

# **ADOPTION OF THE BALANCED SCORECARD BY MUNICIPAL GOVERNMENTS: EVIDENCE FROM CANADA**

Kurt Schobel, Royal Military College of Canada  
Peter Drogosiewicz, Royal Military College of Canada

## **ABSTRACT**

*This paper examines the evolving adoption of the Balanced Scorecard (BSC) in municipal governments. We conduct a study of the use of BSCs in municipal governments across Canada. Senior administrators are surveyed regarding the use of performance measures and the results are compared to a similar study conducted in 2004. The results show that municipal governments continue to focus primarily on financial metrics. Adopters recognize the value of a BSC and most no longer see the BSC as a fad or as a set of ad-hoc measures. They recognize the BSC is a valuable tool that links the municipality's mission and strategy to objective measures. This paper extends the literature on the BSC by identifying a growing desire to improve performance measurement within Canadian municipalities. In addition, understanding the needs, concerns, and reasons for not implementing a BSC will provide practitioners with the necessary information to develop BSC tools that work for a municipal government.*

**JEL:** M490, H70

**KEYWORDS:** Balanced Scorecard, Public Sector, Performance Measurement

## **INTRODUCTION**

The study of performance measurement systems in the public sector has grown in the last decade with some arguing that measuring performance in the public sector merely commoditizes public services (Goh, 2012; Sanger, 2008; Proper and Wilson, 2003; Smith, 1995) while others argue it is an imperative in today's world of increased transparency and accountability (Brusca and Montesinos, 2016; Goh, Elliott and Richards, 2015; Sharma and Gadenne, 2011). As this dialogue continues to unfold, the reality is the use of performance management systems continues to grow indicating that they are here to stay and therefore worthy of continued study. In the early 1990s, a new strategic performance measurement system, the Balanced Scorecard (BSC) was developed with the intent of moving private sector companies away from strictly financial measures of performance (Kaplan and Norton, 1992). Not surprisingly, within a decade, the BSC expanded to include the public sector (Kaplan and Bower, 1999; Niven, 2003) and it has continued to grow in popularity and acceptance ever since. When the BSC was introduced over 20 years ago, the motivation for its development was to help organizations to better align management activities with strategy. Within the public sector and more specifically municipal governments, the desire to demonstrate alignment between strategy and outcomes continues to grow and thus, the purpose of this study was to determine whether the BSC has gained a foothold within municipal government operations or whether there remains a void between desire and reality.

In this paper we conduct a longitudinal study that compares results from a 2004 study on the use of the BSC (Chan, 2004) to our own survey in 2016. Using the 2004 paper as a starting point we created a survey using the same categories from 2004 and solicit responses from senior administrators across

Canada. The results show marked changes in the perception and use of the BSC from 2004 and will help guide practitioners toward the development of tools to improve performance measurement as well as identifying opportunities for further research in the area of municipal government scorecards. The remainder of the paper is organized as follows: The next section is a review of the literature surrounding performance management in the public sector, BSCs in public sector organizations, and finally BSCs in municipal governments. Next, we discuss our data and the methodology used in this longitudinal study. This discussion is followed by the results obtained. The paper finishes with concluding remarks that include any limitations of this research.

## LITERATURE REVIEW

### Performance Measurement in the Public Sector

In the context of public sector organizations (PSOs) there has been a greater emphasis put on accountability to stakeholders, transparency and decision-making through performance measurement and reporting (Brusca and Montesinos, 2016; Goh, Elliott and Richards, 2015; Sharma and Gadenne, 2011). Taxpayers and other stakeholders are taking a greater interest in municipal programs and the degree to which they are achieving their goals and objectives (Sharma and Gadenne, 2011). While, the public has been demanding greater transparency and accountability, the economy has also been performing rather poorly with interest rates remaining at all-time lows for the much of the past decade. It has been found that during economic and political crises, performance management adoption is accelerated (Mary et al. 2012). Finally, Melitski and Manoharan (2014) found that incorporating performance measurement into budget reports builds public trust.

