

The Use of the Business Balanced Scorecard in China: The Impact of Chinese Cultural and Social Context

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ABSTRACT

A wide range of corporations, governments, and non-profit organizations in Western countries have adopted the Balanced Scorecard (BSC). It has proved effective for measuring and improving organizational performance in four distinct factors: financial results, customer satisfaction, the internal business process, and learning and growth effectiveness. Although the BSC has gained substantial popularity in the West, its applicability and usefulness to enterprises of Chinese cultural heritage remain obscure. In this paper, we investigate how the cultural differences affect the implementation of the BSC in China and develop several propositions based on the Hofstede (1980) cultural dimensions and a review of management theories. Further, we suggest how organizations can adapt in order for the BSC to perform successfully in a Chinese cultural context.

Keywords: Balanced Scorecard (BSC), Hofstede cultural dimensions, China

INTRODUCTION

This study explores how Chinese culture affects the implementation of the Balanced Scorecard (BSC). This topic is important because the modernization and profitability of Chinese companies is a major goal of Chinese economic reforms (Lee, 2001). Since state-owned enterprises in China constitute a major segment of the economy, the cultural environment in these enterprises is our major interest of research. In general, the state-owned enterprises have a traditionally conservative cultural environment, one quite different from its Western counterparts. Understanding how Chinese culture affects the implementation of the BSC, therefore, may help Chinese enterprises improve their performance.

While the BSC has proven useful for increasing organizational efficiency and profitability, little is understood about how effective the BSC would be outside its original cultural context. The contribution of the BSC to non-Western companies remains unclear. Thus, the relevance and importance of the BSC to Chinese organizations and economies have led us to initiate this study.

Developed in 1992 by Robert Kaplan and David Norton, the BSC measures companies' performance both from a traditional financial measure and from an innovative, non-financial measure. The BSC measures a company's performance through a balance of four factors: financial results, customer satisfaction, the internal business process, and learning and growth effectiveness. By translating companies' visions and strategies into quantitative operational objectives, the BSC evaluates corporate performance under a combination of financial and non-financial indicators. As a result, the BSC ensures continuous improvement in strategic performances by providing feedback around the internal business processes and external outcomes. As an innovative management methodology, the BSC has received by the American Accounting Association award for "the best theoretical contribution in 1997".

Over the past several decades, many companies have adopted balanced-scorecard methods. Several surveys indicate that the BSC concept is widely used in large companies in the United States and throughout Europe (Speckbacher et al. 2003, p 361). In the United States, more than 50% of the Fortune 1000 companies adopted the BSC to improve their performance (Heaney, 2003). Gumbus and Lyons (2002) report that in Europe, 40 to 45 percent of large companies use the BSC, according by a study released by Bain & Company. In the United Kingdom, 57% of the businesses are reported to use BSCs, and 56% of non-users are discussing possible adaptation of this management approach (Gumbus and Lyons, 2002). The BSC has also been disseminated into governments and non-profit organizations in the States, with the Federal procurement offices, the State of Illinois, and the University of California system as a few examples.

In 1996, the balanced-scorecard concept was introduced to mainland China. Only a handful of applications of the BSC are known publicly. Moreover, the lack of systematic study of this management approach has undercut its popularity in Chinese companies. One of the few studies of this relatively new concept in China is Beiman and Yongling (2003), "BSC methodology in China," a relatively advanced work in this area, with a general introduction of balanced-scorecard methodology. Meanwhile, Chinese entrepreneurs are awaiting a systematic analysis of its applicability and implementation under constraints of the unique Chinese cultural context.

Recent literature on this topic has discussed and evaluated the implementation of the BSC with the goal of remaining consistent with Chinese culture and traditions (Shi, 2008).

Chen et.al (2006) uses the BSC to compare hospital performance between China and Japan and concludes that the BSC is effective for underlining existing problems and identifying opportunities for improvements. However, empirical evidence (including Beiman and Sun [2003]) also suggests that introducing the BSC may create considerable tensions between departments and divisions within the same Chinese organization. Therefore, we believe that before jumping into the implementation stage, it is essential to consider a fundamental question: Is BSC the right management tool within a Chinese cultural context?

The remainder of this paper is structured as follows. Section Two briefly reviews the cultural theories underpinning this study. Next, applicable differences between Chinese culture and American culture are discussed. Section Three explains how the different cultural situation in China will affect the function of the BSC and presents five propositions in response. Finally, Section Four provides a summary, conclusions, suggestions for future research, and limitations of the current study.

