Strategy implementation: a role for the balanced scorecard?

Helen Atkinson
School of Service Management, University of Brighton, Eastbourne, UK

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Abstract

Purpose – The purpose of this paper is to develop a deeper understanding of the role of the balanced scorecard in strategy implementation.

Design/methodology/approach – This paper provides a review of strategy implementation literature to identify the main inhibitors of successful strategy implementation and then proceeds to critically review the balanced scorecard and evaluate the contribution it can make to strategy implementation, in particular how it may be able to mitigate the problems associated with strategy implementation.

Findings – It is argued in the paper that the balanced scorecard, subject to the adoption of suitable processes, can address the key problems associated with strategy implementation including communication, the role of middle managers and integration with existing control systems. The study raises a series of research questions and proposes avenues for further research.

Practical implications – More than half strategies devised by organisations are never actually implemented. At a time of increasing competition and globalisation; shorter lead times and increased customer sophistication, the effectiveness of strategy implementation is even more important. The findings of this study will provide the basis for research that will improve this vital management activity.

Originality/value – The effective implementation of corporate strategy is often overlooked in strategic management literature. There is still recognition that there is a need for further research. By combining two eclectic fields of research, i.e. strategy implementation and performance measurement, it is proposed that new insights can be gained to inform future practice.

Keywords Corporate strategy, Balanced scorecard, Strategic management

Paper type Conceptual paper

Background and rationale for the study

The noteworthy statement "... great strategy, shame about the implementation ..." (Okumus and Roper, 1998, p. 218) captures the essence of the problem that strategy implementation suffers from a general lack of academic attention (Alexander, 1985; Edgar and Taylor, 1996; Noble, 1999; Aaltonen and Ikåvalko, 2002; Otley, 2003). Indeed, Okumus and Roper (1998, p. 219) go on to observe that "... despite the importance of the strategic execution process, far more research has been carried out into strategy formulation rather than into strategy implementation ...", while Alexander concludes that literature is dominated by a focus on long range planning and strategy "content" rather than the actual implementation of strategies, on which "... little is written or researched ..." (Alexander, 1985, p. 91). Reasons put forward for this apparent dearth of research effort include that the field of strategy implementation is considered to be less "glamorous" as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic – especially as it is thought to be fundamentally lacking in conceptual models (Alexander, 1985; Goold, 1991; Aaltonen and Ikåvalko, 2002). More "practical" problems associated with the

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process of strategy implementation, meanwhile, include communication difficulties and "low" middle management skill levels (Alexander, 1985; Otley, 1999; Beer and Eisenstat, 2000).

Thus there would appear to be a significant "gap" in the knowledge base at a time when the commercial environment is exhibiting significant changes. The transformation from the industrial to the information age is signalled by increasingly sophisticated customers and management practices, escalating globalisation, more prevalent and subtle product differentiation, and an emphasis on intellectual capital and enhanced employee empowerment (Johnson and Kaplan, 1987; Eccles, 1991; Kaplan and Norton, 1992; Hope and Hope, 1997; Huckstein and Duboff, 1999; Brander Brown and Atkinson, 2001). In this new world order successful strategy implementation becomes ever more important. Simultaneously, new performance measurement frameworks are evolving to fill the gap between operational budgeting and strategic planning. These new multidimensional performance measures have replaced the more tradition financial orientated metrics with non-financial measures that more effectively focus on the new managerial imperatives. According to Bungay and Goold (1991) these strategic controls (non-financial performance measures) provide short-term targets on the long-term strategic road. This paper seeks to bridge the boundaries between strategy implementation literature and performance management literature to understand if and how the balanced scorecard can be a tool for strategy implementation and control. Although the necessary link between the effective performance management systems (PMS) and strategy is well established (Butler *et al.*, 1997; Kaplan and Norton, 1996a; Neely *et al.*, 1994), there are still relatively few studies focussing on the potential role of the scorecard in the process of strategy implementation.

The balanced scorecard performance management tool, although deficient in empirical testing of its benefits (Bourne *et al.*, 2002, 2003; Nørreklit, 2000; Speckbacher *et al.*, 2003), is arguably the dominant framework in performance management (Marr and Schiuma, 2003; Smith, 2005). It has been offered by its' inventors as "... the cornerstone of a new strategic management system ..." (Kaplan and Norton, 1996b, p. 75), positively linking an organisation's long-term strategic intentions with its short-term, operational actions. The use of the balanced scorecard is increasing, with varying degrees of adaptation (Nørreklit, 2000) with 60 percent of *Fortune 1000* companies having experimented with the balanced scorecard (Silk, 1998) and 57 percent of businesses in the UK are reported to use it (Speckbacher *et al.*, 2003) and furthermore, recent research indicates that a number of organisations are beginning to actively utilise balanced scorecards to link their strategy and operations (Bartlett and Goshal, 1996; Kaplan and Norton, 1996b; Hope and Fraser, 1997; Silk, 1998; Atkinson and Brander Brown, 2001). A number of concerns, though, are also being voiced as to whether such scorecards can effectively enable strategy implementation alone or whether there is a need for them to be supported by other management tools such as budgets and forecasts, measures of economic value added, and focused incentive and reward systems (Daft and Macintosh, 1984; Chapman, 1997; Hope and Hope, 1997; Marginson, 1999; Otley, 1999; Nørreklit, 2000; Bungay and Goold, 1991).

