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The Balanced Scorecard

The Key to Effective Strategic Management

Josiah Grimm

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____
George Young, Ph.D.
Thesis Chair

____
Gene Sullivan, Ph.D.
Committee Member

____
Stephen Bell, Ph.D.
Committee Member

____
Brenda Ayres, Ph.D.
Honors Director

____
Date

Abstract

The intent of this paper is to define the importance of the balanced scorecard in the strategic management process. The need for the balanced scorecard will be established by explaining the roles of demand shifters, traditional management accounting, Senge's concept of a learning organization, and the strategic management process. This will involve detailing the stages of the strategic management process and connecting them to the various aspects of creating a balanced scorecard. Ultimately, the goal of the balanced scorecard is to translate the overarching strategy into specific actions that can be implemented throughout the organization. Lastly, other strategic applications of the balanced scorecard will be identified and explained.

The Balanced Scorecard: The Key to Effective Strategic Management

Strategic management represents one of the most important activities for any organization. The process of formulating, implementing, and evaluating strategy should be an ongoing activity that enables the organization to meet the ever-changing demands of the marketplace. However, many companies fail to apply their strategies in a way that is meaningful to all levels of the organization. Details about the strategy are often left undefined, which means that the strategy never fully moves beyond the executive level and does not materially affect the way that the firm operates. Furthermore, those companies that are able to create meaningful strategies frequently struggle to effectively measure their performance because they continue to use traditional management accounting methods, which are too narrowly focused. For this reason, Kaplan and Norton's performance measurement framework known as the balanced scorecard should be a vital component of strategic management for any organization. It works to translate the strategy of the organization into specific goals and actions that contribute to the achievement of the strategy. Firms using a balanced scorecard to implement strategy should seek to develop objectives, map their strategy, determine measures, define targets, design initiatives, and allocate resources. In addition, there are other applications of the balanced scorecard that could be integrated with various managerial theories in order to improve overall organizational performance. Therefore, the balanced scorecard should be regarded as an essential framework within which organizations should perform the strategic management process.

The Demand Shifters

Change is inevitable for all organizations. In the words of Kotler, “Our only certainty is that things will change” (2000, p. 6). Gaining a competitive advantage in the modern economy requires that organizations stay ahead of the curve by anticipating changes in demand in the marketplace. Fifteen years ago, Kotler identified shifting demographics, an explosion in entertainment, new media, and the importance of brands as the major trends embraced by the millennial generation (2000, p. 6). Those companies that recognized these changes in demand and created strategies to account for them are the ones that have been able to grow immensely over this period. Such changes in demand establish the need for a strategic management process. In fact, the method by which an organization chooses to meet the changing demand of the market forms the heart of its strategy. Companies that are flexible in shifting their focus, techniques, and goals to meet the changing demand are, according to Kotler, truly applying the basic concepts of marketing to their strategy (1972, p. 46). Responding to changes in demand enables the firm to increase its sales and ultimately meet its financial goals, both of which make up the primary purposes of strategic management and the balanced scorecard.

Demand can be shifted by a number of different factors in the market, whether they are changes in consumer preferences, technology advancements, legal or environmental regulations, to name a few (David, 2013, p. 63). These forces, according to David, “translate into changes in consumer demand” and “affect the types of products developed, the nature and positioning of market segmentation strategies, the type of services offered, and the choice of businesses to acquire or sell” (2013, p. 63). Identifying the demand shifters early on will allow the organization to develop strategies that can

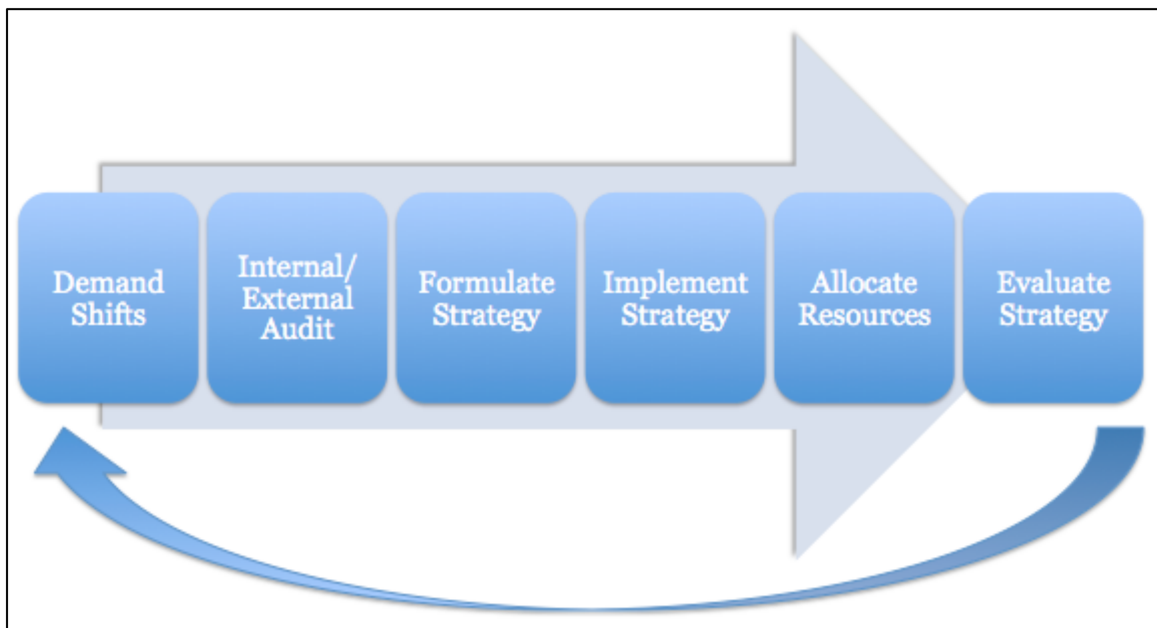
meet the demand and achieve the firm's long-term objectives. Understanding the changes in the demand side of the equation enables the organization to accurately assess what needs to be done on the supply side, which shapes the products and services that the organization delivers to the customer (Desiderato, 2011, p. 30). The activity of analyzing and responding to the demand shifters in the firm's environment should be performed continually over time, because it sets the foundation for implementing strategy.

Strategic Management

According to strategy expert Michael Porter, strategy is defined as the creation of a unique and valuable position in a competitive environment, which involves choosing distinct sets of activities relative to those of the competition (1996, p. 4). Strategic management, then, is the process of enabling the organization to achieve the goals set forth by the strategy. As the "concept of the firm's business" (Ansoff, 1965, p. 103), it involves setting the direction of the firm in the midst of a competitive environment where firms must make choices about how to position themselves in order to survive and thrive (Rumelt, Schendel, & Teece, 1991, p. 6). The way that a firm chooses to integrate its choices about its goals, the kinds of products and services it will offer, its scope and diversity, and its organizational structure is what makes the firm's strategy (Rumelt et al., 1991, p. 6). According to David, strategic management is "the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives" (2013, p. 5). It creates an objective, systematic, and logical approach to be used in decision-making, utilizing various tools to analyze the internal and external environment (Jeffs, 2008, p. 13). As an objective plan for accomplishing company goals, strategic management does not allow decision-making to

be based on the subjective opinion of a single executive or small group of decision makers. Instead, it integrates intuition, research, and careful analysis into decision-making and focuses on growing the total enterprise (David, 2013, p. 7). Most importantly, it takes a long-term perspective that focuses on organizational growth and the ongoing creation of value (Amason, 2010, p. 7).

