

FOCUS FUTURE-ORIENTED  
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# The diffusion and evolution of Balanced Scorecard in Sparebanken Vest

*A case study of Balanced Scorecard as a virus*

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# Abstract

In 2011, K.A. Røvik published the virus theory for analysing management ideas. This study seeks to answer the overarching question of *'How can the virus theory contribute to understanding the diffusion and evolution of management ideas?'*

We seek to gain insight into its contribution by analysing three areas of interest. The first goal is to understand how the virus theory can be applied in analysing the trajectory of Balanced Scorecard in Sparebanken Vest. The second question elaborates on the interrelatedness of the organisational idea-handling processes offered in the theory. The third objective is to explore its relative contribution in comparison to the now prevalent management fashion theory.

For the purpose of this study, we have collected longitudinal data on Balanced Scorecard in Sparebanken Vest. We have complemented the secondary data with in depth interviews with four employees at managerial level in Sparebanken Vest.

Our research suggests that virus theory is applicable for describing the diversity of processes that appear in an organisation in the post-implementation phase. Based on the analysis, we discuss the specific findings from the case study and propose a general timeline of the interrelatedness of the organisational idea-handling processes. Furthermore, we conclude that the virus theory can offer a more nuanced picture for analysing management ideas on an intra-organizational level. Hence, this study suggests that the virus theory can improve and fulfil some of the gaps by management fashion theory for analysing and understanding the diffusion and evolution of management ideas.

**Keywords:** Virus theory, management fashion theory, diffusion, evolution, management ideas, Balanced Scorecard, Sparebanken Vest

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Bergen, June 20th 2018



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# 1. Introduction

## 1.1 Background and motivation

The concept of management has interested people for ages. Some of the earliest management ideas are found in Sun Tzu's *Art of War* from 500 B.C (Balkin & Gomez-Mejia, 2012). Niccolo Machiavelli addressed the topic of management and leadership in his 16th century work, *The Prince*, while Adam Smith discussed how to organize work in *The Wealth of Nations* in 1776. However, management as we know it today started to develop after the industrial revolution. Since 20th century, many different management ideas have been developed, used and replaced. It started with scientific management by Taylor who focused on productivity (McGrath, 2014). Bigger and more complex organisations led to the concepts of goal setting and performance reviews (Business Matters, 2013). 70s and 80s were characterized by strategic planning and gaining competitive advantage, which led to the development of SWOT-analysis, Total Quality Management (TQM), Six Sigma and Lean Management, among others. In 1990s, the focus turned towards process optimization where Benchmarking, Business Process Reengineering and Balanced Scorecard were introduced. Currently, management tools and concepts related to big data, such as Advanced Analytics and Digital Transformation are becoming popular (Bilodeau & Rigby, 2018).

Many management concepts and ideas have appeared and disappeared, some have reappeared as improved versions while others have withstood the test of time (Bilodeau & Rigby, 2018). From an academic perspective, fashion theory is one the most prevalent theories addressing the diffusion and evolution of management concepts by looking at adoption and rejection rates at a macro-level (Røvik, 2011; Madsen & Slåtten, 2015). Due to the popularity of management fashion theory there has been limited focus and research on what happens to management ideas after they are adopted by organisations.

In 2011, Røvik published the virus theory, which suggests an alternative approach to looking at the diffusion and evolution of management ideas. This theory uses the salient features of a virus to metaphorically describe the processes that take place when a management idea enters an organisation. According to Røvik (2011), the virus theory offers a more complex and sophisticated framework of organisational idea-handling processes and outcomes than

fashion theory. However, applying the virus theory on management ideas is in its early stage in the research community (Johanson & Madsen, 2017).

In this paper, we are going to look at the applicability of the virus theory and develop insight into some of the less refined areas of the theory. For this purpose, we will use the concept of Balanced Scorecard (BSC). BSC is a strategic planning and management system, which was introduced in 1992, and further developed by Kaplan and Norton. It is one of the most used management ideas from recent times (Bain & Company, 2018) and has been subject for a lot of research and development in the past 20 years. Even though there is a lot of research, we offer an interesting take on BSC in combination with the virus theory. This paper will also compile an overview of the past research of BSC in Norway.

Johanson & Madsen (2018) draw the attention to the possibility of applying the virus theory on different levels, such as intra-organisational, inter-organisational, national and global level. We have chosen to apply the virus theory at an intra-organisational i.e. micro-level. For this purpose, we analyse the BSC development in Sparebanken Vest, Norway's second oldest savings bank. We will examine how BSC was introduced to the organisation, and how it has developed throughout two decades. The scope for this research is to describe the trajectory of BSC in Sparebanken Vest using Røvik's idea-handling processes from the virus theory. We will refrain from the focus on organisational changes and the underlying factors that affect the trajectory of the evolution of BSC in Sparebanken Vest. Our suggestions for further research will be presented in the end of this paper.

## **1.2 Research question**

We aim to explore the applicability of the virus theory in the research of diffusion and evolution of management ideas. Our main research question is:

*'How can the virus theory contribute to understanding the diffusion and evolution of management ideas?'*

The objective of this paper is to contribute with insights into the virus theory. We are doing this by providing an in-depth analysis of the use of the virus theory on a specific case. This will enable us to show the interrelations of the features of the virus theory and demonstrate its

use in comparison to the currently dominating theory. More specifically, we seek to answer the following research questions:

- I How can the virus theory be used in analysing the diffusion and evolution of management ideas?*
- II How are the organisational idea-handling processes within the virus theory interrelated?*
- III How can the virus theory offer a more nuanced picture of the diffusion and evolution of management ideas than the fashion theory?*

With the first research question, we aim to understand if the virus theory can offer a plausible understanding of the diffusion and evolution of management ideas. With the second research question, we seek to explore the mechanisms observed in the analysis. We wish to explain the general and the case-specific relationships between the different processes that emerge from the case and that can be built on in future research. With the third research question, we seek to offer a better understanding of the shortcomings and strengths of the fashion theory and the virus theory. We aim to contribute with a thorough and reasoned discussion on the applicability of these two theories that is rooted in the analysis.

All three research questions will be analysed in chapter 6, discussed in chapter 7 and concluded in chapter 8.

### **1.3 Methodology**

We intend to answer the overarching research question by conducting an in depth analysis of the evolution of Balanced Scorecard in Sparebanken Vest. We will study the specific components of the virus theory and BSC before commencing on the detailed analysis that will reveal the nuances of the virus theory. In order to illustrate the case, we will collect both primary and secondary qualitative data. We will rely on earlier qualitative research on BSC in Sparebanken Vest. In addition, we will use the primary data from semi-structured interviews with current and former employees of Sparebanken Vest who have been closely related to BSC. We will complement this with the secondary data from existing literature to gain an understanding of the concept of BSC and the current research into the diffusion of management ideas.

In order to be able to demonstrate the different aspects and interrelations of the virus theory, we will interpret the evolution of BSC in Sparebanken Vest from the time when the idea of BSC reached the organisation, until today. Based on the specific examples of how the BSC has evolved in Sparebanken Vest we will be able to offer an informed suggestion as to how the different features of the virus theory are related. Our analysis will then lead to the discussion of the relative strengths and weaknesses of fashion theory and virus theory in understanding the evolution of management ideas.

## **1.4 Outline**

In chapter 1, we introduce the background and our motivation for conducting this research. In chapter 2, we present the theoretical approach of the virus theory. Chapter 3 contains a presentation of the literature review of diffusion and evolution of Balanced Scorecard in Norway. In chapter 4, we discuss our choice of research methodology. Chapter 5 presents the case background and the context of BSC in Sparebanken Vest, and its development over the years. In Chapter 6, we conduct the analysis of BSC diffusion in Sparebanken Vest with the use of virus theory, followed by the discussion regarding our findings in relation to the research questions in chapter 7. Finally, Chapter 8 concludes by answering the research questions, presenting the limitations of the virus theory and proposing areas of future research.

## 2. Theoretical approach

In chapter 2, we will introduce the fashion theory and virus theory. Fashion theory has been one of the most prevalent theories in research into the diffusion of management ideas. We will first introduce its main elements in chapter 2.1 and continue to describe some of the shortcomings that have been discussed in the academia in chapter 2.1.1. In chapter 2.2, we will introduce the virus theory and explain the possibilities of applying it in the research of management concepts. This is the primary approach we will rely on in the analysis. In chapter 2.3, we will discuss the strengths and shortcomings of the virus theory. Chapter 2.4 will summarize the main ideas of the theoretical approach.

### 2.1 Management fashion theory

Management fashion theory has prevailed to become one of the most influential approaches for studying the phenomenon of organisations' idea-handling processes (Røvik, 2011). Eric Abrahamson (1996) defines the management fashion as:

*'A relative transitory collective belief disseminated by management fashion setters, that a management technique leads to rational management progress.'* (p. 257).

Madsen and Slåtten (2015) further point out that Abrahamson's fashion theory draws on insights from neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and innovation diffusion theory (Rogers, 2010). We will elaborate on the theory in the following paragraphs by focusing on three important characteristics: the transitory nature, collective belief and the rational management progress.

The first important characteristic of management fashion theory is that the popularity or demand for fashions i.e. management ideas, is transitory (Abrahamson, 1996). The underlying assumption is that there is a shared collective belief that management progress cannot stay stable for too long, because then progress might not occur. The duration of management fashion ideas may differ, but they are all identical in the manner that the management fashion ideas are regarded as forefront runners of management progress, which will at some point decline, and eventually be replaced by others for continued management progress (Abrahamson, 1996). There are also very short-lived management fashions, with a quick rise and sharp decline, which are called management fads (Kotler, 1997).

Secondly, rational management progress suggests that management is a cultural phenomenon, which is shaped by norms of rationality and expectation of progress (Abrahamson, 1996). Managers use management concepts in order to appear rational from stakeholders' perspective, because stakeholders perceive management techniques as an essential means to an important end. Madsen and Slåtten (2015) also draw attention to the fact that early adopters would customize the innovations to gain efficiency related gains, while late adopters would adopt a more standard version with the motivation of gaining legitimacy in their surroundings. In addition, there is a constant expectation of improvement. In essence, a never-ending management progress improvement in relation to the current management concepts.

Finally, the existence of norms of rationality and expectation of progress lay the groundwork for a management fashion market where the management fashion-setters e.g. consultants, gurus, business schools, mass media organisation, disseminate and supply the management concepts to the management fashion users, such as managers and organisations (Abrahamson, 1996). The market is where the collective belief among organisations and managers, that one management concept is superior to others leads to market demand. Fashion setters and users mutually influence the production of management fashion. One example is that an academic introduces a new management concept, which managers show an interest for, which in turn leads consultants pushing for this concept as the 'state-of-the-art' within management concepts. Abrahamson (1996) further argues that both socio-psychological and techno-economic forces are in play that together affect the demand by management fashion users.

### **2.1.1 Shortcomings of the management fashion theory**

Different scholars have criticized the underlying assumptions of the management fashion theory in the recent times (Røvik, 2011). According to Madsen (2011), the over-emphasis on the supply side and the assumption of passive organisations and managers is challenged by the work of Benders, van der Berg and van Bjisterveld (1998), Benders and van Veen (2001) and Fincham and Roslender (2003, 2004). They assert that users interpret loosely defined concepts and ideas in different ways. Moreover, Newell, Robertson & Swan (2001) argue that managers sometimes play an active role in shaping these concepts. This insight leads us to the second assumption that concepts do not change much when diffused. This assumption

is rather deterministic, especially given the fact that concepts lack a physical component that make management concepts and ideas easier to change (Madsen, 2011).

The assumption of co-evolution between public discourse and concept diffusion implies that the diffusion of a concept among organisations is related to the magnitude of public discourse. High public discourse means high diffusion rate, and a decline in public discourse will result in a decline in diffusion. This assumption has recently been contested by Benders et al. (2007) findings that suggest that ideas and concepts do not follow hand in hand with discourse intensity, and thus contradict the assumption of co-evolution (Madsen, 2011). Lastly, the criticism of the assumption of an idea being transitory is linked with the previous assumption of co-evolution. Some concepts may have a 'staying power' as elements of concepts can be found in organisation long after the hype. Under certain settings, the concepts are also institutionalized and become a part of the organisation (Madsen, 2011).

## **2.2 Virus theory**

The mentioned shortcomings of management fashion theory and its temporal and superficial approach limit the management fashion theory to answer how popular management ideas affect an organisation after the initial contact with the management idea (Røvik, 2011). Given these shortcomings and insights from various empirical studies, Røvik has proposed a theory by cross mapping from biology and virology to the domain of organisations and management ideas. In 2011, he developed a framework that uses virus' characteristics and the way it acts in the host to better understand the development and diffusion of management ideas. Virus theory proposes an alternative to understanding how organisations handle and process a new management idea in contrast to the well-used management fashion theory (Røvik, 2011). Røvik has highlighted six salient features of a virus that are used in building the framework for analysing and explaining the diffusion and evolution of management ideas. Based on several studies on the features of viruses, certain similarities with organisational ideas have arisen. These features are (1) infectiousness, (2) immunity, (3) replication, (4) incubation, (5) mutation and (6) dormancy. We will in the following sections elaborate on these features along with the ten corresponding organisational idea-handling processes based on the virus theory by Røvik.

### 2.2.1 Infectiousness

The first salient feature of a virus is infectiousness. This characteristic of the virus highlights that there has to be an exposure to the virus. Furthermore, the medical understanding of a viral infection describes a complex dynamic interaction between a virus and the host cell where the host cell is not the passive victim, rather an agent that absorbs the virus. An important prerequisite for viral infections is therefore an *active host*. The corresponding organisational feature to infectiousness is the process of *adoption* of an idea - the formal decision in an organisation to adopt a management concept.

Even though much of the previous research within management theory describes organisations as passive recipients of ideas (Madsen, 2011), the idea of an organisation playing a more active role may have some substance. Firstly, certain active translation and transformation of new ideas has to take place within an organisation in order for the idea be able to spread. This means that the primary recipients of a new idea often facilitate and adapt the original idea so that it can better ‘infect’ the organisation. The other observation addresses the notion of producers and consumers of the ideas being two secluded parts of a relationship. The virus theory views the role of producers and consumers as more fluid and not only one-directional. There is indication of a more mixed interaction and rather a relationship that can be described as ‘collaborative’ between the two parts. Research (Clark & Greatbatch, 2002) into publishing and development of new ideas supports the involvement of managers in the development and publishing of new ideas (Røvik, 2011). There is thus reason to reconsider the rigidity of the roles of producers and consumers. The recognition of an active host may be a concept that can better explain the relationship between the two sides in the spread of management ideas.

Further, the infection can also be viewed as direct or indirect, depending on the path of the virus into the organisation. The *direct* infection describes the infection through the managers’ or leaders’ direct contact with an idea that then continues to infect the rest of the organisation. Within this understanding, it may also be useful to distinguish between the managers seeking out the new idea and the more passive infection that occurs through more or less accidental contact. The *indirect* path describes the infection via intermediaries such as consulting agencies, business schools or other related agents. In addition, the active and passive search

for new ideas may be a useful concept to note the various ways of coming in contact with new ideas.

### **2.2.2 Immunity**

The second salient feature of a virus is immunity. This feature explains the reaction of the organism when it is exposed to a virus and the mechanisms and defence systems that may be deployed as a response. There are several ways of describing the mechanisms in biology and there are differences that are dependent on the organisms under discussion. When adopting this feature to the mechanisms that may be used in organisations when they encounter management ideas, several processes can be highlighted. These processes are connected to four distinct consequences (organisational idea-handling processes) that can be described as immunity: *non-adoption, isolation, expiration and rejection*.

Røvik identifies two levels of defence lines that operate in different stages of the adoption process of an idea: an 'outer' defence and an 'inner' defence. The outer defence explains two different mechanisms that refer to two distinguishable processes of the early adoption stage: (a) the *primary outer defence* refers to the decisions and actions that lead to non-adoption of an idea and (b) the *secondary outer defence* refers to the decisions that cause the adoption process to halt at an early stage of an adoption process.

#### **Outer defence**

*Non-adoption* of an idea can be viewed from different angles. As some organisms are immune to certain viruses, so can organisations be said to be immune to certain types of management ideas. Primary outer defence can be expressed by an innate ability or a learned reaction. From an organisational standpoint, there is no method to determine the innate immunity of organisations to specific ideas. However, Røvik (2011) refers to the study of Fiss and Zajac's from 2014 where they look at the diffusion of Shareholder Value Orientation (SVO) in 100 large German companies and find that only a handful of the companies adopted SVO. The explanation of non-adoption was that SVO being an Anglo-American inspired model did not appeal to the German companies due to both political and socio-cultural factors. A certain innate immunity could therefore be argued for. Learned, or in other words, acquired immunity can evolve through previous contact with an idea that has not worked or been rejected for any reason. Røvik refers to the acquired immunity through specificity of an

idea or a memory – an organisation may have acquired a non-adoption response to specific types of ideas or learned to react defensively for a period to certain types of ideas caused by previous experience through contact with a similar idea.

The secondary outer defence describes mechanisms that sometimes lead to *isolation* – the new idea has reached an organisation but is residing in secluded areas of an organisation without an overall contact. Popular management ideas often make the initial contact with the higher levels of an organisation. Brunsson and Winberg (1997) suggest that as leaders may focus extensively on acting as if they are aware of all types of new ideas to increase the trust in their capabilities, new ideas may overlap and a formal implementation of an idea may never occur (Røvik, 2011). Since the implementation process is usually complex and extensive, decisive action must be taken to further develop the idea within an organisation. Without a commitment from the group that has become aware of the reform idea, it is likely that the idea will become isolated. In addition, Røvik marks that a high turnover of leaders and extensive use of external consultants may increase the possibility of idea isolation as both increase the multitude of new ideas reaching an organisation without further commitment to implementing them.

Another possibility is that there is willingness from the manager(s) to implement a reform idea, but the process is delayed or postponed due to a variety of reasons. This may lead to the *expiry* of an idea – the willingness to adopt a new practice never leads to processes that can trigger further manifestation and the idea ‘dies out’ as it is forgotten in some secluded notes.

### **Inner defence**

Inner defence describes the mechanisms that may lead to the *rejection* of an idea. These processes occur when the outer defence fails. This can both refer to the action taken within different groups of the organisation to block the idea, or to the discovery of fundamental incompatibility through an attempt to implement the idea. Røvik distinguishes between two types of incompatibility arguments that emerge due to resistance within organisations: technical incompatibility and value-based incompatibility arguments. Technical incompatibility appeals to arguments that relate to the idea being too simplistic or abstract in comparison with current practices and knowledge within the organisation. Value-based arguments appeal to the incompatibility related to norms, practices and the mission of the

organisation. Røvik points out that these arguments are often camouflaged to hide one's self-interest e.g. salary, position, the value of one's competence, localization, and appeal to incompatibility arguments to avoid improper or illegitimate action.

*'Hence, rejection may be conceived of as a strong "immune reaction" triggered when reform ideas are interpreted as threatening values and experience based practices.'*  
(Røvik, 2011: 639)

### **2.2.3 Replication**

This feature has its origin in the virus' ability to bind itself to the recipient organism and use its metabolism to start reproducing itself. The corresponding behaviour in an organisation is *entrenchment*, which refers to the actions within the organisation that transform the concept into practice. This transformation is anchored in organisational structures, routines and daily activities, thereby affecting large parts of the organisation. Røvik has identified two mechanisms – regulation and education – that both resemble the replication process but have a different effect of how the management concept is entrenched within an organisation. The role of various regulators and authorities outside an organisation is a slightly more external view of the entrenchment process. There is evidence to support that the stronger the pressure from regulators to follow certain practices, the more likely it is that some changes to the organisational practices get implemented, thereby leading to the reproduction of some intended effects.

*'The stronger the authority bases of the regulators, and the higher the degree of the regulator's prescription, the more likely it is that the management concept will be entrenched and some intended effects reproduced.'* (Røvik 2011: 640)

The internal view of the replication process is the action that the organisation takes voluntarily within itself that lead to practices that are in lieu with the implementation of a new idea. Røvik specifically emphasizes the role of education and training. The greater the support to education and training or to members of the organisation, the more likely the reproduction of intended results of a novel management idea.

*'The more implementation is accompanied by concept-specific education and training of organisational members, the more likely it is that the management concepts will be entrenched and prescribed effects reproduced.'* (Røvik 2011: 640).

### **2.2.4 Incubation**

When a virus infects a host it takes some time before the symptoms start appearing. This period between the infection and symptoms is called the incubation period. The incubation

period can vary depending on factors such as the virus itself, the host and the environment. The notion of incubation can be helpful, since management ideas often linger more or less in the same manner as viruses before they are materialized. This idea-handling mechanism is referred as *maturation*, where ideas are gradually turned into practise within the organisation.

There are two mechanisms, consistency rules for discourse and practise and intensity, which are involved and affect the maturation process. The first mechanism, consistency rules for discourse and practise, point toward the decoupling of symbolic changes and actual changes. High degree of decoupling over a longer time will be detected and criticised, and will thus force the management to either drop the idea or genuinely implement it in order to close the gap. Whereas low decoupling might lead to longer incubation period due to half-hearted attempts to implement the idea. The second mechanism, intensity, refers to how much is being done e.g. meetings, trainings, budget allocation, etc. in order to promote the idea throughout the organisation and for how long these efforts are supported and last.

### **2.2.5 Mutation**

In virology the salient virus feature of mutation points to the genetic changes in the virus due to irregularities during the replication process. The new mutant virus might become tougher and even unrecognizable to the immune system and keep on living within the host without being detected. Analogously, the ideas and practises in an organisation can change when transferred and re-implemented, in other words *translated*.

Ideas are not fixed objects and the local translators of the idea have the power to alter the original idea according to their needs. The notion of idea translation highlights the importance of *regularities* of this process. Guidelines and instruction on how to transfer the idea, by whom and under which circumstances and so forth may have an impact on the translation feature. *Copying* of an idea during translation is the most common, but other outcomes, such as *subtraction* (neglecting and omitting some aspects of the idea), *adding* (building on the existing idea by incorporating local practises) and *alteration* (extensive adjustments in the original idea according to local understanding) may also take place during the translation process. In addition, *renaming* is a special type of translation, which only refers to local linguistic changes, but where the content of the idea more or less stays the

same. Renaming tricks the organisation to reduce its resistance to a new idea due to the different packaging of the idea, which dupes the organisational 'immune system'.

### **2.2.6 Dormancy**

The sixth salient feature of the virus is dormancy. Viruses are known to have periods of total inactivity while still being present in the host organism. Røvik has identified processes in an organisation's idea handling process that have similarities to the dormancy feature of the virus: *inactivation* and *reactivation*. Namely, organisations have been observed to go through phases in which certain management ideas seem to fade and disappear from an organisation whereas they may be taken in use later in time by the same management or organisation. In general, this feature aims to explain how some management ideas disappear and recur in an organisation and what may be the causes and explanations behind this phenomenon.

Røvik has briefly explained the phenomenon through two possible paths. Firstly, the existence of actors that had the initial contact with the idea is important for the reactivation of a specific idea within an organisation, as they possess certain knowledge and memories that facilitate the reintroduction. He points out that there are examples of the popularity of management tools in organisations that can be described by two-humped curves. One possible explanation to such occurrences is that the ideas lay dormant within a smaller group in an organisation and got reintroduced through the same group. There is evidence from Røvik's earlier research (*Moderne organisasjoner. Trender i organisasjonstenkingen ved tusenårsskiftet*. 1998) that the ideas get reintroduced by the same people they initially were used by, but further research on the topic needs to be made to identify a possible stronger causality.

Another attempt at explaining how the dormancy stage of a virus can relate to management ideas is inspired by the rationale that the use of different management tools in organisations depends on the larger economic picture. Røvik points out that organisations are likely to have a toolkit of different ideas that can be applied to specific problems the organisation is facing at a specific time. The inactivation and reactivation of an idea can therefore be related to the history of organisational obstacles and to the organisations previous experience with similar problems. The reintroduction of an idea can therefore depend on both the economy in general, but also the specific obstacles faced by the organisation.

All of the described virus features and the corresponding organisational idea-handling processes are summarized in the table below.

| Salient Virus Features | Corresponding Organisational Idea-Handling Processes ( mi = management idea)   |
|------------------------|--|
| <b>Infectiousness</b>  | 1. <b>Adoption</b> : The formal decision in an organisation to adopt a mi.   |
| <b>Immunity</b>        | 2. <b>Non-adoption</b> : The more or less deliberate organisational decision not to adopt a mi.<br>3. <b>Isolation</b> : A formally adopted but not implemented mi residing in units often at an organisation's top level (e.g. in some actors' memories, in documents, etc.), and decoupled from organisational practices.<br>4. <b>Expiry</b> : The gradual evaporation of a formally adopted mi, often without any formal decision to quit.<br>5. <b>Rejection</b> : The decision to stop using an adopted mi with reference to experiential learning, (e.g. unsatisfactory results, and/or incompatibility, i.e. that it has proven not to fit in with institutional norms, logics and complex practices). |
| <b>Replication</b>     | 6. <b>Entrenchment</b> : The transformation of a mi into practice (i.e. it is anchored in organisational structures, routines and daily activities) in such a way that certain intended effects are reproduced.  |
| <b>Incubation</b>      | 7. <b>Maturation</b> : When a mi lingers in an organisation, often for a long time, before materializing, leading to a gradual, slow-phased transformation of the idea into practice.  |
| <b>Mutation</b>        | 8. <b>Translation</b> : The more or less deliberate transformation of practices and ideas that take place when they are transferred and attempts are made to implement them.   |
| <b>Dormancy</b>        | 9. <b>Inactivation</b> : Organisational activities related to an adopted mi either decrease or are discontinued.<br>10. <b>Reactivation</b> : An adopted but dormant mi is 'turned on' again and organisational activities connected to the idea increase.   |

TABLE 1. SUMMARY OF THE SALIENT VIRUS FEATURES AND CORRESPONDING IDEA-HANDLING PROCESSES. (RØVIK 2011: 646).

