



**Bundling management control
innovations.
A field study of organisational
experimenting
with total quality management and the
balanced scorecard**

Modell_2009

Case Study analysis

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Sara Moggi

University of Verona

Agenda

- Accounting innovation
- Fad and fashion perspective
- Total quality Management
- Balance Scorecard
- The case: Swedish central government agency
- Bunglind the two management accounting tools

Introduction

- The past two decades public sector have seen a wave of innovations in management accounting and control practices, such as activity based costing/activity based management and the balanced scorecard
- The notion of “**bundling**” implies that elements of different innovations are re-combined into “new” innovation packages in the process of adapting these to a particular context

The gap in the literature

- few of these studies have examined the connections between different innovations in any greater detail.
- Hence we have very limited knowledge of how management accounting and control innovations interact as adopting organisations implement these and how this affects the need to re-conceptualise the bundling phenomenon.

Aim of the study

- Focusing on two innovations that have gained increasing popularity over the past two decades – namely total quality management (TQM) and the balanced scorecard – they examine how these have affected the development of control practices in a Swedish central government agency.

Accounting innovation

- organisational adoption of innovations is determined by imitation rather than rational choice (fad)
- the need to comply with regulatory powers
- The fad and fashion perspectives: a particular group of adopters as the main source of imitation while paying little attention to the origins of innovations.
- active involvement of fashion-setters, such as influential consulting firms and other expert powers (external).

Total quality management

- TQM emerged as an increasingly fashionable management innovation in response to the lacking competitiveness of US manufacturing industry in the 1980s and especially the perceived superiority of Japanese firms in delivering high-quality products in accordance with customer demands while achieving operating efficiency
- for management practices fostering customer orientation and satisfaction
- Internal organisational practices, such as continuous improvement efforts, cross-functional teamwork and the development of process-orientated management techniques, were portrayed as subsidiary to this overriding priority.

Balance scorecard

- Similar to TQM, the origins of the balanced scorecard can also be traced to the growing concerns with the decline of US manufacturing industry in the 1980s, which was arguably exacerbated by the over-reliance on short-term, historically focused and predominantly financial performance.
- a useful mechanism for disaggregating organisation-wide objectives and targets into personal scorecards for managers and employees at various hierarchical levels and that strategic goal alignment is reinforced by “cascading” indicators up and down the organisational hierarchy.

TQM vs BSC

	TQM	Balanced scorecard
Overriding design priority	Customer satisfaction/fulfilment of customer needs	Shareholder value/financial performance
Subsidiary design priorities	Continuous improvement Process orientation Cooperation and learning	Eliciting customer views Internal process improvement Learning and growth
Key management control features	Lateral orientation: Cross-functional process responsibilities Team-based rewards Non-financial goals and performance measures	Hierarchical orientation: Strategic goal alignment Individualistic control and accountability “Cascading” of causally linked financial and non-financial performance measures

Source: Model_2009

TQM vs BSC

- These innovations are both nebulous concepts, which may be subject to considerable re-construction in practice
- Excessive stereotyping of the ideas underpinning various innovations can hamper their prospects of influencing evolving management practices

Methods

- the **Swedish National Board of Student Aid (SNBSA)**
 - experimenting with TQM as well as the balanced scorecard.
- This case study is part of a larger research programme examining how recent central government reforms have influenced the development of performance management and control practices of central government agencies.
- In combination with archival data sources and prior empirical studies, this research provides valuable insights into the context of central government reforms.
- Main source: interviews; secondary: internal documents

The context - Swedish central government

- Swedish central government agencies have been subject to an increasing element of “management by objectives” or “managing for results” over the past decades
- Following budgetary reforms aimed at deregulation in the late 1980s, government control of agencies was gradually re-orientated towards a heavier emphasis on performance evaluation
- The gradual evolution of “managing for results” in the 1990s was paralleled by the diffusion of other management techniques among central government agencies., such as TQM and the balanced scorecard

The context - TQM

- TQM-inspired practices began to diffuse across central government agencies on a larger scale in the mid-1990s. A key source of inspiration in this respect was the **Swedish Institute for Quality Insurance (SIQ)**.
- The SIQ is a non-governmental organisation dedicated to promoting “modern” quality management practices within the private as well as the public sector.
- the organisation undertakes a range of promotional activities, including conferences, training, “quality contests” and the development of quality enhancement tools.

