

# Barriers to the Successful Implementation of Balanced Scorecard in Few Selected Non-Profit Organisation in Malaysia

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## Abstract

**Purpose:** Balanced Scorecard (BSC) translates a company strategic direction and objectives into actionable initiatives and measurement not only to profit but also the non-profit organisation. BSC is the first tool which examines a balanced view despite the financial performance. The measure incorporated in the Balance Scorecard also provides a balance between the outcome measure and the performance drivers, as well as a balance between internal and external measure. The main purpose of this study is to increase understanding of the threats which may cause BSC initiatives in the non-profit. **Design/methodology/approach:** This study will be using exploratory method by deploying an analysis of literature review of the BSC and its perspective and barriers found in previous studies. Later a case research was employed using five selected non-profit as a case organisation. A simple qualitative research method been used. **Findings:** Despite being worldwide popularity and its recognition as a powerful management tool, the BSC was not been used successfully in the selected case organisation. Selected organisation faces the same obstacles have been highlighted in the literature of previous study especially in the non-profit. The major factor of unsuccessful implementation is lack of training and understanding among the staff on the implementation of BSC. **Research implication:** The research concludes by proposing recommendation for future BSC initiatives in the selected case organisation in order to overcome the potential barriers to its implementation and to ensure its beneficial use. **Originality/value:** The research reports on first hand empirical findings in the area which has not been extensively researched. Relevant non-profit literature has so far been dominated by how to do approaches and normative concepts.

**Keywords:** Performance measurement, Non-profit, Organisation, Balanced Scorecard

## 1.0. Introduction

Over the last decade the non-profit sector has renewed its interest in methods for measuring organizations, programs and their impact. Today there are two main forms of measurement prevalent in the sector; performance measurement and evaluation. In the recent years performance measurement has gained popularity, especially as funders and regulators look for ways to compare organization. Performance measurement, on the other hand, measure both social impact and organizational performance though in a less rigorous manner (Poole, Davis & Heishman, 2001)

Non-profit sector has steadily grown over the last decade as various stakeholder grew frustrated with the lack of visible social change, public lapses of accountability, and significant growth without increase regulation (Henderson, Chase & Woodson, 2002). Through experience, practitioners realised that the funding structure of the NPO hindered the organizational development (Poole, Davis & Heishman, 2001). Woodson (2002) mentioned that non-profits management strategies depend on good governance and keeping the overhead costs low.

It is not easy to apply non-profit services, especially human services, leaving the potential for a skewed vision of what work for a particular social problem or population (Fowler, 2001). He mentioned that analysts suggest a more balanced approach, including both evaluation and performance measurement. It is necessary to manage and improve programs, apart from the based-knowledge of the non-profit sector in engaging donors to contribute to the organization. He also added that today, NPO must prove not only the efficiency of their programs, but also show how efficient management.

There are always a continuous call for empirical research on performance management in the NPOs, not only from the management accounting field but also from international development and public administration perspective (Lindgren, 2001; Kaplan, 2001; Chang, 2006; Chenhall, 2007; Keating et. al., 2008; cited by Moxham (2014). LeRoux and Wright (2010, p.350) point out that:

“In theory, managers develop and implement performance measurement system to document performance and support decision making...however, there is a distinct lack of research specifically examining whether and to what extent performance information is used by non-profit managers to make strategic decision”.

The current research problem aims at closing the gap between theoretical performance management development and the actual practices in organizations as highlighted by researcher. Yap and Ferreira (2011) call for more studies to gain an in-depth understanding of performance measurement practices in NPO. Empirical studies investigate the determinants of performance measurement practices among NPOs. However the number

remains limited compared to the studies carried out in the private and public sectors (Moxham, 2009). Empirical studies that examine the linkage between performance measurement and organizational effectiveness in NPOs remain scarce with conflicting findings (Melyrik et al., 2013). Thus there is limited compelling evidence to generalise this linkage (Moxham, 2014). In addition there is a need to understand performance management in other culture and organizational context and thus contribute to the growing body of performance measurement literature. However, information on relevant studies is still lacking especially in Malaysia.

The first internal pressure in NPO is the growth. The number of NPO has grown substantially over the last decade, with the estimation of 5% to 7% of growth annually (ROS, 2015). According to Register of Society (2015) the number of NPOs registered had actually increased 72% from 2005 to 2015. However, only a minimum number of the NPOs are able to sustain for a longer period due the lack of ability to perform (ROS, 2015). There is evidence which shows 80% of NPO fail to sustain their movement due to the lack of managerial skills. Thus to overcome such problem, a measurement tool is needed. Nik (2009) mentioned that some NPOs profit are keen to use especially Zakat Institution, MAKNA and UNICEF Malaysia. These organizations are using balanced scorecard. However, only the Zakat Institution is able to add a new dimension and effectively using it. He added that MAKNA and UNICEF still have shortcomings in using the measuring tool in terms of expert and only a few research was done to support their measurement.

The second is historical precedent where NPOs have used measurement tools throughout their entire history but insufficient research was carried out (Rodzi, Roshaliza and et. al., 2014). Rodzi, Roshaliza and et. al.( 2014) mentioned that there was no proper record to keep track on the performance measurement especially in the small size NPO which was set up for the charitable purpose. In reviewing the measurement history, between 1980s' to 1990's NPO routinely focused on performance measures which include financial measure, program outputs and service quality measure, outside funders and accountability. Faizal (2010) mentioned that there were few researchers who focus on the balanced scorecard approach among NPO in Malaysia. These researchers are keener to use other tools rather than balanced scorecard which is more relevant and suitable to the nature of NPO. The Balance Scorecard focuses on four different areas - learning and growth, customers (funders/donors), financial measure and internal business focusing on management. Nowadays the NPO also faces increasing pressure from outside source. The funding community has a significant impact on how the sector operates and demands on comparative data for decision making (Faizal, 2010). Since NPO is being funded partly by the government via the Ministry of Home Affairs, NPO has to declare their funding statement annually to show transparency in the way they spend the funds.

Besides there are individual, corporate and community who are eager to be part of the funders to support the program that been launched by the NPO. Therefore the necessity of showing the funding statement is crucial. However, since there is a lack of monitoring, most of the NPO are not able to show their progress and statement and this lead to the failure to obtain continuous funds support from individuals, corporate or community (Faizal, 2010).

Public misconception is another important indicator to be considered by NPO when carrying out performance measurement. It is highly complex, competitive and in many ways similar to the private sector in terms of business practices, compensation, and professionalism. Salmon (2003) describes the threat that NPO faced today is the agility in responding to them, where most of NPO in the United State are becoming popular due to the media images and greater ability to be popular. However, such skill is lacking in the NPO in Malaysia (Faizal, 2010). This is because the media are not giving much attention to the NPO in Malaysia since there is no speculation to be spurred by the media.

Based from the discussion above there is a gap between the theoretical performance and the actual practices. In order to overcome this situation, qualitative approach has to be used to provide an evident which is clear. Since qualitative research is not popular, there is a need to carry out research on performance measurement to close the gap between theory and practice and consequently evaluate the effectiveness of the system.

