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A Case Study
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ABSTRACT. The balanced scorecard (BSC) has attracted considerable interest among organizations seeking to improve the implementation of their strategy. Nevertheless, the success of BSC initiatives is far from certain. Some researchers argue that the BSC has its theoretical roots in management by objective (MBO). Others argue that the BSC was probably inspired by the Tableau De Bord that has been used by French companies since the 1930s. All these techniques seek to provide organizations with a basis for aligning activities and objectives. Some researchers are beginning to raise questions about BSC's effectiveness. Basing their argument on the failure of MBO and performance management programs, they argue that the BSC may also encounter similar problems. Among other

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things, it is argued that the effective implementation of the BSC requires the presence of human relations norms. Studies on Malaysian culture indicate that this may be more difficult to develop in Malaysian organizations. Certain characteristics of Malaysian culture may impede the development of human relations norms. Other researchers argue that there are inherent weaknesses in the BSC concept itself. These weaknesses will limit the usefulness of the BSC. This study presents the findings of a study on BSC implementation in a Malaysian telecommunication company. The findings provide some support for the concerns raised about the problems and limitations of the BSC. *[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-HAWORTH. E-mail address: <docdelivery@haworthpress.com> Website: <http://www.HaworthPress.com> © 2006 by The Haworth Press, Inc. All rights reserved.]*

KEYWORDS. Balanced scorecard, MBO, Tableau De Bord, strategy map, alignment, performance measurement, human relations norms

INTRODUCTION

The Balanced Scorecard (BSC) has emerged as a method for strategy implementation. According to one estimate, 60 percent of Fortune 500 companies have implemented or are experimenting with the BSC (Malino and Selto, 2002). The BSC has also been adopted by companies in Europe (Braam and Nijssen, 2004; Malmi, 2001; Speckbacher, Bischof and Pfeiffer, 2003) Since Robert Kaplan conducted a one-day seminar on the BSC in Malaysia in 2003, there has been considerable interest in the technique. Anecdotal evidence seems to suggest that an increasing number of Malaysian organizations are attempting to implement it.

The BSC is not the first management technique to offer a method for aligning organizational activities and goals. Some have argued that the BSC has its theoretical origins in management by objective (MBO) (Dinesh and Palmer, 1998; Malmi, 2001). Others argue that the BSC is very similar to the Tableau De Bord. The Tableau De Bord is a technique that has been used by French companies since the 1930s (Bessire and Baker, 2004; Bourguignon, Malleret and Norreklit, 2004; Malmi, 2001). The similarity between the BSC and the Tableau De Bord has led some authors to speculate that the former might have been inspired by the latter (Bourguignon, Malleret and Norreklit, 2004). All three are techniques for orienting the activities of organizations toward their objectives. They all put an emphasis on integrating objectives with actions plans. The difference is in the tools used.

In spite of the increased acceptance of the BSC, there are many who doubt its efficacy. Empirical studies on the outcomes of BSC adoption indicate mixed results (Bran and Nijssen, 2004; Olve, Petri, Roy and Roy, 2004). Some find a high percentage of failure among the adopters. Various studies have critiqued and examined the weaknesses of the BSC in the attempt to understand its limited success (Bourguignon, Malleret and Norreklit, 2004; Norrekklit, 2003; Maltz, Shenhar and Reilly, 2003). These weaknesses will be discussed in developing the research problem for this study.

IMPLEMENTING THE BSC

At the core of the BSC is the idea that organizations should develop strategies that are balanced. This balance is achieved between financial and non-financial issues, and short-term and long-term goals (Heptworth, 1998). To balance financial and non-financial issues, the BSC proposes that organizations develop four perspectives: financial, customer, internal process, and learning and growth (Dinesh and Palmer, 1998; McAdam and O'Neill, 1999). To balance short-term and long-term goals, the BSC requires that organizations develop lead and laggard measures that provide a causal link between short-term and long-term objectives. In essence, the BSC is said to help organizations develop a comprehensive framework that translates vision and strategy into a coherent set of performance measures and objectives (Kaplan and Norton, 1996).

