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BALANCED SCORECARD AND MORGAN'S ORGANIZATIONAL METAPHORS

ZRÓWNOWAŻONA KARTA WYNIKÓW A METAFORY ORGANIZACYJNE MORGANA

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Summary: The aim of the paper is to discuss the concept of the Balanced Scorecard based on some of Morgan's metaphors. Very popular metaphor that underlines the mainstream way of thinking about organization is the machine metaphor. However, for contemporary organizations facing turbulent environments, such one-sided insight will be insufficient. The BSC offers managers much more complex and comprehensive insight in organizations and reinforce alternative to the mechanistic view images of organizations, namely: organization as organism, organization as information processor and organizations as culture.

Keywords: Balanced Scorecard, Morgan's metaphors, images of organization.

Streszczenie: Celem artykułu jest omówienie koncepcji ZKW z punktu widzenia wybranych metafor Morgana. Dominującą metaforą leżącą u podłoża głównego nurtu myślenia o organizacjach jest wizja organizacji jako maszyny. Jednakże dla współczesnych organizacji doświadczających turbulentnych zmian w otoczeniu, takie jednostronne wyobrażenie jest niewystarczające. ZKW oferuje zarządzającym znacznie bardziej wszechstronne i kompleksowe spojrzenie na organizację i umożliwia alternatywne wobec podejścia mechanistycznego podejścia do organizacji, w szczególności bazujące na obrazach: organizacji jako organizmu, procesu informacyjnego i kultury.

Slowa kluczowe: Zrównoważona Karta Wyników, metafory Morgana, wizje organizacji.

1. Introduction

There is 25th anniversary of introduction of Balanced Scorecard (BSC) by Kaplan and Norton in their seminal paper [1992]. The BSC since its introduction has experienced steady growing interest. Despite its high popularity BSC is also criticized (see for example [Nita 2016]). Nevertheless, Balanced Scorecard remains very widely used concept in practice. According to recent global study by Bain & Co. the BSC is listed on the sixth position among the most widely used management tools around the world and on the third position in Europe (surveys from France, Germany, Spain and the UK). The usage rate of Balanced Scorecard is 39% in North America and 44% in Europe [Bain & Co. 2015]. The 25th anniversary of the BSC's introduction creates an opportunity for reflection on the popularity and longevity of this concept.

Such reflection could be done from many different perspectives. Morgan's images of organization seem to be one of the promising approach. General idea of Morgan's approach is based on premise that management theories are based on implicit images of organization. Those metaphors are regarded as ways of thinking, which frame our understanding of the organizations. Any image taken alone focuses only on certain interpretations and creates only one-sided insight. In such a way metaphor produces distortions in our view of organizations, which is biased and incomplete [Morgan 2006]. However, taken collectively, many metaphors could give us quite complete and comprehensive view of what organization really is. Morgan identifies nine images of organization, namely organization as: a machine, an organism, an information processor (brain), a culture, a political systems, a psychic prison, a flux and transformation, an instrument of domination [2006]. The aim of the paper is to discuss the concept of the Balanced Scorecard based on the few of Morgan's metaphors chosen from the list above.

2. Balanced Scorecard and mechanistic approach

The mechanistic view dominates traditional managerial and economic thinking about organizations. In this metaphor organizations are viewed as machines. They operate like clockworks within the directions set out by rules and procedures and employees are seen as parts of the mechanism. Basing on this image of organizations we expect from them to operate with precision, regularity, reliability, speed and efficiency. Those features are achieved by specialized division of labor, hierarchical communication and supervision, and strict regulations [Morgan 2006].

Such a view of organizations is rooted in the work of management theorists like Weber, Fayol and Taylor [Morgan 2006]. However, one could find that mechanistic image is also typical for theory of economics. The firms are viewed as a substitute for a market. There are both mechanisms of coordination (so called modes of governance). The first mode is based on hierarchical controlling, the second one is based on steering by prices. According to the mainstream economics (namely neoclassical) the firm is treated as production function. This is extremely mechanistic image of the business organization. Firm is seen as a "black-box" which transforms inputs into the outputs. The problems of internal organization are not a subject of consideration. There are some heterodox streams of economics in which more attention is paid to the internal structure of the firm. In the new institutional economics some internal questions are taken into account, for example: issues of property rights and therefore decision and control rights assignments across different groups of people in organization (property rights theory) or issues of alignment of decisions and actions of different principals and agents with different interests and objectives (agency theory). Nevertheless, such theories are still mechanistic in general line of reasoning. Firms are seen as tools (machines) to achieve the ends of those who own them, namely profits for the owners.