This study investigates the reasons for the obstacles that prevent the successful implementation of the Balanced Scorecard in the selected nonprofit organization. A number of studies and cases are investigated to identify these barriers. The found results are further used as a basis for recommendations for a future BSC. The objective of this thesis is to increase understanding of the threats which may cause BSC initiatives to fail. The goal is to define the reasons that make the implementation of the Balanced Scorecard so difficult. To meet the goal, this research aims to compare the barriers and obstacles of implementing BSC from literature and practical perspective.

## 2.0 Literature review

Measurement has become an accepted approach within some organization and considerable efforts are expanded in trying to identify "what can be measured" and "how" to measure it (Rigby, 2013). Every measurement activity incurs costs to both implementing and maintaining. Every additional measure is potentially reducing the efficiency of the process. Measurement system will or will not improve performances. It is difficult to genuinely

justify the additional cost of implementing a measurement system (Rigby, 2013).

There are always few questions need to be address when discuss on performance measurement such as; how the measurement assist in improving the performance and how can individual aligned with the organizational objective. The main reason to implement measurement systems is to give the greatest opportunity of increasing the overall effectiveness of the business process. According to Miller (2007) there is a need to urgently re-assess the perception that measurement system is contributing to an overall improvement of a business process. Miller also added that this approach is similar to NPO because measurement control can also be used to create extrinsic motivation. Performance management could be summarized into three phases known as performance planning, performance measurement and PM system context. Performance planning practice includes how the organization goes about defining and communicating mission, vision, objectives, goals, key success factors, strategies and plans. Performance measurement practices involve identification and definition of key performance domains and indicators, performance targets, data collection methods and rewards and incentives.

Performance measurement can be conducted to check on the effectiveness and /or performance at the program/project at organizational level. Effectiveness relates to achieving the mission; while performance can be viewed in a broader concept which includes financial results and other variable related to the overall performance of the organization. Many donors and foundations require performance measurement at various stages. Nonetheless transparency is required to show how the fund is managed by NPO.

Candemir (2013) states that “non-profit managers must be committed to performance measurement. Performance measurement, has gained popularity, as funders and regulators look for ways to compare the performance of the organization. The productivity of welfare service is relatively low and has decreased further in the early twenty-first century. Due to such situation, performance measurement in welfare organization and NPO became a must in order to sustain the support from the funders. (Lonngvist et al.,2010).

In NPO both inputs and outcomes of operations are mostly intangible in nature and the organization typically relate to maintaining or improving long term well-being which complicates the performance measurement (Lonngvist, 2010). Most of the researchers are looking into the elements of measurement and the development needed in the organization. The performance of the organization is multi-dimensional. It encompasses of all aspects which include efficiency, effectiveness, quality, productivity, quality of life, innovations and profitability reflecting the concept of an umbrella (Andre, 2011). Effectiveness is connected to outcomes and benefits in relation to the objective of the organization and customer needs. On the other hand, profits could be related to revenue and cost (Andre, 2011).

According Balser & McClusky, (2005) performance may be defined as the ability of the object to measure the achievement; while objectives are defined as values created to show interaction between service provider and customer that underlined the role of the customers in service provision. Performance management is a fairly new phenomenon for NPO in an increasingly stiff competition of donor funds (Niven, 2002), which makes it interesting to see how a specific organization is approaching the challenge.

Performance management integrates the management of both individual and organizational performance. Buckamester (1999, p.35) defines performance management as:

...the use of performance measurement information to help set agree – upon performance goals, allocate and priorities resource, informs managers to either confirm or change current policy or program directions to meet those goals and report on the success in meeting those goals.

The vast amount of literature on performance management and attention given to is often used interchangeably with performance measurement, including performance reporting, performance monitoring and evaluation (Carmen, 2009). Performance measurement is diversely defined in non-profit literature, similar to the diverse definition of the sector itself. In addition to the diverse definition, a review of literature indicates that researcher and practitioners struggle to differentiate between performance measurement and performance management. Poister (2003) interchangeably uses the term performance monitoring to refer to the performance measurement. Thus, the lack of agreement between the performance management and measurement creates a lot of complexity between new researchers. However, a clear understanding especially in the context of measurement and tools is relatively important for a researcher.

## **2.1. The evolution of the Balanced Scorecard**

From its development as a performance measurement tool, the Balanced Scorecard has considerably evolved. According to Lawrie and Cobbold (2004), the evolution of the Balanced Scorecard may be represented by three generations of Balanced Scorecards. They concluded that the evolution of the BSC was mainly driven by the empirical evidence of weaknesses found in previous generations. In the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid-1990s the focus moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool (Othman et al., 2006).

The main concern of the first generation of the Balanced Scorecard as a performance measurement tool was to solve the measurement problem of balancing the accuracy and integrity of financial metrics with the drivers

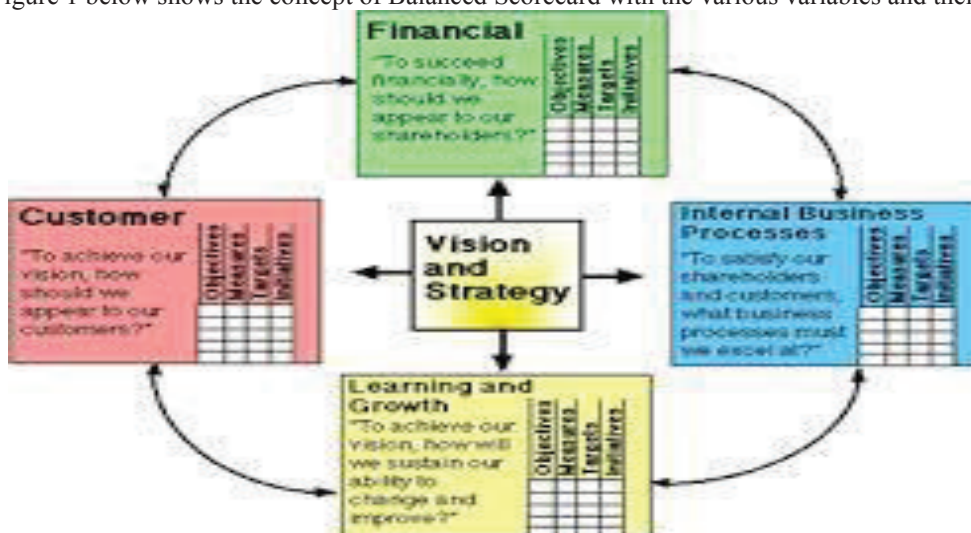
for future financial success (Niven, 2005). Lawrie and Cobbold (2004) argue that in the original design of the BSC concept, the selection of which measures to include was not sufficiently clear. This was evident in two respects: the organization did not know what measures to include in the Scorecard, and it was not clear which measures should appear for which perspective.

To overcome these weaknesses, Kaplan and Norton (1993) introduced the concept of strategic objectives. In their view, there should be direct mapping between each strategic objective placed in the four perspectives with one or more performance measures. This would provide justification for the selected measures. In addition, they linked the strategic objectives in a tool called a strategy map to show the causality between them (Lawrie and Cobbold, 2004). In the second generation, from a strategic measurement system, the Balanced Scorecard evolved into a strategic management system with the intention of supporting management in the implementation of strategy (Niven, 2005).