The causal relationship between the four perspectives of the BSC is graphically presented in a strategy map (Kaplan and Norton, 2000). It essentially tells "the story" of the organization's strategy (Amaratunga, Baldry and Sarshan, 2001). The relationship depicted in the strategy map then becomes the basis for the developing the scorecard. The scorecard spells out the short-term and long-term objectives of the strategy.

Amaratunga, Baldry, and Sarshan (2001) point out that the use of the BSC itself will not guarantee success. Instead, they argue that the strength of the BSC is in the process of building that involves members of the organization. The series of iterative discussions needed in developing and refining the scorecard should help improve the content of the strategy, develop commitment among employees, and aid implementation of the strategy. The BSC also serves as a communication tool on strategy. Hasan and Tibit (2000) argue that the BSC enables employees to develop a shared understanding of the organization's vision and strategy. It is essentially a product of their involvement in the developmental process.

CRITIQUE OF THE BSC

A number of researchers have expressed concerns about the limitation of the BSC (Bessire and Baker, 2004; Bourguignon, Malleret and Norreklit, 2004; Dinesh and Palmer, 1998; Norreklit, 2000; Norreklit, 2003; Van Tassel, 1995). They made this assessment after examining the problems encountered in MBO programs and the limitations of the Tableau De Bord. In the case of the MBO, the initial interest was soon replaced with disillusionment. The failure rate of MBO programs was high. A key source identified as the cause of failure in MBO programs is the lack of human relations norms in the adopting organizations (Dinesh and Palmer, 1998). For techniques such as MBO to be successful, a norm that values employee participation needs to be present. The absence of such a norm typically leads to a very top-down and arbitrary process of goal setting. As a result, there is a lack of buy-in to the program and low commitment to the goals. Researchers have expressed the concern that the BSC will also face the same problems. Evidence from a Swedish study indicates that the lack of employee buy-in of BSC initiatives contributes to its failure (Norreklit, 2000).

Other authors point out that the BSC, like the Tableau De Board, suffers from their conceptualization of organizations as mechanical systems. This is very evident in Kaplan and Norton's use of the jet plane as a metaphor to describe organizations (Bessire and Baker, 2004). Yet, organizations are social systems that do not behave like mechanical systems. The CEO of an organization, unlike the pilot of a jet plane, has to deal with individuals who have a mind of their own and react in many different ways to an instruction (Norreklit, 2003). A mechanical view of organizations, at best, gives a partial view of reality. The implication from this criticism is that the implementation of strategies rarely happens in the linear fashion described in the BSC.

Related to this criticism is the concern expressed by Norreklit (2003) that the BSC is not rooted in the environment. The techniques associated with the BSC do not provide a mechanism for organizations to address the dynamics of the external environment. It helps organizations measure what is needed to implement a strategy, but not what issues can affect strategy (Norreklit, 2000). For instance, it does not help organizations monitor competitors' behavior.

Other researchers point that the BSC fails to highlight the contribution of suppliers, community, and employees (Maltz, Shenhar and Reilly, 2003). The BSC also is said to ignore the value of the human-resource aspects of the organization. Thus, issues such as employee motivation are not addressed in the BSC. Malmi's (2001) study found that Swedish firms that adopted the BSC overcome this limitation by a adding a fifth perspective–the employees' perspective–to their BSC.

Altinkemer, Chaturvedy, and Kondareddy's (1998) discussion on the implementation of management techniques sheds some light on the potential problems in implementing the BSC. They argue that the introduction of management techniques needs to be seen as a change in management process. To ensure its success, managers need to understand the strategic change set that has to be managed. This requires identifying the elements that need to be changed to successfully implement a management technique. Among the elements that are a part of the strategic change set in many situations are the culture of the organization, the processes, and structure.

Szulanski's (1996) discussion on knowledge transfer points to the need to understand the organizational context requirements of knowledge transfer. He argues that a barren context, i.e., organizational conditions that are not receptive to the adoption of new knowledge, can impede the implementation of new know-how and techniques. The points raised by Dinesh and Palmer (1998) suggest that the presence of a human relations norm is a contextual prerequisite in the implementation of the BSC.