Notwithstanding the continuous support for performance management, others decry the use of ‘for profit’ methods for determining the value of government. One common complaint is that performance measures can be ‘gamed’ (Goh, 2012; Sanger, 2008; Propper and Wilson, 2003; Smith, 1995). A list of unintended consequences of using performance measures includes: tunnel vision, myopia, measure fixation, sub-optimization, misrepresentation, and misinterpretation (Smith, 1995). Disclosure of performance information has also been found to be a cause for gaming, suppression of information, and manipulation of the data (Sanger, 2008). These concerns, while relevant to the general discussion on performance measurement, are not unique to performance measurement in the public sector. In a recent paper on the implementation of performance reporting in local governments in 17 Western countries it was found that performance reporting is being adopted for three reasons: (1) external pressure in the form of legislation; (2) imitation; and (3) normative considerations by those desiring to adopt a successful model. In addition, the study found that in jurisdictions where specific performance measures are legislated there could be reduced executive and stakeholder buy-in. (Brusca and Montesinos, 2016).

Moullin (2017) summarizes the overall situation extremely well by noting there are numerous papers that discuss the pitfalls and concerns of public sector performance management but none offer any solutions. He then goes on to note that public sector scorecards are an effective means of improving performance in the public sector when the proper management culture is in place. Thus, despite the detractions, the increased interest in the affairs of the public sector, the demand for more information about public spending, and the calls for accountability and transparency indicate that tools for performance measurement within the public sector are a necessity. It has been shown that a leading indicator of future problems and program failure is poor performance management system design and implementation (Sharma and Gadenne, 2011). To combat these sorts of issues, the BSC was identified as being useful in dealing with uncertainty and as tool for risk management (Costa Oliveira, 2014). Thus, it is not surprising to see the BSC as the dominant performance measurement system for the public sector.

### The Balanced Scorecard in Public Sector Organizations

Kaplan and Norton first developed the BSC in 1992 as a means of moving beyond using strictly financial measures to measure performance (Kaplan and Norton, 1992). The BSC is a measurement tool that can help an organization effectively incorporate non-financial measures in its performance measurement thereby facilitating the link between the organization's activities and its strategy. Within five years, Kaplan and Norton noted that the BSC was much more than a mere performance measurement system, it was the means through which an organization could translate strategy into action, a theme that helped to develop the BSC into a strategic performance management system (Kaplan and Norton, 1996), a theme that has endured (Kaplan and Norton, 2008, 2007, 2006, 2001).

In the late 1990s, it was noted that the BSC framework was also suitable for public sector performance measurement (Niven, 2003; Kaplan, 2001; Kaplan and Bower, 1999). Since then, the BSC as a public-sector performance management framework has been studied regularly (Adams et al., 2014; Goh, 2012; Northcott and Taulapapa, 2012; Sharma and Gadenne, 2011, Greatbanks and Tapp, 2007, Perera et al. 2007, Chan, 2004). Practitioner acceptance is also noted by the Chartered Professional Accountants (CPA) of Canada publishing a Management Accounting Guideline (MAG) titled Performance Measurement for Not For Profits – The Balanced Scorecard as an approach (Scholey and Schobel, 2016). The CPA MAG details the steps for practitioners to follow to successfully implement a BSC in a not for profit organization (a term that includes government entities).

The public sector BSC differs from the traditional BSC in a number of key ways. The first difference relates to the customer perspective. In the public sector, the customer perspective is typically replaced with a stakeholder perspective. Second, the order of the perspectives is rearranged in the strategy map such that the financial perspective is often found at the bottom of the strategy map rather than the top (Scholey and Schobel, 2016). In the public sector, financial measures play an enabling (through tax revenues), or constraining (through expenditures), role and are not considered the primary objective (Kaplan and Bower, 1999; Schobel and Scholey, 2012). A beneficial attribute of a BSC implementation in the public sector is that it necessitates a clear definition of the organization's strategy and its themes and they propose combining BSC perspectives into strategic themes that help in achieving the mission and creating value (Kaplan and Bower, 1999).