The criticism of the second generation of the BSC was based on the lack of interpretation and understanding of the vision and mission statements from lower levels of the organization, which were preserved only for high level management (Lawrie and Cobbold, 2004). Niven (2005) argues that the use of a Balanced Scorecard may be seen as a tool for measuring performance, a strategic management tool, and a tool for communication. Enhancing the communication role of the BSC was the goal of the third generation of its development. According to Niven (2005), company strategy should be understood not only by executives, but it should be transformed into simple objectives and measures understood by all the people in the company and this should lead them to achieve real results. The third generation of the Balanced Scorecard aimed to reach all levels of the organization by cascading high level Balanced Scorecards to lower levels. Further, through the description in the strategy map, the BSC should show all employees what they must do in each of the four perspectives in order to execute the company strategy. The Balanced Scorecard aims for a complete description of everything that it is important to know in order to execute the company strategy spread over four perspectives (Olve et al., 2003). According to Olve et al. (1999), the BSC should link short-term operational control to long-term vision and strategy, following day-to-day operations which will affect tomorrow's development. In this way, the BSC is based on three dimensions in time: yesterday, today, and tomorrow: "what we do today for tomorrow may have no noticeable financial impact until the day after tomorrow" (Olve et al., 1999). In this context, the Balanced Scorecard contains a mix of lagging (performance objectives) and leading indicators (performance drivers). Lagging indicators represent the consequences of previously taken actions, while leading indicators are measures that drive and enable the results measured by the lagging indicators (Niven 2005; Olve et al. 1999 and 2003).

According to Kaplan and Norton (1966), the Concept of Balanced Scorecard (BSC) model is to show cause-and-effect relationship that exists among the perspectives of BSC in a sequential manner. The four perspectives of BSC refer to learning and growth, internal business process, customer value and the financial performance perspective.

Figure 1 below shows the concept of Balanced Scorecard with the various variables and their relationship.



Source: Kaplan and Norton (2001).

Learning and Growth Perspective refers to the most important intangible assets in strategy formulation and implementation. According to Schneiderman (1999), the objectives of this perspective are to identify the human capital, information capital and the organizational climate required to support the internal processes. It also focuses on people and their attitude, knowledge, development and ability to learn and improve.

Santos, Belton & Howick (2003) argue that by emphasizing on activities that develop human capital, organizational learning and growth capability, the true source of competitive advantage would be discovered by



exploiting the capabilities of superior employees. They could generate successful ideas for improving processes and the values delivered to customers. Schneiderman (1999) insists that organizations will best serve customers by investing the employee capabilities through activities such as investments in employees through selective hiring and training, investments in information systems to support decision-making, employee motivation and empowerment. Furthermore, these activities are hypothesized to increase employee job satisfaction, which in turn affects employee retention and productivity.

Schneiderman (1999) found that employee satisfaction derives from high quality support services provided by the firm, for instance, human capital development. Employee training has been empirically linked with a number of other BSC measures. Studies have documented a positive association between skill development training and employee retention (Butter, Letza & Neale, 1997). Training has also been linked to innovation, process improvements and customer service quality (Chan & Ho, 2002). Schneiderman (1999) observed that developing technical competency was vital in producing innovations and tended to be more profitable than those firms that did not invest in strategic information systems.

In summary, the empirical evidence supports significant relations of learning and growth activities in contribution to the internal business process improvement. Nevertheless, the immensity of empirical evidence which supports and shows significant links does not explicitly test the BSC. These literatures appear to be sufficient evidence to rely on learning and growth as a foundation for the BSC and as a starting point for the causal chain.

Internal Business Process Perspective identifies the critical processes, skills, competencies and technologies that would deliver value proposition to customers, current and future organizational success (Chan, 2004). Chan & Ho (2002) reported that investment on Research and Development (R&D) is a critical factor in contributing to superior economic performance. On the other hand, Abood, Clarke & Tyler (2000) observe that capitalization on R&D is significantly positive and is associated with firm future earnings. Ghoneim and Baradei (2013) found a significant positive relation two-year lagged stock return and current R&D expenditures.

The majority of the process improvement studies attempt to associate quality management and firm performance. However, Chan (2004) stresses that operation measures vary by industry and are not universally related to firm performance. Two case studies conducted by Joyce (2009) and Kaplan (2001) discover that firms applying activity-based costing and management successfully monitor cost effectiveness and profitability to the customers. Another finding from Hoque & James (2000) indicates that product quality is positively associated with higher market share.

According to Rust, Greatbanks & Tapp (2007) the level of service quality affects customer's satisfaction, acquisition and retention. There is a positive relationship between customer service and customer retention documented by Friedman (1992), Ghoneim and Baradei (2013). These studies presented empirical evidence of a positive relation between post-sales service quality and market share.

Overall, the review of the literatures above supports the notion that organizational learning and growth activities drive to improve internal business processes and appear to be directly related in contributing to a greater customer value. Nonetheless, it is worth to highlight that as the findings are from small-scale and limited scope case studies, it does signify the causal relations of productive employees would increase the level of innovativeness, customer service and process improvement.

Customer Value Perspective is defined as the value proposition used to generate sales and loyalty from targeted customers (Kaplan and Norton, 1996). It requires managers to identify the potential customers in the targeted segments and consequently choose the value parameters to deliver to the customers. The wide spectrum of marketing literatures have provided evidences that perceived customer value determines the level of customer satisfaction, which leads to customer acquisition, retention and ultimately customer profitability and market share (Greatbanks & Tapp, 2001)

Improving the level of innovativeness, product improvements and after-sales service may lead to improved customer satisfaction levels. Greatbanks & Tapp, (2001) and Chan (2004) found that the level of service quality determine the overall customer satisfaction in service industry. Satisfied customers may be more likely to continue purchasing from the firm and spread the word-of-mouth to attract new customers. Perceptions of value perceived are hypothesized to drive customer satisfaction, which has been expressed as two related outcomes; customer acquisition and customer retention.

Several studies have found a significantly, positive relation between customer satisfaction and customer acquisition and retention (Chan & Ho, 2002) while others have found no significant relation (Ghoneim and Baradei, 2013). Some studies have found a significant, positive relation at certain levels of customer satisfaction. The contradictory findings suggest that satisfied customers may not be easily retained as they are exposed to large variety choices of products and services which are equally competitive before making any purchases. The switch in preferences may occur when new products or services are introduced to the market. Many studies have demonstrated a positive relation between customer satisfaction and firm performance. It is reported that the firm performance in relation with profitability (Ghoneim and Baradei, 2013); revenues, Chan, (2004); return on

investments, (Chan & Ho, 2002); and stock returns (Rigby,2001) have shown evidence of a positive relation with customer satisfaction.

In summary, most marketing research supports the sequential effect of improved business activities that would lead to improve customer value. Though the empirical literature supports the links between customer satisfaction, acquisition and retention, it presents a challenge for firms to devise strategies in securing customer confidence in their products and services under an intense competitive environment.