Some of the potential problems in the implementation of the BSC can also be deduced from studies of failures of performance management programs. Bourne et al. (2002) state that the BSC is considered as one of the important performance measurement methods available. It provides a method for developing performance measures from strategy. Nevertheless, in spite of the increased popularity of the BSC and performance management, they point out that performance management initiatives, in general, have a failure rate of 70 percent. Their survey of the literature and their own study of performance measurement efforts show a number of factors to be related to the failure of performance management efforts. These factors include:

- The information system is not sufficiently developed to manage the information requirement of performance management.
- Lack of leadership and resistance to change.
- The initiative did not use state-of-the-art performance improvement methods.
- Perceived lack of benefit.
- Concerns about personal consequences of performance measurement.

It can be expected that these issues will also impede the implementation of the BSC. Olve et al. (1996) identify a number of factors as critical to the success of a BSC initiative. These include communicating to all levels of the organization, establishing reward and recognition systems to foster improvement, and changing the culture of the organization. Davis's (1996) study of the

BSC initiative at GE shows that the success of the BSC program also requires getting employees at all levels to be involved in setting performance measures.

Olve et al. (1996) also identify a number of factors that can contribute to the failure of the BSC initiative. These include the lack of a deployment system to cascade the performance measures, not using state-of-the-art performance improvement methods, and poorly defined performance metrics.

MALAYSIAN CULTURE AND BSC IMPLEMENTATION

Various studies on culture and management style on Malaysia have found a number of distinct features. Hofstede's (1997) study of 50 countries found Malaysia to score the highest in his Power Distance Index. This indicates a very strong emphasis on hierarchy. Such a value seems at odds with the emphasis on a more participative approach needed for effective BSC implementation. Lawler, Chen, and Bae (2000) point out that a hierarchical culture hinders the effectiveness of management practice that puts more emphasis on participation. In fact, they argue that human resource systems in East and Southeast Asian regions generally tend to be hierarchical and non-participative. Kennedy's (2002) discussion on the finding of the GLOBE study on leadership shows that Malaysians tend to emphasize clear recognition of status differences. He also pointed out that even though Malaysian managers rated participation positively, it was lower than in most countries. The study also found that Malaysian managers were more accepting of autocratic behavior.

The above description of Malaysian culture and leadership styles suggests that BSC implementation would be more difficult among Malaysian organizations. The values and leadership styles of Malaysian managers seem to be in conflict with the human relations norms said to be needed to enable effective BSC implementation. One would expect Malaysian organizations to be able to use the tools of the BSC, but with more difficulty in adhering to the processes of implementation. Specifically, the higher power distance, emphasis on status differences, and higher acceptance of autocratic leader behavior would lead to an implementation process that lacks the iterativeness that goes along with a highly participative process.

This study is an attempt to examine these issues in the effort to implement the BSC in a Malaysian organization. This will help us understand the extent of problems and weaknesses found in other studies of BSC adoption in Malaysian organizations. With this, we hope to enable researchers and practitioners to understand the issues that can impede the successful implementation of the BSC. A study of a Malaysian company that initiated the BSC program is described and analyzed.

METHODOLOGY

Davis and Albright (2004) call for more studies on the BSC to enable a better understanding of the topic. They argue that the use of multiple methods, including case studies, will help us gain more insights into the BSC. This case study was conducted at TrainCo (not its real name), the training center of a Malaysian telecommunications company. The case method was used because it enables a contextual analysis of events and conditions and their interrelations (Emory and Cooper, 1991). While the use of a limited number of organizations in case studies limits the generalizability of its findings, the method provides valuable insights for problem solving and evaluation. Emory and Cooper (1991) argue that case studies, because of the depth and richness of data gained, can provide challenges to theories as well as a source of new hypotheses and constructs.