### 2.2.7 Interrelations of idea-handling processes

In addition to explaining the plausibility of applying the features of viruses to idea-handling processes in organisations, Røvik (2011) discusses their interrelatedness. This refers to the fact that the framework does not offer a specific suggestion on how the different idea-handling processes relate to one another or function together. However, he offers three types of relations: succession, tangling and competition. Succession refers to the possibility that one idea-handling process can lead to another one, thus following each other consecutively.

Tangling means that some idea-handling processes may be running parallel and can therefore hardly be distinguished and viewed in isolation. Competition refers to the possibility of idea-handling processes mutually excluding one another and thereby competing.

There is very little research into the interrelations of viruses. This can be traced back to the limited research into virus theory in general. To the best of our knowledge, current research is limited to Quist and Hellström (2012), Madsen and Slåtten (2015), Hyndman and Lapsley (2016), and Johanson and Madsen (2018). One of the papers that discusses the interrelation is the work by Quist & Hellström (2012). They view the relations based on the hypotheses in their research but do not offer further insight into how the features connect to one another. They support the view proposed by Røvik that the relation between entrenchment and translation processes would be an area where further research should be directed (Quist & Hellström, 2012).

The novelty of the virus theory offers different avenues for future research. To further understand the interrelatedness of the different parts of the theory, comparative studies or specific case studies are needed. These could then be used to describe the trajectories of idea evolution within organisations. It would then be possible to propose a more refined theory on the interrelations of the virus features. Propositions for auxiliary research are presented in the last chapter of this paper.

### **2.3 Strengths and shortcomings of the virus framework**

The virus theory by Røvik (2011) has its strengths in drawing attention to the possibility that organisations play a more active role in the process of being infected with management ideas. Furthermore, the theory offers a better framework for explaining trajectories of ideas that do not have one peak, but return time after time in waves - thereby exemplifying the dormant and active periods of ideas. It can also be said to have its strength in explaining the different types of same management ideas by pointing to the various ways in which an idea can be translated inside an organisation. In addition, the claim that ideas only have a superficial effect on the organisations is challenged by offering idea-handling processes, such as the period of maturation, translation and the different stages of dormancy. Another benefit of the virus framework is the suitability of applying it on an inter-organisational and intra-organisational level as discussed by Johanson and Madsen (2018). They draw attention to the

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possibility of applying the framework on different levels that need to be researched further due to little focus on this in previous work. Another way to interpret this is by viewing the ideas from a macro-level (fashion theory) and micro-level (virus theory) to offer a clearer interpretation of the diffusion of management ideas.

On the other hand, there are some possible weaknesses in the virus theory. As described earlier, one of the distinguishable ideas of the virus theory is the existence of an active host. Even though this idea offers an alternative explanation to the management fashion theory, the idea of infectiousness can fall short without enough emphasis on the supply side - the carriers of the virus itself (Madsen & Slåtten, 2015). In response to this, they suggest that the existence of these strengths and weaknesses could be a reason to combine the two frameworks to offer a more holistic understanding of management ideas in their meeting with organisations. Madsen and Slåtten (2015) express it in the following way:

*'The fashion perspective is particularly well suited for explaining the infectiousness of the BSC and the ways in which organisations are exposed to the BSC idea. The virus theory can better explain how the BSC idea is implemented as a practice in organisations, and the different trajectories that the BSC idea may take in different contexts.'* (p. 90).

Another possible challenge is related to the actual description of an active host. More specifically, the original theory leaves room for interpreting the host as both a manager, an organisation and even a nation. This poses a challenge especially when taking the micro-level view of the organisation where it can be useful to view each part of the organisation separately. In this paper, we have chosen to rely on Røvik's further description of the infectiousness where the direct and indirect contact are discussed. From the definition of the direct contact *'the infection through the managers or leaders direct contact with an idea that then continues to infect the rest of the organisation'* (Røvik, 2011) one can infer that the host organism is the organisation, not the single parts of it. In this paper, we have therefore decided to define the host organism as an organisation while the employees of the organisations are carriers of the infection.

Another weakness is the background for the theory. The fact that it is derived from biology can make it questionable to apply it in the context of business management. Even though Røvik has uncovered several aspects that can contribute to a richer understanding of management ideas, the application of the theory as a whole can be somewhat forced as the

initial use of the theory has its origins in a very different field. In close relation to this, another difficulty of the theory is the negative associations that relate to viruses. These associations make it challenging to introduce the theory in a larger scale as a prevalent method of analysing management ideas. Also, the virus theory does not discuss the effects of organisations introducing management ideas. Røvik (2011) states that this falls outside the scope of his research.

## **2.4 Summary**

In this part of the paper, we have introduced the core elements of the management fashion theory and included an overview of its shortcomings as an approach for analysing the diffusion of management ideas. We have introduced the virus theory by Røvik as an alternative approach to better understand the diffusion of management ideas within organisations.

We propose the virus theory as a suitable candidate to cover some of the shortcomings of the now prevalent frameworks, such as the management fashion theory and its too deterministic approach. As discussed, both the virus and fashion theory have their strengths and shortcomings. In addition, they offer different support to the role supply and demand side play in the diffusion and evolution of management ideas. Furthermore, the theories can be applied on the different levels of analysis. All of those aspects are discussed in chapters 5, 6 and 7 of this paper. This paper will use the virus theory as its main approach in the analysis.

## 3. Literature review of the diffusion and evolution of Balanced Scorecard

This part of the paper will introduce the theoretical framework for Balanced Scorecard. This is the management idea we have chosen to use as a medium for showing the applicability of the virus theory in analysing management ideas. Chapter 3.1 will offer a brief overview of the history and use of BSC. Chapter 3.2 will explain the central elements of BSC as proposed by Kaplan and Norton and introduce how it is used in organisation. We will then proceed by giving an overview of the further adaptations to the original concept in chapter 3.3 before offering a review of the categorizations of BSC practices in chapter 3.4. Lastly, chapter 3.5 will offer a research review of BSC diffusion in Norway.

### 3.1 Introduction

During the late 1980s many scholars and practitioners criticized the traditional performance measurement systems, which only focused on financial measures (Hoque, 2014). It was argued that extensive focus on financial measures resulted in undesired outcomes. Managers tended to focus on short-term financial goals in the expense of long-term success. As a result, scholars<sup>1</sup> advocated for the idea of having non-financial performance measures in addition to traditional financial performance measures (Hoque, 2014). In the wake of these debates, Kaplan and Norton published their first article on BSC in 1992. BSC was developed based on their yearlong research with 12 companies (Kaplan & Norton, 1992). According to Kaplan and Norton BSC is *'a set of measures that gives top managers a fast but comprehensive view of the business'* (Kaplan and Norton, 1992: 71).

BSC has been extremely popular as a management tool since its first introduction in 1992. Harvard Business Review voted BSC as one of the most influential management concepts in the last 75 years (Madsen & Stenheim, 2014). Moreover, according to Bain and Company's report *Management Tools and Trends Survey* from 2015, BSC was the sixth most used management tool globally (Bilodeau & Rigby, 2015). The most recent report places BSC on the 14th place in terms of global use (Bilodeau & Rigby, 2018) This shows that BSC has over

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<sup>1</sup> Merchant, 1985; Berliner & Brimson, 1988; Johnson, 1988; Bromwich & Bhimani, 1989; McNair, Lynch & Cross, 1990; Lynch & Cross, 1991

the last 25 years established itself as one of the most prominent management tools of our time and continues to be popular on the global scale.

One of the main benefits of BSC is that it brings together many diverse measures in one management report card (Kaplan & Norton, 1992). Moreover, BSC focuses on the most critical measures, and the interlinks between them e.g. better service comes at a higher cost. In addition, BSC has evolved over time from a performance management tool to an integrated strategic management tool.

## **3.2 The structure of Balanced Scorecard**

In this section, we will first introduce the four perspectives of the original framework, followed by the evolution of BSC based on the work of Kaplan and Norton. We will also look at the different categorizations of BSC practices.

Kaplan and Norton have not provided a clear definition of BSC, instead they focus on how BSC can be implemented in organisations and on other practical aspects (Lawrie & Cobbold, 2004). One of the cornerstones of BSC is the approach on business from four different perspectives.

BSC aims to provide answers to the following questions:

- ◆ How do we appear to shareholders? (financial perspective)
- ◆ How do customers see us? (customer perspective)
- ◆ What must we excel at? (internal business process)
- ◆ Can we continue to improve and create value? (learning and growth)

### **3.2.1 The four perspectives**

In the original framework, Kaplan and Norton suggested that the four perspectives should be interconnected, and affect each other. For instance, low manufacturing errors (internal process) leads to better product quality, which in turn lead to higher customer satisfaction (customer perspective). The description of the four perspectives relies on Kaplan and Norton's article from 1992.

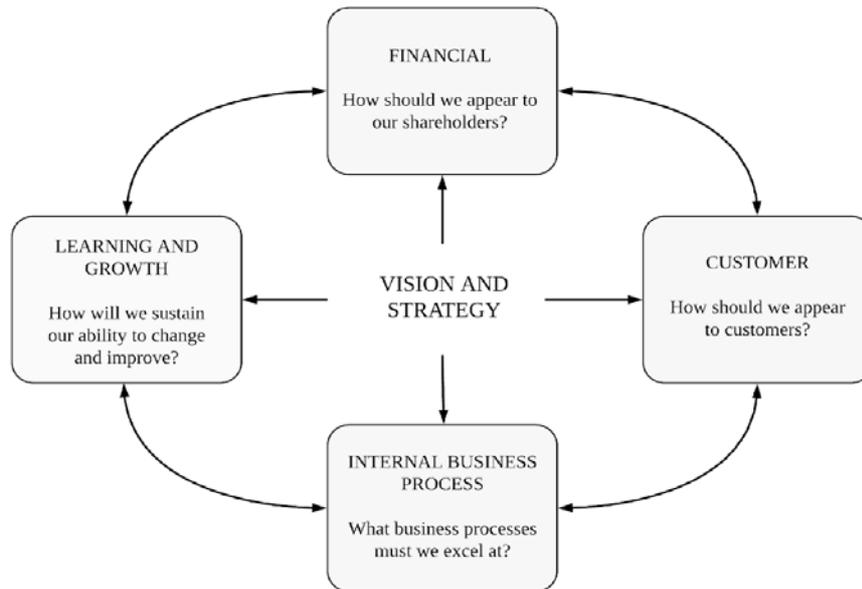


FIGURE 1. THE FOUR PERSPECTIVES OF BALANCED SCORECARD (ADAPTED FROM KAPLAN & NORTON, 1992).

### Financial perspective

The most typical criticism of financial measures is the backward-focus based on historical data, which does not predict contemporary or future value. The link between improved operational performance and improved financial measure is obscure and uncertain, because improved operational performances are not always capitalized. Therefore, well-crafted financial measures are necessary to keep track of whether the strategy and improvement are profitable or not. In this way, the financial perspective turns the focus on the current strategy and determines if it is working or not.

### Customer perspective

BSC helps the managers translate their mission statement into measurable metrics that reflect the factors that matter the most for customers. Customers are usually interested in time, quality, service and cost. According to Husby and Løvlie (1998) 70% of customers leave a company due to the way they are treated, and only 15% leave a company because of the product. This shows the importance of the customer satisfaction within this perspective, while it must also be seen in relation to customer loyalty over time and customer profitability.

Relevant metrics in this perspective can for instance be lead-time for the time aspect, on-time delivery and defect-free products regarding quality, and assurance that products and services are adding value for customers. Lastly, in terms of cost, in addition to price, there are other

components such as ordering, handling and storing costs, which are also relevant. A company can therefore charge a higher price, but the overall cost has to be lower for the customer than the next best alternative. Benchmarking, external interviews with customers, and best practises from competitors and other industries are some of the techniques that can be used for improving the customer perspective.

### **Internal business process**

This perspective focuses on improving internal processes, decisions and actions so that these have the greatest impact on customer satisfaction and value-proposition. Examples of these are through factors affecting cycle time, quality, employee skills and productivity. This is achieved by bridging the gap between company's core competencies and technology, and processes and competencies it needs to excel at.

### **Learning and growth**

The criteria for success are ever changing and companies constantly need to improve themselves in order to stay competitive. The learning and growth perspective refers to intangible assets such as human, information and organisational capital, which are needed for continuous improvement on existing products, developing new products or providing higher customer value. The improvement aspect is not limited to the products, but related to internal processes and customers. Therefore, the ability to innovate and improve is also linked to a company's value i.e. financial perspective.

Using the four perspectives will enable the organisation to focus on the overall strategy and vision. It will build the foundation for formulating the Critical Success Factors (CSF). These particular areas are important for the success and critical in accomplishing the goals of the organisation. After having defined the CSFs, one must monitor the progress with a set of Key Performance Indicators (KPI) collected in scorecards. These are designed to measure the success of the different aspects of the organisation and used to indicate whether the plan for the organisation is being executed or not (Kaplan & Norton, 1992). In other words, CSFs denote what is required for success while KPIs are the effects of one's action.

In several of their papers, Kaplan and Norton compare the scorecards to the dashboard in a plane:

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*'Pilots process information from a large set of indicators to operate their airplanes. Managers are like pilots.'* (Kaplan & Norton, 1996: 55).

The metaphor of a dashboard becomes particularly visible when the KPIs are connected to targets and the progress towards achieving the targets is indicated with red, yellow and green colours.

### **3.3 Evolution of Balanced Scorecard**

Kaplan and Norton continued to develop and advocate for the original BSC concept by publishing various articles and books over two decades (Hoque, 2014). The two most notable developments of the BSC concept are regarding the *cause-and-effect relationships* between the perspectives and *strategy maps*.

#### **3.3.1 Cause-and-effect relationships**

Kaplan and Norton defined a strategy as a *'set of hypotheses about cause and effect'* (Kaplan & Norton, 1996). It is stressed that the relationships between the measures in various perspectives are clear and understandable so that they can be followed up and verified. In addition, the chain of cause-and-effect should include all the perspectives, otherwise efforts at 'lower-level' perspectives would not result in changes at the 'higher-level' perspectives. This arrangement of the perspectives contradicts with the original framework where all the perspectives were interconnected (see Figure 2).

The chain of cause-and-effect relationships is set in the following order: (1) Learning and growth → (2) Internal process → (3) Customer perspective → (4) Financial perspective. Learning and growth measures will affect the internal business processes, which will consequently affect the customer perspective, which will finally affect the financial measures. However, as the diagram shows (Figure 2), the arrows go both ways indicating a two-way interaction. There is a top-down approach for mapping the hypothesis of the relationships, e.g. high ROCE is the goal, and we believe that customer loyalty will have a strong influence on ROCE.

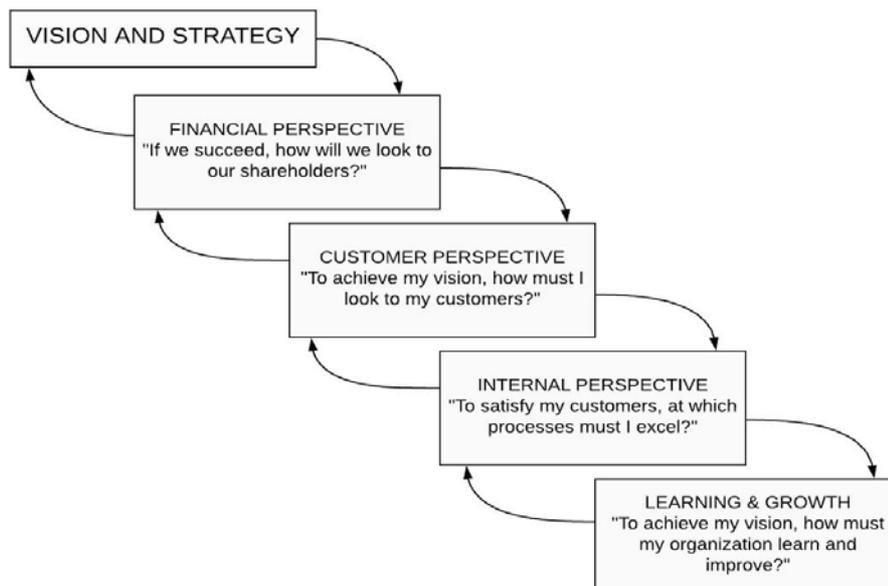


FIGURE 2. THE CAUSE-AND-EFFECT CHAIN OF BALANCED SCORECARD (ADAPTED FROM KAPLAN & NORTON, 2001B).

### 3.3.2 Strategy maps

Strategy map is a diagram that combines strategic objectives within the four perspectives and the cause-and-effect relationship between them (See Figure 3). Strategy map clearly displays the cause-and-effect chain from how intangible and tangible assets are mobilized and transformed into tangible outcomes such as customer and financial outcomes (Kaplan & Norton, 2001b). The financial perspective describes tangible financial outcomes e.g. ROI, ROCE, and the customer perspective specifies the customer-value proposition i.e. what the customer values. Whereas, the internal process perspective identifies the processes with the largest impact on the strategy, and the learning and growth perspective specifies the critical intangible assets e.g. human, information and organisational capital and makes sure it is aligned with the internal processes (Kaplan & Norton, 2004).

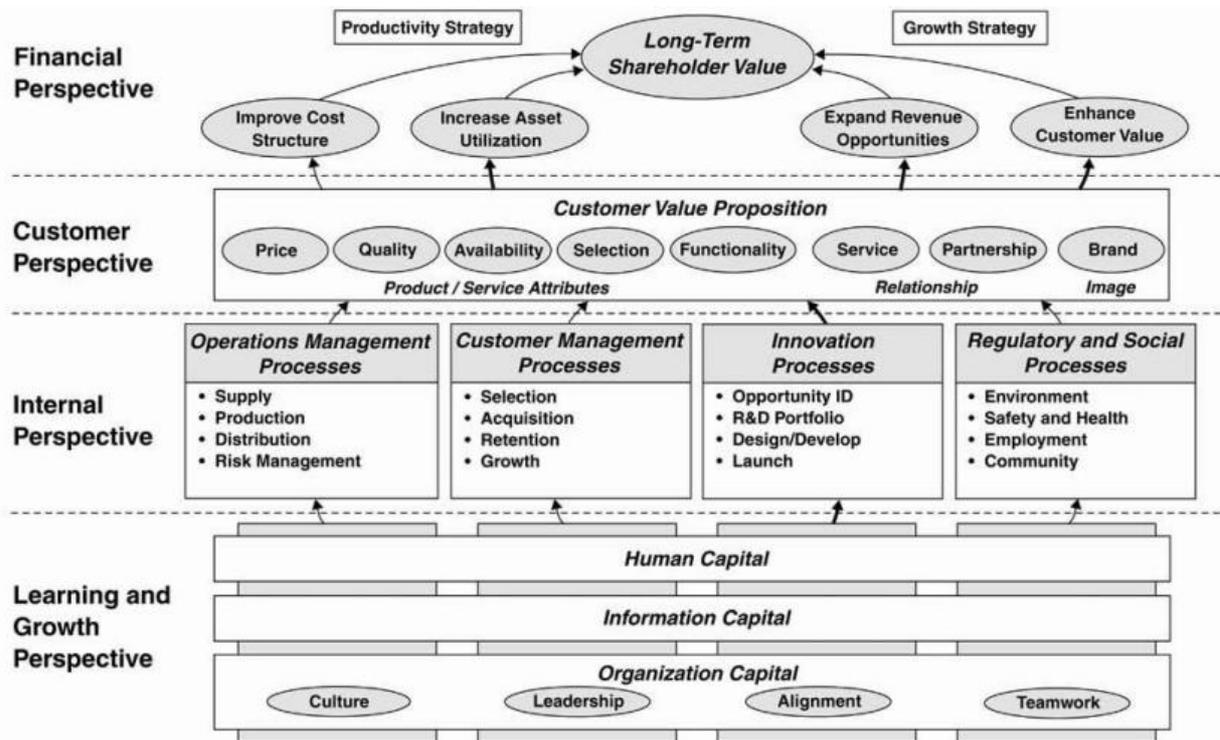


FIGURE 3. THE DIAGRAM OF A STRATEGY MAP (KAPLAN & NORTON, 2004).

The main benefit of a well-defined strategy map is that the organisation can easily communicate the strategy through a visual diagram to every employee, and thereby give an understanding of what role the employees have and where they fit within the organisation. Executives have described the process of creating a strategy map as *'the best understanding of strategy we have ever had.'* (Kaplan & Norton, 2001a: 72). In addition to understanding the strategy, strategy maps are a good tool for efficiently and effectively implementing the strategy and enabling the management to follow up and monitor the progress.

### 3.3.3 The principles of a strategy-focused organisation

In 2001, Kaplan and Norton published five key principles that were common in the companies that had experienced success by using BSC in their strategic processes. These principles can be helpful in analysing the organisations' compatibility with the framework and evaluating the process quality towards a strategy-focused organisation. The principles described below are based on Kaplan and Norton article (2001c) on transforming the BSC from a performance measurement tool to a strategic management tool.

1. Translate the strategy to operational terms. The underlying rationale is that a strategy will not be executed if it is not properly understood. It is therefore essential to create

an understanding for the strategy which is done by using strategy maps that depict the overall strategy and the related chain of cause-and-effect relationships which translate intangible assets into tangible outcomes.

2. Align the organisation to the strategy. The idea is to make the organisation perform better by integrating processes and strategies of different parts in the organisation. Instead of focusing on traditional functions e.g. finance, marketing, manufacturing and sales, in separate silos, the various functions have to reflect the overall strategy by being consistent in strategic priorities across all organisational functions and units.
3. Make the strategy everyone's job. In practise, it is not the top management but rather the employees who implement the strategy. It is crucial that employees understand the strategy holistically, and not only the parts of strategy that are relevant for them, in order to make the strategies successful. In addition to educating and holistically communicating the strategy, companies need to develop departments, teams and personal objectives in light of the overarching strategy. This process creates awareness which leads to departments and individuals to identifying new ways of doing things and even to explore improvements outside of their responsibility areas. Lastly, these objectives and targets should be incentivized by creating reward systems. However, this should only be done when the company has sensible and not easily manipulated measures which are collected reliably.
4. Make strategy a continual process. Company strategy is usually reviewed annually, whereas budgets are reviewed monthly. This principle links strategy and budgeting in order to make the strategy a continuous process. Firstly, investments should be evaluated in the light of the overall strategy. If they do not support the strategic goals, they should not be implemented. Secondly, the strategy should be reviewed periodically through regular management meetings among a broad spectrum of managers. Lastly, a continuous process of testing and adapting the strategy is needed. The underlying cause-and-effect assumptions should be tested and new possibilities that are not included in the strategy map should be sought for.
5. Mobilize leadership for change. The first four principles focus on processes and tools, but these are not enough for successful strategy-focused organisations. Support,

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ownership and active participation from the top management is required. They should act as frontrunners who are positive and energetic for processes and create the necessary momentum within the organisation. When the processes have started the initial roles of frontrunners change and refocus on governance, which requires guiding and monitoring of the transition processes.

### **3.4 Categorization of Balanced Scorecard practices**

Kaplan and Norton emphasize that BSC as a concept can be adjusted according to the needs of the implementers and adopters. This space for interpretation has led to various practices of BSC (Madsen & Stenheim, 2014). Regardless of definition and the original concept, there are certain attributes and characteristics that are consistent and recurring in Kaplan and Norton's work (Lawrie & Cobbold, 2004). Researchers have used this to classify BSC in different typologies, where the classification of Speckbacher et. al (2003) is the most influential and well-known (Madsen & Stenheim, 2014).

Speckbacher et. al (2003) classified three types of BSC. These types coincide with the evolution of BSC from primarily being a performance measurement tool to an integrated strategic management system. Type I is related to the original concept of BSC being a performance management tool, which measures both financial and non-financial measures. Type II refers to a multidimensional performance measurement BSC (type I), but also incorporates strategy with cause-and-effect relationships that logically link tangible and intangible assets to customer and financial outcomes. Type III BSC is based on Type II, but includes implementation of strategy by defining objectives, communication, action plans and incentives.

The table below gives an overview of the typologies and compares five different typology classifications by different researchers (Madsen & Stenheim, 2014). The main difference in the classifications lies in how they interpret the level of advancement of BSC. This is mostly derived from the interrelatedness between the different perspectives, but also from the connection with the overall strategy of the organisation. In this study, we will rely on the Speckbacher et. al. (2003) classification for determining the typology of BSC in use.

| Speckbacher et al. (2003) | Lawrie & Cobbold (2004) | Brudan (2005) | Soderberg et al. (2011) | Perkins et al. (2014) |
|---------------------------|-------------------------|---------------|-------------------------|-----------------------|
| Type I                    | 1st Generation          | Reporting     | Level 1                 | 1.0 (4 versions)      |
| Type II                   | 2nd Generation          | Functional    | Level 2 (a + b)         | 2.0 (2 versions)      |
| Type III                  | 3rd Generation          | Control       | Level 3                 | 3.0 (2 versions)      |
|                           |                         | Alignment     | Level 4 (a + b)         |                       |
|                           |                         | Complete      | Level 5                 |                       |

TABLE 2. OVERVIEW OF THE TYPOLOGIES OF BALANCED SCORECARD CLASSIFICATION. TABLE TRANSLATED FROM MADSEN & STENHEIM, 2014.

### 3.5 Research review of the diffusion of Balanced Scorecard in Norway

This section aims to review the previous research into the diffusion of Balanced Scorecard as a management tool in Norway. The focus is on understanding the spread of BSC as a concept as seen from the demand side, with a short overview of the spread in the supply side. Most of the research has been a part of master theses and not exclusively on Balanced Scorecards, but on management tools in general. Thus, the research is not directly comparable, but gives a general overview of the spread of the concept in Norway. This chapter has two main parts: the research into BSC in Norway in general, and the research related to the financial sector in Norway. The goal is to create a context for the research paper by giving a general overview of BSC in Norway before focusing specifically on the financial sector. Both parts are first discussed by reviewing the main results from the research, which are then summarized in a table.