Financial Performance Perspective is described as tangible outcomes of the corporate strategy in traditional financial terms such as profitability, return on capital employed, residual income, economic value added, sales growth, market share etc (Ghoneim and Baradei, 2013). In other words, the financial objectives are retained as company goals but they represent the long-term aims of the organizations. Financial measures are considered the 'lagging' indicators in the sense that they are the results of other former actions mostly of qualitative in nature (Ghoneim and Baradei, 2013). Empirical evidence on performance measures used in practice is sparse, particularly for the UK. However, the evidence shows that the most common measures of performance used are the rate of return on investment (ROI) and residual income (RI) (Greatbanks & Tapp, 2001).

Extensive research in the marketing, corporate strategy and management accounting literatures have studied the relation between market share and firm performance. Greatbanks & Tapp, (2001) found a strong and positive relation between market share and profitability. Rigby (2001) documented an average, positive relation between market share and profitability. On the other hand, Hoque & James (2000) concluded that the link between market share and profitability is an occasional phenomenon rather than a universal law. Minor (1989) found that the strength of the relationship varies with market share level. Chan & Ho (2002) documented a weak negative relation suggesting that the link is so tenuous that firms should be vigilant about formulating strategy of increasing market share.

In summary, there are minimal empirical support on the inter-relationships between customer value and firm financial performance. These documented literatures are no doubt extensive yet inconclusive with both positive and negative findings. The discrepancy of the findings would probably due to the fact that values of financial ratios per se for a given firm are highly influenced by the characteristics of the industry which the firm operates within, its life-cycle phase, size, level of competitive pressures and the influence of economic environment.

## **2.2. Balance Scorecard Implication in NPO**

In 1996 Kaplan and Norton's launched a balance scorecard for NPO. The original four perspectives were tailored to match NPO better with special features. Thus, several modifications were made to match the NPO. Based on the book written by Kaplan and Norton, the modification that has taken place is on the financial perspective which is at the top of the scorecard. It is being replaced with the mission and objectives. The placing of mission and objectives at the top of the scorecard means the focus of accomplishment would be on outcomes of the goals rather than focusing on the mission. Thus the activities would be seen as a tool to be creating impact on mission and objectives. The outcomes are often difficult to be measured. Therefore by having a framework which focuses on the intangible outcomes, this can be done.

Kaplan and Norton (1996) classify two different categories of customer, one the service receivers and the other one customer who pays for the services. They provide only one reason for the separation - it provides different benefits. They also argue that to implement the scorecard successfully, the managers must fully support the framework. Implementing convenient and clear strategies and communicating with all individuals within the organization are crucial for the framework to lead improvements. Kaplan and Norton (2000) mention that the only failure which lead to an unsuccessful implementation is not on the disabilities of the framework but the lack of support from the managers.

Niven (2002) sees the BSC as a measurement system, a strategic management system and a communication tool which relates more than just a measurement tool. It is a continuous process in used to channel efforts and resources and institute intermediate goals. He also views the scorecard as a communication tool and it helps in making the organization vision clear and visible. Kaplan and Norton (2001) argue that the BSC is suitable for and can be adapted to the NPO. As mentioned previously, the scorecard is introduced as a counter measurement system to compensate for over dependence on financial measures. When it comes to NPO, focus has rarely been on financial performance (Kaplan and Norton, 2001). Lawrie & Cobbold (2014) point out that active financial controlling has lower priority in non- profit sector. Kaplan and Norton (2001) argue that BSC is suitable as measurement and as well as strategic management system for NPO though it needs to be adapted for their purposes.

According to Kaplan and Norton (2001), financial measures are not important in the non-profits sector in terms of realizing its mission. In order to reflect the importance of the mission of the NPO, it is placed at the top of BSC. The various perspectives - underlying, donor, receiver, internal process, learning and growth are then align with the mission.

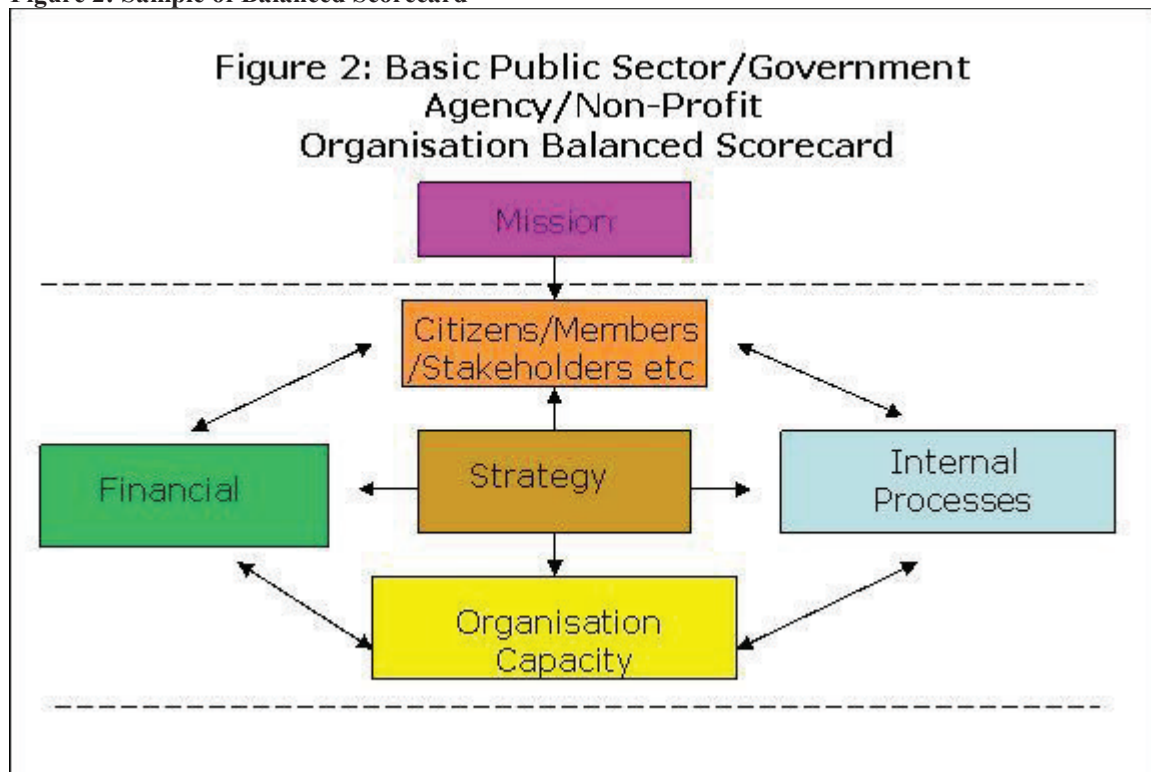
Sawhill (2001), states that it is more challenging since the two first focus areas have been measured in terms of the number of members, fund raising, performance and measurement. Kaplan and Norton (2001) confirm that the non-profits sector seems to have acquired an operational adaptation of the BSC not the strategic adaptation. They also stress that the early implementations of BSC in non-profits are mostly geared towards operational issues and to achieve its strategy more efficiently by improving the processes and reducing the cost. They further explain that for non-profits, BSC would not be referred to as operational issues, but on strategic perspective. Sawhill and Williamson (2001) propose that non-profits tries to make its vision as concrete as possible defining it as narrowly as possible and this will facilitate finding the suitable measurement. However, they are also warned not to make the vision simple and the definition too narrow as this would pose a risk of a mere symptoms being addressed as opposed to the underlying cause of whatever the issues in the organization is addressed. However, finding the suitable measurement for this vision is more complex and this is reminiscent of creating short term, midterm and long term targets for BSC.

