The managerial views on the use of Balanced Scorecard in Kristianstad municipality

Authors
Agon Reshitaj
Melanie Tikhonova

Supervisors
Giuseppe Grossi
Eva Lövstål

Examiner
Anna Thomasson
Abstract

Purpose – The purpose of this study is to investigate how the BSC is used to measure performance by the provider and the users in a municipality. Furthermore, the purpose is also to examine the different views of providers and users of BSC in different departments.

Design/methodology/approach – The research on the use of the BSC is based on a single case study in Kristianstad municipality. The case study was performed on three different administrations, culture and recreation, children and education, and care which are representing users of the BSC. The case study was also performed in the city management which presented the provider of the scorecard. Afterwards, the results of the case study have been analyzed from an institutional perspective.

Findings – In this case study, it is concluded that the BSC is a useful tool for performance measurement in the municipality of Kristianstad. The providers and users of the scorecard are viewed differently as a performance tool.

Research limitations – Due to a small sample size, it is difficult to generalize the results of this single case study. Future research could expand this study by a quantitative study based on a survey including all Swedish municipalities. Another proposal can be comparative case studies of different municipalities.

Practical implications – This thesis shows how the BSC is used for performance measurement and how it is viewed from the providers and users. Using the results of this study, managers can use the scorecard in a more efficient way.

Originality/value – This single case study examines the use of BSC in Kristianstad municipality as there have been relatively few studies in this area. With the collection of the empirical evidence we have contributed with literature in this area.

Keywords Balanced scorecard, performance measurement, providers, users, local government organizations, institutional theory
Table of contents
1. Introduction ........................................................................................................... 1
   1.1 Background ....................................................................................................... 1
2. Literature review ..................................................................................................... 4
   2.1 Institutional factors for introducing BSC ......................................................... 4
   2.2 BSC as a tool for performance measurement in Public Sector .................. 6
   2.3 Advantages and disadvantages of the BSC in Public Sector .................... 6
   2.4 Use of the BSC as a tool for performance measurement in practice ........ 8
3. Research methodology ........................................................................................... 8
   Table 1. The list of the respondents .................................................................... 10
4. Empirical evidence ................................................................................................ 11
   4.1 Kristianstad municipality .............................................................................. 11
   4.2 Introduction to empirical evidence ............................................................... 11
   4.3 Provider's views on BSC .............................................................................. 12
      4.3.1 Institutional pressure .............................................................................. 12
      4.3.2 Who are the users of the BSC? .............................................................. 12
      4.3.3 The use of BSC by the provider ............................................................ 13
   4.4 Sectorial managers' views on BSC, benefits ............................................. 14
      4.4.1 The use of BSC by the different departments ....................................... 14
      4.4.2 Benefits of the BSC .............................................................................. 16
      4.4.3 Weaknesses of the BSC ....................................................................... 18
      4.4.4 Further drawbacks of the BSC .............................................................. 19
      Table 2: Different views on the use of BSC .................................................. 20
5. Conclusion and suggestions for future research ............................................. 21
6. References ............................................................................................................. 24
   List of respondents .............................................................................................. 29
Appendix 1 ............................................................................................................... 30
Appendix 2 ............................................................................................................... 31
1. Introduction

1.1 Background

Performance management in the Public Sector has become a growing phenomenon around the world. Discussions about how publicly funded organizations should be intensified in order to achieve the objectives and improve performance has become quite common (Goh, 2012). Many people ask themselves the question how the results can be measured in the best possible way in the Public Sector. Talbot (1999) argues that performance measurement in public organizations is possible, but slightly complicated compared to the Private Sector. According to the same author (1999), the difference is that the private enterprises' performance is measured based on the companies’ financial performance. Public organizations measure performance based on results of budgeted funds for their activities. The central idea behind performance measurement is based on the fact that professional organizations must plan for future and expected results, and then analyze the actual results in relation to performance indicators (De Bruijn, 2007).

The same author (2007) argues that performance measurement in public organizations that can be problematic for several reasons, e.g. (1) Products have multiple values, (2) the environment is dynamic, (3) products are produced together with others, (4) organizations are process-oriented, (5) products are interwoven and (6) causalities are unknown. The performance of many professional organizations is relational. Professional organizations are achieved in co-production with third part, for example; a school's performance depends partly on the thoughts of the parents (De Bruijn, 2007). Another aspect that makes it difficult to measure performance and results in public organizations is the definition of "customers". This due to the fact that citizens are the users of the services provided (De Bruijn, 2007). According to Behn (2005), most public operational processes are based on the capacity and skills that are the intellectual capital. Jarrar and Schiuma (2007) define the Public Sector capacity as the ability to evaluate and manage knowledgeable and intangible resources. One more condition under which performance measurement is problematic is quality not definable in performance indicators. As an example, the number of a court's judgments says nothing about the quality of those judgements (De Bruijn, 2007).
Previous researches concerning performance measurement in the Public Sector shows obstacles, challenges and problems concerning the implementation of performance measurement (Goh, 2012; Martin & Kloot, 2000; Modell, 2004; Lilian Chan, 2004; Fryer, Antony & Ogden, 2009; Train & Elkin, 2001). Various tools have been used to measure the performance of publicly funded organizations, including performance indicators (KPI) and Balanced Scorecard (G Rendon, 2008; Clarkson, 2010; Lilian Chan, 2004; Northcott & Taulapapa, 2011). Performance Indicators was a popular tool used for performance measurement in public organizations for several decades. However, the usage of performance indicators as a tool for performance management was considered inadequate, as its users were uncertain of how to use them after they were implemented (G Rendon, 2008). A tool that has become popular for performance measurement in the Public Sector is the Balanced Scorecard (BSC). The BSC is a management model that was introduced by Robert Kaplan and David Norton in the middle of the 90s. The BSC is a customer-based tool for planning and process improvement, designed to focus on organizational strategy, process execution and non-financial dimensions (Dolnicar, Irvine & Lazarevski, 2008). Previous studies concerning the use of the BSC in LGO show that the BSC was used mainly in health care departments and cultural- and social departments (Train & Elkin, 2001; Behn, 2003; Hellstrom et al., 2009).