### Balanced Scorecards in Municipal Government

While the use of the BSC in the broader public service has been reviewed rather extensively, the use of the BSC by municipalities has not. Chan (2004) conducted one of the first studies of the use of the BSC in municipal governments within the United States and Canada. In a Google Scholar search, this paper has been cited over 300 times including a number of examples of case studies within municipal governments around the world. In Amman, the BSC was determined to have a significant impact on strategic performance (Al-haj Ahmad and Atieh, 2016). In Portugal, while many public-sector organizations, including municipal governments, are reportedly aware of the BSC, its use is still rather limited (Rodrigues Quesado et al., 2014). In Greece, the use of a BSC for a local government sports team increased the perception of quality of the program and is seen as a significant tool for future sustainability of the program (Dimitropoulos et al., 2017). These three examples are but a few of the many uses of the BSC in municipal government and they speak to the growing acceptance of the BSC within municipal performance measurement. Subsequent to the Chan (2004) study, a number of other researchers have looked at performance measurement within municipal governments. Of note, Pollanen (2005) noted a desire by municipal governments for more effectiveness measures relative to efficiency measures but on examination found more efficiency measures than effectiveness one. Abdel-Maksoud et al. (2015) noted that non-financial measures and operational efficiency measures are important for both strategy implementation and assessment purposes. Looking at the Dutch public sector, Spekle and Verbeeten

(2014, p. 143) found that “the exploratory use of performance measures enhances performance”.

Despite clear advocacy for the BSC, Chan (2004) found that all Canadian municipalities indicate limited financial, information system, management and time availability as factors adversely impacting success. Other studies came to similar conclusions with resource allocation issues featuring prominently as a reason for unsuccessful implementation (Northcott and Taulapapa, 2012; Perera et al., 2007). These findings are countered in a study that noted the costs of implementing performance management and measurement systems in smaller municipalities need not be costly with the use of existing tools such as the BSC (Dawe, 2007). The political climate cannot be ignored when discussing the use of the BSC. Political considerations may have adverse consequences on the success of a BSC implementation because those considerations are typically limited to a term of officer whereas the BSC’s stated focus is on long-term outcomes (Chan, 2004). A BSC implementation necessitates targets that can easily be perceived as being punitive for the municipal labour force (Dawe, 2007) which in turn are not considered politically expedient (Perera et al. 2007). In addition, there is a tendency after elections to discard efforts of previous administrations (Gomes and Lirio, 2014). Bursca and Montesinos (2016) also found that the use and effectiveness of performance measures is curtailed by political interference in organizations that fail to incorporate and systematize them as part of routine business. All this to say, the ups and downs of municipal politics may have a direct impact on successful implementation of a BSC.

Other challenges for municipal government include the identification of performance indicators. This process is a particularly challenging and time intensive exercise and many municipalities struggle to even identify appropriate objectives along each of the perspectives (Northcott and Taulapapa, 2012). One means to address this BSC implementation concern is by researching case studies and best practices, attending seminars and training sessions, and engaging subject matter experts (Northcott and Taulapapa, 2012; Dawe, 2007). Ultimately, the finding is that training and education for municipal staff and leaders can enhance understanding of the BSC and reduce resource requirements, including the amount of time and effort required to affect successful implementation.

According to Padovani et al. (2010), four key characteristics are instrumental in the success of a performance management system within municipalities. The first is an incremental path towards improvement so as not to unnecessarily disrupt established structures and in the process, overwhelm users with too much change; second, is the engagement of enablers with technical backgrounds in developing and implementing performance management systems; third, participation in performance measurement initiatives; and lastly, a shift from management or task control to strategy formulation or in other words, a greater focus on the long-term. In a separate study, the level of executive sponsorship as well as top-management employee buy-in is also seen as critical to successful BSC implementations (Chan, 2004). Similar findings were reported in many other studies exploring the use of performance management and the BSC in government organizations (Brusca and Montesinos, 2016; Dawe, 2007; Gomes and Lirio, 2014; Northcott and Taulapapa, 2012; Perera et al., 2007). The common finding points from these papers is that any project that has not secured management and employee buy-in is going to have a hard time gaining traction or being successful. Culture also plays an important role. A flexible organizational culture is a key component of successful implementations (Chavan, 2009; Deem et al., 2010). In a number of studies this requirement is something that in the context of municipalities is largely absent (Chan, 2004; Perera et al., 2007). Finally, administrative culture appears to be a key in influencing the speed with which performance measurements are adopted in PSOs (Mary et al., 2012).

The use of the BSC within municipal government is an important topic and by gauging how perception and value have changed over time we may be able to identify whether the BSC is an appropriate tool for municipal government performance measurement. Accordingly, we felt the Chan (2004) study was worth a second look to determine whether the use of performance measurement systems and/or the perceptions and use of the Balanced Scorecard have changed in the 12 years since the study was conducted.