#### 3.5.1 Supply side

Madsen notes (2011) two important moments that define the popularity of BSC in Norway. First, in 1996 the first media article dealing with the BSC was published in the business periodical *Praktisk Økonomi & Ledelse* and second, the professional association of MBA graduates, NSF (now Econa), organized its first seminar dealing with BSC issues. From then on, the seminar and publishing activity increased. In addition, the interview data (2004) suggest that there may have been some activity in Norway even before 1996 through management conferences in Sweden in 1994 and 1995. Nevertheless, there is little to suggest that the supply side activity in Norway was organized in the mid-1990s.

The fact that the diffusion of BSC in Norway is closely related to the other Scandinavian countries is supported by some of the most cited research within the field that looks at BSC in the Swedish context (Bjørnenak & Ax, 2005) and under a bigger umbrella of management concepts in Scandinavia (Kald & Nilsson, 2000). Ax and Bjørnenak (2005) find that the supply side in Sweden engages in practices that create the 'Swedish BSC package' in order to transform the concept into a form that can more easily be diffused in Sweden. They identified three characteristics that customize the concept to the Swedish market: a focus on non-budget management, increased focus on the human capital perspective and the focus on the importance of intellectual capital. Their work, which largely supports the management fashion theory, has thus been used as a more general description of the BSC framework in the Scandinavian market.

The research by Kald and Nilsson (2000), on the other hand, gives insight into the spread of management concepts in the Scandinavian countries. They found that BSC had been rather widely adopted (27% of business units in research) and expected 61% of the organisations to have adopted the concept two years later. They attributed the relatively high adoption rate to the attention on BSC on management conferences and periodicals, but noted that many managers might be tempted to classify their management model under BSC when including some non-financial practices, but not complying with the actual framework by Kaplan and Norton.

### **3.5.2 Demand side**

The earliest data collected on the diffusion of BSC in Norway from the demand side in particular, is from a research conducted by Stemsrudhagen (2003). This working paper indicates that the respondents had only limited knowledge about BSC even though it was shown that reporting non-financial information together with financial information was very widespread. More specifically, 91% of the companies reported non-financial information and more than half of the companies reported both financial and non-financial information. His research focused on TQM and had a limited input to the research on BSC, but the results on the spread of BSC as a management tool are interesting to note. As Stemsrudhagen concludes in his thesis, the apparent mismatch between the knowledge and usage of BSC is a sign that the bearing ideas of BSC had been practiced before the methods were put into more specific frameworks. Furthermore, the distinction between using BSC as a management tool and

merely reporting information that is included in BSC can apparently be two closely related but different things and therefore difficult to analyse.

Olsen (1999) focuses on manufacturing companies and tries to answer the research question: how diffused is BSC in large Norwegian manufacturing firms. Olsen finds that 81% (67 out of 83) of all the respondents have knowledge about the BSC and about 30% of respondents are using BSC. Due to a large percentage of all companies having knowledge of BSC, it was expected that several companies would be adopting it in the near future.

In 2003, Kjøde conducted a survey among the large companies in Norway to understand the reasons for adoption and results of using management tools, such as BSC and ABC. Almost all of the respondents (96%) claimed to have knowledge of the BSC concept and 64% claimed to already have implemented BSC in their organisation or were planning on doing that in the future. In addition, his research indicated a correlation between the turnover and the number of employees in the company to the probability that BSC is adopted in the company. His research unveiled that the first company implemented BSC already in 1994. He also points out that the reason behind the popularity of BSC in comparison to ABC could be attributed to the vagueness of the definition of BSC. As Stemsrudhagen (1996) mentioned, many companies had started reporting non-financial information together with financial information – one of the fundamental ideas of BSC – that makes it difficult to distinguish between the use of BSC and the general management practices.

Other research into companies within different sectors includes research by Eriksrud & McKeown (2010) who looked into Beyond Budgeting and the use of other management tools in relation to Beyond Budgeting. The survey included companies from different industries of different sizes and focused on budgeting tools in general. The question that looks into the usage of innovative management tools determines that almost 27% of respondents are using BSC to a great degree whereas 33% are not using BSC at all.

More quantitative research has focused on the use of BSC in companies of different sizes. Oliveresen (2014) received 534 answers from large and medium-sized companies out of which 145 were valid to be used in the research. He compared the experience of adopting BSC as a holistic management system between public and private sector companies, but gives no deeper insight into the spread of BSC as a concept in Norway. Pedersen and Bødtger (2014)

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focused on small and medium-sized companies and received 984 answers that were suitable for further analysis. Their goal was mainly to understand how diffused the concept of BSC is, but also to understand the suitability of the concept for smaller companies. 40% of the respondents were familiar with the concept, but only 6.7% out of 12778 companies were using the concept.

Most recent surveys have researched the implementation and the types of BSC used in the largest 250 companies in Norway (Alsaker & Andersen, 2015), the spread of BSC in companies of all sizes (Ahmad & Zimmermann, 2015) and the spread of BSC in non-profit organisations (Guryeva & Sathasivam, 2016). A recent thesis (Østby, 2016) investigated the use of BSC in The Norwegian Armed Forces through three theoretical frameworks to understand the suitability of this management tool in an organisation that does not focus on financial goals. Fagerheim and Olsen Johannesen (2017) researched the use of BSC in the police force in Norway by sending a survey to the administrative managers in 27 police districts and 5 special units.

Alsaker and Andersen (2015) focus on how the companies have implemented the concept with further emphasis on the types of BSC (see Table 2) and the extent in which the concept is used strategically. Out of 90 respondents, 90% acknowledged being familiar with the concept. Out of those, 41% claimed to use it as a management tool, whereas further research revealed that only 33% were actually using a concept that could be qualified as BSC. Ahmad and Zimmermann (2015) reached out to 16315 companies and received 754 answers. Their survey showed that 20% of the companies who answered the questionnaire were using BSC.

A subcategory of industries researched in Norway is the energy sector. Kristoffersen (2012) focused on the spread of the concept in the larger companies in the energy sector whereas Rydland (2014) focused on smaller companies in the energy sector. Another subcategory of research has looked at the use of BSC in the municipalities in Norway. Azizi and Rushiti (2014) and Daleq and Hobbøl (2014) sent out surveys to over 400 municipalities, whereas Møller-Pedersen and Thorud (2014) concentrated on 12 municipalities. A very recent paper by Oppedal and Mellingsen (2017) looks into the use of BSC in Bergen municipality. Askim (2004) has researched BSC in Larvik municipality and Steen and Olsen (2007) have written about Lenvik municipality.

The third industry that has been researched in the Norwegian context is the financial sector. Ten papers represented in the table below will be focused on later in the paper to offer an overview of the diffusion of BSC in the financial sector.

| Year | Author(s)                | Method                | Focus   | Reach                |
|------|--------------------------|-----------------------|---|----------------------|
| 1996 | Stemsrudhagen            | Research              | Large companies in Norway [TQM, MAI]                        | *                    |
| 1999 | Olsen                    | Survey                | Manufacturing companies in Norway [BSC]                     | 83                   |
| 1999 | Aksnes, Skeie & Skjelvan | Interviews            | Financial sector in Norway [BSC, ABC, Rolling forecasts]    | *                    |
| 2000 | Kald & Nilsson           | Survey                | 200 business units in 4 Scandinavian countries [PM tools]   | 236 out of 800       |
| 2003 | Kjøde                    | Survey                | Large manufacturing companies in Norway [ABC, BSC]          | 57% out of 132       |
| 2004 | Askim                    | Interviews            | Larvik municipality   | *                    |
| 2004 | Knutsen                  | Interviews            | Sparebanken Vest [BSC]                                      | *                    |
| 2004 | Gjelsvik                 | Interviews            | Sparebank 1 SR-Bank [BSC]                                   | *                    |
| 2006 | Kalland                  | Interviews            | Oslo Prison and Sparebanken Vest [BSC]                      | *                    |
| 2007 | Nilsen                   | Interviews            | Sparebank 1 Nord-Norge [BSC]                                | *                    |
| 2007 | Steen & Olsen            | Survey and interviews | Lenvik municipality [BSC]                                   | 6 interviews         |
| 2009 | Hjelvik                  | Interviews            | Sparebank 1 Group [BSC, BB]                                 | *                    |
| 2010 | Eriksrud & McKeown       | Survey                | Norwegian companies from all industries and sizes [BB, MAI] | 109 (139) out of 216 |
| 2010 | Torgals                  | Survey                | Norwegian banks [BSC]                                       | 33 out of 127        |

|             |                          |                         |  |                        |
|-------------|--------------------------|-------------------------|--|------------------------|
| <b>2010</b> | Alværen & Hystad         | Interviews              | Sparebanken Sogn og Fjordane [BSC]               | *                      |
| <b>2011</b> | Madsen                   | Interviews              | Scandinavian countries [BSC]                     | *                      |
| <b>2012</b> | Kristoffersen            | Survey                  | Energy sector (turnover over 100 mill NOK) [BSC] | 30                     |
| <b>2012</b> | Fiskvik                  | Interviews              | Sparebanken i Hedmark [BSC]                      | *                      |
| <b>2013</b> | Olsen                    | Interviews              | Sparebank 1 Nord-Norge [BSC]                     | *                      |
| <b>2014</b> | Oliversen                | Survey                  | Large and medium-sized companies in Norway [BSC] | 145 (534) out of 5268  |
| <b>2014</b> | Pedersen & Bødtger       | Survey                  | Small and medium-sized companies in Norway [BSC] | 984 out of 12778       |
| <b>2014</b> | Azizi & Rushiti          | Survey and interviews   | Municipalities in Norway [BSC]                   | 111 out of 428         |
| <b>2014</b> | Møller-Pedersen & Thorud | Survey and interviews   | Municipalities in Norway [BSC]                   | 12                     |
| <b>2014</b> | Daleq & Hobbel           | Survey                  | Municipalities in Norway [BSC]                   | 271 out of 413         |
| <b>2014</b> | Rydland                  | Survey                  | Small companies in the energy sector [BSC]       | 31                     |
| <b>2015</b> | Alsaker & Andersen       | Survey                  | Large companies in Norway [BSC]                  | 90 out of 250          |
| <b>2015</b> | Ahmad & Zimmermann       | Survey + interview      | Norwegian companies of all sizes [BSC]           | 172 (754) out of 16315 |
| <b>2016</b> | Guryeva & Sathasivam     | Research and interviews | Voluntary organisations [BSC]                    | 301 + 4 interviews     |
| <b>2016</b> | Østby                    | In depth interviews     | Norwegian Armed Forces [BSC]                     | *                      |
| <b>2017</b> | Oppedal & Mellingen      | In-depth interviews     | Bergen Municipality                              | 17 interviews          |

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|      |                                 |        |                        |              |
|------|---------------------------------|--------|------------------------|--------------|
| 2017 | Fagerheim & Olsen<br>Johannesen | Survey | Norwegian Police force | 33 out of 61 |
|------|---------------------------------|--------|------------------------|--------------|

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TABLE 3. OVERVIEW OF RESEARCH INTO THE DIFFUSION OF BALANCED SCORECARD IN NORWAY.

### 3.5.3 Research in the diffusion of Balanced Scorecard in the financial sector in Norway

We have found 10 research papers that look at the use of BSC in the financial sector in Norway. Most of them focus on specific cases, with the exception of three papers that take a more general approach. The first is an MBA study by Aksnes (1999) that takes a broader approach to management tools in the financial sector. They set out to understand the factors influencing the diffusion of certain management concepts - Balanced Scorecard, Activity Based Costing and Rolling Forecasts - in the financial sector in Norway. The second paper is a comparative case analysis by Hjelvik (2009) which takes an even broader approach and compares companies in different industries, wherein Sparebank 1 Group and Fokus Bank are represented from the financial sector. This work takes two approaches: understanding the importance and effect of external factors and motivation on the choice of management tools, and understanding the factors that could explain the success or challenges related to the chosen management tools. The two management tools investigated are Beyond Budgeting and Balanced Scorecard. The third paper by Torgals (2010) looks at 33 Norwegian banks and has a quantitative approach that analyses the extent to which the implemented practice is aligned with the theoretical framework of BSC from Kaplan and Norton. He finds that the banks follow the formal framework largely and that local adaptations can contribute to higher satisfaction and better implementation of the framework.

Other research papers take a more concentrated approach and focus on specific cases. Most of these papers research banks that are or have been a part of the Sparebank 1 Alliance<sup>2</sup>. This may have its origin in the fact that one of the first organisations to implement BSC in Norway was one of the banks in the alliance: Sparebank 1 SR-Bank (Gjelsvik, 2004). He uses this particular bank as a case in analysing BSC as an innovation and explaining the importance of structural and strategic elements that can shed light on the difficulties and successes related to

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<sup>2</sup> Sparebank 1 is currently an alliance between 14 banks (Sparebank 1 BV, Sparebank 1 Gudbrandsdal, Sparebank 1 Hallingdal Valdres, Sparebank 1 Lom og Skjåk, Sparebank 1 Modum, Sparebank 1 Nord-Norge, Sparebank 1 Nordvest, Sparebank 1 Ringerike Hadeland, Sparebank 1 SMN, Sparebank 1 SR-Bank, Sparebank 1 Søre Sunnmøre, Sparebank 1 Telemark, Sparebank 1 Østfold Akershus, Sparebank 1 Østlandet). Sparebank 1 Gruppen AS has the administrative responsibility for the collaboration in the Sparebank 1 alliance (SpareBank 1, n.d.)

the implementation of BSC. SR-Bank was one of the pioneers in implementing BSC thanks to the fact that the CFO had come in contact with the new management tool at a workshop with Kaplan and Norton in 1996 (Gjelsvik, 2004). It took one more year to convince the CEO to start working on implementing the concept. The research by Gjelsvik gives interesting insight into one of the early adopters of BSC in Norway.

Knutsen (2004) and Kalland (2006) study BSC in Sparebanken Vest. Sparebanken Vest was a part of the Sparebank 1 Alliance until 31.12.2003 (Knutsen, 2004). Knutsen focuses on the employee perspective and uses interviews to determine the individual's contribution to making strategy everybody's daily work through the adoption of BSC. The paper by Kalland (2006) uses Oslo Prison and Sparebanken Vest as two cases to explain the forming of scorecards and the perceived effects of BSC in these organisations.

Two papers use Sparebank 1 Nord-Norge as a case. Nilsen (2007) concentrates on the translation of micro-processes and explains the extent of entrenchment of BSC in Sparebank 1 Nord-Norge, whereas Olsen (2013) takes a very different approach and analyses the stages of maturation of BSC in this bank. She uses a framework by Leth and Melander to analyse the maturity stages of BSC and understand whether BSC has become more connected to the banks strategy. Fiskvik (2011) uses Sparebanken in Hedmark as a case to understand the function of BSC in the banking sector on a more general basis. The only bank that has been researched and has not been a part of the Sparebank 1 Alliance is Sparebanken Sogn og Fjordane. Alværen and Hystad (2010) research the effects of BSC in this bank through in depth interviews with focus on communication and the employees understanding of the concept.

| Year | Author(s) | Focus   | Type | Research question(s)  |
|------|-----------|---|------|---|
| 1999 | Aksnes    | Financial sector in Norway.<br>[BSC, ABC and Rolling Forecasts] | MBA  | What are the factors that drive the diffusion of modern management tools in the financial sector in Norway? |

|             |          |   |              |  |
|-------------|----------|---|--------------|--|
| <b>2004</b> | Knutsen  | Sparebanken Vest<br>[BSC]   | MSc          | What is BSC in Sparebanken Vest? What is each individual's role in the BSC framework? Do the employees have a holistic understanding of BSC? Have the goals within the BSC framework been reached?   |
| <b>2004</b> | Gjelsvik | Sparebank 1 SR-Bank<br>[BSC]  | *            | Study focuses on innovation processes and strategy. The focus is to shed light on the innovation processes and the actual strategic and structural framework that influences the implementation of BSC.  |
| <b>2006</b> | Kalland  | Oslo Prison & Sparebanken Vest<br>[BSC]                                 | MSc          | What are the factors influencing the formation of scorecards in these organisations? What are the experienced effects of BSC? Description of the use and effects of the management tool in two different organisations.                                |
| <b>2007</b> | Nilsen   | Sparebank 1 Nord-Norge<br>[BSC]   | Dr.<br>Polit | How has the BSC been translated to practice in Sparebank 1 Nord-Norge? To which degree has BSC entrenched itself as a practice in Sparebank 1 Nord-Norge?  |
| <b>2009</b> | Hjelvik  | 10 Norwegian companies (Sparebank 1 group & Fokus Bank)<br>[BSC and BB] | MSc          | Comparative case analysis. Can external factors influence the choice and motivation of management tools? Can the chosen management tool and the design and traits in implementation explain the success and challenges related to the management tool? |
| <b>2010</b> | Torgals  | Norwegian banks<br>[BSC]  | BSc          | Quantitative research on the spread of BSC in Norwegian banks. How does the implementation correspond to the theory?   |

|             |                  |                                    |     |   |
|-------------|------------------|------------------------------------|-----|---|
| <b>2010</b> | Alværen & Hystad | Sparebanken Sogn og Fjordane [BSC] | MSc | Effects of introducing BSC in Sparebanken Sogn og Fjordane with focus on the effects on communication.  |
| <b>2012</b> | Fiskvik          | Sparebanken i Hedmark [BSC]        | MSc | What is the function of BSC in Sparebanken in Hedmark?  |
| <b>2013</b> | Olsen            | Sparebank 1 Nord-Norge [BSC]       | MSc | In which degree and how does BSC go through the various stages of maturation and how does this affect strategic leadership in Sparebank 1 Nord Norge? |

TABLE 4. OVERVIEW OF RESEARCH INTO BALANCED SCORECARD IN THE FINANCIAL SECTOR IN NORWAY.

### 3.6 Summary

This chapter has summarized the core elements of Balanced Scorecard by Kaplan and Norton. We have provided a short overview of the evolution of BSC through the years and shown others' contribution in categorizing the framework. We have summarized the classification of the types of BSC, which we will return to later in the paper. The review of previous research related to BSC in Norway shows that there has been continuous interest in the BSC throughout the past 20 years. There are examples of cases from different industries, but it is evident that BSC has been topical in the financial sector from the turn of the millennium. As the review shows, there have been different approaches to analysing BSC in the financial institutions. Most of the research has been qualitative and used interviews as the main source for data.

As mentioned, we have observed that many of the financial institutions researched in relation to BSC can be traced back to Sparebank 1 Alliance. Furthermore, most of the research is focused on the demand side of the diffusion of BSC. The research related to the financial sector is either partially or in its entirety trying to determine the various factors that affect the implementation of BSC (Gjelsvik, 2004), describing the use of BSC (Knutsen, 2004; Kalland, 2006; Nilsen, 2007; Fiskvik, 2012), or trying to analyse the effects BSC has on organisations (Kalland, 2006; Alværen & Hystad, 2010). The paper by Olsen (2013), on the other hand, has a longitudinal approach to the development of BSC in Sparebank 1 Nord-Norge.

Our paper will offer a contribution to the use of BSC in the financial sector in Norway and draw on some of the research that has been done in relation to BSC in Sparebank 1 Alliance. It will offer a novel approach to analysing BSC in a financial institution and will therefore not be directly comparable to the research conducted earlier. The insights that offer contrasting or resembling observations will be mentioned in the last chapters of this paper.

## **4. Research methodology**

### **4.1 Research philosophy and approach**

In this research, the overarching philosophy can best be described as interpretivism. Interpretivism believes in complex and rich nature of reality, which is influenced by social construction with multiple meanings, interpretations, conceptions, and realities (Saunders, Lewis, & Thornhill, 2016). It allows us to interpret the primary data in light of the wider context.

The appropriate research approach for our research is abduction. Abduction can be regarded as a mix of deduction and induction approaches as it allows for moving back and forth between the data and theory (Saunders, Lewis, & Thornhill, 2016). Abduction in this research allows us to look at the theory and apply it on data, but at the same time use the findings from the data to contribute towards the theory.

### **4.2 Research design**

The research design is the plan of how the researchers will proceed in order to answer the research questions (Saunders, Lewis, & Thornhill, 2016). The research design contains objectives from research question, intended data sources, collection and analyzation methods and handling constraints such as time, money and data access. In the following subsections, we explain the four fundamentals of the research design: research purpose, method, strategy and time-horizon.

#### **4.2.1 Research purpose**

The purpose of our research is exploratory. Exploratory research is best suited for gaining better understanding of an issue, problem, phenomenon or topic of interest by asking open questions (Saunders, Lewis, & Thornhill, 2016). The purpose of our research is threefold: the first purpose is to explore the applicability of the virus theory, second purpose is to map and understand the interrelations between the features of the virus theory and the third purpose is to understand the value virus theory provides to the academia in researching the diffusion and evolution of management ideas. Given that there is limited research on virus theory, we aim to contribute with better understanding on the use of virus theory in the research of

management concepts. The advantage of exploratory research is the flexibility and the adaptability it provides (Saunders, Lewis, & Thornhill, 2016). It allows for changing the direction as new data and insights occur, which in turn can lead to better quality of this research.

#### **4.2.2 Research method**

In this research study, we use qualitative method. Qualitative research enables us to capture the nuanced aspects of the diffusion and evolution of BSC in organisations by observing interviewees' opinions and experiences of how the evolution took place. This provides us with the opportunity to collect a richer dataset with more in-depth understanding compared to quantitative methods.

#### **4.2.3 Research strategy**

Research strategy can be defined as a plan on how to go about answering the research questions (Saunders, Lewis, & Thornhill, 2016). In this research we choose to use a case study, which is an in-depth inquiry into a topic or a phenomenon within a real-life setting (Saunders, Lewis, & Thornhill, 2016). Case study is one of the associated strategies of qualitative research. The strategy of case study has the ability to generate insight from in-depth research as well as creating a rich empirical description. This will allow us to understand the interaction between the study object and its context.

Our focus is to analyse how BSC has evolved in the organisation as whole. Thus, we have purposely chosen to use only one case study in a holistic manner. This allows for a thorough in-depth analysis, which is aligned with the nature of our research questions and objectives.

#### **4.2.4 Time horizon**

We are studying how BSC has evolved in Sparebanken Vest over time, hence the suitable time horizon for our research study is longitudinal. Our data was collected in March 2018. Along with the research on BSC in Sparebanken Vest by Knutsen (2004) and the BSC data collected for the PhD thesis by Madsen (2011), we were able to create an overview of the development of BSC in Sparebanken Vest. The longitudinal case allows us to study the changes of BSC in Sparebanken Vest from the early contact with BSC around the turn of the millennium until March 2018 when our interviews were conducted.

## **4.3 Data collection**

Due to the longitudinal nature of the research paper, it has been necessary to build the research on both primary and secondary data. Primary data has been collected through semi-structured interviews with the employees of Sparebanken Vest. All of the secondary data is in text format and collected from sources with different purposes.

### **4.3.1 Primary data: semi-structured interviews**

Collecting primary data through semi-structured interviews has been essential and appropriate to our research. Our main purpose was to collect additional data for the time between the previous research conducted on BSC in Sparebanken Vest and the time of our research. As it was possible to gain some insight into the use of BSC in Sparebanken Vest through secondary sources, we were able to focus the questions on areas where there was a lack of data. We used the opportunity to confirm some of the data from previous research by revisiting those topics in our interviews. The structure of the interviews gave us the possibility to cover the questions that we believed to be essential but gave us the freedom to probe further based on the answers from the interview objects. The primary data collected for this paper amounted to four in-depth interviews with carefully chosen interviewees. The duration and level of the interview objects is described in Table 5 and elaborated on in the next section.

### **4.3.2 Interviewees**

All of the interviewees have in-depth knowledge of the use of BSC in Sparebanken Vest. As we are researching the diffusion and evolution of BSC as a management tool, we have approached the topic from a managerial point of view. Three of the objects have held executive positions in Sparebanken Vest with considerable understanding of the use of BSC and knowledge about the responsibility areas in relation to the management of the organization. One of the objects has held different positions within the organization throughout the years and has had responsibility for developing the BSC in Sparebanken Vest. The intention with the selection of interview objects was to cover the period from when BSC became relevant in Sparebanken Vest until 2018 when we started researching this topic. We intentionally chose interviewees who had insight into use of BSC in Sparebanken Vest during different times and who together cover the entire time horizon (see Table 5 for the relevant

time frame for each interviewee). Three out of four of the interview objects are previous employees of Sparebanken Vest, whereas one is currently employed in the bank.

All of the interview objects confirmed the participation in our research with Sparebanken Vest. An overview of the participants is given in Table 5 below.

| Reference   | Date           | Level/role           | Duration | Location | Time frame |
|-------------|----------------|----------------------|----------|----------|------------|
| Interview 1 | March 15, 2018 | Executive management | 00h38m   | Office   | 2015-      |
| Interview 2 | March 15, 2018 | Executive management | 00h50m   | Campus   | 1990-2006  |
| Interview 3 | March 21, 2018 | Senior Advisor       | 01h37m   | Campus   | 1969-2014  |
| Interview 4 | March 22, 2018 | Executive management | 01h02m   | Office   | 2011-2016  |

TABLE 5. DESCRIPTIVE OVERVIEW OF THE INTERVIEWEES.

The interviewees were first contacted via email (Appendix 1) and followed up on the phone. Each of the interviewees received an information letter (Appendix 2) and a short-list of questions at least 24 hours before the agreed upon interview time. The interviews were face-to-face meetings in Bergen. Two of the objects met us on the university grounds while two of the objects preferred to meet us in their offices. All of the interviews were conducted in a private and quiet setting without any interferences. In order to create a comfortable setting and a better flow, one of us took the lead in asking questions while the other took notes and asked additional questions in the end of the interview. We informed each of the participants on the purpose of our research and received an oral consent to record the interviews in order to be able to transcribe the content into text format. The interviewees have confirmed the quotes used in this paper.