Governments around the world have called for greater transparency and accountability with regard to the use of public funds. In response to this, public organizations have adopted methods for measuring results to improve the performance and demonstrate accountability (Wisniewski & Olafsson, 2004). According to Morfardini (2010) accountability in Public Sector is considered as accountability for actions, products, decisions and politicians. Public Sector is required to report, explain and be responsible for its actions. Accountability cannot exist without proper accounting practices (Morfardini, 2010). In the Public Sector citizens choose politicians and politicians choose managers. Managers are required to provide information to politicians and politicians are responsible toward citizens. Citizens are taxpayer and they are the users of services provided. Politicians are required to provide information in order to create public confidence. Public organizations are trying to create public confidence through more disclosure to citizens (Marcuccio & Steccolini, 2005). Another aspect that public organizations use in order to create the confidence is citizen participation. Citizen participation is a good way to increase accountability because it gives citizens an opportunity to get into the business (Marcuccio & Steccolini, 2005).
According to Modell (2004), the BSC helps the board to measure and improve performance and accountability (Modell, 2004). The same author (2004) argues that public organizations are required to present their strategies in order to achieve its objectives. This is where the BSC can help (Modell, 2004). According to Greatbanks and Tapp (2007) the implementation of the BSC to measure performance is widely discussed by many researchers. Previous studies indicate that there is a lack of knowledge in the use of the BSC (Cavalluzzo & Ittner, 2004; Griffiths, 2003; Talbot, 2010; Greatbanks & Tapp 2007; Hellstrom et al., 2009).

The use of the BSC was a relatively under-analyzed area for local government organizations (LGO) until ten years ago (Figge et al., 2002). Now it is a growing research topic and there are more and more articles concerning the use of the scorecard (Greatbanks & Tapp, 2007). After a review of scientific literature, we found that even though the BSC has been studied by many researchers, there is still a gap of knowledge in the use of BSC. There are few studies that have examined how the BSC model works in practice (Wilson, Hagarty & Gauthier, 2003; Agostino & Arnaboldi, 2010; Northcott & Ma'amora, 2011; Northcott & Ma'amora, 2011). It is therefore our study will contribute with a single case study that examines how a Swedish municipality uses the BSC in its activities. In our case study, we will investigate how the BSC is used in a Swedish municipality where the scorecard has been used for seven years. Our case study is limited to examine how the management is using the BSC in a Swedish municipality. There are two types of users, the first type is internal for example politicians and managers. The second type is external users for example citizens, banks and universities. In this case study, we will only focus on the internal users of the BSC.

It is important to understand how the BSC should be used to measure performance, the meaning of the use, and the strategy that can provide the most effective performance measurement in public organizations (Behn, 2003; Griffiths, 2003). The purpose of this study is to investigate how the BSC is used to measure performance by the provider and the users in a municipality. We will also examine the different views of providers and users of BSC in different departments. This thesis is structured by follow the following parts. In the second section, we will discuss the institutional factors for introducing the BSC as an explanation to why the BSC has begun to be used in the Public Sector, and why the scorecard is quite common in municipalities. Furthermore, we will present the BSC as a tool for performance measurement in Public Sector and its advantages versus disadvantages. The use in practice of the BSC in the Public Sector on the basis of previous studies will be discussed at the end of the second section. In the third part, we will present the research methodology. In the fourth
part, we will present the empirical evidence based on a single case study. In the fifth part, the conclusion will be delivered and suggestions for further research.

2. Literature review

2.1 Institutional factors for introducing BSC

According to Zucker (1987), institutional theory explains how organizations and communities achieve a favorable development and efficiency. The essence of this theory is that organizations are influenced by society's prevailing rules and expectations. This is important for the organizations' survival (Kasperskaya, 2008; Rautiainen, 2009). Institutionalization means that the organizations' corporate practices in both the Private and Public Sector look the same because of the influence from society (Dolnicar, Irvine & Lazarevski, 2008). Institutionalization in the Public Sector has led to a growing emphasis on organizational behavior and focus on results (Guthrie & English, 1997; Josserand, Teo & Clegg, 2006). Zucker (1987) claims that normative pressures from external and internal sources, such as the state, society, political parties, monarchies, parliaments and other democratic institutions, influence public organizations. In addition, formal institutions (legal and political rules) and informal institutions (culture and morality) affect the stakeholders in the Public Sector (Zucker, 1987). The stakeholders in the Public Sector are the governing bodies, senior managers and CFOs of government departments (Kober, Lee, & Ng, 2013).

Chow et al. (1998) and Rautiainen (2009) mention that based on the institutional pressure, public organizations are forced to imitate various models and theories of the Private Sector within their organizations. The BSC focuses on more than just financial items, such as customers. This is so, it has gradually become more common to implement the BSC in public organizations (Chow et al., 1998; Zucker, 1987; Aidemark, 2001). Previous studies show that the implementation of the BSC has risen sharply amongst Swedish local government organizations and it is now used in hospitals, universities, courts, and schools (Hellstrom et al., 2009).

According to Martin and Kloot (2000), the Public Sector affects people in many different ways over a lifetime. Politicians and also employees make decisions that affect the individual. This means that they need to focus on the citizens (Martin & Kloot, 2000). The quality of produced services in LGO affects both the providers and users of performance information (Grossi, Ruggiero & Reichard, 2012). Users for certain sets of performance
greatly depend on various institutional factors such as culture and knowledge. Many factors are related to individual characteristics and attitudes of decision makers; other factors are the result of these institutional aspects. Dolnicar, Irvine and Lazarevski (2008) argue that from the institutional pressure, the providers that are city management, city council and controller are forced to implement the BSC in their activities. Providers for the BSC ensure that the BSC is introduced and then used in the activities. The reason why providers would supply the BSC is that the scorecard can be very useful for non-financial organizations such as LGOs (Dolnicar, Irvine & Lazarevski, 2008).

According to Hoffecker and Goldenberg (1994), the trend to introduce the BSC in their activities has caused users of the BSC, that are politicians, councils, Chief Financial Officer (CFO) and managers for different departments, to benefit from the use of the scorecard. Newing (1994) mentions that users are trying to use the scorecard in order to achieve the best possible outcome. For example, in the health care department BSC is mainly used to evaluate and measure patient satisfaction and quality of services provided. They measure not only the quality of care and appointments, but also the food served. Hospital administrators, who are also users of the BSC, take advantage of the use by measuring acute and admission times, referrals and market share (Newing, 1994). According to Newing (1995), the municipality is covered by demographic changes in terms of increased customer expectations and pressure from the government. This is specifically when the BSC comes in the picture as a potential tool for improvement and changes (Newing, 1994; 1995; Hoffecker & Goldenberg, 1994; Aidemark, 2001).

