The current status of the Balanced Scorecard as a

performance measurement and a strategic management tool

in NZ local government organisations

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ATTESTATION OF AUTHORSHIP

I hereby declare that this submission is my own and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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ABSTRACT

In the early 1980s, a general dissatisfaction developed with traditional accounting-based performance measurement in the New Zealand public sector. The not-for-profit nature of public sector organisations had led to a perceived lack of transparency and accountability in their managerial styles. A change in management philosophy in the 1980s due to pressures from stakeholders, for example the government, and competition as well as rising costs (Local Government Forum, 1999) prompted public sector management to search for effective contemporary management tools to navigate towards public goals and expectations.

The Balanced Scorecard (BSC), a performance measurement and a strategic management system, has been implemented in business organisations with success and is gaining acceptance in not-for-profit and public sector organisations. Despite potential benefits to public sector organisations, there are challenges and problems for implementers of the BSC (Griffiths, 2003). The research reported here examined NZ local government managers' experiences of implementing and using the BSC in local government organisations and their perceptions of its usefulness as a performance measurement and strategic management tool. It also sought to identify the factors that drive local government managers to undertake a BSC initiative, and the potential causes of BSC programme failure in the NZ local government context. The aim of this research was to provide an answer to the following question:
"What is the current status of the use of the Balanced Scorecard as a performance measurement and a strategic management tool in local government organisations in NZ?"

The research addressed the following questions:

- Has the BSC been accepted as a performance measurement and/or a strategic

management tool by local government organisations in NZ?

- How do local government managers perceive the BSC as a management tool?

- What factors are perceived to contribute to the successful implementation of the BSC?

- What factors are perceived to contribute to partial and/or non implementation of the BSC?

The findings indicated that the BSC is not widely used by NZ local government organisations. This is due to a variety of reasons. With regards to the research questions, the eight respondents who are current BSC users perceived the concept as;

- a very useful management tool overall

- a highly valid performance management tool

- a highly valid strategic management tool

The findings of this study suggest that the majority of NZ local government organisations are encountering problems with their BSC implementations and, at the same time, are learning as they go.

Some interesting lessons for successful BSC implementation to emerge from this study include the need to ensure:

- a full and participative pre-implementation decision process;

- benchmarking best practice;

- continuous learning and training;

- adequate resources;

- management support;

- appropriate post-implementation review.

Although this study reveals that reported BSC usage is currently low, applying these lessons may help to improve the perceived and actual usefulness of the BSC for measuring and managing the performance of NZ local government organisations.

1. INTRODUCTION

The aim of this research is to determine the current status of the use of the Balanced Scorecard as a performance measurement and a strategic management tool in local government organisations in NZ. As background, this chapter summarises the wave of reforms that characterised the NZ local government scene since the 1980s and led local government management to search for contemporary management tools in order to discharge their managerial obligations. It then introduces the reader to the Balanced Scorecard.

1.1 NEW ZEALAND LOCAL GOVERNMENT REFORMS

Since the abolition of provinces in 1876 and prior to 1989, the history of local authorities in NZ has been one of strong central government and weak fragmented local government (Bush, 1980; Scott, 1979). Scott noted that in 1974, there were over 900 local authorities in NZ. Many attempts at rationalisation failed even though the question of local government finance formed what Bush (1980) referred to as "the endless agenda" and the efficiency of local bodies was viewed as "ponderous, unresponsive and inefficient"(Anderson, 1993).

The 1989 legislation changed all that. This new legislation explicitly incorporated economic theory; for example, requiring local authorities to determine the extent to which each of their services was a public or a private good. At the same time, it potentially created further opportunities for consultations with citizens and enhancement of the democratic process. The number of local authorities was dramatically reduced to 85; 72 territorial and 13 regional authorities.

In 1987, Dr Michael Basset, the then Minister of Local Government, announced a comprehensive programme of reforms for local and regional government based on the following principles:

- local authorities should have clear and non-conflicting objectives, including a clear separation of regulatory and service delivery functions;

- trade-offs between objectives should be made explicit and in a transparent manner; and

- clear and strong accountability mechanisms should be encouraged.

(Basset, 1988)

These reforms; clear linear accountability, transparency in policy formulation, and greater operational efficiency have encompassed what (Sharpe, 1970) refers to as *liberty, efficiency* and *participation*. These reforms supported the argument that local agencies are better placed to respond efficiently and effectively to local demands. In other words, local agencies may be expected to be more responsive to demands of citizens viewed as customers, and if they do not respond appropriately, consumers may move to a locality where public services better meet their mix of needs (Tiebout, 1956). This view is also supported by (Barber, 1984) who advocated greater *participation* by citizens in the political process; a goal more likely to be achieved through local rather than national institutions. Participation, it is argued has an intrinsic value in the achievement of efficient and effective public policies. Thus the purpose of the local government according to the 1989 legislation is to provide:

- recognition of different communities, including their identities and values;

- definition and enforcement of appropriate rights in those communities;

- scope for communities to choose among different types of local facilities and services;

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- local authority trading activities which are competitively neutral;

- efficient and effective exercise of the functions, duties and powers of local government; and

- participation of local people in the local government.

Many of the features of local government introduced by the 1989 Act followed the model established in central government as described by Scott *et al*., (1990) and Boston *et al*., (1996). This legislation embraces the New Public Management principles in its attempt to separate politics from management, to separate policy from regulatory, commercial and non-commercial operations, and in its performance measurement and reporting requirements. For example, the elected council is separated from the day to day management of the authority. The council appointed chief executive, like counterparts in central government, is on a performance-based contract for up to five years and is the employer of all other staff. The council's job is to set policies and monitor performance of their chief executive; the chief executive and other staff are to manage within those policies.

These reforms based on NPM principles, therefore placed greater responsibilities on local government organisations to plan, monitor, manage and report their performance against key strategic aims. These reforms also stipulated that local government organisations' financial statements to be produced and audited should be required to follow generally accepted accounting practice (GAAPs) and therefore adopt accrual accounting.

Local authorities therefore are required to consult with and respond back to their ratepayers and electors about their plans and performance (Department of Internal Affairs, 1992).

Specifically, local authorities must include in their annual plans:

- the intended significant policies and objectives to be achieved;

- the nature and scope of the significant activities to be undertaken to achieve outcomes;

- the performance targets for each output;

- the resources and indicative costs including depreciation and cost of capital;

- the sources of funds;

- the rating policy of the local authority;

The Act requires that the process of adoption follows the special consultative procedure, ensuring the availability of the draft plan, and the opportunity for submissions.

The Local Government Act 1996 and its amendments introduce new financial and borrowing management provisions. It builds on the unfinished work of the 1989 reforms and the sustainable environment management responsibilities of the Resource Management Act. Many factors contributed to the new legislation.

First, there was continued desire to apply the NPM principles in managing debt to prudent levels and managing all fiscal risks (Boston, Martin, Pallot, & Walsh, 1996; Richardson, 1994). The Act also required a number of statements to be issued to ensure transparency of the government's operations and activities.

Second, experience with the annual planning and consultative process under the 1989 Act suggested that such a short planning horizon was less than satisfactory and that a more strategic approach was required over a longer term so that the effects of decisions made today could be understood in the context terms of the next fifteen years and beyond. This was particularly important given the long life cycle of infrastructure assets which form the bulk of local authority assets.

In 1993 the Audit Office had reported to Parliament that it was unable to provide assurance about the long term financial condition of local authorities because of the lack of knowledge of the condition of these assets and the absence of adequate strategic planning for service requirements in the medium to long term. To provide that assurance, the Audit Office stated that "local authorities must have in place the means to determine future demands on their resources for repairing or replacing existing assets and long term plans or strategies to indicate the nature and scope of activities they expect to be involved in" (Audit Office, 1993).

The perceived need to invest heavily in infrastructure raised what had long been a contentious issue – the ability of local authorities to raise finance on the open market. The previous borrowing powers available to local government were restricted and they used techniques that were expensive and inflexible (Scott, 1979). The new borrowing provisions of the Amendment Act allow councils to improve the equity in allocating benefits of services through longer periods. It also allows a more prudent approach to risk management, thus potentially lowering cost of debt to councils.

The 1996 Amendment has introduced significant reforms to the way councils undertake their business and fund activities. The purposes of the new legislation are to promote prudent, effective and efficient financial management by local authorities. They are required to manage their financial affairs prudently in the interest of the district of the local authority or its citizens and ratepayers. Every three years, starting in 1989, councils must adopt a long term financial strategy related to a period of ten or more years after consultation with the community and concurrently with the annual plan. The long term strategy is to cover expenditure, including the cost of capital, and revenues, cash flow projections, asset management and borrowing requirements.

The main themes of the Local Government Act 2002 seem to be the general empowerment of local government organisations and the emphasis on the importance of social, economic, cultural and environmental wellbeing of their communities for now and the future (Scott *et al*., 2004). This has created a new framework of a legal nature, in which councils have a consent to take more active and innovative roles, so that communities have the right mix of activities to achieve their strategic goals (McKinlay, 2004; Reid, 2003). This Act has set up a context in which local government integrates participation in selecting community outcomes and how to deal with them.

After so many years of reform, local government is in a strong position to think and act strategically. Significant changes brought about by the 2002 Act include the following:

- greater autonomy: functions and operations of local government have broadened;

- increased capacity and scope: greater freedom to undertake functions and activities;

- greater accountability: more accountable for their decisions to their communities and government;

- new governance: the role of elected representatives has become more complex with increased discipline in financial management;

- management power: separation of responsibilities, shifting power from elected members to the chief executive and senior managers; councillors are restricted to policy areas, with implementation assigned to officers who are not politically accountable.

The local government reforms in NZ illustrate some of the issues and choices confronting public management today. While the first round of reforms was based on the New Public Management reforms at central government level, it did acknowledge the added importance of participation as a rationale for local government and created some mechanisms by which more informed public discussion could take place. The second round of reforms introduced some new initiatives, including a longer term strategic perspective and explicit judgements about the public versus private nature of goods and services. While the reforms were about better financial management, the legislation has implications for public management more generally. It extends the scope and importance of public participation by requiring consultation not just on annual short term issues but on matters affecting the next generation of citizens as well.

1.2 Balanced scorecard

In the late 1970s and early 1980s, a general dissatisfaction developed with traditional accounting based indicators for performance measurement and management systems (Kaplan & Norton, 1996b). The limitations of financial data as the basis for decision making in organisations has been recognised for a long time (Dearden, 1969). These limitations led to the development of modern management tools and frameworks for managers to navigate towards the future. These new frameworks emphasised the importance of non-financial, external and future looking indicators (Bourne *et al.,* 2000). During the 1980s, it was argued that an organisation's strategic policies could be used to inform and justify the choice of non-financial measures. This argument was concurrent with an emerging awareness of the existence of formal control systems within organisations, particularly associated with the control of strategic activities (Green & Walsh, 1988).

One response to these various factors was the Balanced Scorecard, a simple if initially rather vague concept that has become well known and widely adopted in the private sector. The balanced scorecard is an approach to strategic management and performance management and measurement. It was first introduced in the early 1990s through the work of Robert Kaplan and David Norton of the Harvard Business School (Kaplan and Norton, 1992, 1993, 1996b).
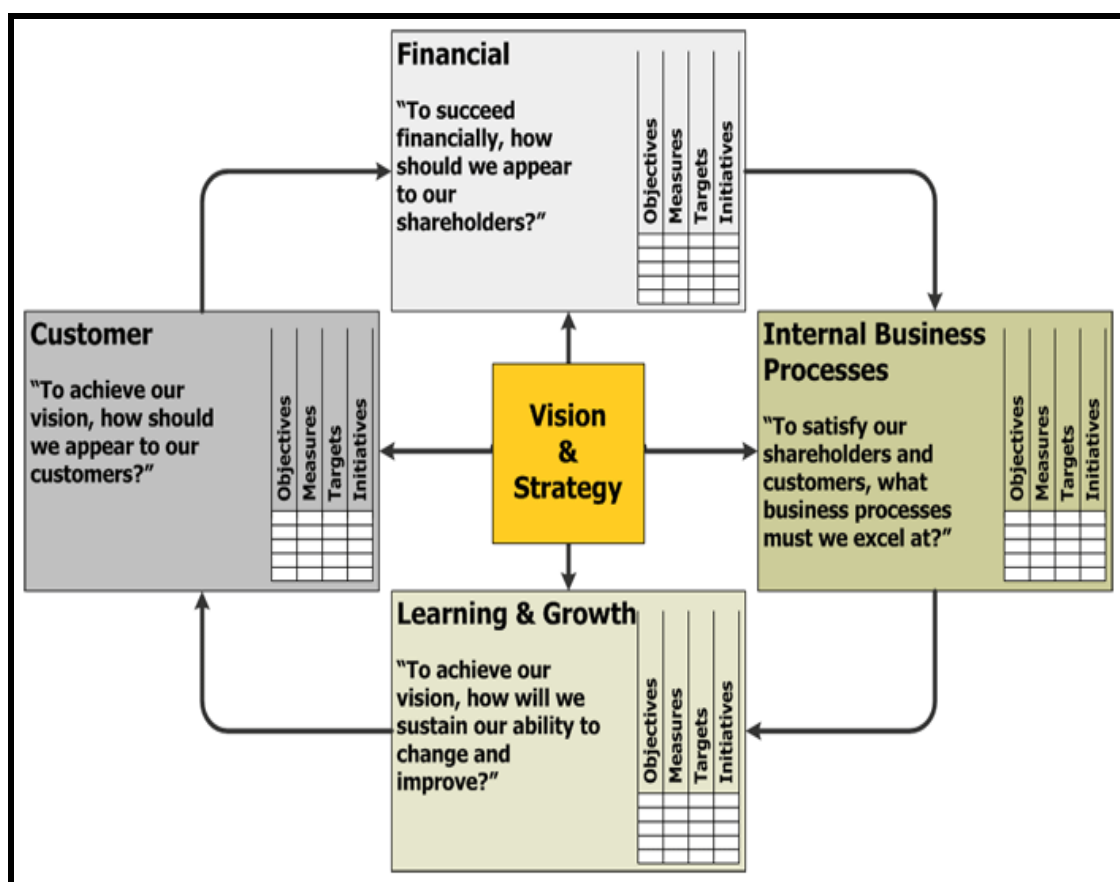
Figure 1.2 Kaplan & Norton's original Balanced Scorecard

Adapted from: Kaplan and Norton, 1996b, p9.

Since then, the concept has become well known and its various forms widely adopted across the world (Rigby, 2001, 2003). By combining financial and non-financial measures in a single report, the BSC aims to provide managers with richer and more

relevant information about activities they are managing than is provided by financial measures alone.

To promote clarity and usefulness, Kaplan and Norton, (1992 &1993) proposed that measures on a BSC should be constrained in number, and clustered into four perspectives as follows:

- financial: linked to profitability and possibly including factors such as sales growth, return on investment, operating income and cash flow;

- customers: including factors such as customer satisfaction, customer retention and customer profitability;

- internal business process: identifying the critical processes in which the organisation must excel;

- learning and growth: measuring the factors relating to people, technology, procedures and systems that the organisation needs to develop to be successful.

The use of the BSC is slowly gaining popularity in private sector organisations around the world, but less is known about its use in the public sector. The literature review on BSC usage in the private and public sectors will be discussed in Chapter 2.

