

Diffusion of the Balanced Scorecard: The Experience of a Sri Lankan Financial Institution

Tharusha N. Gooneratne and Gayashi Wijesundara

Abstract

Over the past two decades various management accounting innovations, such as the balanced scorecard, activity-based costing, activity-based management and target costing have been diffused to organizations across the world. Although the merits of these tools and their application in various countries have been well researched, currently there is only limited understanding of how and why such tools get diffused in different organizational contexts. The purpose of this paper is to examine how and why the balanced scorecard has been diffused in a leading private sector financial institution in Sri Lanka. We adopt the qualitative methodology and the case study approach, and the data has been collected through in-depth interviews conducted with various managers and through documentary sources. The evidence gathered show that demand-side as well as supply-side forces have been significant in the diffusion of the balanced scorecard. This study makes an important contribution to the literature by offering a dynamic perspective on the diffusion of management accounting innovations, through a theoretical framework which brings together the supply-side as well as the demand-side forces into a single innovation diffusion model. The study also provides valuable insights for managers into the implementation and diffusion of management accounting tools such as the balanced scorecard.

Keywords: balanced scorecard; demand-side; diffusion; supply-side

Introduction

Over the past two decades a number of management accounting innovations, such as the balanced scorecard (BSC), activity-based costing (ABC), activity-based management

Tharusha N. Gooneratne, PhD is a Senior Lecturer in the Department of Accounting, Faculty of Management and Finance, University of Colombo. E-mail: tharushng@dac.cmb.ac.lk (Corresponding author)

Gayashi Wijesundara is a Graduate of the Faculty of Management and Finance, University of Colombo.

(ABM) and target costing have made their presence in the contemporary business environment. Although the merits of these tools and their application in various countries have been the subject of scholarly inquiry, currently little is known about how and why these tools get diffused in different organizational contexts. Different facets of the diffusion of management accounting innovations have however been on the agenda of accounting researchers. This ranges from the diffusion of management accounting innovations in the public sector (Jackson & Lapsley 2003, Lapsley & Wright 2004) to country-specific studies such as the questionnaire survey on the diffusion of new management accounting practices in manufacturing firms in India (Joshi 2001), diffusion of the transfer pricing innovation in a government trading enterprise in Australia (Perera, McKinnon & Harrison 2003), ABC diffusion in France (Alcouffe, Berland & Leyant 2008), a questionnaire survey based in Norway (Bjørnenak 1997), diffusion of BSC in Finnish organizations (Malmi 1997), Sweden (Ax & Bjørnenak 2005), and in New Zealand hospitals (Northcott & France 2005). Given such studies in the current body of literature, there is limited empirical evidence of how and why management accounting innovations get diffused in different organizational contexts.

Among the various management accounting innovations, BSC is a significant development that has altered the conventional wisdom about performance measurement and has generated interest among the academia and industry. Its core idea, the need to provide a balanced view of performance, is appealing, and subsequent to the ground-breaking article in 1992 by Kaplan and Norton, its advocates, the technique has been diffused across the world. BSC strives to remedy the inadequacies of current performance measurement systems by looking at a company's performance across four perspectives, namely, financial, customers, internal business processes, innovation and learning. It is premised on the view that no single measure can provide a clear performance target or focus attention on the critical areas of the business. What managers need is thus a balanced presentation of both financial and operational measures, as expressed through BSC (Kaplan & Norton 1992). Within this backdrop, this paper reports on a BSC diffusion story from a Sri Lankan financial institution, which we call Orient Bank for confidentiality reasons. We explore how and why BSC has been diffused in the particular context of this case study organization. The paper addresses the key research questions: (1) What are the various internal and external forces influencing the diffusion of BSC in Orient Bank? (2) How have such forces influenced diffusion? (3) Who were the key people connected with the diffusion and how did they play a role in the diffusion? The Sri Lankan financial services sector and our chosen site, Orient Bank, operate in a rather different context in terms of the competitive setting encountered and therefore differs from countries and contexts focused in prior research, making it particularly suitable for this empirical inquiry.

