THE BALANCED SCORECARD AS A STRATEGIC TOOL TO NAVIGATE THE FUTURE

By
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DECLARATION

I declare that I have completed this research report submitted in partial fulfilment of the requirement of the degree of Master of Business Administration at the University of Natal, Durban. This dissertation has not been submitted previously for any degree or examination at any other university.

Signed: ................................

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The objective of this research is to examine whether the implementation of the High level (Strategic) Balanced Scorecard at Mangosuthu Technikon could provide solutions to the following problems:

**Translating Vision and Strategy to operational terms:** The organisation's strategy must be executed at all levels of the organisation. The key to this transformation is putting strategy at the centre of the management process.

**Aligning the organisation around the strategy:** For maximum effectiveness, the strategies and the scorecards of all business units should be aligned and linked with one another.

**Making strategy a continuous process:** This is how the organisation get all its employees to make strategy part of their daily job.

**Strategy Evaluation and Selection:** The organisation's strategy must fit within one of the following criteria: Consistency, Consonance, Advantage, and Feasibility.

The Balanced Scorecard building process is designed to deliver the following:

- Establishment/Confirmation of the Vision
- Establishment/Confirmation of the organization's strategy
- Measurement perspective selection
- Strategy development for each perspective
• Identification of factors which are critical to the success of the strategy in each perspective

• Definition of the measures which drive the critical success factors

The Balanced Scorecard theory is such that by achieving each of the process outputs, clarity and focus for the organization's future is determined as well as how to achieve that future objective. This clarity and focus provides the basis to resolve the problems identified. A high level (Strategic) Balanced Scorecard can be built in a relatively short period of time. However, adherence to the methodology is crucial for the resulting scorecard to be meaningful and, therefore, useful. Senior management, and especially the CEO, have to be fully committed to both the project and methodology compliance. Deviations reduce the effectiveness of the effectiveness of the initiative and can completely undermine the resulting scorecard.

Kaplan & Norton first suggested the Balanced Scorecard in 1992. It is still being implemented in organizations today, to provide a solution to a variety of organizational issues. This continued usage and support is a confirmation of the quality, durability and adaptability of the tool, as well as its ability to deliver.
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GLOSSARY

BSc : Balanced Scorecard

OBJECTIVE. : Those activities or actions, which a group needs to achieve to be successful. It contains a description, a measure and a time frame.

DELIVERABLE: The results or services which a department or business unit must deliver to its clients to enable them to perform.

VALUE CHAIN: The sequence of events or activities, which transform Inputs into products or services (outputs).

CSF: (Critical Success Factors) are those activities or objectives, Which have to be achieved.

OPERATIONAL: Day to day activities, which must be carried out.  

TACTICAL: What is important and makes good business sense.

STRATEGIC: Planning which, if not done, will close the organisation

KPI: Key Performance Initiatives are a measure of performance for business which must be simple, measurable, actionable, and relevant and.

DRIVER: An act or event which directly influences the KPI
Chapter 1

INTRODUCTION

1.1 Introduction and Background of the Study

Organisations around the world tend to experience common problems such as the organisational growth and success. The reason is that these organisations have relied extensively on only using the traditional performance measurement system (i.e. The Balance Sheet and Income Statement) as a way of measuring the organization's performance and progress. However, researchers believe that these traditional performance measurement systems are actually hindering organisational growth and success. One of the major problems of using these traditional financial measures alone is that they are lack indicators (Retrospective); This means they report past performances and are not suitable for predicting the future. They also rarely provide managers with information needed to make sound strategic decisions. Lastly, they often lead to narrow, short-term focus and can serve as a roadblock to adopting long-term opportunities or dealing with future threats.

With its focus on improving performance measurement systems, David P. Norton and Robert S. Kaplan (1990) introduced the Balanced Scorecard (BSc) model. It represents a shift in business paradigms. It provides clarification of vision and goals, management consensus on vision and strategy and focus on improved performance. Kaplan and Norton (1996) argue that the competitive environment has changed from competition based on ability to invest in and manage physical (tangible) assets to competition based on knowledge and the ability to exploit intangible assets (i.e. human capital and information systems).
The Balanced Scorecard model (BSc) supplements the traditional financial measures with criteria that measures performance from three additional perspectives—those of customers, Internal business processes, and learning and growth. The BSc therefore enabled organisations to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth.