Interviews and examination of documents related to the BSC program were done to study TrainCo's BSC initiative. To get an overall view of the BSC initiative, the first phase of the interview was conducted with two senior managers from the corporate planning unit who were responsible for running the BSC initiative.

The authors conducted seven interviews with tier-2 managers between July and October, 2002. Tier-2 managers are managers who report directly to TrainCo's CEO. There were eight tier-2 managers, but one was transferred to another subsidiary when this study was performed. The purpose of the interview was to examine their views on the BSC initiative that was being rolled out. It sought to examine how the BSC was implemented and the involvement and commitment of these managers toward the initiative. This was important for the BSC initiative at TrainCo, since these managers were the ones heading the main functional departments. At the time the interviews were conducted, the BSC targets had not been cascaded to tier-3 managers.

The interview questions were developed based on Kaplan and Norton's description of the BSC implementation process and the issues raised by various researchers on the problems expected in BSC implementation (Dinesh & Palmer, 1999; Kaplan and Norton, 1996; Van Tassel, 1995).

FINDINGS

BSC at TrainCo

The BSC initiative was started at TrainCo's parent company in 1995. The main focus then was to develop key performance indicators. The main targets

for this program were the first- and second-tier managers at the group level. This included the group's CEO and management committee. The latter consisted of all senior vice-presidents heading the various functional areas.

The initiative was kicked off with the help of consultants from a leading consultancy firm. They worked mainly with the CEO and the management committee. Their role was to conduct training on the BSC method and help the group develop its key performance indicators. An intranet-based system called Sexton was acquired from a vendor to enable online tracking of performance. This system was supposed to be used to capture and track the key performance indicators. TrainCo and a few other divisions in the group were selected to be involved in this pilot initiative.

TrainCo is an entity operating under the responsibility of the senior vice-president for HRM at the group level. It was then operating as a cost center. At the time the BSC initiative was started at TrainCo, there was a debate whether it should continue to operate as a cost center or become a profit center. TrainCo's general manager sought to reexamine its future direction. Any shift in TrainCo's status would require a reexamination of its key performance indicators. It was felt that the BSC could help TrainCo realign its orientation. The BSC initiative was also seen as important in implementing the directive from the parent company that all divisions and subsidiaries develop a performance-oriented culture. By mid-1997 the key performance indicators, as well as elements for TrainCo's four BSC perspectives and key performance indicators, were developed. However, the whole BSC initiative was put on hold when the Asian currency crisis struck in July 1997.

In 2001 there was a change in management. A new person was appointed to head TrainCo and was given the title of CEO. Because of his earlier experience in marketing, the new CEO took a more market-oriented approach in running TrainCo. He was committed to making TrainCo a profit center. He was confident that TrainCo could generate its own business and revenue instead of just serving as a training center to fulfill the parent company's internal training needs. The BSC initiative was resuscitated in May 2001. The initiative was seen as important in tracking and monitoring performance as TrainCo realigned to become a profit center. Besides developing new performance indicators, the realignment required that TrainCo seek new opportunities.

TrainCo's strategy in 2002 revolved around a number of key goals that constituted its business model. The main elements were:

- Develop TrainCo into a financially self-sustaining entity.
- Offer more and new products and services.
- Seek a better cash:service ratio. In the past, TrainCo's activities were rendered as services to other divisions and subsidiaries. Only 10 percent

of its activities generated cash income. The new goal for TrainCo was to improve this 10:90 ratio to 30:70.
- Develop core businesses and position its products to support the above goals. The key services provided by TrainCo are training, education, and consultancy. These were to be strengthened and more activities targeted to external customers were to be initiated. This specifically entailed offering educational programs for school leavers and training for the group's vendors.

TrainCo's corporate planners presented its BSC initiative to its management committee meeting in mid-2002. As part of the process of cascading TrainCo's goals, all managers were called in to discuss with the CEO their key performance indicators, and a performance contract was made between each manager and the CEO. A modification to the four original BSC perspectives was made to suit TrainCo's and the corporate head office's requirements. The four perspectives used were the shareholder value perspective, customer perspective, operations perspective, and organizational learning perspective. The shareholder's perspective is essentially focused on financial issues. The rationale in calling it the shareholder perspective was that TrainCo needed to generate financial returns that met shareholders' expectations. The main focus of the customer perspective was to ensure quality in delivering existing programs. The operations perspective and organizational learning perspectives were basically the same as the internal process and learning and growth perspectives in the standard BSC template.