1.3 BSC use in the NZ public sector

Much of the BSC literature is about the adoption of the concept in the private sector in the USA, UK, Australia and Canada (Ahn, 2001; Lipe & Salterio, 2002; McCunn, 1998; Williams, 2001). The public sector adoption of the BSC has only recently become popular (Chan, 2004; Kloot, 2000; Wisniewski & Olafsson, 2004), again in overseas countries rather than in NZ. Despite the high level of international research on the adoption of the BSC, there is scant evidence on its use by NZ organisations both in the private and public sector. Although there is evidence of research studies

published about the implementation and adoption of the BSC in the NZ private sector (Beechey & Garlick, 1999; Blundell *et al*., 2003; Lord *et al*., 2005; McJarrow & Cook, 2000a, 2000b; Rawlings *et al*., 2000), there is less research on the implementation and adoption of the BSC in the public sector (Beechey, 2005; Greatbanks & Tapp, 2007; Griffiths, 2003). Two of these studies were case studies (Greatbanks & Tapp, 2007; Griffiths, 2003), while the Beechey (2005) research study covered the entire population of local government organisations in NZ via a questionnaire survey. Griffiths (2003) suggested widening the number of public sector organisations researched to determine if the results are representative of the use of the BSC. Beechey's (2005) research took up Griffiths' suggestion, focussing on the practice of performance measurement and management in NZ local government organisations. However, Beechey (2005) examined broad issues of performance measurement and management, with only a subsidiary focus on BSC use.

This lack of research in NZ provides motivation for this study which will look specifically at the use of the BSC in the local government scene in NZ.

1.4 Research aim and objective

The aim of this research is to provide an answer to the following research question: "What is the current status of the use of the Balanced Scorecard as a performance measurement and a strategic management tool in local government organisations in NZ?", and to address the following specific questions:

- Has the BSC been accepted as a performance measurement and/or a strategic management tool by local government organisations in NZ?

- How do local government managers perceive the BSC as a management tool?

- What are perceived to be the factors that contribute to the successful

implementation of the BSC?

- What are perceived to be the factors that contribute to a partial or non-implementation of the BSC?

To date, there has been limited research on the use of these modern management tools in the NZ local government context.

This study undertook to examine the local government reforms that provide the framework for financial and strategic management in NZ, introduced the BSC as a modern management tool becoming accepted and adopted in the public sector, reviewed the literature on the use of the BSC in the private and public sectors; conducted a survey of local government organisations using a questionnaire and follow-up interviews, and analysed the data in order to satisfy the research questions. The findings of this research will add and contribute to the existing body of knowledge on public sector BSC use.

1.5 Structure of the report

This remainder of this report is structured as follows:

Chapter 2   Literature review: traces the initial Balanced Scorecard concept and its development to date. It identifies the usage of the BSC in the private sector internationally compared to NZ. It also identifies the usage of the BSC in the public sector internationally compared to NZ and identifies the key findings to provide a basis for comparison with the results of this research study.

Chapter 3   Research design and methodology: describes the research design and the research method and instruments used for this study. It identifies the limitations of the research instruments and discusses the management of data collection and analysis.

Chapter 4   Data presentation and results: documents the data and the results

obtained from the questionnaire survey and follow-up interviews.

Chapter 5   Discussion and analysis of the results: analyses and discusses the

results to emerge from the data collected for this study.

Chapter 6   Implications for practice: discusses the implications of the key findings

and contributions of the study.

Chapter 7   Conclusion and further research: identifies conclusions arising from

the analysis and discussion presented in Chapter 6 and suggests

recommendations for future research.

2. LITERATURE REVIEW

2.1 Balanced scorecard and its development

Since its inception by Kaplan and Norton in the early 1990s, the BSC has been adopted, modified and applied by many organisations worldwide. The BSC translates an organisation's mission and strategy into a comprehensive set of performance measures and provides the framework for strategic measurement and management (Kaplan & Norton, 1996b). The original BSC concept was described as a simple, "four perspective" model of performance measurement (Kaplan & Norton, 1992), reflecting the following perspectives and implications of strategy:

- financial;

- customer;

- internal business process;

- learning and growth.

Beyond this, the original definition of BSC was sparse. But from the outset, it was clear that the selection of measures, both in terms of filtering (as organisations have many measures) and clustering (deciding which and how many measures should appear under which perspectives) would be a key and significant activity (Kaplan and Norton, 1992, 1993). Kaplan and Norton also proposed that measure selection should focus on information relevant to the implementation of strategic plans, and that simple attitudinal questions be used to help determine the appropriate allocation of measures to perspectives. In essence, the BSC has remained unchanged since its inception, having at its core a limited number of measures clustered into groups, and an

underlying strategic focus. But modern BSC designs also have a number of features that clearly differentiate them from earlier versions.

When first developed, the BSC was positioned as a holistic performance measurement framework which could provide management with useful information relating to the above perspectives (Kaplan & Norton, 1992). The need to satisfy the informational needs of internal management as well as external stakeholders was quickly acknowledged and many organisations, in the early day of the concept, developed "stakeholder" scorecards (Mooraj *et al*., 1999). These first generation BSCs allow organisations to define what they must do well to contribute to organisational goals and objectives.

During the twenty years or so since the advent of the BSC, many changes have been made to the physical design, flexibility and the design process used to create the tool within organisations. This evolution of BSC can be largely attributed to observed weakness in the design process (Ahn, 2001; Niven, 2002) rather than in the mechanics of the original idea. The need to have a design process that made measure selection more relevant and part of the collective view of the management team drove the major changes that can be seen in subsequent generations of the BSC from the original concept (Cobbold & Lawrie, 2002). However, while empirical development was the main reason for the evolution of the BSC, certain aspects of the evolution rationale can be paralleled to pre-existing academic philosophies (Bungay & Goold, 1991; Kennerly & Neely, 2000; Muralidharan, 1997; Neely *et al*., 1994) relating to organisational management and strategic thinking.

As organisations developed their own scorecards to measure performance, each generated valuable information relating to many aspects of the organisational activity (Kaplan & Norton, 1993). The availability of this information provided further

knowledge of operations and their impacts, made management aware of the potential for performance management framework as opposed to one of performance measurement. This has led to the realisation of the "strategic scorecard" where the organisation's mission is translated into operational terms through the assumed relationships between actions and their impacts. By measuring these impacts, management information is created. These are regarded as second generation BSCs (Cobbold & Lawrie, 2002).

The alignment between developments in the BSC principles and the theoretical aspects of control and management process are a positive indication that the more modern ideas about BSC design process and structure are better than the original concept, in so far as they are more likely to have a beneficial consequence for the organisation adopting the tool (Cobbold & Lawrie, 2002; Kaplan, 2001; Kaplan & Norton, 2000). However, while the modern BSC designs are substantial improvements on the original ideas, there is still room for further improvements and modifications to suit the organisation adopting the concept (Cobbold & Lawrie, 2002).

The introduction of "causality" into the BSC design exploited its potential value as a framework of strategic management (Kaplan & Norton, 1996b). Causality refers to actions and their resultant impact. This refers to cause and effect relations among performance measures as well as the cause and effect linkage across the four perspectives. The recognition of cause and effect relations has led to a significant development in BSC understanding and application. Identifying assumed causality between the prospective measures was the catalyst for the BSC's leap in value from a framework for measuring organisational performance to one which may lead to strategy refinement- i.e. a third generation BSC (Cobbold & Lawrie, 2002).

2.2 Balanced scorecard in the private sector

Kaplan and Norton's first Harvard Business Review article (Kaplan & Norton, 1992) triggered an avalanche of projects and publications. Since then, dozens of books about the BSC have been published and hundreds of articles have been written (Hayes & Abernathy, 1980; Neely *et al*., 1995; Hoque & James, 2000; Lingle & Schiemann, 1996; McAdam & Bailie, 2002). These publications have been written by Kaplan and Norton themselves and a host of practical and academic contributions. Most of these publications adopt the approach of Kaplan and Norton and focus on methodological principles, normative arguments, guidelines and success stories. Compared to the substantial amount of BSC related publications, the literature about empirical research is sparse.

Much of the BSC related literature is about performance measurement, and its deficiencies have been the subject of the academic literature. These deficiencies led to the criticism of many organisations' performance measurement systems in the 1980s (Hayes & Abernathy, 1980; Johnson & Kaplan, 1988). By the 1990s, these criticisms became apparent and an increasing number of firms appeared to be re-engineering their performance measurement systems (Neely, Gregory, & Platts, 1995). Since then, there has been a limited amount of empirical research on the application of the BSC (Franco & Bourne, 2003).

Lingle & Schiemann, (1996) suggest that organisations managed through 'balanced' performance measurement systems perform better than those that are not. They report evidence that organisations making more extensive use of financial and non-financial measures and linking strategic measures to operational measures have higher stock market returns.

The relationship between organisational size, product life cycle stage, market position, BSC usage and organisational performance was examined by Hoque and James (2000). Based on a survey of 66 Australian manufacturing companies, they suggested that adoption of the BSC is associated with improved performance. This finding in the manufacturing industry is supported by Davis and Albright (2004) in the banking industry and Banker, Potter and Srinivasan (2000) in the hotel industry. These studies showed that incorporating a group of non-financial measures into the performance measurement system in a logical and systematic manner can improve financial performance when compared to a traditional performance measurement system that focuses solely on financial measures. McAdam and Bailie (2002) explored the longitudinal alignment between performance measures and business strategy. They noted that performance measures derived from an organisation's strategically important projects are perceived to be more successful. They also suggested that business improvement models, such as the BSC, are particularly appropriate for ensuring the strategic alignment of measures.

In the NZ private sector, limited research on the BSC has been conducted and only a few examples of implementation have been published to date (McJarrow and Cook, 2000a, 2000b; Rawlings *et al.*, 2000; Beechey and Garlick, 1999; Blundell *et al.*, 2003; Lord *et al.*, 2005). McJarrow and Cook (2000a) found that many firms used several measures that were organised around perspectives, sometimes referred to as a BSC. McJarrow and Cook (2000b) discovered a number of implementation issues which required the highest level of support from top management to ensure a successful BSC implementation. Rawlings *et al.*, (2000) conducted a case study of ten dairy farms to consider whether the BSC would improve farmers' understanding of the balanced measures of performance and their linkage to strategy implementation.

Beechey and Garlick (1999) examined the performance measures used by NZ banks and to see if these could be integrated into a BSC. They noted that only one out of seven respondents was using the BSC, with its performance predominantly measured in financial terms.

Blundell *et al.*, (2003) surveyed the top 40 companies on the NZ Stock Exchange and found that the companies place high importance on financial measures and lower importance on non-financial measures of performance. The findings also suggested that BSC is used extensively by larger companies in NZ.

Lord *et al.*, (2005) conducted a survey of 200 companies in NZ and found that the BSC is not widely used by NZ companies, a point that contradicts the findings of the earlier study by Blundell *et al.*, (2003).

In summary, it seems that the BSC has not permeated the NZ private sector. McJarrow and Cook (2000a) highlighted the lack of support by top management to ensure a successful implementation. Beechey & Garlick (1999) and Blundell *et al.*, (2003) found that NZ profit making firms regard the use of financial based measures more importantly than non-financial measures. Lord *et al.*, (2005) concluded that the BSC is not widely used by NZ companies contradicting an earlier finding by Blundell *et al.*, (2003). Lord *et al.*, (2005) study involved 200 companies while Blundell *et al.*, (2003) involved only 40 companies.

2.3 Balanced scorecard in the public sector

The motivation for the following literature review is to identify what researchers suggest are the key criteria for effective utilisation of the BSC in public sector organisations. This section deals with a number of issues including the perceived purpose and need for the BSC - including its underlying theory; evidence from prior case studies on the use of the BSC in the public sector; and special considerations that

might be expected to apply in public sector organisations. In this review, key findings will be identified as a basis of comparison to this research study.

The general limitations of traditional financial measures had been widely noted in the literature prior to the advent of the BSC (Chan, 2004). Traditional financial accounting, in both private and public sectors, was criticised as being backward looking, ignoring the multi-dimensional nature of company activity and of not being useful in either informing or implementing strategy (Ahn, 2001; Kaplan & Norton, 1992). The BSC is a specific form of strategic performance measurement and is defined as a mechanism that translates an organisation's mission and strategy into a comprehensive set of performance measures that provides the framework for strategic measurement and management system.

According to Kaplan and Norton (1992), the BSC has a two-fold potential: first, to become a measurement instrument to guide performance in public administration and second, to enhance democratic accountability and responsibility. While originally designed for business applications, the BSC can help to refocus scarce public sector resources toward the desired outcomes and despite unique constraints, it has been implemented in the public sector with varying degree of success (Niven, 2003, 2005). The adoption of the BSC in the public sector necessitates some modifications and changing the language to facilitate the unique requirements of the sector. For example, since government agencies do not make a profit, the financial elements of the BSC are seen as measures of financial accountability and, since citizens are viewed as customers, then the language of citizens replaces the business sector language of customers (Niven, 2005).

There seems to be a general lack of empirical evidence regarding the specific application of the BSC within a public sector environment (Kaplan & Norton, 1996a,

1996b). Johnsen (2001) reported that up to this time, the BSC in the public sector has received scant academic attention. Eskildsen *et al.*, (2004) commented in a study of management models in Danish private and public organisations, that almost twice as many private sector organisations implemented the BSC as public sector organisations. Kaplan (2001) indicates several ways in which public sector organisations can benefit from the BSC, although he suggests a number of areas where non-profit organisations might need to modify their approach from that taken by a profit orientated company. Kaplan also reports that many non-profit organisations have rearranged the features of their BSCs and should therefore expand the definition of their customers.

Wisniewski and Olafsson (2004) looked at the development of the BSC in two local authority environments and suggested a number of useful findings. First, they pointed out that in public sector organisations, performance measures focus not only on costs, but also on the efficiency and effectiveness of the service provision. Second, the customer perspective becomes one of the ultimate objectives of public sector performance measures. Third, customer definition can become more complex in the public sector environment because of the multiplicity of customers with the various services offered by local authorities. Wisniewski and Olafsson (2004) concluded that the BSC process in the public sector implementation is not an easy one and is arguably more difficult than in the private sector.

Most of the literature and empirical evidence on local government BSC is provided from applications in Canada, the USA, the UK and Australia (Chan, 2004; McAdam & Walker, 2003; Kloot & Martin, 2000). There is little evidence of BSC applications in NZ local government.

Niven (2003) carried out an in-depth study of the City of Charlotte, North Carolina's famous BSC application. The City has had a long tradition of performance measurement and in 1994 it began its implementation of the BSC. By1996, the city had developed its first corporate scorecard and subsequently won many awards for its BSC implementation, including an induction into the Balanced Scorecard Collaborative Hall of fame. The City uses their balanced measures for several purposes: to communicate performance information to elected officials and the public; and to identify areas for further evaluation and improvement. The City developed four strategic themes to guide its resource allocation and departmental programmes: community safety; city within city; restructuring government; and economic development. The themes were subsequently translated into strategic objectives across the four generic perspectives. The customer perspective was put on top of the other perspectives and was held to represent the key services the city delivered to its citizens. The financial perspective became the "enabler" helping the city achieve its customer objectives. Services were charged at a market price, external partners were secured to support services and a tax base and credit ranking were maintained to fund high-priority projects. The internal process perspective focused on forming partnership within communities and improving productivity, while the learning perspective identified potential improvements in technology and employee training. The City's performance measurement effort has provided value to the city in the following ways:

- measuring performance has clarified vague concepts like strategic goals;
- The BSC has helped with the integration of common goals across departments;

- The BSC has allowed the city to set their performance measures into a more comprehensive and strategic context;

- The BSC has encouraged the city to narrow down their list of performance measures to those more meaningful and useful;

- The BSC has developed consensus and teamwork throughout the organisation.