Aims and objectives of the study

The primary aim of this paper is thus to develop a deeper conceptual understanding of the potential role of the balanced scorecard with regard to effective strategy implementation. In order to achieve this aim, it is recognised that a number of intermediate objectives will need to be addressed. More specifically, these objectives firstly include an understanding of the nature and challenges of strategy implementation – the main inhibitors of strategy implementation including especially the role of middle management and the importance of organisational communication and control systems – thus developing a consensus of strategy implementation problems.

Secondly, the role of PMS in a changing environment will be discussed and in particular, Kaplan and Norton's (1992) "balanced scorecard" approach will be considered as a means of mitigating the tensions between management control and strategic control, and its potential as an instrument for a single strategy will be evaluated. Key questions to be addressed here include: to what degree can the balanced scorecard mitigate the main problems associated with strategy implementation? How can the balanced scorecard realistically support the integration of core organisational mechanisms and controls? Understanding "how" performance management systems are used in organisations is arguably an important area for research (Okumus, 2003) and this will be linked to the key factors that are believed to be associated with successful strategy implementation.

Thirdly, whether the balanced scorecard can achieve the co-ordination and integration necessary for successful strategy implementation "alone" will be assessed alongside the extent to which the "support" of other management tools such as budgets and forecasts and focused reward systems may be required. It is then intended that the enhanced understanding offered by this paper will, finally, provide a basis for a series of research questions and a programme of empirical research concerning effective strategy implementation.

Strategy implementation and control

It remains the case that over in the two decades since Alexander (1985) bemoaned the lip service paid to research into strategy implementation, there continues to be an imbalance between the apparent importance of formulation and implementation (Al Ghamdi, 1998; Okumus and Roper, 1998; Okumus, 2001). Yet the main weaknesses of strategic management practice are generally associated with the implementation stage – indeed, Mintzberg (1994) asserts that more than half of the strategies devised by organisations are never actually implemented! Despite the clear importance of this management area and the apparent problems associated with its execution, it has however, been substantially neglected by academics (see, for example, Alexander, 1985; Edgar and Taylor, 1996; Okumus and Roper, 1998; Aaltonen and Ikåvalko, 2002). Moreover, the literature available appears to approach the subject matter from a wide range of different disciplines and cognitive domains. For instance, the diversity of viewpoints is recognised by Noble (1999), Okumus and Roper (1998) distinguish five schools of thought, while Neely *et al.* (1994) identify such disparate standpoints as organisational behaviourists, organisational culturalists and business/corporate strategists. Consequently, although there are some implementation issues and elements about which there is an emerging consensus – such as the importance of communication, problems in identifying relevant performance indicators, the significant part played by middle-level managers, and the role of strategic control systems (Alexander, 1985; Bungay and Goold, 1991; Bartlett and Goshal, 1996; Aaltonen and Ikåvalko, 2002; Marginson, 2002); Reed and Buckley's observations that literature has focused on different aspects of strategy implementation and offers "partial problem-solving solutions" as a result, "general rules are elusive" (Reed and Buckley, 1988, p. 68) still seems to be relevant. Thus it is suggested that there is a lack of agreed theoretical frameworks such that the current state-of-play resembles a somewhat incoherent knowledge base, with some consensus (as above) but many important gaps remaining to be filled-in.

Problems of strategy implementation

According to Alexander (1985), the ten most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment had an adverse impact. Based on empirical work with 93 firms he observed that senior executives were over optimistic in the planning phase and it is noteworthy that the first two issues which occurred most frequently in Alexander's study are planning issues. He also found the effectiveness of coordination of activities and distractions from competing activities inhibited implementation, in addition key tasks were not defined in enough detail. With regard to people, the capabilities of employees involved were often not sufficient, leadership and direction and "training and instruction given to lower level employees were not adequate" (Alexander, 1985, p. 92). Although the least frequent in this study in many cases the information systems used to monitor implementation were not adequate.

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed and Buckley, 1988, p. 68). Goal setting and controls are also recognised as problematic, identifying co-ordinated targets at various levels in the organisation is difficult and the need for control is heightened as uncertainty and change provide a volatile environment, a point supported by Tavakoli and Perks (2001).

Al Ghamdi (1998) replicated the work of Alexander (1985) in the UK and found for 92 percent of firms implementation took more time that originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, "the drama still continues" (Al Ghamdi, 1998, p. 322).

