

# ADOPTION OF THE BALANCED SCORECARD IN LOCAL GOVERNMENT ORGANIZATIONS: AN EXPLORATORY STUDY

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## **Abstract**

Despite the recent attention on the balanced scorecard as a performance measurement system, the extent of adoption of the Balanced Scorecard (BSC) in different organizational settings is not well known. This study adds to the existing literature on the BSC by examining its use in local governments. The study examines the extent of adoption of the BSC in local governments and the factors that appear to influence its adoption. The findings suggest that the BSC is not widely used by local governments in the Sydney metropolitan area and that a number of organization specific factors as well as the relatively low positive perceptions about the BSC have contributed to its limited adoption to date.

**Keywords:** balanced scorecard, local government, public sector, performance measurement systems, adoption of balanced scorecard.

## **Introduction**

It has been argued that a more sophisticated approach is required by managers of local governments in Australia to deal with the dual pressures of escalating demands on resources and diminishing financial capacity in their organizations (Byrnes and Dollery, 2002). Recent legislative reforms have placed a greater emphasis on the nature of the individual local council management, accompanied by a greater expectation that the general managers in councils assume a role of leading the charge in regard to organizational reform (Jones, 2002). Jones (2002, p.38) summarises the impact of these recent legislative changes as follows: ‘the overall objective of these legislative changes has been to induce a reform process which would make local councils more responsive and accountable to their own local communities, more strategic and forward-thinking in their policy making, more customer-focused and more business-like and competitive in providing local services’.

Within this environment, where multiple objectives with varying attributes, such as financial and non-financial, long-term and short-term, and internal and external focus, are emphasized, the use of the Balanced Scorecard (BSC) as a potential performance measurement system for local councils is seen as an effort at reform to overcome the deficiencies often attributed to more traditional performance measurement systems that are largely financial based. The BSC, developed and introduced by Kaplan and Norton in the 1990s as an integrated performance measurement system (see Kaplan and Norton, 1992; 1993; 1996), helps to translate an organization's mission and strategy to specific objectives and performance measures. The resulting set of measures are more focused and integrated and help balancing potentially conflicting short-term and long-term objectives, lag (outcomes) and lead (drivers of outcomes) measures, and internal operations and external outlook of an organization (Banker, Chang, Janakiraman and Konstans, 2004; DeBusk, Brown and Killough, 2003). Such balance is accomplished through the measures developed for four perspectives (namely, financial, customer, internal businesses and learning and growth) which are causally linked to each other.

Although the BSC has attracted considerable attention from the academic as well as the business community over the past decade, our understanding of the extent of adoption of the BSC in different organizational settings is limited. This study aims to add to the existing literature on the BSC by examining its use in local governments.

Local government represents the third tier of government, sitting below the federal and state governments and anchoring the government system at the community level. Local government plays a small but significant role in Australia's economy. Its revenue is around 2.5 percent of GDP and it employs close to 140,000 people. It is responsible for infrastructure worth more than \$130 billion, including about 80% of Australia's roads (Tuckey, 2002). Finances are raised through rates, charges, fees and grants, as well as from monies from the federal and state governments. Local councils perform many functions including the provision of community services and facilities, public health services, cultural, educational and information services.

Since the 1990s, the local government sector has experienced a number of change initiatives. The Local Government Act 1993 may be regarded as one of the main driving forces of those change initiatives. The reforms in the act were intended to increase the transparency and accountability of local councils and to encourage efficiency and effectiveness in service delivery (Purcell, Townley, Findlay, Stow and Bidmeade, 2001). One such initiative was the requirement to prepare a management plan for at least three years and to report the performance in relation to the objectives stated in the plan to the state government and to the local

community. Since most council objectives are stated in non-financial terms, continued reliance on conventional performance measurement systems has been shown to be ineffective in fulfilling the requirements in the new local government environment (eg., Guthrie and English, 1997). There has been some positive response to such new requirements in the public sector in general. Kloot (1999) found an increased use of multi-dimensional performance measures in local councils in Victoria, and Perera (1999) reported that Energy Australia, a government trading organization, used twenty-one non-financial performance indicators in 1994, compared to seven in 1985.