As a result, addressing the BSc model in chapter 2 should be examined in this context. The BSc, therefore is a promising model that could be employed to alleviate some of the problems cited in the previous paragraph. The last part of this case study research (chapter 5) explains how Mangosuthu Technikon can turn the concept of the Balanced Scorecard into a successful competitive strategy and thus experience growth and success in its operation. As will be evident in subsequent chapters, the Balanced Scorecard model constitutes a useful framework that can be utilised to help organisations and institutions facing growth problems.

1.2 Objectives of the Study
The study envisages investigating whether the Balanced Scorecard would solve Mangosuthu Technikon’s problems as it is currently facing a hostile competitive environment characterised by competition based on knowledge and ability to exploit intangible assets (i.e. human capital and information systems) It also faces the task of growth and success as an institution of higher learning.

Basically, the study seeks to achieve three principal objectives. Firstly, it investigates the potential of the Balanced Scorecard as a competitive strategy that Mangosuthu Technikon can implement and/or institute to best realise its vision and goals of this organisation. Secondly, it details the possible benefits that may accrue to the organization as a result of implementation of this concept by the above organisation. Also considered here are the hurdles or problems that could constrain the Balanced Scorecard implementation process. Lastly, the study recommends the course of action
that this organisation under review needs to consider when implementing the Balanced Scorecard.

1.3 Motivation of the Study

The study postulate to assess if the Balanced Scorecard model could be a viable options for the organisation in question. In view of the problems cited in the preceding sections, as well as the inability of the organisation to translate its vision and strategy into operational terms, aligning the organisation around strategy and making strategy a continuous process, the author proposes a need to look into the concept of the Balanced Scorecard to see if a solution can be found.

1.4 Problem Statement

Can the Balanced Scorecard solve the problems identified at Mangosuthu Technikon?

1.5 Limitations of the Study

Fistly, the study is constrained by the fact that the Balanced Scorecard model is a completely new concept in South Africa. In other words, the model has not gained widespread popularity and acceptance by many companies and organisations in South Africa. Consequently, the researcher is not in a position to furnish the reader with concrete evidence on the successful South African application of the concept. Despite this limitation, a considerable amount of time will be spent to try and demonstrate the potential of this model (i.e. the Balanced Scorecard).

The second limitation is that there is limited local literature pertaining to Balanced Scorecard. These limitations, to a large extent, impacted negatively on the scope and depth of this discussion. Thirdly, developing and implementing a Balanced Scorecard is a costly business, especially in terms of management time. It is complex, and it often meets with a great deal of initial resistance from within the members of the organisation. It requires the full support and commitment of the entire senior
management team. This is often a challenge, especially when the process is long and results do not materialise quickly.

1.6 Methodology

This will be a case study derived from the Mangosuthu Technikon’s current state of affairs. It is a research study, which focuses on understanding the dynamics present within the single organisation setting. Case studies are often described as exploratory research, used in areas where there are few theories or a defiant body of knowledge. However, this is not their only form. The following are forms of the other types of case studies found in practice:

- **Descriptive** case studies where the aim is restricted to describing the current practice.

- **Experimental** case studies where the research examines the difficulties in implementing new procedures and techniques in an organisation and evaluating the benefits.

- **Exploratory** case studies where the research attempts to illustrate new and possibly innovative practices adopted by particular companies.

Looking at all of the above case studies, it is evident that Mangosuthu Technikon’s case is a descriptive one as its aim is confined to describing current practice. The study has mainly made use of secondary sources of information. This information was drawn from the research recently conducted at Mangosuthu Technikon. The aim was to identify problem areas that impacted on the lack of growth and success of this organisation. Hence, lack of use of the Balanced Scorecard causes instability, lack of progress and growth, ceteris paribus (i.e. assuming all other factors remaining constant).

