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Influence of the Implementation Process on Management Accounting Change in a Hierarchical Corporation[1]

ABSTRACT

Management accounting change has been a widely discussed issue among management accounting researchers lately. However, relatively little research has focused on the influence of the implementation process on the success of change. This old institutional economics oriented study examined the balanced scorecard introduction in one case organisation. The aim was to explain why the scorecard only had a limited influence on the actual management processes. The answer was sought by focusing on the balanced scorecard's routinisation process in the organisation. Seemingly, the encoding and enactment processes focused too strongly on the renewals in the formal reporting and approval procedures. Accordingly, the institutionalised patterns of behaviour led to a situation where the reproduction took place only at the level of the planning process, not the management process. In this way, the routinisation process influences the role of new management accounting tools in organisations. At worst, this can lead to an understatement of the fundamental characteristics of these new tools.

***Keywords**: balanced scorecard, change implementation, management accounting change, old institutional economics*

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INTRODUCTION

Management accounting change has been a widely discussed issue among management accounting researchers lately (e.g. Argyris 1990, Innes & Mitchell 1990, Dent 1991, Scapens & Roberts 1993, Argyris & Kaplan 1994, Ezzamel 1994, Anderson 1995, Cobb et al. 1995, Jacobs 1995, Malmi 1997, Burns et al. 1999, Malmi 1999, Vaivio 1999, Burns & Scapens 2000 and Granlund 2001). For example, a considerable amount of recent research has focused on the barriers to management accounting change (e.g. Markus & Pfeffer 1983, Argyris 1990, Scapens & Roberts 1993, Argyris & Kaplan 1994, Jacobs 1995, Shields 1995, Roberts & Silvester 1996 and Granlund 2001). The role of behavioural and organisational issues, existing structures, power and culture, among other things, have been examined. The influence of the implementation process on the success of a change project, however, has not attracted very much explicit attention.

At least in large organisations, changes in formal management accounting systems have traditionally been controlled from the corporate centre. In many cases, the role of business units has been to make the appropriate changes and to produce reports in the format required. It is, however, questionable whether this approach is suitable for the implementation of so-called modern management accounting tools such as the balanced scorecard (Kaplan & Norton 1992, 1993, 1996a, 1996b, 2000a and 2000b). On the contrary, at least two notions seem to indicate that some modifications are required. Firstly, modern systems emphasise the management accountant's role as a business analyst. Accordingly, the varying information needs in different organisational entities should be more carefully taken into account. Secondly, the role of non-accounting personnel is becoming more and more significant in modern management accounting projects. Obviously, this creates a demand for new methods of cooperation and interaction between organisational functions.

This interpretative case study focuses on the balanced scorecard introduction in one organisation. The aim of the study is to explain why the scorecard implementation only had a limited influence on the management processes in the organisation. This limitedness of influence came out, at least, in the following ways. Firstly, in many cases the balanced scorecard measures were not treated as a coherent whole, but they were often discussed one at a time and rather randomly. Secondly, the balanced scorecard seemed to be a fairly abstract planning tool for the management rather than an interactive and concrete tool for "everyone's everyday job" (cf. Kaplan & Norton 2000b, 211). Thirdly, the position of the balanced scorecard at various hierarchical levels and units seemed not to be very well coordinated. Finally, the role of the balanced scorecard in strategy work was unclear. In contrast with strategy focused steering tools, the business unit scorecards seemed to be more like heterogeneous collections of (non-financial) measures.

The rest of the study is organised as follows. Section two provides an introduction to the theoretical background of the study. In section three, the focus will be shifted towards the empirical study. Firstly, a general introduction to the case organisation and its traditional steering systems will be provided. The background and content of the balanced scorecard introduction will be dealt with next. The section ends with a description of the project's influence on the case organisation and an analysis of the balanced scorecard introduction in a wider context. Section four discusses the results of the study and provides an answer to the research question. Finally, section five concludes the study.