Many cities in the world have looked at the City of Charlotte's application of the BSC to model their BSC adoptions, for example Brisbane City Council (Willett, 2003) and Porirua City Council.

In the State of Washington's application of the BSC, the 4-quadrant model was modified to include public benefit and value, customers, financial management, internal process management and organisational learning and growth (State of Washington, 1999). Washington State implemented the BSC in specific, interagency projects, such as the salmon recovery project in the Northwest. This complex project involved many actors because of its mandate involving state forest, hydropower plants, agriculture, transportation systems and the land use decisions. Despite the complexity of the project, the BSC implementation was a success due mainly to the excellent support from top management. This complex BSC exercise was made voluntary for all agencies involved with a choice of implementation schedule but mandated for the salmon recovery team. It was used as a learning workshop and involved training for over 600 staff of different agencies. Some of the lessons from this implementation include the following:

- added value and benefit for the public sector;

- agency staff needed to be updated on all the different stages of the exercise;

- cause and effect relations were neither certain nor straightforward;

- partnerships between the State and agencies essential to implementation;

- learning can occur even with an imperfect BSC by "growing into it".

Despite the lessons learned, some resistance encountered include the following:

- fear of accountability;

- confusion over terms and concepts;

- scepticism amongst staff;

- meaningful performance measures hard to develop for some staff;

- intense effort required to overcome inertia.

This implementation has demonstrated that the BSC can be adapted to a state-wide government.

McAdam and Walker (2003) found that the incorporation of the BSC in the UK was positive. The introduction of the BSC was concurrent with the Best Value initiative introduced in the "Modernising Government" agenda in 1988 by central government. The BSC was specifically recommended by the Cabinet Office in 2001 as a preferred management framework. The process of creating and implementing scorecards was a flexible, strategic process that included inputs from staff in a consensus building process. This helped to minimise information overload, revise service areas and functions, and to focus upon important services. McAdam & Walker (2003) concluded that BSC implementation was hindered by poor data collecting systems, poor measures, and overly simplified conceptualisation of customer needs.

Storey (2002) examines the implementation of the BSC in the UK education system. She found the cultural climate in the education sector more open to reform, despite difficulties of concerns about professional autonomy. Moreover, staff involvement in measure design and objective setting increased co-operation. She concludes that there must be a clear interlink about objective clarification and communication, progress evaluation against the objectives chosen and so on. She also noted that while the BSC

was not a panacea, at least it seems to offer a systematic framework for these key processes to occur.

In the Australian state of Victoria, Kloot and Martin (2000) researched local reform efforts and evaluated attempts to institute performance measurement systems. Through in-depth interviews with officials in seven councils, they found that process measures and innovation strategies, in addition to good information and appropriate indicators, community involvement, and an open organisational culture, were essential to successful reform. In sum, when strategic planning and performance measurement are linked, overall efficiency and effectiveness of local council operations improve.

Willett (2003) examined the BSC implementation of a Brisbane City Council. Through interviews with senior staff involved, he noted that the relationship between strategies at corporate and business unit level is critical in determining the design of the BSC. The business unit strategic objectives were isolated and independent of those of the corporate unit and as a result, cascading the corporate objectives resulted in business unit scorecards that were not as effective as they could have been as describing unit-specific strategies, therefore failing to recognise the rationale behind such unit strategies.

The majority of the international evidence presented above is case studies. The last international evidence to be reviewed is the research study conducted by Chan (2004). This study compares favourably with this research as the design and methodology are very similar. Another factor that makes comparison more meaningful is that the Chan study was not only about performance measurement but also the effect of the BSC. The research involved a survey of 451 local governments in the USA and 467 municipal governments in Canada. The main objective of the research was to explore

whether the BSC is adopted in local government organisations in the USA and Canada. Chan concluded that local government managers perceived that the BSC complements the financial measures of past performance with operational measures that drive future performance and growth and that the BSC provides a link between the organisation's mission and strategy. The managers also agreed that the BSC is both a performance measurement system and a strategic management system.

In the NZ public sector environment, there is little empirical evidence of the BSC application. Northcott and France (2005) noted that the health sector BSC has a long way to go in moving from its current status as a mandated reporting requirement to become an effective mechanism for supporting health sector accountability and management. While the BSC is made mandatory for the health sector, it is not the same with all other government related agencies, let alone local government organisations. The empirical evidence available in NZ local government BSC applications are by way of case studies. The reforms utilising the BSC were examined in one government department and two Crown entities by Griffiths (2003). In these applications, shareholder, stakeholder and leadership perspectives were included and they were not causally linked as in the original version of the BSC. Griffiths found that the BSC could serve a valuable function in organisations at different levels of maturity. In less developed agencies, the BSC could serve as a substitute for a strategy development process. He also found that the BSC had the potential to improve transparency and accountability for these agencies. Despite the success and potential, Griffiths (2003) illustrates some problems of demonstrating cause and effect relationship, a limitation obvious in some private sector applications.

Beechey (2005) conducted a survey of NZ's seventy four city and district councils to determine the nature, use and reporting performance indicators used by local

government with a limited focus on the BSC. While Beechey determined the

awareness and use of the BSC amongst local government organisations, this research

goes further concentrating and emphasising the use of BSC in the NZ local

government scene in more detail.

The most recent case study of a local government BSC application in NZ was

(Greatbanks & Tapp, 2007) who examined the BSC application of the Customer

Services Agency (CSA) section of the Dunedin City Council. The section's BSC has

been in place since July 2003 and provided the possibility to explore the application

of the BSC and its effects on CSA section performance over this time. From this

primary question, other secondary research questions were formulated: the impact of

the BSC on management of the CSA section; and the impact of the BSC on individual

CSA staff members. Through interviews and document data analysis, the findings

suggest that the BSC had a positive effect on the section's performance. Team

managers felt that many of the excellent targets would not have been achieved

without the focus and transparency inherent in the BSC. The secondary research

questions were supported by the findings of the case study as the BSC represents the

key performance metrics of a broad and well defined performance management

system. The scorecards are used predominantly to establish a transparent and

objective annual bonus award system for managers and staff, which allows the

achievement of higher levels of both individual and team performance to be rewarded

financially.

 Summary:

In the early 2000s, there was both a general lack of empirical evidence regarding the

BSC application in the public sector and scant academic attention. Kaplan (2001)

suggested ways in which public sector organisations can benefit from the BSC and he

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noted that non-profit organisations have rearranged the features of their BSC and that therefore the definition of "customers" should be expanded. These modifications were noted and deemed necessary by later studies (Niven, 2005; Wisniewski & Olafsson, 2004). Some other key findings from the above literature review which are relevant to this study are listed below.

- BSC encouraged performance measures to be narrowed down;

- BSC encouraged team work throughout the organisation;

- BSC added value and benefit to the public sector;

- BSC improved overall efficiency and effectiveness;

- cause and effect not straightforward;

- learning can occur by "growing into it";

- BSC hindered by poor measures;

- BSC hindered by conflicting corporate and business unit strategies.

The research reported here will be compared with the findings from the following selected studies and this comparison will be discussed in more details in chapter five. These selected studies include Chan (2004), Kloot & Martin (2000), Willett (2003), Griffiths (2003), and Greatbanks & Tapp (2007) as summarised in Table 2.3.

Table 2.3 – Key features and findings of comparable research studies

	USA & Canada Chan (2004)	Australia Kloot & Martin (2000)	Australia Willet (2003)	New Zealand Greatbanks & Tapp (2007)	New Zealand Griffiths (2003)
Method(s) of research	Questionnaire survey	Interviews	Case study interviews and analysis of public documents	Case study interviews	Case study interviews and document data analysis
Population surveyed	451 councils USA 467 councils Canada	7 councils State of Victoria	1 large City Council	1 City Council	3 crown entities
Respondents	Mayors, chief administration officers, managers, council executives	Councillors, CEOs, executive directors and managers	Senior executive staff	Managers and staff of Customer Service Agency section of the City Council	CEOs and other strategic managers
Survey response rates	29.3% USA 11.1% Canada 20.0% Overall	28 group interviews of up to 12 people in a group	33 interviews	12 interviews	Not known
Findings	- BSC users reported positive experience and regarded BSC as useful management tool - strong belief that BSC benefits outweighed its costs	- efficiency and effectiveness can be achieved if performance measures and strategic planning are linked	- effectiveness of BSC compromised by conflicting corporate and business unit objectives	- BSC had positive effect on performance - BSC provided transparent annual award systems which provided motivation to achieve higher team and individual performances	- BSC modified to suit - measures not causally linked - BSC used for statutory reporting rather than external reporting

Table 2.3 continued – Key features and findings of comparable research studies

	USA & Canada Chan (2004)	Australia Kloot & Martin (2000)	Australia Willet (2003)	New Zealand Greatbanks & Tapp (2007)	New Zealand Griffiths (2003)
Findings	- reasons for non use of BSC: inadequate executive support, management busy with solving short term problems and lack of linkage of BSC to employee rewards - information on financial performance highly valued		- cascading BSC is difficult due to dissimilar corporate & business unit objectives - communication deemed vital to BSC use - employee empowerment necessary so management can get feedback that encompass innovative ideas		- BSC improved transparency and accountability

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter describes the research method and the instruments used for this study. It explains in detail the justification for the choice of the research methods, the identification of the chosen sample population, the limitations of the methods, and the organisation of the instruments. It also describes the distribution of the questionnaire and the rationale for the number and choice of questions asked in both the mailed survey and in the follow-up interviews.

Because of the descriptive nature of this research, the choice of the research method and the research instruments were designed to maximise the depth and diversity of responses received from the respondents. This was achieved by surveying the total population available, designing a user-friendly questionnaire that takes a minimum amount of time to complete, and conducting follow-up, face-to-face semi-structured interviews. The follow-up interviews allowed further clarification of points raised in the questionnaire survey and for further exploration of managers' perceptions and experiences of using the BSC and its outcomes for their local government organisations. These interviews were conducted with a few respondents on a voluntary basis since it was not practical to conduct interviews with the entire population.

3.2 Research methods

3.2.1 The questionnaire

The postal questionnaire allowed the the examination of a large number of organisations across NZ. It is also the method used in prior studies to gather data in the USA (Chan, 2004; Poister & Strieb, 1999).

The choice to use the postal questionnaire was supported by two factors:

1. Timing between local government major tasks

    With the types of respondents in mind, it was determined that the best time to solicit information was between November and January. This is the period of time when the identified population would be most likely to respond to a request for information, since their annual financial statements for the year ended 30 June must be finalised and audited by the end of November.

2. Chosen population.

    To ensure the valid generalisation of the findings, there needs to be a maximum number of responses from the chosen population. At the time of this research, there were seventy-three city and district councils in NZ and the postal questionnaire was considered the most appropriate instrument to gather as much data as possible from this population for analysis.

As indicated earlier, there are seventy-three city and district councils that cover the whole of NZ. Regional councils are excluded from the population as their functions and purposes are geared specifically towards the environment rather than the multiplicity of responsiblilties faced by city and district councils.

The postal questionnaires were addressed to the Chief Executive Officers/City Managers of each city and district council. These individuals were selected because

they, rather than the elected councillors, are really the "managerial decision-makers",

of a council. They were also chosen since they should be aware of all the management

initiatives employed in their respective organisations, whether on an organisational or

departmental basis. The findings of this study should, therefore, reflect a collection of

responses for BSC implementation on an organisational level as well as on

departmental level.

The questionnaire was constructed based on prior research. Ethics approval was

granted by the Auckland University of Technology's Ethics Committee prior to the

distribution of the questionnaire by post.

3.2.2 The semi-structured interviews

The follow-up interviews allowed further clarification of points raised in the

questionnaire survey and also further exploration of managers' perceptions and

experiences of using the BSC and its outcomes for their local government

organisations. The interviews were face-to-face and semi-structured. This method of

research has the advantage of revealing more data than could be gleaned by the

questionnaire, since the questionnaire yielded preset answers but the interview had the

advantage of the spoken word and interaction, which provided more information.

Conducting follow-up interviews with the entire population would be a task that

would exceed both the time and resources available. The sample size for the follow-

up interviews was therefore determined mainly in regard to obtaining access to

participants, as it is impossible to conduct face-to-face interviews with even half of

the population chosen for the postal questionnaire. For this reason, interviews were

conducted with a few councils who agreed to be interviewed. There are eight city and

district councils in the Auckland area which represent 10.8% of the total population.

Respondents from these councils were approached requesting their assistance to participate in this research. The final sample for the follow-up interviews therefore depended entirely on the availability and willingness of respondents. At the end, two interviews were held with two city councils within the Auckland area and two with two city councils in the Wellington area.

3.3 Limitations of the research instruments

3.3.1 Questionnaire

Questionnaires have inherent limitations. Such limitations may include the questionnaire being discarded, returned incomplete or responses may be biased (Bryman & Bell, 2003).

Since the selected respondents for this survey are chief executives of local authorities and, in the normal course of their positions are very busy, they may not have time to complete the questionnaire. The questionnaire also may be discarded due to:

- inclusion of too many questions;

- inclusion of long questions that require more time to read, understand and complete; and

- the questionnaire arriving at a busy time.

The questionnaire was limited to thirteen questions with a combination of short closed answered questions and a few open-ended questions and was mailed to arrive between known major council tasks.

Another limitation of the questionnaire is that respondents may misinterpret or misunderstand the questions. This may be the result of the language used or the length of the questions. As indicated in the previous section, the questionnaire was carefully considered with regards to prior research in order to ensure clarity and brevity.

The timing of the distribution of the questionnaire is critical for success. For this research, the most opportune time for these busy executives to respond is considered to be between November and January, a period between major local body tasks. The other limitation of the questionnaire which was quite apparent in this research, is that the respondent, the person completing the questionnaire, is not the addressee. All questionnaires were addressed to the chief executives and the completion of the questionnaire was delegated to lower level management, who may not be aware of the subject matter of the questionnaire. In fact two city council respondents indicated that they are not using the BSC, but in actual fact they are as evidenced by publications in their web sites. One of these city councils was a subject of a recent case study research by Greatbanks & Tapp (2007). These two city councils are treated as "non-users" in this research.

3.3.2 Semi-structured interviews

The main purpose of the interviews was to clarify further the points raised in the questionnaire responses. The interview questions were, therefore, designed to align very closely to those of the questionnaire. With a small interview sample of four, the main objective was to gain an understanding of the respondents' points of view rather than making generalisations. Although interview-based research has its own weaknesses and limitations, it is used here as a means of enhancing the validity of the questionnaire survey results by allowing further exploration and clarification of differing responses received.

3.4 Research instruments design

3.4.1 The questionnaire

Careful consideration of the design of the questionnaire was required to ensure that respondents could complete it with ease and within a short time. Hence the questionnaire comprised thirteen questions. The majority of questions required respondents to complete short closed-ended questions by ticking the appropriate box or answering 'yes' or 'no'. The open-ended questions invited respondents to make comments where appropriate. The following is a brief description and justification of each question.

Question one: demographic information.

This question was asked to collect information regarding the position or function of the respondent and the name of the local government organisation. This was the only demographic information sought and this identification would allow analysis as either city or district council.