Dolnicar, Irvine and Lazarevski (2008) claim that the institutional pressure from society has become a trend in the implementation of the BSC in public organizations, especially in LGO. Providers for the scorecard have begun to implement the BSC in their activities, they also work on ensuring that the different departments and politicians use it. The implementation and the use of the scorecard affect both the supply and demand side of performance information. The supply side implements the BSC in order to improve the organization's strategies and objectives and at the same time achieving the balanced governance. The demand side uses the BSC in order to achieve a very high customer satisfaction while improving service quality (Dolnicar, Irvine & Lazarevski, 2008; Chow et al., 1998; Hoffecker & Goldenberg, 1994).
2.2 BSC as a tool for performance measurement in Public Sector

The BSC is considered by internal (politicians, managers, councils) users as a good and useful tool for performance measurement in LGOs (Malmi, 2001; De Bruijn, 2007; Johnsen & Vakkuri, 2006; Lilian Chan, 2004). Kaplan and Norton (1992) argue that the BSC is used to measure the financial and non-financial goals in public organizations as well as to clarify organizations' strategies. Kaplan and Norton (2001) also claim that the original intention of the BSC was to be used for profit making firms. However, the BSC can be applied in the Public Sector as well by putting customers at the top of the hierarchy. In public organizations, the focus is mostly on the citizens. Customers in the public services sector are clients, students, patients and citizens, and the owners are the parliament and the government (Talbot, 1999).

Kaplan and Norton (2001) also believe that the BSC has several purposes in public organizations by being a tool for performance measurement of non-financial items, as well as a helpful tool to increase accountability and responsibility (Kaplan & Norton, 2001). This argument also supported by other studies, suggests that the BSC is very useful in public organizations (Aidemark, 2001; Hellström, Jönsson & Ramberg, 2009). Public organizations are characterized by customer focus and quality of services, which means that non-financial factors are equally important. (Aidemark, 2001). According to Dolnicar, Irvine and Lazarevski (2008), during the implementation of the BSC, public organizations take into account the multidimensional control, where not only the financial aspects and the financial work are put in focus. Public Sector does not exist to make a profit. It is mission driven institution. Kelly and Lewis (2009) mean that the Public Sector organizations are providing public services to citizens, which means that public organizations are considered as non-financial performance. According to Aidemark (2001), the BSC measures more than just financial dimensions and that is why the BSC fits into the Public Sector.

2.3 Advantages and disadvantages of the BSC in Public Sector

The following section explains the potential benefits and the drawbacks of the BSC and the development of the BSC within Public Sector organizations. There are four main advantages of the BSC in Public Sector. The first advantage is that the BSC works as a tool that organizations use to determine strategies and targets based on non-financial performance. Financial performance measures such things as marginal utility, and return on assets that are complemented by non-financial dimensions, which are more relevant in the Public Sector. The non-financial dimensions that are common in public organizations consist of customer
satisfaction, advanced services and employee skills (Khaki, Najafi & Rashidi, 2012). Therefore, Chang and Wu (2012) argue that the BSC creates a balance between financial and non-financial performance dimensions. The BSC can be used as an effective tool for measuring performance in Public Sector organizations, according to the authors. The second advantage of the use of the BSC in the Public Sector is that democratic accountability and responsibility are increased (Norton & Kaplan 1992).

The third advantage is that the BSC can help organizations implement strategies, achieve goals and increase knowledge through a combination of financial and non-financial performance measurements. Another study in health care shows that the scorecard is applicable to all types of organizations, with some modifications by adjusting the different perspectives (Urrutia & Eriksen, 2005). The fourth advantage is the definition of customers, which should be extended (Kaplan, 2001; GreatBanks & Tapp, 2007). The scorecard has won a broad acceptance as a multidimensional tool by capturing the non-financial aspects of performance (Aidemark, 2001; Northcott & Ma'amora Taulapapa, 2011). In accordance with Kaplan (2001), Wizenski and Ólafsson (2004) studies, the scorecard is useful for improving performance measurement. This is because; performance measurement in public organizations focuses not only on costs, but also considers efficiency and effectiveness (quality) in the provision of public services (Wizenski & Ólafsson, 2004). Finally, the authors note that the customer's satisfaction is the ultimate goal of performance measurement.

There are some disadvantages that complicate the use of the BSC in publicly funded organizations. In public service, the definition of customer and stakeholder is quite complicated, because of the variety of customers and stakeholders. Wizenski and Ólafsson (2004) also note that the implementation of the BSC is a complicated process compared to private companies. The authors also argue that there is lack of financial goals that make the scorecard difficult to implement in practice. Some researchers are cautious in pursuing the benefits of the BSC in Public Sector organizations. For example, Griffiths (2003) says that the implementation of the scorecard in Public Sector organizations can be complicated in practice. Public organizations are operating in a complex environment. GreatBanks and Tapp (2007) refer to a Danish report regarding governance models, where it was found that almost twice as many private companies use the scorecard when compared to public organizations (Eskildsen, Kristensen & Juhl, 2004; GreatBanks & Tapp, 2007). Another disadvantage is that the BSC can be particularly difficult to achieve because it is focusing too much on performance measurements (GreatBanks & Tapp, 2007; Boyne, 2002; Kaplan, 2001).
2.4 Use of the BSC as a tool for performance measurement in practice

There are few studies that examined the use of the BSC in the Public Sector. However, there is still some literature concerning the factors that affect the performance measurement (Great Banks & Tapp, 2007; Lilian Chan, 2004; Radnor & Lovell, 2003). According to Radnor and Lovell (2003), the BSC has become more popular as a performance measurement tool in LGO. More and more managements choose to introduce the scorecard, partly because of the institutional pressure, and partly because the scorecard clarifies the organization's strategic goals, the individual department’s goals, and helps with measures to improve the organization's future performance, as well as a tool for decision making (Kloot & Martin, 2000; Lilian Chan, 2004; Group, 2004; Yetano, 2009). Furthermore, the BSC has been implemented as the providers of the BSC consider that the use of the scorecard can improve the organization's existing bad information system, and problems concerning customer satisfaction (Wisniewski & Olafsson, 2004). As mentioned before, the use of the BSC as a tool for performance measurement in LGO, has not been the subject of many studies (Griffiths, 2003; Great Banks & Tapp, 2007; Figge et al., 2002; Northcott & Taulapapa, 2011; Hellstrom et al., 2009). Although the BSC is a potential tool for performance measurement, and despite the pressure from the community to implement the scorecard in public organizations, there will be no effect on the organization if the providers and the users of the BSC do not know how the tool should be used (Train & Elkin, 2001).