The economic view of firms as profit-producing-machines is continued and developed also in the finance theory [Kaplan 2010]. For example it was reflected with the popularity in the 1990s and the first decade of the present century of the Value Based Management concept. This concept continues the mechanistic image of a firm – see for example so called value-trees with ultimate outcome defined as economic value added (EVA) or similar financial metric.

In the early stage of its development the Balanced Scorecard was treated mainly as a performance management tool [Kaplan 2010]. The BSC still takes into account financial measures (which are the only ones that matter in the mechanistic image of the firm in economics and in finance), but it supplements financial metrics with measures from three additional perspectives, namely – customer (how do customers see us?), internal processes (what must we excel at?), and learning and growth (can we continue to improve and create value?) [Kaplan, Norton 1992]. In other words since its early developments it has been helpful in broadening the narrow mechanistic view of a firm as profit-producing-tool.

3. Balanced Scorecard and organic approach

Whereas under Taylorism and economics/finance there is typical to think about organizations in a technical manner (machine metaphor), once one has begun excursion into more biological thinking it is obvious that some parallels could be drawn between living organisms and organizations. "We find ourselves thinking about them as living systems, existing in a wider environment on which they depend […] we begin to see that it is possible to identify different species of organization in different kinds of environments" [Morgan 2006, p. 33]. We can observe similarities between molecules, cells, organisms and individuals, groups, organizations. Like living organisms organizations are open systems which interact with their environments in processes of sourcing inputs and adapting to the external expectations. Because the fittest organizations survive we can find that environment determines which one will fail or win. This is why we can observe organizational life cycles with "the death" as a last stage. This is also why we can observe different kinds of organizations ("species") according to different types of environments [Morgan 2006].

Firstly, the organismic view emphasized that organizations are systems, namely entities built from interdependent parts. The Balanced Scorecard architecture, framed on four perspectives [Kaplan, Norton 1992], corresponds with systemic approach.

It gives us more complex and comprehensive, in other words, more holistic view than traditional mechanistic management theories (administrative approach, scientific management) or economics and finance. According to the Aristotelian statement that "the whole is more than the sum of its parts," which is a corner stone of the basic system problem [Bertalanffy 1972, p. 407], the BSC requires to look at organizations' performance simultaneously from four perspectives instead of assessing performance in different areas but separately [Kaplan, Norton 1996]. Thus, the Balanced Scorecard is helpful in gaining more balanced, more systemic view of how well is any organization managed.

Secondly, organizations are open systems, existing in a wider environment on which they depend and with which they interact. One out of four perspectives of the BSC, namely the customer (or stakeholder) perspective gives an insight how well any firm (or non-profit/public organization) cope with crucial segment of its business (or task) environment [Kaplan, Norton 2004].

Thirdly, organismic view emphasized the role of the strategy. Organizations need to be sensitive to what is happened in the world around them. They need to be able to scan and interpret changes in the environment and therefore to be able to develop appropriate responses. They need namely do have strategy [Morgan 2006]. According to Porter, the determining factor for "competitive strategy is the search for a favorable competitive position in an industry [business/task environment], the fundamental arena in which competition occurs" [Porter 1998, p. 1]. The Balanced Scorecard which was initially designed as a comprehensive performance measurement tool, during its development evolved into strategic management system. Executives wanted to use the BSC in a more powerful application than simply measuring performance. They wanted to apply it to solve the serious problem they faced – how to implement strategy [Kaplan, Norton 2004]. Indeed, contemporarily the Balanced Scorecard is not only a set of measures and targets grouped in four perspectives. Those measures and targets are drawn from the strategy and are treated as a way of translating strategy into action and doing strategy everyday job of organization's members [Kaplan, Norton 2001].

4. Balanced Scorecard and organization as information processors (brain metaphor)

In previous paragraph we discussed organismic image of organizations according to which they are open systems which need to fit to environment while balancing internal subsystems. However, when environment is going through changes, organization needs to be able to question whether what it does is still appropriate. This brings us to the next image of organization – the brain metaphor. This image has in fact two branches: organizations as information processors and organizations as holograms (in which attributes of the whole are enfolded into every of the parts) [Morgan 2006]. We will focus here on the first branch.