Question two: awareness of the balanced scorecard.

This question sought to identify the awareness of respondents with regards to the BSC. It is considered important for respondents to have at least a basic knowledge of the concept before implementation. This information would allow analysis of the overall awareness of the concept amongst local government managers.

Question three: use of the balanced scorecard.

The question asked the respondent to indicate whether the organisation is a current user of the BSC or not. If the organisation is a current user, then the respondent is asked to proceed to the relevant order of questions for current users of the BSC. If not, the respondent is asked to proceed to the relevant order of questions for non-users. As the main aim of this research is to determine the current status of the use of the BSC

in local government organisations, this information would allow analysis of the overall usage of the concept.

Question four: previous user or non-user of the balanced scorecard.

The question asked the respondent to indicate whether the organisation ever used the BSC. The aim of this question was twofold; to find out whether the organisation was a previous user or had never used the BSC before. This question was included because one of the secondary aims of this research was to identify factors contributing to any discontinuance of BSC use and to identify reasons for not using BSC.

Question five: factors contributing to discontinuance.

This question follows on from question four. Information from this question would allow analysis of factors linked to the discontinuance of the BSC.

Question six: reasons for not using the balanced scorecard.

This question also follows on from question four. Information from this question would allow analysis of the reasons for not using the BSC.

Question seven: reasons for implementing the balanced scorecard.

This question follows on from question three. The respondents were asked to identify the reasons for implementing the BSC. Information from this question would provide an analysis of why the BSC was introduced, since different organisations may have different reasons for using the BSC.

Question eight: duration of the balanced scorecard application.

The respondents were asked to indicate how long their organisations have been using the BSC. As the BSC is considered a relatively new management tool, the length of time of the usage of the concept would have an impact on the organisational experience and therefore should be reflected in the responses. Information from this

question would allow an analysis of the organisational experience relative to the maturity of the implementation.

Question nine: problems encountered during implementation.

The question asked respondents to comment on any problems and difficulties that the organisation faced during implementation of the BSC. The literature suggests that the BSC is not easy to implement particularly in public sector organisations. Information from this question would allow a comparison to prior research.

Question ten: modifications to suit the organisation.

This question asked respondents to list any modifications, in light of the Kaplan and Norton's four-box model, to their BSC to suit the organisation. The literature suggests modifications of the four-box business model when applied to public sector organisations. Information from this question would allow comparison with the literature and prior research.

Question eleven: the overall usefulness of the balanced scorecard.

This question asked respondents to rank the usefulness of the BSC in their organisation by circling a number from 1 to 5, 1 being "not useful" and 5 being "very useful". One of the secondary aims of this research was to determine how local government managers perceived the BSC as an overall management tool. Information from this question would provide answers to this research question.

Question twelve: validity of the balanced scorecard as a performance management tool.

This question asked respondents to rank the validity of the BSC as a performance measurement tool by circling a number from 1to 5, 1 being "not at all valid" and 5 being "extremely valid". When the BSC was first introduced by Kaplan and Norton, it was promoted as a performance measurement tool. The literature continues to do this

and in fact most of the empirical evidence of the use of the BSC is in connection with performance measurement and performance management. Information from this question would allow comparison with the literature and prior research and, would help answer one of the secondary research questions.

Question thirteen: validity of the balanced scorecard as a strategic management tool. This question asked respondents to rank the validity of the BSC as a strategic management tool by circling a number from 1 to 5, 1 being "not at all valid" and 5 being "extremely valid". Through the evolution of the BSC from being regarded as a performance measurement tool, the concept has also gained recognition as a strategic management tool. Information from this question would allow an analysis of local government managers' perception of the BSC as a strategic management tool.

3.4.2 The semi-structured interviews

The questions which formed the basis of these semi-structured interviews were formulated based on the information supplied by the questionnaires. The interview questions were designed to further clarify points raised in the questionnaire responses and to further explore the manager's perception and the organisation's experience with the use of the BSC. In supplementing the questionnaire, the interview questions were designed so that they did not deviate much from the questionnaire and captured the relevant and appropriate data for the purpose of the research. In the end only four interviews were conducted due to difficulties with securing access to interviewees from local government organisations in and around the Auckland area. Three of the interviewees were current BSC users and one was a non-user. Attempts were made to secure an interview with a previous user but the request was declined.

A small number of preset, open-ended questions were prepared for each interviewee depending on the information they supplied in the questionnaire. The rest of the

questions were designed to follow up on matters arising from interviewees' replies.

The preset questions for current BSC users were:

1. Can you please provide a brief outline of your organisation's BSC system?

2. Who was involved in the initial decision to implement the BSC?

3. What problems and difficulties were encountered during implementation and use?

4. What are the organisational experiences with the BSC so far?

5. As part of top management, how do you perceive the BSC as a management tool?

The preset questions for the one non-user interviewee were:

1. Has the BSC ever been considered in your organisation?

2. What system is your organisation currently using for performance measurement?

3. What are your current system's similarities to the BSC?

4. Is the BSC likely to be considered in the future?

3.5 Management of research instruments

3.5.1 The questionnaire

The questionnaire was posted out on 1st November 2007 to the chief executives of the seventy three city and district councils in NZ, with a request to be completed and returned in the self-addressed envelope provided by the 30th November 2007. Of the seventy three questionnaires posted to respondents, thirty seven responses were received back by the requested return date. This represented a 50.68% response rate. On 3rd December 2007, thirty six questionnaires were posted out to the chief executives of the councils who did not respond to the first mail out, with a request to complete and return the questionnaire in the self-addressed envelope provided by 20th December 2007. Of the thirty six questionnaires sent, thirteen responses were received

by 20th December. This represents a response rate, from this second mail out, of 36.11%.

Out of the total seventy three local authorities, fifty responses were received. This represents an overall response rate of 68.49%. When the responses were initially analysed, two responses were eliminated as they were not completed. One of these two respondents stated that "they do not have staff resources available for responding to the multitude of surveys referred to them". The other respondent did not not give a reason. Hence a final useable response rate of 65.75% was achieved.

3.5.2 The semi-structured interviews

Interviews with the two city councils in the Auckland area were agreed upon when the respondents indicated their willingness to participate on their returned questionnaires. Interviews with two city councils in the Wellington area were agreed upon over the phone. Consent forms were given to each interviewee to read and sign before each interview was conducted. Interviews were conducted after the questionnaires were returned.

The open-ended questions were designed to invite interviewees to talk about each question generally providing more information than would be with short answered questions. Providing more general information from interviewees' replies allowed the interviewer to probe further by asking additional questions. The interviews lasted from half an hour to an hour and were tape recorded for later transcription. During the interviews, the interviewer took notes and asked questions about the relevant matters arising from interviewees' replies. Analysing the interview transcripts was done by simple thematic analysis, i.e. identifying and coding the main themes evident from the interviews.

This chapter described the research design and the method of this study. The next chapter presents the findings and results of the data collected.

4. DATA PRESENTATION

4.0 Introduction

This chapter presents the results of the data collected from the survey and interviews undertaken. The discussion of the results will be presented in Chapter 5. The first section of this chapter presents the questionnaire responses, while the second section presents the interview responses. The questionnaire had thirteen questions and the interview questions were formulated based on the responses from the questionnaires. As stated previously, the main purpose of the semi-structured interviews was to further clarify responses received in the questionnaires.

4.1 Question 1- Demographic information

Of the seventy three local government bodies surveyed, forty eight provided usable responses, representing a usable response rate of 65.75%. Table 4.1 and Figure 4.1 provide information regarding the types of local government bodies that responded.

Table 4.1 Respondents by council type

	Surveyed		Responded		Usable	
	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
City Councils	16	100%	12	75%	11	68.75%
District Councils	57	100%	38	66.67%	37	64.91%
Total	73	100%	50	68.49%	48	65.75%

Figure 4.1 Numbers of city and district councils responded

	Surveyed	Responded	Usable
City Councils	16	12	11
District Councils	57	38	37
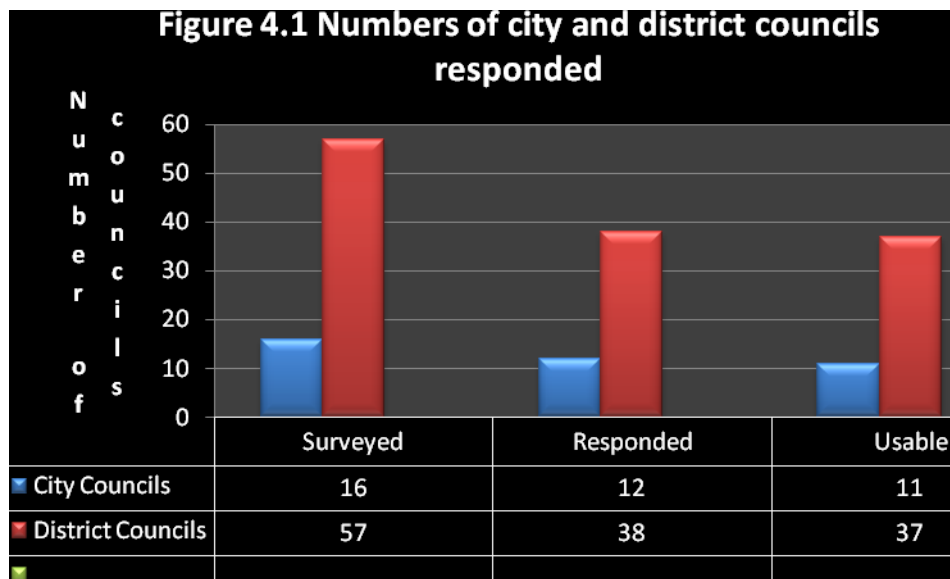
The percentage mix of usable responses by type of council was regarded as consistent with the number of local government organisations surveyed (Figure 4.1). Therefore no particular type of council dominated the usable responses received. However the usable response rate from the city councils is slightly higher than the district councils. This fact will be discussed further in the Chapter 5. More details of these statistics are presented in Appendix 2.

4.2 Question 2 - Awareness of the BSC

Of the forty eight usable responses received, forty four respondents indicated that they are aware of the BSC. Table 4.2 and Figure 4.2 provide information regarding the types of local government bodies who are aware of the BSC.

Table 4.2 Awareness of the BSC by council type

	Usable Responses		Aware		Not aware	
	Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
City Councils	11	100%	9	81.82%	2	18.18%
District Councils	37	100%	35	94.60%	2	5.40%
Total	48	100%	44	91.67%	4	8.33%

Figure 4.2 Awareness of BSC by council type

	City Councils		District Councils		Total	
Usable Responses	11		37		48	
Aware	9		35		44	
Not aware	2		2		4	
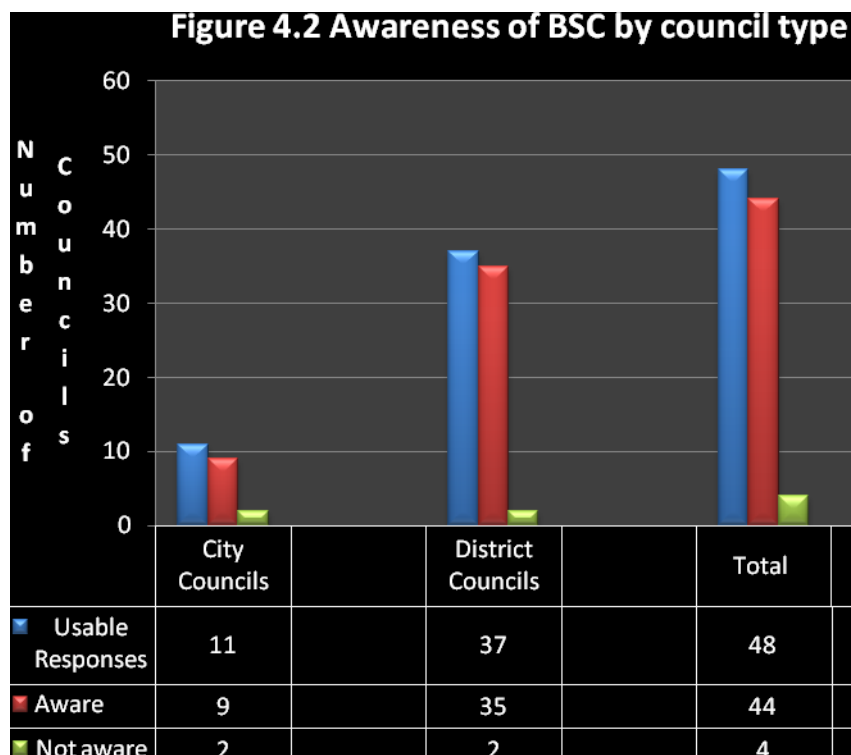
The percentage mix of the responses by type of councils who are aware of the BSC is reasonably consistent with the mix of the usable responses received. However it seems that there is a slightly higher level of awareness amongst the district councils compared to city councils. This trend will be discussed further in Chapter 5. More details of these statistics are presented in Appendix 2.

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4.3 Questions 3 and 4 – Users of the BSC

Of the forty eight usable responses received, eight councils indicated that they are currently using the BSC, one council is a previous user and no longer uses it, and thirty nine councils have never used the BSC. Table 4.3 and Figure 4.3 provide a breakdown of this BSC usage information by type of local government body.

Table 4.3 Percentage of current users by council type

	Usable Responses	Current users	Previous users	Non-users
City councils	100%	27.27%	9.09%	63.64%
District councils	100%	13.51%	0.0%	86.49%
Total	100%	16.67%	2.08%	81.25%

Figure 4.3 Number of current users by council type

	Usable Responses	Current Users	Previous Users	Non-Users
City Councils	11	3	1	7
District Councils	37	5	0	32
Total	48	8	1	39
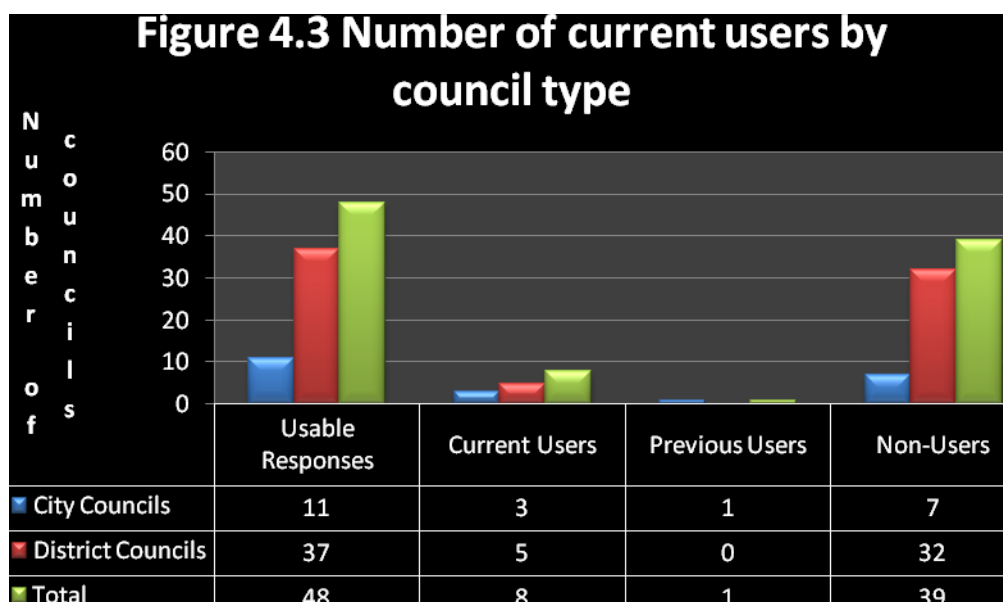
The percentage mix of the type of local government bodies currently using the BSC is dominated by city councils, and the majority of local government organisations who

have never utilised the BSC are district councils. These trends will be discussed in more details in Chapter 5. Details of these statistics are provided in Appendix 2.