3. Research methodology

This case study is based on the qualitative method that involves the collection of non-numeric data such as words, pictures and interviews (Bryman, 1995). The qualitative approach matches our case study better than quantitative approaches, as the goal of this paper is to gain a deeper understanding of how the BSC is used in Kristianstad’s municipality. Furthermore, the thesis is based on the abductive research approach, which is a combination of both the deductive and inductive approaches. The reason behind this is because the paper is based on existing theories like the deductive approach. The thesis is also supplemented by four interviews aimed to get a deeper understanding consistent with the inductive method (Saunders et al., 2009).
Furthermore, the thesis is based on the institutional theory. The essence of this theory is that organizations are influenced by society's prevailing rules and expectations, which is important for the organizations' survival (Kasperskaya, 2008). When choosing the method for this study, we decided to make a single case study in the municipality of Kristianstad for answering the research questions. Case studies have a major influence in qualitative studies that aims for a deeper understanding and an overview of the survey (Bryman, 1995).

In this thesis we have done a geographical limitation to only include the Kristianstad municipality due to the time limit. We have done a documentary analysis of the municipality’s annual report for 2012 and a report made by PwC (2006). After we have read the reports, it appears that the scorecard was introduced by the city council in 2006 and that the BSC is used since the introduction. Our condition for choosing the municipality is based on the municipality’s annual report and its second report, which is called Scorecard, written by PwC (2006). Additional reasons for the choice of Kristianstad municipality as a case study are that, the municipality has high aspirations in all areas. According to the annual report (Kristianstad municipality, 2013), we believe that they are well advanced in the implementing of the BSC. Due to its size, the municipality has more officials and experts employed when compared to smaller cities in Skåne County.

The BSC is used as a common approach in various administrations for budgeting, performance management and financial monitoring; this is an additional factor in the selection of this municipality (Kristianstad municipality, 2013). Furthermore, according to the municipality’s annual report, the governance principles in the municipality are based on the use of the scorecard. These reasons make the Kristianstad municipality an interesting field study. The municipality consists of a complex organization with multiple administrations. Unlike smaller municipalities, the departments in Kristianstad are more decentralized because of their size. This study is limited to four different administrations; three of them are representing the users and the fourth represents the provider of the scorecard. The departments representing the users are: children and education, care, culture and recreation. The provider of the scorecard is presented by the finance and accounting associated to the city management. The care, children and education departments are among the largest entities. They are assigned considerable resources from the municipal council. Culture and recreation is a smaller entity compared to the previous mentioned departments. This makes the comparison interesting. There is only one provider of the scorecard and that is the city
management, and that explains the choice of this specific entity. In table 1 we have explained the interviewees' role in Kristianstad municipality, education and practical experience.

**Table 1. The list of the respondents**

<table>
<thead>
<tr>
<th>Respondents' role</th>
<th>Education</th>
<th>Practical experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controller (city management)</td>
<td>Administration economist</td>
<td>23 years</td>
</tr>
<tr>
<td>Manager of culture and recreation</td>
<td>Social worker</td>
<td>10 years</td>
</tr>
<tr>
<td>Manager of children and education</td>
<td>Administration economist</td>
<td>18 years</td>
</tr>
<tr>
<td>Manager of care</td>
<td>Administration economist</td>
<td>11 years</td>
</tr>
</tbody>
</table>

For the collection of empirical data, we have performed semi-structured interviews with the controller and the managers of different departments in Kristianstad municipality. Interviews provide a good insight into people’s experiences, opinions and feelings related to the use of the scorecard (Eivegård, 2003). The interviews are conducted with one respondent at a time, and according to Eivegård (2003), this is commonly used in research contexts. Each interview lasted around 40 minutes and the respondents gave us detailed answers. According to Grant et al. (2006) the documentary method generates data from narrative interviews from organizational members. The authors believe that narrative interviews are designed to collect data from open communications, and in our case given the opportunity to hear the managers' perceptions regarding how the BSC is used. Respondents will be managers for the different departments as they are the users, and city management who is the provider of the BSC. The interview questions are open to create a deeper understanding of the use of the scorecard, and also to avoid standardization (Andersen, 1998).

The questions about the use of the scorecard have been partially structured, but the respondents are allowed to provide deeper answers and give their own reflections. The interview questions are quite similar to another study regarding the use of the BSC in LGOs, New Zealand (Northcott & Taulapapa, 2011). Furthermore, the interview questions and the research problem have been changed to fit our study. This is because the previous mentioned study has been focusing on using the BSC to manage performance. However, our study aims instead to describe how the scorecard is used to measure performance and to describe the
different views from users and providers of the BSC. Therefore, we have been inspired by Northcott & Taulapapa (2011) study, when writing our master’s thesis.

4. Empirical evidence

4.1 Kristianstad municipality
The municipality of Kristianstad has about 80,000 inhabitants. Kristianstad is a workplace with about 6,500 permanent employees. Operations are organized into nine departments. The city management and the municipal director have the overall responsibility. Kristianstad municipality cooperates with a number of neighboring municipalities in Skåne. The municipality consists of a city council, city management, municipal corporations, councils and nine departments (Kristianstad municipality, 2013). In our case study, we have focused on city management and three different departments. The city management leads, coordinate, monitor and develop the municipality. The municipal city provides the framework and directives. The culture and recreation department is working with libraries, civic offices, public baths, sports facilities, recreation centers, association grants, children's culture and theater. The department has currently 100 employees. The children and education department is responsible for childcare and education from early childhood to adult education. The care department is working with care of the elderly, persons with disabilities and persons in need of home care (Kristianstad municipality, 2013). In this section, we will explain the provider's views and the users' views on the BSC.