CHINESE CULTURAL HEITAGE AND ITS DIFFERENCES WITH WESTERN COUNTRIES

As with most theories in social science, the BSC must be adapted to its contextual use. Hofstede has remarked that "...theories cannot but reflect...national culture." (Hofstede, 1980, p.4) Theories tend to be developed in a culture-bound environment and work best for that specific environment. In the same sense, when the BSC is transferred from one culture to another, it becomes critical for us to understand the institutional and cultural effects on its implementation. Although Nørreklit (2000) argues that it fails to reach the theoretical standard, the BSC cannot be separated from the western culture, the origin of its invention. On the other hand, Chinese culture, characterized by Confucianism and respect for tradition, is fundamentally different from Anglo-American culture.

We can gain a brief understanding of this difference from the societal cultural model developed by Hofstede (1980). Among the four dimensions of societal culture, China is distinct from the United States in three: PDI (power distance), IND (individualism/collectivism), and UAV (uncertainty avoidance). These differences should affect the applicability of measures, criteria, and procedures to adapt the balanced-scorecard methodology to a Chinese context.

Although there is no standard definition of culture, it is widely accepted that culture involves at least three components: people's thoughts, behaviors, and production of material products. Bates and Plog (1990) define culture as "the system of shared beliefs, values, customs, behaviors, and artifacts that the members of society use to cope with their world and with one another, and that are transmitted from generation to generation through learning". Hofstede (1980) defines culture as "the shaping of the mind that distinguishes the members of one group or category of people from those of another." He expresses culture through collective values, norms, traditions, myths and institutions that are characteristics among members of a group. Trompenaars (1994) defines culture from a business perspective as a combination of people, context, human relationships, and leadership. All these interpretations of culture have a common point: culture is not a genetic endowment that people are born with. Rather, it takes shape during repeated interactions of members in a particular group.

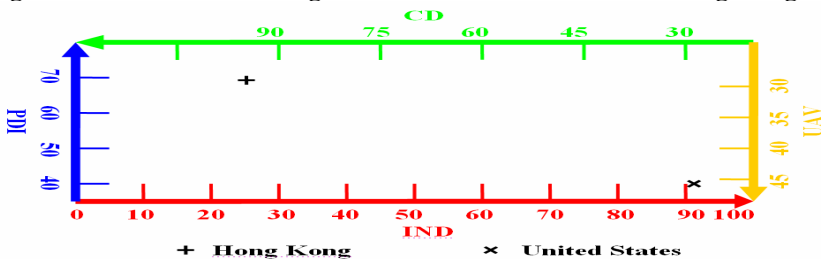
Culture can be examined in different layers, among which are 1) the national level, associated with the nation as a whole; 2) the regional level, associate with ethnic, linguistic, or religious differences that exist within a nation; 3) the gender level, associated with gender differences; 4) the generational level, associated with the differences between different generations; 5) the social-class level, associated with educational opportunities and occupations; and finally 6) the corporate level, associated with the particular culture of an organization (Bates and Plog, 1990). Our study adopts the definition of culture at the national level. We also employ Hofstede’s (1980) categorization of culture to inspect the effect of culture on the use of the BSC in China.

Using an international survey conducted by IBM covering 72 countries and among 116,000 non-management employees, Hofstede et al. (1980, 1988) has compared 53 targeted cultures and concluded their major differences lie in four dimensions: power distance (PDI), individualism vs. collectivism (IND), masculinity vs. femininity (MAS), and uncertainty avoidance (UAV). In addition to these four indices, a fifth dimension was developed in the Chinese Value Survey (CVS). This survey was conducted among people living in geographical regions where Asian values are pre-eminent (Bond, 1988). The fifth dimension arising from this survey is called “Confucian Dynamism” (CD) to reflect the impact of Confucianism and the state of people’s mentality in a certain culture. Table 1 shows the relative scores on five dimensions for selected countries and three religions.

Although Table 1 lacks the indices of mainland China, it still reflects the fundamental differences between western cultures and Asian cultures. A typical Anglo-Saxon culture features low PDI, high IND, high MAS, low UAV and low CD, whereas Asian cultures are characterized by the high PDI, low IND, high MAS, high UAV, and high CD. Taking one sample from each group, the United States and Hong Kong, a four-axis diagram can easily show these fundamental differences. This is presented in Table 2.

As shown in Table 2, the only similarity between the U.S. and Hong Kong is high MAS. Despite this similarity, the remaining four dimensions reflect fundamentally different attitudes and values in the two societies. As Figure 1 demonstrates, the dots “+” and “x”, representing the culture characteristics of Hong Kong and the United States respectively, are in the diagonal line of the rectangle. The great distance between them represents the cultural dissimilarity in all dimensions. Each dimension, in different aspects, is related to the philosophy of the BSC and plays an important role in determining whether the BSC can be incorporated into Chinese culture entirely different from one where it is invented.