Figure 1: Strategic Management Framework (adapted from David, 2013, p. 14)



The strength of strategic management is that it systematically enables the organization to meet the changing demands of the market. It is a continual process that converts the firm's functions into specific actions that will fit consumer demand while using the limited amount of resources available to the company (Amason, 2010, p. 2). Having a clear strategy combined with an insightful knowledge of the environment allows the company to initiate and influence rather than just respond and react to the many factors impacting the company's environment (David, 1986, p. 49). When demand changes, organizations will need to take a strategic management approach in order to

formulate, implement, and evaluate the strategy that is going to address the new demand. Each company should adopt a unique approach to creating its strategy, which should include creating a competitive advantage by choosing a specific set of activities to deliver value to the customer (Porter, 1996, p. 8). The method by which the organization elects to address the demand shifters will be the basis for the company's long-term strategy.

Despite the importance of strategic management in any organization, there are frequently major challenges in trying to apply its principles. Most often, strategy formulation remains a strictly high-level function of the management team and never makes its way throughout the organization (Simerson, 2011, p. 152). The changes proposed by the strategy are difficult to implement in a meaningful way, that is, in a way that really drives the organization toward its vision for the future. Former strategic goals may still be in place and competing for the organization's resources. The old way of doing things may have become ingrained in the culture of the organization and will be difficult to change overnight in order to set the organization on the path toward its new strategy (Simerson, 2011, p. 152). Additionally, Grundy writes, "Many strategies get decided on and implemented even without satisfactory testing for implementation feasibility" (2012, p. 214). Sometimes strategy formulation is too far removed from implementation, leaving those responsible for the actions of the organization without clear direction as to what needs to be done. A survey showed that three out of five respondents rated their own organization as weak at executing strategy, answering "no" to the statement, "Important strategic and operational decisions are quickly translated into action [in my organization]" (Neilson, Martin, & Powers, 2008, p. 143). For these reasons, there is an obvious need for a framework around which organizations can base

their entire strategic management process and which will also help transform the strategy into meaningful action.

This is where Kaplan and Norton's idea of the balanced scorecard becomes critical. If strategy is "a collection of related, reinforcing, resource-allocating decisions and implementing actions" as Rumelt et al. define it (1991, p. 7), then a strategy framework designed for monitoring this process is vital to a firm. The balanced scorecard, which will be described in further detail, is crucial for organizations that need to align their actions with the set of decisions they have made about their strategy. Additionally, it is essential in creating goals for the firm and then measuring organizational performance in relation to each of these goals. By utilizing the balanced scorecard throughout the strategic management process, firms will be much more prepared to effectively formulate, implement, and evaluate strategies that are meeting the changing demands of the market.

Traditional Management Accounting

Although accounting is still considered the language of business, there are a number of ways in which it is not adequate for implementing strategy or measuring performance in organizations (Kaplan & Norton, 1996, p. 21). Davis and Albright observe that the early 1980's saw management accounting research demonstrate the irrelevance of traditional control practices (2004, p. 135). This was due to such weaknesses as the inability to link performance measurement to strategic initiatives, an emphasis on external accounting, and the failure to recognize technological advances (2004, p. 135). The planning, control, and performance measurement functions of such traditional systems did not adequately address the changing environments of

organizations, as they focused strictly on financial performance (2004, p. 136). This was the essence of Johnson and Kaplan's influential work, *Relevance Lost*, which began, "Today's management accounting information, driven by the procedures and cycle of the organization's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions" (1987, p. 1).

Nixon and Burns discuss additional problems with strategic management accounting (SMA), saying that it does not adequately address the most significant aspects of strategic management: change, organizational resources, and innovation, among others (2012, p. 236). They say that SMA literature is filled with a structural, formal approach that assumes the environment to be stable and predictable (2012, p. 236). However, demand in the marketplace is constantly being shifted according to various changes in the external environment, and so a structural approach to the measurement of performance in an organization full of moving parts will not be sufficient. For all of these reasons, performance measurement systems must be able to address changes in demand while also accomplishing the goals of strategic management.

Systems Thinking and the Learning Organization

One final detail that must be discussed regarding the role of strategy in an organization is what Peter Senge calls the "Fifth Discipline" of learning organizations: systems thinking (1990, p. 14). As he points out, lofty vision alone does not enable an organization to achieve what it has set out to accomplish. Rather, he promotes the discipline of systems thinking, which creates a conceptual framework around which the organization can build itself. This helps turn the company into a learning organization, one that is "continually expanding its capacity to create its future" (Senge, 1990, p. 14).

Systems thinking is helpful in that it converts the various subtle characteristics of the organization into a coherent body of knowledge that shows how all parts of the organization interrelate (1990, p. 12). It is, in the words of Caldwell, "concerned with disclosing the universal 'feedback structures' of system change and organizational learning" (2012, p.146). Senge further explains that it enables the organization to see itself as a whole, to look for patterns of change, and to see interrelationships between its various parts (1990, p. 68). It is critical that the firm understands that it is not a static, closed structure but rather a collection of systems that are exposed to changes both inside and outside of the organization's control (Caldwell, 2012, p. 150). In order to be a true learning organization, however, a firm needs to have feedback mechanisms in place that can identify areas for growth and learning while also correcting negative actions. This kind of framework would be crucial in linking the organization's competencies and strategies with the external environment so that the firm would be constantly learning and improving in response to the changing marketplace.

The balanced scorecard accomplishes this by creating various opportunities throughout the strategic management process for the firm to evaluate itself and its strategy. In fact, Kaplan and Norton's design of the scorecard includes a learning and growth perspective for the purpose of enabling the organization to meet its objectives by continually adding to its knowledge and capabilities (1996, p. 126). Also, the evaluation stage of strategic management lets the firm reconsider the assumptions underlying its strategy and find new solutions to fresh demands in the market. Lastly, the way in which the scorecard is balanced allows management to study the organization as an entire system, one that constantly interacts with its internal and external environment.

The Balanced Scorecard

The balanced scorecard is perhaps the most influential performance measurement tool to emerge in the modern era, because of its intentional implementation of strategic management in a marketplace full of changing demands. Created by two Harvard Business School professors, Robert S. Kaplan and David P. Norton, it has revolutionized the way that organizations measure and review their performance. What makes the balanced scorecard so distinct is that it examines performance from a number of different perspectives. It is "balanced" because it does not focus too much on financial performance or mere short-term objectives (Kaplan & Norton, 1996, p. 10). Instead, it looks across the organization to assess performance in four main areas and uses specific objectives and metrics to trace its execution in those areas. The overall impact of these objectives and metrics is that organizations are better able to align their specific actions and objectives with the overarching strategy of the company (Kaplan & Norton, 1996, p. 10). The balanced scorecard is therefore a performance measurement tool that is essential for firms to utilize in order to implement strategy successfully.

The goal of the balanced scorecard is fundamentally the same as that of systems thinking, which is to adopt a more holistic approach to understanding the organization and its strategy and then to translate that strategy into a series of significant actions. Senge writes, "While accounting is good for 'keeping score,' we have never applied the subtler tasks of building organizations, of enhancing their capabilities for innovation and creativity, of crafting strategy and designing policy and structure through assimilating new disciplines" (1990, p. 11). In other words, there is a need for firms to focus on organizational knowledge in a way that cannot be done through traditional accounting

methods. The balanced scorecard accordingly takes the strategy that has been developed and turns it into actions to be pursued by the organization. The process of putting together a balanced scorecard (which involves the creation of objectives, measures, targets, and initiatives) completes the task of transforming the strategy into specific actions. At the same time, it enables the organization to identify areas for learning and growth, which will be expounded upon in relation to the four perspectives of the balanced scorecard.