4.2 Introduction to empirical evidence
All interviews with the respondents began with the same general question concerning their theoretical knowledge of the BSC. The purpose of the question was to gain insight as to if the respondents had any theoretical knowledge of the BSC. The answers showed that the majority of respondents did have good knowledge of the BSC, as they were administration economists. However, the culture and recreation manager had limited knowledge about the BSC as he was trained in social work. The provider is also an administration economist working as a controller. The BSC was introduced by the city council in 2006 and is used since the introduction. The scorecard is used in our three elected departments.
4.3 Provider's views on BSC

4.3.1 Institutional pressure

In the beginning of the interviews with the provider of the BSC a deep question asked about why the scorecard has been introduced in the municipality, as well as the motives behind the introduction of the scorecard. The first most important view that the provider of the BSC had was that the BSC was considered to be a method to achieve good financial management. According to the respondent, it all started with a new regulation that was introduced in the Local Government Act. This regulation became effective on January 1, 2005 (Swedish Local Government Act 1991:900). The law stipulates that municipalities must conduct their activities in accordance with good financial management (controller, personal communication, May 20, 2013). The city management investigated other municipalities of similar magnitude and how they were working with complying with the law. The controller in the city management (personal communication, May 20, 2013) argued that the introduction of the new law pressured local governments to find solutions and methods in order to achieve good financial management. Other municipalities such as Kalmar and Växjö worked with the BSC, therefore the city management decided to implement the BSC in Kristianstad municipality. The law does not provide direct instruction on how to follow good financial management. It is up to us to find a solution (controller, personal communication, May 20, 2013). However, according to the controller, it is mandatory that each department should have the scorecard. Furthermore, the provider (personal communication, May 20, 2013) added that the municipality’s use of the BSC model should be able to prove that they pursue good financial management. This is consistent with institutional theory, organizations are pushed from normative pressure as the government, politicians and parties to follow the laws and rules (Chow et al., 1998; Zucker, 1987). One reflection is that Kristianstad municipality chose to introduce the BSC when it became popular in other municipalities, due to institutional pressure. After the law of good financial management took effect, the city management in Kristianstad municipality was pressed to find different ways to achieve good financial management.

4.3.2 Who are the users of the BSC?

Furthermore, the controller (personal communication, May 20, 2013) told us that the BSC is dedicated to the whole municipality, respective departments and politicians. Departments themselves decide how the scorecard will be used, in which devices, areas and so on. Cultural
and recreation department uses the BSC at the local level. An example of this is the libraries. Other departments choose to use the scorecard as a tool for central control (controller, personal communication, May 20, 2013). This is consistent with Hoffecker and Goldenberg (1994) and Newing (1994) studies. The users of the BSC in the Public Sector are other administrations, boards, CFOs and politicians (Hoffecker & Goldenberg, 1994; Newing, 1994). One interpretation of this may be that the primary users of the BSC are internal users, i.e. politicians and managers. This is due to that municipalities are using the BSC in its direct use while external users such as citizens, banks, universities are using the BSC indirectly.

4.3.3 The use of BSC by the provider

Another important view that the provider had is that the whole municipality of Kristianstad should think in the same way concerning governance of their respective businesses. Balanced governance means that the municipality should have a similar system that will permeate the entire organization (controller, personal communication, May 20, 2013). The provider (personal communication, May 20, 2013) claimed that the organization is using the BSC in order to put up similar goals, good results and economic balance. This is consistent with previous studies whose claim is that the purpose of the BSC is to improve the organizations’ strategies, objectives, performance and achievement of balanced governance (Lilian Chan, 2004; Dolnicar, Irvine & Lazarevski, 2008; Kaplan & Norton, 2001). This is questionable, as it is given free space for each department to adapt the BSC based on their businesses. This in turn could lead to various types of governance and goals among the different departments. While the purpose of the BSC is to have similar governance and goals for the whole organization, the outcome in reality is multifarious governance.

The local aim of the BSC in previous studies is that the BSC improve organizations’ strategies, objectives, performance and is considered to be a method to achieve balanced governance (Lilian Chan, 2004; Dolnicar, Irvine & Lazarevski, 2008; Kaplan & Norton, 2001). In this case the reflection is that the BSC balance different measures and goals and focus on the future governance of the increased success of the organization.

The controller (personal communication, May 20, 2013) told that the BSC has a positive effect on performance measurement. The results and scorecards have improved by using the BSC (controller, personal communication, May 20, 2013). This is supported by previous studies that consider the BSC as a useful tool for performance measurement in public organizations (Malmi, 2001; De Bruijn, 2007; Johnsen & Vakkuri, 2006; Lilian Chan, 2004).
The analysis of this can be that by measuring and monitoring non-financial measures can gain a more nuanced and long-term governance, which contributes to a successful organization.

The less positive view that the provider had is that in recessions it can be difficult to use the BSC to example when the budget takes too much focus. The departments strive to attain good results in all perspectives. Perspectives included are the citizen's perspective, the economic perspective, the development perspective and the employee perspective. The provider of the BSC (personal communication, May 20, 2013) stated that as a provider, he would like to see more focus on results than the budget. The provider (personal communication, May 20, 2013) even said that some departments take the scorecard seriously for measure performance, others less seriously. The outcome of the BSC results in a traffic lights. The colors of the traffic light signals if the targets are achieved partially achieved or failed (Kristianstad municipality, 2013). According to the respondents, the BSC in Kristianstad municipality is used as a tool for achieving goals, improving strategies and performance. This is questionable because in practice it can be hard not to put too much focus on the economics perspective. Furthermore, the work with BSC is time consuming and resources consuming.

4.4 Sectorial managers' views on BSC, benefits
The interviews began with the sectorial managers. They are the users of the BSC. The three different departments are: culture and recreation, children and education, and care. Sectorial managers were asked about their use of the scorecard in order to measure performance. After, the respondents were asked about any problems with the BSC. The respondents even named the benefits vs. the weaknesses they experienced with the BSC.