Figure 1: Cross-cultural Diagram for the United States and Hong Kong



A close examination of Figure 1 suggests that a lean management style may work better in the United States while a hierarchical management style would perform better in China. Such an examination also reveals differences in the dimensions represented here.

Table 1: Scores on Five Dimensions for Selected Countries and Three Regions in IBM's International Employee Attitude Survey

Country	PDI		IND		MAS		UAV		CD	
	*I	*R	I	R	I	R	I	R	I	R
Australia	36	41	90	2	61	16	51	37	31	11-12
Austria	11	53	55	18	79	2	70	24-25	0	0
Brazil	69	14	38	26-27	49	27	76	21-22	65	5
Canada	39	39	80	4-5	52	24	48	41-42	23	17
Denmark	18	51	74	9	16	50	23	51	0	0
France	68	15-16	71	10-11	43	35-36	86	10-15	0	0
Germany	35	42-44	67	15	66	9-10	65	29	31	11-12
Great Britain	35	42-44	89	3	66	9-10	35	47-48	25	15-16
Hong Kong	68	15-16	25	37	57	18-19	29	49-50	96	1
India	77	10-11	48	21	56	20-21	40	45	61	6
Iran	58	19-20	41	24	43	35-36	59	31-32	0	0
Japan	54	33	46	22-23	95	1	92	7	80	3
Malaysia	104	1	26	36	50	25-26	36	46	0	0
Netherlands	38	40	80	4-5	14	51	53	35	44	9
New Zealand	22	50	79	6	58	17	49	39-40	30	13
Philippines	94	4	32	31	64	11-12	44	44	19	18
Sweden	31	47-48	71	10-11	5	52	29	49-50	33	10
Taiwan	58	29-30	17	44	45	32-33	69	26	87	2
United States	40	38	91	1	62	15	46	43	29	14
Regions:										
East Africa	64	21-23	27	33-35	41	39	52	36	25	15-16
West Africa	77	10-11	20	39-41	46	30-31	54	34	16	19
Arab Ctrs.	80	7	38	26-27	53	23	68	27	0	0

*I: Index

*R: Rank Number: 1=Highest; 53 = Lowest (For Confucian Dynamism: 20= Lowest)

Table 2: Scores on Four Dimensions for U.S and Hong Kong

Country	PDI	IND	UAV	CD
Hong Kong	68	57	29	96
United States	40	62	46	29

Power Distance

Power distance reflects “the extent to which the less powerful members of organizations and institutions perceive that power is distributed unequally” (Hofstede & Peterson, 2000 P401). It suggests the degree by which a society accepts hierarchical organizational structures and unequal distributions of power. It is unrealistic for a society to have zero power distance, which essentially means everyone is exactly equal or perceived as equal. It is common that a society has preference, due to historical, economic, and political reasons, to either high or low power distance. Comparing to the United States, the power distance in China is large. This difference can be easily reflected from a comparison between a Chinese proverb, *Let the emperor be an emperor, the minister a minister, the father a father and the son a son*, and the phrase from the *American Declaration of Independence: All men are created equal*.

Typical Chinese organizations are characterized by a greater centralization of power, great importance placed on status and rank, a large proportion of supervisory personnel, a rigid value system that determines the worth of each job, and the bypassing of subordinates in the decision-making process (Hofstede 1991. p37). The relation between boss and subordinate is strictly ruled and highly dependent on the boss’s decisions. Employees accept those decisions from their supervisors rather than take an active role in forming decisions. Meanwhile, managers only tell their subordinates what to do, without telling them why. Managers view the information crucial for making decisions as an inviolable privilege restricted to the management level. In addition, employees express positive emotions to superiors and negative emotions to subordinates.

Individualism

Individualism/collectivism describes the degree to which the society reinforces individual or collective achievement and interpersonal relationships (Hofstede & Peterson, 2000 P401). In an individualistic society such as the United States (highest score and 1st rank), ties between individuals are loose, and people highly value personal goals, initiative, autonomy and privacy. However, in a collective society such as China, people are integrated into strong, cohesive social groups. Collectivist cultures strongly emphasize groups and think more in terms of “we”. People do not merely speak for themselves; they represent their extended families, their communities, and even their countries. People consider the wealth of the company and the groups inside are more important than the individuals. Consequentially, harmony is the highest priority of a group, and consensus is the ultimate goal of the society. The relationship between employers and employees or business partners is based on trust and harmony (*guan*

timing) and a deep understanding of moral values. To maintain harmony with all, it is a taboo to make people lose which means disagreeing with them in public. Thus, instead of directly saying “no,” people use indirect expressions or phrases to describe a disagreement or negative statement. .