THEORETICAL FRAMEWORK

The institutional framework has become popular among management accounting researchers lately (e.g. Covaleski & Dirsmith 1988, Foster & Ward 1994, Hopwood & Miller 1994, Scapens 1994, Carruthers 1995, Covaleski et al. 1996, Granlund & Lukka 1998, Walker 1998 and Burns & Scapens 2000). In the literature, institutional approaches have been divided into three categories (e.g. Cima 1998, 11), which are titled new institutional sociology (e.g. Carruthers 1995 and Covaleski et al. 1996), new institutional economics (e.g. Foster & Ward 1994) and old institutional economics (e.g. Scapens 1994 and Burns & Scapens 2000). The focus of this study is on the old institutional economics, which has developed in opposition to neoclassical analysis. It views accounting practices "as institutionalized routines which enable organizations to reproduce and legitimate behaviour, and to achieve organizational cohesion" (Scapens 1994, 301). In other words, whereas habits are personal, routines may involve groups and are, in fact, institutionalised habits. As components of institutions, these institutionalised routines enable, for example, decision making in a complex and uncertain environment. They also create stability in day-to-day organisational behaviour. Since the focus of the old institutional economics is on economic change rather than on economic equilibrium, it has been claimed to be very useful for understanding the development and reproduction of accounting practices. (Scapens 1994, 301, 305, 306, 313) Based on Barley & Tolbert (1997), Burns and Scapens have divided the process of institutionalisation into four sub-processes, which are called encoding, enacting, reproduction and institutionalisation (See Figure 1).

The institutional principles are comprised in the taken-for-granted assumptions through their existence in meanings, values and power (cf. beliefs systems in Simons 1995). In the *encoding* process, these principles will be encoded into rules and routines. Rules can be shortly defined as formalised statements of procedures, which are normally changed only at discrete intervals. Routines, however, are in the continuous (and cumulative) process of change, and can be described as procedures actually in use. Most of the routines are located at the level of

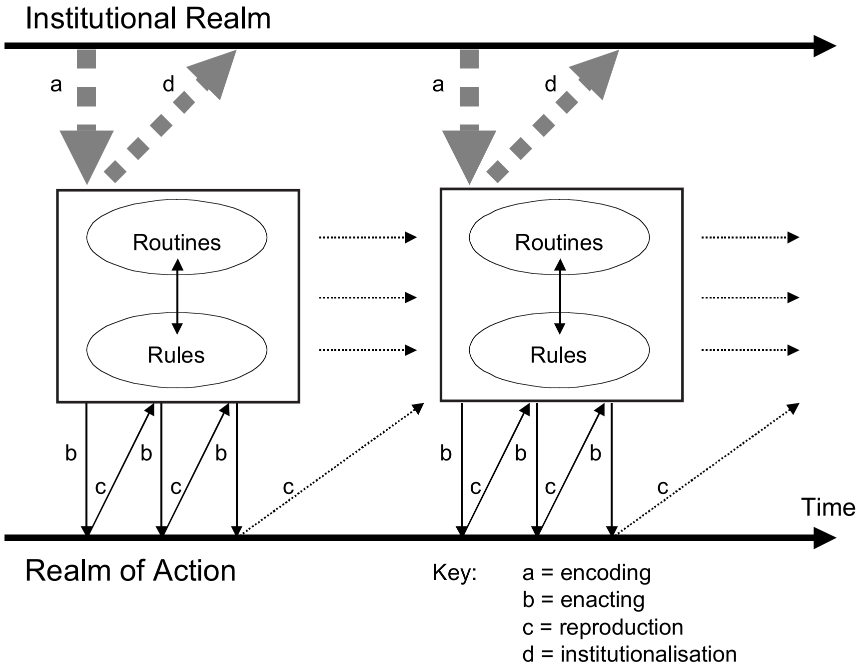

FIGURE 1. The process of institutionalisation (Burns and Scapens 2000, 9).

tacit knowledge[2] . Accordingly, they are difficult to predict, but can be very often explained. In the management accounting context, formal management accounting systems, as they are described in the procedure manuals, can be considered rules, and the management accounting practices actually in use routines. As indicated in Figure 1, the existing routines both embody the prevailing institutional principles and shape new rules, which in turn will influence the routines. (Burns & Scapens 2000, 6, 7, 10, 12 and Scapens 1994, 309–310)

In the second process, organisational actors *enact* the rules and routines. The process may be subject to resistance, particularly, if the rules and routines challenge the existing meanings and values. It should be noted, however, that as a result of the application of tacit knowledge, the enactment most probably does not involve conscious choice[3] . The processes of encoding and enactment "convert" the institutional realm into the realm of action by constraining and shaping (organisational) action at a specific point in time. (Burns & Scapens 2000, 9–10) As the arrows in Figure 1 indicate, the process is not a one-way direction of causality, but the institutions, which influence actions, are actually the outcome of those actions (See also

2 About tacit knowledge, see, for example, Polanyi 1958 and 1966 in Kulkki 1996.
3 The personal quality of tacit knowledge makes it hard to formalise and communicate.