In addition, a number of personal interviews, and meetings were conducted and held with the senior management team and other interested stakeholders. These were the
CEO of the Organisation, Senior Director Human Resources, and Senior Director Finance etc.

1.7 Structure of the Study

The next chapter (Chapter 2) provides the theory of the Balanced Scorecard as a management tool. As a result, there is a broad and wide coverage of strategic issues to pave the way towards introducing the model. Later in the chapter, the cause – and – effect relationship and the widespread success of the model are examined deeply. (Chapter 3) covers the case study of the Mangosuthu Technikon, this is based on research and identified problems within this organisation. (Chapter 4) broadly looks at the evaluation of the model and the practice. Finally (Chapter 5) give a detailed explanation on recommendations and conclusion.

1.8 Summary

This chapter addresses the following key issues: Introduction and background of the study, objectives of the study; motivation of the study; problem statement; limitations of the study; research methodology; and finally the structure of the document.

The objective of the study, as it was pointed out, is to investigate the potential of the Balanced Scorecard as a management tool in solving the following management problems facing Mangosuthu Technikon: The inability of the organisation to translate vision and strategy to operational terms, and inability to align the organisation around the strategy as well as the failure of the organisation to evaluate and select proper strategy. These are the main reasons why the researcher decided to undertake this study. In respect of research methodology, the author mainly utilised secondary sources of information. The next chapter (Chapter 2) deal at length with the literature overview on the Balanced Scorecard as related to the problem at hand at Mangosuthu Technikon.
Chapter 2

The Theory of the Balanced Scorecard

2.1 Introduction

This Chapter will attempt to provide the reader with a broad overview of the theory of the Balanced Scorecard. The Chapter is organised as follows: The section (2.2) which immediately follows this introduction traces the origins of the Balanced Scorecard and explains the new operating environment in which organisations and institutions currently find themselves. Section (2.3) highlights the inadequacies of using the Traditional Measurement Systems and provides a recommended and a widely acceptable measurement systems. Section (2.4) reviews the importance of the Balanced Scorecard as a strategic Perspective and investigates the reasons for failure by organisations in executing strategy. Section (2.5) attempts to unearth the importance of the Balanced Scorecard and its emphasis on Intangible Assets. Section (2.6) reviews the Balanced Scorecard as the Framework for Strategic Learning. Section (2.7) gives an analysis of evidence of the Balance Scorecard Successes. Section (2.8) looks at the reasons and criticisms of the Balanced Scorecard. Section (2.9) provides the reader with an overview of how organisations can achieve Balance. Lastly, Section (2.10) gives a reader a detailed overview of the environment under which organisations operate.

2.2 New Operating Environment

Kaplan & Norton (1996) first developed the Balanced Scorecard in the early 1990s. Its focus was on performance management and the development of new measurement techniques which steer from traditional financial accounting measures as sole measures. While conducting my literature review, it became clear to me that the use of financial measures as the only guide to organizational performance is becoming outdated. The traditional accounting system was designed around providing information for “industrial age competition” companies, who obtained their
competitive advantage from exploiting core competencies, economies of scale and capital investment in physical assets to increase efficiencies in production.

The environment in which companies now operate is completely different, organisations encounter “information age competition” where competitive success is dependent on intangible assets e.g. employees, customer loyalty, and process capabilities rather than on physical assets. The traditional financial accounting measures alone are not adequate in evaluating organizational performance along these new critical dimensions.

2.3 Inadequate Financial Measures

The authors of the Balanced Scorecard, Kaplan & Norton (1996) believe that management needs to expand their focus from purely traditional financial measures, which only provide information on historic decisions. The information age competition is becoming dominated by an organisation’s ability to be customer focused and driven, so a more holistic approach is needed which considers and measures both internal and external factors.

Kaplan & Norton (1996:9) came up with a four-quadrant performance measurement system, which would measure an organization’s performance from four perspectives and translate vision and strategy at the same time. These are the four Perspectives:

- **Financial** - To succeed financially, how should the organisation appear to its shareholders?