4.4 Question 5 – Reasons for discontinuing the BSC

Previous users of the BSC were asked to comment on why they had discontinued using it. Table 4.3 and Figure 4.3 showed that there was only one previous user amongst the respondents, a city council. Attempts to secure an interview with the respondent from this city council were unsuccessful. However, their response to the questionnaire provides some insight into why the council no longer uses the BSC.

The implementation focussed on the use of a software tool. The business benefits were not made clear. The system was not populated with useful measures and the system was therefore unsupported and use fell away. It had no usability at management team level; the software could not produce reports and generally did not make BSC easy to use. (Questionnaire response: City Council C49)

Three main themes are apparent from the above response. They are: "business benefits or objectives are not made clear"; "lack of useful measures" and "lack of management support". These themes have been mentioned in the literature and they will be discussed in more detail in Chapter 5.

4.5 Question 6 – Reasons for not implementing the BSC

Table 4.3 and Figure 4.3 revealed that thirty nine out of forty eight usable responses indicated that their council had never implemented the BSC. Out of the thirty nine non-users, twenty eight respondents answered this question. These non-users provided a variety of reasons for not using the BSC. The following is a summary of the main themes evident from the responses.

4.5.1 Use of other systems

It seems that the majority of local government organisations are using other systems for performance measurement and reporting purposes. Of the twenty eight

respondents who answered this question, thirteen indicated this reason for not using the BSC. This is supported by the following quotes.

Happy with what we currently do. (Questionnaire response: District council D08).

We have developed our own based on measures of organisational performance, customer service, strategic advice and people development for 43 business units. (Questionnaire response: City council C09).

We use a variety of other performance development instruments, i.e. Baldridge/PESA, Integrated Performance Appraisal. (Questionnaire response: District council D19).

It appears from the above responses that local government organisations either developed their own systems or use other available tools.

4.5.2 Size and type of organisation

A few smaller "rural" district councils have stated that they do not use the BSC because of the size of their organisations. This is supported by the following quotes.

We never looked at it as an option because we are not a "leading edge" type of organisation. (Questionnaire response: District council D27).

We are a small organisation focused on delivery of services. (Questionnaire response: District council, D35).

We are a small organisation (60 staff) and tend to focus on day to day operations. There has not been much if any focus on strategic direction. (Questionnaire response: District council, D51).

4.5.3 Not convince of its merits

The BSC is regarded as a fairly new management tool in the New Zealand scene and especially within the public sector. Therefore it is not surprising that this was a reason for its scant use in local government organisations. This is supported by the following quotes.

Not enough awareness of the BSC. (Questionnaire response: District council D27).

Not totally convinced that this is the best method to address some of the key issues for the district. The decision process needs to take place within a clear principle-based framework which sets the context for decisions. (Questionnaire response: District council D44).

It has never been considered as a tool, probably due to a lack of information on benefits. (Questionnaire response: District council D38).

4.5.4 Resourcing problems

This issue has been raised in the BSC literature as any BSC system needs the

appropriate equipment to run and to capture the relevant information. So the lack of

resource funding has been an obstacle in implementing the BSC, as evidenced by the

following responses.

Have considered it and are currently considering it. It's been an issue of resourcing and priority. Just have not got to it but is on the list of things to do. It is likely to happen in the next 12 months. (Questionnaire response: District council D22).

Unable to resource introduction of new measurement tools at present. (Questionnaire response: District council D35).

We have other methods of measuring our performance. As a small local authority, we do not have available the resources to participate in a system as comprehensive as this. (Questionnaire response: District council D37).

4.5.5 Lack of time

It appears that some local government organisations have no time to look at the BSC

as evident from the following responses.

No time available, but may be considered in future years. (Questionnaire response: District council D61).

The requirements of the Local Government Act have increased responsibilities, so our time is spent on meeting what is required of us plus have not yet had a great deal of time to address strategies such as this. (Questionnaire response: District council D13).

4.5.6 Other reasons

Other reasons given for not using the BSC included a lack of management support

and perceived problems with using BSC in a public sector context, as reflected in the

following responses.

It was lack of support and/or management buy-in and understanding. (Questionnaire response: District council D 34).

It was due to difficulty of applying it in the local government sector. (Questionnaire response: District council D39).

All of the above reasons are not unique to the NZ local government context as they have been noted in previous overseas BSC studies. Since this is the first study in NZ of this nature, it appears that the NZ experience is similar to those of overseas. These reasons for non-implementation will be discussed further in Chapter 5.

4.6 Question 7 – Reasons for implementing the BSC

This question was directed to those councils who are current users of the BSC. Table 4.3 and Figure 4.3 indicated that eight out of forty eight usable responses were from councils that are currently using the BSC- three city councils and five district councils. All eight current users provided answers to this question. In analysing the responses, three themes were identified as the main reasons for implementing the BSC. The following is a summary of the themes evident from the analysis of the responses received.

4.6.1 Performance measurement

The BSC was originally hailed as a performance measurement tool in the literature (Kaplan & Norton, 1992) and most of the studies about the BSC to date concern its application to performance measurement. It is therefore not surprising for New Zealand local government organisations to implement the BSC for performance measurement purposes. This is supported by the following sample responses.

[We used the BSC] in order to monitor and report progress towards targets that covered the full scope of our operations. Targets were set that directed our performance towards achievement of our organisation's objectives in areas beyond simple financial outcomes. (Questionnaire response: City council C43).

The main purpose was to track our performance over all critical activities over time. (Questionnaire response: District council D02).

Organisationally, [we use the BSC] as a tool to assess performance improvement. On a divisional & individual basis, we see the BSC as a repository tool for management aligned to performance development systems. (Questionnaire response: District council D10).

4.6.2 Strategic management

The literature suggests that the BSC is first used as a performance measurement tool

and it will evolve as a strategic management tool during its usage. The following

responses are from councils who have implemented the BSC for more than four years.

It seems therefore that the longer the organisation has used the BSC, the more

experienced it becomes and can utilise the BSC more widely and strategically.

Our social responsibility and legal obligation to undertake our services for the purpose of achieving wellbeing of social, economic, cultural and environmental. As CEO, my performance plan is also structured as a balanced scorecard of key indicators. (Questionnaire response: District council D36).

One part of the organisation implemented it to ensure that all of the diverse parts were working consistently on their business plans and their progress against the plan. He also set up quarterly "pseudo-board" meetings with each team in the directorate to present a "where are we now" and "where are we going" updates. (Questionnaire response: City council C05).

It helps with more genuine understanding of the different dimensions of strategic decision making. Legislation requires it. (Questionnaire response: District council D33).

4.6.3 Reporting

The following responses indicate that local government organisations' use of the BSC

is for reporting purposes.

To provide the framework for systematic planning and reporting aligned to strategy and business requirements. To support a common purpose and connection from organisational measures through to individual staff measures. (Questionnaire response: City council C46).

LGA 2002 required local government to identify outcomes and then monitor achievement of outcomes for reporting. BSC (which we have revised to apply to local

government) seemed the best way to achieve these. (Questionnaire response: District council D26).

The above three reasons were the most popular for implementing the BSC. With its performance measurement abilities, the BSC is commonly used by respondent councils for that purpose. Other more established current user councils utilised the BSC for strategic management and reporting purposes. These will be discussed further in Chapter 5.

4.7 Question 8 – How long the BSC has been in use

This question asked the current users to state how long they have used the BSC. Of the three city councils using the BSC, two have used it for more than four years and one implemented it less than one year ago. The five district council users indicated that three have used it more than four years, one has used it between three and four years and one has used it for one to two years. The length of usage indicates the experience of the organisation with the BSC; this issue will be discussed in more detail in Chapter 5.

4.8 Question 9 – Problems encountered with BSC use

This question asked current users to indicate any problems and difficulties encountered in the implementation and use of the BSC. All eight current users provided responses to this question. In analysing the responses, certain themes were identified as the main problems. The following is a summary of the findings and themes evident from the responses received.

4.8.1 Lack of understanding of how the BSC works

A lack of understanding of how the BSC works was reflected in all the eight responses. Considering that the BSC is a fairly new management concept to the public

sector, it is perhaps not surprising local government managers would have difficulties

with its application, as evidenced by the following responses.

Moving to outcome focus which brought into effect matrix management and removing traditional management philosophies. Debate & buying into BSC- accommodating opinions but once structure agreed, key players did not buy in- causing delays. (Questionnaire response: District council D26).

The shift from "in-theory" thinking to "in-practice" implementation. Our inability to replace indicators with meaningful measures when they are mandatory LTCCP measures. This information and thinking will inform LTCCP Project Planning for 2009-2019. (Questionnaire response: City council C46).

What is a measure, objective, KPI, input, output, outcomes, leading and lagging measures? The overall use of the tool as an improvement mechanism. Updating, upgrading the actual access data base used as the BSC-we have an electronic database. Progression and maintaining understanding of BSC from first to get data entered 5 years ago; green light award (traffic light reporting); improvements actioned and followed through from statistical data analysis. (Questionnaire response: District council D10).

4.8.2 Too many measures.

Kaplan and Norton, (1992, 1993) suggested that the number of measures should be

constrained in numbers and that the selection of measures is a key activity that should

be focussed on information relevant to the implementation of strategic plans. They

also suggested that simple evaluative questions can be used to determine the

appropriate number and allocation of measures to the four perspectives. In the local

government context with its multiplicity of outputs and objectives relative to various

amount of activities involved, the number of measures and indicators can be quite

substantial. This can become a problem for inexperienced managers as supported by

the following sample quotes.

Because our operations are very broad and diverse, it was difficult to agree a concise set of measures that concisely covered all our key objectives. (Questionnaire response: City council, C43).

There are too many measures. Not picking up measures that track performance as others see us. (Questionnaire response: District council, D02).

4.8.3 Inadequate resources

It seems that the question of resources was not well considered in the pre-

implementation stage by some current users. This is supported by the following

quotes.

It takes significant resources to do well. (Questionnaire response: District council D33).

Resources are required to collect and process system. (Questionnaire response: District council D02).

Updating, upgrading the actual access data base used as the BSC. (Questionnaire response: District council D10).

4.8.4 Developing causal relations

The development of causal relations among performance measures is a key feature of

any performance measurement tool. These cause and effect relations can help to

identify leading indicators which facilitate prediction, learning and innovation. This

can however, present practical challenges if the concept is new to inexperienced

managers. The following responses echoed this problem.

It was difficult to create casual connections between outcomes, outputs and inputs. (Questionnaire response: District council D33).

The alignment of measures to strategic direction was not an easy task. (Questionnaire response: District council D10).

Selling the "so what" value to all parts of the organisation. This has and continues to be addressed by promoting measure selection based on what will better support managers and senior executives in running the business. . (Questionnaire response: City council C46).

The above problems encountered during implementation and use of the BSC are not

unique to the NZ local government scene. These problems have been experienced by

overseas BSC users as presented in the empirical BSC literature. These problems will

be discussed in detail in Chapter 5.

4.9 Question 10 – Modifications to the BSC

This question asked respondents to state any modifications made to their performance measurement systems in light of their knowledge of Kaplan & Norton's BSC. All eight current users responded to this question. In analysing the responses, all eight acknowledged some modifications to their systems but not all were quite specific about their modifications. The main theme that came out of the responses is that the BSC was modified to suit the diversity of measures and activities and the general nature of the local government sector. The following responses reflected this specific theme.

BSC was originally designed for commercial private organisations. Business excellence (TQM) requires different measures. Existing system tries to accommodate local authority focus. (Questionnaire response: District council D02).
Targets and measures have been progressively modified to align with changes in our organisation's key objectives. (Questionnaire response: City council C43).

Modifications are built around the LTCCP and Internal Plan outcomes. Two key measures for each group of activities, i.e. Council performance vs. Customer satisfaction. (Questionnaire response: District council D26).

4.10 Question 11 – Usefulness of the BSC

The current user respondents were asked to rate the overall usefulness of the BSC to their organisations, by circling a number from 1 to 5, with 1 being "not useful" and 5 being "very useful". The results of the ranking are presented in Table 4.10.

Table 4.10 Usefulness of the BSC

Current users	Ratings
D26	3
D33	4
C46	4
D10	5
C05	4
D36	4
C43	4
D02	4
Total	**32**
Mean	**=32/8 = 4**

The mean response of 4 provides a very strong indication that current BSC users

perceived the BSC to be highly useful in their organisations.

The respondents were also asked to provide comments along with their ratings.

Summary of the responses from the eight current users is provided below. Example

responses from current BSC users are provided below.

The BSC provides focus and clear lines of accountability. Ability to measure achievement of agreed outcomes. Once fully operational, is integrated and accepted by organisation it will be very useful. Rating = 3. (Questionnaire response: District council, D26).

Management can focus on performance improvement of specific target areas contributing to achievement of strategic objectives. BSC provides performance analysis from top of organisation to the individual. Regular performance analysis aligned to requirements. The BSC contributes to workforce planning organisationally. and focuses on being proactive rather than reactive. Rating = 5. (Questionnaire response: District council, D10).

Team managers were able to focus on the business and share with their Directorate Management teams and unit staff. Performance improved via a managed process rather than ad hoc. It gives early warnings of areas that needed more follow-up and support. Rating = 4. (Questionnaire response: City council, C05).

BSC gives management a concise set of information to gauge performance and direct improvements. It enables more comprehensive reporting to our stakeholders. Informs staff as to how successful the organisation has been. Rating = 4. (Questionnaire response: City Council, C43).

4.11 Question 12 – BSC as a performance management tool

This question asked respondents to rate the validity of the BSC as a performance measurement by circling a number from 1 to 5, with 1 being 'not at all valid" and 5 being "extremely valid". The results of the rankings are presented in Table 4.11.

Table 4.11 Validity of BSC as a performance measurement tool

Current users	Ratings
D26	5
D33	2
C46	4
D10	5
C05	5
D36	4
C43	5
D02	4
Total	**34**
Mean = 34/8 = 4.25	

The mean response of 4.25 suggests a strong perception by current users that they regard the BSC as a highly valid performance measurement tool.

Respondents were also invited to provide comments to supplement their rankings for this question. Illustrative responses are summarised below.

It designed to fit. i.e. local government does not try to produce a "return on investment" as a company. However, there are huge benefits for local government which while identifiable are hard to quantify. BSC as a multiple stakeholder perspective management tool can help clarify key measures which can tell if a strategy is working. Rank = 5. (Questionnaire response: City council, C05).

Not just local government. BSCs do not have to be electronic, some organisations utilise effective paper-based systems with the same principles applied.
Any organisation should have effective reporting mechanisms and I believe BSC is the best yet that I have used. Rank = 5. (Questionnaire response: District council, D10).

In terms of performance, the BSC gives good measures. As well as our purpose, I have built it into my staff performance plans to bed it in through setting level of service standards. Rank = 4. (Questionnaire response: District council, D36).

It's absolutely a valid tool. However, the breadth of the perspectives is limiting, for example, product and service outputs are addressed, but not leadership/governance. Rank = 4. (Questionnaire response: City council, C46).