**DATA AND METHODOOGY**

This study was designed to replicate the Chan (2004) study on performance measurement and the adoption of the BSC in municipal governments. We did not have access to the original survey and chose to reconstruct our survey based on the results tables that were provided in the paper by Chan (2004). Our survey was administered in July of 2016. We conducted a random sample of 376 Canadian municipalities with populations of 10,000 and above. An online questionnaire consisting of 52 questions was sent to Administration Officers/City Managers of Canadian of these municipalities. In total 68 (18%) of city administrators responded to the survey with 62 (91%) indicating a desire to receive the results once the survey was complete, a clear indication that performance measurement is important. A total of 68 surveys were started, representing a response rate of 18 percent, a significant increase from the 11.1 percent that Chan had in 2004. Of note, where Chan had to do multiple mailings, we received a good number of responses on the first round of emails that were sent out and did not resort to a second call for respondents. Not all respondents completed all 52 questions. Of the 18 respondents who did not complete the survey 17 of them indicated that they have not implemented the BSC. We conclude from this that they most likely discontinued the survey or skipped questions after answering the question about whether they had implemented a BSC. In the early questions, where administrators responded to general questions about their performance management system, the number of respondents varies and thus all statistics report the number of respondents for each question. All the data reported in the tables indicates the number of respondents for that group of questions. For questions relating to perception, a 5-point Likert scale was used. When comparing results between the 2004 and 2016 studies, a 20% variance was used as representing a significant change. The changes from 2004 to 2016 are always reported as a relative change (from value A to value B) not a nominal change (value B – value A).

Sample Characteristics

Respondents to this study are primarily municipal Chief Administrative Officers (60%) with others including Directors, Auditors, Strategists, and Performance Measurement directors with more than half being in their respective position for a minimum of five years and 99% having at least a bachelor’s degree. These respondents are mostly from small cities with populations of less than 100,000 which is in sharp contrast to Chan’s study (Table 1).

Table 1: Population by Municipality (% per Category)

Population	2004	2016
< 100,000	30.2	72.7
100,001 – 200,000	23.1	16.1
200,001 – 500,000	19.8	4.8
500,001 – 1,000,000	15.9	4.8
> 1,000,000	11.0	1.6

*This table categorizes the population size of the 2016 respondent municipalities and compares them to the respondents from 2004*

It should be noted that the 2004 study merged Canadian and American respondents and that the 2004 study reported twice as many small (<100,000) respondents as being Canadian and the majority of the municipalities over 1,000,000 were American. A total of 41 of the 62 respondents (66%) indicated they had implemented a performance management tool and 10 of those 41 (24%) have implemented the BSC. While an n of 10 might seem small, the Chan (2004) only had an n of 14 and that number included both Canadian and USA municipalities. Given that in the Chan study only 4 of the 14 municipalities were Canadian, we believe that the total having 10 municipalities report as having implemented the BSC in our 2016 survey is significant and represents a reliable comparator to the Canadian results from 2004.

In 2004, only 17% of the respondents had implemented the BSC. Thus, even with a small n, the implementation of the BSC can be seen as increasing. Additionally, out of the 10 respondents seven have populations under 100,000, one a population of 200,001 and 500,000 and two with populations between 500,001 and 1,000,000. This is significant because Chan (2004) surmised that relatively large municipalities were more likely to adopt new management tools such as the BSC. This new trend appears to indicate an increasing rate of adoption among smaller municipalities in direct contrast to the 2004 results.

**RESULTS AND DISCUSSION**

The Chan (2004) study specifically looked at: 1.) The types of performance measures used, 2.) Perceived value, quality, and uses of performance measures, 3.) Perception about the organization’s current performance measurement system, 4.) Administrators’ perception of the Balanced Scorecard, and 5.) Reasons for unsuccessful or non-implementation of Balanced Scorecard. The results from this study will be denoted as 2016 and compared to the Chan study, which is denoted as 2004. The results in Table 2 show that respondents have developed measures across all of the performance perspectives and like the 2004, the innovation and change perspective is the least developed.