Scapens 1994, 309). After the enactment, the repeated behaviour leads to a *reproduction* of routines, and sooner or later the patterns of behaviour will be disassociated from the historical circumstances and become "the way things are" (i.e. become *insitutionalised*). This part of intellectual capital (e.g. Edvinsson & Malone 1997) exists only in the understandings and stocks of knowledge of the individuals and groups in the organisation. In contrast with the synchronic nature of the first two processes, the latter processes produce and reproduce institutions through their cumulative influence over time. (Burns & Scapens 2000, 9–11)

The above-described framework by Burns and Scapens will be used as a frame of reference in this study. Particularly, the focus will be on the change process between the introduction of a new *rule* and the use of a new *routine*. The further description and clarification of this *routinisation* process, which consists of encoding, enactment and reproduction sub-processes, is also the aimed contribution of the study. Burns and Scapens point out that their framework was originally intended to inform interpretative case studies of the processes of management accounting change (Burns & Scapens 2000, 14). Accordingly, from the methodological standpoint it suits well the purposes of this study. In addition, the framework seems to be able to capture fairly well the problems of the change process under consideration. Finally, the model's process orientation facilitates focusing on the particularly important aspects of the change process in hand.

Although organisational processes are defined as rules and routines in this study, it should be kept in mind that also "taken-for-granted" processes can (and will) change. Moreover, organisational stability and change are not seen as mutually exclusive processes, but they can exist simultaneously even in the same process. For example, change may be necessary in order to maintain the appearance of rationality and to preserve the power of some organisational members. On the other hand, the existing accounting routines may provide essential stability during a significant change process. (See Burns & Scapens 2000, 4, 22) Finally, the study will interpret the data from the basis that although individual actors may not consistently pursue rational choices, they can usually give reasons for their actions (Boland 1982 in Burns & Scapens 2000,6). These reasons may, among other things, include some reference to the established and accepted rules of behaviour (i.e. to "the formally recognized way in which 'things should be done'") (Burns & Scapens 2000, 6).

Although it can be argued that organisational structures reflect institutional understandings rather than rational calculations of efficiency (See Barley & Tolbert 1997, 96), the question of "rationality" arises during the institutionalisation process in at least two ways. Firstly, when making decisions on the introduction of a new rule into the organisation, the management usually compares implicitly or explicitly the costs and benefits of the project. As this comparison is based on the managers' interpretation of the forthcoming benefits (and costs), it can be considered a part of the encoding process in the organisation. Secondly, the extent and realisation pace of benefits *vis-à-vis* costs may either retard or accelerate the enactment and reproduction processes.

CASE STUDY

The empirical study was carried out in a Finnish marketing and logistics company, developing retail concepts and operating systems. In 1999, the group net sales amounted to approximately EUR 6,111 million and the average number of employees was approximately 11,000. In order to get a comprehensive understanding of the case context, three entities of the corporation (from here on called case units) were studied. The first unit is responsible for the corporate transport and forwarding operations, but it also has outside customers. The net sales of the unit totalled EUR 84 million in 1999 and the average number of employees was approximately 170. The second unit is selling groceries to catering customers, service stations, kiosks, bakeries and industry. The net sales of the unit amounted to EUR 762 million in 1999 and the average number of employees was approximately 570. The third unit is a car importer with net sales of EUR 439 million in 1999 and, on average, approximately 100 employees.

The case project began in September 1999 and the active part finished in October 2000. During the study, approximately 40 hours were spent interviewing, discussing, and attending meetings in the case organisation. In addition, the researcher participated in various organisational training sessions and studied written material. The method provided the researcher an opportunity to conduct also informal discussions, which deepened the understanding of the research context. Particularly, the triangulation seemed to contribute to the understanding of individuals' interpretations and, accordingly, facilitated the group level analysis (such as the examination of business unit managers' routines) (See Pihlanto 2000, 11).

Corporate steering systems

Similarly to many other large companies, the case corporation has traditionally been steered with financial control (See Goold & Campbell 1987). Accordingly, various budgets and diagnostic measurement (See Simons 1995) have played a strong role in the planning and control procedures. A corporate development manager, for example, illustrated the significance of budget planning as follows.

> *You see, in this corporation there had not in fact ever been anything else than systematic budget planning… this "house" has been steered with budgets.*

Budgetary control has been tightly connected to the ideas of management by objectives, which the corporation applied fairly systematically as early as 1970s. In addition, functioning as a wholesale dealer had solidly rooted the belief in cost efficiency in the corporate values (cf. belief system in Simons 1995), which were illustrated by the above-quoted manager as follows.