Additionally, the balanced scorecard has advantages over traditional accounting and other performance measurement systems because of the way it is “balanced.” It does not look simply at the results of the company from a financial perspective, which often includes measures like return-on-assets (ROA) and net operating income (NOI). Although these are crucial elements to assessing an organization’s past success, they are short-term measures that fail to look ahead toward the company’s long-term future. By themselves they are lagging indicators that do not adequately measure the creation of value in a competitive environment (Kaplan & Norton, 1996, p. 24). Managers and executives may fall into the trap of making decisions that will positively affect these ratios while neglecting to set the company up for success in the future. The balanced scorecard, however, uses a combination of past performance measures and future performance drivers. It examines the company from multiple angles, which offers a more holistic view of the firm and determines how well it is prepared to meet the changing climate of the industry in the coming months and years. Additionally, the balanced scorecard evaluates external measures, those important to both shareholders and customers, along with internal measures, which are essential for analyzing the operations processes and growth potential of the company (Kaplan & Norton, 1996, p. 10). Lastly, it

uses both objective and subjective metrics to measure past performance and future performance drivers (Kaplan & Norton, 1996, p. 10).

Perspectives of the Balanced Scorecard

There are four principal perspectives with which the balanced scorecard is concerned. Each perspective is just as important as the others because all four are vital to the company's successful implementation of its strategy. By using a balanced scorecard to analyze all four perspectives, the company seeks to assess the overall strategy from a number of different angles (Niven, 2006, p. 13). Developing and executing a strategy should incorporate multiple perspectives, specifically financial performance, customer satisfaction, internal business processes, and learning and growth opportunities.

Financial perspective. The first of these angles is the financial perspective. This approach, although it should not be the only one that a company employs to measure success, is nonetheless one of the most important indicators of past success and the current state of the company. As part of its strategy, a company should establish a number of long-term financial objectives, since ultimately the company will be judged for the way that its actions contribute to the bottom-line (Niven, 2006, p. 112). However, different departments in the company will use disparate financial measures to determine their success and their overall economic value added, which is the key to achieving long-term financial growth for the whole firm (Kaplan & Norton, 1996, p. 61). Applying financial measures and objectives is important for determining the effectiveness of a company's strategy and its effects on the bottom-line, but a financial focus alone will not be sufficient for building toward a profitable future.

Customer perspective. The second viewpoint to be included in the balanced scorecard is the customer's perspective. This lens, of course, examines the ways that the company is meeting the needs of its customers. However, a general desire to satisfy the customer will not be enough for a company to effectively achieve that goal. Instead, the needs of the company's target customers must be identified and then addressed through specific actions that can be measured and analyzed. The company's mission, vision, and strategy must be translated into objectives associated with the firm's ability to serve its customers (Kaplan & Norton, 1996, p. 64). One way to do this is to correctly identify which customers in the market are the company's target customers, and then seek ways to address the needs of those customers. According to Niven, "Not every potential customer group will fund your profitable growth or find your offerings valuable" (2006, p. 115). Instead, companies need to determine which customer segment(s) will be the most important to their success. Once this has been accomplished, the company must create objectives and measures for these customer segments. This can be done by asking the question, "What is our value proposition in serving our target customers?" (Niven, 2006, p. 115). In other words, management must understand how the company, as the supplier, creates loyalty and satisfaction in its target customers through its products and services (Kaplan & Norton, 1996, p. 73). The methods for meeting these customer needs are addressed next.

Internal business processes perspective. Internal business processes are the focus of the third perspective designated by the balanced scorecard. Niven defines internal business processes as those activities that add value to products and services, which ultimately add value to the customers and the company's shareholders (2006, p.

15). He later explains that this perspective takes the value propositions given in the customer perspective and then answers the question of how those propositions will be achieved (2006, p. 119). This area of the balanced scorecard should include the research and development aspects of the company, because innovation is crucial to the long-term success of a company, according to Kaplan and Norton (1996, p. 97). Aside from innovation, this angle should also address the operations processes of the company. Operations consist of building and delivering the product to the customers in a timely manner, while meeting the customer's quality standards. For these processes to be performed in accordance with the strategy, the last portion of the balanced scorecard must provide the necessary knowledge.

Learning and growth perspective. The fourth and final perspective with which the balanced scorecard is concerned is termed learning and growth. This area, though not quite as specific or easy to measure as the other three perspectives, is essential for achieving the goals and objectives set forth by the company (Niven, 2006, p. 157). In fact, it is the crucial link between Senge's concept of a learning organization and the role of the balanced scorecard in strategic management. Not only is this perspective considered the driver and the enabler that allows the objectives of the former perspectives to be achieved successfully, but it also facilitates the strategy evaluation process and helps the firm create a feedback loop. To effectively promote and support the other three areas of the scorecard, the learning and growth perspective should focus on three key items: employee capabilities, information systems capabilities, and motivation, empowerment, and alignment (Kaplan & Norton, 1996, p. 127). It should provide a foundation for designing and implementing those processes that have been defined as

important in creating value for the customers. It is quite apparent that this perspective is perhaps the most fundamental feature of the scorecard and must be correctly aligned with the firm's overarching strategy from the very beginning.

Executing Strategic Management Using the Balanced Scorecard

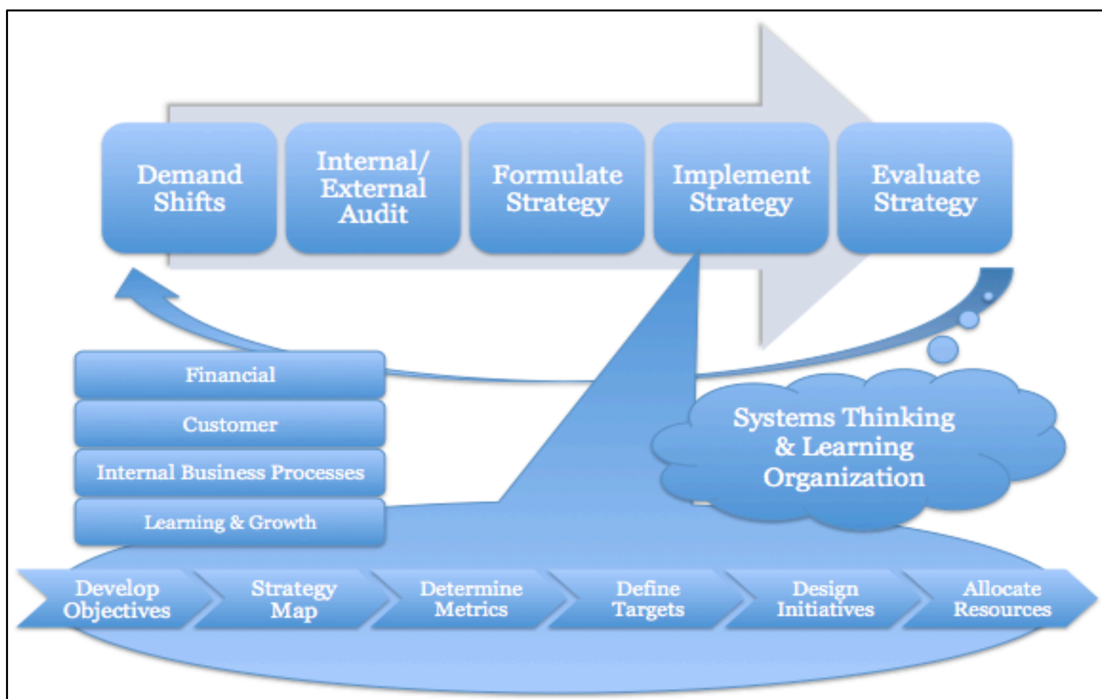
At this point, organizations that are ready to implement their strategic plans that must be prepared to do so by utilizing the balanced scorecard. It should help enable organizations to move from their current position to their desired goals in order to meet the changing demands of the market while at the same time measuring performance. Systems thinking also serves as a basis for the balanced scorecard by focusing on learning in the organization in order to continue growing the firm for the future. As will be demonstrated, using the balanced scorecard throughout the strategic management process greatly increases the impact of the strategy on the firm, enabling it to achieve its short- and long-term goals.