Our paper is expected to be a useful addition to the current body of management accounting knowledge in general and BSC specifically and to the diffusion of management accounting tools by providing an in-depth inquiry into diffusion of BSC in the context of a Sri Lankan financial institution. This is important as most prior diffusion studies have been in the form of surveys (Bjørnenak 1997, Joshi 2001, Lapsley & Wright 2004) and broadly cover a particular industry or a country setting (Ax & Bjørnenak 2005, Malmi 1997, Northcott & France 2005). This paper is also different from prior diffusion studies premised in Sri Lanka (see Fonseka 2001, 2002, Fonseka 2012, Wickramasinghe, Gooneratne & Jayakody 2008). Fonseka (2001, 2002) attempted to design and apply the BSC framework to 14 tea export firms, and six rubber goods manufacturing and exporting firms in Sri Lanka. These studies revealed certain imbalances. Despite these firms remaining financially profitable, they scored low on the other BSC perspectives, particularly the learning and growth perspective. Ironically, none of these companies had a BSC in place. In the recent study by Fonseka (2012) the focus was on the dissemination of management accounting in Sri Lanka since it became a British colony, while Wickramasinghe et al. (2008) inquired into the 'rise' and 'fall' of a BSC project in a Sri Lankan firm, where the 'rise' was linked to the broader knowledge diffusion programme in Sri Lanka. Our paper is also important from a theoretical point of view. It offers a dynamic perspective of the diffusion of management accounting innovations through a theoretical framework which brings together the supply-side as well as the demand-side forces into a single innovation diffusion model. Future researchers may thus be inspired to identify the relevance of this model beyond BSC and beyond Sri Lanka. The findings of this study also contribute to management accounting practice by providing learning points to practising managers in Sri Lankan firms as well as in other parts of the world on implementing management accounting tools such as BSC in organizations.

Literature Review: Innovation and Diffusion of Innovations

Innovation is the introduction of ideas, practices, or objects perceived as new by an individual or social system (Rogers 1995, Bjørnenak 1997). Accordingly, old ideas applied to new settings or reintroduced into the same setting at a later point in time may be treated as an innovation. This means that an innovation may have existed earlier, in a different form, or in a different area. From such a perspective, BSC can be seen as an innovation, despite the earlier French version '*Tableau de Bord*' (Epstein & Manzoni 1997). Diffusion is the process by which an innovation/idea spreads through a social system through certain channels (Rogers 1995, Webster 1971), and diffusion theory explains how and why (or why not) some agents adopt new ideas or phenomena (Bjørnenak 1997). What makes diffusion different

from spreading other types of messages is the 'newness' of the idea. Diffusion is said to occur when an innovative technique has been adopted by an organization (Lapsley & Wright 2004).

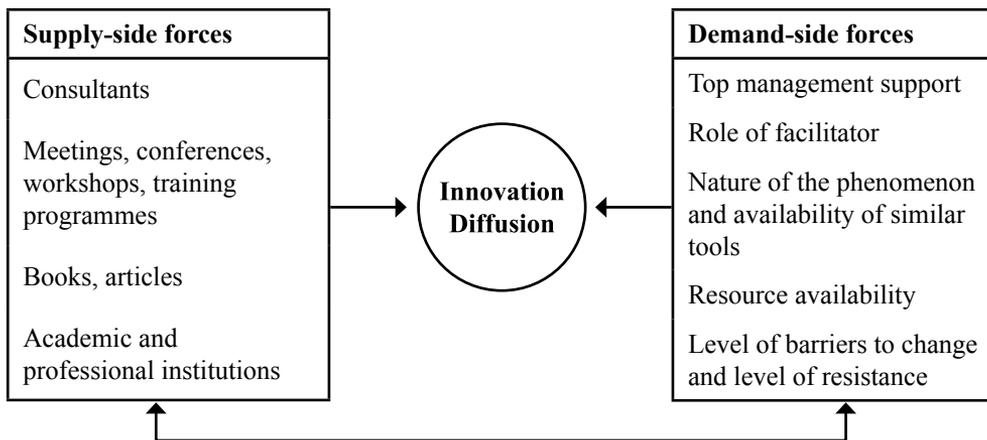
Traditionally, most diffusion literature has emphasized the demand-side of the process, i.e. an adopter perspective (Ax & Bjørnenak 2007), which is based on an efficient choice criterion. Seen in this light, a management tool is adopted to help an organization to attain its goals, and the most influential factor in the demand-side is the nature of the phenomenon being diffused. In the case of BSC diffusion, limitations of existing (traditional) performance measurement systems in evaluating business performance, given their partiality towards financial indicators, internal focus and backward looking nature (Johnson & Kaplan 1987, Kaplan & Norton 1992) are important. This is more so in the modern business environment amid advances in technology, changes in business practices, stiff global competition and rising customer demand which call for performance measurements beyond financial numbers (Kaplan & Norton 1992, Pandey 2005, Kennerly & Neely 2003). Many organizations are thus spending considerable time and resources on implementing improved management accounting systems such as the BSC, which strives to address the limitations of traditional management systems. The technical specifications of BSC such as the inclusion of financial and non-financial perspectives and strategy maps are vital from a demand-side perspective.