Usually a collective society is a society of high context. High context refers to societies or groups in which people have close connections over a long period of time. Avoidance of direct conflicts and disagreements create this high context, and such a society uses covert and implicit messages to communicate. Therefore, it is difficult, if not impossible, for outsiders to understand the social norms undisclosed in the daily language.

Masculinity

Masculinity/femininity reflects how cultures differentiate between gender roles (Hofstede & Peterson, 2000 p.401). Masculinity stands for a society in which social gender roles are clearly distinct: men are assertive, tough, and focused on material success, and women are supposed to be more modest, tender, and concerned with the quality of life. By contrast, “Femininity stands for a society where gender roles overlap: both men and women are supposed to be modest, tender and concerned with the quality of life (Hofstede, 1994).” Both the United States and China are masculine cultures. Members of these cultures have a tendency to polarize and value scale and efficiency. In workplaces, employees emphasize their work to a great extent, and they admire achievers who accomplish their tasks. This is the only similar dimension between the American and Chinese society, and the only factor which does not require the adjustment of the BSC.

Uncertainty Avoidance

Uncertainty avoidance indicates the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations (Hofstede & Peterson, 2000 P402). Uncertainty is “the extent to which people within a culture are made nervous by situations which they perceive as unstructured, unclear, or unpredictable, situations which they therefore try to avoid by maintaining strict codes of behavior and a belief in absolute truth (Hofstede, 1991 P131).” Table 3 shows how strong and weak UAV cultures differ from each other on various UAV dimensions as per Chinese Value Survey (CVS) discussed earlier.

Table 3: Differences in the Strong vs. Weak Uncertainty Avoidance Dimensions

Dimensions	Strong UAV	Weak UAV
Tolerance of ambiguity/vagueness/ imprecision	Low	High
Risk-taking	Low	High
Emphasized role of managers	Authoritarian	Coordinator
Employee autonomy	Low	High

Chinese culture has high uncertainty avoidance. The proverb “*The past is as clear as a mirror, the future as dark as lacquer*” expresses their aversion toward uncertainty. Another indicates the Chinese tradition of uncertainty minimization: “*Beforehand*

preparation leads to success; lack of preparation results in failure.” Uncertainty relates tightly to risk.

Chinese people, generally speaking, are risk-averse. While most westerners are impressed by the popularity of Mah Jong, a Chinese gambling game; most Chinese play it for entertainment rather than gambling. In an organization culture with strong uncertainty avoidance, employees expect specific instructions to achieve a clear goal. They are used to following a detailed checklist of rules or regulations. Managers are expected to know everything in order to guide subordinates and eliminate uncertainties. For example, when encountering a technical problem, a team of Chinese engineers will report to their group manager and wait for instructions even though they know the right solution. The strong preference for avoiding uncertainty trades employee initiatives and time efficiency for a minimized uncertainty and responsibility. To some extent, such high uncertainty avoidance explains the necessity of the hierarchical structure, the centralized management style, and the relative inflexibility of Chinese organizations.

Confucian Dynamism

In an attempt to explain the rapid economic growth in many Asian countries, Confucian Dynamism (CD) describes preferred values by countries in which Confucianism is taught. This dimension categorizes the particular sets of values promoted by Confucian teachings into two groups: values that are relatively important for the economic development and values relatively unimportant for the economic development. Persistence, status obedience, thrift, and senses of shame are seen to be important values for economic development, while personal stability, face protection, respect for tradition, and reciprocation of greetings, favors, and gifts are not important for economic development. China scores highly in the CD dimension while the United States is on the lower side.