At the time of the study there were 172 local councils in NSW, of which 44 were located in the Sydney Metropolitan area ([www.lgsa.org.au](http://www.lgsa.org.au)). Local councils operate as major organizations in their own right, and they range in size, population, structure and in the services that they provide. They operate within the legislative framework laid down by the State Government of NSW, and their powers and responsibilities derive mainly from the Local Government Act 1993, which places a high emphasis on public accountability ([www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au)).

Under the Local Government Act 1993, some 40 key performance indicators (KPIs) are prescribed for local councils, against which they must report. Of these, 33 are financial in nature and only seven are non-financial, including measures such as: 'mean time in calendar days for determining development applications' for the planning and development function and 'circulation per capita' for the library function ([www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au)). The pressure placed by public sector reform in the state of NSW to measure and improve performance and, also, the outcomes of similar reforms experienced elsewhere in Australia (eg., in Victoria), suggest that local councils in NSW are likely (and are expected) to move towards adopting more systematic multi-dimensional performance measurement systems. The adoption of a performance measurement system such as the BSC, in particular, could make local councils translate their mission and strategy to objectives and measures, and more effectively focus on their multiple objectives. The BSC, for instance, could incorporate qualitative and non-financial objectives and measures that are more relevant to local councils such as the objectives outlined in Jones (2002), including responsiveness and accountability to local communities, customer-focused and competitiveness in providing services.

By examining the extent of adoption of the BSC and the factors that are likely to influence its adoption/non-adoption in the local government sector, the study is located in the literature on performance measurement systems in public sector organizations, and use of BSC in the local government sector.

## Literature Review

Recent changes in the environment, mainly due to increased global competition and technological developments, have required organizations to be more flexible, adaptive, responsive, innovative, effective, efficient as well as customer focused. Additionally, organizations, particularly those in the public sector, have been subjected to increased pressure to be more accountable (Heaton, Savage and Welch, 1993; Hacker and Garst, 2000; Pallot, 2001). There have been various attempts to adapt existing management and control procedures and to introduce new procedures to facilitate the achievement of these emphasized requirements (Guthrie, 1994). In the area of performance measurement, the use of financial measures alone has been shown to be inadequate to manage organizational performance and discharge accountability within the contemporary organizational environment. At the same time, there has been a growing literature that highlights the relevance and effectiveness of multi-dimensional performance measures (Kaplan and Norton, 1996; 2001; Atkinson and McCrindell., 1997a; Ittner and Larker, 1998; Otley, 1999; and Hoque, Mia and Alam, 2001).

### *Multi-dimensional Performance Measures*

Multi-dimensional performance measurement systems are particularly relevant to public sector organizations mainly because performance of these organizations cannot be adequately measured using conventional measures of performance (Guthrie and English, 1997; Pallot, 2001; Walker, 2002). Conventional measures of performance such as the return on investment (ROI) and economic value added (EVA) primarily focus on financial performance, and such single dimensional measures are not effective, in particular, for organizations aiming to achieve multiple objectives including those which can be assessed only with non-financial and qualitative measures. Performance of public sector organizations can be decomposed into economy, efficiency and effectiveness (Kloot, 1999; Chang, Lin and Northcott, 2002). While measures of economy and efficiency present no particular conceptual difficulty (Ball, Bowerman and Hawksworth, 2000), and can be measured in financial terms such as costs and productivity (Kloot, 1999), effectiveness can be assessed only in relation to the specific objectives of organizations (Ghobadian and Ashworth, 1994). For example, local councils typically perform a wide range of community, cultural and recreational services and, to ensure achievement of objectives in these areas, systems that incorporate multi-dimensional performance indicators such as cost, quality, customer and employee satisfaction and innovative practices seem necessary. Only such systems can effectively measure performance of service oriented organizations, such as local councils.