From a demand-side perspective of diffusion the interest and support of the top management (role of leaders) is also central. They have the controlling power in the organization, and this would create a demand for a particular practice or tool within the organization. Further, the role of facilitators (change agents) is vital in coordinating, educating and popularizing a practice, as well as in managing the resistance (Bjørnenak1997), which may stem from fear of the unknown or theoretical objections to the technique. In addition, availability of resources such as money, materials and human resources and the presence of other innovative tools would encourage an organization to implement such tools further (Ax & Bjørnenak 2005, Bjørnenak 1997, Bjørnenak & Olson 1999, Jones & Dugdale 2002). Barriers to change are also significant from the demand side perspective (Ax & Bjørnenak 2007). This includes physical barriers such as lack of resources as well as cultural / linguistic barriers such as language, profession and institutional factors.

Although from a demand-side perspective, the information field is viewed as a passive factor in the diffusion process, supply-side forces are also important, and have stimulated studies on the diffusion of management accounting techniques (Abrahamson 1991, Ax & Bjørnenak 2005, Bjørnenak1997, Bjørnenak & Olson1999, Jones & Dugdale 2002, Malmi1997, Major & Hopper 2005). According to the supply-side perspective, management tools do not get

diffused only by popular demand but instead by supply-side elements such as the role of consultants, academic and professional institutions, books, articles, meetings, conferences and workshops.

Figure 1: Innovation Diffusion Framework



Source: Review of Literature

Consultants as propagators of management tools package and market them capitalizing on their proficiency, and actively push their spread (Abrahamson 1991). In diffusing BSC too consultants have played a significant role by highlighting the failures of traditional management accounting systems, and portraying a one-sided (positive) view of BSC, making an invitation to buy this management theory showing how failures of traditional management accounting systems are addressed through it. Consultants present such persuasive ideas and engage in purposeful action such as write-ups, feature articles, public lectures and executive seminars. They convey their message using non-theoretical terminology and suggest ‘a cure for organizational despair’, which is however aligned with their personal interests. Business schools, professional bodies and universities also create awareness of such tools for reasons of increasing profitability, status, legitimacy and public image. Seen in this light, BSC has turned out to be a management tool that has gained the spotlight in an array of text books, academic and professional articles, conferences, research monographs, magazines and student handbooks. This reinforces the value of communication links as a means of conveying new management ideas to potential adopters (Ax & Bjørnenak 2005, Bjørnenak1997). BSC practices are also examined in relation to academic and professional qualifications. Using another management accounting tool, ABC as an example, researchers note that magazines like ‘Management Accounting’ include a number of advertisements for ABC software and

ABC courses (Bjørnenak 1997, Jones & Dugdale 2002) and that the supply-side of the diffusion is relatively easy to observe. In similar vein, Clarke, Hill and Stevens (1999) explain the low adoption rates of ABC in Ireland as being due to the absence of compulsory further professional education and lack of practitioner journals on management accounting, as well as the absence of executive MBA programme.

In keeping with the above literature review, the theoretical framework of this paper brings together the supply-side and the demand-side forces into a single innovation diffusion mode and shows how suppliers and users of innovations play an active role in the diffusion (see Figure 1). This is a more contemporary (dynamic) perspective of the diffusion of management accounting tools as traditionally, management accounting tools have been viewed as static objects, with fixed and definite components which remain unchanged as they diffuse. The traditional perspective can be challenged as overly simplistic, and it is more realistic to adopt this dynamic perspective into the process of diffusion, as done in this study. Accordingly, diffusion of management tools such as BSC is seen as a flexible, not a fixed, technical solution, and both suppliers and users become active groups in the diffusion (Ax & Bjørnenak 2007). Seen from such a dynamic perspective, management tools do not consist of clear-cut recipes but are characterized by a certain degree of conceptual ambiguity, which contributes to their interpretive viability opening up space for different interpretations and uses. This makes it possible for suppliers and users to recognize their own versions of the tools by selecting those elements that appeal to them and localizing as suitable to the circumstances. Bringing together various supply and demand forces in this manner enables a better understanding of the diffusion of a management tool.

Research Context and Method

This case study is based on Orient Bank, which is one of the largest private sector commercial banks among the licensed commercial banks in Sri Lanka. It was incorporated in the 1980s, and currently operates with over 200 branches and over 200 ATMs island wide (Orient Bank Annual Report 2011, 2012). It has a staff of more than 3,500 employees and an asset base of over Rs. 300 billion. The bank's core areas of operations include personal, corporate and development banking, trade services, treasury operations, credit and debit cards and e-banking activities. It focuses on five strategic goals in achieving its performance-related targets, namely, achieve the largest branch expansion driving the banking sector, sustain credit and portfolio quality, promote technology-driven banking, focus on key customer groups and facilitate business growth through innovative products and pioneering services (Orient Bank Annual Report 2011, 2012).