The TrainCo BSC team worked closely with the corporate strategic planning department at the group level. The Sexton system, which was managed by the corporate strategic planning department, was modified to make it more effective and easier to use. As the BSC initiative was rolled out, TrainCo had to deal with a number of issues. Given its history of being a cost center, units within TrainCo never developed the discipline and information systems to keep track of their expenses and income. Even though the consolidated expense and income data was available at the TrainCo level, there were problems in trying to allocate costs and income to individual units. This was particularly the case in inter-unit activities, since a proper transfer-pricing formula was not developed. At times, the data available at the units and TrainCo's finance department did not match. This sometimes happened because of failures by a unit to invoice other units within TrainCo that used its services. This led to controversies when deciding on the operating income of individual units. Likewise, it also became a sticky issue when trying to link individual performance with outcome, since there were problems attributing outcomes to individual managers.

The team leading the BSC initiative at TrainCo admitted that their main focus in rolling out the program was to develop the key performance indicators. And the indicators developed focused mainly on financial issues. The main reason the BSC program took this course was because the team found it necessary to orient TrainCo's managers toward being accountable for bottom-line measures. Because of its earlier history of being a cost center, managers at TrainCo were not held accountable for profitability measures. TrainCo was planning to conduct training on the Sexton system for its managers to enable better performance tracking. The team admitted that developing non-financial measures was more difficult and posed unique challenges to its BSC program. As an example, one of the non-financial aspects that wasmeasured was organizational learning. However, the measure developed at TrainCo was the number of books an employee read in a year, a measure that, at best, only reflects individual learning.

Reactions to the BSC

A number of observations could be made on the feedback obtained from the interviews. First, there was a consensus among TrainCo's tier-2 managers that the BSC initiative was something good. However, when the interviewers sought their views on specific aspects of the BSC initiative, it became apparent that most of the managers did not have a clear idea of what the BSC was about. In fact, three of them asked the interviewers to explain to them about the BSC method. Only two of the managers had a good understanding of the BSC. The rest understood it only as a mechanism to develop key performance indicators.

Second, it also became evident from the interview that six of the seven managers saw the initiative as another of those fads that the company tried from time to time without ever seriously implementing them. One of the managers who had worked in different subsidiaries before coming to TrainCo remarked that the company had a habit of launching all kinds of new management initiatives but never went beyond the launching ceremony. To her, the BSC initiative is another such management initiative. When asked about the level of enthusiasm shown by managers toward the BSC initiative, one manager remarked that they were basically "neutral." He also explained that there were too many management techniques being introduced and that they were all being done in a fragmented manner. As a result, many took a "wait and see" attitude. Even though they had their reservations, they did not oppose it, neither did they enthusiastically get on board with the initiative.

Third, the feedback from the interview also showed that the BSC initiative was seen as a rather arbitrary and top-down process. Managers were given a set of targets to achieve and there was little discussion about it. An earlier

interview with the senior managers heading the BSC initiative also found the same attitude. When asked how other managers responded to the announcement on the launching of the BSC initiative, one of the managers simply replied, "We didn't ask them." This is contrary to the approach advocated by Kaplan and Norton who see the target setting process as an iterative process aimed at refining the targets, get buy-in, and develop consensus (Kaplan and Norton, 1996: 252). The process of developing the BSC is supposed to be able to develop a strategic learning process. This is achieved by creating feedback processes that enable the testing of the strategy's business hypothesis.