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000, p. 37) "... six silent killers of strategy implementation ..." These comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development (Beer and Eisenstat, 2000). It is recognised that such change requires a shared vision and consensus (Beer *et al.*, 1990) and "failures of strategy implementation are inevitable" if competence, coordination and commitment are lacking (Eisenstat, 1993). Corboy and O'Corrbui (1999, p. 29), meanwhile, identify the "... deadly sins of strategy implementation" which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognised or acted upon; and ignoring the day-to-day business imperatives. Overall though, it is increasingly acknowledged that the traditionally recognised problems of inappropriate organisational structure and lack of top management backing are not the main inhibiting factors to effective strategy implementation (Aaltonen and Ikåvalko, 2002). Rather, the major challenges to be overcome appear to be more cultural and behavioural in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Alexander, 1985; Giles, 1991; Corboy and O'Corrbui, 1999; Aaltonen and Ikåvalko, 2002; Franco and Bourne, 2003). Aaltonen and Ikåvalko recognise the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen and Ikåvalko, 2002, p. 417) meanwhile Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change more towards that of a "coach", building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes.

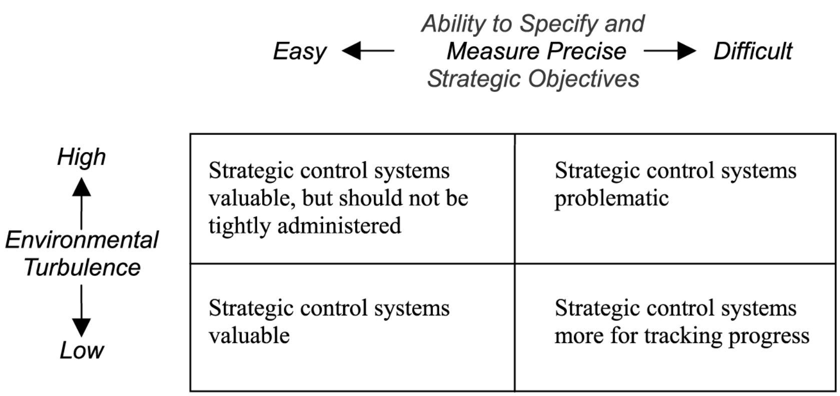
In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organisation's existing management controls (Langfield-Smith, 1997) and particularly its budgeting systems (Reed and Buckley, 1988; Otley, 2001; Marginson, 2002). Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimisation rather than value maximisation (Bunce and Fraser, 1997; Fanning, 1999; Brander Brown and Atkinson, 2001), they still represent the main integrative control mechanism in many, if not most, business organisations (Hope and Fraser, 1997; Hope and Hope, 1997; Marginson, 1999; Otley, 2001). In the apparent absence of suitable alternative information systems (Alexander, 1985), significantly, it is claimed that well-established budget control systems can overwhelm or dominate strategic control systems (Goold and Quinn, 1990) – even to the extent that "... when the going gets tough, budgetary pressures will tend to derail strategic goals ..." (Bungay and Goold, 1991, p. 32). In order to overcome such "myopic" tendencies (Hrebiniak and Joyce, 1986; Bungay and Goold, 1991; Neely, 1999), it is suggested that organisations need to establish shorter/medium-term strategic "milestones" (Goold and Quinn, 1990).

So far in this review of literature on strategy implementation there is evidence of some recurring themes, including communication and coordination which are essential to ensure that people across the organisation know what to do and to ensure that they stay focussed on the key targets under the everyday pressures. Strategic control systems provide a mechanism for keeping today's actions in congruence with tomorrow's goals and their importance to strategy implementation is discussed next.

Strategic control systems

Strategic control systems ensure that "the immense effort put into preparing lengthy and detailed strategic plans is in fact translated into action" (Bungay and Goold, 1991, p. 32). Strategic control systems provide the short-term targets that deliver long-term goals. So successful strategy implementation is substantially dependent on effective strategic, as well as management, control systems. Indeed, Tavakoli and Perks (2001) argue that as new strategies will inevitably require change, these control systems are particularly imperative since the situations organisations find themselves in will generally have no precedent. Strategic controls are especially required to provide a balance between longer-term organisational goals and shorter-term operational demands (Bungay and Goold, 1991). Furthermore, they need to incorporate both "feedback" and "feedforward" information, thus enabling mangers to know if they are "on track" while also providing opportunities to adapt and revise strategies when required (Goold and Quinn, 1990; Goold, 1991; Otley, 1999; Tavakoli and Perks, 2001).

A particular aspect that these strategic control systems especially need to address in today's increasingly unpredictable and dynamic competitive environments (Mintzberg, 1994; Eisenhardt, 2002), is the "… tension between the rigour necessary for effective strategy implementation and the flexibility required for timely strategy adjustment …" (Van Veen-Dirks and Wijn, 2002, p. 422). In this regard, Goold and Quinn (1990) propose a strategic control framework (see Figure 1) that recognises the degree of environmental turbulence and the ability of organisations to specify and measure their strategic objectives. As can be seen, this model indicates that in order to support



Source: Goold and Quinn (1990, p. 55)

Figure 1.
Strategic control framework

successful strategy implementation particular control approaches are more suitable in different circumstances.