This research deploys the qualitative methodology (Silverman 2000) and case study approach (Yin 2009) in exploring the key demand and supply forces behind the diffusion of BSC in Orient Bank. A case study approach is appropriate when: (a) the focus of the study is to answer ‘how’ and ‘why’ questions; (b) the behavior of those involved in the study cannot be manipulated; (c) contextual conditions are believed to be relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context (Yin 2009). This study strives to explore ‘how’ and ‘why’ BSC has been diffused in a leading private sector financial institution in Sri Lanka, by unearthing the internal and external factors which influenced the diffusion of BSC and the role of key people connected to the diffusion. Such an inquiry warrants the need to deeply analyze the particular organizational context through building face-to-face interactions with key informants. Seen in this light, the qualitative case-study approach is the most suitable option for the current study.

In this study the data was collected through multiple methods such as interviews and analysis of internal and external documents. One-to-one in-depth interviews based on an interview guide were conducted with ten managers to understand how and why the diffusion of BSC took shape in the bank. Interviewees mainly represent the finance and planning area as they were the key informants relating to BSC in the bank. Interviews were also conducted with practice level managers representing marketing, credit and branch operations to understand how the BSC message reached the practice level (see Table 1 for the list of interviewees). Interviews were also carried out with two Sri Lankan personalities¹ (experts) in the ‘business of BSC’ to further understand the diffusion of the technique.

Table1: List of Interviewees at Orient Bank

Interviewee	Designation
1	Senior Manager Finance
2	Head of Planning (Strategic Planner)
3	Manager Planning
4	Planning Officer
5	Head of Credit Control
6	Senior Marketing Officer
7	Branch Manager
8	Branch Manager
9	Branch Manager
10	Branch Manager

¹ Respecting their preference to remain anonymous, their names are not disclosed.

To supplement interview data internal and external documents as well as the website of the bank were reviewed to ascertain whether they corroborated each other. Use of data triangulation in this manner (Yin 2009), strengthens the study and increase the credibility of findings.

The collected data was analyzed in light of the theoretical underpinning of innovation diffusion model present earlier, focusing on the demand-side and supply-side forces. Accordingly in the next section, findings of this study have been presented elaborating how and why the diffusion of the BSC took shape at Orient Bank.

Findings: Demand-side Forces in Diffusion of the BSC

As elaborated above, the demand-side of diffusion represents forces that lead to the spread and popularization of a management tool due to the nature of the phenomenon being diffused. In case of BSC diffusion in Bank Orient, limitations of existing performance measurement systems, is noteworthy, along with support extended towards it by the top management of the organization, supportive role of the facilitator, availability of similar tools and necessary resources as well as the low prevalence of barriers and resistance towards new practices. These are discussed in light of case study data next.

Nature of Top Management Support

Continuous top management support and positive mindset is essential to successfully promote and popularize new management tools among others. As one BSC expert interviewed added, “to achieve success with the BSC commitment from the top management of the organization is needed, they have to be convinced about the BSC, you should believe that the company as a whole is going to benefit, by implementing it”. While another expert noted, “full encouragement of the Chief Executive Officer (CEO) is needed to get this BSC going, it is largely a CEO tool”. Similarly, in the diffusion of BSC in Orient Bank support extended by the top management was noteworthy. The corporate management was attached to the BSC concept; they believed that it would bring about in significant benefits, as well as a different yet favorable management philosophy to the bank. The strategic planner explained:

BSC is a management philosophy, and it is a communication tool. Why I’m telling this is strategies may be just discussed & formulated at very high level. But if you want to convert it to more understandable, more operational goals you can do that through the BSC, you can convert the BSC to performance

management or whatever the criteria and our top management understood that, they realized the value of the BSC...

The top management of Orient Bank not only had a keen interest in the BSC, they communicated the management's expectation regarding the BSC from top to bottom, and ensured proper communication between different levels to enable a successful diffusion. This was expressed by one senior manager, "communication at that time was maintained very well with the intention of acquiring effective and productive results through the BSC..."

Many managers interviewed made positive remarks regarding the top management support, and appreciated their effort towards the BSC initiative. Branch managers explained that the assistance and guidance they received from the top management helped them to enhance their performance, as reflected through this quote by one manager:

It is a good thing to get feedback from the management to improve performance and solve problems. I think with the BSC we got a good opportunity to interact with the corporate management directly. Before implementing the BSC we had fewer chances to communicate with corporate management like that...

Interviewees particularly highlighted the Managing Director (MD's) positive attitudes and the support towards the project implementation. One senior manager noted, "MD at that time was a double accountant and he was like crazy about this BSC. His support and dedication was very high and he guided others..."