Strategy Implementation

Many organizations experience problems when it comes to implementing strategy, because often times in large firms, "The most creative and well crafted visions and strategic plans are useless if they cannot be translated into action" (Cocks, 2010, p. 260). Werner and Xu also identify the traditional method of strategy implementation as a reason for failure within organizations. They observe how strategies are often established at the top of the organization with very broad definitions of how the strategy is going to be achieved; however, employees throughout all levels of the organization generally feel either too far removed from the strategy to make a difference, or they are simply unaware of how the firm's strategy should affect their work (2012, p. 89). Many times, they do not

know how their everyday actions affect the overall direction of the company, and they are so caught up in their normal daily routines that they fail to set apart any time to contribute to achieving the strategy (2012, p. 90). In order to translate organizational strategy into action, the firm must create a balanced scorecard through a series of steps that will clarify how the work in the organization is to be done.

Figure 2: Integrated Framework for Strategic Management and the BSC (adapted from David, 2013, p. 14, and Kaplan & Norton, 1996, p. 11)



Develop objectives. The first step in implementing strategy with the balanced scorecard may be considered one of the most important steps of strategic management. This step includes developing the objectives for the organization at a level where meaningful action can take place. Werner and Xu define objectives as “goals associated with perspectives and each objective should further the company’s strategy” (2012, p. 91). In other words, each objective must fall under one of the four perspectives offered in the balanced scorecard and must also be directly related to the overall goals of the

organization's strategy. If objectives are clearly established for the organization, a number of benefits will arise, including direction for the organization, synergy among various departments, a basis for evaluation, the establishment of priorities within the organization, and a guide for the allocation of resources and the design of jobs (David, 2013, p. 133). Another important quality of these objectives is that they must be measurable and easily verifiable (David, 2013, p. 292). Having objectives that cannot be measured or substantiated by data is useless and fails to adapt the strategy into specific action. Additionally, objectives should be both short-term and long-term in scope, while including both summary data and predictive data regarding the performance of the organization. These elements are part of balancing the scorecard and making sure that it is an indicator of both past performance and the likelihood of future success. Nonetheless, the objectives included in the balanced scorecard should be consistent with each other and mutually reinforcing, according to Kaplan and Norton (1996, p. 29). In order to understand the importance of objectives further, it will be necessary to explore each of the four perspectives and their related objectives in more detail.

The financial component of the balanced scorecard will include a variety of different objectives based on the position of the organization in its life cycle. Simply put, organizations may be in a growth, sustaining, or harvesting phase. The types of objectives formulated will differ for companies that are in an aggressive growth position from those that are harvesting the benefits of their investments (Kaplan & Norton, 1996, p. 48). Organizations must also be careful to integrate both short- and long-term objectives, especially with respect to the financial perspective of the balanced scorecard. Although financial information is considered a prime indicator of past performance, it often lacks

predictive power (Niven, 2006, p. 112). Also, financial objectives tend to be more of a high-level concern and do not provide much guidance for how the actions of lower level employees should be modified. Nevertheless, financial objectives are still to be regarded as important goals of the organization and should be addressed with a focus on both revenue growth and increased productivity (Niven, 2006, p. 113).

Regarding the firm's customers, companies should create a series of objectives directed toward reaching their target market segments. Kaplan and Norton share how most companies will create customer-related objectives under two different categories (1996, p. 67). The first of these categories is known as the "core measurement group," which refers to those objectives commonly used by a wide variety of companies. These may include objectives such as customer retention, market share, and customer satisfaction. The second category is referred to as the "performance drivers," which must be adapted to the firm's industry or specific strategy. This will dictate how the company defines its value proposition to its customers and how it plans to create loyalty and satisfaction among its target customers through its strategy, as Porter prescribed (Kaplan & Norton, 1996, p. 73). Niven identifies operational excellence, product leadership, and customer intimacy as the three most commonly used value propositions, and proceeds to say, "the value proposition you select will greatly influence the objectives you choose since each will entail a different emphasis" (2006, p. 115). Most companies will indeed be moderately involved in all three of these approaches, so the customer objectives chosen must adequately consider each of these and be designed in such a way that the company's planned strategy balances its approach (Niven, 2006, p. 118).

The internal business processes perspective naturally follows the financial and customer perspectives because it seeks to identify the processes necessary for achieving the previous objectives. The objectives established under this perspective should encompass the full scope of the value chain of the organization, from the innovation process to the operations stage to post-sale services (Kaplan & Norton, 1996, p. 92). This often means that this section of the balanced scorecard will include the greatest number of objectives, but managers must be careful to include only those processes that are critical to achieving the financial and customer objectives previously set forth (Niven, 2006, p. 119). It may also be noted that this component of the balanced scorecard represents a major transition for the organization. As the link between the learning and growth perspective and the customer perspective, the internal business processes stage signifies where the organization's internal resources and abilities are transformed into tangible products or services that are valuable to customers (Niven, 2006, p. 125). One concern that organizations must be cognizant of is that operations support from upper management is often constrained by the amount of resources available (David, 2013, p. 275). Therefore, it is even more vital that objectives directed toward internal business processes are linked to the overall financial objectives of the organization. One of the greatest strengths of the balanced scorecard is that it shows the relationship of the objectives throughout the organization and how they can all be used in harmony in order to achieve the desired strategy.

The final aspect of the balanced scorecard for which objectives must be developed is the learning and growth perspective. This portion of the scorecard is critical for maintaining balance and focusing on both the short- and the long-term future of the

company. By investing in its people and its infrastructure, the organization prepares itself to achieve the objectives set forth in the other three elements of the balanced scorecard. The organization's strategy will again be a large determinant of what types of objectives should be placed here, because the ways in which the employees and company infrastructure are developed will greatly affect the manner in which work will be done. Demanding aggressive sales growth in the financial perspective without training employees or creating an atmosphere conducive to customer interaction will of course fail to achieve significant results. Employee motivation and empowerment are also critical details of a company's learning and growth capabilities (Niven, 2006, p. 157). Employees who are skilled, equipped, and motivated to work in the organization's environment will stimulate improvements in the internal business processes, which should help better meet customer expectations and eventually generate better financial returns (Niven, 2006, p. 125). The company must identify the positions essential to achieving desired internal business processes and then equip employees with the skills and tools necessary to excel in those roles (Niven, 2006, p. 127). Without enabling employee growth, the company will be unable to expand its capabilities and will certainly fail in attempting to achieve its strategy. According to González, Calderón, and González, "It is important to identify the knowledge, skills, and resources that a firm and its employees need in order to leverage the competencies that they can build on and use for innovation" (2012, p. 614).