The context – TQM (2)

- Their model bears testimony to key TQM principles such as a heavy emphasis on customer and process orientation, employee empowerment and continuous improvement.
- measurement index for assessing organisational quality enhancement efforts, covering such areas as leadership, information and analysis, strategic planning, staff motivation and development, operating process orientation and results, and customer satisfaction.
- However, little attention has been paid to the development of performance indicators to support quality enhancement

Context - BSC

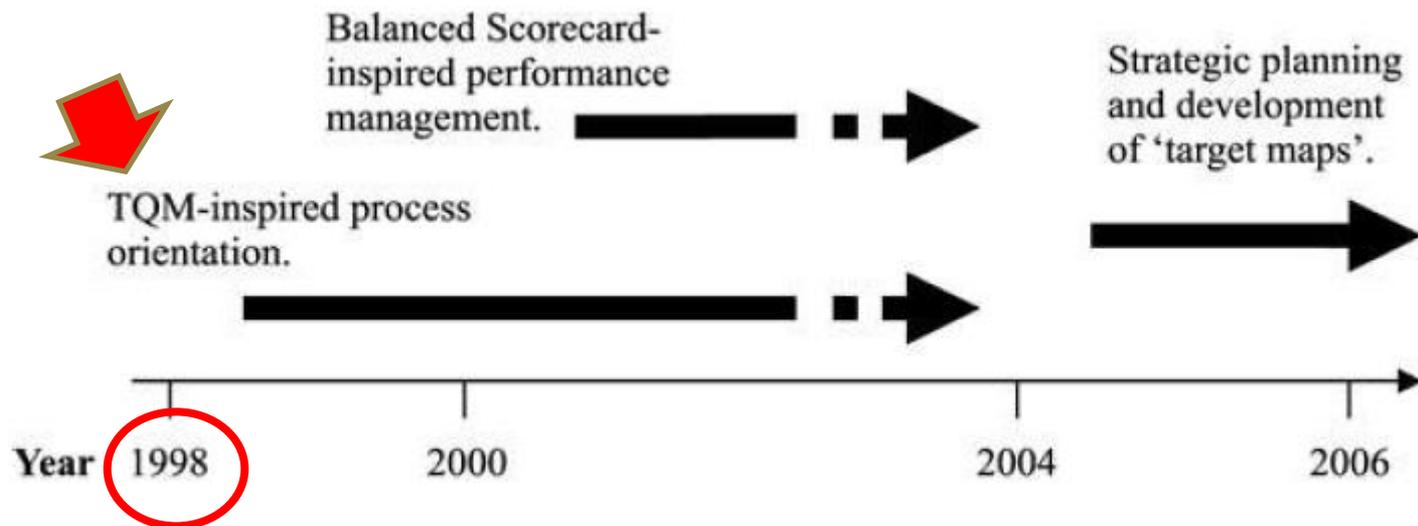
- As early as 1996, the **National Audit Office** issued a report describing how the balanced scorecard might be used to support “managing for results” within central government agencies
- First, the balanced scorecard is portrayed as largely compatible with the ethos of “managing for results”. While some agencies have adopted the idea of linking the balanced scorecard to strategic visions and objectives, others have aligned it to politically established objectives embedded in annual appropriation directives
- few, if any agencies use the balanced scorecard for distributing performance-based rewards
- Second, four perspectives with an explicit personnel or human resource perspective and have transformed the balanced scorecard to encompass a wider stakeholder focus

The case: Swedish National Board of Student Aid – some issues

- SNBSA is subject to very detailed targets and reporting requirements covering a broad range of short-term operating aspects as well as financial performance.
- peak workload at the start of every university semester = long lead times and poor accessibility.
- Complaints are also addressed to the Ministry of Education and Science
- continuous monitoring of lead times and accessibility indicators has high priority within the Ministry
- The short-term emphasis of traditional control practices was reinforced by the leadership style of the senior management team heading the SNBSA between the late 1970s and 1999.

The Case - TQM

- Starting in 1998, the SNBSA has made a number of attempts to implement process-orientated work practices, inspired by TQM principles
- a number of core operating processes were identified based on specific services provided to different categories of beneficiaries: a new “customer service process”, pivoting on management of customer contacts via telephone, was also identified to focus attention to this critical area of operations