### *The Balanced Scorecard*

The balanced scorecard (BSC) developed by Kaplan & Norton in 1992 'is used to translate an organization's mission and strategy into a comprehensive set of performance measures that enables organizations to track short term financial results while simultaneously monitoring their progress in building the capabilities that generate future growth' (Griffiths and John, 2003, p. 70). It is a comprehensive performance measurement and management system which incorporate multi-dimensional measures that enable evaluating organizational performance along four perspectives, namely financial, customer, internal businesses, and learning and growth. While the measures within the financial perspective assess how the organization's strategy and its implementation are contributing to its shareholders, measures within the customer perspective assess how the organization creates value for its customers. Measures within the internal business process perspective assess the internal processes that the organization needs to excel in order to satisfy their customers and shareholders. Measures within the learning and growth perspective assess employee capabilities, information systems, and organizational capabilities needed to continually improve the organization's processes and customer relationships (Atkinson et al., 2007).

The balanced scorecard not only incorporates multi-dimensional performance indicators, but also enables the translation of an organization's objectives and strategies into a comprehensive set of financial and non-financial measures and strategically aligned initiatives. Otley (1999) notes the importance of the BSC in its attempt to link performance indicators to the strategy and objectives of organizations. In a similar vein, Atkinson et al. (1997) emphasize the importance of linking performance measures to the objectives of organizations and argue that such linkage enables greater accountability by public sector organizations to stakeholders. Despite these positive attributes of the BSC, it has been criticized for its practical difficulties. According to some critics, non-financial measures of the BSC are difficult to establish and it takes a great amount of time and resources to keep the BSC updated and effective (Gautreau and Kleiner, 2001). Epstein and Manzoni (1997) also express their concern about the level of capability of organizations to construct a balanced scorecard and the difficulty of maintaining such a system.

Empirical evidence shows that private sector organizations use the BSC relatively widely (eg., Malmi, 2001; Pere, 1999). Gautreau and Kleiner (2001) found that about 60% of Fortune 1000 companies either currently have or are experimenting with the BSC. However, a recent study in Denmark indicates that Danish companies are only at the initial phase of implementing the BSC (Nielsen and Sorensen, 2004). Although the BSC was initially developed for private sector organizations, it has also gained worldwide interest from managers in public sector

organizations (Quinlivan, 2000). Advocates have suggested that multi-dimensional approaches should be used for measuring effectiveness of non-profit and public sector organizations and argue that the BSC would provide such a framework (Kaplan, 2001).

### *The Balanced Scorecard in the Public Sector*

While the concept of the BSC has been widely discussed, there is only limited literature on its development and application in a public sector environment (Griffiths, 2003). Kaplan and Norton (2001) suggest the need to modify the architecture of the BSC to reflect the unique characteristics of public sector organizations. For instance, 'given that financial success is not the primary objective for most of these organizations, many rearrange the scorecard to place customers or constituents at the top of the hierarchy' (Kaplan and Norton, 2001, p. 98). There are also studies that reveal that some public sector organizations use scorecards that vary from the typical BSC recommended by Kaplan & Norton (1992). Griffiths (2003), for instance, found that two of the public sector case organizations that he studied use a stakeholder model scorecard where the scorecards seek to recognize and measure the implicit contracts that those organizations have with their stakeholders.

Although the BSC is an appropriate measurement system for public sector organizations at a conceptual level, the existing limited literature on adoption and the use of the BSC in public sector organizations has provided inconsistent findings. While some researchers have reported successful application of the BSC (eg., Hopworth, 1998; Walsh, 2000; Ho and Kidwell, 2000; Chang et al., 2002; Inamdar, Kaplan, Bower and Reynolds, 2002), others have found only limited application. For instance, Chan (2004) found that only 8% (11/132) and 6% (3/52) of the municipal governments in the USA and Canada, respectively, have adopted the BSC. Those that have adopted the BSC report positive perceptions about its benefits. There is also evidence of organizations that have adopted the BSC, but have made limited use of the information for planning, decision making and control purposes (see for example Chan, 2004; Ho and Chan, 2002). This finding is consistent with Poister and Streib (1999), who concluded that less than 40% of municipal governments in the USA make any meaningful use of performance measurement information in their management and decision processes.