It can be seen that there is a need to establish co-ordinated strategic and management control mechanisms, which should incorporate both financial and non-financial performance indicators. Furthermore, these control systems should be sufficiently flexible to deal with increasingly dynamic and competitive arenas. Without such systems it is argued strategy implementation will not be possible. It has been suggested that "new" performance management frameworks like the Balanced Scorecard can, by forming the basis of strategic control systems and providing a vital link between strategy and action, assist organisations to achieve effective strategic implementation.

Performance measurement (management) and the balanced scorecard

Performance measurement (management) is a much written and talked about subject, defined by Neely *et al.* as "... the process of quantifying the efficiency and effectiveness of action ..." (Neely *et al.*, 1995, p. 80), with associated literature covering a wide variety of organisational systems and functions including standard costing and variance analysis, budgets and forecasts, operations management and quality management, and incentive and reward systems (see, for example, Emmanuel *et al.*, 1990; Johnson and Gill, 1993; Kaplan and Atkinson, 1998; Otley, 1999; Simons, 2000; Anthony and Govindarajan, 2001; Horngren *et al.*, 2002; Garrison *et al.*, 2003). Meanwhile, Neely states that:

> Performance measurement is on the agenda. New reports and articles on the topic have been appearing at a rate of one every five hours of every working day since 1994 (Neely, 2002, p. xi).

Otley (2001) notes that "the move from measurement to management is a small but important one" (Otley, 2001, p. 249) and it is asserted that any discussion in this field must encompass the measurement and the management of actions. The field of performance management, much like strategy implementation, is eclectic; academics approach performance management from many different functional backgrounds, including accounting, economics and operations management. This emphasis reflects its importance in a world where the way companies compete is changing rapidly and the move from the industrial to the information age has lead to "a focus on customers not products, relationships rather than lead times" (Atkinson, 2006, p. 47) and the increasing importance of intangible assets (Kaplan and Norton, 2004b).

In order to effectively manage such a wide-ranging organisational "activity", many related management frameworks have been developed in recent years. Some of these emanate from the total quality management (TQM) movement – such as the Baldridge, Six Sigma, ISO9000 and European Quality models. Others, meanwhile, have emerged from a recognised need to find alternatives to traditional, accounting performance measures (Eccles, 1991; Doyle, 1994; Kaplan and Norton, 1992). Key multifaceted/multivariate examples in this regard include Fitzgerald *et al.*'s (1991) "results and determinants" framework; most notably, Kaplan and Norton's (1992) "balanced scorecard" approach; Lynch and Cross' (1995) "performance pyramid" and the performance prism (Adams and Neely, 2002; Kennerley and Neely, 2002).

The balanced scorecard was developed to address a number of significant weaknesses associated with "traditional" performance measurement systems –

including, particularly, that they are dominated by short-term, backward looking or "lag" financial metrics, which moreover, are internally orientated and are not linked to organisational strategy (Eccles, 1991; Cross and Lynch, 1992; Kaplan and Norton, 1992; Doyle, 1994; Brander Brown and McDonnell, 1995; Epstein and Manzoni, 1997; Atkinson and Brander Brown, 2001). The balanced scorecard is intended instead to provide organisational management with a set of measures that give "… a fast but comprehensive view of the business …" (Kaplan and Norton, 1992, p. 71). Furthermore though, it is also explicitly claimed that the balanced scorecard "… provides a framework for managing the implementation of strategy while also allowing the strategy itself to evolve in response to changes in the company's competitive market and technological environments …" (Kaplan and Norton, 1996b, p. 85).

The balanced scorecard approach

The balanced scorecard (Kaplan and Norton, 1992), as illustrated in Figure 2, is widely recognised and used (Marr and Schiuma, 2003). Several years ago it was already reported as being used by 60 percent of *Fortune 1000* companies (Silk, 1998). This framework views an organisation's performance from four key perspectives, with regard to which organisations should articulate their core vision, strategy and goals before translating them into specific initiatives, targets and measures. Typical examples observed in companies that have adopted the balanced scorecard approach include:

- Financial: emphasising shareholder satisfaction, key goals and measures here generally involve (gross and/or net) profitability, return on capital employed, residual income, economic value added, sales growth, market position and share, cash flow etc.