Table 2: Percentage of Respondent Municipal Governments That Have Developed Output and Outcome Measures on Various Performance Perspectives

Performance Perspectives	Performance Measures Developed		Output Measures Developed		Outcome Measures Developed	
	2004	2016	2004	2016	2004	2016
Financial performance	75.5	81.5	63.9	65.4	62.2	58.0
Operating efficiency	57.1	59.2	68.6	57.7	53.6	40.0
Customer satisfaction	57.1	50.0	40.0	38.5	45.7	36.0
Employee performance	65.3	68.5	53.8	50.0	48.6	34.0
Innovation and Change	16.7	13.0	13.9	13.5	20.6	8.0

*This table shows the percentage of respondent municipal governments that have developed output and outcome measures across five key performance perspectives of the BSC and compares the percentages from 2016 to 2004.*

Of note, there was a 12% decline in the development of performance measures for customer satisfaction and a 22% decline with respect to innovation and change. Financial performance was featured prominently with the highest rate of development at 82 percent, an 8% increase from 2004. In terms of output measures used, most of the performance perspectives remained like 2004 with the exception of operating efficiency, which saw a decline of 16%. This was surprising given that output measures are relatively easily quantified in the context of operating efficiency. For outcome measures, there was an across the board decline in the use of these measures with all but the financial perspective showing a greater than 20% decline. This is very significant and demonstrates the challenge that municipal governments face when they try to develop outcome based measures. The 2004 study suggested that the low rate of development was because this perspective was relatively new and suggested it should increase as time progresses. Our results indicate that progress has not happened but rather there has been significant decline.

Perceived Value, Quality, and Uses of Performance Measures

In each of the performance perspectives at least 60% valued information in each of the financial perspectives (Table 3). Financial performance remained the highest valued at 90% (a 14% increase). While information from all of the other perspectives were still seen as valued, each saw a decline in their

perceived value with the largest decline occurring in customer satisfaction.

Table 3: Perceived Value, Quality, and Uses of Performance Measures by Respondent Administrators (Percentage of Respondent Administrators Agreeing with the Statement)

	Financial Performance		Customer Satisfaction		Operating Efficiency		Employee Performance		Innovation and Change	
	2004	2016	2004	2016	2004	2016	2004	2016	2004	2016
Information is highlight valued	79	90	74	60	71	63	66	58	31	29
Measures are clearly defined in each performance area	71	70	37	34	44	40	51	48	9	10
Willing to bet job on quality of the information	47	53	37	22	18	13	24	22	7	7
Measures are reported for external users	78	86	50	41	53	45	26	13	24	10
Measures are used for program management and monitoring	74	78	53	40	56	50	42	44	16	12
Measures are used for strategic planning	65	74	52	54	51	41	43	30	33	24
Measures are used for regular management reviews	62	66	47	30	44	50	67	58	23	14
Measures are used for resource allocation	61	60	47	24	44	48	39	17	23	10
Measures are used to drive organizational change	53	61	50	35	50	55	47	33	26	20
Measures are linked to compensation	8	13	6	6	8	15	25	46	0	11

*This table shows how respondent administrators perceive the value, quality, and uses of performance measures. For each statement respondents were asked to select all BSC perspectives that apply. The percentages from 2016 are then compared to 2004*

Information related to customer satisfaction was valued by 60% of respondents, representing a 19% decline from 2004. Customer satisfaction related information saw a decline in almost all areas with a very significant decline in its use in resource allocation decisions. Information use for management reviews, organizational change, program management, and monitoring also saw a greater than 20% decline in their quality and use. In this same category only 22% (a decline of 41% from 2004) would bet their job on the quality of information related to customer satisfaction. Engagement has been closely linked to customer satisfaction and plays an important role in the upward flow of information (Brusca and Montesinos, 2016; Dawe, 2007). Poor quality of information could impede the development of measures that in turn would decrease perception of quality and value as well as use which itself would lead to some further decreases in development. Operating efficiency information was valued by 61% of respondents (an 11% decline from 2004). Of note, only 13% (a decline of 28%) of respondents were willing to bet their job on the quality of information related to operating efficiency; however, there was a 88% significant increase in the use of operating efficiency information being linked to compensation (up from 8% to 15%). The fact that quality of information is being challenged at the same time the information is seeing an increase in use for compensation is noteworthy.