There have been various explanations for the limited adoption of the BSC information in the public sector. Ho and Chan (2002) conclude that in the USA, the lack of confidence in the quality of information provided in relation to the four performance perspectives has led to limited use of BSC information for strategic planning and resource allocation. They also suggest that the lack of linkage of the BSC to employee rewards negatively affects the effective use of the BSC.

Additionally, a common factor that prevents the adoption and implementation of the BSC is the time pressure on management to solve short-term organizational problems (Ho and Chan, 2002). Ho and Chan (2002) also found executive sponsorship and organizational preparedness for change as key drivers affecting the implementation of the BSC. The lack of highly-developed information systems is another factor that has been found to limit the adoption of the BSC in municipal councils (eg., Chan (2004).

## Research Method

Local councils in the Sydney Metropolitan area were selected for the study. The existing literature identifies the need for research on the use of new management accounting practices in the public sector. Local government organizations are an important part of a country's public sector, hence we sampled the total population of local councils in the Sydney metropolitan area for this study. The main data sources for this study were a questionnaire survey, data from publicly available documents and semi-structured interviews conducted at four local councils. The design of the questionnaire was informed by the existing literature on the adoption of innovative management practices, and was aimed at collecting information on the extent of adoption of the BSC in local councils, and the reasons for adoption or non-adoption. The questionnaire was pilot tested at two local councils, and amendments were made subsequently to improve the clarity of the questions based on the feedback received from the respondents.

The sample for the study was identified from the Local Government Directory published by the Department of Local Government ([www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au)). Prior to mailing the questionnaire, all local councils in the Sydney Metropolitan area (44) were contacted by telephone to check the mailing details and to identify the most suitable person to address the questionnaire to. Consequently, the questionnaire was sent to council officers with financial and senior executive responsibilities and with an average of eleven years experience in all 44 local councils in Sydney Metropolitan area. The final respondents of this study consisted of 18 councils, a response rate of 41%.

To gain a better understanding of the factors that influenced the decision to adopt /not adopt the BSC, follow-up interviews were conducted with four of the responding council officers (two adopters and two non-adopters) who had indicated a willingness to participate further in the study. Each interview lasted approximately 45 minutes, and two of the co-authors were present at each interview session. Interview notes were later sent back to the interviewees for confirmation. This was mainly done to eliminate biases in interpretations and to control threats to validity and reliability of the interview data (Yin, 1994; McKinnon, 1988). Although the number of interviews conducted was limited to four, these interviews provided

rich qualitative data that facilitated a more thorough analysis of the research questions.

## Findings and Discussion

Our study reveals that, at the time of the survey, the adoption of the BSC in local councils in the Sydney Metropolitan area was rather limited. Table 1 shows that only two of the eighteen respondents (11%) have adopted the BSC, one (6%) was in the process of adopting and eight (44%) were considering adoption. The actual adoption by three of the councils (17% of the responses) is, in relative terms, encouraging for the public sector, as it compares favorably with the adoption rate by local councils in the USA (8%) and in Canada (6%) (Chan, 2004).<sup>1</sup> The actual adoption rate is however significantly lower than the 60% found in a survey of private sector organizations (Gautreau and Kleiner, 2001). If the eight councils that are considering adoption actually do so, then the potential adoption rate of 61% of the respondents is more comparable to the 60% found in the private sector by Gautreau and Kleiner (2001).