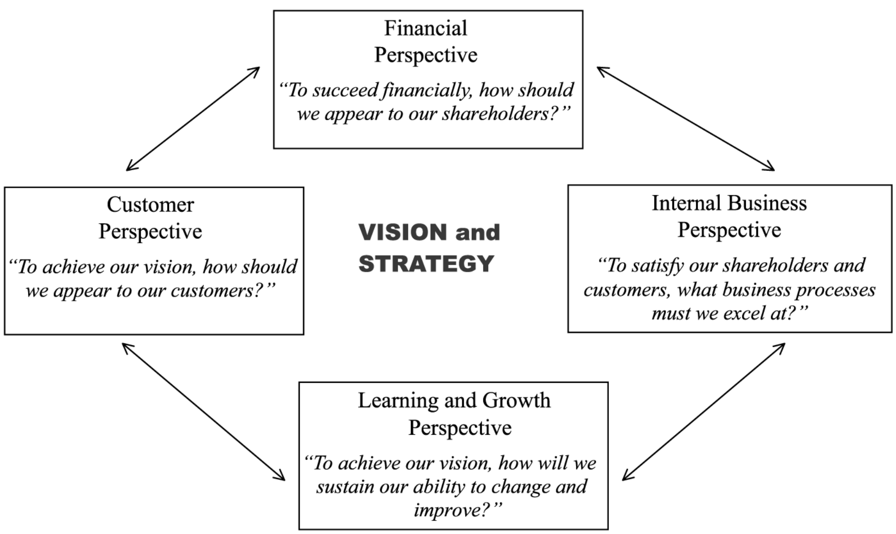


Figure 2. Balanced scorecard approach

Source: Kaplan and Norton (1996a, p. 9)

- Customer: focusing on "real" customer satisfaction, key goals and indicators here typically stress common customer concerns such as delivery time, quality, service and cost etc.
- Internal business: key goals and measures here should highlight critical skills and competencies, processes and technologies that will deliver current and future organisational (customer/financial) success.
- Learning/growth: underpinning the other three perspectives, key long-term goals and indicators in this regard typically relate to improving flexibility and investing for future development and new opportunities (Atkinson, 2006, pp. 53-54).

Importantly, it should also be noted here that a causal relationship is overtly recognised between the four perspectives with innovation and learning being the driving force to deliver success in the internal processes, which then in turn will meet customer and consequently, shareholder needs.

It is argued that the balanced scorecard addresses a number of significant deficiencies associated with more "traditional" performance measurement systems. For example, it provides a "balanced" organisational assessment by recognising a variety of key stakeholder views (Brander Brown and McDonnell, 1995; Ahn, 2001). In addition, by combining non-financial indicators such as service quality, employee morale and customer satisfaction with financial performance measures it responds to Eccles' "radical" call to subjugate financial measures to be "... one among a broader set of measures ..." (Eccles, 1991, p. 131).

Furthermore, the balanced scorecard focuses management attention on the "drivers" of performance by explicitly encouraging the inclusion of "lead" as well as "lag" indicators (Eccles, 1991; Fitzgerald *et al.*, 1991; Atkinson and Brander Brown, 2001). Meanwhile through identifying "cause-and-effect" relationships important "trade-offs" between key goals and measures are highlighted, which is considered vital to identifying organisational priorities (Butler *et al.*, 1997; Epstein and Manzoni, 1997; Mooraj *et al.*, 1999). Significantly though, the balanced scorecard is also thought to be capable of acting as a powerful link between strategy and operations (Kaplan and Norton, 1996a, b; Atkinson and Brander Brown, 2001).

The balanced scorecard – criticism

Atkinson *et al.* (1997), amongst others, consider that the balanced scorecard does not properly cohere with the stakeholder approach to performance management, as it often fails to effectively address issues relating to employee and supplier contributions and/or the role of the community and is biased towards shareholders (Adams and Neely, 2002; Kennerley and Neely, 2002; Smith, 2005). However others view this as potentially problematic from another perspective. Through its apparent adoption of a stakeholder approach (Otley, 1999), it is claimed that if due care is not exercised there is a risk that by seeking to incorporate the disparate demands of each key group the resulting Balanced Scorecard can resemble a series of four independent and uncoordinated "lists" of measures (Gering and Mntambo, 2002).

Whilst it is considered vital to integrate strategic and budgetary controls (Bungay and Goold, 1991; Otley, 2001), significant concerns have been expressed regarding perceived problems in achieving congruence between the balanced scorecard and other organisational control systems. In order to overcome such difficulties, Ahn (2001) argues the scorecard should "replace" rather than "complement" other controls, while Otley (2001) suggests that the challenge is to effectively "combine" the balanced scorecard with long established systems. Interestingly in this regard, Kaplan and Norton (1996b) note that many companies have separate procedures and departments for dealing with strategic planning and resource allocation/budgeting. They claim that when properly carried out the process of creating a balanced scorecard should force companies to integrate their strategic planning and budgeting processes – even to the extent that the Balanced Scorecard can completely replace traditional control systems.

Moreover, it also argued that the scorecard's claims to support interactive control and "double-loop learning" seem to be somewhat at odds with the rather hierarchical top-down approach thus far associated with balanced scorecard development (Nørreklit, 2000; Marginson, 2002), thus making it unsuitable for dynamic and fast changing environments (Goold and Quinn, 1990). Furthermore, it is suggested that, "... other measurement and control systems can establish diagnostic and compliance requirements far more effectively than the balanced scorecard ..." (Kaplan and Norton, 1996a, p. 35).