As we mentioned above, the BSC evolved from performance measurement into strategic management system. It is developed to the integrated set of tools and approaches, which creates a comprehensive "management system that links strategy formulation and planning with operational execution" [Kaplan, Norton 2008, p. 7, 8]. Strategy management is an information-intensive process, and the issue of information acquisition should attract as much attention as the strategy formulation process itself [Makadok, Barney 2001]. This statement drives our attention to the information processing and organizational learning. In traditional approach the strategy is viewed as one shot activity. However, contemporarily, when turbulent environment is changing rapidly, there is a need of elastic strategic management, which employs learning process.

The idea that an organization could learn was described by Cyert and March [2013]. Argyris and Schön [1978] distinguished between single-loop and double-loop learning. In single-loop learning organizations modify their actions according to the difference between expected and obtained results. Single-loop learning is based on detecting deviations and correcting them in relation to a given norms (e.g. strategy). In double-loop learning, organizations question the relevance of given norms (e.g. strategy) accordingly to changing circumstances. Then, in the line with modified norms they initiate appropriate action. The crucial element of such learning is information acquisition by process of sensing, scanning and monitoring of environment, which allows to refine the initial version of norms (strategic plan) [Argyris, Schön 1978; Morgan 2006]. The idea of learning organization was also developed by Senge [2006].

Strategy concerns the future which is uncertain. The problem is that,there is not any perfect knowledge during strategy formulation available, what causes the uncertainty which plagued the decision-making. Since we agree that the uncertainty exists, the idea of strategy as one-shot, the best answer is replaced by concept of gradually development of strategy in the continuous organizational learning process [Heijden 1998]. As Eisenhower claimed: "plans are nothing; planning is everything" [Cowley, Domb 1997].

Strategic management system based on the Balanced Scorecard, as proposed by Kaplan and Norton in their latest book [2008] is in fact a framework for organizational learning process focused on the strategy. This process covers six stages:

1. Developing strategy (mission and values, strategic analysis, vision, strategic choices).
2. Planning strategy (strategy map, measures and targets, strategic projects).
3. Aligning the organization (cascading strategy maps and scorecards, communicating, linking strategy and compensation).
4. Planning operations (link between strategy and daily operations).
5. Monitoring and learning (operational review meetings and strategy review meetings.
6. Testing and adapting (is strategy working?) [Kaplan, Norton 2008, p. 8–18].

The process described above consists of both single- and double-loop learning. Single-loop covers stages 1-2-3-4-5. This cycle-closing stage are operational and strategy review meetings. They give an answer to the two questions: about departmental and functional performance (are our operations under control?) and about performance in strategy execution according to the progress in strategic projects (initiatives) and achieving targets (are we executing our strategy well?) [Kaplan, Norton 2008]. We should examine the results achieved. How well we accomplished the expectations? Are the objectives from the strategy/plans reached? If any deviations from the strategy/plan are observed, we should correct them. At this stage the appropriateness of strategy and operational plans drawn from it is not under question.

Double-loop learning covers stages 1-2-3-4-5-6. This cycle closing stage is strategy testing and adapting meeting, which gives an answer to the question: is our strategy still working? [Kaplan, Norton 2008]. At this stage strategy validity is confirmed or rethought and adapted according to testing it. The whole process should go round and round – the fundamental principle is iteration. By repeating it the strategy is confirmed or negated and our knowledge is getting richer and strategic management process is continuously improved.

5. Balanced Scorecard and culture metaphor

Culture metaphor focuses on organizations as communities or mini-societies. By analogy to societies and nations, organizations build up their own peculiar cultures [Morgan 2006]. Organizational cultures could be observed by external, explicit symptoms like dress codes, rituals and ceremonies, language artefacts, etc., which in turn are rooted in shared values and assumptions.

As Morgan claims, for the effective change of organization one should change organizational culture. However, changing organizational culture is not easy. Culture is not something that could be imposed. It is rather something that is built up by social interactions. Nevertheless, the attitude of the top managers, their style of leadership and way of rewarding and punishing have profound influence on organizational culture [Morgan 2006].

The author of this paper, during his own 16-year-long experience as consultant of implementing the BSC in many firms and public organizations, observed that one of the most important success factor is leadership style and organizational culture. It is extremely difficult to exploit strengths of the management system based on the Balanced Scorecard in organizations with dictatorship management style and with bureaucratic culture which lacks even a basic level of trust and cooperation readiness.