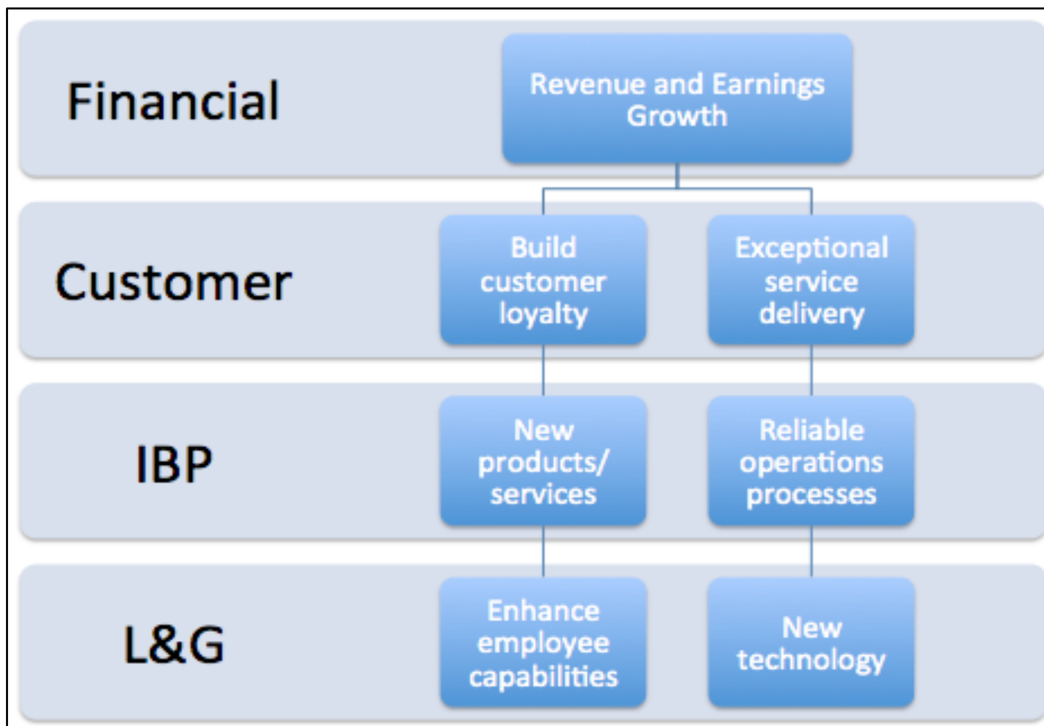
As has been written over the previous paragraphs, the establishment of objectives that are consistent and aligned with the company's strategy truly drives the success of the balanced scorecard in an organization. The link between the strategy and the objectives

set forth under each perspective of the scorecard should be obvious, so that one should be able to understand the strategy without prior knowledge of it by tracing the pattern of the objectives that have been created. Objectives, once they have been generated, have a number of critical uses that will continue to enable the achievement of the strategy. These uses include allocating resources, evaluating management, monitoring progress toward long-term objectives, and establishing departmental priorities (David, 2013, p. 215). Some of these will be discussed in further detail, but for now it is sufficient to note that the objectives defined at this stage of the strategic management process will greatly determine the likelihood of success for the firm. In closing, management expert Peter Drucker notes, “Objectives are not commands; they are commitments…they are the means to mobilize resources and energies of an organization for the making of the future” (David, 2013, p. 170). Clearly stated objectives that are understood throughout the organization are the critical links between the strategic goals of the organization and meaningful action.

Strategy mapping. Once objectives have been created, the organization should be able to create a strategy map that further demonstrates the ways in which objectives may lead to successful implementation of strategy. The importance of strategy maps is that they visually display how the various objectives included in the balanced scorecard translate into the achievement of the strategy. There are a few steps involved in creating a strategy map. First, graphically stack the four perspectives of the balanced scorecard, with the learning and growth perspective at the bottom and the financial perspective at the top. Next, arrange the various objectives that have been created to correspond with their appropriate scorecard perspectives. Finally, align the objectives vertically

throughout the strategy map in order to show how each one is linked together in order to achieve the various goals of the overall strategy. By organizing the objectives in this manner, the strategy map becomes a "powerful tool for visualizing the strategy as a chain of cause-and-effect relationships among strategic objectives" (Anagnostopoulos & Elmasides, 2010, p. 12).

Figure 3: Sample Strategy Map (adapted from Niven, 2006, p. 100)



There are a few other guidelines that an organization should follow in the creation of its strategy map. For instance, it is imperative that the map be arranged in the proper order, as it is meant to be read from the bottom up. According to Werner and Xu, "The learning, innovation and growth should be addressed first, then internal business processes next, which leads into a focus on customer concerns, and finally the result of bringing everything together should be good financial results" (2012, p. 92). As long as the objectives were created in such a way that they each contribute directly to the

company's strategy, the strategy map will be useful in separating the objectives according to their strategic themes. Mapping objectives in this way shows the cause-and-effect relationship for how each theme is to be achieved and ultimately how economic value is added when the themes are combined (Anagnostopoulos & Elmasides, 2010, p. 25). Finally, the strategy map will serve as a visual summary and justification for the objectives chosen, as well as the resulting strategic plan. González et al. (2012) explain:

> A strategy map shows how an organization can convert its initiatives and resources, including intangible assets such as corporate culture and employee knowledge, into tangible returns…The strategy map allows organizations to identify and describe the measures used to assess performance and the linkages used to support strategic direction. (p. 616)

In summary, the strategy map is a powerful visual tool that clearly displays the relationships shared by the four perspectives of the balanced scorecard, the objectives chosen, and the ways in which the balanced scorecard supports and translates strategic goals of the organization into action.

Determine metrics. The next step in developing the balanced scorecard is to identify what metrics will be used to measure the performance of the organization against each of its objectives. Defining the strategy and creating objectives will not be enough to inform employees how to behave in a way that contributes to the achievement of the firm's strategic goals. Kaplan and Norton argue, "The objective of any measurement system should be to motivate all managers and employees to implement successfully the business unit's strategy" (1996, p. 147). Therefore, metrics must be put in place that will describe how success in achieving objectives is to be attained (Werner and Xu, 2012, p.

91). In the words of management expert Peter Drucker, “If you can’t measure it, you can’t manage it;” thus, measures describe how success in achieving objectives will be managed and gauged (Werner & Xu, 2012, p. 91). Each objective previously identified should be assigned a specific metric that will measure the organization’s progress or success in reaching those objectives, which in turn should detail progress toward completion of the strategy. Metrics under each perspective of the scorecard will vary depending on the goals and objectives of the organization, but other details must also be considered when developing these metrics.

It must be understood that the metrics chosen for the balanced scorecard will reveal the organization’s viewpoints concerning each objective and its overall values (Self, 2004, p. 102). Deciding where to begin in the process of determining metrics is certainly a challenge, but most organizations will start by identifying some of the basic financial ratios that are common to any organization. Ratios like the gross profit margin or return on investment are indeed useful for judging how profitable the organization is over a period of time. Financial ratios and other financial measures in general can be useful, since they determine some of the stronger and weaker points of the organization and help to offer solutions (Alrafadi & Md-Yusuf, 2011, p. 619). The problem with some of these ratios is that they mostly concern themselves with short-term financial success and do not consider how well the company is prepared to experience long-term growth. This is one of the major concerns of the balanced scorecard, so managers must look to identify other metrics that will better represent the potential financial growth of the company.