All of the objects were able to answer the questions regarding the use of BSC in Sparebanken Vest, whereas some of the interviewees had more knowledge on the early phases of the implementation, while others had been present when the decision to discontinue the use of BSC was taken. The questions in the Interview Guide (Appendix 3) were to some extent adapted to each interviewee.

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### 4.3.3 Secondary data

The secondary data used in this paper can be divided into three main categories. The first category is the data from Sparebanken Vest. The Communication Plan and The Project Mandate (Appendices 4 & 5) were initially confidential documents for internal use in Sparebanken Vest. As they are no longer confidential and provide us with the specific information related to the implementation of BSC in Sparebanken Vest, we found this data to be highly relevant for our research. The PowerPoint presentation that was originally used in conferences and workshops by Sparebanken Vest around Norway has partially been adapted in the case description. It has provided us with the data on the timeline for events related to BSC implementation in Sparebanken Vest that would otherwise have been difficult to confirm.

The second category is the research on Sparebanken Vest conducted for some other purpose.

We have drawn on the insights from the following papers:

- ◆ *Balansert målstyring i Sparebanken Vest - Er "strategi blitt en hverdagsjobb for alle"?* by Randi Knutsen (2004).

This is a qualitative study on the extent to which the employees of Sparebanken Vest were working towards the overall strategy after the implementation of BSC.

- ◆ *The impact of the balanced scorecard in the Scandinavian countries: A comparative study of three national management fashion markets* by Dag Øyvind Madsen (2011).

We have built upon the PhD research and the underlying interview records from 2004 that were collected in relation to this research.

The third category is the books, articles and web-resources that were used to form an overview of Sparebanken Vest and the financial industry in Norway, and to create an understanding of the virus theory and the diffusion of management ideas. All of the mentioned resources were used in preparation for the interviews and in the further analysis on the case.

## 4.4 Data analysis

The process of analysing the data was divided into two stages. The first stage in the analysis was to combine the secondary data and the salient features of the virus theory to cross-

reference and organize the themes in the secondary data. This substructure was then used to form the general structure for our interviews and to ensure that the primary data retrieved further insight into the themes inspired by the virus framework. We coded the questions composed for the interviews according to the six salient features by Røvik (2011). The structure of the interviews focused on the narrative of BSC in Sparebanken Vest without any reference to the virus theory. It was divided into two main parts:

- ◆ the questions investigating the timeline of the development of BSC in Sparebanken Vest, together with the usage
- ◆ the questions regarding specific internal and external developments in the timeframe of the case study, inspired by the secondary data

All of the interviews were transcribed into text. Following which, we used the thematic approach applied in the first phase to code the text in the primary data. Our goal was to create a narrative based on the development of BSC in Sparebanken Vest and to apply the virus theory to the specific examples from the case. This made it necessary to decouple the coding of questions when coding the primary data.

In the second stage, we conducted the analysis in accordance with the themes of the virus framework. This was a systematic review of the primary data divided into the six main features of the virus theory. This was followed by further analysis with the goal to reconnect the six features and create an understanding of the interrelatedness of the virus' features and general applicability of the virus theory as a theoretical framework for analysing BSC.

## **4.5 Research quality**

Given that our research has a qualitative and explorative design and follows an interpretative philosophy, we believe that some of the concepts of validity are not relevant to discuss. The research focuses on one single organisation and on specific events that are relevant to Sparebanken Vest. The goal is to construct a case study that reveals the uniqueness of the BSC evolution in Sparebanken Vest. This would make it counterintuitive to discuss the testing and replication of this case. However, we find it valid to specify how the external and internal quality of the research have been ensured.

In order to ensure the external validity, we have provided a description of the research design, context of the study and the applied methods that can facilitate other researchers to produce similar studies. We have been rigorous in specifying the framework used in this research. Both the BSC and virus framework have been explained in depth. We have also relied on the framework in interpreting the data in order to reduce the subjectivity, and clearly state where we are making assumptions. With regard to the internal quality, we have focused on being clear in our subject matter and chosen to collect in-depth data. All of the questions have been formulated based on BSC and focus on this management tool only. This has made it possible to be clear in composing the questions. Also, we have based the research on in-depth semi-structured interviews that can provide us with rich data that can show theoretical relationships.

However, we find it relevant to discuss some of the possible threats to reliability. Reliability refers to whether the techniques and procedures used in the data collection would produce the same results when they were repeated on another occasion or by a different researcher (Saunders, Lewis, & Thornhill, 2016). This research paper focuses on a single longitudinal case with a goal of demonstrating the use of the virus theory on BSC. It is also qualitative and explorative in its design. This means that the research relies on the researchers and the interviewees interpretations, and creates associations between the data that are dependent on the participants. We will further discuss the four threats to reliability (Saunders, Lewis, & Thornhill, 2016): *participant error*, *participant bias*, *research error* and *research bias*.

To reduce the *participant error*, we offered the participants to choose where they would prefer to meet us for the interview. Two of the participants found it convenient to meet us at their respective offices while two met us at an office we provided. We were flexible when scheduling the times and let the interviewees decide on the convenient time for them.

However, the first interview is shorter due to the time constraints for the participant. This interview was arranged in the beginning of the working day before the participant was due at other meetings. That gave us a shorter time slot than we believed we needed to finish the whole interview. The risk of conducting the interview with a time constraint is that it could make the participant less reflective and less focused (Saunders, Lewis, & Thornhill, 2016). However, we believe that the respondent was thorough in the answers. We were also able to

ask all of the questions we had prepared and probe in a couple of areas where the answers revealed new information.

*Participant bias* may be any factor that induces a false response (Saunders, Lewis, & Thornhill, 2016). In our research there were no correct or incorrect answers, the focus was on understanding the path of BSC in Sparebanken Vest through the experiences of the employees who stood closest to the use of BSC. We emphasized that we were interested in understanding the individual experiences and the general considerations made in relation to BSC, not confidential information that would have to be protected. In addition, three out of four participants are no longer employed in Sparebanken Vest. They were also employed in the bank during different times. This means that we have no reason to believe that their answers were somehow affected by their loyalty to the employer or that they were affected by the other participants. As mentioned, all interviewees had confirmed their participation with Sparebanken Vest, which allowed to them to express their views on BSC freely.

Due to the limited number of participants, we understand that there remains a possibility of the answers being traced back to each participant. However, we have reduced this risk to the minimum by excluding the specific information about the name and exact position for each participant. As mentioned, all of the participants were informed about the measures we were taking and they expressed no concern to their answers being recorded or becoming public. We have hence no reason to believe that they felt the need to be uncandid with their responses.

However, we understand that there is a possibility that some of the answers were subjective. Furthermore, because we were asking questions about events several years back in time, we acknowledge that the answers may have been affected by the events that followed later in time or by the participants' memory.

*Researcher error* may be any factor that changes the researcher's interpretation (Saunders, Lewis, & Thornhill, 2016). Given that we are two researchers conducting the interviews and analysing the data, we believe this error is limited. However, we acknowledge the interpretative nature of the study and understand that some of the evaluations may have been affected by our discussions and our views on the subject matter. This means that there is a possibility of *researcher bias*. We believe this has been reduced by including our supervisor

in the discussions to get a third opinion. In addition, all of the interviews were recorded and the risk of misinterpreting some of the answers reduced.

## 4.6 Research ethics

Ethics describes ‘*standards of behaviour that guide your conduct in relation to the rights of those who become the subject of your work, or are affected by it*’ (Saunders, Lewis, & Thornhill, 2016: 239). All the interviewees volunteered to partake in this study. They were sent an information sheet explaining the topic, purpose, scope of the research (Appendix 2). Before starting the interviews, we once again reassured interviewees’ continued voluntary participation. In addition, they were informed of their right to withdraw at any time during the interview, and of their right to decline to answer any of the questions. The consent for recording the interview for quality purposes was acquired before recording the interview. After conducting the interviews, the interviewees were informed about the further process regarding this study.

In regards to the confidentiality and anonymity of the interviewees, we took precautions in handling the collected data. All answers and citations are anonymized, and approved by the interviewees. Further, no answers or citations can directly be linked back to the original responders. Norwegian Centre for Research Data<sup>3</sup> has approved the methods for data collection and storage for this research (Appendix 6). In addition, all people involved in this research and with the access to the data through Action Focus research program have signed non-disclosure agreements.

Finally, an important aspect of ethical consideration in our paper has been correct referral to all information sources used in this paper.

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<sup>3</sup> Norwegian Centre for Research Data (NSD) is one of the largest archives for research data of its kind and provides data to researchers and students in Norway and abroad. Additionally, NSD is a resource centre, which assists researchers with regard to data gathering, data analysis, and issues of methodology, privacy and research ethics (NSD - Norwegian Centre for Research Data, n.d.)

## 4.7 Summary of methodological choices

| Dimension           | Methodological choice      |
|---------------------|----------------------------|
| Research philosophy | Interpretative             |
| Research approach   | Abductive                  |
| Research purpose    | Explorative                |
| Research method     | Qualitative                |
| Research strategy   | Single case study          |
| Time horizon        | Longitudinal               |
| Data collection     | Semi-structured interviews |
| Data analysis       | Thematic                   |

TABLE 6. SUMMARY OF METHODOLOGICAL CHOICES.

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## 5. Case background and context

In this chapter, we will introduce Sparebanken Vest, which is the object of this case study. The intention of this chapter is provide the empirical background for the research. The chapter is divided into three parts. In chapter 5.1, we look at the historical background of Sparebanken Vest and its development over the years. Chapter 5.2 describes the current organisation of Sparebanken Vest. In chapter 5.3, the development of BSC in Sparebanken is depicted along with a timeline highlighting the main events in the narrative.

### 5.1 The history of Sparebanken Vest

Sparebanken Vest is an association of many savings banks in Hordaland, Sogn og Fjordane and Rogaland. The headquarters are located in Bergen, with a central role in much of the value creation that takes place in Western Norway (Sparebanken Vest, n.d.). Sparebanken Vest (previously Bergens Sparebank) was established on the 3rd of March 1823 and is Norway's second oldest bank (Nordahl-Olsen, 1923).

The number of savings banks in Norway peaked in 1960 according to Norges Bank, and converged around 600 savings banks (Norges Bank, 2017). The increased competition between the actors in the Norwegian banking sector led to mergers and structural changes in the 60s and 70s (Thue, 2014). Bergens Sparebank merged with 11 other savings banks between 1964 and 1975, and Sparebanken Vest came into existence from these mergers (Sparebanken Vest, n.d.). The competition became even fiercer in 1980s due to liberation of the banking sector, which relaxed lending requirements and allowed foreign banks to establish their operations in Norway (Thue, 2014). The competition along with the drop in oil prices led to a banking crisis in the late 80s where many banks lost their capital while other banks had to consolidate. After the bank crisis, 70% of the capital of the saving banks was concentrated among the ten largest saving banks in Norway (Norges Bank, 2017). During the 80s Sparebanken Vest merged with 16 other saving banks and manifested their presence in Western Norway (Sparebanken Vest, n.d.). There have been additional mergers in the recent times (see Figure 4).

During the 80s, savings banks saw the need to renew themselves in order to be able to compete with commercial banks and other financial actors. This realisation led to savings

banks reorganising into joint-stock companies and introducing equity certificates in 1988 (Thue, 2014). Equity certificates are similar to shares, but there are some differences regarding owners' rights (Sparebankforeningen, 2015). Moreover, alliances such as Sparebank 1 (est. 1996) and Eika (est. 1997) were established in order to achieve economies of scale in non-banking areas and be able to compete with others as independent banks (Norges Bank, 2017). Sparebanken Vest put equity certificates into use and was listed on Oslo Stock Exchange in 1995. Sparebanken Vest was one of the founders of Sparebank 1-alliance, but decided to become independent from 2004, due to differing views on centralization within the Sparebank 1-alliance (Sparebank 1, n.d.).

Technological advances in the 90s led to the emergence of online banking. This service was first provided in September 1996 in Norway (Store Norske leksikon, n.d.). Since then there has been an inverse development between usage of online banking and usage of physical bank branches (Finans Norge, 2017). The behavioural change has over the years led to the closure of bank branches due to high operating cost and low utilization. Sparebanken Vest has faced the same technological changes and has reduced the number of branches from 64 in 2000 to 34 in 2017 (Sparebank 1 Vest, 2000; Sparebanken Vest, 2017).

Sparebanken Vest has purposefully been working with strategic growth since 2006, which has resulted in the creation of several new companies within different areas of financial services and products. Subsidiaries and affiliates that currently contribute to the strategic growth are Frende forsikring AS, Norne Securities AS, Brage Finans AS, Verd Boligkreditt AS, Sparebanken Vest Boligkreditt AS, Real Estate Broker Vest and Balder Betaling AS. Through their affiliate product companies, they are a complete financial institution for more than 260,000 personal and corporate customers (Sparebanken Vest, n.d.).

Today, Sparebanken Vest is Norway's third largest savings bank with over 800 employees (Finans Norge, n.d.). Sparebanken Vest had an annual profit of NOK 1.4 billion and assets worth NOK 175 billions in 2017. They are the largest financial actor in Western Norway, and have a leading local presence through 34 office branches located in Hordaland, Rogaland and Sogn og Fjordane (Sparebanken Vest, n.d.).

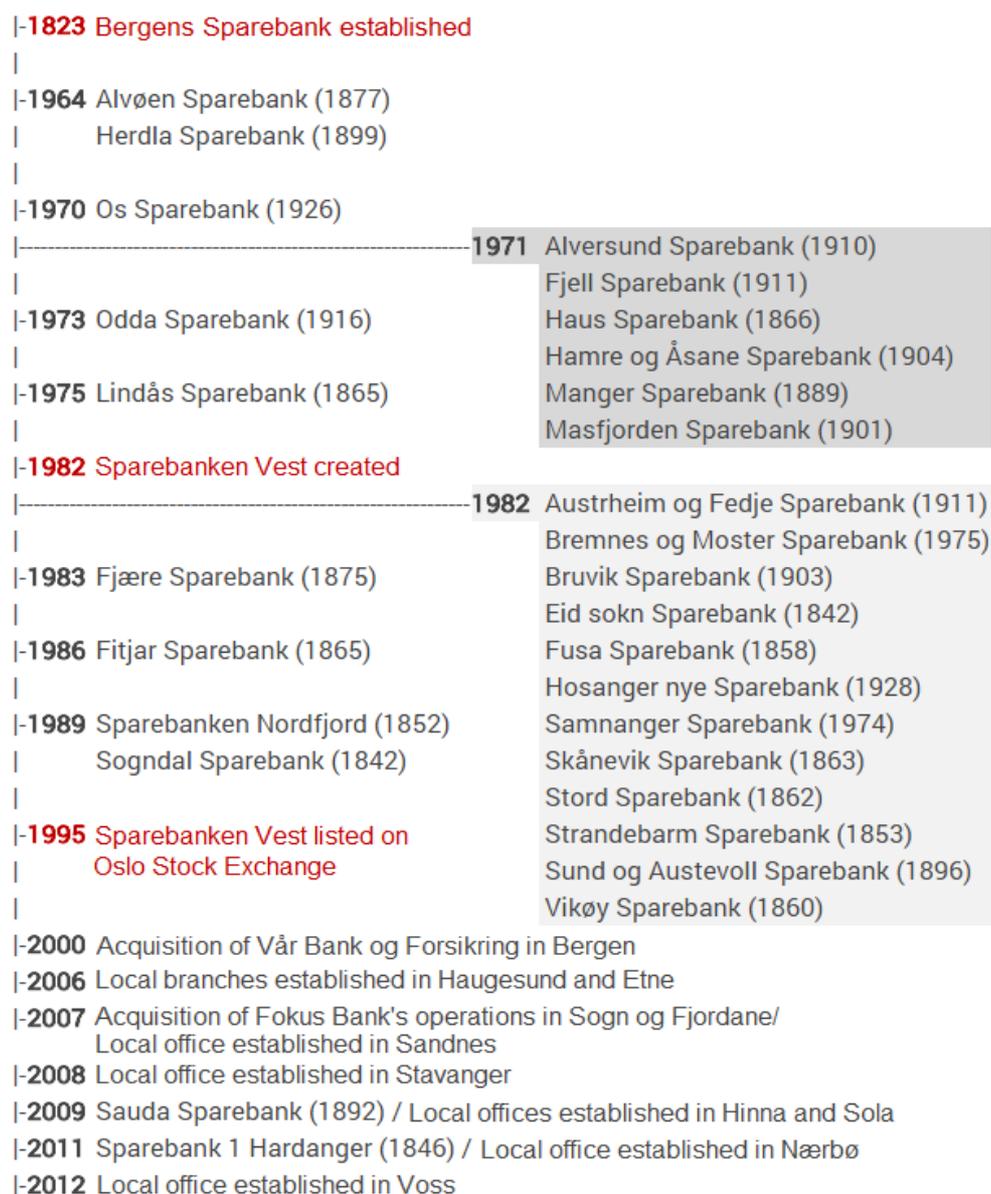


FIGURE 4. TIMELINE FOR THE MILESTONES IN THE GROWTH OF SPAREBANKEN VEST (TRANSLATED FROM SPAREBANKEN VEST WEB SITE).

## 5.2 The Organisation

Today Sparebanken Vest is organized into six main divisions: Risk management, Organisation and Development, Operational Services, Innovation and Customer Experience, Retail Banking and Corporate Banking, all of which report to the General Management, led by the group CEO (Sparebanken Vest, n.d.). The current CEO, Jan Erik Kjerpeseth, has been leading the Sparebanken Vest since 31st of October 2013 (Sparebanken Vest, n.d.).

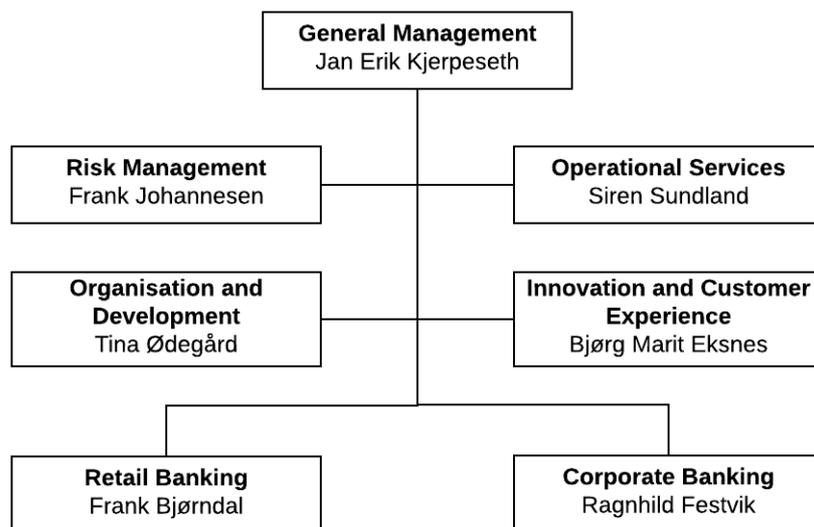


FIGURE 5. OVERVIEW OF THE MAIN DIVISIONS OF SPAREBANKEN VEST. TRANSLATED AND ADAPTED FROM SPAREBANKEN VEST WEB SITE.

### 5.2.1 Internal Units

#### Risk management

Risk Management takes care of key functions related to management, control, reporting and analysis in Sparebanken Vest. Risk Management is responsible for the bank's model and framework for risk and capital management, including preparedness, security and anti-money laundering.

#### Organisation and Development

Organisation and Development is responsible for human resource management: employee development, leader coaching and development, competence building and recruitment. It is also responsible for organisational development and cultural change. The unit's vision is that *'all we do, we do to help you as an employee of Sparebanken Vest to become better every single day'* (Sparebanken Vest, n.d.).

### **Operational services**

Operational services is a unit of the bank that is responsible for providing services to both the Bank's other business areas and customers.

### **Innovation and customer experiences**

The unit consists of nearly 150 employees. Overall, the division represents a competence and a drive that enables the bank to deliver very good solutions to both internal and external customers. IT represents core competence for the bank in the future, which makes this division responsible for developing the bank's strategy.

## **5.2.2 Customer Markets**

### **Retail Banking**

Retail market is the largest division in the bank, with more than 300 employees from the far south of Rogaland to the far north of Sogn og Fjordane. This unit serves 250,000 customers in office, by phone and digitally through mobile and online banking.

### **Corporate Banking**

The corporate market in the bank consists of 90 full time employees with strong expertise in advisory services to companies. The unit is organized in four regions (Rogaland, Sunnhordland, Hordaland and Sogn og Fjordane) in order to be as close as possible to its main customers and provide value-added advice through knowledge and local awareness.

## **5.2.3 Business culture, working environment and social responsibility**

Sparebanken Vest aims to help make life in Western Norway better. They believe that the task of the bank is greater than what the Norwegian law imposes on the bank. Throughout the bank's history, they have worked for the local community to have the best growth conditions and to develop sustainably.

Sparebanken Vest is investing in Western Norway. Every year, millions are awarded to projects of socially beneficial value for Western Norway, sports teams and cultural events. Sparebanken Vest's strong ties to the region drive their social commitment. In 2016, the General Assembly decided to allocate NOK 45 million to socially beneficial projects. The public funds are distributed within the four categories that symbolize the life-run of people from Western Norway; upbringing and education, nutrition, sports and culture. In the regions,

the funds are mainly distributed to local teams and associations, while the majority of the central funds are distributed to major strategic projects (Sparebanken Vest, 2016).

Along with the financial goals, customers are the bank's priority. The organisation's growth is being built through providing the right financial products to their customers and by providing advice that facilitates sustainable growth.

## **5.3 Balanced Scorecard in Sparebanken Vest**

This case is a longitudinal study of Balanced Scorecard in Sparebanken Vest. The following chapter will give an overview of the key processes and activities that explain the evolution of Balanced Scorecard in Sparebanken Vest. The case is presented in a chronological order from the idea and implementation of the management idea until the maturation and decline. The goal is to give an objective overview with the focus on the events that are relevant for the analysis in the next chapter.

### **5.3.1 The idea**

Sparebanken Vest was part of the Sparebank 1 alliance until 31.12.2003. During this time one of the other banks in the alliance, Sparebank 1 SR-Bank became involved in Balanced Scorecards. This created an opportunity for Sparebanken Vest to become somewhat familiar with the concept through Sparebank 1 Group. We will first explain how the idea of BSC was introduced to Sparebanken Vest via Sparebank 1 Group.

Sparebank 1 SR-Bank was one of the first organisations in Norway to implement BSC (Gjelsvik, 2004). The financial director of SR-Bank had been to a seminar with Kaplan and Norton in 1996 and read their book (1996) on the idea of balanced scorecards. He had newly been assigned the responsibility of the strategic operations in the bank and was on the outlook for strategic tools that could help him with achieving the strategic goals. He initiated the discussions around BSC in the bank but it took another year before the CEO, Norheim, read about the idea himself and became passionate about implementing it in Sparebank 1 SR-Bank (Gjelsvik, 2004). The process began in the late spring of 1997 when the CEO purchased Kaplan and Norton's book on BSC for the whole management team and initiated workshops

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to define the strategic objectives (Gjelsvik, 2004). Based on the research by Gjelsvik (2004), SR-Bank had successfully implemented BSC by 2000.

Even though there clearly was knowledge around the concept in the Sparebank 1-Alliance, the idea did not catch on in the whole group. According to the interview records (Næss, 2004) with the BSC coordinator who was responsible for developing the BSC concept in Sparebanken Vest, the contact with BSC happened in the late 1990s when the then CEO of Sparebanken Vest, Knut Ravnå (CEO, 1990-2006), developed an interest in the management concept.

*'I believe it was Knut who started to play with the idea and think that it might not be so stupid, but that we had to do some strategic work first.'* (Næss, 2004)

During that time, Sparebanken Vest was going through an extensive change from being a bank that focused solely on financial services to a more sales oriented organisation. This may have caused an interest in new management tools. It has not been possible to trace back the interest in BSC directly to the implementation in Sparebank 1 SR-Bank, but there is a possibility that the CEO of Sparebanken Vest first heard about BSC at some of the meetings as a part of the alliance.

Another interview (Interview 2, 2018) pinpoints the contact with BSC to the early 2000 when the management group of Sparebanken Vest heard about BSC from professors Magne Supphellen and Trond Bjørnenak from Norwegian School of Economics in a managers meeting.

*'I believe we had some leader meetings where there were impulses from NHH [Norwegian School of Economics]. It is possible that it was not about Balanced Scorecard, but I believe it was.'* (Interview 2, 2018)

This contact coincided with a difficult time in the financial sector and was characterized by increased competition, caused by internet banking and non-financial institutions entering the traditional capital markets (Norges Bank, 2000). The increased competition led to lower profit margins, which in turn resulted in more focus on cost-effective operations. Sparebanken Vest was at that time described as a relatively cost-heavy bank. The fact that BSC could set focus on cost reduction and helped incorporate several perspectives of

operations into a wholesome system appealed to the management. One of the interview objects describes this period in the following way:

*'There were a couple of tough years from 2000 onwards when working on Balanced Scorecard. Among major factors were a good deal of loan losses. There was tough competition between the banks, and Balanced Scorecard was seen as a suitable aid to implement and operationalize the bank's strategy.'* (Interview 2, 2018)

As the previous paragraph shows, there is some uncertainty with regard to the exact moment of initial contact with BSC. Based on the information above, the BSC was introduced to Sparebanken Vest around the turn of the millennium.