Table 1: Adoption of the Balanced Scorecard by Local Councils

	Number	Percent
Adopted the BSC	2	11%
In the process of adopting the BSC	1	6%
Considering the adoption of the BSC	8	44%
Not considering the adoption of the BSC	5	28%
Not aware of the BSC	2	11%
Total	18	100%

The remaining seven respondents (39%) were either not considering adoption or indicated that they were not aware of the BSC. A number of factors that explains the low adoption of the BSC in local councils in Sydney Metropolitan area emerged from the survey and interview data.

### *Lack of Leadership*

The lack of leadership support and commitment appeared as a reason for the limited adoption of the BSC. The existing literature suggests that the BSC is rarely implemented without top management support (Frigo, 2000), and that obtaining executive commitment is crucial for its successful implementation (Inamdar et al. 2002; Chan, 2004; Ho and Chan, 2002). According to the Executive Officer of one local council, gaining the support of Councilors had not been easy. Councilors appear to be more interested in dealing with issues that can affect

their chance of re-election, and hence their focus is mainly on short-term issues such as garbage collection. This is consistent with the findings of Bogt and Helden (2000) who investigated accounting change in Dutch municipalities. They found that politicians did not focus enough on planning, and were too interested in topical issues. The Finance Manager of a local council that had not adopted the BSC expressed his views as follows:

[The]BSC would work better in an environment without elected representatives. The present structure of Local Government is based on the premise that Councilors speak for the people and make resource allocation decisions based on their personal skills and experience instead of relying on any kind of objective decision-making tool.

In another non-adopting council, the role of the chief executive was put in this perspective:

The present General Manager did not see the BSC as a priority and the major desire for any change would need to come from the General Manager.

The senior management accountant of a local council that has successfully implemented the BSC also noted the importance of change leaders by stating:

The GM is a champion. His support has been very important....Otherwise it could have been very frustrating.

### *Absence of Competition*

The absence of competition in the environment in which local councils operate is another reason for the low adoption rate. In the private sector, businesses often embrace the latest improvements to stay competitive, while in the public sector the entrenched bureaucracy is less likely to feel competitive pressure (Ho et al., 2000). The impression that the researchers gained from the discussions with the interviewees was that, although there are certain requirements (as expressed in the 1993 Local Government Act) and performance expectations in the current public sector environment, there is no marked pressure or motivation to introduce major changes to performance measurement systems. This will be the case particularly if the existing systems are seen to be adequate. As noted earlier, local councils already have a number of financial and non-financial KPIs against which they reported. One of the adopting local councils went beyond this 'no need to change' mentality due largely to a person who acted as the catalyst for change. This person brought to the council prior experience and knowledge of a successful implementation of the BSC in a public utility organization. But even with this experience and knowledge there were other obstacles to adoption in that council.

It was not easy. It took a while to get on to track. My previous boss came from the 'old school'.

The implementation process at that council became much easier with the appointment of a new General Manager who “worked with lot of enthusiasm”, but even with this support, to gain acceptance, “the ‘product’ had to be marketed aggressively”.

### *Implementation Difficulties*

The perceived difficulties associated with implementing the BSC also emerged as a factor for its low level of adoption in councils. Gautreau and Kleiner (2001) and Amaratunga, Baldry and Sarshar (2001) suggest that it typically takes one or more years to implement and fine-tune the BSC, it is far from simple, and requires a comprehensive understanding of the operations of the BSC, the operations of the organization, and requires a significant commitment to accept and implement the necessary change. The senior management accountant of an adopting council expressed these sentiments as follows:

It is a difficult concept. About 20% (of the employees) are still not happy. It’s about politics and also people don’t like to get measured. It is more difficult dealing with people and selling the product than designing it. It involves ‘emotional intelligence.

Buy-in from all levels of management took some time. Even at present there is still a struggle with some managers to get them to fully buy-in.

