and the latest department has chosen not to use the tool, we can conclude that the expression “lived happily ever after” is more suitable for a fairytale than this conclusion...

6.2 Suggestions for further research

Considering that the departments currently employing the Balanced Scorecard within Copenhagen commune can be seen to be in an introduction phase, a study focusing on these departments in a few years time would be highly relevant in order to see if they have managed to create value from the BSC where other departments have not. The problems discussed in this paper regarding the



problems encountered along the way could also be of interest. The issue of implementing IT support system integration both within and between departments would be a useful addition to many municipalities as well as companies. Survey studies in order to see if the switch, or modifications, to simpler measurement and control tools is just a phenomenon within the City of Copenhagen or a general trend could also be highly interesting. We hope, and believe, that this study has not only answered questions but also posed several questions regarding further research within the BSC area.

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7.5 Interviews

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Personal Interview with Charlotte Urbak, Project Manager for BSC - Teknik og Miljø Forvaltningen, (Department of Technique and Environment) 2010-06-05



Personal Interview with Søren Svendsen, Project Manager for BSC – Kultur og Fritidsforvaltningen (Department of Culture and Leisure) 2010-05-12

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8 Appendices

Appendix 1 – Questionnaire used as support during interviews (English)

Function of the department

What is your main responsibility?

Who makes the decision for the individual department?

How does your department organization chart look like?

Who do you report to?

Decision to implement BSC

When did you become aware of the BSC?

How did you get presented to it?

Who made the decision to implement it?

Did you have any pilot projects before implementing it?

Implementation of BSC

How did you implement the BSC in your department? (Detailed)

Have you used a top-down approach?

Have you used a consultancy firm to help you implement this?

Did you start using BSC in one institution and from there moved on to the other departments?

Construction of BSC

How do you use the four (?) perspectives and how did you put it together?

Do you have any material used to implement the BSC?

Using BSC

What is the most important issue you prioritize when using the BSC?

How often do you report?

How have you used the cause- and effect relationship



How many of your employees are aware of you using the BSC?

What do you measure?

What do you not measure?

Have you modified the BSC to fit your department?

Limitation of BSC

What is your experience with using the BSC?

Have you seen any progress?

What are the main problems with using the BSC?

The end of BSC

Why did you stop using it?

What have you replaced it with?

What different measurements are provided with the control tools employed?

What is the effect of this?

What is the negative side of this?

Other contact persons who could help us with this?

Appendix 2 – Questionnaire used as support during interviews (Danish)

Function of the department

Hvad har I ansvaret for?

Hvordan tages beslutningerne for de forskellige afdelinger?

Hvordan ser jeres organisations diagram ud?

Hvem rapporterer i til?

Decision to implement BSC

Hvornår blev I opmærksom på the BSC?

Hvordan blev i præsenteret for det?

Hvem tog beslutningen for at implementere dette?

Havde i lavet nogen pilot projekter andre steder inden i implementeret det?

Implementation of BSC

Hvordan implementeret I det I jeres afdeling? (uddybende)

Har i brugt top-down approach (dvs fra topledelsen og ned igennem organisationen?)

Har i brugt ekstern konsulent firma til at hjælpe jer med dette.

Statede i med at bruge BSC og derefter rykkede det videre til en anden afdeling?

Construction of BSC

Hvordan bliver de 4 faktorer I BSC brugt og hvordan satte I dem sammen? (en forklaring af faktorerne ville være god)

Eventuelt materiale brugt til at implementere.

Using BSC

Hvad vægter I mest når I bruger BSC?

Hvor ofte rapporterer i?

Hvordan har i brugt årsags- og effektrelationer?

Hvor mange af jeres medarbejdere er bevidst omkring brugen af dette?

Hvor mange er kendt med hvorfor dette bliver brugt?

Hvad måler i?

Hvad måler i ikke?

Har i modificeret BSC for at give mere effekt?

Limitation of BSC

Hvordan har jeres erfaringer været med dette?

Har i set fremskridt? Hvis ja på hvilke punkter?

Hvordan vil du beskrive nytte effekten har været per time brugt på at arbejde med dette scorecard?



Hvad er det største problem i BSC?

The end of BSC

Hvorfor valgte I at ende det?

Var der andre som stoppede med at bruge BSC eller var I de første?

Hvad har I erstattet det med?

Hvordan måler I det I bruger nu?

Hvilken effekt har dette?

Andre kontakt personer som kunne hjælpe mig de spørgsmål du ikke kunne svare på?