The Case – TQM - Issues

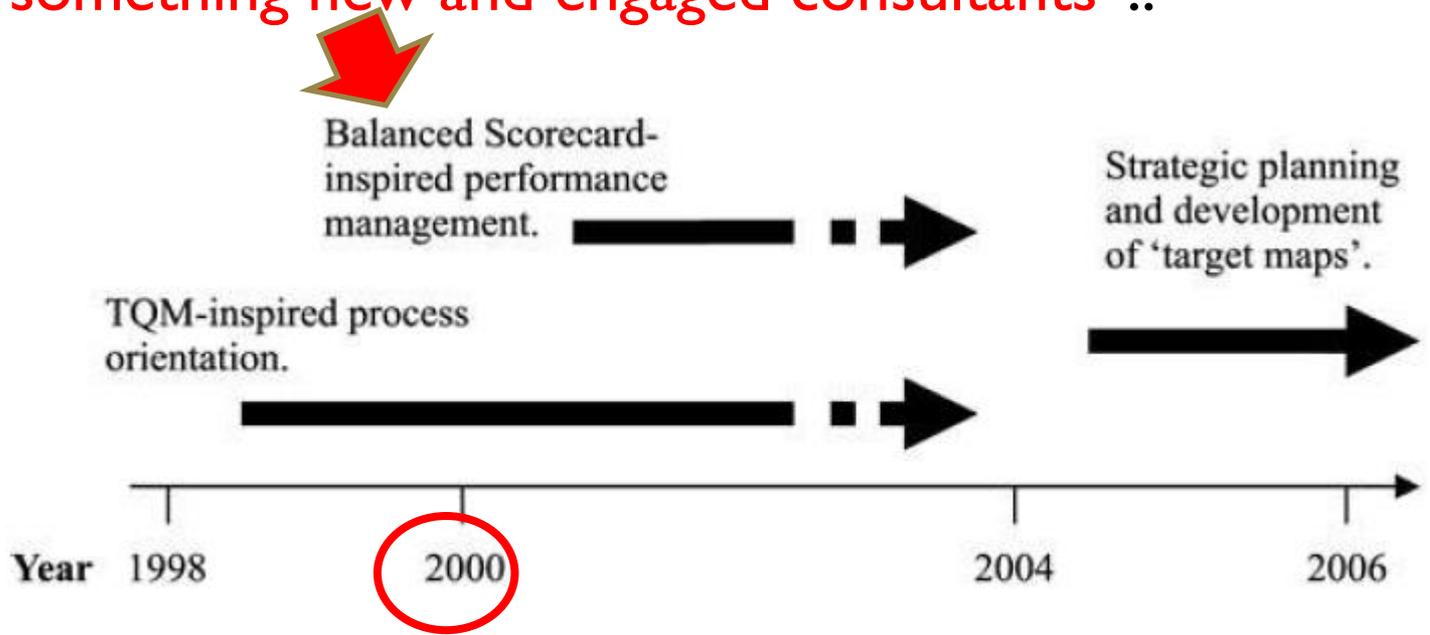
- the process orientation efforts were “not really driven by top management but rather by consultants”.
- In early 2002, a memo summarising an internal evaluation of the experiences of process orientation identified the following main problems:
- (1) **Unclear distribution of tasks** and roles between various parts of the organisation and a feeling that process orientation was implemented in a top-down manner without much consultation between headquarters and regional offices.
- (2) **Unclear articulation of the responsibilities of the “process owners”** and failure to integrate these into management teams in charge of day-to-day, operating-level decisions.
- (3) **Lack of integration of local development** initiatives linked to process orientation and failure to adopt a more holistic view of these efforts.
- (4) **Attitude problems** among staff hindering a more customer-orientated approach to service delivery.

The Case – TQM - Issues

- While the introduction of process orientation was officially lauded as a means of enhancing the level of customer orientation, the extensive process mapping being undertaken was thus characterised as having a very “introvert” focus.
- more aggregated customer satisfaction indexes were introduced to visualise the striving towards enhanced customer orientation.

The Case – BSC

- In late 2000, the SNBSA started to develop a balanced scorecard-inspired performance management system, which was introduced more broadly in conjunction with the annual budgeting and planning process.
- the new Director-General who “**wanted to try something new and engaged consultants**”..



The Case – BSC

- To manage our task effectively and contribute to achievement of the educational policy objectives and simultaneously accommodate the demands of other stakeholders, the vision and overall objectives of the SNBSA have been further specified in comparison with last operating year through the development of the balanced **goal card**. In the card, there are four focus areas of utmost importance for operations with objectives, strategies, critical success factors and measures for each (excerpt from internal memo, September 20, 2000).

The Case – BSC

- the innovation was portrayed as a broadly based and more goal-directed performance management system, which would be:

... both short-term and long-term in nature. With the help of this strategic goal card control of operating activities is linked to the long-term vision and the strategies of the SNBSA (excerpt from internal memo, September 20, 2000).