### *Financial and Human Resources*

Two interviewees also indicated that limited financial and human resources are barriers to the adoption of the BSC in local councils. One of the adopters acknowledged that adoption has been a costly process, while a non-adopter indicated that cost was a reason for non-adoption. These views are consistent with previous studies. For instance, Inamdar et al. (2002) found that considerable time and resources had to be allocated to successfully implement the BSC. Local councils as a matter of course depend significantly on federal and state governments for financial resources, but government funding has often been limited. As a result, financial resources of local councils are likely to be stretched, and thus allocating funds for the implementation of the BSC is likely to be a low priority.

### *Time Constraints*

Time constraints appeared as another factor that inhibits the successful adoption of the BSC in local councils. One interviewee indicated that council employees are overworked, and any proposal that requires additional work is often resisted immediately. This claim is consistent with the finding of Kloot and Martin (2000) that heavy workloads acted as a barrier to innovations in Victorian local councils.

Inamdar et al. (2002) also found that the workforce had only limited time to devote their effort to the adoption of the BSC. According to Ho and Kidwell (2000), barriers to implement modern management accounting tools such as the BSC in municipalities in the USA include lack of data, lack of staff time, and lack of communication. Inexperience of the team charged with the balanced scorecard design activity has also been cited as a reason for unsuccessful adoption (Barney, Radnor, Johnson and Mahon, 2004)

### *Organizational Culture*

Absence of an organizational culture that promotes the introduction of new practices and procedures also came out as a potential reason for the limited adoption of BSC in councils. Bourne, Mills, Wilcox, Neely and Platts, (2000) comment that the implementation of a new performance measurement system can be seen as changing the rules of the game or redistributing power in the organization. Changed performance measurement practices also can bring about (often profound) alterations in the context of their implementation (Andon, Baxter and Mahama, 2005). Individuals and groups may see this as not being in their best interest and actively or passively resist the implementation. The following comments by respondents suggest that the prevailing culture within local councils could have had an impact on decisions not to introduce innovative systems such as the BSC:

It is difficult to convince the organization to adopt the BSC because the organization lacks a culture of performance management, but it is slowly changing. It might be ready for the BSC in five years (Manager Corporate Planning and Performance).

Lack of sufficient resources and a requirement to introduce a culture of change to that prevailing could be perceived as a barrier to implementing the BSC (Executive Officer).

The two councils that have adopted the BSC, however, expressed somewhat different viewpoints about the BSC and its adoption in councils. They claim that there is a relative advantage in moving from the previous performance measurement system to BSC. First, the BSC helps them achieve certain requirements of the Local Government Act 1993, for instance by enhancing the ability to link strategies to performance measures. Second, the BSC enhances the ability to define and prioritise strategic outcomes and gain a better understanding of the businesses that they are in.

These claimed benefits are in accord with the literature on the BSC, which notes that the BSC forces organizations to recognize explicitly those activities that contribute to the company's success and develop suitable performance measures

and helps to identify the trade-offs that are necessary to attain various objectives (Walker, 1996). Quinlivan (2000, p. 38) states this succinctly: 'For local government, financial success is a lead indicator for the achievement of local government outcomes linked to the well being of the community they serve. In other words, sound finance management ensures that the resources are available to achieve community objectives such as a safe city, a well-planned city, recreation opportunities, well-managed roads and the many other objectives of public organizations'.

One interesting observation from the study was that potential adopters had a significantly higher perception of the relative advantage of the BSC than demonstrated by the actual experience of adopters, suggesting that the relative advantage of the BSC is not as strong as was initially perceived prior to adoption.

As was outlined elsewhere in this paper, local councils, in general, appear to be satisfied with their existing performance measurement system, and do not see much advantage in replacing it. The following statement made by a manager of a non-adopting council reflects the general attitude of non-adopting councils about adopting the BSC.