> *We still have very strongly the value…around the cost efficiency, and, in a way, around cheap prices, and buying cheaply. They are very strong basic assumptions, which are… in fact strongly included in these systems. They are very much…implicit at the moment. They are still, like, basic beliefs.*

In line with the values, the improvement of existing operations has been considered very important. This had led to the deployment of defender strategy (See Miles & Snow 1978). In fact, the organisation has seemingly emphasised the importance of existing procedures very literally. One manager even claimed that the organisation's absorption capacity had become rather low. On the other hand, also the traditional belief in action at the expense of thinking and planning had probably postponed some important changes in the organisation. One indication of this is that the systematic use of asset utilisation measures was introduced as late as 1997.

The background of recent changes in control systems can be traced back to the early 1990s, when process thinking began to raise its head. One business unit director described the change as follows.

> *In management by objectives, the basic idea was a little like "you get what you measure". This is to say that the organisation operates according to the measures imposed on it. And then, it is the responsibility of the unit general manager, how you will get there, and how you get this thing operating. And, well, if we are managing an individual retailer organisation, then there are some justifications for that. If something does not work, let's change the men. That will be the solution then, but… in this operation, which we are pushing forward today, that is not enough. And we tried to solve the question in mid 90s by trying to bring in some content, we did that with various systems, there were many pre-phases, but perhaps the most important characteristic was the realisation that operating processes and process descriptions existed. And, with the systematisation of these processes, we tried to bring in operational activities. In other words, we thought that process management was the central issue.*

Organisational change and the introduction of a new management model

The case corporation introduced a new form of organisation in 1995. The core of the change was that the traditional matrix organisation was dissolved and the operations were organised around so-called chain units. In other words, the product-based organisation was revised to be a customer-based organisation. The aim was that a retail dealer, for example, could operate (e.g. order products or arrange employee training) through one chain organisation.

The first significant step towards more developed chain operations seemed to be the harmonisation of information systems. Moreover, in order to increase the amount of coordination in the planning process, and to materialise the change, the then corporate managing director suggested that a corporate planning department should be founded to plan and "sell" the forthcoming changes. The director's instruction that *"It's better to have a one-time rumble than continuous squeaking"* made it clear to everybody that changes would not be slow.

In addition to the corporate managing director, three explicit groups played an important role in the change process. Firstly, the planning department prepared the change, for example, by creating material and suggesting various possibilities to solve the problems encountered. The unit also coordinated the feasibility tests of new reporting forms. In these tests, which were called pilots, an illustrative example of a new system was created in a real life environment (e.g. an example of the balanced scorecard in a certain business environment). Secondly, a working group (consisting of managers or directors from various functions) as well as some strategy and quality consultants acted as important sparring partners in the change process. Finally, a steering group (consisting of some corporate board members) or the corporate board of directors made the explicit decisions.

The definition of the functions and role of the corporation and individual retail dealers was the basis of the change in steering systems. The identification of corporate purpose and long-term goals, which has been done later on, can be considered a natural extension of this process. More concretely, the change emerged in the form of a new management model, which consisted of three parts. Firstly, a *long-range plan*, which can be described as planned strategy (See Mintzberg 1987) for the next five years. Secondly, the planning and evaluation of operations parallel with the principles of Finnish *quality award*. Thirdly, an *action plan*, which can be defined as a yearly operation plan. Together with budgets, these documents created the core of corporate reporting systems fairly soon.

Balanced scorecard

Along with the changes, the balanced scorecard entered the picture. Officially, the framework was introduced in early 1997, when the corporate board of directors made the decision to implement the tool in the organisation. However, at the planning department the topic had been discussed earlier. A corporate development manager described his accidental first contact with the idea as follows.

> *I was reading this book and then I, well, I was thinking, I looked at these, then I saw this picture and thought "Oh hell, this is it, if I put all our issues here, that will be it." And, from there it just began.*

Basically, the idea was that the information in the long-range and action planning would be gathered in the form of balanced scorecard perspectives. In addition, the relationship between the scorecard and quality award would be emphasised. The corporate board of directors also set explicit targets for the return on investment (ROI) and return on equity (ROE) measures in this connection.

The goals of the balanced scorecard introduction were connected to the diversification of measurement and to the better understanding of business operations. A corporate development manager and one business unit general manager described these aims more precisely as follows.

> *The aim of the project was that the operations…the development and diversification of measurement…what you measure, you can improve and what you measure, you can manage and so on.*

> *Undoubtedly, the aim was to understand that good profits do not come as surprises…we have moved on to a customer driven mode of operation…price is not enough, the delivery density is not enough, but we must have the total palette in shape. Our own personnel and products and all the concepts.*

Although strategic planning, as such, did not play a strong role in the project, the strategy work also seemed to need some modifications. The connections between various plans at different organisational levels and units, for example, had proved to be weak. Accordingly, planning had become very fragmented.