### **5.3.2 The decision to implement Balanced Scorecard in Sparebanken Vest**

The formal process of adopting BSC in Sparebanken Vest started in the spring of 2001 and involved several phases (Knutsen, 2004). In 2001, in an internal info letter, the BSC was described as *'a tool that made it possible to measure several relevant dimensions and gave a simple and holistic understanding of the situation in the organisation'* (VestAvis nr 10. 2001, from Knutsen, 2004). As the bank was going through a strategic change and a good overview of the information in the bank was necessary to ensure the success in reaching the strategic goals, BSC was deemed the tool needed. Thus, a general understanding of the usefulness of the concept was present. In the Project Mandate (see Appendix 5) to introduce BSC to Sparebanken Vest, the management defined the necessity of introducing BSC as *'a tool that ensures the realisation of strategic goals and the vision of Sparebanken Vest'* (Knutsen, 2004: 20). In addition, Knutsen (2004) writes that the goal was to implement BSC not only as a measurement and strategic tool, but as a motivational tool. From the beginning, it was meant to be connected to a bonus system.

According to Knutsen (2004) the process of introducing BSC in Sparebanken Vest was divided into six steps. First, there was a need to translate the banks vision and strategy into the strategic objectives that would be the central part of the CEO's strategic map. Secondly, based on these higher objectives, similar objectives had to be set for each department. This was important in aligning the whole organisation and creating a connection between the different parts of the organisation. Thirdly, the objectives were used to decide on the KPIs in each perspective for each department. All departments were drafted their own scorecards to involve every member of the organisation without creating a personal scorecard for each

employee. It was up to each regional manager to implement the use of scorecards in their regions. This meant that there was considerable freedom for each manager to decide on the methods in ensuring the use of scorecards. The fourth step was to obtain an IT-system that would ensure good data quality and ensure its users of the reliability and trustworthiness of the system. Fifth step was to work out a communication plan that would help everybody in the organisation to understand the reasons for implementing BSC, explain the content of the tool and create meaning around each employee's role in reaching the strategic goals of the organisation. The overarching goal for the bank was to involve every employee in working towards the organisation's goals. The last step was to update the system continuously based on the feedback received. There was awareness around implementing the system as a work-in-progress and value was placed on the specific feedback received along the way.

The process of setting the stage for the implementation started with the creation of several target groups. These groups with their respective responsibilities are further described in the Communication Plan (see Appendix 4). The first goal was to develop the Critical Success Factors based on the strategic goals of Sparebanken Vest. This led to several workshops during the second half of 2001 and resulted in the creation of the banks (CEOs) scorecard. Parallel to creating the scorecard for the organisation, the extended management group, including a consultant from Cap Gemini Ernst & Young was gathered to work out the scorecards for the Customer markets (KM) and Internal Units. The extended management group comprised of about 40 people, including the management from the regional banks and the administration and support services. The purpose of the extended management group was to lay the groundwork for BSC and develop the KPIs that stemmed from the strategy of Sparebanken Vest. The KPIs had to be specific, result oriented, realistic, simple and motivating (Roiseland, 2004). Moreover, the extended management group was regarded as one of the most important means for creating an understanding of BSC among the employees in their respective branches (see Appendix 4). The timeline for the development of scorecards is shown below.

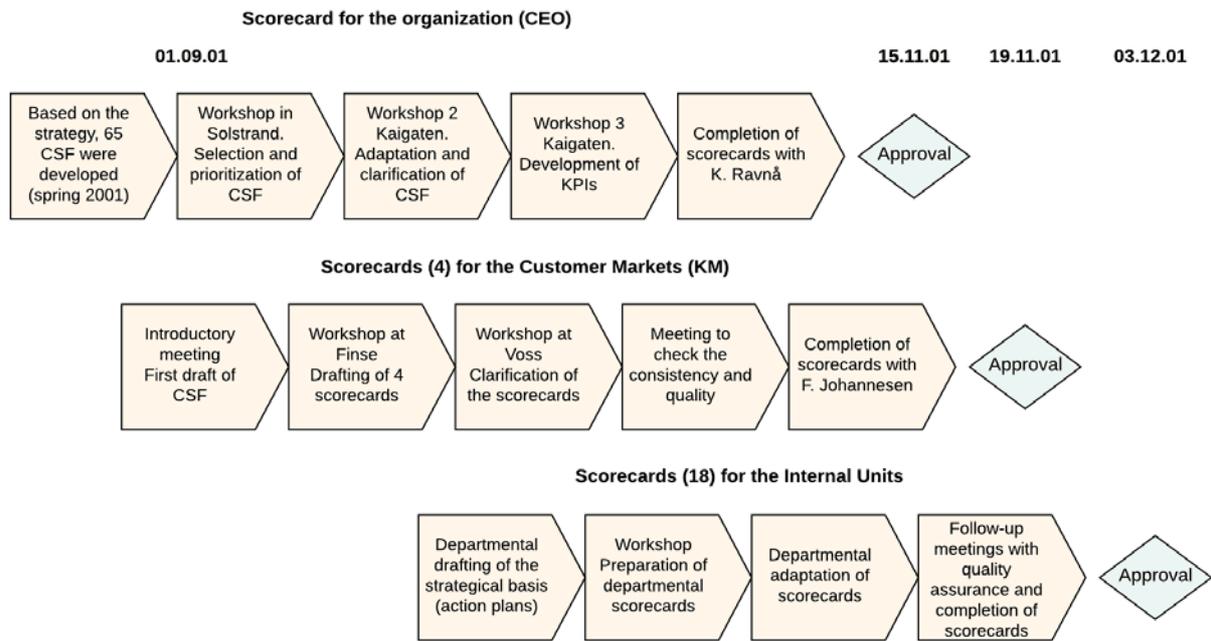


FIGURE 6. TIMELINE FOR THE DEVELOPMENT OF SCORECARDS. ADAPTED FROM A POWERPOINT PRESENTATION BY SPAREBANK 1 VEST: *INTRODUKSJON TIL BALANSERT MÅLSTYRING. HVORFOR, HVA OG HVORDAN RELATERT TIL BALANSERT MÅLSTYRING*, 2002.

During the same time, two consultants specializing on the development of the data warehouse were involved to build an efficient data system to support the BSC (Næss, 2004). GE Capital provided the Cognos system that was chosen for BSC. The timeline for the procurement and implementation process is shown below.

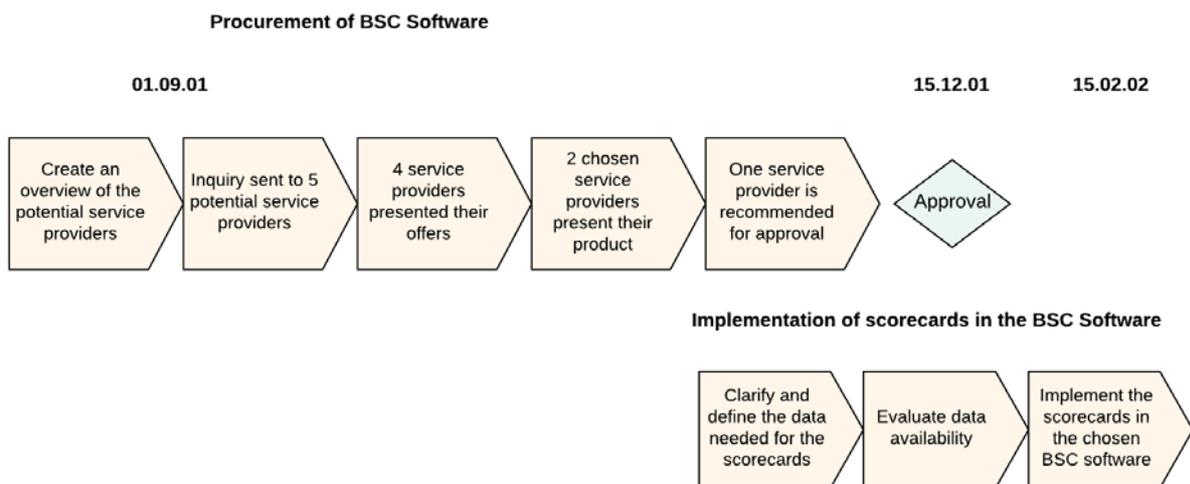


FIGURE 7. TIMELINE FOR THE PROCUREMENT AND IMPLEMENTATION PROCESS OF BALANCED SCORECARD SOFTWARE. ADAPTED FROM A POWERPOINT PRESENTATION BY SPAREBANK 1 VEST: *INTRODUKSJON TIL BALANSERT MÅLSTYRING. HVORFOR, HVA OG HVORDAN RELATERT TIL BALANSERT MÅLSTYRING*, 2002.

### 5.3.3 The implementation

BSC was officially taken into use from January 2002 when the scorecards were rolled out in the whole organisation (Knutsen, 2004). The fast implementation was justified by the wish to develop and perfect the tool along with using it, as the specific needs would arise while it was already implemented in the bank (see Appendix 5). The first priority was to have the first viable version of BSC that could be implemented fast and that everybody understood was not the final product.

*'The process started in 2001 and it was decided that we would have it up and running in February 2002 because all of the scorecards would be ready by January 2002. The prerequisite was that it was not going to be a perfect system. It was not going to be a 100% solution. We were more focused on getting this off the ground and rather learn as we went along instead of having everything in place when we started.'* (Næss, 2004)

After the BSC was implemented, different methods were used to update the systems and root the BSC in Sparebanken Vest. According to the interview, the IT-section played a crucial role in providing the scorecards with reliable information (Interview 3, 2018). Parallel to this, considerable effort was put into spreading the knowledge about BSC and updates related to how it was used in the organisation. This effort consisted of spreading the information via the monthly info letters (VestAvis) and through breakfast meetings and other general meetings in the organisation.

The first version of BSC in Sparebanken Vest had 92 scorecards. There were scorecards for the CEO, each administration and support services unit, regional managers and all branches. The scorecards were developed based on the Kaplan and Norton's theory. Hence all the scorecards had the same four perspectives as Kaplan and Norton suggested, and in the same causal-and-effect order. However, the scorecards were developed in Norwegian, so all terms and expressions were renamed from English to Norwegian.

The process of setting the scorecards started with the board setting the overall KPIs and the targets for the CEO's scorecard based on inputs from the general management. Based on the CEO's scorecard, the general management set KPIs and targets for the rest of the scorecards within Sparebanken Vest. The specific top-down process of setting targets is illustrated below.

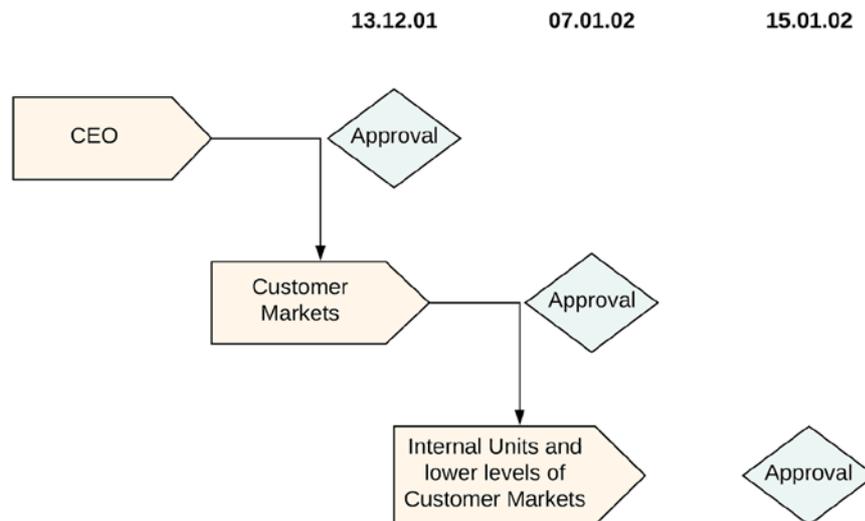


FIGURE 8. PROCESS OF SETTING TARGETS ADAPTED FROM A POWERPOINT PRESENTATION BY SPAREBANK 1 VEST: *INTRODUKSJON TIL BALANSERT MÅLSTYRING. HVORFOR, HVA OG HVORDAN RELATERT TIL BALANSERT MÅLSTYRING, 2002.*

According to the initial intentions, the BSC was connected to the bonus. Introducing BSC did not change other incentive or measurement systems in the bank. Alongside with BSC, another sales incentive (Salgspoeng) continued to be in use to increase the sales of certain products. Some of the sales targets from Salgspoeng were incorporated in the BSC by creating KPIs related to new products or services.

*‘The incentive system we had from before ran parallel to the scorecards. One was rewarded based on sales points and we had sales points as one of the KPIs. You had scorecards, but also a reward system in the form of sales points.’ (Interview 3, 2018)*

In addition, an experienced long-time employee in Sparebanken Vest was given the full-time responsibility as the BSC coordinator. This employee was engaged in the project throughout the implementation of BSC in Sparebanken Vest. The role consisted of checking the output from the data systems and verifying the results of the scorecards before they were sent out.

*‘There were a couple of things in the beginning where my reaction was: “No, can this be right?” It was my job to receive the feedback. The system had no value if nobody trusted it.’ (Interview 3, 2018)*

On occasion, it was necessary to travel out to the offices to answer to the concerns that were related to the BSC along with collecting feedback from the users with the aim of improving BSC. In general, the coordinator was to make sure that BSC was well received in Sparebanken Vest and would be the strategic tool it was meant to be.

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## Challenges

As mentioned in the previous section, Sparebanken Vest was aware that problems and challenges could arise due to the fast implementation. Most challenges for Sparebanken Vest in the implementation phase derived from the bonus system that was attached to the BSC. In general, many of the problems occurred due to the decision to connect the bonus payments to the scorecards early in the process.

*'The bonus was connected to the scorecards too early. It was done relatively fast and that created some unrest with respect to perceived inequality. In the beginning some of the KPIs were quite silly.'* (Interview 3, 2018)

The challenges regarding the bonus system can be divided into three areas: the model of the bonus system, i.e. how the bonus is measured and distributed within the organisation, poorly defined KPIs and lastly, incompatibility of scorecards to the administration and support services units.

The initial model of the bonus system required that Sparebanken Vest as a bank had to achieve the set return-on-equity (ROE) target in order to initiate the bonus payments, regardless of the performance in the scorecards. The bonus payment amounted to one third of the ROE obtained above the set ROE target. When Sparebanken Vest achieved the ROE-target, 25% of the bonus was distributed among all employees, 60% of the bonus payment was distributed between the units based on scorecards, whereas the remaining 15% was distributed between individual employees based on supervisor assessment. The four perspectives, financial, customer, internal processes and learning & growth, were weighted 30%, 30%, 20% and 20% respectively. The distribution among the units based on BSC depended on the relative scorecards between the units, where only the units with the best goal-achieved scorecards were awarded (Knutsen, 2004). Hence, there were units, which had obtained green values for all KPIs in their scorecards but did not receive the bonus. This model lasted for the financial year of 2002 and 2003. A modified bonus system was put into effect from 2004. The ROE-requirement was the same as before, but the distribution split of the payment was changed. 30% of the bonus was distributed between all employees, whereas the remaining 70% of the bonus payment was distributed among *all* the units that had achieved their targets regardless of the performance of other units. Hence, there was no relative comparing with other units, and the bonus payment was purely based on the unit's own performance.

Another challenge Sparebanken Vest frequently experienced during the initial years was poorly defined KPIs or KPIs with unintended effects. Sparebanken Vest experimented with both, different KPIs, and the how the metrics of the various KPIs were calculated. One such instance was the KPI of sick leave. Sparebanken Vest had an organisational target of 3% for sick leave. In small local branches with only 3-4 employees, the potential sick leave rate would be 25-33% if one of the employees got sick.

*‘When one out of three [employees] was gone then the sick leave would statistically be 33% and as wrong as it could possibly be. We promised early on to base the rewards on scorecards and when one being home sick then led to ruining the bonus for the rest, then those at work would be irritated because you are sick and ruining the bonus.’ (Næss, 2004)*

As a result, Sparebanken Vest later aggregated the sick leave rate for these small offices to a regional level in order to mirror branches with more employees. It was aggregated to at least 50-100 employees.

As mentioned earlier, BSC was implemented in the whole organisation. All the bank branches had the same KPIs, while the administration and support services had their own KPIs reflecting their services. Administration and support services served the management and the branches, and could not be measured in the same manner as the branches. It was not possible to set the same financial targets to measure their work. One of such departments was the accounting department that could not be measured by increasing the speed of their work or how many products they sold, because these metrics were irrelevant.

*‘They [accounting] could choose the KPIs they knew they could deliver on. For example, deliver the budgets on the 10th of each month. That is what they have always done! So what was the motive then? It would not be any better if they delivered [the budgets] on the 3rd.’  
(Interview 3, 2018)*

This led to many forced measurements that did not contribute to improved results. These units often ended up with relatively more green indicators on the scorecards, which in turn resulted in more bonus.

*‘There were internal satisfaction questionnaires. We had to stop those because they were too good. All of the scorecards were green, there was not a single yellow card in the internal units. It became apparent that it was meaningless and too much work.’ (Interview 3, 2018).*

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Sparebanken Vest found it difficult to come up with relevant KPIs for the service support units, which both reflected the work of the units, and were meaningful and fair. As a result, it was decided to stop using scorecards for the administration and support service units after three years. Their new bonus payment was based on the CEO's scorecard.

### **5.3.4 Maturation and decline of Balanced Scorecard**

After the initial challenges, the management decided that the position of BSC coordinator was no longer required and the position was terminated around 2008. The responsibility of BSC was transferred from the BSC coordinator to the product development department. From 2008 until 2011, there were not many changes to BSC and the KPIs other than updates to the annual targets.

In 2011, Sparebanken Vest decided to strengthen its finance department, and hired business controllers. At this time, the responsibility of BSC was transferred from the product development department to the finance department. As the BSC had not been updated actively from 2008, it became evident that there were several KPIs, which were either outdated, not compatible with the BSC-framework or even contradicting common sense. Deposit growth is one such example. Historically, high deposit coverage was more beneficial for the banks compared to interbank borrowing; however, that was not the case with the new LCR-regulations<sup>4</sup>.

*'There were KPIs which were totally, in fact contradicting logical financial thinking (---) [Sparebanken Vest] measured deposit growth if I remember correctly, and it is not necessarily good.'* (Interview 4, 2018)

The KPI of deposit growth was replaced with net interest rate. Another example was the emphasis on new sales of insurance. Internal documentation showed that portfolio retention had a larger impact on ROE than new sales. This led to replacing the KPI of new sales of insurance with the size of portfolio. In addition to adjusting the content of the KPIs, the total

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<sup>4</sup> LCR - Liquidity Coverage Ratio: high quality liquid assets held by financial institutions to survive during a significant stress scenario lasting 30 calendar days. LCR measures short-term resilience of the liquidity risk profile of bank.

number of KPIs was reduced as a part of a larger overhaul of measures and targets in all of the systems used in Sparebanken Vest.

During this period, there were people in the management and staff who started to oppose and criticize BSC. In 2013, the board expressed their interest in reducing the number of KPIs in the CEOs scorecard. Moreover, the board was not concerned with BSC in particular, and there was some interest in replacing control and measurement with more dynamic management.

*'The board signalled that they wanted to reduce the number of KPIs, and they were not concerned about the four perspectives.'* (Interview 4, 2018)

The outcome of the discussions between the board and management was the discontinuation of BSC as such. However, Sparebanken Vest continues to use the scorecards and two perspectives as a compromise: some believed that it would be enough to only measure ROE and let everything else be managed dynamically, while a part of the management opposes the idea of eliminating targets and control management.

*'It was a compromise. Some thought that if you stopped measuring or if you only measure a few things, then people would stop to perform. So the discussion was more about whether to measure or not. Some think that if you do not have targets with red, yellow and green indicators, then people will perform less.'* (Interview 4, 2018)

As of 2014, Sparebanken Vest uses a management system that measures two perspectives - financial and strategic, with eight KPIs in total. The perspectives have equal weight and as per request from the board include maximum four KPIs each. The financial perspective includes the traditional KPIs, such as ROE and net interest rate, while the strategic perspective focuses on 'must-win battles' that often relate to the customers and the strategic goals during a set time.

*'We have four [KPIs] for the Retail Banking and five [KPIs] for the Corporate Banking. It has been eight [in total] earlier, so it varies from year to year depending on what we need to focus on. The reason for why we now have five [KPIs] for the Corporate is that we are entering a period with a new strategy after Easter. Since we want to start measuring in January, we have chosen to get the processes going from January rather than waiting until later in the year.'* (Interview 1, 2018)

In other respects, most of the processes have remained unchanged. The targets and suggestions for measurements are still confirmed by the board after they have considered the

proposition from the management. Most of these are based on the budget decisions that have been confirmed in advance. The scorecards are followed up every quarter and the KPIs rarely change from year to year. This is to create continuity and predictability for the employees. Much of the focus has been turned towards simplifying processes and reducing time spent on measuring and changing the indicators. The primary goal is to deliver a ROE of 11% and be one of the two best savings banks in Norway. Everything else must support these two goals.

*'You understand that there are certain indicators that are important in that respect [to deliver on the two goals]. I have been a part of building these massive schemes with different targets when I've worked at other places. This has also been done here but we have cut down on time spent on everything we do not believe is relevant. We have simplified it. We skip much of the theoretical parts. Also because it has been tried out before.'* (Interview 1, 2018)

It is still considered necessary to measure certain metrics in Sparebanken Vest. Even when new management systems, such as Lean and Beyond Budgeting inspire for new routines in the bank, some aspects of the BSC remain present. The scorecards are used during performance reviews and the employees continue to think of goal achievement in terms of red, yellow and green indicators.

## 5.4 Summary

The aim for this chapter was to provide the empirical background for the study. The chapter introduced the historical background of Sparebanken Vest and described the development over the years, followed by an overview of the current organisational structure. Particular focus is on the development of BSC in Sparebanken Vest in terms of adoption, implementation, challenges, maturation and final decline. Below is a timeline depicting the major events related to BSC in Sparebanken Vest.

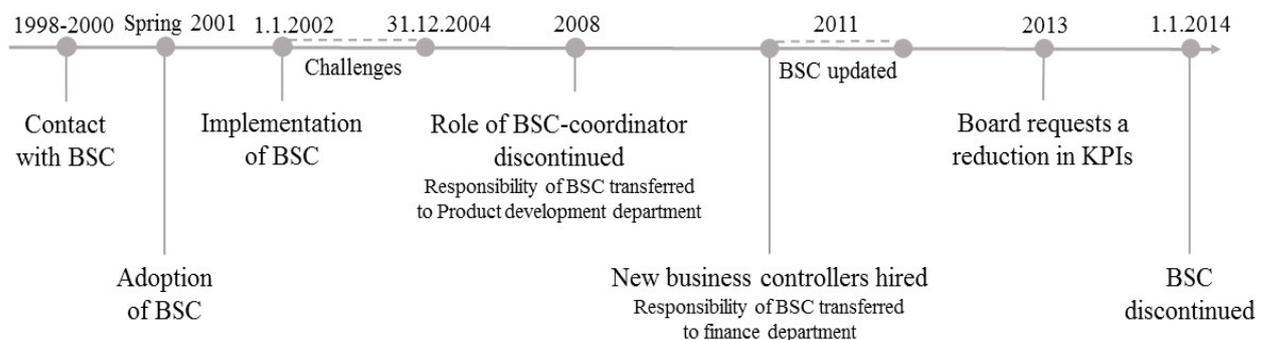


FIGURE 9. TIMELINE DEPICTING THE MAJOR EVENTS RELATED TO BALANCED SCORECARD IN SPAREBANKEN VEST.

## 6. Case analysis

The goal for this research paper is to show the applicability of the virus theory for understanding the diffusion and evolution of management ideas. We chose to test the applicability by formulating propositions that are directly derived from the characteristic features of viruses (see Table 1). These are then analysed through the corresponding organisational idea-handling processes. In order to focus the analysis and be able to confirm or reject the applicability, we have formulated propositions that concentrate on the core elements of each of the six features of viruses. The features and corresponding idea-handling mechanisms are discussed in the order proposed by Røvik: (1) infectiousness, (2) immunity, (3) replication, (4) incubation, (5) mutation and (6) dormancy. Each proposition is evaluated separately.

### 6.1 Infectiousness: Adoption

*Proposition: Sparebanken Vest played an active role in becoming 'infected' with the management concept.*

The organisational idea-handling process that corresponds with the infectiousness phase of the virus is the formal adoption of the management idea. The critical factor that helps us determine whether the virus theory offers a valid contribution to understanding the diffusion of management ideas compared to fashion theory, is the notion of an *active host*. This can be determined through viewing the actions taken by the organisation in the early stages of coming in contact with the management idea.

In this case, we have distinguished two points of contact that can be argued to be the moments of infection. The distinction, and whether or not both points can be described as infections according to the virus idea, can be reduced to the definition of the active host. As we have discussed in the theoretical part of this paper (see chapter 2.3), the theoretical framework for this paper leaves some room for discussion around the definition of the active host. We have chosen to define the organisation - in this case Sparebanken Vest - as a host. The individual members - leaders and managers of the organisation - are parts of the host and play a role in the process of being infected with the virus. In determining whether the host

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has become infected, we choose to see the organisation as a whole as a host. Furthermore, as the paper is focused on a single case through a longer period, we believe that it is correct to view Sparebanken Vest as a single organisation also when they were a part of the Sparebank 1 Alliance. Even though we have identified two possible points of infection, the first contact through SR-Bank is the contact point for SR-Bank and for the Sparebank 1 Alliance, not for Sparebanken Vest. This follows directly our definition of an active host.

In this case, Sparebanken Vest came in touch with BSC as a response to the strategic reforms that were taking place in the organisation and the external turmoil that forced them to change in order to stay competitive.

*'The backdrop was that there were some harsh times in the beginning of 2000. The work on improvement became very important. Balanced Scorecard was seen as a suitable aid to implement and operationalize the banks strategy.'* (Interview 2, 2018)

The wish to realign the organisation and to make better use of the strategic information needed a system that could be used by decision makers and employees alike. In this sense, there was an active interest in finding a strategic tool that would answer to those needs.