While commenting on the top management's (especially the MD's) interest in the BSC, interviewees explained that as a whole the management of the bank is receptive towards change. A senior manager commented:

We take change positively. Otherwise you can't survive and grow in this competitive industry. See our branch expansion. We are aggressively doing change. The top management is ready to accept change and they are willing to take risk. With the change we see whether it is realistic, whether the change can be implemented, whether it will work, how the bank will benefit from the change. If we as a bank will not be gaining anything from the change then there is no use. With BSC we saw what we can get from it. So we went for it.

Accordingly it is evident that the presence of a few (influential) people at the right places, who believe strongly in the value of new techniques (such as BSC), could make a crucial difference in terms of the implementation.

Role of Facilitator

The BSC of Bank Orient was facilitated by the strategic planning department, and the interviewees noted the valuable contribution of the strategic planner in this regard. One manager shared his view stating that "...the main role in strategic planning was done by Mr. X and he did some great work with his planning team to see that this BSC is in a way that suits our bank. They gave us a clear guidance on what to do on BSC...At any moment when we needed support Mr. X and his team was always there to provide clarification ...". Similarly, a member from the corporate management explained, "...the planning department took actions to make the BSC popular as wanted by the top management and as a way it was suitable to our bank. Planning team also told the corporate management what things they should do to spread the BSC well. Any time when any person including us needed support on the BSC, they warmly welcomed our problems and helped...".

Further reinforcing such comments, the strategic planner explained his role and that of the planning team towards the diffusion of BSC. He elaborated:

...I was the head of strategic planning at that time... I with my team spent on lot of time popularizing the BSC by conducting training programs for branches and departments and discussing with them... We have even visited almost every branch and explained what BSC is, its importance and all that. BSC is not only about measuring your performance, it's a total management philosophy, these are advantages... and we explained even the key performance indicators (KPIs) we have designed in the BSC... I was the one who conceptualized it, and then implemented it, we did not just do it, we did it in a way that is suitable to our bank, the indicators were really what was important to us, for our bank... Once it was implemented every quarter we conducted competitions like to select best branch...At that time we practiced mystery shopper concept... customer/employee satisfaction surveys were done... We did SWOT, industry and trend analysis. We used to conduct a strategic planning session with corporate management and the board of directors... We at strategic planning provided whatever the support... So I can tell you lot of things we did to smoothly run the BSC.

The above interview data shows how the strategic planner and his team were committed towards the BSC, playing an invaluable facilitative role in diffusing the BSC message in the bank as a whole, and reaching the practice level managers at branches and functional areas.

Availability of Similar Tools and Resources

Orient Bank had implemented a number of new management practices, such as six–sigma, five ‘S’, quality circles, continuous improvement in order to establish and maintain its operational success in the corporate world. BSC was another such new tool which the bank took on board. The strategic planner noted, “We are the first mover in technological advancements in the banking sector”.

In order to achieve success in any project, it is essential to have adequate resources. Financial and other resources have been allocated for the BSC in Bank Orient as required. The strategic planner said,

When we spend money for this kind of process it is an investment because we can enjoy the benefits in the future. Our management understood this and they were encouraged to invest in implementing such a valuable tool like the BSC ...Our expenses were basically the consultant fee...

Availability of human resources was also evident in this diffusion process, by the dedication of the staff of Orient Bank. From top to bottom the adopters got fullest support and commitment to popularize it. A manager who was attached to the planning team stated:

Actually we got very good support from the top management. Not only that all the staff were encouraged to perform their tasks. We had a number of trained staff with us who are loyal to the bank. Such an implementation process without contribution of our staff would not be a reality...

Another valuable resource is time. To implement a new tool successfully, it is required to have a sufficient time frame to complete the process. If not, the staff might get confused as to what to do with the new tool. In the case of Orient Bank, it has taken nearly two years for the planning and implementation process. It was a gradual process. The strategic planner stated in his words, “...for several years we were much focused on the BSC, we were actually continuously developing it...” Thus allocating sufficient resources in terms of money, manpower and time contributed towards the successful diffusion of the BSC in the bank.

Barriers to Change and Level of Resistance

Resistance to change with regard to a new idea is a common occurrence in the corporate world. The BSC was a new concept to everyone in Orient Bank, and there was a certain level of resistance from the branch level. One branch manager explained:

This BSC was a new thing to our bank. Sometimes people are reluctant to change, and they think that it is a way of comparing their work with others. So they got scared...

With the implementation of the BSC, branch level performance was assessed as per the BSC perspectives and measures, and branch managers were expected to make a presentation on their performance. This practice was open to criticism. One manager emphasized that the employees were reluctant as they had some fears of low performance which they thought will affect their career negatively. The following quote reflects this.