Role of planning department in the balanced scorecard introduction

The planning department played a significant role in the balanced scorecard introduction. However, it should be kept in mind that the department's job description emphasised more planning and coordination than creation. Accordingly, the identification and operationalisation of the scorecard measures were under the responsibility of operative units. A development manager at the department illustrated the role as follows.

> *We created material for yearly management training…and during the autumn we organised some training, and pushed the model further…after all, the idea was that we can't follow what people in units do, but we gave the idea.*

The following two quotations by a business unit general manager and a director in another unit clarify the department's role further.

> *It* (the balanced scorecard) *came from the head of the corporate planning department, and I think that it was presented in some of these yearly planning meetings…as usual, the information leaked other ways too…it has been pushed slowly here, into these operational units.*

> *Well, yes, this was taken through the corporation with the help of training sessions…because we are a part of the corporate "planning drum".*

Balanced scorecard measures

The identification of balanced scorecard measures, as such, was not considered a big problem in the case units. In fact, some of the units seemed to have had a fairly strong tradition of non-financial measurement. One business unit manager even claimed that

> *We have always measured everything possible.*

Moreover, a business unit controller pointed out that

> *We have analysed these here for twenty years, this, this and this* (shows some indicators from the transparency) *they have been always. Or, the efficiency in logistics with certain measures.*

The pressure towards the use of non-financial indicators came simultaneously from many directions. As the following quote from a director with financial background indicates, these "outside players" also influenced the selection of measures. Moreover, their role seemed to be necessary for the actual realisation of changes.

> *Here, well, simultaneously…this demand also comes from the principal's direction. We*

must be able to report every issue, they must be measurable, fluoroscopeable, in practice already now. And, in a way, all negotiations are based on this type of issues. This is the opening of the game. Well, we had a social order for this topic (non-financial measures and the balanced scorecard)*…And if it had only come from the owner, as compulsory, I don't know. Or, let's say frankly, I would have probably failed…so the pressure came from so many directions…I did not have to create the belief in that issue myself.*

Despite a little scepticism in the above quotation, the director pointed out that

There wasn't any…nowadays there isn't any resistance.

In the director's opinion, the above-described principal's demand explained mostly the lack of resistance. However, also interviewees from other units provided similar indications. Obviously, though, some problems had also existed. As the following quote illustrates, the finding of suitable strategic measures, for example, had not been very easy.

For the personnel, there were too few strategic goals. They (the measures) *were very operational, increasing satisfaction etc. In other words, there were some parts* (scorecard perspectives)*, where it was not even understood, what they should include.*

Moreover, the timing of changes seemed to have caused confusion in some units.

It (the balanced scorecard) came…simultaneously with the start of the discussion around indicators (ROI and ROE target levels)*…at that stage it should have been made sure* (how it is possible to reach these targets)*. Now this* (the scorecard) *came as a tool to redeem the given promises. And that is perhaps why there was not any real rush, with an idea "Oh, this is good", in the beginning. It seemed to be more like "It is their problem, why did they promise something like that". I mean, the echo was a little like that, because the financial goals had been fixed, and now "the chopping" began from that basis.*

Influence of the balanced scorecard on the organisation

Despite the difficulties at the creation phase, many interviewees commented fairly readily on the positive influence the balanced scorecard had been on the organisation. A corporate development manager indicated three years after the introduction that the tool had particularly directed attention towards process thinking and the personnel. In addition, he pointed out that the role of various business elements had been noted. As the following examples indicate, other interviewees seemed to share the opinions.

> *In my opinion, it* (the balanced scorecard) *teaches us to see the connection between operational and financial measures. For example, what is the influence of invoice turn-around to the profit or, well, the influence of customer satisfaction to the profit, or work satisfaction…this type of balanced scorecard widens the perspective and thinking* (a business unit general manager).

> *And we have, well, sharpened the follow-up process. A missing in delivery time, they are fairly well gone through, why and what should be done in a similar situation next time. In a way, we talk more* (a business unit controller).

However, the business units did not seem to devote very much time to the analysis of the scorecard as a whole. In contrast, the utilisation of measures tended to be rather random and unsystematic. The following two quotations by a business unit controller and a manager in another business unit clarify the situation.