Chan (2004), mentions that the basic ideas adapted in BSC is valid for NPO as compared to corporate business. However, the implementation of this idea needs to be modified to ensure it works effectively in NPO. He also suggests that implementation of BSC need some fundamental changes to the four basic measurements, which relate directly to non-profits nature.

**Table 1: BSC Adaptation to Nonprofits Organization**

BSC Perspective for Non-Profits Organization	Sample Activities, Goals, Stakeholder Involvement To Chart Progress And Measure Achievement.
Social impact perspective	Articulate the organization's mission and vision
Internal operations	List specific goals internal to the organization that will lead to mission accomplish.
Constituent perspective	Articulation specific stakeholders
Financial perspective	Record financial needs to achieve objectives and overall mission
Learning growth perspective	List specific goals

**Figure 2: Sample of Balanced Scorecard**



Source: Kaplan and Norton (2001)

### 2.3. Critics on Balanced Scorecard

The balanced scorecard presents four different perspectives - financial, internal business, customer as well as innovation and learning. These perspectives provide the answer on the question on how these non-profits will provide benefits to the customers. There is also a question on how workable is the implementation of the system.

According to Bourne (2012), the scorecard excluded environmental and social aspects as NPOs are very much keen on these areas. Theil & Leeuw (2002) also highlighted that a performance measurement system for a non-profit should address a few other issues such as clear purpose, feedback, strategy, environmental and social. These criteria are very much closer to the performance of NPO compared to the balanced scorecard which does not highlight any of these key items. Northcott & Smith (2011) argue that BSC is different from other performance management tools where it has the cause and effect relationship underlying the measures and perspectives. He adds that the weak definition of cause and effects undermines the model as a whole.

But this criticism is well handed by Kaplan and Norton by suggesting that other relevant perspective could be added to the current model to make the relationship positive. In addition new elements could be proposed to strengthen the model so that it could be used to suit the current nature of the non-profits. Kaplan and Norton (2001) added that not all NPO could use the same BSC as there are a lot of differences between the developed and developing countries and also the social differences as well as the nature of the NPO itself. The implementation methods of the BSC scorecard is also criticized for being too top-down which usually excludes the involvement of the top management instead of a combination of the top-bottom approach and bottom-top approach. This should be considered to ensure the effectiveness of the tool (Niven, 2002)

#### **2.4. Implementation Challenges of BSC in NPO**

According to Niven (2002) when implementing the BSC in NPO management there is a need to exert proportionally more effort and communication as compared to their counterparts in the private sector. He also argues that in the non-profits sector, the employees share distrust among each other since many of its employee have little experience or exposure to similar efforts.

Lack of knowledge and potential distrust can create a void which can be filled with negative perceptions of measurement efforts. Nonetheless, negative perception can manifest itself in insistence that a performance measurement initiatives is time consuming and would drain resources from essential projects and unworthy of attention.

Kaplan and Norton (2001) argue that constant communication is the only way through which non-profits employees and management would understand and embrace the need of measurement. They point out that NPO leaders must encourage inputs and exchange of ideas. Consequently, they should also make clear that they own the scorecard and would make the final decision on what measure are critical to the organization's ability to meet its mission.

BSC can focus simply on customer and the situation can be more complex as most NPOs deliver some type of product or service, which often is the source of only a portion of revenues, and may be a source of revenue (Chan, 2004).

##### **2.4.1. Barrier 1: Limited understanding of the Balanced Scorecard**

According to Othman (2009), one reason why BSC initiatives fail is that many initiatives are not Balanced Scorecard programs in the first place. He goes on to say that very often organizations do not understand what exactly the Balanced Scorecard is and what its implementation involves, regardless of whether they implement the BSC themselves or whether they hire a consultant from the outside. Implementing Key Performance Indicators (KPIs) is not the same as implementing the Balanced Scorecard. He compares this with "calling a donkey a horse and expecting the donkey to win a horse race". Othman et al. (2006) agree that the difficulty in studying the BSC is that there is no consensus on what the BSC is all about. They explain that the BSC has had different meanings at different times: in the early 1990s, the focus was on developing financial and non-financial measures of performance; in the mid 1990s it moved to aligning the measures with strategy; in 2001 the BSC took its current shape as a strategy implementation tool. Some companies moved the focus of the BSC in the same way as it developed: they first implemented the BSC as a performance measurement system and later developed it as a strategy implementation system.

Olve et al. (2003) identified the main purposes of the BSC as follows; "scorecards aim to change behavior through communication in order to realize the intended strategy". They highlight the importance of the Scorecard to document strategic logic and the cause-effect relationships between current activities and long-term success; "doing the right thing now is expected to produce long-term rewards". Finally, the main purpose of the Balanced Scorecard is to translate the strategy into terms that are meaningful for the organization members in their everyday activities Niven (2006) stressed that the Balanced Scorecard, once implemented, should represent the starting point of performance management where strategy, and certainly not financial control, leads the firm in its direction. In these terms, the BSC is a guide for all employees which encourages change to execute the strategy and meet objectives.

The Balanced Scorecard is a tool to facilitate communication within the process of translating the strategy. If the BSC is used only as a tool for measuring and monitoring performance in the dimensions incorporated in it, without implementing the related process, this will restrict the effectiveness of the Scorecard and it is more likely to fail (Olve et al., 2003; Davis, 1996; Hasan and Tibbit, 2000 as stated by Othman et al., 2006).



#### **2.4.2. Barrier 2: Lack of executive support**

No initiative in an organization, regardless of its potential, has any chance of success without a sponsor in top management (Niven, 2005). The same applies with the Balanced Scorecard. Niven (2005) stresses the importance of top management for the success of the Balanced Scorecard initiative is very much needed in the context of nonprofit. He argues that if top management does not support the BSC initiative, and, more importantly, does not appreciate its role in solving real-life problems, the BSC will show mediocre results and will probably fail.

According to Olve et al. (2003), the absence of executive sponsorship will harm every BSC initiative. Top management should stand behind such an initiative since the BSC is a tool for executing company strategy. Top management should explain to the other members of the firm why the BSC is so important. Of course, it is not enough to talk about the benefits the BSC may bring. In order for the BSC to gain credibility, top management must trust it and strongly believe that it will improve the company. Only if employees feel such faith in the BSC is there a chance of success. The result of such a lack of leadership involvement is a waste of resources (time, money, energy) and a loss of trust in the leaders by the employees. Top management is responsible for promoting the BSC in a way that differs from faddish past initiatives (Othman et al., 2006; Niven, 2005; Olve et al., 2003). Niven (2006) confirms that if management gives little support to the Balanced Scorecard, employees will soon perceive it as a project which is not worth their time. Othman (2009a) puts great importance for the success of the Balanced Scorecard on top management commitment toward the program. According to his findings, many BSC initiatives fail because top management was never really committed to the program.