...Some branch managers resisted the BSC, they thought they cannot present well. Every branch manager is not capable of doing presentations well. Sometimes it might be the first presentation in their career. They had a fear of their weaknesses getting highlighted. Sometimes they were busy with their day-to-day functions and couldn't manage the time because they spent a lot of time getting ready for the BSC presentations...

Another branch manager expressed a similar idea. "... We had to do BSC presentations to the corporate management each month explaining our progress. But as I know most of the branch managers considered it as a burden and they disliked it because it was an extra work. They thought that it highlighted their weaknesses and that this will be a problem in getting promotions as well..."

As the above data suggests due to limitations in skills and time constraints there was resistance to the BSC at the branch level. However, more importantly and interestingly, according to the data gathered the resistance was controlled with the high support of the top management and the facilitation by the strategic planning team. One senior manager added, "...management wanted to implement and use the BSC, they made us understand and feel about the BSC concept. The whole process was directly monitored by the top management. No bluffing, no hanky-panky, they were very strict on this...whether we can or cannot we had to do it... But I have to say strategic planning people really helped us, if we had a problem they were there so that was big thing".

This shows that due to strict enforcement and high monitoring of the BSC by the top management and the facilitation by the strategic planning team, the bank was able to minimize and control the resistance which emerged at the branch level. A branch manager noted:

...Resistance to the BSC was not considered as a big problem by the management or the planning department. Even if people resisted or did not like it they had to do their part somehow. As I know the management was well aware of this resistance, and they knew that even if the people don't like they will do the things as it was coming from the top management. So resistance was not a big problem to implement and spread the BSC in the bank...

The evidence from Bank Orient shows that high top management support and facilitation by strategic planning enabled it to effectively manage any resistance, and that this resistance was therefore not powerful enough to prevent the functioning of the BSC. Most of all, this meant that the overall resistance to change was insignificant at the organizational level, and this contributed towards its diffusion.

Findings: Supply-side Forces in the Diffusion of BSC

To supplement demand-side forces, supply-side forces which assist in spreading and popularizing an innovation also need to be considered. According to field study evidence gathered from Orient Bank, the role played by consultants, books, articles, meetings, conferences, workshops, professional and academic institutions became active propagators and materials representing the supply-side of BSC diffusion in Orient Bank.

Consultants

In the diffusion of a management technique, consultants play an active role as propagators. In the case of the diffusion of BSC in Orient Bank, the management got the guidance from well-known foreign consultant. The strategic planner explained, "We got a BSC consultant who was also a person who had lot of experience in banking. He was not an academic. He was a British banker, who had his entire career in banking ... life-time of experience with him on banking..."

One branch manager described the exposure he got from the consultant,

A foreign consultant who had lot of experience on practicing this tool conducted few sessions for us. It was really interesting for us because we could know what is it, what advantages we can achieve, how we can improve our performance, how we set the targets, what are the fruitful ways of achieving those targets etc. We got a good chance to discuss our practical problems with him regarding

achieving profit targets etc. Actually it was a valuable opportunity for us to share our experience and gather knowledge from a well experienced expert like him. He was a banker so that also helped us because the language was similar...

As the above quotes suggest it is evident that the consultant played an important role in getting people's attraction to the new tool. Another branch manager shared his experience about the foreign consultant,

Actually we had very few sessions with him. As a facilitator he conducted few meetings..... We can't apply certain western tools directly to our culture. If we implemented the thing as it is, like the way the consultant explained we may get into difficulties. But, somehow our planning department did that according to a way that worked for our bank that was actually important...

Thus the above evidence show that the foreign consultant played an active role in initially diffusing the BSC in the bank, while the efforts of the strategic planner and his team helped in localizing the western knowledge prescribed by the consultant.

Meetings, Conferences, Workshops/Training, Books and Articles

Meetings and conferences are an assembly of people gathered for a particular purpose or formal discussion. Workshop also serves a similar purpose. Training is a process of acquiring knowledge, skills and competencies through teaching practices related to a profession or job (Abrahamson 1991, Ax & Bjørnenak 2005, Bjørnenak 1997, Bjørnenak & Olson 1999). On a rather general note, one BSC expert interviewed noted how workshops and seminars are important in diffusing innovative tools. He added: "The concept of BSC is very much spoken among the business community in Sri Lanka. We love buzz words. BSC is a nice terminology, and if you organize a workshop or a seminar on such modern techniques, many people may come and listen". Similarly, in the diffusion process of BSC in Orient Bank, there were many such meetings, workshops and training sessions. The strategic planner noted, "we had one to one discussions with department heads, we had training programs for different levels of managers at the branches and head office, and we even personally visited almost all branches to create awareness and address their problems..." A senior manager shared his experiences on workshops stating, "...there was a location for each team to work. On average six to seven members were in each BSC team. Each task was delegated to team members in a proper manner..."