4.12 Question 13 – BSC as a strategic management tool

This question asked respondents to rate the validity of the BSC as a strategic

management tool by circling a number from 1 to 5, with 1 being "not at all valid" and

5 being "extremely valid". Table 4.12 presents the result of the rankings.

Table 4.12 Validity of BSC as a strategic management tool

Current users	Ratings
D26	5
D33	4
C46	3
D10	5
C05	5
D36	3
C43	5
D02	4
Total	34

Mean = 34/8 = 4.25

This mean response of 4.25 indicates a strong support by the current users to perceive

the BSC to be a highly valid strategic management tool.

Respondents were invited to provide comments with their rankings. The following is a

summary of the illustrative responses.

A BSC approach, unless effectively aligned, provides statistical basis of proactive decision making and governance reporting to community. Rank = 5. (Questionnaire response: District council, D10).

Much of the achievement of outcomes rests primarily with external organisations, particularly government ministries. However, government ministries are not under the same obligations to achieve community outcomes. Rank = 3. (Questionnaire response: District council, D36).

The development of strategy maps at an organisational and business group level was a valuable exercise for considering the "how" we undertake delivery of our products and services. However, the tool does not lend itself to describing the "what" as well as the "how", which is a requirement of comprehensive business planning. Rank = 3. (Questionnaire response: City council, C46).

4.13 Interview responses

4.13.1 Current BSC users' responses

Three out of four interviews were with current city council users. Simple thematic coding was used to analyse the interview transcripts. This involved coding the transcripts according to the main categories of themes which were evident. The following is general summary of the main points revealed by current users' interviews.

Two current users have used the BSC for more than four years and one has implemented it for less than one year. Two are using the BSC throughout the organisation and one is using it within certain business units. All three seem to be using the same four quadrants or perspectives as Kaplan and Norton's model, but re-labelling the perspectives to suit the organisation.

After analysing the interview transcripts, the following uses and characteristics of the BSC seem common amongst these three current users.

4.13.1.1 Performance measurement

It seems that the initial reason for the adoption of the BSC was for the purpose of performance measurement, as is apparent from the following quotes.

We have got many performance measures and they're usually divided by activities. What we did here was include the key performance indicators for us to measure our financial management, our customer satisfaction and somewhere the quality and improvement that we're making within our organisational performance and that's where those few KPIs came through. (Interview response: City council C43).

We're actually looking at how we can develop the framework we've already got to make sure that again we're picking up the balance of performance measures. (Interview response: City council C46).

We're trying to have a measure for any idea, so if the idea is to have a particular type of culture or particular type of measurement, we would throw the measure into a customer survey. So different stakeholders will have different measurement instruments to actually measure their perceptions of what we would traditionally call

qualitative issues. So in the scorecard that we developed, we always had a number or a score or result and that could be then put on a scale. (Interview response: City council C05).

The above interview responses support and further clarify the questionnaire finding that the BSC is mainly used by respondents for performance measurement purposes.

4.13.1.2 Alignment to the LTCCP and annual plans

The alignment of the BSC to the Long Term Council Community Plan and annual plans is a notable modification common to all three respondents. This of course is in line with the diverse nature of local government organisations. The following sample responses reflect the importance of this alignment.

I guess that what we have is a balanced scorecard which is [aligned] to the annual plan and LTCCP. (Interview response: City council C43).

Work has kicked off to push the full perspectives [of the BSC] our annual plan and LTCCP. We are looking at how we can pick up the full perspectives in that. A lot of discussion at the moment in a lot of councils is about learning and growth and how much do we want to report to the public and to our council. (Interview response: City council C46).

4.13.1.3 Staff performance

Staff performance measurement seems to be a common theme related to BSC use in the three current users as evident from the following responses.

We are also pushing into individual performance agreements with staff objectives and their annual performance. We're actually looking at how we can develop the framework we've already got to make sure that again we're picking up the balance of staff performance measures. (Interview response: City council C46).

We do [measure] our staff satisfaction, and we use best practice to work as the channel that we measure that. And because we have a culture of improving our business, we [continuously try to improve] individual performance. (Interview response: City council C43).

Staff objectives and staff competencies which are measurable are different according to the activity. So you could have brilliant identical objectives for staff, but the service the staff are working on might be parks, might be libraries, might be resource consents, so those services have different service levels and service attributes that can be measured. (Interview response: City council C05).

4.13.1.4 Reporting to stakeholders

One of the requirements of the Local Government Act 2002 is for each council to issue a Statement of Service Performance. This statement allows the council to report against the LTCCP annually in terms of the achievement of objectives. It seems therefore that the adoption of the BSC by local government organisations is for fulfilling their reporting obligations. The following responses echoed this reason.

What we would call our triple line, quadruple line reporting. It's critical to us to maintain our targets or our outcomes to our community, so we decided to take a very simple approach to the top line recording and this is recorded through monthly reports up to quarterly and then up to our annual reporting. (Interview response: City council C43).

We're now working through in recognising what we needed to change to revise our business planning templates at business planning level to pull in the full perspectives, the strategy maps and the scorecard approach to measure selection and reporting. We also highlighted the main reports in the organisation that needed to now be revised so that we're picking up the 4 perspectives. (Interview response: City council C46).

4.13.1.5 Learning and developing

It was quite clear that all three current BSC users are continuing to develop their systems as they become more experienced over time. The following sample responses reflect this view.

I think what we do it good but I think there is better stuff but we kind of build on what we've got and what we can afford to do, and so with that in mind, [we are trying our best]. There's always room for improvement. (Interview response: City council C43).

I would say I would anticipate that we would do a post implementation review 12 months down the track to see if we want to stay quite religiously with these 4 perspectives or do we actually think on the basis of what our business and strategies are. We might actually want to change. I think at the moment we're just working through to get a really good grasp of it before we do any change. (Interview response: City council C46).

We're on a journey to improve the design of the measurements as well as the level of services at the product service level and also looking at the process quadrant, the people quadrant and the financial quadrant. So in the framework, you've got multiple layers, but generally speaking, you can translate them into the Kaplan and Norton language. We are actually using every damn thing we can think of to understand and

improve our performance. Now I'm not saying we're there, but we're on that journey and my team is facilitating that process. (Interview response: City council C05).

4.13.1.6 Complimenting or supplementing the BSC with other management ideas

An interesting finding from the interviews is that these current users are not using the

BSC as a standalone system. It seems typical of local government organisations to use

the Malcolm Baldridge criteria for performance evaluations. The following responses

reflect this.

Baldridge developed this criteria and it talks about strategy, leadership, your customer, your processes and your results, your HR, your staff, your people. And they say if you were a really good organisation you would have a clear vision, you would have a good management system you would have results that show that you got feedback from customers. What we have done as well as this, is we've adopted Baldridge criteria as a way to organise and manage. (Interview response: City council C43).

We've got the Baldridge framework and we've got the risk management framework as well, we've got the planning framework so all these frameworks put demand on my managers and if we can put that demand in an aligned way then we can make it easy for everyone to deliver to the aspirations of managing our risks, improving our quality, keeping financial sustainability, doing our planning horizons properly, getting audited for planning, getting reports for reporting, so we have many, many internal as well as statutory stakeholders auditors who come and expect us to be transparent about our performance. (Interview response: City council C05).

This organisation has adopted the Malcolm Baldridge criteria performance excellence as the business model that is really driving and co-ordinating all our business and improvement efforts. So within Category 4(of the Baldridge criteria) measurement analysis and knowledge management, the balance scorecard sits as being the framework we're actually now using to drive reporting and monitoring in the organisation. (Interview response: City council C46).

4.13.1.7 Who was involved in the decision to implement the BSC?

Two of the three current BSC users responded to this question. The third respondent

did not respond since she joined the organisation after the BSC was implemented.

One respondent is from a council that has used the BSC since 1995 and the other

respondent's council has used it for less than twelve months. It is interesting to note

that the council which has used the BSC since 1995 has quite a different view from the recent BSC user regarding involvement in the implementation decision. The following responses from these councils reflect their different approaches.

The "director" who sponsored the balance scorecard at this council from 1995-2006 was on a particular responsibility to transform certain business units from being government departments to becoming more businesslike in their performance. These were the early days of the BSC, so this director who several business units were responsible to, had a team of unit managers to help set up the BSC in that "directorate". So to some degree in the past, we would have had a service by service approach to performance and the performance measures were very much of a statistical output type nature and reporting quarterly or monthly and annually. The major purpose was about making it more businesslike so thinking about how you have customers & what sort of customer indicators those customers would be expecting. (Interview response: City council C05).

In 2007 this council did a big organisational review, to see where we're at....and we were actually going to look at what framework did we want to actually use in order to start giving us a more robust basis for our reporting and monitoring. The balanced scorecard was selected as a very widely used basis of reporting across the 4 quadrants. A team was set up cross organisationally, so we have representation from all of our business units and that team was tasked with researching the balanced scorecard. The team looked at best practice, what other organisations are using, but basically they looked at the Charlotte District in the States as well as the Auckland Regional Council to see who's using what and what would be a good one to use. (Interview response: City council C46).

4.13.2 BSC non-user response

As previously stated, there was only one interview conducted with a non-user. The following paragraphs summarise her responses.

The respondent stated that she was unaware if the BSC has ever been considered for use in her organisation. She has been in the position for only two years. The organisation has already established performance measurement reporting systems which are currently manually based and are to be automated shortly. So she really did not see her organisation considering the use of the BSC in the foreseeable future. Despite the interviewee's comment that they do not use the BSC, the performance measurement system used by this council seems very similar to the BSC in some respects as the following quotation indicates.

All of the financial information for the business units is currently within the same system which has the functionality that can pull in the non-financial information and balance scorecard kind of stuff. So it just makes sense, for consistency, that we all use the same system, and we can develop it so you can actually drill down so that a business unit can apply their own performance measurement requirements within that repository and at the same time we can pull out the information we need to report across the organisation. (Interview response: City council, C01).

The respondent was unsure whether the BSC would be considered in the future or not.

She added that she is aware of the BSC but does not know enough about its merits and how it works.

Summary

This chapter has presented a summary of the findings of the survey questionnaire and the semi-structured interviews. The next chapter will discuss the analysis and interpretation of the results presented here.

5. DISCUSSION AND ANALYSIS OF RESULTS

5.1 Introduction

This chapter focuses on the analysis and interpretation of the results presented in Chapter 4. Where appropriate for each of the questionnaire questions or a group of questions, the results are analysed together with relevant interview questions and with reference to the literature and comparable research reviewed in Chapter 2.

5.2 Demographic information

The population for this survey were seventy three city and district councils across New Zealand. This population is comparable to the New Zealand study by Beechey (2005) and the USA/Canada study by Chan (2004) who surveyed municipal councils in the USA and Canada.

Table 4.1 and Figure 4.1 summarised the response rates by council type with an overall usable response rate of 65.75%, a rate superior to that achieved by Beechey (2005) with an overall response rate of 50.4% and Chan (2004) with a 20% response rate. Though the percentage mix of responses by council type is consistent with those surveyed, the response rate from city councils (68.75% vs. 64.91%) is slightly higher than from district councils. This may be due to city councils being larger, with more human resource so they can respond to such surveys. These results are consistent with Beechey (2005) and Chan (2004).

5.3 Awareness of the BSC

Table 4.2 and Figure 4.2 summarised the results of this question with an overall BSC awareness level of 91.67% amongst NZ local government organisations. This indicates a high general level of awareness of the BSC amongst local government managers. However, there is slightly more awareness by the district councils (94.60%

vs. 81.81%) compared to city councils. This may be due to the higher number of district councils respondents. (City councils: 9 out of 11; district councils: 35 out of 37).

5.4 Users of the BSC

Table 4.3 and Figure 4.3 presented information about current BSC users, previous users and non-users. The analysis indicated that of the total usable responses from forty eight councils, eight councils (16.67%) are current BSC users. The percentage mix of current BSC users by council type appears to be dominated by city councils with a 27.72% as against 13.51% for district councils. This domination by city councils can perhaps be attributed to their bigger sizes with more resources to undertake such initiatives. According to Chan (2004) over two-thirds respondents that used the BSC are relatively large municipalities which are more responsive and resourceful to adoption of new management tools.

5.4.1 Uses of the BSC

The questionnaire responses from eight city and district councils that are currently using the BSC strongly indicated performance measurement, strategic management and reporting as the main reasons for their use of the BSC. In addition, this section not only expands on the reasons for the BSC implementation but also discusses further the other typical uses of the BSC common to respondent councils. The discussions in this section are drawn from the questionnaire and the interview data presented in Chapter 4.

5.4.1.1 Performance management

With the original strengths of the BSC as a performance measurement tool (Kaplan & Norton, 1992 & 1993) and its widespread adoption in both the private (Franco &

Bourne, 2003; Hoque & James, 2000; Neely *et al*., 1995) and public sectors (Ahn, 2001; Chan, 2004; Niven, 2003, 2005) , perhaps it is not surprising that the New Zealand public sector organisations should follow suit and keep up with international practices. The effect of the New Zealand local government reforms has created a need for local government managers to seek contemporary management tools in order to fulfil their managerial obligations. The performance measurement abilities of the BSC have made it attractive to the local government managers.

The data presented in Section 4.6.1 and 4.13.1.1 suggests that most councils use the BSC as a performance measurement tool. This use of the BSC in it simple form is in line with the use of the "first generation" BSCs as suggested by Cobbold and Lawrie (2002).

5.4.1.2 Strategic management

The second reason given for the implementation of the BSC by the current users was for strategic management purposes. The evolution of the BSC from performance measurement to strategic management has been suggested by the literature (Birchard, 1996; Epstein & Manzoni, 1997; Kaplan & Norton, 1996a; Kaplan & Norton, 1996b). This evolution comes with experience over time (Griffiths, 2003) in BSC application and the maturity of the organisation's strategy. It seems therefore that the longer the organisation has used the BSC the more experienced it becomes and thus it can utilise it more widely.

5.4.1.3 Reporting

Using the BSC to facilitate reporting requirements has been another reason given for implementing by current users. According to Griffiths (2003), "as an external reporting tool, the BSC has greater applicability to local government organisations that often operate in the absence of competitive markets". The BSC has the potential

to improve transparency and accountability. Wallace (1998) stated that the BSC could be used as the basis of reporting to central government or to the public. The reporting requirements of local government was further clarified by the interviews when the interviewees talked about the need to comply with the Local Government Act 2002 which requires every council to issue a Statement of Service Performance as part of their annual financial statements. The purpose of this statement is for the council to report against the Long Term Council Community Plan on an annual basis in terms of objective achievements.

5.4.1.4 BSC aligned to suit the organisation

The modification of the BSC to suit public sector organisations has also been discussed in the literature (Griffiths, 2003; Kaplan, 2001; Niven, 2005). Since the BSC was originally invented for the profit making private sector, some modifications and changing the terminology were necessary to reflect the unique features and requirements of the not for profit public sector. The hybrid structure and the multiplicity of activities and objectives of a local government organisation can cause conflicts between strategies implemented at corporate and subunit levels (Willett, 2003), and this can have an adverse effect in cascading the BSC in the organisation

5.4.1.5 Staff performance in BSC

All three interviewed councils have scorecards for staff performance. Other questionnaire responses also indicated that staff performance measures are built into their BSC systems. Greatbanks & Tapp (2007), in their study of the Customer Service Agency section of Dunedin City Council, found that the introduction of individual performance scorecards was supported by staff. These scorecards provided clear goals as to what activities are viewed by management as important. Furthermore, the

linking of bonus payment to the scorecard measures allowed an understanding of bonus performance and expectations. Furthermore, Chan (2004) noted that the lack of linkage between the scorecard and the employee reward system was a contributory factor in BSC implementation failure.