#### **2.4.3. Barrier 3: Lack of Balanced Scorecard education and training.**

If a nonprofit wants to implement the Balanced Scorecard properly and reap all the benefits they should understand the concept of BSC and learn on how it help them through a training. Niven (2006) noted that nonprofit, after deciding to implement the Balanced Scorecard, conceive that it can be done without much learning. According to him, due to its seeming simplicity, people in charge very often conclude that thorough education and training are not required. Such a conclusion will permanently harm the BSC initiative and lead to failure. The reason is quite simple. The Balanced Scorecard is very often introduced because of its attractive design and popularity, put your strategy into four (or sometimes five) perspectives and results will very soon follow. A lack of education of top management and team members in charge of building the BSC will certainly be a big minus especially in nonprofit organization. If those who are supposed to promote and stand behind the initiative do not fully understand what they are trying to transfer to others, it is difficult to be implementing by any of them (Kaplan & Norton, 2001). Due to limited budgets or because of the perceived simplicity of the tool, BSC education and training are very often preserved as unnecessary for the admin and executive. Since the funding received by the nonprofit is adequate enough for the implementation of the activity and programme the training part for internal staff was being neglected. The essence of any BSC initiative is to lead people throughout the organization to implement the strategy. If those people do not understand the tool in depth, there is no chance that they will find the right path to do this. According to (Niven, 2006), the result will be poor Scorecard design, accompanied by its lack of use and weak alignment throughout the firm which turn out to be a drawback in the nonprofit.

#### **2.4.4. Barriers 4: The strategy is not formulated in a strategy map**

Strategy is the core of any management system no matter if its profit or either nonprofit. According to Niven (2006), the Scorecard has its roots in the organization's strategy which should align the organization from top to bottom and guide all action and decisions towards the organizational aims. There may theoretically be a Balanced Scorecard without a strategy. But in practice this would not be implementing the real essence of the concept which translates the strategy by stimulating communication through the measurement of performance, and which initiates change and inspires initiatives. Further, Niven (2006) emphasizes that the BSC could perhaps be developed without the background of the strategy, but this would be perceived as another performance management system, and other benefits of the BSC would never be gained.

So, the main idea in the BSC is to understand the organization's strategy as a causal model of its performance goals. The use of a Balanced Scorecard must be preceded by the formulation of the strategy. The Balanced Scorecard is the tool to implement the formulated strategy. Othman goes on to explain that Key Performance Indicators (KPIs) that are not based on the strategy or that are derived from a poorly developed strategy are only another way of measuring performance instead of managing it.

To depict the strategy, a tool called the strategy map is incorporated in the Balanced Scorecard. The main elements of the strategy map are strategic outcomes and their performance drivers. The strategy map should be the basis for the development of KPIs. Othman (2009a) recognizes that some of the reasons for confusion and contention in developing KPIs are the absence or poor development of a strategy map. Without a strategy map there can be no agreement on what the most appropriate KPIs are in each perspective. Further, there will be no clear responsibility for the KPIs. In every strategy map, people need to find their role in the execution of the strategy. In a Balanced Scorecard without a map, people would hardly adopt the KPIs and they would not be

committed either to them or to the strategy. In this kind of situation where KPIs are created without consensus, there is the risk of developing too many KPIs which may create confusion. Furthermore, no explanation about the source of the created KPIs would result in behavior marked by compliance rather than enthusiasm (Othman, 2009a). In a nonprofit organization lack of the clarity in the aligning the strategy map is due to the lack of education and training on the BSC tools.

#### **2.4.5. Barrier 5: Not involving the whole organization**

The members of the project team should not be the only people involved in the Balanced Scorecard. The Scorecard is a tool which should improve communication within an organization. It should cover the organization as a whole. Many initiatives have been unsuccessful because organizations have not recognized the need to address the Balanced Scorecard to all the points where the business logic, ambitions, and achieved performance are discussed (Olve et al., 2003). Niven (2006) emphasizes that any successful strategy implementation must be understood and acted on at every level of the firm. The Balanced Scorecard which aspires to be a tool to implement strategy should strive to do the same. The term “cascading” is commonly used to denote driving the BSC concept down into the organization and giving all employees the opportunity to demonstrate how their daily activities contribute to the company strategy (Niven, 2006; Olve et al., 2003).

If the importance of employee involvement is not understood, the organization may miss the opportunity to benefit from the employees’ knowledge that is directly related to the areas in which they exert influence. In addition, if not directly involved, employees will not be able to focus on the performance drivers and on the design of initiatives and decisions necessary to achieve the targets. According to Niven (2006), cascading the BSC from top to bottom is essential for the success of the initiative in larger organizations where front-line employees are remote from the source of the strategy. If the BSC is not cascaded to them, they will hardly learn about the strategy and will not be motivated to execute it because they will have no opportunity to demonstrate how they contribute to the overall success. In nonprofit none of them are being motivated to apply such a design due to the lack of involvement of the employees and staff and in addition there is no driving or push factor.

Othman et al. (2006) discusses the mistake of implementing and using the BSC in an arbitrary and top-down manner. In his view, this approach will lead to a lack of commitment from the rest of the firm other than the project team and top management, and it will be poorly understood. The importance of involving front-line employees was further identified by Othman (2009a). He reminds us that front-line employees have the most telling and timely inputs. For instance, interacting with customers, they understand their likes and dislikes. Such human judgment can hardly be replaced by an IT system!

#### **2.4.6. Barrier 6: Inadequate KPIs**

William Thomson, or Lord Kelvin, (1824-1907) was a British mathematical physicist and engineer whose name is closely related to measures and measurements. He was the developer of the basis of Absolute Zero, and for this reason the Kelvin, a unit of temperature measurement, is named after him. He stated about measurement:

“If you can’t measure it, you can’t improve it, when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.”

According to Olve et al. (2003), the decision about what metrics to incorporate in the Balanced Scorecard is perceived as one of the most difficult parts of the initiative. The success of the Balanced Scorecard relies on employees’ collaboration and support. A communication plan will enhance the likelihood of employees adopting the tool which will make it easier for the BSC to become a tool for making real business decisions (Niven, 2006). In a non-profit organisation the selection of criteria and variable that used to measure is difficult and each of it is differs among each of the organisation due to the nature of the organisation might be different from one another.

### **3.0. Methodology**

An exploratory study was used to meet the aim of the research which was to make a close analysis of the possible obstacles to implementing the BSC and to provide recommendations to help future BSC initiatives overcome these barriers. Saunders et al. (2007) concluded that exploratory studies are particularly useful to understand the problem and to clarify the nature of the problem. To collect data and to analyze them in this study, a qualitative research approach was employed. Saunders et al. (2007) observed that qualitative data analysis refers to non-numerical data as a product of different research strategies which allow the researcher to develop theory from them. The study aims to detect the major reasons which hinder the implementation of the BSC and its correct use based on literature research.

These reasons are further tested and presented in a real-life case example resulting in recommendations for future successful implementation. A qualitative approach was selected since, with qualitative data, the researcher has the opportunity to explore a subject in the “real world” (Robson 2002), which suits the purpose of this study. Saunders et al. (2007) described different procedures suggested by Yin (2003) that were particularly applicable for qualitative analysis. One of such procedures is called pattern matching. Pattern matching is a procedure used to predict an outcome based on theory allowing for an explanation of what is expected to be found in the

research which describe that the analytical framework grounded in existing theory is developed, it is tested and explained in a real case example.

