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The Balanced Scorecard: what is the score? A rhetorical analysis of the Balanced Scorecard

Hanne Nørreklit

Department of International Business, Aarhus School of Business, Fuglesangs Allé 4, 8210 Aarhus V, Denmark

Abstract

The Balanced Scorecard currently receives much attention. This article analyses the means by which the authors of The Balanced Scorecard have created that attention. Is it the result of a new and *convincing theory*, or is it merely the result of *persuasive rhetoric*, where convincing theory differs from solely persuasive rhetoric in that concepts and claims are based on sound argumentation? The article concludes that the text is not so convincing as persuasive—a feature characteristic of the genre of management guru texts; and, at the end, the article discusses the reasons for and appropriateness of such a genre and the consequences that should follow from the results of the analysis.

Introduction

Presentation of the problem

The Balanced Scorecard (BSC) is one of the latest innovations in management. It is a tool of strategic control developed by Kaplan and Norton and described in their 1996 book *The Balanced Scorecard*. The book has been awarded a prize by the *American Accounting Association* with the justification that it was "the best theoretical contribution in 1997". In the business world, the balanced scorecard has engendered great interest internationally. The question of whether this is due to its substance as an innovative and practical theory or simply to its promotional rhetoric provides the focus of this paper.

The balanced scorecard (Kaplan & Norton, 1996a) aims to solve the problem related to the historical nature of the financial measures of accounting systems (AICPA, 1994; Dearden, 1969, 1987; Hopwood, 1972; Johnson & Kaplan, 1987; Kaplan & Norton, 1996a; Merchant, 1985; Vancil, 1979). It does so by integrating financial and non-financial strategic measure variables in a cause-and-effect relationship which assumes the following: measures of organisational learning and growth → measures of internal business processes → measures of the customer perspective → financial measures. The assumption that there is a cause-and-effect relationship between the suggested areas of measurements is essential because the measurements in non-financial areas make the performance measurement system a feed-forward control system (de Haas & Kleingeld, 1999), which solves the problem of the historical nature of accounting data (Kaplan & Norton, 1996a, p.8). However, as argued by Nørreklit (2000) and as

E-mail address: hann@asb.dk (H. Nørreklit).

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summarised in the appendix below, there is no cause-and-effect relationship between some of the suggested areas of measurements in the BSC. Although there is considerable covariation between customer loyalty and financial performance, for example, it is not generic that increased customer loyalty is the cause of long-term financial performance. What we may claim is that customers which are not loyal are expensive, but it does not follow that loyal customers are inexpensive. Such a conclusion would be a logical fallacy. Similarly, although we know that, if it is raining, then the streets will be wet, we cannot conversely conclude that, if the streets are wet, then it is raining. Statistics cannot show that something is a logical fallacy. For example, financially successful firms only sell to loyal customers which are profitable; otherwise, the firms would not be successful; if a company has nothing but profitable loyal customers, the explanation may be that its management control system works well and that the company does not sell to non-profitable loyal customers. The creation of profitable loyal customers depends on the revenues and costs of making them loyal; it depends on a financial calculus, which is a logical relationship. The lack of a cause-and-effect relationship is crucial because invalid assumptions in a feed-forward control system will cause individual companies to anticipate performance indicators which are actually faulty, resulting in dysfunctional organisational behaviour and sub-optimised performance (de Haas & Kleingeld, 1999, p. 244). Furthermore, the BSC aims to solve the problems related to strategy implementation (Kaplan & Norton, 1996a; Kiechel, 1984; Mintzberg 1994; Simons 1995). However, the control model is a hierarchical top-down model not rooted in the environment or in the organisation, which makes it questionable as a strategic management tool (Nørreklit, 2000; see Appendix). Consequently, what the model offers is not particularly theoretically innovative and lacks a reliable theoretical base. The authors want to solve some problems that are commonly recognised, but they do not provide a valid model which can solve the problems they address.

This being the case, the assumption made here is that, in order to be able to present themselves as innovative nonetheless, the authors make use of unsound and not entirely sober argumentation, which they corroborate with their stylistic choices. By analysing some of the ways in which the authors win the approval of their audience for the BSC model, this article investigates the extent to which the assumption is tenable.

The investigation is relevant because it may show the importance of rhetoric and sound argumentation for the recipients' adoption of new management theories. Modernists (Descartes, 1637; Kant, 1790; Wittgenstein, 1921) want to keep rhetoric out of science, arguing for the omnipotence of rational and objective language. Post-modernists (Latour, 1987; Lyotard, 1984; McCloskey, 1998), however, acknowledge the role of rhetoric in science, citing in evidence science and scholarship, which employ storytelling, metaphors and authority arguments as rhetorical strategies intended to convince their audience. The position adopted in this paper is that, as long as there is an intention with human speech, rhetoric always forms part of communication;[1] but rhetoric may be persuasive without being convincing. Convincing rhetoric differing from solely persuasive rhetoric in that concepts and claims are discussed on the basis of*sound argumentation*. The question raised in this paper is whether the form of rhetoric used may be decisive in winning an audience over to a management theory such as the balanced scorecard, while the content of the theory may be less important? If there is a *management guru genre* of this kind, then this raises the question why the business audience can be seduced by such 'evidence' and what the reason for and appropriateness of such a genre might be. Furthermore, such a genre would indicate that good and bad theories alike are only likely to gain a foothold if they are couched in persuasive rhetoric. This ought to influence the way in which researchers present their theories and models to business managers and the way in which managers communicate theories and models to their organisations.

[1] Even Descartes (1637) and Plato, (Burnett, 1899–1907) in the dialogues of Gorgias and Faidros, where these argue against rhetoric, were forced to use it (Fafner, 1997).