Fourth, a common concern expressed by managers was the misalignment between the performance appraisal system that was under the jurisdiction of the HRM department and the BSC performance measures that were under the jurisdiction of TrainCo's corporate planning unit. The performance appraisal put in place by the HRM department assessed performance by appraising behaviors related to a set of competencies. Performance outcome was not included in the appraisal. Employees recognized that ultimately their bonus and salary increment depended on the performance appraisal, thus tended to focus on fitting the appraisal criteria. The lack of linkage between the performance appraisal system and the BSC initiative resulted in a situation where most employees did not feel accountable to the performance measures included in the BSC. This was especially the case for lower-level managers (tier 3). At the time this study was conducted, the performance measures had not been cascaded into personal targets for them. Thus, the expected effect of making the employees more profit oriented and accountable to specific targets was not achieved.

One of the managers interviewed pointed out that his unit was a cost center. In spite of the attempt to use the BSC to develop performance targets that were linked to the strategy, the target that was assigned to him was to comply with the budget within a five percent variance. There was no attempt to chart out the causal relationship between his unit's activities and TrainCo's goals and use it as the basis in budgeting decisions.

Another manager raised concerns about accountability. She mentioned that occasionally she'd been instructed to run programs and spend from the funds allocated to her. Yet the beneficiaries of these programs were those from other departments. Her unit, itself, did not generate any revenue from these programs. As a manager responsible for profitability, this affected her adversely.

DISCUSSION

The findings of this study provide some evidence to support the concerns raised about problems in the implementation of the BSC. It has been pointed

out that when the BSC is used in a rather arbitrary and top-down manner, there's likely to be a lack of commitment to the initiative. This is similar to the finding of a Swedish study mentioned earlier (Norreklit, 2000), and this was indeed the case at TrainCo where those affected by the initiative simply avoided getting too involved. As a result, there was a lack of buy-in and a lack of understanding of the initiative. Kaplan and Norton (1996) put a lot of emphasis on rolling out the BSC through an iterative process that engenders participation and commitment among those who are going to be affected by it. This iterative process is a key element of the BSC method. The use of BSC tools that fail to be integrated with the necessary processes–in this case getting the involvement of the managers–is likely to lead to failure. The lack of participation in the TrainCo BSC initiative was very much symptomatic of this situation. It happened because of the lack of human relations norms as described by Dinesh and Palmer (1998).

As Amaratunga, Baldry, and Sarshan (2001) point out, the strength of the BSC lies in its processes. The use of BSC tools without implementing the processes related to it is likely to restrict to the effectiveness of the BSC. In the case of TrainCo, this resulted in a low level of commitment among the managers. The lack of understanding of the BSC itself seems to show that the BSC was not used to facilitate communication. As Davis (1996), Olve et al. (1996), and Hasan and Tibbit (2000) point out, the BSC provides processes that facilitate communication of the strategy. The weaknesses found at TrainCo are the consequence of using BSC tools without following the required processes. Thus, the potential benefit from implementing the BSC was not realized.

Managers need to also adapt their organization's internal conditions to enable it to implement the BSC. Among other things, they need to develop norms that encourage participation among those affected by the initiative. The BSC itself is not magic and will be less effective if implemented in a barren context, or contexts that do not have the requisite norms (Szulanski, 1996). The arbitrary and top-down implementation of the BSC at TrainCo seems to ignore the organizational context.

TrainCo is a Malaysian-owned organization. The finding of this study shows that the issues raised earlier about the consequences of some of the characteristics of Malaysian culture could be seen in TrainCo. The BSC implementation was done in a rather autocratic manner. In spite of the fact that this has led to some confusion on the expectations of the BSC program, there was little attempt among the managers involved to raise questions. And as the explanation from the senior managers responsible for managing the BSC initiative shows, top management didn't see it necessary to ask the views of the managers who were supposed to implement it. This situation resembles

Kennedy's description of Malaysian managers as quite willing to accept autocratic behaviors.