For the purpose of this study, a variation of this kind of research is employed. It starts by researching the theoretical framework in order to link the study to the existing knowledge of the Balanced Scorecard. Further, all potential reasons which cause a BSC initiative to fail will be investigated. In the first step of the study, the goal is to gather as many insights as possible about the research problem which will then be used to shape the research. The theory gathered from books, articles, studies about the Balanced Scorecard and the possible reasons, discovered through research, for different organizations to abandon the BSC will give the necessary insights to shape the interview questions. The interview participants are people who were in charge of the BSC implementation project in their organisation. The findings will derive from the answers collected in the interviews and other data gained from different documents and discussions conducted with the company managers. The reasons for the failed implementation of the BSC found in the literature will be compared to the reasons for the failure of the selected non-profit organisation.

The aim of the study to find and understand the reasons for BSC failure will be sought by using a real-life organization as a case study which five organisation was been selected to test. Each organisation are from different environment and purpose. Saunders et al. (2007) agreed that a well-constructed case study can be convenient for exploring and challenging existing theory. According to them, the case-study approach is suitable for exploratory studies which have the ability to generate answers to the questions of what, why, and how. Yin (2003, cited by Saunders et al., 2007) emphasized two dimensions of case studies: those based on the number of cases employed in the research: single or multiple case studies; those based on the unit of analysis: holistic or embedded case studies. A holistic study stands for researching an organization as a whole, and an embedded study means involving various units of one organization where the research is conducted. For the purpose of this study, a single holistic approach is employed.

In case studies, different techniques can be employed and combined to collect data. Saunders et al. (2007) present three ways for exploratory research to be conducted; researching the literature, interviewing “experts” and focus group interview. Khan and Cannell (1957, quoted by Saunders et al., 2007) define an interview as a “purposeful discussion between two or more people”. Among the various types of interview for the present study, one way of collecting data was through the individual and focus group interview, conducted in a semi-structured and sometimes in an unstructured form.

This kind of interview can contribute to the study in several ways. To seek new insights and find out what really happened in an exploratory study, Robson (2002) recommends using semi-structured interviews. In qualitative research using semi-structured interviews, the researcher may have a list of different questions or themes in order to meet the objective of the study. Depending on the course of the conversation, the interviewer may change the sequence of questions, skip some or ask additional questions for the purpose of better understanding the research problem (Saunders et al., 2007). When there is a need to deeply explore some case where the interviewee needs to talk freely and in a relaxed manner about the researched topic, informal unstructured interviews are the most suitable (Saunders et al., 2007). The flexibility of semi-structured and especially of unstructured interviews provides many advantages in qualitative research. Such types of interviews are applied in this study. Kreuger (1988, cited by Lewis, 2000) defines a focus group as a “carefully planned discussion designed to obtain perceptions in a defined area of interest in a permissive, non-threatening environment”. In focus group interviews, participants are led by a facilitator (moderator) who encourages them to discuss and share opinions about the topic without any pressure. The role of the facilitator is of great importance to keep the group focused on the discussed topic and to encourage discussion without pushing members of the group toward predetermined conclusions (Saunders et al., 2007).

The literature review starts with a short introduction of the concept of the Balanced Scorecard which is followed by an identification of the most serious barriers obstructing its successful implementation. Both the theory about the BSC and the barriers are further used as a background for developing interview questions. The purpose of the empirical part of this study is to gain as many insights as possible about the implementation process of the BSC in the selected nonprofit organization and to find the reasons which contributed to the failure of the initiative. Subsequently, the potential barriers for the implementation of the BSC found in the literature will be compared to those identified in the case organization. The final aim is to propose recommendations for future successful implementation.

Interviews were held and documents related to the implementation of the Balanced Scorecard were examined. To gain an overview of the BSC initiative, the first interview was arranged with the managing director or administrator. The second interview (focus group) was conducted with the remaining members of the BSC team. The purpose of the second interview was to find out additional details about the BSC initiative and particularly the views of these members on the problems encountered. In addition, it was very important to understand the involvement of each of them and their commitment to the initiative. The interviewees in selected organization were carefully selected in order to obtain the most well-founded and reliable answers on the attempt

to implement the Balanced Scorecard. In order to confirm the most important data, some questions were repeated in both interviews and discussed with the interviewees. Depending on the course of the conversation, both individual and focus group interviews would sometimes move from a structured to an unstructured form. Sometimes, the given answers would affect the further course of the interview. If there was no need for them, some questions were skipped. Additional questions were asked in order to better understand or to go more deeply into the subject. On some occasions, participants were left to talk freely. The aim was to make them feel relaxed and have a casual conversation. Both sets of interviews were audio recorded in order to be able to concentrate fully and to be free to listen attentively and observe people's body language, for example. In addition, knowing that it was being recorded allowed the interviewer to participate actively in the interview without the need to take hasty notes.

To gather additional useful data for this study and to ensure having all the necessary background information before the interviews took place, access was gained to different documents and other materials related to the implementation of the BSC, as well as to additional material on the organization and operation of the selected nonprofit. Conducting the study and at the same time being employed in the case-study organization will bring contributions to and will gain knowledge from the findings of this study which provide recommendations for its future implementation of BSC.

The next method that applied in the research is the action research. Action research as a method of conducting research was first identified by Lewin in the 1940s (Eden and Huxam, 1996). Since then, different interpretations of action research have appeared, but the literature agrees on four common themes (Saunders et al., 2007; McDermot et al., 2008), (i) action research assumes research in action, rather than research about action. Action research is presented as a way of resolving some organizational issue together with those who experience the issue. (ii) the second theme is related to the mutual involvement and collaboration between the researcher and practitioners where the researcher is part of the organization, (iii) action research is research with a clear context and a purpose to make the action more effective and (iv) the outcome of action research is not only a solution to the problem in the organization, but a contribution to scientific knowledge and theory. In this context, action research contributes to this study in several ways. It allows gathering the needed data for the research across the firm. It contributes to gaining an insight into the issue of the implementation of BSC. This research will be using the triangulation and member checks to strengthen the internal validity. The use of case studies in qualitative research makes it hard to confirm external validity or make generalizations (Saunders et al., 2007). External validity is not the objective of this study. In this context, the findings, results and recommendations of this study cannot be generalized.

#### **4.0. Discussion**

Since the interview is done in two layer and to keep the confidential of the identity of the participant, the overall study will remain using P1 to P5 to the first layer of participants and P1(a) to P5(a) is for the second focus group member participants.

##### **4.1.1 Role of barrier 1: Limited understanding of what the Balanced Scorecard is.**

The Balanced Scorecard initiative in the selected five organisations started in between 3 to 5 years. According to P1, after the decision to implement the BSC was made by the board most of his team perceived it as a powerful tool which helps to achieve the non-profit outcomes. P3 mentioned it looks very promising tool. P5 also feels that the main focus was on measuring and monitoring the activities and programme. P2 also added that it actually a tool to measure which include the company vision, mission objectives and the related strategy to achieve them. But all the 5 participants was clueless and not clear on the direction because they kept mentioning that they are not aware on how to go about it due to the ,limited understanding. This was even supported by P1 (a) "it looks promising but how you want to apply it...I have no idea when it was passed to me and I was responsible to complete it". P3 was not happy because it was difficult to map the company vision because the activities that carried by the organisation has different objectives and it differ from one another. This clearly exhibit that most of the participants agreed that they have limited understanding on what is BSC all about and this was one of the main reason that contribute to the failure of implementation of BSC.