4.4.1 The use of BSC by the different departments
According to the manager, the culture and recreation department uses the BSC in their businesses and activities to measure performance. The view that the manager had is that the scorecard is used to achieve common goals regarding the budget process, monitoring, strategies, and performance measurement. This goes together with Kaplan and Norton’s (1992) finding, which indicate that the BSC is used to measure financial and non-financial goals, and to clarify the organization's strategies. The interpretation of this can be that the BSC' primary mission is to assist managers with the review of operations. The financial goals are rarely the main target for public organizations because they must stay within the limits of their budget and not work to make profits. Public organizations measure their success through delivered public services.
Furthermore, the manager (personal communication, May 20, 2013) said that the department uses the scorecard in all units as libraries, public baths and theater. The manager (personal communication, May 20, 2013) also mentioned that the BSC is adapted to operations and updated every six months. Culture and recreation department focuses on citizens and working with intangible values (manager, personal communication, May 20, 2013). According to the manager of culture and recreation department, the scorecard is a useful tool because it focuses on performance measurement and on non-financial dimensions. Non-financial dimension is important in cultural and recreational services because the department provides recreational activities such as theater and public bath (manager, personal communication, May 20, 2013). This is consistent with Aidemark (2011) studies, which argue that the BSC focuses on more than just financial dimensions. This means that the BSC is useful in LGOs. An interpretation of this is that public organizations are striving for a multi-dimensional control, which not only economic aspects are in focus.

In the Children and Education department, the BSC is used from a different perspective. The most important view the manager had is that the BSC are used as a basis for decision making by politicians. The officials produce the basis for decision-making in the form of a scorecard; thereafter the politicians use it for their decision-making. That fact that the BSC works as a basis for decision making is confirmed with the institutional theory of Yetano (2009) and Group (2004) studies. Other studies show that organizations choose to implement the scorecard as a tool for decision making from the institutional pressures (Lilian Chan, 2004; Kloot & Martin, 2000; Rautiainen, 2009). The manager (personal communication, May 21, 2013) explained that by using the BSC as a basis for decision-making, politicians could clarify organizational goals and contribute with measures for improving the results. The scorecard does not reflect the entire business, but gives an idea of what's going on (manager, personal communication, May 21, 2013).

Another view that the manager had is that the BSC reflects the necessary information about the activities. The BSC works as a kind of thermoplastic ether in non-financial terms. The scorecard provides an overall picture of what is happening in the activities. The use of the BSC results in different traffic lights that that politicians can use to their advantage. The faster you can provide information, the more effective politicians can make decisions (manager, personal communication, May 21, 2013). By looking at the traffic lights in the annual report, politicians can get a quick overview of how the activities have been performed in relation to targets. Afterwards the politicians can take action by raising funds to improve
the results of the activities that had a bad performance (manager, personal communication, May 21, 2013).

A view that the manager of the care department had is that the BSC is used to assess targets and determination of balanced scorecards. The scorecard provides a value which makes it easier to describe the activities in which citizens can take participate. This argument is supported by Hellstrom's studies (2009), explaining that the BSC has great benefits and is useful in public organizations. Public organizations do not exist to make profit because they provide public services to citizens (Kelly & Lewis, 2009). According to the manager, it is important for citizens to participate in departments’ activities. The BSC and the scorecards are adapted to businesses in the care department.

Furthermore, another view that the manager had is that the BSC provides a broader basis for decision making, instead of just sending a financial report to the politicians. It is easier to explain operations with verbal descriptions of activities (manager, personal communication, May 20, 2013). According to the manager, the BSC as a tool make it easier to measure performance for a municipality with non-financial targets. The results of the non-financial objectives resulting in a traffic lights, signaling how good department is and what can be improved. An example of the non-financial targets is customer satisfaction (manager, personal communication, May 20, 2013). This argument can be linked to previous studies that show how BSC is used in order to achieve high customer satisfaction and aims at the same time to improve the quality of service (Chow et al, 1998; Hoffecker & Goldenberg, 1994; Dolnicar, Irvine & Lazarevski, 2008). The reflection of this is that the BSC’ purpose in care department is to improve patients' well-being. Care department is a complex department where the focus is on more than just economic performance. The scorecard is a method to assure the quality of care, increases patient and staff working satisfaction and increases patient safety.

4.4.2 Benefits of the BSC

There are some benefits with the BSC. All of the managers that were interviewed felt that the BSC contributed to the balanced control. The managers (personal communication, May 20, 21, 2013) mean that the BSC provide systematized governance, evaluation and targets. This can be supported by previous studies, the purpose of the BSC is the improvement of organizations' strategies, objectives, performance and achievement of balanced governance (Lilian Chan, 2004; Dolnicar, Irvine & Lazarevski, 2008; Kaplan & Norton, 2001). The BSC
focuses on more than just financial items which mean that the BSC helps with verbal descriptions of the business (managers, personal communication, May 20, 21, 2013). These verbal descriptions are easy to understand and construe for citizens.

The one more benefit of the BSC as the culture and recreation department’s manager mentioned was the BSC’s opportunity to provide a complete view of the business. It is an important aspect when the department measures the performance. This is consistent with previous studies, the BSC is a tool to define the organization's strategies and objectives (Khaki, Najafi & Rashidi, 2012). Public organizations set goals which are based on non-financial performance measures. Financial measures such as returns and marginal utility are supplemented by non-financial measures such as customer satisfaction and advanced services. That is typical in the Public Sector. Therefore the BSC create a balance between these dimensions (Chang & Wu, 2012). Our interpretation is that the BSC improves the communication between and within different levels of the organization. The use of the BSC leads to a two-way communication, which reduces the risk of misunderstanding between employees. The BSC also leads to the staff have a complete picture of what their work is contributing to the business.

The manager of children and education department (personal communication, May 21, 2013) said that the BSC is a great tool for decision-making. It is very important that politicians may materially and relevant information which results in reasonable decisions (manager, personal communication, May 21, 2013). The BSC, as a basis for decision-making was confirmed by the institutional theory of previous studies (Yetano, 2009; Group, 2004; Rautiainen, 2009). Another benefit of using the BSC is its timeliness (manager, personal communication, May 21, 2013). The BSC is updated three times a year. This creates significant and relevant data for decision-making. One more benefit that the manager of the care department mentioned was that the BSC creates a better understanding of the business. The scorecard extends over a period of years and that fact makes it easier to see long-term results. A study of Urrutia and Eriksen (2005) showed that the BSC is applicable in all types of organizations. An interpretation of this can be that the BSC helps to get an overview of the business and contribute to a substantial description of the business. Furthermore, the manager (personal communication, May 20, 2013) told us that the city management and employees are involved in the use of the BSC. It means that the use of the BSC is undergoing constant development.
4.4.3 Weaknesses of the BSC

There are some weaknesses in performance measurement. All of the interviewed managers felt that it is difficult to find and interpret the balanced scorecards when they use the BSC. During the interviews, the manager for culture and recreation (personal communication, May 20, 2013) said that it is difficult to find relevant balanced scorecards. The department carries out voluntary activities based on experiences, such as number of visitors of a theater (manager, personal communication, May 20, 2013). This claim can be supported by the previous study that the performance measurement in public organizations can be problematic.