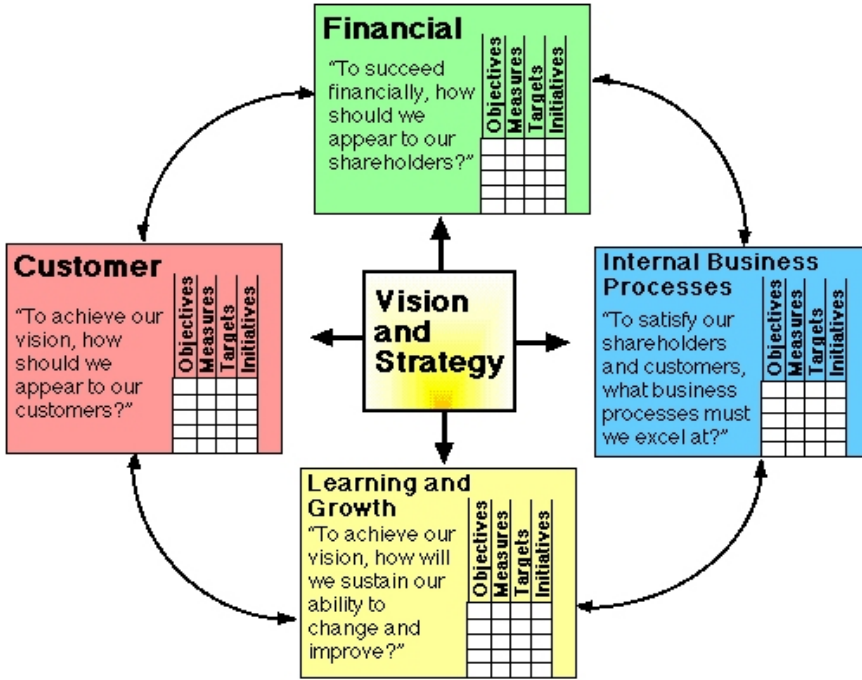
From the perspective of westerners, these values may not be absolutely right or relevant; however, certain societies prefer them, and they are held broadly among entrepreneurs and future entrepreneurs, employees and managers, and different organizations (Hofstede, 1988). Hofstede further notes a cause-and-effect relationship between Confucian Dynamism and the fast economic development of certain countries.

IMPACTS OF CULTURAL DIFFERENCES ON THE BSC

As a performance management system, the BSC translates an organization’s vision and strategies into a set of performance objectives among four measures: financial, customer, internal business processes, and learning and growth. The financial measure continually emphasizes financial data. The customer measure focuses on customer satisfaction. A poor performance from this measure indicates a declining future competitiveness even for those making profits. The internal business processes measure enables managers to understand how well their business is running and whether the products and services conform to customer requirements. The learning and growth measure fosters employee training and the self-improvement of both the organization and its employees. By collecting and analyzing data about these four measures, managers can

monitor an organization's current performance and work towards a sustainable improvement in the long run. Figure 2 illustrates how the BSC functions.

Figure 2: The Mechanism of the Balanced Scorecard



Internet Source: <http://www.balancedscorecard.org/basics/bsc1.html>, accessed March 2009.

The central idea of the BSC is simple: No single objective or indicator is sufficient to illustrate an entire organization's performance. Managers need information from various performance measures to obtain an objective and balanced view about the organization's strengths and weaknesses. For the "balance" aspect of this concept, no resistance will arise from the Chinese culture. Traditional Chinese philosophies advocate a state of balance and equilibrium. Best known for its theory of Ying and Yang, Taoism teaches that humans ought to remain in balance with the nature. A general belief in Taoism, as well as in Chinese culture, is that a state of equilibrium produces harmony; evil results from imbalance and comes to those who cause it. The basic law governing the universe is that everything is interrelated and interacts with everything else. These beliefs are deeply rooted in Chinese society and deeply influence thought and behavior. One example is the current policy of urban planning which employs a harmony-oriented development strategy. Obviously, Chinese society is a friendly environment for the concept of "balance". Hence, the first proposition is:

Proposition 1: Chinese culture with an equilibrium mentality embraces the implementation of the BSC.

While proposition 1 suggests that China would embrace the implementation of the Balance Scorecard, the influence of Chinese culture on the use of the BSC is far from simple. Developed in the United States, the BSC methodology is built upon several management theories widely accepted in the western society but that may not be applicable in the Chinese culture.

First, the BSC methodology is tailored to a decentralized and divisional organizational structure. Focusing on strategic objectives and monitoring performance and progress, a tightly-designed management style works side-by-side with this structure to ensure its efficiency. Such an organizational structure and management style were created in 1920s by Alfred P. Sloan, an American industrialist and one of the dominant figures in American business history. By the end of the World War II, Sloan's method had become the de facto standard model for managing large corporations throughout the western world. Along with this decentralized structure is a system of systematic strategic planning and managerial accountability, which is also essentially required by the BSC methodology.