##### **4.1.2. Role of Barrier 2: Lack of executive sponsorship**

All the respondents mentioned that the Balanced Scorecard implementation came from their directors or higher executive. P3 mentioned that "it is hard to say whether it was one of the priorities of the firm at that time. In the first place, this was because of the poor understanding of the BSC concept. Anyway, the Board supported and took the initiative seriously, at least at the beginning: in selecting the project team and collecting the needed data. However, after presenting the first draft of the BSC, something changed". P4 mentioned that "the overall team need to realise that the attempt to implement a new (additional) monitoring tool was producing mountains of additional paper, the initial enthusiasm quickly disappeared". Even P1 mentioned that BSC lost its importance and gradually no one in the organisation talks about it" and P5 support the statement by adding that "even though it has changed the enthusiasm of everyone in the organisation but then during the implementation most of the



staff feels like they left without any support. Therefore, it can be concluded that most of the staff agreed that lack of executive support which similar to the literature review explanation.

**4.1.3. Role of Barriers 3: Lack of Balanced Scorecard education and training.**

All the respondents agreed that they are facing difficulties during the implementation of balanced scorecard due to the lack of training and education. Every respondent feels that in the early stage everyone seems to be excited especially the CEO and President of the nonprofit organization but then slowly it's faced away and no one has the full enthusiasm to continue. P1 mentioned that "we were being like a ship without sea...that mean no direction...understand that somehow we don't have adequate fund to provide training but at least there is someone to guide us. P2 feels that "I myself was very much excited at the first but then slowly I feel bad ...very bad because I could not move further in designing it...I am not highly educated like the rest...so it was very much complicated for me. Similar to it P5 also mentioned that there were no education and training given before they could implement the balanced scorecard...and we are lost because I am not able to tell the rest of them on how to go about it". Therefore, it has been concluded that every participant feels that they are not getting the right education and training.

**4.1.4. Role of Barriers 4: The strategy is not formulated in a strategy map.**

P3 mentioned that "the core of the Balanced Scorecard was not the company vision, mission, objectives or, accordingly, the strategy to accomplish them. A strategy map was not included in the Balanced Scorecard. Rather than to present a picture of the strategy and the future moves of the company, the idea of the scorecard was, by showing historical results with some new metrics, to learn from them, and act in the future...this was seem to be very difficult because none of us aware some more what kind of strategy needed in non-profit every time it is differ from one to another. P4 mentioned that lack of awareness and P5 mentioned that "we are not sure how to put it in a map because since there was lack of training we don't aware how to go about it". P2 and P1 both agreed that the strategy set by the non-profit cannot be mapped in the strategy map of balanced scorecard.

**4.1.5. Role of Barriers 5: Not involving the whole organisation**

P1 mentioned that "the people involved in the initiative were always members of the project team...the members of the project team, depending on the perspective for which they had responsibility, attempted to create the measures and the created measures were to be further presented to the rest of the firm, but this never happened". P4 mentioned that somehow during the activity...only those plan the activity will be there but they also somehow not sure how to do it". P5 agreed that nonprofit has fewer funds so they not able to send anyone to the training and due to it somehow it become very difficult". All the participant agreed that due to lack of the funding they not able to get adequate training so they not able to put in their full effort. Beside this since everyone in the organization did not support and only those who are keen in planning the activity involved in the designing the balanced scorecard the upper management are being not participating in the mapping.

**4.1.6. Barrier 6 – Inadequate KPIs.**

This was one of the most difficult parts of designing the balanced scorecard. P1 mentioned that " we are not understand the indicators that need to be included" and P2 mentioned that "somehow we are confused how learning can be cooperated in the mapping and not sure on how to designed the mapping". P4 and P3 agreed that the key performance indicator design by the top management of non-profits is somehow very different with the key indicator that set for each activity or programme and it became very difficult for them to align to the indicators of balanced scorecard.

**5.0. Conclusion**

Beside the six barriers found from the literature most of the participant mentioned that they also found in the rigidity and fear of change of most of the staff and volunteers. Below table show the comparison between the barriers found in the literature and in the case organisation.

Table 1. Comparison of barriers identified in the literature and those identified in the case of non-profits organisation.

BSC Barriers	Barriers identified in the literature	Barriers identified in the case study of non-profit organization
Barrier 1 – limited understanding of the balanced scorecard	X	X
Barrier 2 – lack of executive participant	X	X
Barrier 3 – lack of training and education	X	X
Barrier 4 – unable to formulated in a strategy map	X	X
Barrier 5 – not involving the whole organization	X	X
Barrie 6 – inadequate KPIs	X	X

Despite its worldwide popularity and its acceptance as a powerful strategic management tool, a significant number of organizations have encountered different problems when trying to introduce the Balanced Scorecard

in their business. A majority of organizations have either implemented the BSC without achieving any significant performance improvement, or have abandoned it at the implementation stage. The purpose of this thesis has been to identify the reasons why the implementation of the Balanced Scorecard had been so difficult. First, a literature review of the BSC, its concepts and main characteristics was conducted. Second, previous studies were used to identify the most important barriers to the successful implementation of the BSC.

The goal was to identify the reasons for the initiative to fail in this case-study organization. A thorough analysis of the case-study organization and of documents available has provided several insights. Interviews and focus group meetings were conducted to obtain additional perspectives from the company members involved in the past attempt at introducing the BSC in the company. Taking all this as a foundation, recommendations for a future BSC initiative in case organization have been proposed in order to overcome the barriers to its implementation and to ensure its advantageous use. The findings show that the barriers found in the literature and the reasons which led the BSC initiative in the five selected nonprofit organization to fail are similar. All the six barriers found in the literature were present in the selected case organization and caused its failure. Unwillingness to change is signaled as an additional potential reason for the BSC to fail in the selected organization. The interview participants recognized all of the barriers identified in the literature in the case-study organization as well. The most significant problem that been found in the case interview is lack of BSC knowledge. This shortcoming affected most of the other actions and caused many subsequent problems. The wish to implement the BSC in the selected case organization is still exists. In both the interview and the focus group, the participants showed great interest in trying to implement the BSC again. After recognizing which are the real reasons for the previous failure, potential implementation in the future stands a higher chance of success. The ambition of this paper is to contribute to the successful implementation of the BSC in the future.

The findings of this thesis are based on the research of literature which tells the story of the practice of the Balanced Scorecard since it was introduced in the 1990s. The focus is on issues encountered by different organizations when trying unsuccessfully to implement the BSC, and on those which did implement the tool but where it did not bring the expected results. However, it should be noted that there may be other possible barriers which may obstruct the successful implementation and usage of the BSC which are not defined in this thesis. According to Niven (2006), no two BSC implementations are completely alike. Further, the same author states that organizations which decided to implement the tool should do so in a way that fits the individual culture, current management processes, and readiness for such a major change initiative. Therefore, the findings, results and recommendations of this thesis cannot be generalized and taken for granted by other companies, researchers or others interested in the topic.

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