Employee performance information was valued by 58% of respondents (a 12% decline). Like operating efficiency, employee performance information saw a significant increase (84%) in its linking to employee compensation. However, its use for reporting to external users and resource allocations saw 50% declines and a 30% decline in use for strategic planning and driving organizational change. While the relative change percentages would indicate a significant usage change for employee performance information, the increase in linkage with compensation remains at only 15% of respondents but is encouraging all the same. Finally, innovation and change related information remained valued by only 30% of respondents

compared to over 60% for the other perspectives. This result is essentially the same as the 2004 study. In addition to its value being low, there was either no or limited change or significant decline in perceived quality and use. The one exception being the linkage to employee compensation. Despite low perceived value in general, the linking of innovation and change to employee compensation went from 0% in 2004 to 11% in 2016. To summarize financial performance remains the dominant perspective for municipal performance and there has been a dramatic increase in the linking of information from the performance perspectives with employee compensation. This finding lends support to previous research that noted an individually tailored BSC provides motivation to employees (Greatbanks and Tapp, 2007).

Perception About the Organization’s Current Performance Measurement System

Examining administrator’s perception of their current performance management system, we found some interesting findings (Table 4). Previously the majority of administrators felt their systems relied too heavily on financial measures whereas in 2016, the majority does not. Also, the majority felt that their performance measures have been used effectively in integrating and executing the details of corporate strategy. The two categories saw changes of -20% and 14% respectively.

Table 4: Perceptions of Administrators of Municipal Governments on Their Organization’s Performance Management System

	Municipal Governments (N=50)	
	2004	2016
Traditional financial measures are necessary but not sufficient for performance evaluation	3.61	3.94
More non-financial measures describing your organization’s current and potential effectiveness in achieving set objectives should be included	3.98	4.27
Financial measures describe past/current performance on operating efficiency and do not necessarily reflect your municipalities effectiveness and potential in achieving set objectives	3.82	3.98
It is an ad hoc collection of financial and non-financial measures	3.00	3.20
The performance measures have been used effectively in integrating and executing the details of corporate strategy	2.66	3.04
It relies too heavily on financial measures	3.74	2.98

*This table shows the mean response of municipal governments that completed the questionnaire. The higher the response, the higher the administrator’s agreement with the statement. (response scale 1 to 5 where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and 5 = strongly agree)*

While not as significant, most administrators tended to agree that financial measures are necessary but not sufficient with a score of 3.94. Similarly, most felt that more non-financial measures describing your organization’s current and potential effectiveness in achieving set objectives should be included, with a score of 4.27. The most interesting finding from Table 3 does not come from the comparison between 2004 and 2016 but rather when you consider the changes relative to Table 2. In Table 3 administrators signal that their performance measurement systems rely less heavily on financial metrics yet, from 2004 to 2016 we have seen a marked increase in the use of financial metrics. This clearly shows that the stated desire for greater incorporation of non-financial measures does not reflect what the respondents are doing.

Administrators’ Perception of the Balanced Scorecard

For those who had heard of the BSC, there was little change (less than 10%) in the perception of the BSC relative to the original study (Table 5). In no instance did respondents move from one side of the neutral response to the other, which would signify a change in perception. However, when looking at those that had implemented versus those that had not implemented a BSC, there were significant changes.



Table 5: Administrators Perception of Balanced Scorecard

	Municipal Governments That Have Heard of the BSC (N=50)		Municipal Governments That Have Not Implemented the BSC (N=40)		Municipal Governments That Have Implemented the BSC (N=10)	
	2004	2016	2004	2016	2004	2016
Balanced scorecard is a fad	2.40	2.48	2.32	2.54	3.00	2.22
Balanced scorecard is a performance measurement system	4.12	3.85	4.18	3.77	3.67	4.22
Balanced scorecard is a strategic management system	3.92	3.87	3.95	3.84	3.67	4.00
Balanced scorecard is an ad hoc collection of financial and non-financial measures	2.36	2.58	2.18	2.64	3.67	2.33
Balanced scorecard complements the financial measures of past performance with operational measures that drive future performance and growth	3.92	3.82	4.00	3.76	3.33	4.13
Balanced scorecard links an organization’s mission and strategy with objective measures	3.64	3.96	3.73	3.90	3.00	4.22
The benefits will outweigh the costs if the balanced scorecard were implemented successfully	3.60	3.79	3.55	3.74	4.00	4.00

*This table shows administrators’ perception of the BSC. The higher the response, the higher the administrator’s concurrence with the statement (response scale 1 to 5 where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and 5 = strongly agree). The mean response for each group is reported. Not all responders in each group responded with some indicating N/A. At least 80% of respondent administrators answered each question in this section of the survey.*