> *And then it should be regular, every four months. They* (the scorecard measures) *should be dealt with and analysed at least after every accounting period. And after that, the targets for the next year and the long-range planning and so on…it* (the scorecard) *exists, numerically, but nobody analyses it…I mean, in the long-range planning we have all these for* (the next) *five years. We have, well, in the yearly planning similarly. But, at least we have not systematically dealt with them or in a way realised that this should be the scorecard. We deal with the financial results, the unit profit and loss statement from a to z…I mean that we would have in that way gathered them* (the measures) *together as a scorecard.*

> *But that we would be able to utilise…the lay-out of the balanced scorecard. Or, how would it be possible to make the follow-up easier. That has been missed out, at least in our unit. In other words, we have followed very many issues, including all these measures in the scorecard, but we have not printed them in the scorecard form…and if we, for example, look at our scorecard, these are all, this type of information is followed continuously. These have been followed before the scorecard and will be followed when the scorecard is in use. But in that way, for example, that in a manage-*

ment team meeting there would be one paper, in which the scorecard measures would be presented. And clearly so that these (measures) *have influenced the customer satisfaction, these have influenced the ROI, these have influenced the work satisfaction and so on. This type of layout we have not created.*

It should be noted that when the planning department was founded, the budgeting procedures were consciously defined to be outside the department's responsibility. Seemingly, this had led to a situation, where also the business units tended to keep the demands from accounting and planning departments separate. In other words, the mentality from the business unit point of view seemed to be "Give me the framework, and I will do it." The actual approval of the balanced scorecard measures had been located under the responsibility of units' board of directors or superior at the next hierarchical level. However, as the following quote from one business unit general manager illustrates, the financial measures seemed to be the ones that really mattered also in these forums.

It is always, they (the board of directors) *only look whether the turnover has increased faster than the costs. And that's it, if we look very roughly, what it is…*(Comment by the interviewer: You cannot say that here the external customer satisfaction has increased very much, if the financial numbers are not good?) *No, no I can't. That's how it is.*

The former head of the planning department also pointed out the problem that the boards mostly focused on financial measures. Partly, this seemed to be due to the nature of non-financial measures, such as the customer and employee satisfaction, which were measured only once a year. On the other hand, it could be claimed that the operational initiatives based on these measures should have been examined at shorter intervals. Another closely related problem seemed to be that the measures were "dealt with", but not discussed. In other words, the interactive element seemed to be missing. Since the more senior managers did not demand explanations and actions regularly, the scorecard turned out to be a fairly abstract tool, which the unit managers found difficult to use with their subordinates in operational context. This is to say that the balanced scorecard did not become a part of "everyone's everyday job" (See Kaplan & Norton 2000b, 211). The following two quotations by a business unit manager and a director in another business unit further clarify the situation.

From my perspective…they should create a scorecard, which would be a concrete tool. This has not been done in this process. At least so that it would be at the monthly level.

> *Well, I would say that if we have a look at that planning model…it is a systematic planning model, and in this way it has taken the organisation very much forward. But it leaves almost totally out the operational side, there are very few frames and connections. And this scorecard is mostly goal setting and brings in the measures, but not very much else. In other words, a large part of the operational issues are without instructions.*

The above notion also brings in the issue that the balanced scorecard had become more of a planning tool than a management tool. One interviewee supported this interpretation by indicating that

> *It* (the management model) *has well proved to be rather a planning model and not a management model. In other words, it has well stayed at the planning stage.*

Finally, as the following quote indicates, the scorecard also reflected the problems in strategic planning.

> *Every unit created similar planning systems…everyone planned, in a way 50 different futures, think about it…because it was not understood that there are hierarchically different types of units, that the businesses are different…the same things were planned again and again. We did not get to the situation where you have some goals and strategic aims, for which you then make the plan.*

Balanced scorecard introduction – a wider perspective

The introduction of new management ideas in the case organisation seemed to follow a certain path, whose characteristics were obviously reflected in the balanced scorecard introduction. **Firstly**, the corporate management or the planning department got an impulse of a new idea. Despite the fairly systematic observations made in the organisation and the interaction with business unit management, the sources of these new ideas tended to be randomly assorted. A book, a management seminar, a consultant or a friend are examples of a typical background. In other words, the role of individual interpretations and actions was significant at this stage[4] . One company story even claims that the importance of environmental issues was firstly pointed out by the wife of a former corporate managing director. Moreover, the Finnish

4 It is worth noting that these individual actions cannot very often be generalised at the group level (See Pihlanto 2000, 15).

quality award is still strongly related to the head of the quality and risk management department. The above-described method, which is based on extensive information collection, was obviously sensitive to new information. Accordingly, the top management was usually well informed of up-to-date developments.