*'The initiative came from the top management because they needed the credibility and the following from the rest of the [low-level] management. It needed to be something that was for them, something the top leadership believed in and hoped that the rest of the management could believe in as well.'* (Interview 3, 2018)

Furthermore, there was a formal mandate to introduce the BSC in Sparebanken Vest (see Appendix 5) that bears enough weight to be translated as a formal decision to adopt the idea. Active translation and transformation of the new idea took place within an organisation in order for the idea be able to spread. An example of this was the creation of the extended management group that was involved in building the original scorecards and worked on evaluating the Critical Success Factors. In addition, a new data system was purchased and consultants were hired in to help incorporate and adapt the systems to the organisation.

Røvik also distinguishes between direct and indirect infection, depending on the path of the virus to the organisation. The direct infection describes the infection through the manager's direct contact with an idea that then continues to infect the rest of the organisation. The indirect path describes the infection via intermediaries such as consulting agencies, business

schools or the other agents. If the path of BSC to Sparebanken Vest stems from the CEO and can be pinpointed to the specific interest to find a new management tool that would help implement the new strategy for the bank, it is natural to classify the infection as direct. On the other hand, if the initial contact is traced back to the meeting with the professors from Norwegian School of Economics, the contact can be classified as indirect. As we have somewhat conflicting information from the interviews, we cannot conclude with certainty whether the initial contact was direct or indirect.

*Based on the analysis, we can confirm that Sparebanken Vest had an active part in becoming 'infected' with Balanced Scorecard, regardless of the infection path. They showed an active interest in BSC and created a formal mandate that formulated the goals and visions related to BSC adoption in Sparebanken Vest.*

## 6.2 Immunity: Non-adoption, isolation, expiry, rejection

*Proposition: When the concept of Balanced Scorecards met Sparebanken Vest, it triggered reactions in the organisation that can be described as one or several forms of defence mechanisms.*

The organisational idea-handling processes that correspond to immunity in viruses are non-adoption, isolation, expiry and rejection. We have identified two processes that are relevant to discuss in the case: isolation and rejection. It is important to note that we have interpreted the idea-handling processes that relate to immunity in viruses as processes that *do not* result in the implementation of an idea. In other words, we have chosen to discuss these processes as possible examples of immunity if they had led to no implementation of BSC in Sparebanken Vest. As we already know from the case, BSC was implemented in Sparebanken Vest. We discuss this part of the virus theory to give a richer picture of the processes in the organisation without concluding that these processes fully apply to the particular case.

### Isolation

When an idea reaches the organisation, there is a possibility that it does not carry on to the whole organisation. This can mean, for example, that the idea resides at the management level but insufficient action is taken to carry it on to the whole organisation. This can lead to the isolation of the idea and the possibility of the idea dying out.

The early implementation process was led strongly from the top-down. As explained earlier, there was a mandate and a proper plan for action that intended to involve the whole organisation in realising the strategic goals for the organisation (see Appendix 5). The scorecards were drafted for each branch. The regional scorecards functioned as the personal scorecards for the regional managers, but there were no individual scorecards for each employee otherwise. The process of developing the scorecards started in the spring of 2001. As there was a wish to implement the scorecards already in the beginning of 2002, it was difficult to involve all the 700 employees in the organisation.

*'We chose a process that did not involve all 700 employees. This would have been a hopeless process.'* (Næss, 2004)

The management was interested in following the advice from Kaplan and Norton in involving the employees from several levels in the organisation. This led to the formation of an extended management group of about 40 people from all regions and functions. The group worked on developing the scorecards and KPIs throughout the second half of 2001 with a consultant from Cap Gemini Ernst & Young (see Appendix 4). This exemplifies the desire to implement the idea properly from the start, but also a compromise as not the entire organisation was included in the process. Furthermore, there was no binding plan for action developed for how the regional managers were expected to implement the strategy and the scorecards that had been drafted out (see Appendix 4). This created freedom for the regional managers to communicate the scorecards in their departments according to their perception, but also led to some confusion. As described, the confusion arose when the targets for the year 2002 were set.

*'I believe it was a good process for those who were involved, but then in December [2001] when we started to set the targets for next year's budget, some fell off the wagon. We have some sour experiences from that time. Some of the regional bank managers did not feel they were involved in the process.'* (Næss, 2004)

The board and the steering committee decided the targets. Some managers could not relate to the targets and had trouble communicating those to their respective units. Many of these managers turned to the coordinator with complaints about unfair treatment.

*'We used most of the first year to list the things users out there felt were unfair and difficult to relate to, things they did not recognize.'* (Næss, 2004)

We suggest that the period of confusion when the regional managers were struggling to understand and further implement the scorecards is an example of possible isolation of the idea. There was a strong will from the top management to translate the idea into action, but due to miscommunication and insufficient involvement, the process was compromised. In other words, there was insufficient action taken by the top management to root BSC in Sparebanken Vest. This period lasted about one year from the initial target setting in December 2001. After the initial problems, the management assigned extra resources to increase the involvement from the different regions. This eventually led to the successful implementation of BSC and the isolation of BSC was averted.

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## Rejection

The second idea-handling process that responds to immunity and which we find interesting to discuss is the possibility of rejection. As described in the theory, this can both refer to the actions taken within different groups of the organisation to block the idea, or to the discovery of fundamental incompatibility through an attempt to implement the idea. In this case we find that there is evidence of value-based incompatibility as a result of KPIs that the employees could not relate to. There was a fundamental problem in understanding, which actions led to the results expected from the leadership and how this related to the strategic goals of the region and the organisation in its entirety. In an internal questionnaire about the knowledge on BSC, most of the employees claimed to understand the concept, but the prevailing result was:

*“BSC is probably beneficial for the bank, but what does it have to do with me?”*

*(Næss, 2004)*

Ensuring each employee understood their role in the organisation was one of the challenges during the implementation. The regional managers were responsible for creating the understanding and enthusiasm for the new system in their respective units (see Appendix 4). However, the managers struggled to understand the targets of the KPIs, because they were set by the head of their respective departments. Moreover, the managers also faced difficulty in explaining the connection of KPIs to the bonus systems. This translated into incomplete communication to the employees on lower levels in the organisation. Since the BSC was connected to the bonus payments, many employees became discontent with being rewarded according to the scorecards without fully understanding how their actions related to KPIs. Even though there was initial willingness to implement the new processes, being rewarded on confusing grounds was in direct opposition to the values of many employees. The employees of Sparebanken Vest had previous contact with monetary incentives from the Salgspoeng system that was already well rooted. It was therefore important to make sure that the bonus payments based on scorecards were perceived as fair, in order for the BSC to be accepted. One of the examples of unfair treatment based on scorecards, according to the employees, was the sick leave mentioned earlier in the case description. In addition, the discrepancies related to the scorecards for the internal units caused resistance. In general, the challenges regarding the bonus system that led to potential rejection derived from how the bonus was

measured and distributed within the organisation, as well as how the relevant KPIs were set regarding the bonus payments.

The interviews from 2004 show that the implementation issues were solved by 2004. The lack of involvement and the miscommunication regarding the reasons for the new systems were not present anymore. According to the interviews, the employees understood why they were measured on certain KPIs (Knutsen, 2004). One of the interviewees asserts that this was reached through devoted work from the management to solve the implementation issues. They built routines to gather feedback from the regional managers that was analysed and implemented as fast as possible. As one of the interviewees put it:

*'There was a lot of changes implemented in the first year. This was intentional, because without the changes everything would have collapsed. Otherwise the managers and employees would have said that it [the feedback] was not taken into account.'* (Næss, 2004)

In a similar manner to isolation, the implemented changes averted the potential rejection of BSC and it was successfully implemented.

*Based on the analysis we can confirm that when the concept of Balanced Scorecard met Sparebanken Vest, it triggered reactions that could be described as isolation and rejection.*

Isolation is demonstrated by the possibility of BSC remaining in the top management without successfully being implemented in the lower levels of the organisation, and rejection is shown through the difficulties of explaining the connection between one's activities and the effect it had on the organisation and to the bonus payments. Both outcomes were averted thanks to the proper action taken by the management.

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## 6.3 Replication: Entrenchment

*Proposition: The idea will lead to new regulations, structures and routines in the organisation. These changes will facilitate the entrenchment of the management idea.*

The corresponding behaviour of replication in an organisation is *entrenchment*, which refers to the actions within the organisation that transform its practices - structures, routines and daily activities - thereby affecting large parts of the organisation. There are two mechanisms, regulation and education, that entrench the management concept within an organisation. The first mechanism refers to the outside pressures from authorities that have the power to prescribe rules, whereas the second mechanism refers to the internal processes initiated by the organisation itself.

As explained in the Project Mandate, the aim for implementing BSC was to realise the strategic goals and vision of Sparebanken Vest. We infer this as an attempt to implement type III of BSC (see Table 2). Hence, we find it beneficial to analyse the entrenchment process in light of Kaplan and Norton's five principles of a strategy-focused organisation (see page 31-33 for principles). These principles are derived from companies, which have successfully implemented BSC. Our understanding of companies, which have successfully implemented BSC, is another way of saying that BSC has been *entrenched* in the organisation with lasting effects.

We have not found any indication of the regulation mechanism. There were no state legislations, peer pressure or any other external push to adopt and implement BSC in Sparebanken Vest. However, from the interviews and secondary sources we find that internal efforts were made through education and training. We have identified several examples of how the practices have been transformed in Sparebanken Vest and will introduce them through the principles of a strategy-focused organisation. We have found support for four key principles as explained further.

The first principle is to translate the strategy to operational terms. The key here is to create understanding of how the strategy is related to the everyday work and how the intangible goals are translated into specific KPIs. The framework for how BSC was to be introduced in

the organisation was specified in the Communication Plan and the Project Mandate. These two documents specified the tasks for several groups in the implementation process, where communicating the essence of BSC was of utmost importance.

Before the extended management group could continue with explaining BSC, the first step was involving an external consultant from Cap Gemini Ernst & Young. The goal was to teach and familiarize the extended management group with BSC and its practices. In addition to the Cap Gemini Ernst & Young's consultant, two other consultants were hired to set up a new data warehouse for the purpose of implementing BSC. The extended management group then developed the relevant KPIs for Sparebanken Vest and helped to translate the intangible strategic goals into tangible outcomes that could be measured. This process was organized through several workshops that were held during 2001 (see Figure 6). According to the interview (2004), the workshops were successful in translating the strategy to specific Critical Success Factors but the use of strategy maps was limited.

*'We [the extended management group] travelled to Finse one weekend with a fantastic consultant from Cap Gemini and worked out the relevant KPIs - the critical points related to the strategy. [We worked on] what was fundamental for the strategy for Sparebanken Vest and what was important for us.'* (Næss, 2004)

The strategy maps were only used in the early stages of developing the scorecards and discarded soon after due to extreme complexity that contributed more to confusion than a holistic overview.

*'Yes, we devised strategic maps. I thought it was a bit difficult to convey those. I thought it was easier to work on specific goals. It was more important to operationalize the everyday practices.'* (Interview 3, 2018)

Based on this, there is evidence to claim that Sparebanken Vest was relatively successful in translating the strategy to operational terms, but did not follow this principle to the letter. There was considerable effort put into developing the CSFs and KPIs, but the use of strategic maps was very limited.

The second principle is to align the organisation to the strategy. The essence here is to avoid looking at the organisation in separate silos according to their functions. This principle can be exemplified through some of the daily activities in the bank that changed as a result of

implementing BSC. Namely, the usual PowerPoint presentations in management meetings were replaced by reviews of scorecards, and the focus was directed towards red and yellow KPI indicators. According to the BSC coordinator, scorecards made it easier to visualize and present the data because the different reports regarding different aspects of the status on the bank could now be presented together in one place. This was possible with the help of an integrated software and the use of dashboard-like presentation of the scorecards. This reformed how the management used measurements in the work towards strategic goals. Hence, BSC changed the way management meetings were held.

*'Of course, it [scorecard] set the agenda. It was a fantastic tool for the manager, who could say "Here we have some red [indicators]. No credit cards were sold this month, why?" The scorecard makes it easier with red, yellow and green to communicate with the colleagues in a totally different manner.'* (Interview 3, 2018)

It is difficult to assess the direct results of using scorecards in the management meetings, but there is reason to believe that it made it easier to explain the overall strategy for the bank when it was presented as a dashboard with colour-indicators. Scorecards made the information from different sources more available and easily presentable. This contributed to aligning the organisation to the strategy.

The third principle by Kaplan and Norton is to make the strategy everyone's job. As mentioned, the regional managers were responsible for educating their own employees in their respective branches. This reflects the goal in the Communication Plan (see Appendix 4) which had the purpose of giving all the employees in Sparebanken Vest an understanding of why BSC is implemented as a strategic management system and creating an overarching understanding of the performance related to vision, goals and strategy of Sparebanken Vest. However, the approach of relying on the regional managers to spread the knowledge and understanding of BSC can also be seen as lack of structures to support the entrenchment. Relying on the regional managers to explain the concept, instead of creating more structure around educating every employee in the same manner can be seen as a compromise from the management.

*'It [involvement] varied a lot and depended on the management in the respective offices. It is like that everywhere. If you are not successful in engaging the middle management, you've lost. It is like that with BSC as well. Where we had eager managers, knowledge and engagement was bigger. Whoever was the manager in the office was the key to whether it worked or not.'* (Interview 3, 2018)

Due to insufficient context about the reasons for implementing BSC in Sparebanken Vest, many employees lacked the knowledge about the connections between the KPIs. They lacked a holistic understanding of how the perspectives related to one another and to the goals of the bank. The feedback from some of the regional offices proves the shortcomings.

*“‘‘Couldn’t they rather have come and told us where we belong in the bigger picture? This is more motivating than a pile of measures’’ (Interview 3, 2018)*

One of the interview objects describes BSC as a patchwork. During the years, more and more KPIs had been piled on, without much regard to the strategy and interconnectedness of the perspectives. This can explain the employee’s attitude to BSC as a measurement tool where the focus was on achieving the green targets rather than using the targets as a way to operationalize the bank’s strategy. This did not mean that there was insufficient education or training that led to the employees not using BSC in their everyday work. Rather, BSC was not used in the planned extent. Working towards the bank’s strategy through BSC was planned to be a part of every employee’s daily work. There is little evidence to prove that this was ever the case. The research paper by Knutsen (2004) concludes that working with the bank’s strategy was not a part of the everyday work for the people interviewed for the paper. The conclusion in the paper is that the connection between the strategy and the balanced scorecards in everyday work was not clear for most of the interview objects (Knutsen, 2004). One of the interview objects suggests that this might also have been the result of connecting the incentive system to the scorecards too early.

*‘One can ask whether the focus on money became the objective instead of the things that were actually measured. In that case, it was more like a measurement system and not a strategic tool. The bonus adds a dimension that can skew the goals. You add an economic carrot that becomes overly visible.’ (Interview 3, 2018)*

The data from later interviews supports this claim and shows that BSC was primarily used as a measurement tool, rather than a strategic tool that was supposed to help the employees focus their attention to the strategic goals for the bank.

*‘There were many [employees] out there in the branch offices who did not understand how the bank’s finances were interconnected.’ (Interview 4, 2018)*

On the other hand, it is likely that the impression of the purpose of BSC was affected by the nature of everyday work of the employee.

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*'At the top level, I believe that it [BSC] was perceived more strategic than if one sat and talked with the customers the whole day. It was likely experienced in a different way for those that had more information related to the strategy in the management level, than those at the grass root level. At the grass root, I believe it was perceived more as a measurement tool (---) but on the management level it was perceived as a management tool.'*  
(Interview 4, 2018)

Based on this, we suggest that Sparebanken Vest did not manage to completely follow Kaplan and Norton's prescription of successful *strategy* focused implementation. They did not manage to make the employees understand the strategy holistically. Even though Sparebanken Vest managed to introduce BSC, the implementation was not as strategic as it was formulated in the Project Mandate and the Communication Plan. The connection to the strategy varied in the organisation depending on the employee position and everyday work. For the grass root level, BSC functioned as a measurement tool (type 1).

The fourth principle is to make strategy a continual process. This requires the company to review the strategy annually and the budget monthly and link them together. In our case study we do not find any evidence to underpin this principle. Firstly, in terms of the strategy, the board reviews the CEO's scorecard regularly, but any changes in the scorecard are only done at annual board meeting. Sparebanken Vest never implemented strategy maps and the testing and adapting of the cause-and-effects of BSC happened only in the implementation phase. Secondly, in regards to budgets, Sparebanken Vest still uses traditional annual budgets. The budgets are reviewed monthly, and some of the budget targets are reflected in some of the KPIs. However, there is no clear indication that budget and strategy are linked together more closely after the implementation of BSC.

Based on this, there is little indication that Sparebanken Vest made strategy a continual process in the organisation.

The last principle is an enthusiastic top management that fully supports the change to BSC. The interview from 2004 clearly indicates that the initiative of BSC came from the CEO and the board of directors. The support is also clearly shown in the Project Mandate where the top management declares the implementation of BSC as its highest priority (see Appendix 5).

*'It [BSC] was anchored in the top management, and it still is.'* (Næss, 2004)

The BSC coordinator in Sparebanken Vest stated in the interview from 2004 that she dedicated a lot of time to the employees who had difficulties understanding how the strategy and BSC were linked. She further made sure that these employees left with a clear understanding and acceptance for BSC in Sparebanken Vest.

*'I travelled around in Hordaland and Sogn og Fjordane and had meetings with all the employees and managers.'* (Interview 3, 2018)

This exemplifies the support and active participation from the top management to create the necessary momentum for success of BSC in Sparebanken Vest.

As a whole, the introduction of BSC led to new structures and routines in the organisation that are in accordance with the virus theory. These new structures and routines partially follow the principles of strategy-focused organisations. Unfortunately, as it becomes evident in the analysis, there were some shortcomings and the strategy was not implemented at the intended level.

Sparebanken Vest was relatively successful in translating the strategy to operational terms. Special project groups were created with specific responsibility to further implement BSC in the organisation. In addition, consultants were involved to build the fundamental understanding of BSC that would make it possible to have reliable CSFs and KPIs. The use of scorecards in the management meetings created a more holistic picture of the organisation and BSC was anchored in the top management who believed in it. On the other hand, there were shortcomings related to making strategy everybody's daily work. For lower levels in the organisation, BSC functioned as a measurement tool rather than a strategic tool.

*The analysis shows that routines in Sparebanken Vest changed as a result of implementing BSC. This in turn contributed to the entrenchment of BSC in Sparebanken Vest.*

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## 6.4 Incubation: Maturation

*Proposition: There is a period where the idea is lingering in the organisation without any implementation of actual practices that lead to the materialization of the idea.*

The virus theory describes the period between the infection and the symptoms as an incubation period. In adapting the virus theory to management ideas, one can think of the incubation period as the time between the management idea first comes in contact with the organisation until the idea is turned into practice. Given this description, there is some room for interpretation. Namely, the interpretation of symptoms and practice can be subjective. Based on this particular case we infer practice as the actual implementation of BSC in Sparebanken Vest. The work that was done to implement the idea can be described through the mechanisms - consistency rules for discourse and practise, and intensity -, which Røvik explains are important *factors* in the maturation process, but not practice in and of itself.

From the case study and the analysis from infectiousness section, we know that BSC infected Sparebanken Vest through Knut Ravnå around the turn of the millennium. Even though it is difficult to pinpoint the actual infection moment, he was open to the concept of BSC and the infection happened around year 2000. However, the implementation process of BSC did not start before mid-2001. Due to an incomplete overview of the infection moment, it is difficult to confirm the reasons for the lingering of the idea. One can attribute the delay to the lack of urgency related to the strategic changes. The external turmoil after the change of the millennium increased the competition and led to difficult times for the bank in the following months. This may have led to the activities related to the actual implementation work in 2001.

Furthermore, even though the CEO and the top management saw the potential benefits of adopting BSC already in 2000, there is some evidence to say that they felt Sparebanken Vest was lacking the prerequisites for adopting BSC and groundwork was required before adoption.

*'(---) we had to do a job first. And we clearly saw that this job was to be very clear about our strategy.'* (Næss, 2004)

This means that the lingering state could be related to formulating the overall strategy for the bank. The work after formulating the strategy - creation of the extended management group,

weekend conferences and workshops, formulation of the Project Mandate and Communication Plan - can be described as the activities that promote the idea throughout the organisation. In other words, they describe the intensity of turning the idea into practice. Although the evaluation is subjective, we have reason to describe the intensity as high. This evaluation is based on the fact that most of the work regarding preparing Sparebanken Vest for BSC was done in less than a year. Given that Sparebanken Vest was an organisation that was spread out on the West coast of Norway with over 50 branches, the effort of implementing BSC in the whole organisation was considerably fast. In addition, the work around implementing the BSC had priority according to the Project Mandate: *“The project has the highest priority for the top management and extra resources will be made available if needed.”* (see Appendix 5). The interviewees could not specify the exact budget allocated to the project, but described the investment as considerable. In addition, two full time IT employees along with a BSC coordinator were dedicated to BSC.

*‘It [BSC] was implemented in 2002, and given that the process started in 2001, I do not think it was a long time [in between]. It [BSC] is relatively complex. One must have a system that can report on everything. One thing is the idea, but one must work with both the Critical Success Factors, KPIs, values, and have a data system that can report on all of this. I would not say that barely a year - at least from when we started with the technical aspects - was a long time.’ (Interview 2, 2018)*

Based on this analysis, we can describe a period between 2000 and 2002 as a process of maturation where no actual practices that led to the materialization of BSC were implemented. The actual implementation of practices happened in 2002 when the whole organisation was introduced to BSC and the idea was put into practice through the implementation of scorecards. The mechanism that was mainly involved in the maturation process was the high intensity of actions being taken to promote the idea throughout the organisation from mid-2001 to 2002. There is little evidence to support that there was a decoupling of symbolic changes and actual changes. When the top management felt that the organisation needed to change course with the help of BSC, the actual changes came relatively fast.

*There was a relatively short period of time where the idea of BSC was lingering in Sparebanken Vest without any implementation of actual practices that lead to the materialization of the idea.*

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## 6.5 Mutation: Translation

*Proposition: The management practice will be a version of the original concept that is adapted to the specific organisation and may differ in some aspects from the theoretical idea.*

As mentioned in chapter 3.2, Kaplan and Norton do not provide a clear definition of BSC. We find it beneficial to give a brief overview of our understanding of the original BSC concept and its core elements in order to analyse the process of translation. These elements are derived from the sources by Kaplan and Norton (1992, 1996, 2001b) used in this paper and based on the practical uses of BSC described in their work.

The first core element we see as one of the cornerstones of BSC is the existence of four perspectives: financial, customer, internal processes, learning and growth. In every type and update of BSC, these four perspectives have been present and instrumental, since all the thinking and logic has been built and structured around them. The second core element is that all perspectives are linked together, regardless of the type of BSC. As described in the theory section, the perspectives in type I are all interconnected with each other without any form of ranking or causality. Whereas, type II and III place the perspectives in a cause-and-effect relationship where a perspective at a lower level influences the perspective on a higher level. Regardless of how the perspectives are placed or ordered, the common denominator for all the types is that the perspectives affect each other. Lastly, the idea of scorecards where all KPIs for the four perspectives are collected in one dashboard with green, yellow and red indicators is also regarded as one of the core elements.

The virus theory asserts that changes in management ideas are expected and sometimes necessary for the idea to keep on living within the host organisation (Røvik, 2011). We have chosen to describe the changes in BSC practices that are case specific and necessary in order for the management system to survive in the particular organisation as examples of translation. In addition, we review examples of changes that can be expected according to the theoretical background. In other words, we draw a distinction between the changes, depending on how much they deviate from the theory.

According to Røvik, there are several different ways in which the management idea can be translated: by copying, subtraction, adding, alteration and renaming. Based on our

understanding of the original BSC concept we have found examples from several translation methods. The most prominent is the process of *copying*.

### **Copying**

According to the interviews, Sparebanken Vest chose to implement BSC closely following the theory from Kaplan and Norton.

*'There was a wish to be in accordance with the theory.'* (Interview 3, 2018)

This means that BSC was implemented according to the four principles: financial, customer, learning and growth, and internal processes. In addition, they started using the scorecards as dashboards where the achievement of targets was shown in different colours: green, yellow and red. The goal was to achieve all green KPIs, whereas the red KPIs marked the areas that needed extra attention. As described, one of the main reasons for introducing BSC to Sparebanken Vest was the wish to become more strategy oriented and make strategy everybody's work. As we discussed in the entrenchment chapter, they were not successful in achieving the expected focus on strategy, but the original idea was copied according to Kaplan and Norton's suggestion of creating a connection between the perspectives. As we concluded earlier, there were certain differences with respect to strategy as a part of everyday work that was dependent on the role of the employee.

Furthermore, the BSC system was connected to an incentive system, where the achievement of green KPIs was awarded. This is derived from the principles of a strategy focused organisation by Kaplan and Norton (see page 31-33). They advise that the targets and objectives should be incentivized through reward systems as long as the company has sensible and not easily manipulated measures. This was ensured with the help of a reliable data system and follow up routines of the output from this system. Because the Salgspoeng incentive system was already in use in the bank, connecting BSC with bonuses was natural since the employees responded to financial incentives.

Proof that Sparebanken Vest was successful in implementing BSC is the fact that Sparebanken Vest was acknowledged for their work with BSC, and was awarded the

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Balanced Scorecard Award by Balanced Scorecard Forum Norway<sup>5</sup>. Moreover, the BSC coordinator was invited to speak about their experiences with BSC over the whole country.