For those that had not implemented the BSC, there was a 20% increase in the number of administrators who saw perceived the BSC was an ad-hoc collection of financial and non-financial measures. This change is attributed to the fact that roughly 25% of the respondents were neutral on the response. Thus, while the overall perception is still a disagreement that the BSC is an ad-hoc collection of indicators, the perception of non-implementers is moving toward disagreement with the statement. The most dramatic shifts in perception occurred with those who had implemented a BSC. Four of the seven questions changed by more than 20% from the original study. First, there was a 26% decrease in the number of administrators who saw the BSC as a fad. In the original study, this group was neutral on the topic whereas now they clearly disagree that the BSC is a fad in 2016. Second, there was a 37% decline in the perception of the BSC as an ad-hoc selection of financial and non-financial measures. In the original study, the majority of municipalities that had implemented the BSC perceived the measures to ad-hoc; now, the opposite is true. Third, there was 24% increase in those who perceived that the BSC complements the financial measures of past performance with operational measures that drive future performance and growth and fourth, there was a 41% increase in those who felt the BSC links an organization’s mission and strategy with objective measures. These latter two changes in perception indicate a clear recognition of the purpose and value of the BSC for municipal governments.

Reasons for Unsuccessful or Non-Implementation of Balanced Scorecard

The final component of this study looked at the reasons behind why municipal governments either unsuccessfully or simply did not implement a BSC (Table 6). In 2004, the top 5 reasons were: 1.) Lack of highly-developed information system to support balanced scorecard, 2.) Management is too busy solving short-term problems, 3.) Inadequate executive sponsorship, 4.) Too time consuming in developing balanced scorecards, and 5.) Lack of skills and know-how.

Table 6: Reasons for Unsuccessful or Non-Implementation of Balanced Scorecard

	Municipal Governments That Have Heard of the BSC (N=50)		Municipal Governments That Have not Implemented the BSC (N=40)		Municipal Governments That Have Implemented the BSC (N=10)	
	2004	2016	2004	2016	2004	2016
Management is too busy solving short-term problems	3.86	3.60	3.84	3.71	4.00	3.00
Inadequate executive sponsorship	3.80	3.34	3.88	3.28	3.33	3.67
Lack of highly-developed information system to support balanced scorecard	4.00	3.63	3.89	3.61	4.67	3.71
Lack of linkage of balanced scorecard to employees' rewards	3.33	3.67	3.22	3.55	4.00	4.14
Too time consuming in developing balanced scorecards	3.71	3.43	3.72	3.43	3.67	3.43
Lack of skills and know-how	3.71	3.7	3.77	3.61	3.33	4.14
The short-term vision associated with politics	3.50	3.6	3.58	3.69	3.00	3.14
Case for changes is neither clear nor compelling	3.00	3.19	2.83	3.17	4.00	3.29
Lack of buy-in from staff	3.00	3.33	2.95	3.28	3.33	3.57
Too difficult to evaluate relative importance of measures	3.48	3.12	3.39	3.03	4.00	3.57
Too many measures dilute overall impact	3.14	3.52	2.94	3.51	4.33	3.57
Too difficult in defining and measuring outcome measures	3.24	3.16	3.23	3.17	3.33	3.14
Organizational resistance to change	2.90	3.29	2.83	3.21	3.33	3.71
Too difficult to decompose goals for lower levels in organization	3.05	3.19	2.84	3.20	4.33	3.14
Too costly/revenue constraints	3.10	3.33	3.01	3.03	3.68	2.86

*This table shows possible reasons for unsuccessful BSC implementation. The higher the response, the higher the administrator's agreement with the statement in describing the reasons for not implementing the BSC (response scale 1 to 5 where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and 5 = strongly agree). The mean response for each group is reported. Not all responders in each group responded with some indicating N/A. At least 80% of respondent administrators answered each question in this section of the survey*