At the **second stage**, the initiative was further developed and corporate management (or in some cases business unit management) usually made an explicit decision to introduce the new mode of operation in the organisation. Due to various reasons (e.g. tight timetable) the details were not necessarily gone through very carefully at this stage. As described above, the relationship between a new decision and existing systems, for example, remained unclear in some cases. At the **third stage**, an information event was organised for key employees. In management accounting context, the key persons usually included business unit general managers and controllers/development managers. In connection with the introduction of the new management model, for example, a great deal of resources was devoted to the training of these persons. In addition, instructions and training material were published in the intranet or sent to the business unit managers by e-mail. However, due to the resource, timing or other problems these trained managers were not always able to organise further training and implementation efficiently. Moreover, since the training was often arranged in connection with some other collective occasion (such as a yearly planning session), the development issues tended to flex if timing problems occurred. In one unit[5] , for example, a story tells that due to a schedule mix-up the training event before the implementation took only ten minutes.

Finally, the implementation took place. As described above, the process has traditionally been fairly centre oriented. Accordingly, one director illustrated the approach with a term *"power attitude"*. It has been considered very important to introduce identical methods in the whole corporation and, for example, various timetables and formal requirements have played an important role in the process. Seemingly, these themes of equality and uniformity are connected to the corporate traditions. A statement by one development manager supports the interpretation.

> *Also the introduction of the management model was actually connected to the idea that every unit should operate similarly. The logic was, you see, that because all the units had done similar budgets, why shouldn't they all build similar planning systems as well.*

5 The unit is not any of the case units examined in this study.

Due to the management and statutory requirements, for example, a certain amount of corporate level harmonisation and a common reporting language are obviously necessary. Particularly, this seemed to be true in the situation faced by the case corporation, where the activities differentiated and new subsidiaries as well as new businesses were established. However, in many cases the illustrative examples provided by the corporate planning department were taken as rules. This is to say that the units did not take the freedom available, but followed the given instructions literally. To be fair, though, it must be noted that some units made successful exceptions. Generally, however, the detailed instructions together with the strong role of timetables seemed to have led to a "deadline mentality". As pointed out by a business unit director, this tended to decrease the role of interaction and analysis.

> *And when you notice that all these issues have a deadline, you obviously start to clear it with an idea that this will be done by that date, and that by this date, without a possibility to analyse, what is the clue of the process.*

In a very similar spirit, one business unit controller even estimated the real value of the (early) balanced scorecard as follows.

> *And then it was created…just like that* (i.e. without further discussions or analysis) *and I tell you, it is good for nothing.*

DISCUSSION

The above-described approach to change implementation does not devote very much attention to the actual utilisation of a new management accounting tool in the organisation. In contrast, the tools seem to live a random "life of their own" after the original launch. The loose position may even be further emphasised by the weakening interest of top managers. As described above, the approach implicitly includes the belief (or hope) that a formal *rule* will become a *routine* if suitable tools and training will be provided for the organisation. When considering the first years of the balanced scorecard in the case organisation, it, however, seems that this is not always the case. Only the implementation of the particular features which were in alignment with the institutionalised patterns of behaviour seems to have succeeded. The reports, for example, were very soon after the introduction written in the intended form, and the data was gathered as had been instructed. On the other hand, the analyses of the business unit as a whole and unprompted discussions on the unit's strategic situation, which can be considered important characteristics of a balanced scorecard based management system, did not follow. Accordingly, the scorecard turned out to be a rather abstract tool, the influence of which on the actual management procedures was rather limited.

The content of the routinisation process provides a potential explanation for the prevailing situation. The routinisation is defined in this study as a change process between the introduction of a new rule and the use of a new routine. As described above, the balanced scorecard was introduced to the organisation's internal institutional environment as a new rule. Due to the implicit *encoding* process, which seemed to have begun immediately after the scorecard introduction, business unit managers reacted to the new rule almost automatically. The encoded institutional principles emphasised the role of business unit management as a "doer" rather than as a "thinker". In line with this task division, the business unit managers focused on the renewals in the formal reporting and approval procedures. Accordingly, the scorecard's role in strategy work, for example, did not get very much attention. This led to a situation where the *enactment* process did not completely support the original goal of an improved understanding of business operations.

Most directors and managers in the case organisation spoke fairly fluently in terms of the new management model within 3–4 years of the introduction. However, the concepts were repeatedly connected to the planning system. This is to say that focusing on the formal requirements during the enactment process had directed the *reproduction* process on the changes in the planning system. Accordingly, the reproduction had not taken place at the level of actual management process. This type of limited influence is illustrated in Figure 2. Together with the corresponding discussion, the figure aims to contribute to the existing literature by describing and further clarifying the routinisation as an essential part of management accounting change process.

As Figure 2 indicates, only a fraction of new management accounting ideas can "survive" through the process of routinisation. This type of "evolution" is particularly likely, since the conscious or unconscious resistance often plays a role in change projects. Furthermore, it leads the project easily to a situation where only the particular characteristics of the new tool which "suit" the organisational traditions will be implemented. Unfortunately, however, these characteristics do not necessarily include the fundamental parts of the *new* management accounting idea, and the innovation may turn out to be only a modification of an existing system.