It seems therefore that this aspect of the BSC, as practiced overseas, is also reflected in New Zealand local government organisations.

5.4.1.6 Learning and developing BSC with time

One of the themes evident from the questionnaire and interview responses is that the adoption of the BSC provides a platform for future learning, rather than an immediate and complete performance management solution. This is not surprising considering that the BSC is a contemporary management tool, especially in the New Zealand local government context. Local government managers would, therefore, need to have training if they are to become familiar with the concept. Furthermore, Kaplan and Norton (1996b) noted that organisations may not have appropriate and reliable data for many of the measures in the early stages of their BSC implementation. Learning and developing therefore underpin the evolution of the BSC (Griffiths, 2003).

The State of Washington BSC implementation (State of Washington, 1999) treated the exercise as a learning workshop for over 600 staff. It certainly seems, therefore, that the New Zealand BSC experience is similar to the international situation. These learning processes are demonstrated by factors such as:

- researching the BSC;

- benchmarking;

- attending seminars and conferences;

- regular team meetings;

- help of consultants.

5.4.1.7 Complementing or supplementing BSC with other management ideas

All three BSC user city councils interviewed are not using the BSC as a standalone system. All three are using the BSC parallel or in connection with the Malcolm Baldridge criteria, the triple bottom line or the quadruple bottom line. The Baldridge criteria refer to performance excellence and they are used by local government organisations to compete in the national local government business excellence awards. The triple bottom line refers to economic, social and environmental qualities while the quadruple bottom line refers to economic, social, environmental and cultural qualities. It is interesting to note that the BSC literature is silent on the adoption of the BSC concept in connection with other management ideas. Perhaps this is unique to the New Zealand local government context and may be due to the fact that BSC is still relatively "unproven" in New Zealand public sector organisations. It also appears that councils that use BSC with other tools may perceive the BSC as not a holistic management tool. On the other hand these councils may find the BSC and other tools complement each other.

5.4.1.8 Initial BSC implementation decisions

Two current user city councils responded to this interview question. One is a council who has used the BSC since 1995 and the other has used it for less than twelve months. The following comparison presents a contrast in approaches.

The council that implemented the BSC in 1995 was using it on a departmental level and is still doing so. These were the early days of the BSC, as the Kaplan and Norton original version surfaced in 1992. In 1995 there would have been very few publicised adoptions and limited BSC literature. A 'director' of one section of the council decided to initiate the BSC and was responsible to transform certain business units

from being government departments to becoming more businesslike in their performances. She selected a team of business unit managers to help set up the BSC. This must have been a daunting task in those early days, with very little guidance and prior experience available to draw on. The interviewee stated that "their approach to performance in those days was very much of a financial nature and it was difficult to define customers and deciding what performance indicators to use was a nightmare". This BSC adoption is still running on a departmental level and it is planned to go corporate in the very near future.

The recent BSC user, on the other hand, had the luxury of available publicised BSC adoptions and the BSC literature to help with their decision. This council used the BSC throughout the whole organisation. The initial decision to implement the BSC was the result of an organisational review to "look at what framework to adopt to give them a robust basis for reporting and monitoring". A "circuit breaker team was set up to research" the BSC and looked at "benchmarking best practice" to see what other organisations are using. This included looking at local adoptions as well as overseas examples like the City of Charlotte BSC adoption in the USA and the City of Melbourne in Australia. Another important factor suggested by this council is conducting a post-implementation review which is a common business practice if an organisation is involved in high investment projects. This review can be a big part of the learning process. It seems that this council took a careful approach for its BSC implementation. They did their homework benchmarking best practices and the project is well supported by top management. These attributes are contributory factors towards a successful BSC implementation and they should be adopted by councils who are contemplating BSC use.

The council that implemented the BSC in 1995 initially started with one unit or "directorate". They have since spread their BSC use to six directorates and are currently looking at council-wide use. It seems that this council has gained experience during its implementation and are confident enough to go council-wide. It appears also that this council was learning and inventing as they progressed and perhaps felt some ownership because they have implemented it for a long time.

The contrasting approaches demonstrated by these two councils provide potential areas for future research. Perhaps a case study research would be suitable for the council that implemented the BSC in 1995. This study would cover the time when the BSC was first adopted to the time when the BSC is used council-wide. Since the literature is silent on this matter, research into the initial decisions to implement the BSC would provide vital information for would be implementers.

5.4.2 Problems encountered in implementation and use of BSC

As a contemporary management tool, it appears that the BSC approach has not yet been well diffused in the New Zealand public sector. The findings of this study offer the following insights into the challenges faced by local government organisations who have not successfully implemented a BSC approach.

5.4.2.1 Lack of understanding of how the BSC works

Perhaps it is not surprising that local government managers would have difficulties with applying the BSC since this challenge has been pointed out in the literature. Kaplan and Norton (1996b) emphasised that the application of the BSC is far from simple and requires a comprehensive understanding of the principles involved and significant commitment towards accepting the new philosophy and implementing necessary change. Some local government managers appear to be uncomfortable with the concept and may find it too challenging. Wisniewski & Olafsson (2004) noted that

implementing a BSC requires considerable time, effort and commitment from managers at all levels. To some extent it requires a change in mindset and thinking. This is clearly demonstrated by one questionnaire respondent who wrote of "the shift from in-theory thinking to in-practice implementation". Another respondent wrote of "moving to outcome focus which brought into effect advanced management and removing traditional management philosophies". These respondents were talking about the required change in mindset and way of thinking which required comprehensive understanding of the BSC concept. In this respect, it appears therefore that the NZ local government experience is similar to international evidence.

5.4.2.2 Identifying and determining the number of measures

Kaplan and Norton (1992, 1993) suggested that the number of measures should be constrained and that the selection of measures should be focussed on the strategic plans. In local government, with its multiplicity of outputs and objectives relative to many activities involved, the number of measures and indicators can be substantial. This can become a problem, particularly for inexperienced managers. Wisniewski & Olafsson (2004) noted that there are real practical difficulties of measuring intangibles such as service quality, social inclusion, and quality of life which are important strategic goals for local government. The findings of this study revealed that because of the broad and diverse operations of local government organisations, it was difficult to agree on a concise set of measures that covers all key objectives. The large number of measures available in a local government organisation presented the problem of selecting the appropriate number and narrowing it down to meaningful ones.

5.4.2.3 Developing causal relations

Causal relations amongst performance measures are key features of any performance measurement model since these cause and effect relations can help identify leading indicators which facilitate prediction, learning and innovation (Malina & Selto, 2004). One of the principles underlying the BSC is the linkage of the performance measures to an organisation's strategy with clear cause and effect relations between the measures (Kaplan & Norton, 1992). Kaplan & Norton further warned that if these causal relations cannot be established, then the organisation has not implemented the BSC. However, Norreklit (2000) questioned the cause and effect requirement of the Kaplan & Norton BSC and noted that simple cause and effect relations are not sufficient to predict future performance. Griffiths (2003) stated that all three of his case study organisations did not established causal relations.

It seems that the BSC can be implemented without the need for causal relations. The fact that it is being practised or attempted to be practised in New Zealand indicates that perhaps local government managers are becoming more aware of and familiar with the BSC mechanics.

5.4.2.4 Inadequate data collection resources

One of the eight factors cited by Chan (2004) necessary for a successful BSC implementation was the need for a highly-developed information system to support the BSC. This was regarded by Canadian respondents, in the same study, as the principal reason for not implementing the BSC. The results of this study suggest that this is a problem in NZ local government organisations. Questionnaire respondents wrote "it takes significant resources to do well" and "resources are required to collect and process data". This is not surprising as the responses from the interviews clarified that some of the BSC adoptions are not fully automated. It seems therefore that the

question of resources was not well considered in the pre-implementation stage by some current users.

5.4.2.5 Lack of top management buy-in

This problem is well covered in the literature (Chan, 2004; Kaplan & Norton, 1996b; Wisniewski & Olafsson, 2004). The one previous BSC user in this study stated that this was one of the main reasons why the BSC was discontinued. The respondent implied that management did not fully understand the concept and it did not make the BSC easier to use.

5.4.3 Modifications to the BSC

Chan (2004) noted that the BSC can be modified to include performance perspectives not included in Kaplan and Norton's original BSC. Wisniewski and Olafsson (2004) suggested re-labelling the BSC perspectives, especially the "customer" perspective since local government has a multiplicity of customers and service users as well as a variety of stakeholders. The eight respondents whose organisations had used the BSC acknowledged some modifications to their BSC systems to suit their organisations but not all were specific about their modifications. It seems that local government managers modify their systems to recognise the general nature of the local government. The findings of this study suggest that NZ local government organisations stay loyal to the Kaplan and Norton's four perspective model but some relabelled the perspectives to suit the organisation. Most of these organisations appear to build their BSCs around LTCCPs and annual plans. One respondent's four quadrants are labelled "people, customers, process and finance". Kaplan (2001) suggested expanding the customer perspective in a public sector BSC. This was raised by Wisniewski and Olafsson (2004) warning that customer definition in the public

sector environment can be more complex because of the numerous customers, stakeholders and services involved in local government.

5.4.4 Overall usefulness of the BSC

Tables 4.10, 4.11, and 4.12 summarised the survey results on the perceived usefulness and validity of the BSC as a management tool in local government organisations. Table 4.10 gives a mean of 4 which indicates that the eight respondent current users perceived the BSC to be highly useful in their organisations. Table 4.11 with a mean of 4.25 suggests that the eight respondent current users perceived the BSC as a highly valid performance measurement tool. Table 4.12 which shows a mean of 4.25 indicates a strong perception by the eight respondent current users that the BSC is a highly valid strategic management tool.

These findings are consistent with Chan (2004) whose objective was to explore whether the BSC is adopted in municipal governments in the USA and Canada. Chan concluded that the benefits of the BSC would outweigh its costs if implemented successfully. She also found that respondents viewed the BSC as a performance measurement system as well as a strategic management system. These findings are also consistent with Greatbanks and Tapp (2007) who found that the BSC had a positive effect on individual and team performance.

5.5 Non users and previous users

5.5.1 Reasons for not implementing BSC

A variety of reasons were given by respondents as to why they have never implemented the BSC. Some of these reasons have been documented in the literature regarding overseas public sector BSC studies (Chan, 2004).

The use of other systems was given as the most common reason. Wisniewski and Olafsson (2004) concluded that when local government organisations invest time and effort into other systems they may be reluctant to change to a BSC approach.

Some local government organisations may be smaller in size, and rural district councils may not have the resources to implement a BSC.

Some local government managers are not convinced of the BSC merits and therefore top management would not provide the required support for implementation.

Other reasons given include the fact that the BSC may be difficult to adopt in the local government context and other managers are too busy and therefore have no time to look at such initiatives.

5.5.2 Reasons for discontinuing BSC

The response from one previous user (see 4.4 above) reflects three main themes that have been experienced in previous applications. First "business benefits were not made clear". This mirrors the points raised in the State of Washington (1999) BSC application when some resistance encountered included "confusion over terms and concepts" which led to "scepticism amongst staff". Secondly is the question of "useful measures". McAdam and Walker (2003) noted that the BSC was hindered by poor measures and Kaplan and Norton (1992) suggested that the number of measures for each perspective should be kept to the minimum. Thirdly is the lack of support by top management. This has been one of the main reasons for unsuccessful BSC applications (Chan, 2004).

Summary

This chapter focussed on the discussion and analysis of the research data presented in Chapter 4. The next chapter will discuss the practical implications of the key findings discussed in Chapter 5.

6. IMPLICATIONS FOR PRACTICE

This research set out to determine the current status of the use of the BSC in the New Zealand local government sector. It therefore examined such issues as: the use and acceptance of the concept in NZ local government; the reasons for adoption; the reasons for non-adoption; perceptions of whether BSC contributes to performance measurement enhancement, strategic management, reporting and accountability; the practical application of the BSC; and the decision to implement this approach. All these issues will add to the existing body of knowledge since this is the first research of this kind in New Zealand to look at BSC and its overall use across New Zealand local government organisations.

With an overall usable response rate of 65.75%, this research can be favourably compared to similar studies such as Chan (2004) which had a response rate of 20% and Beechey (2005) with an overall response rate of 50%. In comparison to Chan (2004) with only 14 out of 184 (7.60%) BSC users, this research had 8 out of 48 (16.67%) current BSC users. Despite the relatively small number of local government organisations that have implemented the BSC, the findings do provide some interesting insights into the experience of these New Zealand local government organisations.

These eight current BSC users have implemented the tool for an average of four years. One council is an established user; five can be regarded as intermediate users and two as beginners. The longer the organisation uses the BSC, the more experienced it becomes in utilising it effectively. This is consistent with the learning and training aspects of the concept reported in the literature (see 5.4.1.6 above). This duration of the BSC use also implies that good knowledge required in using the BSC comes with experience over time. The application of the BSC requires comprehensive

understanding of the principles and a change of mindset and way of thinking (Kaplan & Norton, 1996b; Wisniewski & Olafsson, 2004). The application of the BSC in New Zealand local government has not come without problems. As to be expected with any new initiative, it takes time and effort to get it right.

This learning curve seems to be an important process that is common in the NZ local government implementation of the BSC and proves that local government managers are willing to learn and to accept the BSC. Perhaps this NZ local government situation can be compared to the NZ hospital BSC introduction, as discussed by Northcott & France (2005), who drew on the "diffusion of innovation" theory to describe the hospital BSC implementation. They noted that this theory requires certain conditions to be in place to support this diffusion process and that BSC may require some measure of re-invention to create the sense of participation and ownership so that it can be perceived as a useful innovative initiative. The findings of this study suggest that the NZ local government BSC practice is relatively new and most council are in the early stages of their implementations. For the BSC to be diffused in local government, the local government managers need to experience the concept by working through it and keep learning by their mistakes.

Respondents indicated some basic problems encountered during implementation and use of the BSC: lack of understanding of how the concept works; problems in determining and selecting the appropriate number of measures; and the difficulty in developing causal relations between measures and within perspectives. These problems are not unique to NZ local government. In fact they have been experienced by previous implementations and reported in the literature. This shows that NZ local government experience is not different from overseas local government and perhaps

NZ local government managers are learning by experience in discharging their responsibilities.

The three main reasons given for implementing the BSC are: for performance measurement purposes; for strategic management purposes; and for reporting and accountability purposes. These reasons are not different from previous adoptions as described in the literature. It is well reported that most organisations use the BSC for performance measurement enhancement. It is also reported in the literature that BSC can evolve into a reporting and strategic management status. The reasons given by NZ local government suggest that local government managers are becoming experienced in using the BSC and are gaining more understanding of the mechanics of the concept. This relates to the maturity of the BSC use, the learning curve, and the theory of dissemination by diffusion of innovation, discussed above. Despite the challenges of introducing the BSC concept in the NZ local government sector, local government managers appear to have made significant inroads with regards to perceiving the BSC as a useful management tool.

