



From balanced scorecard to the science of strategy execution: 25 years of research creating shared value and positive impact

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Abstract

It's been more than 25 years since Harvard Business School professor Dr. Robert S. Kaplan and cohort David P. Norton put forth the concept and research of the Balanced Scorecard, a practice of measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy. However, the culture and strategy remains relevant today.

Things have changed from that time and the "science" of Strategy Execution is a broad concept to replace the "Balanced Scorecard" and "Execution Premium" to create shared value and positive Impact. It is now a clear "science". The book "The science of Strategy Execution": Creating Shared Value and Positive Impact is an extraordinary integration of management and practice from a strategy management perspective. Its objective to help readers make meaning from the Balanced Scorecard and Execution Premium. The result is an inspirational practice of the Balanced Scorecard and the Execution Premium that will resonate with every reader's experience.

Keywords: balanced scorecard, the execution premium, the science of strategy execution, shared value, and positive impact

Introduction

It's been more than 25 years since Harvard Business School professor Dr. Robert S. Kaplan and cohort David P. Norton put forth the concept and research of the Balanced Scorecard, a practice of measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy. However, the culture and strategy remains relevant today. Keynote at the Gartner Business Intelligence Summit in Washington D.C, Dr. Kaplan emphasized the growing need for strategy execution. In his presentation themed "Strategy Execution in a Dynamic World," Kaplan pointed to recent Conference Board results. For the last two years, the number one top of mind priority has been whether or not senior management can execute. Up until November, the reigning number two issue had been generating top line revenue growth. As the economy began to tumble, the order changed and excellence in execution took over as the number two spot.

The foundation behind Balanced Scorecard is that financial measurements don't reveal everything about an organization. Companies should, therefore, measure the areas in which they can change. Kaplan recommends the following steps for organizations to deliver strategic excellence:

1. Mobilize change through executive leadership: Leaders should see the threats and the opportunities and communicate a vision to the organization, Kaplan said. There has to be a case or an agent for change. He drew the event for 9/11 as an example. September 11 led the FBI to overturn its 90 year old operational strategy and to deliver on a new mission. "It's like playing tennis and you take lessons with instructor," Kaplan said. "Once you get away

from the lesson, you want to get back to what feels comfortable." Don't let that happen. Keep your strategy or your scorecard as constant reminder. Put it in your pocket if you need to - carry it everywhere, he said. Leaders truly have to own process of change. "It has to be your priority and you have to show you are personally invested in it," Kaplan contended.

- 2. Translate strategy to operational teams:** Kaplan said, develop measures that affect word statements. Map out strategies visually. Look at the map and ask, "what's missing?"
- 3. Align the organization to the strategy:** Most organizations consist of multiple business units and it can be a struggle to get them all to work together on an intended goal. Kaplan displayed a photograph of a crew team. Does the team want the eight best rowers all in one boat? Probably not. It's all about balance and creating a sense of common purpose, he said.
- 4. Motivate to make strategy everyone's job:** Kaplan shared that this means aligning personal incentives with competency development. "Communicate seven times seven different ways," he said, adding that personal relevance brings the strategy to life. sustained communication uses diff channels to get the message across
- 5. Make strategy a continual process:** Kaplan advised making strategy maps and encouraged feedback dashboards to keep employees in the loop.

There's some great advice here. When asked how the economy impacts strategy, Kaplan recommended that people focus on some short term goals. "If you used to have 14

strategic initiatives, focus on five or six to give you a rapid payback,” he said. “Although you may need to redo your strategy and update your map and go through the steps all over again.” In other words, don’t be afraid to change.

Objectives of the study

The main objective is to integrate the balanced scorecard and the execution premium to produce the science of strategy execution to create shared value and positive Impact.

The world is facing seemingly impossible challenges that impact businesses, societies, economies, and lives. That’s why we measure company’s success not only in revenues and profit and shareholder value, but in Impact-because you can’t have one without the other, at least not sustainably. This is also why we coined the term “Positive Impact” to mean “the intentional creation of enduring social and economic value”, and we aspire to realize it in everything we do.

Shared value is not social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success

Shared value is a management strategy in which companies find business opportunities in social problems. While philanthropy and CSR focus efforts focus on “giving back” or minimizing the harm business has on society, shared value focuses company leaders on maximizing the competitive value of solving social problems in new customers and markets, cost savings, talent retention, and more.