Second, the BSC incorporates the concept of Total Quality Management (TQM), developed by W. Edwards Deming, an American statistician and the "quality" pioneer. TQM is "a system of continuous improvement employing participative management and centered on the needs of customers" (Jurow & Barnard, 1993). This principle encourages continuous improvement, both internal and external, by promoting employee involvement and training, team coordination, and long-term goals and planning. TQM requires a feedback loop to identify the defects caused by systematic variations and to ensure the continuous improvement of product quality. The BSC follows the TQM principle by emphasizing non-financial measures such as customer satisfaction and learning and growth. In addition, the BSC adopts feedback loops around both the internal business process outputs and the outcomes of business strategies. Actually, this is one major characteristic of the BSC: a "double-loop feedback" process (Kaplan, 1996 P16).

Finally, the BSC embraces the measurement-based and fact-based management methods. These methods are based on the following principles advocated by Halachmi (2005, p.503): "if you cannot measure it you do not understand it; if you cannot understand it you cannot control it; if you cannot control it you cannot improve it." Metrics employed in the BSC are thus the key criteria to gauge business performances. They provide strategic feedback to show the present status of the organization from many measures for decision makers; offer diagnostic feedback into various processes to guide improvements on a continuous basis; predict trends in performance over established criteria; indicate the utility of the measurement methods and the metrics themselves; and quantify inputs to forecasting methods and models for decision support systems.

Without relevant and accurate facts, measurement-based management is unlikely to function properly. Measurement-based management and fact-based management need to go hand in hand. The 1997 Baldrige Criteria booklet explains the concept of fact-based management as follows:

A major consideration in performance improvement involves the creation and use of performance measures or indicators. Performance measures or indicators are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. The measures or indicators should be selected to best represent the factors that lead to improved customer,

operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or company performance requirements represents a clear basis for aligning all activities with the company's goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

These management theories have several fundamental beliefs and perspectives in common. Table 4 summaries the basic beliefs and perspectives that pertain to the organizational characteristics under various aspects of the organization.

Table 4: Western Beliefs in Management Theories

Category	Characteristic	Fundamental Belief
Organization Mission	Customer Oriented	Respect for human beings and human needs.
Organization Structure	Divisional	Specialization that brings economics of scale
	Impersonal	Rules and regulations that help reduce ambiguity and eliminate uncertainties
	Systematic	The agency form relationship necessitates monitoring, controlling and reviewing of activities
Organization Culture	Democratic	Belief that all men are created equal.
	Initiative	Human domination of nature.
Importance of Data	Objective	Quantitative analysis to help discover existing problem and eliminate future ones.
Communication	Direct	A direct communication style to reduce ambiguity and increase efficiency.
Competition	Fostered	The survival of the fittest.
Attitude	Positive	Loving one's job

The beliefs and perspectives shown in Table 4 are deeply rooted in Anglo-American societies such as Australia, Great Britain and the United States. "They not only shape organizations, in terms of characteristics such as formalization and centralization, but they are evident in the daily behavior of managers and employees in these societies." (Martinsons and Davison, 1996) These fundamental beliefs and perspectives shape the proper function of the management accounting/controls in western organizations.

Applied to BSC, Table 5 summarizes the fundamental beliefs that pertain to the organizational characteristics under the four BSC performance measures. Because of cultural differences, a few of these beliefs are accepted by Chinese culture. For example, the high UAV fosters strict rules and regulations but hampers the nationwide revolution

for decentralizing the state-owned organizations in China. A tendency to maintain harmony, at least on the face value and resistance to rapid changes are the tradition of Chinese culture. This factor helps to explain the underdevelopment of management science in China as well. Therefore, the implementation of the BSC in China requires that fundamental belief differences be taken into consideration.

Table 5: Fundamental Beliefs in the Balanced Scorecard

Category	Characteristic	Fundamental Belief
Financial Results	Profit-oriented	Maximized profits.
	Public involvement	Belief in “Go public. Use others’ money. Take responsibility towards society.”
	Economic of scale	The bigger, the better.”
Customer Satisfaction	Customer Oriented	Respect for human beings and human needs.
	Market driven	
	Brand loyalty	Buying from trusted sources.
Internal Business Process	Divisional	An economics of scale through specialization.
	Impersonal	Reducing ambiguity and eliminating uncertainty through rules and regulations.
	Systematic	The agency form relationship necessitates monitoring, controlling and reviewing of activities
	Democratic	Belief that all men are created equal.
	Initiative	Human domination of nature.
	Objective	Discovering existing problems and eliminating future ones through quantitative analysis.
	Direct communication	Reducing ambiguity and increasing efficiency by means of a direct communication style.
	Fostered competition	Survival of the fittest.
	Positive attitude	Loving one’s job.
	Mutual commitment	Growing together.
	Procedural	Recognizing that processes make things work.
Creative	Maintaining a competitive edge.	
Learning and Growth Effectiveness	Diversify	A rapidly changing market.
	Frequent merge	Using shortcuts in order to specialize.
	Review process	Never making the same mistake twice.
	Competition-based growth	Being better rather than dominating.