In 2016, 3 of the top five remained but lack of skills moved to the top of the list, the linkage between the BSC and employee rewards jumped into the list while inadequate executive sponsorship dropped off. Too time consuming was replaced by management is too busy solving short-term problems. In 2016, the top 5 reasons were: 1.) Lack of skills and know-how, 2.) Lack of linkage of balanced scorecard to employees' rewards, 3.) Lack of highly-developed information system to support balanced scorecard, 4.) Management is too busy solving short-term problems, and 5.) The short-term vision associated with politics. For municipal governments that have not implemented the BSC, the most significant change was related to the number of measures. In 2004, the majority disagreed that too many measures dilute the overall impact whereas in 2016, the majority now agreed with the statement, a 19% change in opinion. For municipalities that had implemented the BSC, the 2004 respondents felt that management was too busy solving short term problems while in 2016, they were neutral, a 25% reduction. In 2016, this group resoundingly (24% increase) felt that unsuccessful or non-implementation was related to a lack of skills and know-how. There was also a 27% decline in the feeling that it was too

difficult to decompose goals for lower levels in organization. Finally, there was a 22% decline in those that felt it was too costly or had revenue constraints which supports the idea that the actual cost of BSC implementation has decreased Dawe (2007).

## CONCLUDING COMMENTS

The purpose of this study was to determine whether the BSC had gained a foothold within municipal government operations or whether there remains a void between desire to demonstrate alignment between strategy and outcomes and reality. This study was designed to replicate the Chan (2004) study on performance measurement and the adoption of the BSC in municipal governments to determine whether there were any significant changes over the past 12 years. We compared our results against the 2004 results looking at the relative change in percentages and means for each question. A longitudinal study such as this permits researchers to observe trends over time and also highlights some interesting phenomena as it demonstrates changes in attitude. The increased response rate for Canadian municipalities in this study combined with an increase in the number of municipalities that reported having adopted the BSC are positive developments as they indicate increased awareness and interest in performance management and the BSC. One of the most interesting findings had to do with the use and perception of financial measures. Respondents were comfortable relying on traditional financial measures. This trend was accompanied by a general decrease in the use of non-financial measures in many areas along the stakeholder satisfaction, innovation and change, employee performance and to some degree operating efficiency perspectives. This is important because administrators overwhelmingly felt that traditional financial measures are necessary but not sufficient for performance evaluation indicating – a clear indication that reality and perception are not aligned.

The second set of important findings came from looking at the perceptions of those who had actually implemented a balanced scorecard. They felt very strongly that the BSC is neither a fad, nor an ad-hoc set of metrics; conversely, they felt their BSC complements financial measures and links the organization's strategy and mission to objective measures. These significant increases demonstrate a greater understanding of the intended use of the BSC and that the value is really only realized once it has been implemented. The third set of findings that are noteworthy are related to the reasons why a BSC has not been implemented. Lack of skills and know how moved from number five in 2004 to the top of the list in 2016 indicating an opportunity for practitioners to develop training and education packages for a group that has shown a clear desire for the BSC. The concern over the quality of information is also noteworthy as it is a good indicator that municipalities need to improve their information systems capabilities in response to the demands for more accountability. Finally, the increased linkage between BSCs and employee rewards is promising although there remains more opportunity to improve.

As with most survey-based research, there are some limitations. First the generalizability of the research can be questioned. While Chan (2004) looked at both Canada and the United States, we specifically limited this study to Canadian municipalities. This study also identified opportunities for future research. We observed that BSC implementation has increased along with a correspondent emphasis on the use and development of financial measures. The trends regarding the use of financial metrics warrant additional study as certain elements run counter to key tenets of having balanced metrics within the BSC and is counter to the desires of the administrators. Future research looking at specific municipalities could be used to gain deeper insight into why financial measures remain so prevalent despite a desire for more non-financial metrics.

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## ACKNOWLEDGEMENTS

The authors would like to thank the Royal Military College of Canada for a grant in the amount of \$5000 to support this research and specifically the Principal of the Royal Military College of Canada, Dr Harry Kowal for an additional grant of \$1800 to support attendance at the Global Conference of Business Research to present an earlier version of this paper.

## BIOGRAPHY

Kurt Schobel is an associate professor in Accounting at the Royal Military College of Canada and an adjunct lecturer at the Queen's University Smith School of Business. A Fellow of the Society of Chartered Professional Accountants of Canada, Kurt's research focuses primarily on the use of the Balanced Scorecard in Government and Not for Profit organizations.

Peter Drogosiewicz is an officer in the Canadian Armed Forces and undertook this study as part of his applied research study while studying his MBA at the Royal Military College of Canada.