

## ABSTRACT

Lipe and Salterio (2000) found that managers utilized common measures and disregarded unique measures in their performance evaluations of their subordinates using the Balanced Scorecard (BSC); i.e. that common measure bias exists. This undermines the usefulness of the BSC, since common measures are lagging measures in which managers have no control of. Thus, if managers do not use unique measures, which are leading measures, in performance evaluation, companies will not get the full benefit from adopting the BSC. This study examines whether involvement in the development process of the BSC helps managers improve judgment by integrating both common and unique measures in their performance evaluation of their subordinates. I conduct two experiments. The first experiment explores whether involvement in the development of the BSC helps reduce common measure bias. Results show that when participants are involved in the development process of the BSC, they tend to incorporate more of the unique measures into the performance evaluations of their subordinates. The second experiment explores the conditions when every participant has equal involvement in the development of the BSC, but differs in the degree of their choice being received in the final version of the BSC used for performance evaluation. I manipulate three levels of participant's choice received: (1) participants receive all the choices that they choose; (2) participants receive half of the choices that they choose; and (3) participants do not receive the choices that they choose at all. Comparing to the condition whereby participants do not have any involvement in the development of the BSC, results show that participants tend to use both common and unique measures, regardless of the degree of their chosen choices being received. Further analysis of the different degrees of choice received shows that when participants are involved in the development process of the BSC and they receive all or some of the choices that they choose, they tend to base their performance evaluations on both common and unique measures. However, when participants receive none of their chosen choices, there is no difference between the performance evaluations of this condition and the condition when participants do not have any involvement in the development of the BSC.