Another manager explained about the discussions in those meeting sessions.

... We were told about the importance of BSC, how to understand the KPIs, how translate the strategy into the objectives, how performance indicators are being achieved, all these things ...

Other managers interviewed expressed similar views. A branch manager emphasized the importance of those training sessions and meetings, stating that “we got a good chance to discuss our practical issues regarding achieving profit targets, etc. by participating in those BSC sessions”.

Some of the interviewees got to know about this BSC concept for the very first time through those training sessions. Several managers made comments similar to the following, “I got to know about the BSC actually through our bank. Before it was implemented here I had no idea about this concept...”. However, the strategic planner and the MD, who were the main contributors to the diffusion of the project in the bank, had a thorough knowledge on BSC before it was implemented. As the strategic planner explained he was the person who encouraged the MD to implement the BSC.

Actually I was the one who participated in a workshop regarding BSC. Then I came and told CEO there is a thing called BSC, this is very important... The CEO had very good understanding on importance of BSC, he realized the value of it to our bank and he was so keen to implement it here....

The strategic planner further emphasized that he gathered knowledge through reading books and articles on BSC, which helped in successfully diffusing the BSC in Orient Bank. He went on,

I read lot of books and articles on BSC and its implementation. I actually read all the books written by Kaplan and Norton on BSC, not only that different views on BSC, strategy implementation etc. The knowledge I got by reading gave me a sound knowledge and I became confident to guide others to practice BSC here...

Accordingly, meetings, conferences, workshops training programs, awareness sessions along with books and articles became important means of diffusing the BSC in Orient Bank.

Academic and Professional Institutions

In popularizing new management accounting tools academic and professional bodies play a vital role. In the history of BSC in Sri Lanka, being part of the leading global management accounting body, The Chartered Institute of Management Accountants (CIMA) Sri Lanka division has shown a lot of enthusiasm in popularizing the technique as an active promoter. In the case of diffusion of BSC in Orient Bank, although there is no evidence of direct involvement of any academic or professional body, some of the managers of Orient Bank have initially learnt about the BSC through their academic and professional studies. Particularly in CIMA, as well as Institute of Chartered Accountants of Sri Lanka (ICASL), BSC forms part of their course curriculum. Moreover, in undergraduate and postgraduate business degree programs of local universities the BSC has become a popular topic of study. One interviewee from finance division explained:

We have several CIMA qualified and chartered qualified accountants in this department. Normally for the finance department we recruit degree holders specialized in accounting. These people are well aware of the BSC because they have studies about it.

Outside the accounting arena also several senior members of the bank possess the BSC knowledge through their academic and professional qualifications. Interviewees made comments such as the following:

I first heard about this BSC when I was studying for my undergraduate degree at university, at that time also I thought that this is a good tool, somehow the place I am working, this bank wanted to implement it...

At the time when the BSC was implemented here in the bank, I did my Master of Business Administration (MBA) and I learned about the BSC there and it made sense to me when our bank was going to implement it...

The main sponsor for the implementation in our bank was the CEO. He is a qualified guy in chartered as well as CIMA, so he had the technical knowledge on this BSC, he knew the concept, how it will benefit ...

Our Chief Operating Officer is a qualified engineer, he has a MBA, and he is also a CIMA qualified person, so he also had a good idea about the BSC and understood its value....

Such comments are indicative of how the academic and professional qualifications played a leading role in the diffusion of BSC in the bank. Additionally, the strategic planner explained how his academic and professional background gave him a sound platform to facilitate the BSC. He added: “I was a chartered marketer at that time. I had also completed my MBA. I did my first degree in business management. I’m a certified management accountant (CMA). So in all these courses I had learnt about the BSC and I had the basic knowledge which I was able to further develop by reading various BSC materials...”. The knowledge and insights gathered by different managers of Bank Orient through their academic and professional programs therefore facilitated the smooth functioning of the BSC in the bank.

Discussion and Conclusion

Drawing field study evidence from a financial institution located in Sri Lanka, Bank Orient, this paper explores how and why the BSC has been diffused in the particular context of our case study firm. This paper addresses the key research questions; (1) what are the various internal and external forces influencing the diffusion of BSC in Orient Bank? (2) How have such forces influenced diffusion? (3) Who were the key people connected to the diffusion and how did they play a role towards the diffusion?