*'We have used a lot of different systems through the years to figure out whether we are doing well or not, and what we should do more or less of. However, this one withstood a lot longer. We received a number of rewards for what we had achieved.'* (Interview 3, 2018)

### **Further adaptations related to copying**

A category of adaptations does not deviate from the original concept. These adaptations relate to the changes within the proposed four perspectives and the relative weighing of these perspectives, the number of KPIs and scorecards, and the content or nature of those KPIs. These changes can be seen as *adjustments* within the original theory and do not deviate from the basic idea of BSC. Even though Kaplan and Norton suggest an optimal number of KPIs and propose that the relative weighing of the perspectives should be well balanced (Kaplan & Norton, 1992, 1996), they also mention that there is room for deviation in different industries and companies.

There are several examples of the changes that were made to the BSC in Sparebanken Vest that we do not categorise as translation. The first one was the change in the number of scorecards throughout the years. During the initial implementation, there were 92 scorecards, one for each unit and branch. In the following years, the work around setting fair targets proved to be very cumbersome for administrative and service units. As mentioned earlier, their scorecards were eventually dropped and their bonus was attached to the CEO's scorecard. By February 2004, there were 80 scorecards (Roiseland, 2004). In addition, over the years some smaller branch offices were closed down which led to a reduction in number of scorecards. In 2011, there were about 60 scorecards - one for each of the branch offices and one for each of the regions along with the CEO's scorecard.

Another adjustment was the continuous updating of the KPIs in each of the four perspectives. As we have discussed earlier in the paper, some of the KPIs could not be measured fairly in all departments and had to be removed. Examples of such KPIs are the sick leave that was not applicable for the small branches, and employee satisfaction that could not be measured fairly as the KPIs were connected to the bonus payment and the claimed satisfaction could be

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<sup>5</sup> Balanced Scorecard Forum Norge is a forum for practical implementations of the management model. Magne Støvern established it in 1997. The forum is about Best Practice. Not active since 2007.

manipulated. In addition, many of the KPIs were related to specific products or services and became irrelevant as new products were introduced in the bank. Some of the KPIs were also removed as a direct result of the feedback received from the employees.

*'You learn while doing. There were many adjustments along the way, both in the scorecards and in the bonus system. (---) We kept the same [four] perspectives but the weighing of indicators was changed along the way.'* (Interview 2, 2018)

The third adjustment to the BSC concept was the relative weighing of the four perspectives. Kaplan and Norton suggest a well-balanced weighing of the four perspectives. In Sparebanken Vest, there was always a certain imbalance. The initial weighing of the perspectives was 30%, 30%, 20%, 20% where the financial and customer perspective weighed heavier than the other two. Either due to the nature of the organisation or to the historical use of metrics in the bank, the financial perspective was in practice weighed more heavily than the other perspectives. This was often expressed by placing some financial measures under the other perspectives since it was difficult to find KPIs for these. In general, the attitude was to adapt both the KPIs and perspectives according to the current needs.

In 2014, before Sparebanken Vest decided to stop using Balanced Scorecard as a management concept, they were using four perspectives with five KPIs in each. Even though this describes ideally balanced perspectives, the content of the KPIs was somewhat fabricated and some of the KPIs that were under the internal and learning perspectives actually measured financial targets.

*'I wonder if we actually, in shortage of [good KPIs] put portfolio [growth] in the process or customer perspective. And this makes no sense. It is a financial [measure]. This exemplifies some of the problems we had with finding good things on the process and customer [perspective].'* (Interview 4, 2018)

### **Renaming**

A special type of translation, which only refers to local linguistic changes, is *renaming*. As we mentioned earlier, Sparebanken Vest chose to translate most of the expressions into Norwegian. Apparently, there were some regional differences with respect to the use of English terms and it was more accepted in some offices to use both English and Norwegian. In some branches, on the other hand, it would have been difficult to engage employees by not translating all of the expressions.

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*'There have been several expressions from English in the banking sector, and often the response was "Why on earth do we have to use it [the English expressions]? There has to be a Norwegian word for it!" We used everything in Norwegian.'* (Interview 3, 2018)

### **Adding**

Sparebanken Vest also translated the concept by *adding* a blue indicator in the CEO's scorecard in 2005. The blue coloured indicator ranked above the green indicator, thus having red, yellow, green and blue. The idea of adding another indicator was to motivate the CEO to perform even better. It was equally hard to go from yellow to green as it was to go from green to blue.

*'It was meant to stimulate for the little extra.'* (Interview 2, 2018)

This is a clear example, which shows that Sparebanken Vest adjusted the original concept according to its need.

### **Alteration**

Depending on the interpretation, the changes, which led to the abandonment of BSC in 2014, can be classified as an *alteration*. As described in the case, the impulses from the top management in 2013 led to bigger changes regarding BSC in Sparebanken Vest. It was decided to focus on two perspectives: financial and strategic, with four KPIs in each. Røvik defined alternation in virus theory as extensive adjustments in the original idea according to local understanding. Based on the definition, one could argue that the new management system from 2014 was an altered version of BSC because of extensive adjustments to the original management system, such as removing some perspectives and regarding them as independent of each other. However, when the changes are compared with the core elements of BSC, two of three core elements are absent. The new management system does not have the four perspectives and the perspectives are not interconnected in any way. Hence, we regard the adjustments to be too extensive because they lack the core elements of BSC. Moreover, the statement of the current Sparebanken Vest employee, who claims that Sparebanken Vest does not use BSC anymore even though there are remnants, i.e. scorecards, still present from the BSC-concept, supports this understanding.

Based on this we do not regard the management system from 2014 as an *alteration*, but an *inactivation* of BSC, which is further described in the next section.

*The BSC used in Sparebanken Vest was a close version of the original concept that was adapted to the organisation and did not differ substantially from the theoretical idea. The examples of translation present in this case are copying, adding and renaming. We do not find the forms of alteration or subtraction to be applicable in our case study.*

## 6.6 Dormancy: Inactivation, reactivation

*Proposition: Given a long observation period, it will be possible to observe an alternation between active and inactive periods of the management concept within the organisation.*

The dormancy feature of the virus consists of two processes: inactivation and reactivation. Similarly, these processes in organisations can be described by phases in which certain management ideas seem to fade and disappear from an organisation, and then reappear in the same organisation. In order to describe the recurrence of a management idea, one has to first confirm that there has been an inactivation on the management idea. We have identified two processes that indicate the fading and then the disappearance of BSC in Sparebanken Vest.

The first process concerns the fundamental understanding of the theory of BSC. Throughout the years, new employees and bank managers were hired, and these people had limited or no knowledge of BSC. Often the new employees did not understand nor saw the link and causality of the KPIs in the scorecard with the overarching strategy of Sparebanken Vest. Moreover, no specific training or workshops were held regarding BSC-theory and its usage for the new employees. Hence, the employees and bank managers saw the KPIs in the scorecards merely as a set of measures and targets without any link or connection to the strategy.

*'Many of the bank managers did not understand its [BSC] purpose. Most likely, they were not educated about the theory of BSC. They did not understand why... for them there were only 20 measures.'* (Interview 4, 2018)

Fading of knowledge and understanding of BSC, and the way it was connected and interlinked within the organisation can be regarded as one of the processes towards the disappearance of BSC in Sparebanken Vest.

The other process that can be described as a gradual fading of BSC concerns the anchoring of BSC in the top management. As we concluded in the entrenchment analysis, strong support from the top management to the BSC in the early stages of introducing BSC to Sparebanken Vest played a key role in the implementation of the management idea. In the following years, the top management was invited to different conferences and presentations that were organized to introduce new management ideas, such as Beyond Budgeting and Lean Management. Again, it is difficult to pinpoint the processes around the fading of importance

of BSC, but it is possible to connect the influences of new management systems to the gradual loss of relevance of BSC for the top management.

*'Around 2013, the board was not very engaged in Balanced Scorecards (---) there was at least one [of the board members] who believed in Beyond Budgeting.'* (Interview 4, 2018)

In addition, either through the weak connection with the bank's strategy or general lack of understanding of the management concept, BSC had become resource heavy. The drafting of KPIs and verification of measurements had become an extensive process. Both because of the increased number of KPIs in the scorecards but also because of measurements in other systems.

*'It has been a challenge. We were very detail oriented, almost to the extreme. So we were trying to simplify and have fewer things we were measuring because we can see that it is often not beneficial for the customer.'* (Interview 1, 2018)

As mentioned earlier, it was difficult to find meaningful KPIs for the internal process and learning perspectives, which often resulted in a lot of work in drafting the KPIs and later in fair rewarding accordingly. It had been a challenge to ensure equal treatment of departments from the very beginning. The smaller departments with only 3-4 employees could never be fairly measured in the same way the biggest departments were measured. In the same manner, due to the differences in the goals and roles for different departments, it had never been possible to treat all departments equally. This contributed to the BSC becoming resource heavy, as considerable effort had to be put into treating everybody equally, yet customizing according to the needs.

*'It is obvious that each department did not get customized targets. It was more like spreading out a number [between all scorecards]. With 60-70 scorecards and 20 KPIs in each it is not possible to consider everything...then you have over-administered.'* (Interview 4, 2018)

This eventually led to the request from the board to start reducing the KPIs and a general simplification of measurements.

*'[The board] simply wanted to reduce the number of KPIs. They thought it was just too much.'* (Interview 4, 2018)

The diminishing understanding of the BSC concept and reduced interest in BSC in the top management eventually led to the end of BSC in 2014. Even though BSC was described as a reasonable tool, it had turned out to be resource-heavy and difficult to use.

*'It is not about the theory itself. There is a lot of sense in it. It is about the execution capability and the understanding of the meaning of it. This is what is missing (---) I believe it had survived if it had been used in the correct manner.'* (Interview 4, 2018)

The general management decided to drop the learning and growth, the internal process and customer perspectives from their scorecards. Today, Sparebanken Vest is operating with two equally weighted perspectives, financial and strategic perspectives. As mentioned in the case, the strategic perspective has a set of 'must-win battles' which replaced the traditional KPIs. Moreover, the new management system does not incorporate the fundamental thinking of interconnected relationships between the perspectives, but rather considers the two perspectives as two sets of targets independent of each other.

*'Today, we do not really have BSC in the bank. We have scorecard, but not balanced according to the four perspectives. We do not have any human [learning and growth, internal processes and customer] perspective in our scorecard (---) but we have strategic focus and financial focus.'* (Interview 1, 2018)

BSC is still (March 2018) inactive and there are no immediate plans to re-implement BSC.

*'The measurement system we have today is going to be used until we find something else, and there is no indication of something else just yet. There is a possibility that we will move away from using budgets but this would mean that we will still have to continue measuring. Possibly in a different way, possibly measure more, but we will continue measuring. We will not go back [to BSC]. (---) We are currently at a level we are comfortable with.'* (Interview 1, 2018)

*Based on the analysis, we cannot confirm the alternation between active and inactive periods of BSC in Sparebanken Vest. We can conclude that BSC as a management system in Sparebanken Vest has disappeared, but lack the evidence to support the reactivation of BSC.*

### **Possibility of reactivation in the future**

Røvik explains the recurrence of management ideas in organisations through two possible paths: either through the remaining knowledge and memories in the organisation or due to the greater economic situation and the specific obstacles faced by the organisation. Based on this we can discuss the possibility of Sparebanken Vest reintroducing BSC in the future.

Many of the employees that were involved in the BSC process in Sparebanken Vest have now retired or changed job. This is not to say that all existing knowledge has disappeared with them, but rather, that a considerable amount of the people who have experience with operating BSC in this particular organisation, have left. There is no specific evidence to prove or disprove the existence of a group of people still in Sparebanken Vest who support BSC and wish to reintroduced it. There certainly is a fair amount of people still present who have experience with BSC.

Several of the interviewees have expressed that the concept and reasoning of Kaplan and Norton's BSC is useful for redirecting the attention towards the overarching strategy through areas other than finance. Furthermore, none of the interview objects feel that introducing BSC to Sparebanken Vest had negative impact on the organisation. Although it is difficult to assess the direct effects of BSC on Sparebanken Vest, none of the interview objects claim to have experienced bad results that can be connected to the use of this management concept. Sparebanken Vest implemented BSC when it faced tough competition and low profits, which is not the case anymore. It could therefore be plausible that BSC is one of many management tools, which are practical for given situations, and will re-emerge under the right circumstances for redirecting company's strategy.

## **6.7 Summary**

We chose to analyse the applicability of the virus theory in the context of diffusion and evolution of management ideas by formulating six propositions directly derived from the characteristic features of viruses. The confirmation of each single proposition is not necessarily a confirmation of all the elements related to the specific virus feature but of the elements we see as most central to that feature.

Through the analysis, we were able to confirm that Sparebanken Vest had an active part in becoming 'infected' with BSC. We have also described the theoretical possibility of BSC not becoming adopted by using the terminology related to the immunity feature. We have confirmed that when the concept of BSC met Sparebanken Vest, it triggered reactions that could be described as isolation and rejection. We further described the changes in routines in Sparebanken Vest after implementing BSC to demonstrate the replication feature. The

success of replication of BSC practices and routines was analysed by describing the extent to which BSC was implemented as a strategic management tool. As we concluded, BSC implemented in Sparebanken Vest resembled more a measurement tool than a strategic management tool that it was intended to be. Similar findings have been made in other research. Knutsen (2004) described the lack of achieving the strategic focus in Sparebanken Vest by interviewing employees in different levels of the bank to understand the extent to which strategy had become a part of everybody's everyday work. Olsen (2013) set out to understand how the focus on strategy changed in Sparebank 1 Nord-Norge as BSC matured. Both papers describe the difficulty in creating a holistic understanding of organisational strategy and conclude that, despite efforts, the intended entrenchment of strategy has not been achieved. This is consistent with our conclusion after analysing BSC in Sparebanken Vest through the replication process.

Thereafter, we used the incubation feature to show that there was a relatively short period where the idea of BSC was lingering in Sparebanken Vest without any implementation of practices. After viewing the different possibilities of idea translation, we have seen that the BSC used in Sparebanken Vest was a close version of the original concept and did not differ substantially from the theoretical idea. Finally, due to the fact that Sparebanken Vest no longer claims to use BSC and the core elements of BSC no longer are present, we have been able to analyse the inactivation of BSC and looked at the possibility of reactivation of BSC in the future.

## 7. Discussion

The goal for the analysis was to show the applicability of the virus theory in understanding the diffusion and evolution of management ideas. All of the conclusions regarding the applicability are based on Balanced Scorecard in Sparebanken Vest.

In this chapter, we will discuss the findings from the case and the analysis. We will divide the discussion into three parts. Chapter 7.1 will discuss the applicability of the virus theory in analysing the diffusion and evolution of BSC in Sparebanken Vest. It will seek to answer the first research question: *How can the virus theory be used in analysing the diffusion and evolution of management ideas?* Chapter 7.2 will describe the interrelatedness of the virus features and answer to the second research question: *How are the organisational idea-handling processes within the virus theory interrelated?* Chapter 7.3 will discuss the third research question: *How can the virus theory offer a more nuanced picture of the diffusion and evolution of management ideas than the fashion theory?*

### 7.1 Applicability of the virus theory

As we have limited our research to a single case, we have not gained further insight into the possibilities of using the virus theory in understanding the diffusion and evolution of management ideas on a macro level. The following discussion will therefore focus on the intra-organisational level of the diffusion and evolution of BSC with some insight into inter-organisational developments gained from the case analysis in the previous chapter.

Through the analysis in chapter 6, we have been able to confirm that the virus theory can indeed give a richer understanding of the processes that relate to the adoption of management ideas in the organisation. This applies especially to the post-infection phase. One of the most salient elements in the virus theory is the idea of an active host (Røvik, 2011). Even though we were unable to confirm the exact point of infection, we have been able to demonstrate the active interest in BSC from Sparebanken Vest. We have also been able to illustrate the possibility of BSC travelling through intermediaries. As we have discussed in the analysis, BSC may have infected Sparebanken Vest through the professors at Norwegian School of Economics, thereby making them the virus 'carriers'. Hence, the virus theory has provided

the possibility to describe the diffusion of management ideas by describing the interaction between the demand and supply side.

In addition, by viewing the evolution of BSC with the vocabulary provided by the different processes related to immunity, we have been able to describe events in Sparebanken Vest that could have been overlooked. We have found it useful to discuss the processes of isolation and rejection to draw attention to the difficulties around the adoption process. Through this, some of the activities that facilitated the adoption have been underscored. Furthermore, by reviewing the changes in routines and structures in Sparebanken Vest, one can emphasize the processes that eventually led to the implementation of BSC. Sparebanken Vest was successful in translating the strategy to operational terms by creating the extended management group and collaborating with consultants in the early stages of implementing BSC. Due to the anchoring of BSC in the top management, they were successful on engaging large parts of the organisation and creating activities to build understanding in the new management concept. These are some of the specific examples of the detailed level of analysis one can conduct within the virus framework (Røvik, 2011). As mentioned, Knutsen (2004) and Olsen (2013) have arrived to similar conclusions related to the extent of entrenchment regarding the strategy when analysing Sparebanken Vest and Sparebanken 1 Nord-Norge respectively. However, we believe that by analysing the specific structures, routines and practices as highlighted in the framework by Røvik (2011), we were able to access a deeper level of analysis.

The virus theory also provides the idea of incubation which is helpful in analysing the events between the time an idea comes in contact with the organisation until it is actually implemented (Røvik, 2011). It makes it relevant to view those events in relation to one another, rather than neglecting the phase where the management idea slowly gains traction in the organisation. In close relation is the process of translation that can be essential in describing the manners in which the original management concept changes when it meets an organisation. This applies to the ways in which the idea itself is malleable, but also to the notion of the idea being formed by the organisation in the attempt of making it compatible (Røvik, 2011). Finally yet importantly, it provides an interesting perspective to the eventual abandonment of the management concept. Unfortunately, it has not been possible for us to apply the theory in its entirety, as we have not observed the reintroduction of BSC in

Sparebanken Vest. Still, it has made it possible to discuss the processes that eventually led to the decision to stop using BSC.

We have experienced difficulty in defining some elements of the theory (Røvik, 2011), which may or may not have affected the interpretation of certain processes. One such example is the process of entrenchment where the definition of routines and structures allows for a variety of interpretations. We have chosen to rely on the theoretical framework of Kaplan and Norton (2001c) as closely as possible to be able to be consistent in the analysis. Another example is the interpretation of implementation in relation to the maturation of an idea. We argue that one's definition of practices that mark the implementation of an idea are highly subjective and case specific. We have chosen to be rather rigid in our interpretation and define implementation of BSC as a full-scale introduction of the management idea in the organisation. This has direct effects on our evaluation of the length of the process and can potentially change the conclusion on the proposition. Had we been more lenient in defining what constitutes implementation, we could have drawn different conclusions.

Furthermore, we acknowledge that our interpretations may be subjective as a result of applying the theory by Røvik (2011) on one specific case. There may have been room for different interpretations of the theory if the research was a comparative study of different organisations. On the other hand, the goal for this research was to demonstrate the applicability of the virus theory through a case that provides rich qualitative data. As a result, we have been able to provide deeper insight into the variety of processes that find place in the organisation after the primary contact with the management idea. This longitudinal case has provided us with enough examples to demonstrate the possibilities virus theory gives to researching management ideas. It is nevertheless important to note that the balance between the potential subjectivity and richness of interpretations is a fine one.

As a whole, we suggest that applying the virus theory on a longitudinal case study has its merits. The richness of vocabulary that the theoretical framework provides makes it possible to demonstrate a variety of processes that other theories neglect. Based on this case study we believe that the virus theory is suitable for in-depth studies on diffusion and evolution of management ideas as it provides the tools for observing the trajectories for management ideas. More specifically, we believe that its strengths lie in the post-adoption phase and on the micro-level analysis. We have demonstrated its use on a single case but believe that the

virus theory is suitable for comparative studies where different trajectories could be demonstrated and compared. This would extend the analysis from the intra-organisational level to the inter-organisational level.

## **7.2 Interrelations of idea-handling processes**

Røvik (2011) does not offer a concrete suggestion for the interrelatedness of the idea-handling processes. Based on the three types of relations - succession, tangling and competition - we can use the insight gained from the analysis in chapter 6 to offer our perspective on the interrelatedness. We have identified examples of all three types of relations.

We assert that in order to be able to discuss any of the processes, an infection has to find place. This leads directly to the conclusion that the process of adoption naturally precedes all other processes. Similarly, inactivation is a process that succeeds other processes. It requires processes, such as adoption, entrenchment, maturation and translation to have found place before it is possible to discuss the inactivation of the idea. Indeed, not all of these processes have to be present in each case but based on this specific case they precede the inactivation.

We have chosen to analyse the feature of immunity in the case even though we conclude that the organisational idea-handling processes that apply to this feature are not present in this case. This has made it possible to discuss the complexity of this feature. Based on the description of the idea-handling processes (Røvik, 2011), we have identified certain differences between some of those processes. Namely, immunity can lead to the non-adoption of an idea. It is a difficult process to analyse, as there may not be any proof of the contact that never led to the adoption of an idea. On the other hand, immunity also encompasses the processes of isolation, expiry and rejection. All of these are described as processes that *start* with the formal adoption of an idea, unlike the non-adoption process. We believe that those processes are in fact very similar to the process of inactivation in the dormancy feature. We suggest that while non-adoption is a process that is competing with adoption, the rest of the processes under the umbrella term immunity can be competing with the process of inactivation. Depending on the interpretation, some examples could be discussed under those two virus features. For example, we have discussed the fading of BSC

through two examples in the inactivation phase. One of the examples was the fading of interest in BSC in the top management of Sparebanken Vest. We believe that the same example could be used to discuss the isolation of an idea. Even though BSC had become fully implemented in the organisation, it can be said to have become isolated in parts of the organisation several years after its implementation. Another example is the process of rejection that has its similarities with the fading of knowledge about BSC in the organisation that was discussed under inactivation. Based on our interpretations we have found it essential to define the processes that concern immunity as processes that end before or shortly after the implementation of a management idea. The process of inactivation, on the other hand, cannot start before the implementation of an idea has taken place. In this particular case, it started many years after the implementation of BSC in Sparebanken Vest.

Based on the analysis, we find that the processes of entrenchment, maturation and translation can be viewed in parallel. We do not find any reason to suggest that these processes are competing or need to occur in a specific order, rather they can be handled in an entangled manner depending on the discussion. The entanglement of entrenchment and translation processes is exemplified by Sparebanken Vest translating the vocabulary related to Balanced Scorecard into Norwegian terms. That can be implied to have been necessary for the entrenchment to be successful. However, there are several examples of copying and adding processes that are not related to entrenchment. The extent of entanglement depends on the specific examples and cases.

In addition, we have interpreted the stage of maturation as the time between the adoption of the idea and the implementation of idea into practise. Given that it is difficult to define the start and endpoints for the different processes mentioned under translation, we believe some of the translation processes may have taken place under the same time period as maturation. Similarly, the analysis of the maturation process bears resemblance to the analysis of the entrenchment of BSC. We have chosen to analyse the entrenchment through the routines and daily activities that had a goal of aligning the organisation to the overall strategy. The importance of strategy formulation is also a part of the analysis of maturation. We can therefore see the possibility of those processes being closely related and discussed in entanglement. Lastly, we see the possibility of some processes under immunity (rejection, isolation and expiry) to be somewhat overlapping with the maturation, entrenchment and translation periods. Based on the definitions of those processes, we cannot conclude that they

are mutually exclusive or in succession, rather than they can be relevant to discuss in the same time frame.

Furthermore, we believe that reactivation is a process that can be entangled with entrenchment, maturation and translation. Given that we have not observed the reactivation of the idea in the case, we cannot confirm or reject this notion. Based on the analysis of processes that led to the inactivation, we suggest that it would also be possible to describe certain activities that would lead to reactivation, and those can be similar to the processes described under other mechanisms, such as entrenchment, maturation and translation. However, this has to be confirmed through future research.

The interrelatedness of the six features is summarised in the graph below. This visualization of the duration of the features and corresponding idea-handling processes is based on the specific case of BSC in Sparebanken Vest. We have chosen to define specific activities on the timeline to picture the trajectory on BSC in Sparebanken Vest. We have marked the features with solid lines where we believe it is possible to define a start and endpoint. The dashed lines represent the possibility of the processes being relevant to discuss outside of its main area of influence. All of the dashed parts have been relevant in our case.



FIGURE 10. THE TIMELINE FOR THE SIX VIRUS FEATURES AND THEIR CORRESPONDING ORGANISATIONAL IDEA-HANDLING PROCESSES.

### **7.3 Virus theory in relation to fashion theory**

In this section, we will discuss whether Røvik's (2011) virus theory can provide a more nuanced picture in areas where fashion theory is criticized.

Many different scholars have criticised management fashion theory for having an over-emphasis on the supply side and assuming organisations and managers to be passive (Madsen, 2011). It expects the management concepts to change little when diffused and infers the co-evolution between public discourse and concept diffusion, which lead to limited staying power of management ideas.

The fashion theory would imply that Sparebanken Vest was given the idea of BSC and they adopted it with very little regard to internal processes. In comparison, the virus theory shifts some of the focus towards the organisation and gives a more detailed picture through the idea-handling processes. The virus theory can explain whether an organisation chooses to adopt or reject an idea and how long it takes before the idea is materialized into practise (Røvik, 2011). The analysis shows that Sparebanken Vest was actively on the lookout for new management ideas, rather than being passive as the fashion theory assumes. As a result, the virus theory gives a more nuanced picture than fashion theory.

Fashion theory assumes that a concept will not change much during diffusion (Abrahamson, 1996). Scholars see this as too deterministic. Our research shows that Sparebanken Vest mostly copied the original concept of BSC by Kaplan and Norton (1992). However, the virus theory presents four other types of changes, in addition to copying (Røvik, 2011). This enables researchers to present a more detailed picture of possible changes in a concept. In this case, we were able to describe three out of five types of mutation that the virus theory provides. Hence, virus theory gives a broader understanding of possible changes taking place within an organisation than the fashion theory.