Kaplan and Norton identify three major principles that should be taken into account throughout the development of metrics in the organization (1996, p. 149). First, each measure should represent an element in the chain of cause-and-effect relationships that inform the strategy. The strategy map is an important tool for visually portraying these relationships between objectives identified. In the same way, the measures will track the progress of the organization in achieving those objectives. When using financial ratios as measures, managers must choose to highlight those that offer important data about the performance of the organization since not all of them may be useful at each point in time (Alrafadi & Md-Yusuf, 2011, p. 620). Niven suggests, "Choosing performance measures that don't have an impact on your strategy can lead to confusion and lack of clarity as employees devote precious resources to the pursuit of measures that don't influence the firm's overall goals" (2006, p. 162). For example, if the strategy of the company is very market-oriented or is considered an intensive strategy (such as market development or market penetration), then the metrics selected should review the company's marketing efforts and successes (David, 2013, p. 257). Conversely, if the strategy is more production-focused and requires significant research and development expenditures, then metrics should be selected that reflect this need (David, 2013, p. 275). They should ensure that enough resources are being allocated to the research and development team in the organization and then measure how well the funds are contributing to the creation of new ideas, concepts, and products. When the R&D group is able to effectively and efficiently carry out these tasks, customers will be pleased to see new products and services being offered that better meet their needs. The key components of the strategy must be traced back throughout the organization so that the

important cause-and-effect relationships can be identified and fostered by the objectives and measures selected.

Secondly, the measures selected should balance both outcomes and performance drivers (Kaplan & Norton, 1996, p. 149). Financial ratios like the ones previously mentioned tend to be considered "lag indicators." In other words, they only show how well the organization has performed after a period of time has passed. On the other hand, performance drivers differ by indicating those objectives that are unique to the specific organization or business unit and which reflect the uniqueness of the strategy (Kaplan & Norton, 1996, p. 150). This will require a focus on cause-and-effect relationships, figuring out which employee skills are needed or what processes must be in place in order to generate better customer satisfaction. It must be noted that there will always be a need for a healthy balance between lag indicators and performance drivers. A scorecard that consists of only outcome measures does not define how those outcomes can be achieved, nor does it adequately indicate how well the organization is progressing toward its strategy. At the same time, a scorecard with only performance drivers may show improvements in many small-scale aspects of the company but does not display how those are translating into greater financial performance.

Finally, according to Kaplan and Norton, the measures used throughout the scorecard should be directly linked to the financial measures of the organization (1996, p. 150). Goals such as creating quality products and demonstrating exceptional customer service are acceptable, but the company will not be able to sustain these good practices without legitimate financial returns. Outcome measures, such as return-on-capital employed and economic value-added, should still be emphasized on the scorecard.

Managers must remember that the primary reason for implementing new strategies is to achieve greater shareholder wealth, which is directly tied to the financial strength of the company. In summary, the metrics used on the balanced scorecard must contribute to an understanding of the cause-and-effect relationships between the objectives and the strategy and must help drive better performance rather than simply measure short-term financial results.

Define targets. The late golf coach Harvey Penick once wrote that the key to playing golf well is to "take dead aim" (1997, p. 46). He went on to say that expert golfers should expect to hit their target, but that sometimes even the expert "allows disorganized thinking to make him or her become distracted from the primary object of the shot, which is to hit the target" (1997, p. 47). In terms of the balanced scorecard, it is nearly impossible to achieve the objectives and score well on the metrics that have been established without knowing the acceptable performance level. Therefore, the next logical step in the implementation process is to clearly decide on targets for the various metrics that have been put in place. These targets are another means of communicating the strategy that the organization must pursue in order to make necessary changes. According to Self, the role of targets is undeniably important, because the chosen targets "state unequivocally what constitutes success for each measurement" (2004, p. 101). Acceptable performance must be clearly defined prior to the collection of data in order to provide a point of reference in deciding how well or how poorly the organization is performing.

Another function of the targets on the balanced scorecard is to inform employees about the importance of their work and how that work should be done. This is to make

sure that the actions taken throughout all levels of the company are correctly aligned with the strategic plan and direction of the company. Many times the strategy is not communicated in a way that shows how changes in the direction of the company affect all levels of the organization. There should be a new set of expectations for what needs to be accomplished throughout the different departments in the organization (finance, marketing, operations, etc.). Werner and Xu write, “Targets specify the level of performance or rate of improvement desired for each measure…. Establishing measures without also informing employees of management’s expectations will not result in performance that meets those expectations” (2012, p. 91). Therefore, targets that match the strategic objectives for each of these functions will be crucial in translating strategy into action.

The targets that are defined for each measure on the balanced scorecard should be somewhat aggressive, acting as stretch targets that aim to inspire a higher level of performance in the firm. This is the belief held by Kaplan and Norton, who argue that the targets for measures should, if achieved, lead to a total transformation of the organization (1996, p. 226). They also express that all targets should relate to the performance drivers, which were discussed in regards to defining those metrics that appear on the balanced scorecard. Such performance drivers should allow managers to identify changes that need to be made throughout the company in order to achieve established targets. The combination of stretch targets and a keen understanding of which metrics will indicate future success should lead to changes in operational structure, marketing initiatives and research, investments and resource allocation, employee skills, and advanced technology and information systems (Kaplan & Norton, 1996, p. 228). It must be understood that

these stretch targets should not be unreasonable, potentially setting a standard so high that employees inevitably end up discouraged and uninspired. Instead, “Targets are designed to drive and push the organization as to meet its strategic objectives. Targets need to be realistic so that people feel comfortable about trying to execute the target” (Chytas, Glykas, & Valiris, 2011, p. 466). The strategic importance of defining targets on the balanced scorecard is to inspire employees to change their behavior in a way that better aligns with the strategy of the company.

Design initiatives. The next portion of the strategic management process represents the heart of the implementation stage. Simply put, “Initiatives are short-term programs and actions that will help achieve the established targets” (Werner & Xu, 2012, p. 92). Once again, the importance of the balanced scorecard is that it inspires the various functions and levels of the organization to align their actions with the strategic direction of the company. The design of fresh initiatives achieves this aim by turning the various objectives, measures, and targets into real action. This stage also marks a clear shift in responsibility in the organization. Although the executive level of management will always be ultimately responsible for the performance of the company, the divisional and functional managers should begin to create new ways of inspiring their employees to accomplish work. Additional accountability on the part of these levels of management also necessitates that they are involved in strategy formulation (David, 2013, p. 214). With reference to strategy formulation, David also explains that, “Involvement provides the best opportunity for managers and employees to gain an understanding of what the firm is doing and why and to become committed to helping the firm accomplish its objectives” (2013, p. 174). When the organization reaches the point where initiatives are

ready to be created, the strategy and its related objectives are "handed off" to those who can put theories into practice, namely the divisional and functional managers of the organization.

It is important to recall that the balanced scorecard is intended to generate a chain of causes and effects that is balanced across the four perspectives. A clearly defined strategy is divided into a series of objectives that cover the various perspectives on the scorecard, which will require metrics and targets that define how to gauge progress. In turn, the initiatives that are set in motion should enable the organization to reach its targets. However, not all strategic initiatives can be implemented fully since all organizations will be constrained by the amount of resources available, whether they are human, capital, or organizational. For this reason, the desired initiatives should be prioritized in a way that is consistent with the organization's strategy. The objectives, measures, and targets should be useful in determining which areas of the company require more attention and which functions are most important for achieving the strategy. The organization will likely already have a number of initiatives in place, all of which probably have individual merit but may not contribute to the specific strategy. Niven suggests lining up the current initiatives with the objectives on the strategy map and determining which ones should remain based on the cause-and-effect relationships displayed (2006, p. 189). Nonstrategic initiatives can be eliminated, and other areas where new initiatives may be necessary can be identified, all in an effort to link the initiatives in place to the targeted areas of improvement (Kaplan & Norton, 1996, p. 230). Upon completing these steps, the organization has essentially finalized the process of building the balanced scorecard. However, it will always remain a working document,

continually being adapted to the current environment of the organization and allowing for minor adjustments made to the strategy over time. It should nevertheless be a crucial document in communicating how the long-term strategy of the organization may be translated into specific actions and initiatives throughout the organization.