One thing that was observed from the study of BSC-related documents at TrainCo was the absence of a strategy map. Thus, the causal model of TrainCo strategy was not clearly articulated. Even though the goal of making TrainCo a profit center was clear to all the managers interviewed, there was only a vague idea among the managers interviewed of how TrainCo was planning to achieve it and how each department fit into the scheme. This weakness is one of the factors identified by Olve et al. (1996) and Bourne et al. (2002) as a possible cause of failure of a BSC initiative. The lack of understanding of the causal relationship of the strategy makes the process of managing the strategy difficult. Instead, this can lead managers to simply focus on the performance measures and ignore the interrelationship between their activities and the rest of the organization. One possible outcome of this condition is suboptimization, where individuals pursue their own goals without understanding the need to collaborate across units and take a coherent approach.

One possible explanation why TrainCo did not develop a causal model of the strategy is because of the inherent difficulty of the process. Speckbacher, Bischoff, and Pfeiffer (2003) found that about half of the German companies they studied did not have a causal model of their strategy. Davis and Albright (2004) found that 75 percent of the American companies they studied did not develop a causal model of their strategy. Malmi's (2001) study of Finnish companies found that managers who were responsible for their companies' BSC initiatives were only able to give vague descriptions of the cause-effect relationship of their strategy. Even though developing an understanding of the cause-effect relationship of the strategy is a central idea in the BSC, there is no specific technique available to help organizations develop it. Thus, the lack of a causal model of TrainCo's strategy is similar to the situation faced by companies in other countries.

It is tempting to simply conclude that, since TrainCo did not develop a strategy map, it did not in fact implement the BSC. However, a number of authors point out that part of the difficulty in studying BSC implementation is that there is no consensus on what the BSC is about (Olve et al. 2004; Speckbacher, Bischoff and Pfeiffer, 2003). Braam and Nijssen (2004) and Speckbacher, Bischoff, and Pfeiffer (2003) traced the evolution of the BSC and point out that the BSC itself meant different things at different times. They point out that in the early 1990s the BSC was focused mainly on developing financial and non-financial measures of performance. It was only in the mid-1990s that the concern for aligning the measures with strategy became a central issue. And it was only in 2001 that the BSC was presented as a strategy implementation tool. It is therefore possible that organizations implement different forms of

the BSC. Studies of German, Finnish, and Dutch companies show that these different forms of the BSC have been adopted by companies. Some begin with using the BSC as a performance-measurement system and then go on to develop it as a strategy-implementation system. Malmi (2001) argues that to qualify as a BSC system, the process needs to incorporate financial and non-financial measures. Based on this, it can be argued that TrainCo did in fact attempt to implement the BSC.

This study also shows that measuring the key performance indicators was difficult without a proper information system in place. This finding is consistent with the concerns raised by Bourne et al. (2002) on the factors contributing to the failure of performance management. The lack of an effective information system not only makes performance tracking difficult, it can also generate conflict among employees. In the case of TrainCo, the financial information system was not fully integrated to capture information in the organization. Compounding this situation was the fact that the various units often served each other and the absence of a transfer pricing formula created confusion in measuring performance. This created some feeling of inequity among the managers interviewed.

The findings of this study also suggest that top management needed to take into consideration organizational history in implementing the BSC. Organizations that have adopted management techniques in a faddish manner are more likely to generate skepticism among its employees when they introduce new management techniques. The same is true in the implementation of the BSC. Organizations need to address the skepticism by establishing open communication and winning the support and commitment of their employees (Wanous, Reichers and Austin, 2000). Criticisms and reservations from the employees should not be simply ignored and brushed aside. Above all, management must be committed to ensuring that the BSC initiative really is different from past faddish initiatives. Management needs to address the complaints and concerns raised by employees.

In the case of TrainCo, the many aborted initiatives to introduce management techniques in the past led to skepticism about the BSC program. This skepticism and "wait and see" attitude constituted a passive form of resistance to the program. As Bourne et al. (2002) point out, leaders need to manage resistance in introducing performance management programs. This requires an examination of the organization's history to assess potential problems and resistance to the BSC program. This was not done in the BSC program at TrainCo.