Albeit widely adopted there are concerns rising about the cost effectiveness of performance management initiatives and also a question over the number of such initiatives that can be regarded as successful. Professor Claude Lewy, who claimed that nearly 70 percent of balanced scorecard implementation projects fail, proposed ten commandments for scorecard implementation including: "do use the scorecard as an implementation pad for strategic goals" and "don't use the scorecard for extra top-down control" (McCunn, 1998, p. 35). McCunn presents Lewy's ten commandments and recounts many wrong reasons for implementing a scorecard to justify his 11th commandment, which states "do not start implementing a balanced scorecard unless you know what you hope to achieve" (McCunn, 1998, p. 35). Bourne *et al.* (2002) discuss the implementation issues associated with the balanced scorecard and similar frameworks, they state that there is little research into their effectiveness and found that three key factors compelled progress towards successful implementation; top management commitment, the sense it was worth the effort and good facilitation. In addition they found the differentiating factors between success and failure were:

- purpose – clear vision for moving the company forward;
- structure – which related to parent subsidiary relationship which had negative impacts which were not fully understood; and
- culture – it was found that having a paternalistic culture was beneficial to successful implementation (Bourne *et al.*, 2002).

Interestingly, Speckbacher *et al.* (2003) report on the implementation of the balanced scorecard in German-speaking countries and propose a typology reflecting the evolution of the scorecard concept and confirm that its implementation is in three distinct phases. These phases link to the evolution of the balanced scorecard development recognised by Kaplan and Norton (1992) from their initial ideas to improve performance measurement by providing a framework to integrate non-financial and financial measures (Kaplan and Norton, 1992), to a strategic management system (Kaplan and Norton, 1996b); the scope of the balanced scorecard has certainly grown. Collectively these observations address some of the criticisms and arguably could point to a varying, yet improving, picture. There is evidence that more attention is being given to the process as well as the product of the scorecard. In their new work, entitled *Strategy Maps: Converting Intangible Assets Into Tangible Outcomes*, Kaplan and Norton (2004a) develop further from the original focus on performance measurement through strategy focussed organisations to the all-embracing strategy maps. This third volume provides much more detail on how to embed the scorecard concept and link it to strategy (Kaplan and Norton, 2004a). Yet there are still harsh critics (Voelpel *et al.*, 2006; Kenny, 2003; Nørreklit, 2000) and questions raised about the efficacy and validity of the framework.

Despite this, there is evidence to show that those initiatives that have failed often did not follow the now well publicised elaborate implementation processes available in the literature (Kaplan and Norton, 2004a; Bourne *et al.*, 2003); for example, Decoene and Bruggeman (2006) recently reported problems experienced due to the lack of middle management involvement in establishing the scorecard and as a result the lack of effectively translated divisional and functional scorecards linked to incentive programmes. Meanwhile, De Waal and Gerritsen-Medema (2006) have recently developed a tool for evaluating the efficacy of performance management systems (PMS), which is a process for the maintenance of the scorecard or other such frameworks with criteria that evaluate the structural and behavioural issues associated with continuing operation of the PMS. Such initiatives develop our understanding of PMS and BSC in particular and facilitate a more empowered and informed use of such frameworks and thus it is argued enable them to be effective strategic implementation tools. The next key section will critically review the role of the BSC in facilitating effective strategy implementation and show how it can theoretically address the key implementation problems.

The balanced scorecard and strategy implementation

Lynch and Cross (1995) identify three criteria that must be met by performance management systems if they are to effectively mediate between an organisation's strategy and its day-to-day activities. These "necessary" conditions comprise: that the system must explicitly link operational targets to strategic goals; it must integrate financial and non-financial performance information; and the system should focus business activities on meeting customer requirements. It is asserted that the balanced scorecard model fundamentally meets all of these criteria by providing a "truly strategic control system" (Mooraj *et al.*, 1999, p. 486) that "puts strategy and vision at the centre ..." (Kaplan and Norton, 1992, p. 79).

Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behaviour Goold (1991), especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in Kaplan and Norton's (2004, p. 10) strategy maps provide "a level of granularity that improves clarity and focus" thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organisation.