Built upon the fundamental beliefs presented in Table 5, John Hobson of The Planning Factory Ltd. identifies eight key factors that could determine the success of the BSC: develop and communicate the strategy, flexibility, data availability, visibility, adjustment to individual requirements, data security, analytical facilities, and fast implementation (see <http://www.planfact.co.uk/balance.htm>, accessed May 2005). Among these factors, five are closely related to the culture dimensions and directly affected by the unique cultural differences in China.

Develop and Communicate the Strategy

The first objective of the BSC is to communicate organizational strategies to all employees. An effective channel to communicate corporate strategy through objectives and measures is essential for the success of the BSC. Organizations need advanced planning to set practical objectives; meanwhile, these objectives have to be articulated and communicated throughout the organization. The hierarchical management style in China favors a long-term and cautious planning to reduce uncertainties. Decision-makers, as well as managers, are highly risk-averse. They view planning as a way to reduce uncertainty and lower risk. As a matter of fact, the proverb “Beforehand preparation leads to success; lack of preparation results in failure” reveals the great extent to which Chinese people value planning. Therefore, the hierarchical management style in China may facilitate the planning and communication of corporate strategies. This leads to the second proposition:

Proposition 2: Planning and communication of strategies to implement the BSC in China would most likely be facilitated by the dominant management style in China.

Flexibility to Change Measures

Breaking down a strategy into useful measures is a continuous, complicated, and dynamic process. Finding the right measures is a difficult challenge. For example, one measure thought to be important might end up being a derived indicator. For a strategic target such as “employee satisfaction,” the measure, “employee retention” could be a derived trend, while “sickness and absentee” may be a much more accurate and appropriate measure. Furthermore, the right measures today may not be appropriate metrics for the next quarter. It is essential that the BSC automated solutions handle this dynamic environment and adapt as the business and business conditions change. However, high uncertainty avoidance does not welcome changes, especially the unplanned and unexpected ones. Employees view changes as a threat to their established positions and power, if any, and it takes longer time for them to adjust the new environment than employees in a society of low uncertainty avoidance. This leads to the third proposition:

Proposition 3: Implementation of the BSC in China would most likely be resisted unless the cause-and-effect relationship has been clearly identified and approved.

Data Visibility

To be most effective, the BSC application must be extremely visible to all employees. Management must see that the BSC becomes ingrained in company culture to influence employee behavior and activities. Acceptance is also a key component of this strategy. The employees responsible for generating and feeding the BSC application must understand how that data drives key indicators. In addition, employees must understand how their activities will affect those. This factor is constrained in China by high power distance and a hierarchical management style. Chinese managers may view data and information as symbols of high status and keep them tightly in hand. They tend to discourage the widespread of useful data and information. This leads to the next proposition:

Proposition 4: Implementation of the BSC in China would most likely be resisted due to the data transparency and visibility.

Data Security

A BSC will often include confidential data, access to which must be limited based on title or responsibility. Potentially, this can cause conflicts in areas such as benchmarking across organizational levels. A well-considered BSC application provides a flexible security system based on individual user profiles with multiple levels of security. This security function permits some employees full access to all data. Other users might have their access limited to certain levels, certain measures, or even certain products. In a high PDI culture such as China, the security of data could be more easily safeguarded because of greater centralization. This leads to the fifth proposition of this study:

Proposition 5: Implementation of the BSC in China would most likely be facilitated through easier data security.

Adjustment to Individual Requirements

Obviously, different employees and departments will have different focus areas. A well-conceived BSC application presents different measures for different departments as well as different managerial levels. What is more, the BSC application must enable all employees to compose their own personal BSCs that contain overall organization measures as well as personal and departmental measures. It should also be possible to compose a BSC of measures from across the organization like “New Customers “in all divisions. However, Chinese society is collectivist. Group needs or collective needs have a much higher priority than individual ones. It may be easy to design departmental and organizational measures and BSCs; while the personal measures and scorecards are unlikely to be addressed. Therefore, the next proposition is:

Proposition 6: Chinese collectivist culture does not value the individual requirement in a high priority and tends to resist the adjustment to individual requirements to implement the BSC.