- **Customer** – To achieve the intended vision, how should the organisation appear to its customers?

- **Internal Business Processes** – To satisfy the organisation shareholders and customers, what business processes must the organisation excel at?
• **Learning and Growth** – To achieve the intended vision, how will the organisation sustain its ability to change and improve?

What is important about the four-perspective approach is that long-term success in the information age competition is only achievable by investing in capabilities, which drive future performance. The organisation in question, like many other companies, only focuses on financial performance criteria, this is a short-term; “survivalist” approach. Whilst short-term achievements are crucial (since there can be no long-term if there is failure in the short-term) a company needs to be constantly looking to the future and evolving to enable it to meet future expectations. The Balanced Scorecard combines both i.e. it focuses on the short-term, via the financial perspective, and also includes measures which enable management to monitor how well they were proceeding towards long-term success.

2.4 **Strategic Management**

The long-term success of the organisation lies in its success in designing its vision, which is a statement of the organization’s ideal future. a statement giving an organisation’s management a sense of purpose and direction. The organisation’s strategy describes how it will move from the current situation to the said ideal future. Thompson & Strickland (2000: 18) state that the strategy “provides the framework for guiding choices which determine the organization’s nature and direction”.

The changing environment has made the management of strategy crucial. During the industrial age competition, organizations added value via the exploitation of tangible, physical assets. However, in the information age competition, in which companies are now operating, competitive advantage is derived from the exploitation of intangible assets such as intellectual capital, customer relationships, processes and systems. In order to enable this successful exploitation, strategy needs to be actively managed. This requires strategy to be alive and current, something that cannot be achieved if the measures of strategy achievement are based upon the past i.e. financial measures alone. Financial measures and targets reflect the outcomes of past decisions. They are
also received post event. If strategy is to be successfully managed, managers need current and times feedback to enable strategy monitoring and then correction and amendment as required. Kaplan & Norton (2000:3) believe that “organizations need a new kind of management system – one explicitly designed to manage strategy, not tactics”. The formulation and design of the right strategy alone is not enough. To drive the organization forward and deliver superior results, the said well-formulated strategy has to be implemented and executed. In research conducted by Kaplan & Norton (Norton, 1999:9) it emerged that nine out of ten companies fail to execute strategy. This is due to the following four implementation barriers:

- Visions and Strategies that are not actionable
- Strategies that are not linked to departmental, team, and individual goals
- Strategies that are not linked to long and short-term resources
- Feedback that is tactical, not strategic

Thus deriving and designing the best strategy is not enough. For it to be successful, strategy needs to be executed. The authors of the Balanced Scorecard, Kaplan & Norton (1990:23) cite Rockwater, Metro Bank, Pioneer Petroleum, National Insurance and Kenyon Stores, as companies whose actual strategies are common knowledge, but have derived competitive advantage from its execution. The key to the Balanced Scorecard is a comprehensive vision and strategy, which is made tangible through the establishment of goals and critical success factors in each of the four quadrants. These goals and critical success factors form cause-and-effect relationships between the quadrants, with all measures ultimately linking across the perspectives to deliver financial success to an organisation. Kaplan & Norton (2001:8) states, “the Balanced Scorecard starts with the view that the overall goal of a corporation is to generate long-term economic value”. This retained emphasis on financial performance, supplemented by measures of current activities, which create future value, provides the link between long-term strategy and short-term actions. It becomes easier for all in
the organization to see how they directly contribute to the achievement of the organization's vision and makes everyone responsible for the achievement of the strategy. These linkages and clarity have resulted in the Balanced Scorecard evolving from a performance measurement system into a strategic management system. As a strategic management system, the Balanced Scorecard provides measures of how an organization is progressing in the execution of its strategy to achieve its vision i.e. it enables managers to manage strategy.