Allocate resources. The final task in the strategy implementation phase of the strategic management process is to begin allocating resources. As previously mentioned, these will include human resources, capital resources, and organizational resources. Since the time and attention of senior management are scarce, they will need to be devoted to those initiatives that are most vital to the long-term growth of the organization (Niven, 2006, p. 189). Certain problems, according to David, often prohibit effective resource allocation. These include vague strategy targets or excessive emphasis on short-term results (2013, p. 219). However, it can be clearly seen how the balanced scorecard eliminates these difficulties by creating objectives that are both short-term and long-term in nature and also aim to specifically turn the strategy into action.

Allocating resources represents the culmination of the entire strategy implementation phase, where people, money, and other resources are put to work in a way that is designed to achieve the objectives that have been determined. Without the balanced scorecard, these resources may be employed in ways that are not consistent with the overarching strategy or do not adequately furnish the working parts of the organization with the tools necessary to achieve the organization’s strategic goals. By translating the strategy into specific objectives that need to be met, the balanced scorecard determines which specific aspects of the organization must be addressed. In a related manner, the strategy map visually traces the flow of the objectives throughout the

scorecard, showing the kinds of improvements that need to be made at the learning and growth level in order to ensure the rest of the organization's success. Finally, the prioritization of strategic initiatives will prescribe the way in which the resources will be allocated.

It is necessary to spend some extra attention on the two major types of resources and how they can be disbursed among the organization in a strategic way: human resources and capital resources. Important to firms is the theory of strategic human resource management (SHRM), which is defined as "the linking of human resources with strategic goals and objectives" (Jain, 2014, p. 6). SHRM highlights the importance of the human resources (HR) function of the organization in formulating and implementing the company's strategies. Certain strategies, for example, may involve hiring additional employees or making advances in employee learning and growth. In these instances it will be crucial for the HR function of the firm to understand what the objectives are and how their expertise can contribute to the achievement of such strategies. Another important consideration of resource allocation is the development of operating and capital budgets. Kaplan and Norton (1996) address this:

> Strategic planning and operational budgeting processes are too important to be treated as independent processes. Strategic planning must be linked to operational budgeting if action is to be tied to vision…Resources and initiatives are deployed to start the journey, to close the gap between current performance and the stretch targets to be achieved during the next three to five years. (p. 247)

When deciding on how the organization should allocate its financial resources, management should make sure that it is reinforcing its key strategies by creating budgets

that link spending to organizational objectives (Niven, 2006, p. 236). This reduces time spent in budget planning while also fostering a more cooperative attitude throughout the organization, since the initiatives that have been deemed most important to achieving the strategy are those that will receive the most attention. If an organization has completed all of these parts of the strategy implementation process, using the balanced scorecard to arrange each of its resources in a way that will best meet the strategic goals of the organization, then it is time to move into the final stage of strategic management.

Strategy Evaluation

At this point in the life of the organization, implementation of the strategy should be well underway. However, the strategic management process is not one that is only done once and then abandoned. Instead, it should be viewed as a cyclical learning process that is constantly looking for ways to improve the organization. The actual performance of the organization will undoubtedly differ from the expected trajectory, and the assumptions on which the strategy was based will have changed as well. For this reason, the organization must be equipped and ready for adapting to change. Even if much of the strategy goes as planned, David says, “Success today is no guarantee of success tomorrow” (2013, p. 288). The organization and its surrounding environment will always be in a state of flux and the firm must adjust its strategy accordingly. The strategy evaluation stage of the process will include three parts: reviewing internal and external factors, measuring organizational performance, and taking corrective action.

Review internal and external factors. The business environment is constantly in a state of change. The results of the internal and external analysis performed by the organization before implementing strategy will almost certainly differ after the

implementation phase. For this reason, the evaluation stage should "initiate managerial questioning of expectations and assumptions, trigger a review of objectives and values, and stimulate creativity in generating alternatives and formulating criteria of evaluation" (David, 2013, p. 290). This stage is crucial to the strategic management process because it allows for organizational and strategic learning. Jackson theorizes, "The key to organizational learning is to discover problems and solve them" (2006, p. xiv). Some of these problems may originate inside the organization, where the implementation of the strategy did not produce the kinds of results that were expected. On the other hand, some problems may be due to changes in the demand shifters. Changes in consumer demand, which may be ascribed to a number of different factors, will necessitate changes in the strategy and in the way that the work is done in order to meet these new strategic goals. The complexity of the external environment calls for organizations to adopt a continual learning mindset. In articulating the use of systems thinking in learning organizations, Senge says, "Systems thinking is a discipline for seeing the 'structures' that underlie complex situations…[It] is the cornerstone of how learning organizations think about their world" (1990, p. 69). Firms should engage in a feedback process that takes the information learned throughout the process and transforms it into knowledge about how to better meet demand going forward. Using this approach, organizations will almost always be involved in the strategy evaluation stage in order to make sure that the strategies being pursued through the balanced scorecard are still in line with the changing demands of consumers.

Measure organizational performance. The balanced scorecard creates a series of objectives, measures, and targets in a way that makes this part of the evaluation

process much easier and more meaningful. Obviously, the management of the organization will be interested to see how well the company performed in relation to the targets set. More significant, though, may be an analysis of the correlation between the strategy map and the actual results as shown on the scorecard. If there is a direct link between the successes of the objectives throughout the strategy map, then the hypotheses about the strategy are confirmed. However, if correlations cannot be found after a period of time, then perhaps the theories underlying the strategy were not accurate (Kaplan & Norton, 1996, p. 254). Moreover, measuring performance by using the balanced scorecard may help avoid biases in determining the success of the strategy, especially when the strategy is viewed as a chain of causes and effects. According to Tayler, “When managers understand all of the anticipated cause-and-effect linkages that follow from a strategic initiative, they should be less persuaded by individual instances of apparent success when other hypothesized effects do not follow” (2010, p. 1101). Use of the balanced scorecard allows for a fairer evaluation of the success of the organization in reaching its strategic goals.

Taking corrective action. The final phase of strategy evaluation involves making the changes necessary in order to “competitively reposition the firm for the future” (David, 2013, p. 295). This will rely heavily on the results of the updated internal and external factor analysis. The strategy should not be changed dramatically, since the stretch goals of the organization are meant to take three to five years to achieve. However, the balanced scorecard will tell the organization how well it is creating value and improving upon its core competencies (David, 2013, p. 296). If new environmental factors have been identified that will affect the organization’s ability to achieve its

strategy, or if changes in demand have called for changes to the existing strategy, then adjustments will need to be made to the contents of the balanced scorecard. There may be additional strategic objectives or measures that need to be put in place, or existing ones that need to be discarded. Targets may be changed, initiatives may be scratched or redesigned, and resources may be reallocated among the various initiatives of the company. Accomplishing all of these steps will keep the balanced scorecard as a living document that is constantly working to turn the strategy into actionable goals.