More companies are now building and rebuilding business models around social good, which sets them apart from the competition and augments their success. With the help of NGOs, governments, and other stakeholders, business has the power of scale to create real change on monumental social problems.

Palladium Summit in 2017 discussed the future of Strategy: The Road Travelled and Path Ahead:

Dr. David Norton discussed a unique journey from the science of Strategy Execution to today’s breakthrough Positive Impact framework in a video address. But,

What is Positive Impact? And what is Positive Impact Framework?

Positive impact is the intentional creation of enduring social and economic value.

The Positive Impact Framework is a new way to build, execute and measure your organization’s strategy. Designed with the collaboration of multi-stakeholder alliances in mind including corporations, communities, investors and more, the positive Impact will help organizations formulate strategies and implement solutions that generate benefits for communities, corporations and the environment.

So social impact is part of creating shared value or the destination of creating value.

The “science” of Strategy Execution will sure replace Balanced Scorecard and the Execution Premium to create shared value and positive Impact.

Review of literature

The field of performance measurement (PM) has evolved rapidly in the last two decades with the development of new measurement systems such as Balanced Scorecard (BSC),

performance prism, performance pyramid, economic value added (EVA), economic profit (EP) and self-assessment techniques. Arguably, these developments have come in response to the rapidly increasing accounting problems that emerge when the measurement of business units’ performance is only based on traditional financial accounting measures such as the return-on-investment (ROI) and the earnings-per-share (EPS). In most business units, there are intangible assets that are not be recognized on the balance sheet but may significantly contribute to the business units’ performance. Traditional accounting methods focus only on financial performance, thus neglecting many non-financial aspects. Further, these traditional financial measures direct attention to short-term performance and may give misleading signals for continuous improvement and innovation-activities that are extremely important for today’s competitive environment. In early 1990s, Kaplan and Norton introduced the BSC as an integrative device that facilitates a formal use of non-financial information in the performance evaluation of business units (Kaplan and Norton 1992). Arguably, there is a ‘balance’ between financial and non-financial measures, between short-term and long-term performance and between lagging (outcome) measures and leading measures (drivers), summarized in a single BSC report. The BSC concept has become well known and has been subject to various developments that have attracted the interest of academics and practitioners. Since 1992, the BSC literature has significantly expanded in terms of both theoretical developments and applications. The aim of this chapter is to review the BSC literature and to explore potential areas for future research. This chapter is organized into four sections. In 2008, Robert Kaplan and David Norton discovered the six stage Execution Premium:



Fig 1

Methodology of the Study

Determining the relationship between first generation of Balanced Scorecard(1990) and second generation the Execution Premium(2008) and the science of strategy execution (Third generation).

Do we really need science of Strategy Execution? And Why?

The researcher chooses to use a questionnaire as the method of data collection; the questionnaire in this research is the most relevant and appropriate to the study purpose. The sampling is determined at AUL University.

Problem Statement

Science of strategy execution is a new science with complex aspect which is defined by quite a lot of factors simultaneously, which sometimes make it so difficult to measure the effect of each alone; apart from others. Yet, among those factors, some have direct effects while others have indirect ones. Knowing that indirect effects can be as powerful as direct ones sometimes, studying such effects can be of significant interest to understand the market dynamics and some of the rules which govern them. Do such variables include aspects that affect science of strategy execution? Will they need to invest more on such aspects? Or shall they worry less about those?

Developments have had been happened through science and its applications in many fields. Science laid a platform on the basis of many past successful and unsuccessful experiments, and thus show us a light on possible right directions to go during business execution. Of course, there would be times facts and figures help us to take decisions, but in current business world of VUCA (Volatility, Uncertainty Complexity, Ambiguity) one has to go with new experiments with a change mindset. This is where, science can help business people to breakdown complex in to simple things with different modules. To be precise, it's hard to keep science away in this fast growing business world.

Recommendations for Future Research

The science of strategy execution is a complex aspect which is defined by quite a lot of factors simultaneously (Fixed factors and Variable factors), which sometimes make it so difficult to measure the effect of each alone; apart from others. Yet, among those factors, some have direct effects while others have indirect ones. Knowing that indirect effects can be as powerful as direct ones sometimes, studying such effects can be of significant interest to understand the market dynamics and some of the rules which govern them. Do such variables include aspects that affect science of strategy execution? Will they need to invest more on such aspects?

Conclusion

To conclude, we need the science of strategy execution as approved by two above Indian Professors to create Shared Value and Positive Impact in the business world.

References

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