It is evidently easier to achieve a change which is consistent with the existing routines and institutions than a change challenging them (cf. Burns & Scapens 2000, 12). However, it is equally evidently absurd to claim that only change attempts which are consistent with the existing systems should be carried out. For this reason, the notion that progressive change can also take place in the conditions of ceremonial dominance is relieving. New systems may, for example, incite organisational members to question traditional values. (Burns & Scapens 2000,

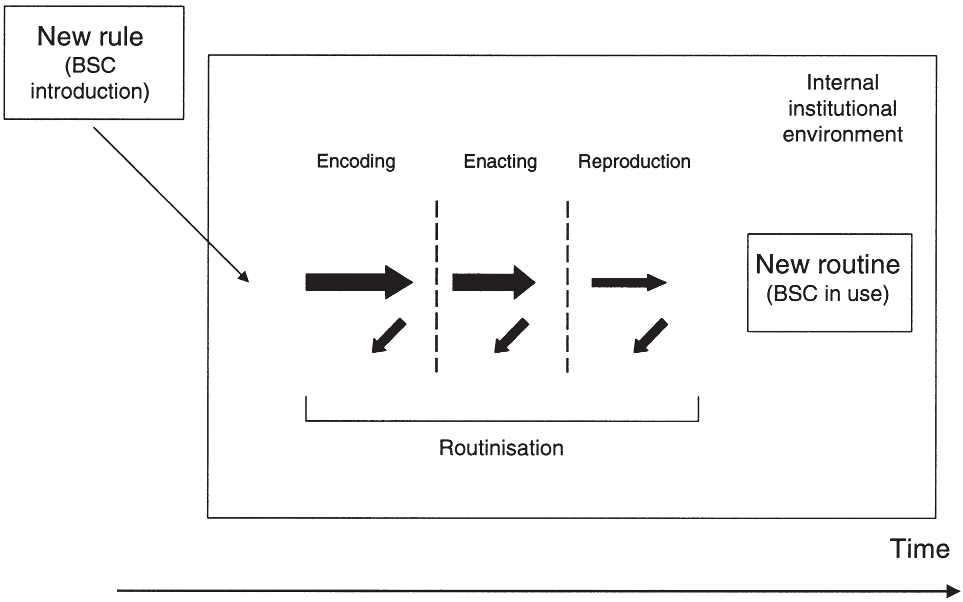

FIGURE 2. The process of management accounting change

20) In the case organisation, a progressive notion was that an attempt should be made to adjust traditional project routines before a more comprehensive change implementation.

The routinisation process also reflects organisational strategies. In the case context, for example, the above mentioned defender strategy had seemingly decreased the appreciation of renewals. Accordingly, some management teams seemed to have been looking for mutually acceptable ways "to take care of the problem" created by more senior managers. In other words, the business unit managers considered the costs of fundamental changes higher than the corresponding benefits. This ceremonial role probably also explains the rather little resistance towards the balanced scorecard in the case organisation.

CONCLUSIONS

This study examined the balanced scorecard introduction in one case organisation. The aim was to explain why the scorecard implementation only had a limited influence on the management processes in the organisation. The reports, for example, were very soon after the introduction written in the intended form, and the data was gathered as had been instructed. On the other hand, the analyses of the business unit as a whole and unprompted discussions on the unit's strategic situation, which can be considered important characteristics of a balanced scorecard based management system, did not follow. This is to say that only the implementation of the particular features which were in alignment with the institutionalised patterns of behaviour in the organisation seemed to have succeeded.

The answer to the research problem was sought by focusing on the balanced scorecard's routinisation process in the organisation. As described above, the analysis indicated that the encoding and enactment processes focused too strongly on the renewals in the formal reporting and approval procedures. Accordingly, the institutionalised patterns of behaviour led the project to a situation where the reproduction took place only at the level of the planning process, not the management process. In this way, the routinisation process influences the role of new management accounting tools in organisations, and only a fraction of new management accounting ideas will actually be implemented. Unfortunately, the implemented characteristics do not necessarily include the fundamental parts of the *new* management accounting idea.

Finally, it is worth emphasising that also the existing organisational procedures play a major role in the management process, for example, by allowing managers to cope in the uncertainty and complexity of everyday life. The existing procedures also provide organisational employees a reference point, when they assess the importance of new developments in the organisation. Accordingly, their role should not be underestimated in future research. In the light of the present study, various ways to ensure that the *appropriate rules* will become institutionalised, and that the rules will be reproduced *as intended*, would provide fruitful future research areas.

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