The importance of enabling sound "two-way" communications within organisations is seen as fundamental to the effective implementation of strategy (Alexander, 1985; Rapert *et al.*, 2002), with a particular emphasis on facilitating useful feedback and "bottom-up" messages (Otley, 1999). The process of creating an organisational balanced scorecard essentially commences with a full strategic appraisal and the clear articulation of the organisation's strategic vision and objectives (Kaplan and Norton, 1992; Mooraj *et al.*, 1999; Littler *et al.*, 2000; Atkinson and Brander Brown, 2001), this process can in itself can build consensus and engender learning which can be of enormous value (Neely *et al.*, 2000). Through this process of definition and communication of core values throughout an organisation, moreover, the Balanced Scorecard provides an effective "boundary" control system (Simons, 1990, 1994; Mooraj *et al.*, 1999). Then, as the balanced scorecard approach makes explicit the "cause and effect" of a strategy, it also usefully converts strategic aims into tangible objectives and measures (Brander Brown and McDonnell, 1995; Kaplan and Norton, 1996b; Martinson *et al.*, 1999). This stage, moreover, if the scorecard is implemented participatively with measures identified and targets set cooperatively rather than imposed (Decoene and Bruggeman, 2006), actively supports organisational learning and reflection, which encourages "interactive" control through the testing of "cause and effect" relationships (Simons, 1990, 1994; Mooraj *et al.*, 1999). This also enables front line managers to have a "basis for selecting among the diverse opportunities they might face" (Bartlett and Goshal, 1996, p. 39) and resisting the distraction of other activities (Alexander, 1985; Beer and Eisenstat, 2000).

There are also less obvious benefits of implementing a scorecard. The process of building and utilising the scorecard provides an opportunity to identify priorities and reconcile different stakeholder demands as well as enhancing strategic feedback and learning (Kaplan and Norton, 1996a; Denton and White, 2000), thus also enabling effective "diagnostic" control (Simons, 1990, 1994) through the monitoring of financial and other "lag" indicators against pre-set targets (Mooraj *et al.*, 1999).

In addition to substantially meeting Lynch and Cross' (1995) necessary conditions, the balanced scorecard appears to offer a range of additional attributes that may also support successful strategy implementation. It has been shown that the keys to enabling such communications are an organisation's "middle managers" who have been shown to play "a pivotal role" (Aaltonen and Ikåvalko, 2002, p. 417) and are viewed as strategic "actors" (Bartlett and Goshal, 1996) playing an important role in strategic transformation. The scorecard approach encourages the establishment of co-ordinated scorecards at every level of an organisation which, when implemented properly, engage middle managers. Such a process not only necessitates considerable active communication involving everyone within an organisation (Alexander, 1985; Aaltonen and Ikåvalko, 2002), it also permits the useful integration of such scorecards with management and employee incentive programmes (Huckstein and Duboff, 1999; Denton and White, 2000), potentially involving the development of individual/personal scorecards which can be positively utilised to align personal and organisation goals and encourage "ownership" (Goold and Quinn, 1990; Giles, 1991; Kaplan and Norton, 1996b; Mooraj *et al.*, 1999; Nørreklit, 2000). Noble states that, "the degree of involvement across the organisation appears to be a predictor of implementation success" (Noble, 1999, p. 132); the scorecard facilitates this involvement throughout the strategy implementation process.

It is further suggested that the balanced scorecard approach should be viewed as "... a template not a strait-jacket ..." (Kaplan and Norton, 1996a, p. 34). Such a standpoint potentially offers organisations a considerable degree of flexibility to address their unique circumstances while still "pulling" management and employees in the core strategic direction (Kaplan and Norton, 1992; Ahn, 2001). In fact it is argued by some that strict adherence to the scorecards four perspectives cannot be appropriate (Kenny, 2003). This adaptive capacity also assists the balanced scorecard to address Goold and Quinn's (1990) previously noted concerns regarding "matching" appropriate control mechanisms to different levels of environmental turbulence and an organisation's ability to identify and monitor its strategic objectives. In this regard, Van Veen-Dirks and Wijn (2002) further propose that, additional flexibility (which is needed in rapidly changing market environments) can be provided by augmenting the balanced scorecard approach with critical success factors (CSFs). The explicit incorporation of such factors not only keeps attention focused on an organisation's critical strategic objectives (Kaplan and Norton, 1996a), it also avoids the potential danger of management information overload (Geller, 1985a, b, c; Brotherton and Shaw, 1996).

Although there are some criticisms and "question marks" concerning the balanced scorecard approach, many of these seem to represent problems of practical application rather than fundamental flaws. There is evidence to show that organisations' approach to implementing a scorecard is maturing (Speckbacher *et al.*, 2003; Kenny, 2003) as the business community learns how to get the most out of this "important management tool" (Bourne *et al.*, 2002) and that there is increasingly more guidance on establishing measures (Kaplan and Norton, 2001, 2004a) and implementing a scorecard (Bourne *et al.*, 2002, 2003) with appropriate implementation processes including top management commitment (Bourne *et al.*, 2003; Beer *et al.*, 1990). Moreover, there is also evidence of the efficacy of the balanced scorecard framework for supporting strategy implementation by linking strategy to operations such that it is proposed that the balanced scorecard addresses many of the problems associated with strategy implementation.