The dynamic environment found in public organizations complicates performance measurement (De Bruijn, 2007). It is difficult to measure products that have multiple values and is produced in conjunction with other products. One reflection is that the departments have too many balanced scorecards in their activities. Therefore, it is difficult to interpret performance indicators which are complex to follow up.

The view that the culture and recreation manager had is that the BSC, as a tool for performance measurement, could sometimes be misleading. It is also difficult to set realistic goals, i.e. proportion of participants in activities such as a youth group between 15-25 years of age. The economic perspective takes too much space (manager, personal communication, May 20, 2013). Finally, intangible values complicate the use of the BSC in the culture and recreation department. This statement can also be linked to previous studies, the BSC can sometimes fail in the measurement of intangible values (Behn, 2005). Wizenski and Ólafsson (2004) argue that the definition of "customer" in a public organization can be complicated because there are a variety of customers.

Problems with the balanced scorecards were also found during the interview with the manager of children and education department. This is because the balanced scorecards are sometimes non-measurable. The manager (personal communication, May 21, 2013) wants to have balanced scorecards which could be measured in a relatively simple way. According to Jarrar and Schiuma (2007) Public Sector is based on capacity and expertise (intellectual capital). This fact makes it difficult to be able to put a value on non-physical things. The manager (personal communication, May 21, 2013) felt that sometimes there was, and still is, a lack of interest among politicians to use the BSC. A critical aspect is if the politicians do not use the BSC for decision making, it is not worth for officials to produce scorecards.
Finally, the problems with the balanced scorecards were also found during the interview with the manager on care department. If you do not have enough clear balanced scorecards, then the assessments of activity will be misleading and irrelevant (manager, personal communication, May 20, 2013). It is very important to have relevant information when a department monitors its operations. The interviewee (personal communication, May 20, 2013) told us that the interest in the use of the BSC will decrease if there is no enthusiasm from management and staff working side. It is important that everyone is involved and understand how the tool should be used in activities to measure performance. Train and Elkin (2001) argue that the BSC is a potential tool for performance measurement. However, the BSC does not add any benefits to the organization unless the provider and the users of the BSC know how the tool should be used in practice. Another critical aspect is that the BSC results too complicated management because the measurement and reporting is too complicated. This in turn can lead to a decreased interest among departments when departments cannot see any benefits from use of the BSC.

4.4.4 Further drawbacks of the BSC

According to all the interviewed managers, there are also some drawbacks in the use of the BSC for performance measurement. All managers (personal communication, May 20, 21, 2013) felt that the BSC is a perennial process. It takes time to implement the scorecard and make it work in practice. The scorecard can be a bit difficult to adapt to the operations, which complicate the use (manager, personal communication, May 20, 2013). This is supported by Griffiths (2003) study that the implementation of the BSC in public organizations can be complicated in practice. GreatBanks and Tapp (2007) argue that the implementation of the scorecard is a process that requires patience. Another view that the manager of culture and recreation department had is that the BSC’s complexity makes it difficult to measure performance. Our interpretation is if any balanced scorecards do not work, it can be difficult to replace it.

In children and education department, the manager (personal communication, May 21, 2013) pointed out that politicians do not always use the BSC in a reliable way. Politicians do not always take into account what the balanced scorecards show. If politicians do not use the BSC for this purpose that the BSC is for, it will lead to the BSC loses its value. Finally, the manager of care department (personal communication, May 20, 2013) felt that administrative costs are high in relation to the use of the BSC. There are a lot of resources mobilized, which
is a drawback to the use of BSC. Boyne (2002) states that implementation and use of the BSC is a process that requires patience, resources and commitment.

Table 2: Different views on the use of BSC

<table>
<thead>
<tr>
<th>Different views on the BSC</th>
<th>-Benefits</th>
<th>-Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provider's views</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| City management           | -Balanced governance (strategies and goals)  
                          -God financial management  
                          -Economic balance  
                          -Performance measurement  | -Too much focus on budgets in recessions.  
                          -BSC is not taken seriously by some departments.  
                          -Balanced scorecards are difficult to measure.  |
| **Users' view**           |           |             |
| Culture and recreation    | -Achieve common goals  
                          -Clarify strategies  
                          -Focuses on non-financial dimensions  
                          -Performance measurement  | -Difficult to find relevant balanced scorecards.  
                          -Difficult to set realistic goals.  
                          -Difficult to adapt to the operations.  |
| Children and education    | -BSC as a basis for decision making.  
                          -Reflects necessary information about the activities.  
                          -Timeliness – it is updated.  | -Sometimes non-measurable balance scorecards.  
                          -Lack of interest by politicians.  
                          -Not used for the right purpose.  |
| Care                      | -Performance measurement  
                          -Verbal descriptions of activities.  
                          -Achieve customer satisfaction.  | -Sometimes misleading balance scorecards.  
                          -Lack of involvement  
                          -Administrative costs  |

Table 2 summarizes the benefits and weaknesses of the provider’s and the different departments’ views on use of the BSC. By using the table 2, we will write a comparative conclusion concerning the provider’s and the users’ views on the use of the BSC for performance measurement.
5. Conclusion and suggestions for future research

After a review of scientific literature we found out that there are few studies on use of the BSC to measure performance in Public Sector. Previous studies enhance the BSC as a useful tool for performance measurement. The main purpose of our study is to investigate how the BSC is used for performance measurement in Kristianstad municipality. On the basis of the results of our case study, we have arrived at a number of points that are important to note. We conclude that municipalities had begun to introduce the BSC due to the institutional pressure. Municipalities had begun to introduce and then use the BSC in order to revitalize their governance. This result is in line with the general evidence that organizations are influenced by society's prevailing rules and expectations (Zucker, 1987; Kasperskaya, 2008; Rautiainen, 2009). Our interpretation of this is that an organization's survival is not only depending on good financial management and efficiency, much emphasis is placed on the legitimacy. If an organization does not meet legitimacy in eyes of the world and other organizations, then other organizations do not to collaborate with it. This fact suggests that public organizations are implementing the BSC, which is a trend that is caused by the institutional pressure from society.