- Promotional material: such as the provision of misleading information for decision-making, a lack of non-financial and more externally focused performance measures and risks of sub-optimization
- **Goal card** : "We were not allowed to say scorecard, because then it seemed too much like control." – introduced by consultants

The Case – BSC

- the customer perspective and linked to the customer satisfaction indexes emerging from the TQM-inspired change efforts. The development of the “goal cards” was not tightly coordinated with the parallel efforts to implement process-orientated work practices,

The Case – the goal card

Vision

The SNBSA is a progressive and active service agency.

Strategy

We work towards concrete targets for administration and service delivery, simple rules and a high level of automation.

	Finance	Customer	Process improvement	Employees
Objectives	Efficient financial control.	Satisfied customers.	Efficient, lawful and democratic processes.	Creative and goal-directed staff.
Measures	Do models exist? Y/N Do we use them? Y/N	Customer satisfaction indexes.	Production efficiency. Cost/service type. Process quality.	Selected indicators from employee development plan.
Critical success factors	Develop and implement relevant measurement models.	Develop self-service systems. Simplification or rules. Improved service levels.	Develop work content and efficient routines. Organisation adapted to operations. Pro-active	Good managers Committed and motivated staff.

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The Case – BSC – Issues

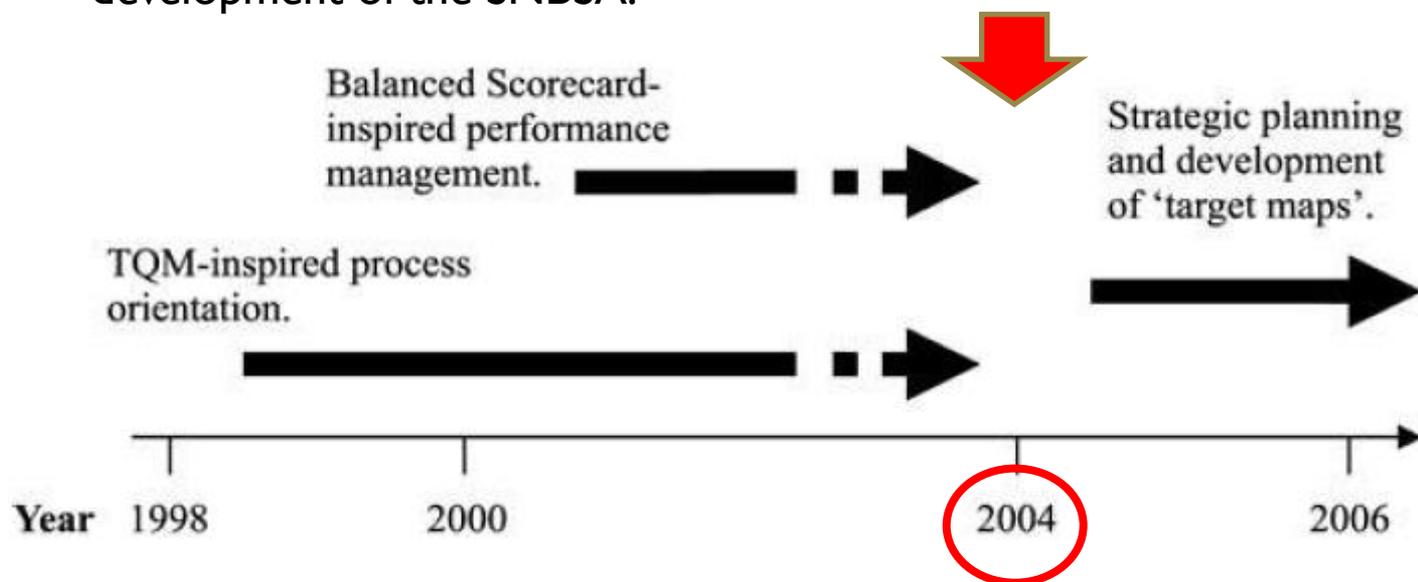
- widespread concern among headquarters staff as well as office managers was that the latter had not been sufficiently involved in the development and implementation of the system, which progressed in a top-down manner
- the purpose behind the “goal cards” was unclear and that relatively little emphasis was placed on regular use of the system for performance evaluation based on quantifiable criteria linked to operating actions

The trigger

- Costs increased steadily as a result of several factors such as growing operating volumes and investments in computer systems to deal with the millennium bug.
- a centralised call-centre function was built up to strengthen telephone services and improve accessibility between 2001 and 2003.
- In 2003, a major re-structuring of the organisation was initiated to cut operating costs: offices was reduced from 24 to 13; staff was reduced by about 200 to around 1,000.