Conclusions and future directions

In this paper a range of literature has been reviewed to understand the factors that affect successful strategy implementation. Among the key issues identified is the need for effective communication throughout the organisation that leads to a clear understanding of key roles and responsibilities of all stakeholders including middle managers, whose role is often pivotal. In addition the establishment of effective strategic control systems and the way in which these interact with other management and operational control systems is important to ensure that an organisation can deliver against its strategic objectives. This in turn requires the identification of clear performance targets and measures that deliver long-term value whilst mediating short-term demands. It is argued that the balanced scorecard can provide a mechanism for addressing such issues by making explicit the link between strategic objectives and operational goals, by identifying clear performance targets at all levels in the organisation, and by engaging employees at all levels of the organisation in the discussion of the strategic priorities. The effective integration of the balanced scorecard with strategic and management control systems however remains a potentially significant inhibitor to successful strategy implementation. Moreover, "disagreements" within the literature and the lack of empirical research concerning the relationship between the balanced scorecard model and various budgeting systems clearly indicates an area for particularly useful empirical research. (Otley, 1999; Ahn, 2001) to understand whether these management tools hinder or help each other.

It is clear however that the balanced scorecard can play a role. Whilst not being a panacea, it is argued that it can address identified strategy implementation issues including: communication (Alexander, 1985; Beer and Eisenstat, 2000); middle management issues (Giles, 1991; Bungay and Goold, 1991); clarification of priorities and improved coordination across functions, businesses and boundaries (Beer and Eisenstat, 2000). The balanced scorecard can provide clear targets so that people can know what to do (Corboy and O'Corrbui, 1999); can galvanise down the line leadership (Beer and Eisenstat, 2000; Alexander, 1985) and can interpret strategic intent into specific managerial actions (Reed and Buckley, 1988). If the balanced scorecard is implemented fully and participatively itself, it can engage management in an evaluation of the strategic plan and thus avoid planning errors and discourage oversight. Nevertheless, the balanced scorecard cannot make strategic implementation happen by magic; the organisation must still make the journey from where it is now to a new future. The balanced scorecard does not negate the need to travel to a new place, but it can provide the vehicle within which the whole organisation can move forward. As Hacker and Brotherton state:

> Strategic management with effective performance measurement systems provides the tools and techniques for driving the business to the desired location (Hacker and Brotherton, 1998, p. 23).

It should be noted that it cannot reduce the time it takes to effectively implement strategic initiatives (Alexander, 1985) it cannot correct a strategy that is not worth implementing (Corboy and O'Corrbui, 1999). The organisation still needs to address McCunn's 11th commandment and be clear about what it is trying to achieve (McCunn, 1998). However, if implemented correctly, and there are now clear guides published to support the implementation process (Kaplan and Norton, 2004a, b; Bourne *et al.*, 2003) it is proposed that the balanced scorecard is an effective strategy implementation tool. Having proposed this though, there is, as shown, the need for considerable research and a series of research questions require exploration.

Further research is needed to find out if these assertions are true, to establish the degree of synergy that can be achieved through scorecard implementation with strategy implementation. Research should review not just the balanced scorecard, but other frameworks such as the performance prism. Research should establish to what extent are such frameworks are being used to assist strategy implementation and if so, to establish their effectiveness. How are companies using these frameworks and how are they engaging with them? From the preceding review it is argued that research should follow two tracks of exploration.

Firstly, the integration or otherwise of management control systems also requires examination. To what extent are budgets coordinated with balanced scorecards, importantly are they operated in synchrony or in competition with the budgeting system still? Can the balanced scorecard replace budgets (as proposed by Kaplan and Norton, 1996b; Ahn, 2001) and have some organisation taken this step? If so, how does it work?

Secondly, how effective is the balanced scorecard (or equivalent framework) in mediating the understanding of the strategic initiative and do people actually understand their role and its link to organisational strategic priorities? How is the (pivotal) role of middle managers changed by the new performance management systems, which provide more widely available information and knowledge on performance throughout the organisation? Is the balanced scorecard truly effective at galvanising strategic understanding and mediating individual versus organisational priorities? To what extent is the scorecard integrated into incentive programmes and thus fully embedded into organisational control mechanisms. How can the balanced scorecard engender commitment and motivation towards achieving the strategic objectives?

Otley (2003) identifies areas for further research where, in his view, more work is required. He claims that:

> It still appears that designers of performance measurement systems do not fully anticipate the likely response of those being controlled (Otley, 2003, p. 317).

More qualitative research is needed to generate deeper understanding, in line with Bourne *et al.* (2002), who argue that:

> Insights gained would not have been raised by a "scientifically" designed questionnaire administered to a representative sample of managers. The semi structured approach uncovered the "non-standard" responses as a direct result of probing (Bourne *et al.*, 2002, p. 1308).

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About the author

Helen Atkinson is a principal lecturer at the School of Service Management in the University of Brighton. She is a qualified management accountant with CIMA and has a background in hospitality and experience in strategic planning at Eriksson telecommunications. She has lectured, researched and published in the area of hospitality accounting and business strategy since 1989. Her current research interests are strategic management accounting, performance measurement and strategy implementation. Helen Atkinson can be contacted at: hca@bton.ac.uk