We conclude that the provider is pressed to implement the BSC in order to achieve good financial management. This case study also lifts up that the BSC is used by provider and users primarily in order to achieve balanced governance. The balanced governance means that everyone in the municipality should think in the same way regarding objectives, strategies and performance. The results of our literature review indicate the purpose of the BSC which is the improvement of organizations' strategies, objectives, performance, and achieving of balanced governance. Collection of empirical data from the interviewees also shows that the BSC is used as a tool for performance measurement in Kristianstad municipality. Our case study also enhances that the use of the BSC to measure performance results in traffic light. Traffic lights in the municipality’s annual report are an end product of the BSC. The colors show where activities are in relation to targets.
Furthermore, the purpose of the case study is to examine the provider's and the users' views of BSC in Kristianstad Municipality. In line with the theories that we mentioned, the BSC is viewed from different perspectives as a tool for performance measurement. The results of our case study show that the provider sees the BSC as a tool to achieve: economic balance, good financial management and balanced governance. The users who are the managers of culture and recreation, children and education and care departments see the BSC as a good tool for non-financial dimensions. On the basis on the results of our case study, we can confirm that managers of departments perceive the BSC as an aid to verbal descriptions of the respective activity. A critical point in this single case study is that the provider of the BSC wants to create a unified management system. This proves to be difficult in practice because the BSC is used in different ways by the various departments for performance measurement.

Meanwhile, the results of our study confirm that the managers of different departments see the benefits of the use of the BSC on a different ways. For example, the manager of culture and recreation department sees the BSC as a tool to clarify strategies. The manager of children and education department perceives the BSC as a basis for decision-making. However, the manager of care department perceives the BSC as a tool to achieve customer satisfaction. All views from the users of the BSC are consistent with our theory that says that the BSC reflects the necessary information about the activities. Our interpretation of this is that the BSC is based on strategies and focus on creating and communicating a total complete picture to all members in the organization. The BSC’s mission is to assist the managers with a review operation. The scorecard focuses on the systematic improvement based on participation, learning and communication. The BSC is a tool for public organizations to plan, monitor and provide response to the operations.

However, there are also weaknesses from the provider and the users which are less positive. Balanced scorecards are perceived as problematic and sometimes confusing by the provider and all the managers. One interpretation is that the balanced scorecards proved to be an obstacle to the use of the BSC in Kristisnataed municipality. In our view balanced scorecards in the municipality should be renewed and redesigned to be measurable. This is because; measurable scorecards were requested by the all managers of the different departments. Our study also indicates that budgeting is perceived by the provider as an obstacle to the use in recessions. On the basis of the results of our study, we can also confirm that the balanced scorecards can be difficult to adapt to the activities in the culture and recreation department. Another problematic aspect that we found out from our study is that there is a lack of interest
from politicians and the BSC is not used for the right purpose. One more problematic aspect lifts up in our study is that the BSC generates administrative costs in care department.

In summary, based on this case study we can conclude that the BSC is useful as a tool for performance measurement in Kristianstad municipality. On the basis of the results of our study, we have finally come to the conclusion that the BSC is a useful tool for performance measurement in LGOs. This is because, our theoretical review has proved that public organizations are considered to be a bit complicated among non-profit organizations. Our contribution is a single case study that examines the use of the BSC in a local government organization. Furthermore, this single case study contributes with a description of the provider’s and the users’ views on use of the BSC in a local government organization. In our opinion, the BSC has some weaknesses but in general a useful tool that creates a balance between financial and non-financial goals in LGOs. Finally, we believe that the use of the BSC leads to the development and effective governance of LGOs and increases employee satisfaction. For the municipality, it is also ultimately important to achieve citizen satisfaction and departments that aims for good financial management.

We conducted a geographical limitation in our single case study to only investigate use of the BSC in one municipality. A proposal for further research can be a broader quantitative study based on a survey including all Swedish municipalities. Another proposal can be to conduct comparative case studies of different municipalities. The writing of this single case study showed that all of the respondents had problems with balance scorecards, in the use of the scorecard. Therefore it would be interesting for future studies to examine how the balance scorecards can be improved. Finally, our single case study has showed that the budget has an impact in the use of the BSC. Therefore, our suggestion for future studies is how budgets affect the use of the scorecards in LGO. Finally, we have focused on the internal users of the BSC. It could be interesting to conduct a study that examines the external users of the BSC.
6. References


List of respondents (Gender, profession, position and department).

Provider:

Man, administration economist, controller working area: strategy and development - city management.

Users:

Man, social worker, manager of culture and recreation department.

Man, administration economist, manager of children and education department.

Man, administration economist, manager of care department.
Appendix 1

Provider of the balance scorecard

Interview Questions

General questions

1. Can you tell us a little about yourself, profession, area of responsibility etc.?  
2. What do you know about the balanced scorecard?  
3. What is your previous experience of the balanced scorecard?

Questions relating the use of the scorecard

4. To who is the scorecard dedicated, explain why?  
5. Why have you introduced the scorecard, which are the motives behind the use of the scorecard?  
6. What do you want to achieve with the scorecard?  
7. How has the performance measurement been effected since the introduction of the scorecard in Kristianstad municipality?  
8. Do you as a provider see any improvement of the performance measurement after the introduction of the scorecard?  
9. Do you as a provider see any advantages and disadvantages or obstacles in the use of the scorecard for performance measurement?

Thank you for your participation!
Appendix 2

Users of the balance scorecard

Interview Questions

General questions

1. Can you tell us a little about yourself, profession, area of responsibility etc.?  
2. What do you know about the balanced scorecard?  
3. What is your previous experience of the balanced scorecard?

Questions relating the use of the scorecard

4. Does your administration use the BSC, and if so, how is it used in the administration?  
5. What do you think are the reasons for using the BSC in your administration?  
6. How long have your administration used the scorecard?  
7. Does your organization have encountered any obstacles when using the BSC as a tool for performance measurement, and which in that case?  
8. How has the BSC been adapted to fit your administration for performance measurement, and what adjustments have been made in that case?  
9. Do you as a user of the BSC consider it as an effective tool for performance measurement, if yes explain why and give examples?  
10. What advantages and disadvantages do you see as a user the BSC, and what can be improved?

Thank you for your participation!