Other Strategic Applications of the Balanced Scorecard

In addition to the major stages of strategic management, the balanced scorecard can help the organization accomplish its goals through a number of other key ways. These will include such popular business concepts as Six Sigma, lean manufacturing, and Hoshin Kanri.

Six Sigma

Six Sigma is an approach for achieving operational excellence that has been widely used among organizations, especially since its documented success in companies like Motorola and General Electric. It is a tool that helps the organization define what the root causes of operational failures are and how to address these obstacles in order to get the organization to perform at an extremely high standard of quality (Heavey & Murphy, 2011, p. 110). However, where Six Sigma often fails is that it cannot effectively improve the organization's quality over a long period of time without being incorporated into the overall strategy. It does not succeed as a stand-alone initiative, nor does it "provide a systematic means to translate the organizational strategy into a set of metrics for measuring, improving, and controlling" (Heavey & Murphy, 2011, p. 114). Therefore, in

order for Six Sigma to effectively change the way the organization operates it must be incorporated into an overall strategic management framework, such as the balanced scorecard. Heavey and Murphy (2011) hypothesize:

> The integration of the [balanced scorecard] with Six Sigma will allow an organization to translate the strategy into high-level metrics and will also provide the capability to improve the high-level metrics through Six Sigma initiatives…The [balanced scorecard] will provide the capability to translate the strategy into relevant organizational metrics and Six Sigma will provide the vehicle for influencing the metrics. (p. 115)

In other words, Six Sigma will be especially important to the formulation and implementation of the strategy, but still requires the use of the balanced scorecard in order to turn the overall strategy into actionable objectives and measures. Integrating the balanced scorecard with a Six Sigma ideology will be crucial for organizations that desire to improve their operational excellence and maintain their competitive advantage (Heavey & Murphy, 2011, p. 117). Six Sigma is a prime example of how the balanced scorecard can be used in conjunction with other strategic initiatives in order to make them more meaningful throughout the organization.

Lean Manufacturing

Lean manufacturing is similar to Six Sigma in that it is a popular management and operations approach for many current organizations. The foundation of lean production, according to Baroma et al., depends on creating value for the customer, eliminating waste, and improving every phase of the production process (2013, p. 243). In the words of Womack and Jones, lean thinking “provides a way to specify value, line up value-

creating actions in the best sequence…and perform them more and more effectively" (2003, p. 15). One can already see how the balanced scorecard can easily be aligned with these theories. Many times the lean process will begin with a philosophy of continuous improvement, which is closely related to the learning and growth perspective whereby employees are always learning and increasing productivity. Eliminating waste and improving the production process will most likely be included in the internal business processes' perspective of the scorecard, which should lead to higher customer satisfaction and more economic value added to the products and services. Lean initiatives will also focus on decreasing costs in the manufacturing process and its supporting activities, which should help increase financial measures such as return on investments and operating profit. Integrating the balanced scorecard with lean initiatives helps the organization carry out its lean philosophy more effectively because it is tied directly to the strategic goals of the company (Ariyawongrat & Needy, 2002, p. 3). Similarly, as a management framework that helps the entire organization focus on achieving its strategic goals, the balanced scorecard can be greatly enhanced by incorporating lean thinking in a way that spans all of the perspectives of the scorecard (Baroma et al., 2013, p. 245). Combining lean philosophies with the overall strategy of the organization and subsequently applying such philosophies through the use of the balanced scorecard can improve the effectiveness of both management theories in any organization.

Hoshin Kanri

Many Japanese management concepts have made their way into Western businesses and become standards for management. Hoshin Kanri, however, is one such practice that has not made nearly as much headway in the West and yet is vital for

organizations trying to execute their strategies. It is defined as “a structured strategy execution method, which translates the vision and the vital strategic objectives into annual plans” (Tennant & Roberts, 2003, p. 65). Butterworth and Witcher explain how the Japanese words used to make up the term “Hoshin Kanri” are often translated as “policy management,” or can also be put together to mean “a methodology for strategic direction setting” (2001, p. 24). Hoshin Kanri is crucial to the Japanese management system because it incorporates quality and company strategy by managing knowledge in the organization (Tennant & Roberts, 2003, p. 60). Additionally, it is often viewed as a quality operating system designed to “translate the voice of the customer into new products” (Jackson, 2006, p. xii). Tennant and Roberts say that organizations must determine their actions by “applying strategic deployment approaches…capturing existing knowledge, and linking all of this to working level processes” (2003, p. 60). Jackson suggests that a central feature of Hoshin Kanri is the way in which it acts like a balanced scorecard, by identifying process improvement targets that are designed to achieve customer and financial objectives (2006, p. xiii). Integrating ideas related to Hoshin Kanri with those important to the balanced scorecard will help the organization in its quest to achieve its strategy.

Another important characteristic of Hoshin Kanri is the process known as “catchball,” which derives its name from a children’s game where a ball is tossed around a circle. In business, the term refers to the management process where ideas are thrown from one person to another in the organization in order to build consensus and methods for achieving the goals that have been put in place. This activity requires continuous communication and a cross-functional approach to designing procedures that are

implemented throughout the organization (Tennant & Roberts, 2001, p. 291). Hoshin Kanri is built on the idea that work is carried out as a series of processes, which must be directly linked to the strategic goals of the organization in order to drive performance improvements, customer satisfaction, and financial returns (Tennant & Roberts, 2003, p. 63). Therefore, "catchball" works to design those processes by communicating the parameters of the strategy within a cross-functional team that discusses plans until a consensus is reached. The results should include specific methods for meeting the organization's goals while also fostering a clear understanding of and commitment to the vision at all levels of the organization (Tennant & Roberts, 2003, p. 61).

The end result of "catchball" should be that responsibilities, deliverables, and targets are deployed to tactical teams, operational teams, and action teams (Jackson, 2006, p. 79). It acts as a solution for the common difficulty in organizations, where strategic objectives are difficult to track and there is a misunderstanding as to how they are integrated with the daily operations of the company (Tennant & Roberts, 2001, p. 303). This type of management process would be valuable for organizations using a balanced scorecard, especially in the strategy implementation phase where objectives are developed at the organizational level and then filtered down throughout all levels of the organization. Effective communication vertically and horizontally through the company will ensure that the strategy is being transformed into actions and processes that contribute to the overall strategic goals.

Conclusion

All of the themes that have been discussed should provide ample evidence for the importance of the balanced scorecard in the strategic management process. The strategic

management process finds its strength in its ability to meet the changing demands of the market in a systematic way. Ultimately what the balanced scorecard aims to accomplish is the translation of the company's overarching strategy into actions that can be taken at all levels of the organization. Employing the balanced scorecard as the cornerstone of an organization's strategic management system has numerous benefits, including clear communication of the strategy, alignment of the processes of the organization with its strategic goals, and preparation of the organization for long-term growth in each of the four perspectives (Kaplan & Norton, 1996, p. 291). Additionally, it provides clear guidance as to what each step of the strategic management process requires in order to be effective. The formulation, implementation, and evaluation of the strategy should each be performed in conjunction with the balanced scorecard in order to ensure that they will create meaningful change throughout the organization. Finally, there are multiple other strategic applications of the balanced scorecard, which often include integrating the concepts of the balanced scorecard with other management philosophies, initiatives, and tasks. Using this approach to strategic management will undoubtedly improve the firm's ability to reach its goals by translating the strategy into actions throughout all levels of the company.

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