According to fashion theory, the management concept's staying power in organisation is linked with the level of public discourse (Abrahamson, 1996). Once the public discourse of a certain concept is gone, the staying power of the concept ends and it will disappear from the organisation. In comparison, virus theory decouples popularity of a concept from the usage of the concept, and allows the concept to outlast the popularity in public discourse. In addition, the virus theory allows the return of the concept without having public discourse at all. Our

analysis of Sparebanken Vest revealed that BSC was in use from 2002 to 2014. The public discourse of BSC in Norway in terms of media (Print Media Indicator) has been very limited in general (Madsen & Stenheim, 2013). The database for Norwegian Journals, Norart, shows that there have been only 18 articles regarding BSC from 1996-2018. According to Madsen (2011), BSC hype started from late 1990s and culminated between late 1990s and early 2000s. He further states that the hype seems to be over without pinpointing an exact end. Madsen and Stenheim (2016) use Google Trends to map the interest and awareness, i.e. hype of Big Data. Google Trends as a proxy for BSC hype in Norway shows that BSC lost its traction and levelled off from 2006 and onwards (see Figure 11). The trend declined rapidly around year 2006. Based on management fashion theory and its co-evolution assumption, Sparebanken Vest should have discontinued BSC after 2006, but BSC was in use for almost a decade after its public discourse decreased.

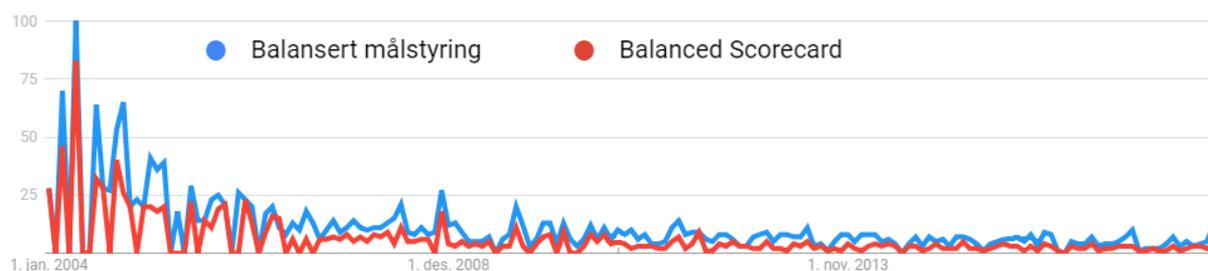


FIGURE 11. GOOGLE TRENDS SHOWING NORMALIZED SEARCH HISTORY IN ALL CATEGORIES FROM 1.1.2004 TO TODAY FOR THE WORDS, “BALANCED SCORECARD” AND “BALANSERT MÅLSTYRING”, IN NORWAY. DATA ACCESSED 25.04.2018.

On the other hand, our research indicates that management fashion theory might still be relevant in understanding the diffusion of management ideas. We depict that one of the board members of Sparebanken Vest advocated for Beyond Budgeting in around 2013. This coincides with the period when there was high public discourse and awareness (Google Trends as proxy) of Beyond Budgeting in Norway. Based on the assumptions of the management fashion theory, the interest in Beyond Budgeting may be coupled with the public discourse. In addition, our analysis has shown that the concept of BSC was implemented in close resemblance to the original theory. In other words, the concept did not change much when diffused. The idea that management concepts do not change when diffused is consistent with the management fashion theory.

Based on this case, we suggest that the virus theory can provide a more nuanced picture in areas where fashion theory is criticized. At the same time, we believe that the management

fashion theory can still have its relevance in understanding the evolution and diffusion of management ideas. More specifically, its strength lies in understanding the diffusion and evolution of management ideas as seen from the supply side and on a macro-level analysis.

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## 8. Conclusion

In this chapter, we conclude the findings from the research. Chapter 8.1 will provide the answers to the research questions and the contributions of this paper. Chapter 8.2 will discuss the limitation of this paper and chapter 8.3 will shed light on the areas for future research.

### 8.1 Answer to the research question

The aim for this paper is to show *'How the virus theory can contribute to understanding the diffusion and evolution of management ideas'*.

We sought to demonstrate this by focusing on the following three research questions:

- ◆ *How can the virus theory be used in analysing the diffusion and evolution of management ideas?*
- ◆ *How are the organisational idea-handling processes of the virus theory interrelated?*
- ◆ *How can the virus theory offer a more nuanced picture of the diffusion and evolution of management ideas than the fashion theory?*

The analysis and discussion have demonstrated the applicability of the virus theory on analysing Balanced Scorecards in Sparebanken Vest. We conclude that this theory is suitable for describing the diversity of processes that appear in an organisation in the post-implementation phase. We suggest that the vocabulary provided by the theory enables the researcher to describe the trajectory of a management idea in an organisation in various and more distinct ways. Furthermore, we can conclude that the virus theory is suitable for micro-level analysis of the diffusion of management ideas.

We have discussed the different ways in which the features of the virus theory are interrelated. Our analysis has demonstrated all three suggested interrelations by Røvik (2011). We have used our insight to provide an overview of how the organisational idea-handling processes are related. As discussed, some processes are case-specific while some can be applied on a more general scale. We have provided a visual representation of the duration and coexistence of the organisational idea-handling processes (see Figure 10) along with the discussion on their interrelatedness.

Lastly, we have concluded that the virus theory can offer better tools for covering some of the shortcomings of the management fashion theory. We suggest that the virus framework can specifically contribute with a better understanding of the interaction between the supply and demand sides, and give a more nuanced picture of the translation processes.

## 8.2 Limitations

We acknowledge that there are some limitations to the use of the virus theory. The flexibility provided by the virus theory compared to the too-deterministic nature of the management fashion theory, is the strength of the virus theory. However, the flexibility creates room for subjectivity in how the idea-handling processes are defined. We have highlighted this in the analysis. Examples of this are the definition of an *active host*, and how routines and structures in the entrenchment can be understood. Possible subjectivity may result in different interpretations of the same case study and lead to lack of robustness of the theory. Furthermore, the validity of comparative studies could become questionable if the comparison is based on differing assumptions and interpretations.

Next, as Røvik (2011) mentions, the virus metaphor may raise negative associations to diseases and death. This can interfere with the research, in spite of the fact that the notations of viruses are only used metaphorically. We agree that the negative associations can affect both the researchers and the study objects. More specifically, the negative associations may interfere with the data collection should the interviewees misunderstand the metaphorical use of certain terms. We have intentionally left out the vocabulary related to the virus features in the data collection process to mitigate the negative effects the terms may have. However, we cannot moderate the associations the reader of this research may form. The virus metaphor has proven to be helpful in identifying different organisational idea-handling processes without a judgement on our part whether the outcomes should be regarded as negative or positive. This falls beyond the scope of this paper.

Lastly, Røvik (2011) does not elaborate on how the virus theory could be applied to evaluate the effects management ideas have on organisations. The research review in chapter 3.5.3 revealed that there is an interest in interpreting the effects BSC has on organisations. Kalland (2006) and Alværen and Hystad (2010) have formulated research questions that specifically

set out to understand the perceived effects of BSC on Sparebanken Vest and Sparebanken Sogn og Fjordane respectively. We see little use in applying the virus theory in construing further understanding of the effects BSC may have on organisational outcomes. Consequently, evaluation of the effects BSC has had on Sparebanken Vest falls beyond the scope of this paper.

### **8.3 Future research**

Throughout this paper, we have drawn attention to the fact that there is limited research on the applicability of the virus theory. It follows that we recognise several different avenues for future research. We propose several directions for further studies: additional case studies to strengthen and complement the assumptions made in this paper on the applicability of virus theory; extending the analysis from a micro-level to macro-level; further investigating the uses of virus theory with respect to the supply-demand interaction of management ideas; extending the analysis to understand the underlying factors that affect the trajectories of the evolution of ideas in organisations; and strengthening the robustness of virus theory by researching other management ideas.

This paper makes use of the longitudinal data collected on the BSC development in Sparebanken Vest. Given that there are no similar studies made on other organizations with respect to BSC evolution, we suggest further studies with longitudinal focus to foster the possibilities that the virus theory gives with regard to richness of possible BSC trajectories. We further believe that comparative studies are needed to understand the different trajectories of the diffusion and evolution of management ideas on an inter-organisational level. Much of the insight from this research can be applied in comparative studies where several organisations are observed in a similar setting. In addition, deeper insight into the use of the virus theory may be achieved by using the framework on organisations from different industries. This could reveal additional limitations or useful practices of the theory. These studies should also include organisations that do not adopt a management idea in order to determine the factors that lead to non-adoption. Furthermore, observing the trajectories of a management idea in different organisations could lead to a better understanding of the interrelatedness of the organisational idea-handling processes.

In this paper, we have studied the applicability of virus theory on an intra-organisational level. For future research, we propose studying virus theory at inter-organisational, national and global level. As mentioned, comparative cases would offer the possibility of lifting the analysis to an inter-organisational level. Cases within a certain industry could contribute to refining the characteristics of BSC in a certain type of industry, whereas cases crossing industry borders could augment the robustness of the virus theory. The scope of this particular paper does not give further insight into the applicability of virus theory on a macro-level. Nevertheless, we believe that research on a national or global level could introduce interesting insights.

We have chosen to use the management fashion theory to offer a contrasting view to the virus theory. This is mainly due to the prevailing popularity of management fashion theory. Auxiliary research could contrast the virus theory to other theoretical frameworks related to the diffusion and evolution of management ideas. We encourage researchers to further investigate the strengths and weaknesses of the different frameworks and discuss the applicability in relation to the virus theory. In particular, we believe that this would contribute with a better comprehension of the supply and demand interactions in the diffusion and evolution of management ideas.

Another compelling direction would be to complement the research on trajectories of management ideas with an analysis of the underlying factors that lead to certain outcomes. In order to draw more general conclusions, different case studies would be needed to outline the factors that emerge. Some of the earlier research has already examined the factors that lead to different organisational outcomes. Gjelsvik (2004) and Kalland (2006) are examples of recent research on BSC and factors influencing the development of the concept in Sparebank 1 SR-Bank and Sparebanken Vest, respectively. This could further be analysed in conjunction with the virus theory. The research can be limited to the factors within a specific industry but could also be extended to uncover the more general factors across industry borders.

Finally, the prospect of applying the virus theory on different management ideas could shed light on the general robustness of the theory. To the best of our knowledge, current research has applied the virus theory on BSC (Madsen & Slåtten, 2015), Process Management (Quist & Hellström, 2012) and New Public Management (Hyndman & Lapsley, 2016). We encourage further studies on ideas, such as Beyond Budgeting and Lean Management etc.

Richer data with respect to different management ideas could create a better understanding on how the virus theory contributes to the research of diffusion and evolution of management ideas.

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# Appendix 1: Contact Letter

\*Translated from Norwegian.

FOCUS FUTURE-ORIENTED  
CORPORATE SOLUTIONS

NHH



Hello.

Bergen, 21.02.2018

We are conducting a research on Balanced Scorecards as a part of our master thesis at the Norwegian School of Economics. The project is a part of the FOCUS research program which aims to understand how new types of organisational solutions can contribute to achieving competitive advantage. The goal for the research conducted at FOCUS is to develop new theories, models and practices that look at the increasing pressures related to identifying and implementing future-oriented corporate solutions.

The goal for the paper is to understand the evolution of management systems in organisations by using a new theory to better understand the context and factors that have an effect on the development of Balanced Scorecard. The project focuses on the development over a longer timeframe which makes it preferable to establish a contact with employees who have been part of designing Balanced Scorecard or are working with it today.

We would like to conduct interviews with the employees who have knowledge about the management systems, such as the CFO, controller or a manager of a business unit. We appreciate if you have the possibility to give us an interview or forward the contacts for the people in your organisation who could be of help.

Thank you for your assistance.

With kind regards

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## Appendix 2: Information Sheet

\*Translated from Norwegian.

**Topic:** The topic of the interview is to understand the context and the factors that affect the evolution of Balanced Scorecard within the organisation.

**Background:** Balanced Scorecard is one of the most well-known and used management tools in the world. Academics have used different theories and frameworks in order to explain the diffusion and evolution of Balanced Scorecard in different countries and organisations. In 2011, a new theory was developed that focuses more on the evolution of managements concepts after an organisation has adopted a management concept.

**Goal:** This a long-term study that uses information from previous theses as secondary data along with primary data retrieved from new interviews. Through in-depth interviews with different employees in a case company, we want to better understand the evolution of Balanced Scorecard within the company over the years. The answers from the interviews will hopefully point out a number of different factors that can be linked to the theory and be used to explain the connection between the evolution of Balanced Scorecard and the factors that influenced the path of evolution.

**Anonymity and confidentiality:** The entire interview process will be anonymized so none of the responses can be traced back to the responders. All personnel involved in the interview process have signed non-disclosure agreements in order to safeguard the anonymity and confidentiality of the interviewees. The findings of this study will be presented to the FOCUS (Future Oriented Corporate Solutions) research program at the Norwegian School of Economics.

**Audio recording:** We will ask for your consent to record the interview on audio tape in order to be able to transcribe the interview in retrospect. The audio recording will be destructed after use.

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## Appendix 3: Interview Guide

\*Translated from Norwegian.

### Introduction

1. How long have you been working with BSC?
2. What is/has been your role in the use and/or development of BSC in Sparebanken Vest?
3. Had you worked with BSC before you started working in Sparebanken Vest?
  - a. If yes. To what extent have you used your previous experience with BSC in Sparebanken Vest?

### Implementation of BSC

4. Can you explain how Sparebanken Vest learned about BSC?
5. Why did BSC appeal as a management tool?
6. Was the implementation of BSC related to government regulations?
7. What was the main cause for implementation?
8. Can you describe the processes around the implementation of BSC?

### Use of BSC

9. Which perspectives are included in the BSC?
10. How many KPIs do you use?
11. Do you use/have used other measurement systems alongside with BSC?
12. Do you use/have used an integrated IT-system related to BSC?
13. In 2004 the goal for BSC was to realise the strategic goals for Sparebanken Vest.
  - a. How would you describe the goal today?
  - b. How would you say this is practiced?
14. Do you use strategic maps?
15. Is BSC used in identifying opportunities and challenges? If yes, how?
16. Have there been any disagreements regarding the use of BSC that have led to changes?
  - a. What has been the cause for disagreement?

- b. What changes have occurred?
- 17. Do the employees follow a specific educational training program to understand BSC?
  - a. If yes. Can you describe the content?
  - b. If no. How do the employees learn about BSC?
- 18. Can you describe the direct effects of adopting BSC in Sparebanken Vest?

### Development of BSC

- 19. Which effect did the external consultants have on the development of BSC?
- 20. Have there been any particular organisational changes during the time you have been employed in Sparebanken Vest?
- 21. Who has been responsible for developing the Key Success Factors in the organisation?
  - a. How has this changed throughout the years?
- 22. Who has been responsible for evaluating the KPIs?
  - a. How has this changed throughout the years?
  - b. How often are the KPIs re-evaluated?
- 23. Do the employees in different units have the opportunity to affect KPIs and targets?
- 24. Is it possible to point out individuals who have had the most effect on BSC?
  - a. Who has been opposed to BSC?
- 25. How is BSC used in the management meetings?
- 26. To which extent is BSC connected to the bonus systems?
  - a. Have there been any challenges related to this?
  - b. How have the challenges been solved?
  - c. Have you had other reward systems in Sparebanken Vest?
- 27. To what extent has the use of BSC been affected by the external influence?
  - a. How did the reduction of oil prices in Norway affect BSC?
  - b. How did the financial crisis affect BSC?
  - c. How have the regulatory changes affected BSC?
  - d. How has digitization affected BSC?
  - e. How has the technological development in general affected BSC?

28. How has the public attention and awards related to BSC affected the use of BSC?
29. Do you use other companies, academia, conferences or workshops as inspiration in developing BSC?
30. How do you think BSC will be used in the future?

## Appendix 4: Communication Plan

\*Translated from Norwegian.

Version 1.0 (will be updated after the dates, milestones etc. are in place)

### Introduction of Balanced Scorecard in Sparebanken Vest

The introduction of Balanced Scorecards (BSC) as a strategic management tool in the bank is a measure that will affect all the employees, regardless of where in the bank they work. The Communication Plan must take this into account. We are facing an introductory process where the importance of making the message understood is of utmost importance. This means that we have to consider different approaches for the message, dependent on the department, goal and further communication.

### Goal for the Communication Plan

1. Contribute to making the background and reasons for introducing BSC as a strategic management system understood
2. Contribute to ensuring that all of the employees have an understanding of what BSC is
3. Contribute to creating a holistic understanding regarding personal input as seen in connection with the bank's vision, goals and strategy

### Target groups

In the Communication Plan the different level of information in different target groups will be considered. This **must not** be understood as if it is implied that the employees on the lower levels have less need for information than the employees on the higher levels. This concerns the frequency and involvement of key people who will in turn be an information channel in itself.

1. The top management - cared for in relation to their participation in the steering committee.
2. Extended management group - managerial level 2

- 
3. Management group Customer/Market (K/M), management group in the internal departments - managerial level 3
  4. All employees

### Measures - information channels

1. The extended management group (managerial level 2). This group is one of the most important information channels in the bank. A prerequisite for the bank's employees to understand why we are implementing Balanced Scorecard. Ownership and involvement are keywords. The group has to take the responsibility of communicating the message downwards in the organisation. For this they will need tangible tools to use in the department meetings - in the form of presentation material and reviews.
2. KSF - review at the department level - Workshop. This will be one of the project group's most important audience. This is a great opportunity to influence, involve and create a sense of ownership. This is conducted in cooperation with the extended management group, but involves also employees from the level below.
3. VestAvis. This channel is best suited for information on a general level, while it is also an excellent mean for spreading the information. Should be used on larger occasions. The background for, the initiation of the project, milestones, the purchased IT-system and the presentation of the CEO's scorecard.
4. SPiN. Used for the somewhat smaller occasions. The content here should be short, and should not include too many things together. Excellent for smaller milestones - for example, the drafting of scorecards of the administrative and service units.
5. SPiN 2000 - our newest version available from 01.11.01. By then we will have everything archived and put together.
6. The project group. Talk about the project.

**Proposal:** the preparation of an information pamphlet for all employees where the content will discuss the background, goal, the methods and consequences - independent of the information from other channels. Launch in November/December as an appendix to VestAvis

1. In addition to this, presentation materials for the managers to use in the department meetings will be developed.

### Practicalities

The Communication Plan is based on the following principle: Time of completion. The plan is based on the impact of the measure on the further communication of the target group, then the need for information to all employees. In addition to this, the workshop in the respective departments/regions will be conducted. One of the most important information channels.

| Specific measures  | Target group                         | Time    | Responsible                |
|--|--------------------------------------|---------|----------------------------|
| Develop the presentation materials adapted for SPV   | Managerial level 2,3                 | 1.10    | Rolf/Christine             |
| Information about BSC<br>Inform about the status and further process                                 | Management group KM & D              | 25.09   | Frode/Rolf                 |
| Information about BSC, process, demands, etc.  | Head of departments/<br>market areas | Week 39 | Management group<br>KM & D |
| Information, discussion, further work, etc<br>Review of the CEO scorecard, demands for those present | The extended<br>management group     | 3.-4.10 | Project group              |
| Presentation of the scorecard KM<br>Including KS, Market, Insurance                                  | Management group KM                  | 18.10   | Project group              |
| Presentation of scorecard Operations   |                                      |         |                            |
| Presentation of scorecard PU   |                                      |         |                            |
| Presentation of scorecard I/S  |                                      |         |                            |
| Presentation of scorecard Economics  |                                      |         |                            |
| <b>Continuous measures for everybody</b>   |                                      |         |                            |
| Information on SPiN every other  | All employees                        | 25.09   | Christine                  |

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|   |               |                |           |
|---|---------------|----------------|-----------|
| week.<br>Should be supplemented with<br>milestones                      |               |                |           |
| Information in VestAvis   | All employees | VA 10          | Christine |
| Prepare balanced scorecard pamphlet<br>Include KPIs for all departments | All employees | VA 12<br>15.11 | Christine |

## Appendix 5: Project Mandate

\*Translated from Norwegian.

Project mandate for implementing Balanced Scorecard in Sparebanken Vest

The implementation of Balanced Scorecard shall ensure the realisation of the strategic goals and the vision of Sparebanken Vest. This will be achieved by developing balanced KPIs (both financial and non-financial), where the intention is to obtain relevant information for the strategic management of the organisation. The project has the highest priority for the top management and extra resources will be made available if needed.

The project “Implementation of Balanced Scorecard in Sparebanken Vest” has the goal of implementing the system by 01.01.02. The complete scorecards for each division have been drafted, implemented and ready for use for the first measurement in 31.01.02. In this project, the priority will be to develop a satisfying measurement system by the change of the year, contra developing a “state of the art” system with a longer time perspective and a need for more resources. As a result, the measurement system should not be considered 100% developed by that time. Further development and realisation of the balanced management goals, together with the adjustments of the bonus system are not a part of this project.

The project is divided into two main parts:

### 1. Development of the contents of scorecards (measurement parameters)

- a. Define the relevant parameters for the financial, customer, internal processes and learning and growth perspectives by anchoring them in the vision, overarching goals and critical success objectives
- b. Scorecards will be drafted for each department in the bank and each department is expected to contribute with resources when needed

### 2. IT/technical part

- a. Acquisition and implementation of an IT-system for balanced scorecards
- b. Make the relevant management data available

The project is organized through the top management, 2 representatives from the labor unions, HSE Manager and the internal auditor as the steering committee. The project is led by CFO Frode Høyland. The remaining participants are the System Manager Per-Arne Arntsen, Editor Christine Wigand and the external resource Rolf Olsen from Cap Gemini Ernst & Young. In addition, the division Customers/Market have dedicated 3 (part-time) positions to the project. These are the Regional Bank Managers Trygve Wåge, Audun Rebnor and the Head of Markets, Jon Erik Kjerpeseth.

Bergen, 19.09.01

Knut Ravnå

Leader of the Management Team

Frode Høyland

Project Manager

# Appendix 6: Assessment from Norwegian Centre for Research Data



Bjørn Daniel Johanson  
Helleveien 30  
5045 BERGEN

Vår dato: 12.03.2018

Vår ref: 59367 / 3 / AMS

Deres dato:

Deres ref:

## Vurdering fra NSD Personvernombudet for forskning § 31

Personvernombudet for forskning viser til meldeskjema mottatt 21.02.2018 for prosjektet:

|                             |   |
|-----------------------------|---|
| 59367                       | <i>Diffusion and evolution of balanced scorecards</i>           |
| <i>Behandlingsansvarlig</i> | <i>Norges Handelshøyskole, ved institusjonens øverste leder</i> |
| <i>Daglig ansvarlig</i>     | <i>Bjørn Daniel Johanson</i>                                    |
| <i>Student</i>              | <i>Adnan Abbas</i>  |

## Vurdering

Etter gjennomgang av opplysningene i meldeskjemaet og øvrig dokumentasjon finner vi at prosjektet er meldepliktig og at personopplysningene som blir samlet inn i dette prosjektet er regulert av personopplysningsloven § 31. På den neste siden er vår vurdering av prosjektopplegget slik det er meldt til oss. Du kan nå gå i gang med å behandle personopplysninger.

## Vilkår for vår anbefaling

Vår anbefaling forutsetter at du gjennomfører prosjektet i tråd med:

- opplysningene gitt i meldeskjemaet og øvrig dokumentasjon
- vår prosjektvurdering, se side 2
- eventuell korrespondanse med oss

Vi forutsetter at du ikke innhenter sensitive personopplysninger.

## Meld fra hvis du gjør vesentlige endringer i prosjektet

Dersom prosjektet endrer seg, kan det være nødvendig å sende inn endringsmelding. På våre nettsider finner du svar på hvilke [endringer](#) du må melde, samt endringsskjema.

## Opplysninger om prosjektet blir lagt ut på våre nettsider og i Meldingsarkivet

Vi har lagt ut opplysninger om prosjektet på nettsidene våre. Alle våre institusjoner har også tilgang til egne prosjekter i [Meldingsarkivet](#).

## Vi tar kontakt om status for behandling av personopplysninger ved prosjektslutt

Ved prosjektslutt 20.06.2018 vil vi ta kontakt for å avklare status for behandlingen av

*Dokumentet er elektronisk produsert og godkjent ved NSDs rutiner for elektronisk godkjenning.*

personopplysninger.

Se våre nettsider eller ta kontakt dersom du har spørsmål. Vi ønsker lykke til med prosjektet!

Marianne Høgetveit Myhren

Anne-Mette Somby

Kontaktperson: Anne-Mette Somby tlf: 55 58 24 10 / [anne-mette.somby@nsd.no](mailto:anne-mette.somby@nsd.no)

Vedlegg: Prosjektvurdering

Kopi: Adnan Abbas, [adnan.abbas@student.nhh.no](mailto:adnan.abbas@student.nhh.no)

## Personvernombudet for forskning



### Prosjektvurdering - Kommentar

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Prosjektnr: 59367

Utvalget informeres skriftlig og muntlig om prosjektet og samtykker til deltakelse. Informasjonsskrivet er godt utformet.

Personvernombudet legger til grunn at forsker etterfølger Norges Handelshøyskole sine interne rutiner for datasikkerhet. Dersom personopplysninger skal lagres på mobile enheter, bør opplysningene krypteres tilstrekkelig.

Forventet prosjektslutt er 20.06.2018. Ifølge prosjektmeldingen skal innsamlede opplysninger da anonymiseres. Anonymisering innebærer å bearbeide datamaterialet slik at ingen enkeltpersoner kan gjenkjennes. Det gjøres ved å:

- slette direkte personopplysninger (som navn/koblingsnøkkel)
- slette/omskrive indirekte personopplysninger (identifiserende sammenstilling av bakgrunnsopplysninger som f.eks. bosted/arbeidssted, alder og kjønn)
- slette digitale lydopptak