We are not considering the BSC because we have existing processes for planning and performance improvement. Although, the BSC may have a range of positives, they were not compelling enough to encourage us to change our current strategy..... (Manager Planning, Policy of Performance)

## Summary and Conclusions

Although the concept of BSC and its usefulness as a comprehensive performance measurement system has been extensively discussed in the performance measurement literature, there is only limited evidence of its adoption and application in different organizational settings, in particular in the public sector. This study provides some insights into the extent of adoption of the BSC in local councils and possible reasons for the limited adoption of this widely discussed innovative performance measurement system in local councils in the Sydney Metropolitan area.

This study reveals that, although local councils, in general, have a positive attitude towards adopting the BSC, the actual adoption has been low. The limited adoption of the BSC by local councils appears to be the result of at least two factors, namely the negative perceptions about the BSC (eg., low relative advantage, high complexity), and less than favorable organizational factors (eg., limited financial and human resources, limited support from decision makers, and the type of organizational culture prevailing within local councils).

Evidence is also provided about varying views that local councils have about the need to change their existing measurement systems. While some believe that their existing performance measurement systems are adequate to meet their requirements, others claim that they have been making incremental changes to their existing systems to meet the new demands of the local government reforms. If the latter group were to move towards the BSC, it necessitates, *inter alia*, linking performance measures to strategy. The advocates of the BSC, Kaplan and Norton (2001), acknowledge that one of the barriers to applying the scorecard to public sector organizations is the considerable difficulty in clearly defining their strategies (p. 97). Additionally, potential adopters of the BSC also might consider modifying the 'architecture of the BSC' by rearranging the scorecard to place customers or constituents at the top of the hierarchy, as financial success is not the primary objective of government agencies such as local councils (Kaplan and Norton, 2001, p. 98).

The study also found interesting differences between the perceptions of adopters and potential adopters about the benefits of the BSC. Potential adopters have a relatively higher positive perception about the benefits of the BSC compared to the current adopters. This may indicate that the difficulties encountered when implementing the new system, and/or gaining less than the expected benefits once it is adopted could have led to a change in the perception by the adopters about the relative advantage of the BSC. Future research may further investigate this issue as it could provide new insights into implementation problems as well as the usefulness of the BSC in such organizations.

The findings of this study have certain policy implications. First, the differences that this study found in the perceptions of the potential adopters about what the BSC can do prior to adoption and actual experiences in adopting it, highlights a need for communication among local councils to share their experiences. Although the situation in each local council is likely to be unique, and needs to be considered in any comparison, a great deal could be learned from the experiences of those that have adopted the BSC. Feedback from users may dampen the overly positive perceptions of potential adopters and reduce the negative perceptions of the non-adopters. Perhaps there is not enough experience as yet in adopting the BSC in local councils, and as more do adopt and report favourable experiences, the rate of diffusion of the BSC will increase. Secondly, it is important that potential adopters and non-adopters are fully acquainted with all aspect of the BSC or any other management accounting innovation before making the critical decision on whether to adopt or not adopt. Adoption of any new system has the potential to cause undesirable upheavals in organizations if not handle well.

The findings of this study are based on a relatively small sample in one metropolitan area, hence the generalisability of its findings is limited. Future research may replicate this exploratory study by examining the adoption/non-adoption of the BSC by using a larger number of local councils and using more interview data. Alternatively, case study methods could be used to examine issues pertaining to successful adoption of the BSC as well as abandonment of the BSC after its implementation. For instance, detailed case analysis could help to obtain deeper insights into the thought processes behind adopters and non-adopters of the BSC. Future researchers may also consider using longitudinal studies to gain a more in depth understanding about the implementation issues associated with the BSC. Since this study found that a significant number of local councils (44%) are considering adopting the BSC, it would provide fertile grounds to undertake research that examines, for instance, how and why perceptions about the BSC change over time, the difficulties experienced in the implementation stage of the BSC, and the progressive changes in the use of the BSC by local councils.

## Note

- <sup>1</sup> The percentage of adoption will, however, be smaller when related to the population of 44 councils, given that non-respondents are more likely to be non-adopters.

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