SUMMARY, CONCLUSIONS, AND LIMITATIONS

The analysis in the previous section showed the mixed effects of Chinese culture on the implementation of the BSC. It is highly likely that the same cultural characteristics may coalesce well with one aspect of the BSC methodology but conflict sharply with other aspects. High uncertainty avoidance, for example, facilitates the development and communication of the corporate strategies and eases the information flow and correct comprehension of the objectives that the BSC requires. Meanwhile, such high uncertainty avoidance resists rapid and unforeseen changes in an organization, although these changes are essential for the efficiency of the BSC.

As China becomes more involved in the global economy, its culture is changing correspondingly. Especially after China's accession into the World Trade Organization, the competition between the foreign companies and the state-owned enterprises (SOE) and other private companies are much more direct and fierce. This crucial competition forces Chinese organizations to be more open to the advanced Western management methods. The Chinese government is promoting a Modern Enterprise System in the state-owned sector to improve their efficiency and profitability. The SOEs, the major and most important participants in the Chinese economy, are disconnected from departments of the party and the government. Efforts are being to induce diversified ownership, reduce the bureaucracy, reduce excessive redundancies and reemployment, and establish a systematic, scientific and standardized management of organizations. As a result, the cultural environment required by the BSC is also necessary for the economic reform in China.

While the cultural dimensions have a tremendous impact on the success of the BSC, it may, once is implemented also cause a gradual change of the organizational culture. Hence the influence of the cultural dimensions lies primarily in their initial resistance. Farh and Cheng (2000) find that paternalistic leadership is rather prevalent in Chinese organizations. Paternalistic leadership can be broadly understood as a father-like leadership style that is characterized by authoritarianism, benevolence, morality and integrity. Organizations with paternalistic leadership would emphasize stability, respect for authority, and following rules and regulations. Apparently, this type of organizational culture results directly from Chinese cultural distinctives. No evidence proves that such an organizational culture can easily adapt to new management theory and method.

The nature of the interactions between the cultural dimensions and the BSC methodology is complicated. Just as a new immigrant needs to make adjustments to the new environment, the adoption of the BSC in a Chinese context also requires adjustment. The goal of the adjustments is to eliminate the resistance of the culture dimensions in favor of an effective implementation of the BSC.

Chinese companies must begin to realize that they must either adopt the advanced management method, which focuses on profit and efficiency, or be defeated by their foreign competitors. Regarding the external environment, now is an excellent time for companies to promote the notion of competition and the fundamental beliefs previously presented in Table 4. Specific suggestions for the implementation of the BSC in China could include:

- (1) A restatement of the organization mission focusing on customers and market.
- (2) A re-design of the organizational structure, easing the information flow and decision-making.

- (3) A specific set of rules of the rewards and punishments system, specifying the responsibility of employees at each level of the BSC.
- (4) A well-planned, step-by-step implementation of the BSC. The introduction of the BSC needs careful planning. For example, a training program about Western management and its benefits can be carried out to build up the proper environment first.

In summary, whatever specific adjustments an organization will choose for the BSC, the top management needs to keep cultural differences in mind and be aware of their effects during and after the implementation of the BSC. This process is constant and ever-changing, and persistent effort is required for the success of the BSC in China.

Meanwhile, managers should be aware that, in addition to cultural differences, other factors may as well affect the implementation of the BSC. An earlier study by O'Connor et al (2004) has hypothesized nine factors, including cultural norms which either encourage or resist Western management accounting/controls in China's state-owned enterprises during economic transition. The other eight factors need also be taken into consideration for the implementation of the BSC.

- (1) Use of limited-term employment contracts.
- (2) Intensity of market competition.
- (3) Organizational joint venture experience.
- (4) Stock exchange listing.
- (5) Extent of being subject to government influence.
- (6) Organizational size.
- (7) Age of organizations.
- (8) Availability of training.

Several limitations of the study need to be noted. This study uses Hong Kong in place of China to develop propositions assumes that the two countries have similar cultures. While this may not be the case (Hong Kong was a colony of the United Kingdom until recent years), it does show that the cultural differences could even be higher between China and Western countries. Also, Hofstede cultural dimensions may not necessarily measure national differences, since his study was conducted at an organizational level using branches of a foreign company (IBM). In addition, several other criticisms of the Hofstede's study are as follows:

- Surveys were not independently administered.
- Surveys were completed in groups without confidentiality safeguards.
- Respondents knew of possible consequences of their answers for them; therefore, there is a possibility of "gaming."
- Only marketing and sales staff were involved, and responses of blue collar workers were excluded.

Still, Hofstede's study does show that even within the branches of a foreign company, there are differences on these cultural dimensions among branches in different countries. Therefore, at the national level, one should expect higher differences on these cultural dimensions among studies of various countries.

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