Our findings from Orient Bank suggest that demand-side as well as supply-side forces play a prominent role in the diffusion of management accounting tools such as the BSC. Among the demand-side forces, top management support was noteworthy; the importance of the BSC was understood by the MD and other members of the top management, and their interest enabled counteracting whatever resistance that occurred at the branch level. This observation is supported by past studies which highlight how top management support and involvement facilitates the diffusion of management accounting tools such as BSC (Voelpel, Lei bold & Eckhoff 2006, Malmi 2001) and ABC (Major & Hopper 2005). Stemming from the top management interest adequate resources and facilitators were deployed for the project. The bank has a reputation for adopting new tools, and believes that new tools provide a remedy to solve problems faced by the organization. This too led the bank to apply various tools time to time, including the BSC. All these became vital from a demand-side perspective on diffusion of the BSC in the bank.

Supplementing the above, supply-side forces too played a key role in the diffusion of BSC in Bank Orient. Seen from such a perspective, academic institutions (Bjørnenak & Olson 1999, Clarke et al. 1999), consultants (Abrahamson 1991, Ax & Bjørnenak 2005, Bjørnenak 1997, Bjørnenak & Olson 1999, Hopper & Major 2007, Jones & Dugdale 2002) and communication

links, such as magazines, membership journals, meetings, training programmes and conferences (Bjornenak 1997) became significant. Parallel to such past research, in Bank Orient through training sessions and awareness programmes branch managers were able to comprehend the concept of BSC as well as the benefits of implementation, and were motivated to practise it. The knowledge gathered from books and articles was instrumental for the facilitator to pass on the BSC message down to the practice level managers and get their cooperation towards the project. In par with literature which notes that the influence of western consultants and popularizing programmes motivate local entities to adopt BSC (see Wickramasinghe et al. 2008), in Bank Orient not only was the role of the foreign consultant instrumental in the diffusion of the BSC, the facilitator (strategic planner) attended a workshop on this tool and realized its value to the bank. All in all, the diffusion of BSC in Bank Orient took place amid demand-side as well as supply-side forces.

More importantly, although traditionally, management accounting tools have been viewed as static objects, with fixed and definite components, a more contemporary (dynamic) perspective is that both suppliers and users are active groups in the diffusion who shape the management techniques suited to the purpose and circumstances (Ax & Bjørnenak 2007). Keeping with this dynamic perspective, our evidence shows how learning from the wisdom conveyed at BSC workshops and by the foreign consultant, the strategic planner played a significant role in localizing the BSC as suited the particular context of Orient Bank.

Although there is a small flood of research on the merits of new management accounting tools and their application in a particular industry or country setting (Alcouffe et al. 2008, Ax & Bjørnenak 2005, Bjørnenak 1997, Joshi 2001, Malmi 1997, Northcott & France 2005 to name a few), presently there is limited understanding on how and why such tools get diffused in different organizational contexts. Therefore our paper, through an in-depth inquiry on diffusion of the BSC in the context of a Sri Lankan financial institution, makes a useful contribution to management accounting knowledge more broadly, as well as to BSC, and diffusion of management accounting tools, more specifically. This paper is also important from a theoretical point of view. It offers a dynamic perspective on the diffusion of management accounting tools, through a theoretical framework which brings together the supply-side as well as the demand-side forces into a single innovation diffusion model. The study also provides valuable insights to practicing managers on the implementation and diffusion of management accounting techniques such as the BSC in organizations. This research also makes way for future research. Future researchers are encouraged to move beyond this study and assess the applicability of the innovation diffusion framework offered in this study for other organizations in different industries and countries for BSC, as well as

other management tools. Since this study has been carried out in one organization as a single case-study, future researchers can also explore the diffusion of new techniques using multiple case study approach. This would enable comparison of the findings.

Postscript

The BSC episode narrated in this paper shows how the diffusion of a BSC has taken place, amid the support of the top management and the facilitation of a foreign consultant and a strategic planner in an organization which is receptive towards change. Our research site, Orient Bank started off the BSC in 2004, which one could claim to be the golden era of the BSC in Sri Lanka, with broader diffusion of the tool intensely visible in the Sri Lankan corporate arena, and this was a time when the BSC was considered as a 'popular' management accounting innovation. Seeing in this light, one would claim that this firm has followed a 'technically correct' path in diffusing a contemporary management accounting tool (BSC), and would expect it to get sustained in the organization as a management practice. Although the bank continued with the BSC through gradual improvements for around five years, across time priorities, key decision makers and therefore the dedication towards the BSC changed, and BSC's value diminished. As at now there is no 'formal' BSC in practice, although some non-financial indicators are measured and managed. Similarly, in an earlier study Wickramasinghe et al. (2008) depicted how the BSC although embraced by the management at one point, later was discarded in a medium sized family entity in Sri Lanka. Our BSC story thus shows that despite a 'successful' diffusion by following a 'proper' path, across time management tools such as BSC could end up in different fates, for in our case study firm, BSC had turned out to be a 'short-term guest' rather than a 'long term resident' (Brown & McDonnell 1995).

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