Despite the growing number of BSC users in local government, there are a large number of local government non-users. Beechey's (2005) survey of NZ local government organisations did not capture the reasons for implementation and the reasons for non-implementation. Reasons given for non-implementation in the current study include:

- use of other existing systems;
- the smaller size and nature of some local government organisations;
- managers not being convinced of the BSC's merits;
- a lack of resources;
- a lack of top management sponsorship;

- difficulties in adapting the BSC to local government organisations.

Again, these reasons are not unique to NZ local government organisations as they have been mentioned in previous BSC adoptions (Chan, 2004). However they do suggest that multiple challenges exist for implementing the BSC in NZ local government organisations, as elsewhere.

Some further interesting findings have come out of this research. The idea of a proper and participative pre-implementation decision was raised by one interview respondent. The literature is silent on this matter but this idea perhaps reminds us of the importance of such decisions when investment of scarce resources are involved. In fact Kaplan and Norton (1992) alluded to the fact that if the original decision was not properly arrive at, the resulting investment would be wasted. Another important point raised by the same respondent was the need for a post implementation review. These points suggest potential areas for future research.

This chapter discussed the implications of the results and findings of the research and highlighted the contributions to the existing body of knowledge. This research provides evidence from a NZ local government perspective, allowing comparison with overseas studies of the same nature. The next chapter outlines the conclusions and suggestions for further research.

7. CONCLUSIONS AND FURTHER RESEARCH

7.1 Conclusions

The main objective of this research was to determine the current status of the use of the BSC in the NZ local government sector. In addressing this research question, the research examined the perceptions of local government managers with regards to their use of the BSC as a performance measurement and strategic management tool. Out of seventy three city and district councils surveyed, a usable response rate of 65.75% was achieved. Of these respondents, 16.67% are currently using the BSC (8 out of 48). The findings provide interesting insights into the experience of these local government organisations.

More than 90% of respondents indicated an awareness of the BSC (see Table 4.2). It should be acknowledged that this high rate may be due to respondents' varying interpretation of the question; i.e. "being aware of" the BSC may be interpreted as simply having "heard of the BSC" by some respondents. Certainly, the apparent high level of awareness of the BSC contrasts sharply with the current user percentage of 16.67%, a finding that suggests the BSC is not widely used by NZ local government organisations.

The eight current BSC users perceived the concept as;

- a very useful management tool overall;
- a highly valid performance management tool;
- a highly valid strategic management tool.

What, therefore, is the current status of the use of the BSC in the NZ local government context? The findings of this study suggest that it *is* used to some extent in local government and this is expected to increase, as indicated by some respondents saying that they are considering the use of the BSC in the near future. The current NZ

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local government experience suggests that these organisations are encountering design and operational problems with their BSC implementations and, at the same time, are learning as they go. In fact, the three current user city councils interviewed reported that they are happy with their progress thus far. Perhaps, as Chan (2004) suggested, the BSC is a fairly new management tool in municipal governments and it may be premature to assess its usefulness in the management of municipal governments. Some interesting lessons to be learned for a successful BSC implementation include the need for:

- proper pre-implementation decision process;
- benchmarking best practice;
- continuous learning and training;
- adequate resources;
- clear communication;
- management support;
- post-implementation review.

7.2 Future research

This research touched on the purposes and reasons for implementing the BSC and therefore did not research how the use of the BSC had impacted on performance measurement, strategic management and reporting and accountability. Existing studies in this area have tended to adopt a case study methodology. Further survey research across all NZ local government organisations may provide better understanding and insights on the contribution of the BSC to local government management. Also, further research into BSC implementation issues in the NZ local government scene could allow for comparison with overseas practices. Another angle which has not been explored is the impact of the BSC on "stakeholders", i.e. is the

BSC providing the relevant information and appropriate reports as expected by the users of that information?

Further future research suggested by the issues raised in this study include:

- the effect of pre-implementation decisions on cascading the BSC;

- the effect of post-implementation reviews on the continuing BSC use;

- the experience of cascading the BSC starting with a unit-based implementation to a council-wide implementation within one council;

- local government managers' learning experience with the BSC.

This study focussed on the current status of the use of the BSC in NZ local government organisations. In addressing this research question, the research examined the perceptions of local government managers with regards to their use of the BSC as a performance measurement and strategic management tool. The findings of this research suggest that NZ local government managers perceived the BSC as a useful performance measurement and a strategic management tool. These findings are consistent and therefore comparable to the study of USA and Canadian municipal governments by Chan (2004), a study with the same features and methodology. Being the first study of this kind in NZ, it has not only answered the research question but has also discovered that the NZ local government BSC experience is comparable with the international practices.

APPENDICES

Appendix 1

Research instrument: Questionnaire covering letter – first mail out

The CEO/City Manager
Local Government Council
Postal Address
City
Post Code   1st November 2007

Dear Sir/Madam

First of all, let me introduce myself. My name is Ma'amora Taulapapa and I am a lecturer in the Business Faculty of the Auckland University of Technology. I am currently studying for a Master of Business degree in Accounting at AUT University. The area that I am researching is the use of the Balanced Scorecard as a performance measurement and a strategic management tool in local government organisations in New Zealand.

I would like to invite you to participate in this study by completing the attached questionnaire. In partnership, we can discover how actual business practice relates to theory. So please do not discard this questionnaire. It is designed so that you can spend about 20-30 minutes of your precious time to complete.

This letter and questionnaire are addressed to you as you are the top executive officer in your organisation and your responses are therefore very important to the results of this study. Your responses will be treated as confidential and will only be used in aggregate form. They will not be disclosed to any person or organisation other than to me, my supervisor and to the analyst processing the collected data.

Please feel free to contact myself or my supervisor, Professor Deryl Northcott to discuss any queries or questions that you may have. The contact details are:

Ma'amora Taulapapa   Professor Deryl Northcott
AUT University   AUT University
Private Bag 92006   Private Bag 92006
Auckland 1020   Auckland 1020
Ph: (09) 921 9999 ext 5768   Ph: (09) 921 9999 ext 5850
Email: maamora.taulapapa@aut.ac.nz   Email: deryl.northcott@aut.ac.nz

I would like to encourage your participation which is greatly appreciated. Please complete the questionnaire and return it by 30th November 2007 in the stamped self addressed envelope provided.

Thank you very much for your time. I wish you and your organisation the best for Christmas and New Year.

Yours faithfully

Ma'amora Taulapapa B.Com, MPBS

Research instrument: Questionnaire covering letter – second mail out

CEO/City Manager
Local Government Council
Postal Address
City
Post Code

Dear Sir/Madam   3rd December 2007.

In early November I sent you a questionnaire inviting you to participate in the gathering of data on Local Government organisations in New Zealand. Thank you if you have returned the completed questionnaire. However, if you have not yet completed and returned it, I humbly ask you to please complete and return it. I enclose another copy in the hope that you may do so. I trust that you may spend a little time completing it and contribute to my research project.

My name is Ma'amora Taulapapa and I am a lecturer at the Auckland University of Technology. I am currently studying for a Master of Business degree in Accounting at AUT University. The area that I am researching is the use of the Balanced Scorecard in Local Government organisations in New Zealand.

Your responses are important in providing validity to the research results and I can assure you that your responses will be treated as confidential and will only be used on aggregate form. They will not be disclosed to any person or organisation other than to me, the analyst processing the data, and to my supervisor.

Please feel free to contact my supervisor, Professor Deryl Northcott, or myself to discuss any queries that you may have. The contact details are as follows:

Ma'amora Taulapapa   Professor Deryl Northcott
Business School   Business School
AUT University   AUT University
Private Bag 92006   Private Bag 92006
Auckland 1020   Auckland 1020
Ph: (09) 921 9999 ext 5768   Ph: (09) 921 9999 ext 5850
Email: maamora.taulapapa@aut.ac.nz   Email: deryl.northcott@aut.ac.nz

I would encourage you to complete the questionnaire and be part of this exciting research project. Please complete and return it by the **20th December 2007** in the stamped self-addressed envelope provided.

Thank you for your time and I wish you the best for the coming festive season.

Yours faithfully

Ma'amora Taulapapa B.Com, MPBS

Research instrument: The questionnaire

![AUT University logo]

Balanced Scorecard Questionnaire

The Balanced Scorecard is a performance measurement and strategic management system developed by Robert Kaplan and David Norton in the 1990s. The Balanced Scorecard is designed to translate an organisation's mission statement and overall business strategy into specific, quantifiable goals and to monitor the organisation's performance in terms of achieving these goals. It is therefore a comprehensive approach that analyses an organisation's overall performance from four perspectives, according to Kaplan and Norton, namely:

- *Financial*
- *Customers*
- *Internal business process, and*
- *Learning and growth*

Please be informed that your completion of this questionnaire confirms your consent to participate in this research.

1. Please write below the name of your local government organisation and your position within it. (This information will not be disclosed to anyone other than the researcher and his University supervisor).

_____

_____

2. Are you aware of the Balanced Scorecard?
   (Please tick the appropriate box)

   ☐

   If YES, please go to Question 3

   ☐

   If NO, please go to Question 14.

3. Does your organisation **currently** use the Balanced Scorecard?
    (Please tick the appropriate box)

    ☐

    If YES, please go to Question 7

    ☐

    If NO, please go to Question 4

4. Has your organisation **ever** implemented the Balanced Scorecard?
    (Please tick the appropriate box)

    ☐

    If YES, please go to Question 5

    ☐

    If NO, please go to Question 6

5. As far as you are aware, what were the reasons for discontinuing the Balanced Scorecard?
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    (Please go to Question 14)

6. Please note any reasons, as far as you are aware, why your organisation has never implemented the Balanced Scorecard.

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(Please go to Question 14)

7. As far as you are aware, please give the reasons for implementing the Balanced Scorecard in your organisation.

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8. How long has your organisation been using the Balanced Scorecard? (Please tick the appropriate box)

☐ Less than 1 year.

☐ 1 – 2 years

☐ 2 – 3 years

☐ 3 – 4 years

☐ More than 4 years

9. What problems or difficulties (if any) did your organisation encounter during implementation of the BSC? Please list, and provide comments where you can.

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10. Has your Balanced Scorecard been modified to suit your organisation?

☐ Yes

☐ No

If yes, please list the modifications:

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11. How would you rate the usefulness of the Balanced Scorecard in your organisation? Please circle your choice.

    Not useful   Very useful

        1   2   3   4   5

    If you circled 3, 4 or 5, please give some examples of how it is useful:
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12. In general, do you consider the Balanced Scorecard to be a valid **performance measurement tool** for local government organisations? Please circle your choice.

    Not at all valid   Extremely valid

        1   2   3   4   5

    Please provide comments:

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13. In general, do you consider the Balanced Scorecard to be a valid **strategic management tool** for local government organisations? Please circle your choice.

Not at all valid   Extremely valid

1   2   3   4   5

Please provide comments:

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14. Thank you for completing this questionnaire. If you would like a summary of the findings, please write your name and address below, or attach your business card to this survey.
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Please return the questionnaire in the postage paid envelope provided.

15. It is intended to have follow-up interviews with Councils in and around the Auckland area. These include the following Councils:

Auckland City Council
Franklin District Council
Kaipara District Council
Manukau City Council
North Shore City Council
Papakura City Council
Rodney District Council
Waitakere City Council

Please indicate below your intention to agree to an interview and I will arrange interview time and date at your convenience, sometime early next year.

Please tick the appropriate box:

I **agree** to have an interview:

I **disagree** to have an interview:

Once again, thank you for your participation.

Please return the questionnaire in the postage paid envelope provided

Appendix 2

Response analysis

Ref No.	City/District Council	Aware of BSC?	1st Q Sent	1st Q Response	2nd Q Sent	2nd Q Response
C01	City Council	Y	Y	Y		
D02	District Council	Y	Y	Y		
D03	District Council	Y	Y	Y		
D04	District Council		Y	N	Y	N
C05	City Council	Y	Y	Y		
D06	City Council		Y	N	Y	N
C07	City Council	Y	Y	Y		
D08	District Council	Y	Y	N	Y	Y
C09	City Council	Y	Y	N	Y	Y
D10	District Council	Y	Y	Y		
D11	District Council	Y	Y	Y		
C12	City Council		Y	N	Y	N
D13	District Council	Y	Y	Y		
D14	District Council	Y	Y	Y		
D15	District Council		Y	N	Y	N
D16	District Council		Y	N	Y	N
D17	District Council		Y	N	Y	N
D18	District Council	Y	Y	Y		
D19	District Council	Y	Y	Y		
D20	District Council		Y	N	Y	N
C21	City Council	Y	Y	Y		
D22	District Council	Y	Y	N	Y	Y
D23	District Council	Y	Y	Y		
D24	District Council		Y	N	Y	N
D25	District Council		Y	N	Y	N
D26	District Council	Y	Y	Y		
D27	District Council	Y	Y	N	Y	Y
D28	District Council	N	Y	Y		
D28	District Council		Y	N	Y	N
D30	District Council		Y	N	Y	N
D31	District Council		Y	N	Y	N
C32	City Council		Y	N	Y	Y
D33	District Council	Y	Y	Y		
D34	District Council	Y	Y	Y		
D35	District Council	Y	Y	Y		

Response analysis (con't)

Ref No.	City/District Council	Aware of BSC?	1st Q Sent	1st Q Response	2nd Q Sent	2nd Q Response
D36	District Council	Y	Y	Y		
D37	District Council	Y	Y	Y		
D38	District Council	Y	Y	Y		
D38	District Council	Y	Y	Y		
D40	District Council		Y	N	Y	N
D41	District Council		Y	N	Y	N
D42	District Council	N	Y	Y		
C43	City Council	Y	Y	Y		
D44	District Council	Y	Y	N	Y	Y
D45	District Council		Y	N	Y	N
C46	City Council	Y	Y	Y		
D47	District Council		Y	N	Y	N
C48	City Council	N	Y	N	Y	Y
C49	City Council	Y	Y	Y		
D50	District Council		Y	N	Y	N
D51	District Council	Y	Y	Y		
D52	District Council	N	Y	Y		
C53	City Council	Y	Y	N	Y	Y
D54	District Council		Y	N	Y	N
D55	District Council	Y	Y	Y		
D56	District Council	Y	Y	Y		
D57	District Council	Y	Y	Y		
D58	District Council	Y	Y	Y		
C59	City Council		Y	Y		
D60	District Council	Y	Y	Y		
D61	District Council	Y	Y	N	Y	Y
D62	District Council	Y	Y	N	Y	Y
D63	District Council	Y	Y	Y		
D64	District Council	Y	Y	N	Y	Y
D65	District Council		Y	N	Y	N
D66	District Council	Y	Y	Y		
D67	District Council		Y	N	Y	N
C68	City Council	Y	Y	N	Y	Y
D69	District Council	Y	Y	N	Y	Y
D70	City Council		Y	N	Y	N
D71	District Council		Y	N	Y	N

(Greatbanks, 2007)Response analysis (con't)

Ref No.	City/District Council	Aware of BSC?	1st Q Sent	1st Q Response	2nd Q Sent	2nd Q Response
D72	District Council	Y	Y	Y		
D73	District Council		Y	N	Y	N
	Totals	**Y= 44**	**Y = 73**	**Y = 37**	**Y = 36**	**Y = 13**
		N= 4				
	Awareness of BSC (44/48)	**91.67%**				
	Response rate 1st mail out (37/73)			**50.68%**		
	Response rate 2nd mail out (13/36)					**36.11%**
	Overall response rate (50/73)					**68.49%**
	2 questionnaires returned uncompleted					
	Overall usable response rate (48/73)					**65.75%**

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