Towards a “new” performance management system

- In 2004, a small team of “strategists”, several of who had previously been extensively involved in the work on process orientation and the “goal cards”, was formed to assist the Director-General in this matter
- The task of this group was to undertake a comprehensive review of the organisation’s strategy and produce a coherent, long-term plan for the development of the SNBSA.



Target of change---- towards the target map

- the long-term, strategic plan was to better align short-term improvement efforts to the objectives of the SNBSA than had been the case in the previous experimenting with process orientation and the “goal cards”.
- three broadly defined **objectives** similar to those found in the organisation-wide “goal cards”, namely:
 - (1) Enjoying full citizen confidence.
 - (2) Conducting operations in an efficient, lawful and democratic manner.
 - (3) Being an attractive workplace.

The target map

- “target map”, being developed to guide the organisation towards this vision.
- “living document” rather than a static control mechanism.
- The “target map” was more widely introduced to office managers in the early half of 2005 with an invitation to suggest changes to the model.
- A number of short-term targets were removed and some broad areas of priority were added to further specify the strategies emanating from the overriding objectives
- The new system is also a balanced scorecard, but nobody has realised that.

The target map

Vision and objectives

The SNBSA is a progressive and active service agency.
 The SNBSA enjoys citizen confidence.
 The operations of the SNBSA are efficient, lawful and democratic from a government and citizen perspective.
 The SNBSA is an attractive workplace.

Strategies

IT strategy	Rules strategy		Competence and staff supply strategy	
Work smarter, better use of IT adapted to people.	Better and more coherent rules.	Improved accessibility and openness.	More efficient re-payment routines.	Enhanced employee commitment.

Overriding priorities

Cost per customer should be reduced by 4-6% 2006-09.	Simpler rules and improved quality.	Customer satisfaction index increasing by one unit/year from 2006.	Repayment of loans should increase by 6% 2006-09.	Employee satisfaction index increasing by one unit/year.
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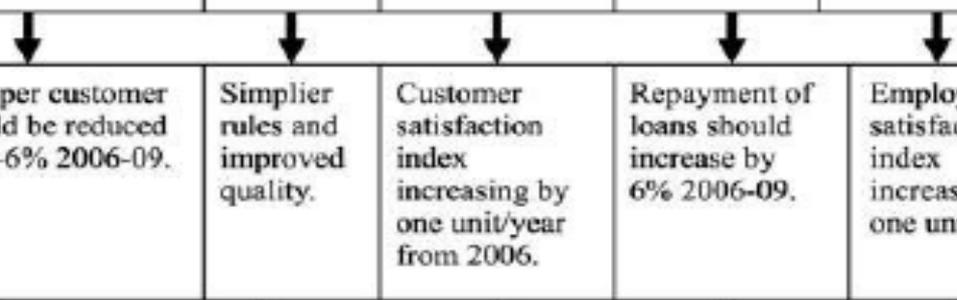
Targets 2007

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Targets 2006

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Action plans 2006



The target map

- “something in between TQM and the balanced scorecard” and emphasised the close link between short-term action plans and targets as an important means of stimulating continuous improvement
- customer-orientated performance indicators introduced as a result of the TQM-inspired change efforts, such as customer satisfaction indexes, also occupy a prominent position as a key target in the “target map

The target map

- “Controls have been better structured over the past year . . . Above all, there is more workshop than talk today. It is largely an effect of [the new the Director-General] as she intervenes more directly and makes things happen.”
- “The difference from the earlier attempts with process orientation in the SNBSA is that it is less of a matter of drawing process maps, which scared a lot of people, than talking about processes and taking this as an overall approach. The focus is now on who the customer”

The situation at the end

- «Our current process thinking is not supposed to result in any re-organisation . . . What we have now is a half-way solution and it is more a matter of describing processes. People never understood the meaning of processes. It has calmed down with [the new Director-General] and it has been a process of maturation.»

The situation at the end

- The initial justifications for the enhanced emphasis on strategic planning and development of the “target map” also made much less reference to fashionable management techniques, but largely pivoted on the need to revitalise the organization after a period of radical and stressful change.
- the strategic planning efforts was the striving to link internal control practices more closely to political priorities embedded in the emerging, citizen-orientated reform agenda.

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The situation at the end

- the “target map” had brought few novel performance indicators into use at the operating level, but that it primarily functioned as a means of structuring strategic planning.
- What is your opinion??

Reference

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Sara Moggi

Email: sara.moggi@univr.it

Università degli Studi di Verona