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The downside of the Balanced Scorecard: A case study from Norway

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Case study

Summary The Balanced Scorecard is widely used in organisations to implement and measure strategic top-down work processes. This article examines how using the Balanced Scorecard influences the individual and interactive reflective learning and commitment of line managers and employees in a financial organisation. Qualitative data from a case study were categorised using the coding tool NVivo 8. This study explains how senior managements' use of the Balanced Scorecard combined with a commitment to serve customers may decrease line managers and employees' ability to cope with their workload. Increased formal control and performance measurement reduce the commitment to and time for individual and interactive reflective learning among line managers and employees, and reduce organisational learning.

Introduction

Learning among employees is recognised as giving a pivotal competitive advantage to organisations in complex and competitive environments (O'Reilly & Chatman, 1996). Employees that contribute to quality assurance and development of products contribute to both survival and profit. Organisations that emphasise empowerment, new ways of thinking, and reflection in daily work create a more stimulating and interesting work environment for their employees (Elmholdt & Brinkmann, 2006). Individual reflection involves thinking critically to examine, ponder, and weigh all relevant factors and relationships about a topic (Dewey, 1991). Having studied reflection empirically, van Woerkom (2004, p. 186) conceptualised 'critically reflective work behaviour', defined as: 'a set of connected activities carried out individually or in interaction with others, aimed at optimising individual or collective practices, or critically analysing and trying to change organisational or individual values'. Critically reflective work behaviour involves examining the connection between actions and their consequences. Interaction and reflection between managers and employees are especially vital because such communication may increase the quality of performance at work (Ellström, 2001; van Woerkom, 2004). The focus on employees' learning and, in particular, the concept and use of reflection to promote organisational learning are, however, blurred by multiple objectives (Fenwick, 2010). van Woerkom (2004) claims that an economic—rationalist orientation may ignore how critically reflective work behaviour may contribute to individual and organisational learning for the benefit of the organisation.

Given these concerns, this article discusses how a performance measurement system used by many organisations — the Balanced Scorecard (BSC) — may influence employees' critically reflective work behaviour. Neely (2008) points to the lack of in-depth case studies about the operational

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impact of the long term use of the BSC on the work of line managers and employees. The BSC was developed by Kaplan and Norton (1996) to balance the financial and non-financial measures in assessing employees' performance in organisations. The designers clearly saw the BSC as an instrument to connect organisational strategy with the specific work tasks of organizations' employees. It is constructed so that a predefined top-down strategic plan directly influences how work tasks, both simple and complex, are performed and rewarded (Kaplan & Norton, 1996). Detailed targets and measures are broken down by senior management and distributed to teams and individuals as performance indicator targets (Nørreklit, 2003).

Voelpel, Leibold, and Eckhoff (2006) argue that by converting the organisation's strategic plan directly into work tasks, the BSC creates rules, procedures, and rigidity in how the organisation operates. In an empirical study of teamwork, Hackman and Wageman (2005) demonstrate that when work processes are standardised, constrained, individualised, and controlled, team leaders and employees can do little to promote team effectiveness. They also conclude that tightening senior management control of work routines may also reduce subordinates' options for participating in decisions concerning their own work. In addition, O'Reilly and Chatman (1996) point out that non-participation in decision-making weakens employees' relationship with, and commitment to the organisation. If these arguments are valid, it seems paradoxical that the BSC focuses on top-down management control and on the use of material incentives to enhance development and commitment among employees because, as van Woerkom (2004) claims, to promote organisational development, both individual and collective reflection in the organisation are necessary. Even Marr and Adams (2004) criticise Kaplan and Norton, creators of the BSC, for missing the value of 'relationship capital' as an intangible asset in organisations. Communication between employees and external customers, as well as internal relationships and communication between employees and senior management, creates a basis for critically reflective work behaviour and organisational learning that the BSC do not fully capture. There seems to be an implicit contradiction between the BSC's two purposes:

To measure how employees work in accordance with the strategic top-down work processes.

To promote new learning among individuals that will benefit the organisation.

The central research questions in this paper is how using the BSC influences employees' scope for contributing new ideas with critically reflective work behaviour, and how using the BSC influences employees' commitment to the organisation.

The qualitative case study outlined in this article is part of a four-year research project on learning and reflection at a Norwegian bank with more than 700 employees located in more than 70 local departments of varying size. Despite the breakdown in other parts of the banking world in 2008, the bank featured in the case study continues to perform well, in both business and personal banking, with very high profits and a top international 'A' Fitch Rating.

The structure of the article is as follows: In the first section, I critically discuss literature about learning, reflection, and commitment in organisations as well as the learning challenges of using the BSC. In the second section, I present the method and analysis. In the third section, I present the empirical findings from the case. Finally, I elaborate critically on the findings in the discussion and conclusion sections.

Learning, reflection, and commitment in organisations

Ellström (2001) distinguishes between adaptive and developmental learning. Adaptive learning describes learning in which individuals acquire predefined knowledge and skills in order to perform given work tasks and methods. Ellström sees such reproductive learning as vital for expertise in achieving standards efficiently in routine predefined work tasks. For example, mastery of legal regulations and financial laws promotes employees' adaptive learning, but this type of learning may restrict opportunities for new innovative action (Hackman & Wageman, 2005). Developmental learning describes learning where the employees themselves evaluate their work by asking important 'Why?' questions about tasks, methods, and results. March (1991), Ellström (2001), and van Woerkom (2004) argue that most organisations must balance adaptive learning for efficiency by developmental learning for innovation. A focus on short-term efficiency, controlled only by performance management and adaptive learning, may damage an organisation's potential for long-term success in a complex world where improvement is necessary, whereas excessive focus on developmental learning may negatively affect efficiency.

To promote developmental learning in organisations, it is important that employees have influence on and reflect creatively and critically about existing problems, objectives, routines, and practices (Ellström, 2001). Knowledge that group members bring to work tasks, and their different strategies for solving problems, have potential for increasing and spreading new thinking and solutions in organisations. When such critical reflection is promoted, employees can control their own decisions and job assignments and are willing to accept feedback (Elmholdt & Brinkmann, 2006). van Woerkom (2004) argues that if employees are not sincerely invited to communicate critical reflections in organisations, they will concentrate on individual task execution and withdraw from organisational development. However, employees doing critically reflective work behaviour individually, in groups, or at the organisational level contribute more often to organisational learning (van Woerkom, 2004). Organisational learning is described as developing and changing work routines and practices independent of individual actors in an organisation (Argyris & Schön, 1996). "Organisations are seen as learning by encoding inferences from history into routines that guide behaviour ... Routines are independent of the individual actors who execute them and are capable of surviving considerable turnover in individual actors" (Levitt & March, 1988, p. 320). Such learning includes exploration and critical review of the existing behaviour, systems, and use of technologies. Argyris and Schön (1996) distinguish between simple adjustments of routines without thorough analysis ('single-loop learning') and