Hopefully, the BSC implementation process, when conducted well, has culture improvement potential itself. It could be helpful in fostering open-books management style of leadership and such values and behaviors like meritocracy, accountability, and entrepreneurship. Implementation of the whole management system which consists 6 stages described above [Kaplan, Norton 2008] creates the need for a new kind of reviews conducted on the regular basis. Such ritual, when it is focused on single- and double-loop learning and when it is done without blaming people seeking the scapegoat, could reinforce the positive impact on the organizational culture.

However, one of the most important aspects of culture are mental patterns shared by members of organization. Such patterns create the cognitive matrices consisting of set of assumptions. According to Drucker: "these are the assumptions that shape any organization's behavior, dictate its decisions about what to do and what not to do, and define what the organization considers meaningful results. These assumptions are about markets. They are about identifying customers and competitors, their values and behavior. They are about technology and its dynamics, about company's strengths and weaknesses. These assumptions are about what a company gets paid for" [Drucker 1994, p. 95, 96]. Drucker coined them "the theory of the business" [1994]. The role of such mental patterns is to unambiguously expresses those issues which are crucial for survival and development of given organization. Van der Heijden [1998] called them "the business idea", which consists of answers to the questions like: how the resources will be used to build the competences and competitive advantage, in which way competitive advantage will be converted into desired outcomes?

In the Balanced Scorecard methodology "the theory of the business" or "the business idea" is embedded in strategy map. Strategy map which creates the cognitive matrix for members of organization. Such a map is the picture outlining the pathways of the organization's journey to the desired future by defining what it wants to do in each perspective of the BSC in order to successfully implement strategy [Niven 2008]. The strategy map consists of two elements. The first are the strategic objectives defined for each perspective in the form of ovals with short statements of the intended change direction. But the strategy map is more than just "what-to-do" checklist. Objectives are linked together by cause-and-effect relations. They are not treated as independent elements anymore but as a whole, which expresses the strategic intent of the organization. Such a map creates a visualisation of strategy. Simple one-page picture tells the short story that explains how the organization defines its success and signals to managers and employees what must be done in order to implement strategy [Niven 2008]. In such a way strategy maps are a tool of communication, which could be very helpful for building up commonly shared mental pattern of the organizational future.

6. Conclusions

The Balanced Scorecard is not a flavor of the month as many others management concepts. For 25 years it has been important managerial tool, with great practical relevance. It still receives one of the highest rank from executives and occupies the top positions among the most widely used management tools around the world and particularly in Europe. There is a huge amount of literature available about this concept and its implementation into the practice of the firms, public and non-profit organizations. Nevertheless, it is a new idea to explain the BSC phenomenon in the context of Morgan's metaphors of organizations.

Any attempt to improve organization is always based on some kind of insight or "theory" of given entity. Such a "theory" is based on usually unconscious (implicit) images. For example it seems that the most popular metaphor that underlines the mainstream way of thinking about organization in management, economics and finance is the machine view. This metaphor has some strengths and it could be very useful in some kind of situations. However, according to the rapid changes in turbulent environments which must be confronted by many contemporary organizations, such one-sided insight will be insufficient and could result with biased, incomplete solutions.

Reinforcing systemic metaphor, the BSC offers managers much more complex and comprehensive insight how well organizations are doing, comparing with rather superficial views offered by finance-focused systems of metrics like EVA and value-trees. The architecture of the Balanced Scorecard is helpful in seeing that the organizational whole is something more than the sum of its parts. Moreover, customer perspective secures attention for relations with task environment. And the methodology of the BSC formulation safeguards the crucial role of strategy in defining performance metrics.

The Balanced Scorecard could also be a basis for single- and double-loop learning embedded into strategic management (brain metaphor). And finally, the BSC could be helpful in sharing common mental patterns or "business ideas" of "how we do things". Moreover, if properly implemented, the BSC could be a platform for promoting openness and meritocracy as organizational values (culture metaphor).

The reflection about the Balanced Scorecard in Morgan's images context was focused on positive potential of the BSC. However, as any other tool it could be also misused. It is not very rare situation that the BSC is implemented and used in a bureaucratic way basing on strictly mechanistic view of organization. In such a case there is no chance to exploit the true potential of this tool. Another limitations of the study is that it is based on only a few metaphors of organizations. Nevertheless, those limitations create opportunities for further studies and considerations.

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