Related to the foregoing discussion is the observation in this study of signs of organizational hypochondria. Randell (1998) defines organizational hypochondria as the habit of simply jumping into adopting the management fad of the day without really assessing the needs of the organization. There appears

to be a perception among some of the managers interviewed that TrainCo is suffering from this problem. This phenomenon tended to lead to cynicism and initiative fatigue among the managers interviewed (Glover, Friedman and Jones, 2002; Wanous, Reichers and Austin, 2000). The managers simply got tired of having to try new management techniques. This was especially the case when they were excluded in the decision to adopt the BSC.

It should be noted that some of the issues related to problems in BSC implementation may well be because of the peculiarities of Malaysian culture. The hierarchical orientation of Malaysian society may be the cause of a lack of human relations norms at TrainCo. As a result, there was a lack of emphasis on participation in BSC implementation at TrainCo. However, other problems identified in this study were similar to those faced by American, Finnish, Dutch, and German companies. As pointed out earlier, part of the problems faced were due to weaknesses in the management system and the failure to use certain tools of the BSC. However, some of the problems faced were due to the limitations of the BSC itself. This includes the lack of clarity on how to develop a causal model of the strategy, the mechanical nature of BSC implementation, the assumption that winning support from employees would be easy, and the lack of rooting in the environment. Indeed, we noticed that even though the BSC initiative at TrainCo was supposed to make it more profit oriented and develop new opportunities, at no point did any of the managers interviewed discuss issues relating to the competitive environment. This finding lends support to the criticism that the BSC lacks rooting in the external environment.

As mentioned earlier, the findings of this study should not be treated as generalizable to all companies in Malaysia. More studies are needed to address the issues raised in this article. The findings of this study do provide a basis for formulating hypotheses for further studies. A study comparing the processes of rolling out the BSC in Malaysian-owned, as compared to multinational companies in Malaysia, is needed. Likewise, a study of BSC implementation in multinational companies operating in Malaysia, compared to sister companies operating in other countries, would help provide a better understanding of the extent national culture affects the way the BSC is implemented.

CONCLUSION

This case study illustrates the problems that can emerge in a BSC initiative. These problems arise because of the limitations of the BSC itself and because of weaknesses in the management processes of the adopting organization. Among other things, it shows that the problems encountered in MBO and performance management programs also arise in the implementation of the BSC.

This is largely due to managers ignoring the processes needed to make the BSC program successful. The inclination to take short-cuts will undermine the effectiveness of the BSC program. As Amaratunga, Baldry, and Sarshan (2001) remind us, the use of BSC tools alone will not ensure success. The BSC, like many management techniques, consists of tools and processes. Adopting the tools without the processes associated with its use is more likely to lead to shortcomings, if not failure.

This study also shows the problems that arise as a result of some of the limitations of the BSC. One thing that was apparent was that managers tend to ignore the dynamics of the external environment in planning the implementation of their strategy. It was also noticed that in spite of the centrality of developing a cause-effect relationship of the strategy in the BSC, TrainCo, like many other organizations examined in other studies, had considerable difficulty developing a causal model of its strategy. It was also observed that developing non-financial measures was also a problem.

Managers need to recognize that the BSC is one of the many tools that can be used in their organization's strategic management processes. There is the need to complement it with other techniques such as scenario analysis, strategic positioning analysis, and SWOT analysis to ensure that the organization's strategy is linked to the external environment. It is perhaps simplistic to expect that merely relying on iterative discussions in BSC implementation will lead to the formulation of a sound strategy. There is also the need to develop more focus on managing performance instead of just measuring performance (Braam and Nijssen, 2004). Performance must be seen as an end-to-end activity, and more concern must be given on managing it to ensure that the strategic goals are attained. The use of performance improvement techniques in the strategy-formulation stage and subsequently in BSC implementation can help achieve this. Otherwise, there is a risk that the strategy map and scorecard developed become merely a record of intentions rather than a process for managing strategy.

The usefulness of the BSC will also depend on its future theoretical development. An issue that obviously needs considerable attention is the development of the cause-effect relationship of the strategy (Norreklit, 2000; Norreklit, 2003). Researchers will need to examine and debate whether it will be possible to develop a methodology that can help managers overcome this weakness.

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