2.5 Intangible Assets

The key to success in the information age competition era lies within a company's intangible asset. These form the basis of all future success and include intellectual capital, market innovation, skills development, customer loyalty and satisfaction, employee motivation and flexibility, and the ability to quickly identify and exploit new market opportunities. See figure 2.1 The effects of the information era have been more evident especially for service organizations, whose business is founded upon its intangible assets. This holds true for the organisation in question, a tertiary service organisation that is totally dependent on its people. The senior management needs to know that the key to long-term success of any service organization is its attraction, retention and the development of good people. However, remaining competitive through the effective deployment of intangible assets requires investments to enhance those assets.

In an organization driven by achievement of only financial targets, it is these kind of investments that are often postponed to enable achievement of short-term monetary goals e.g. training, advertising and recruitment. The traditional financial model prevalent during the industrial age era, focused on the matching of expenditure incurred and the benefits received from incurring those expenditure costs. The Balanced Scorecard, by having non-financial measures, can show that these investments are producing returns for an organization. These returns contribute to the achievement of the overall vision. These measures are defined in the learning and growth perspective of the Balanced Scorecard.
Investment in intellectual capital is crucial for the long-term financial growth of an organization, especially now, where they operate in the information age. The setting of objectives, targets and measures in the Learning and Growth perspective demands explicit future intellectual capita requirements and creates a framework for their achievement.

Figure 2.1

INTANGIBLE ASSETS

Example to show linkage between investments in Intangible Assets and bottom line Improvements

Investment in Skills development

↓

Project delivered on time, to budget and on Specification by professional employees

↓

Increase customer satisfaction

↓

Customer refers company to others

↓

Number of unsolicited bid increases

Scorecard Measure Number of Unsolicited Bids
2.6 Strategic Learning

Any organisations that want to be successful in the long run need to continually monitor and adapt to changes in their environment. In the information era, the following forces; customers, technology, shareholders, globalisation and a high level of competition bring about environmental change. For this organisation, an imminent possible merger with Durban Institute of Technology (DIT) compounds change. The Balanced Scorecard is invaluable in such circumstances since it creates the framework for strategic learning.

Strategic learning is the “capacity for organisational learning at executive level” Kaplan & Norton, 1996:24). Strategic learning stimulates a double-loop learning process (Argyris, 1991:99-101), in which strategy is reviewed in the light of new knowledge and developments, and either validated or adapted to incorporate new insights. The base data for such a review is from the outcome measures and performance drivers of the outcomes contained in the four perspectives of the Balanced Scorecard. In a rapidly changing environment, strategy cannot be static. In fact, an inability to counter unanticipated threats or capitalise on opportunities can be fatal to an organisation.

2.7 Balanced Scorecard Successes

The success of the Balanced Scorecard is evidenced by a number of organisations across all disciplines, which have adopted the Balanced Scorecard (See Table 2.2) and produced breakthrough performance and corporate turnarounds. Kaplan & Norton (2000) in their book titled “The Strategy Focused organization – How Balanced Scorecard Companies Thrive in the New Business Environment” draw upon ten years of Balanced Scorecard research and Implementations in over 200 companies.

Almost all the levels in an organization can easily understand its simplicity of concept of cause-and-effect relationships embracing internal and external factors ultimately delivering financial performance. It delivers a common sense approach to complex
issues in turbulent times. Kaplan & Norton (1996:30) illustrate cause-and-effect relationships with the following example:

1. ROCE (Return on Capital Employed) is selected as a financial Perspective measure

2. A driver of ROCE is identified as repeat and expanded sales from the
   
   *Existing customer base i.e. CUSTOMER LOYATY*
   
   Discussions with customers reveal that On Time Delivery (OTD) is
   
   *Highly valued by customer*

   OTD is included since it increases customer loyalty, which in turn has a

   *Positive effect on financial returns*

   Internal processes are reviewed to determine what processes need to

   *Be improved to achieve exceptional OTD*

   These are identified as PROCESS QUALITY and SHORT CYCLE TIMES

   An investigation into how to improve these internal processes reveals that:

   Training and improving the skills of operating employees will have a positive effect

   and thus EMPLOYEE SKILLS is included

   The entire chain of cause-and-effect relationships across the four perspectives has

   *now been identified. See figure 2.3*

   Its adaptability to operating circumstances is another strength. The Balanced

   Scorecard has been used in both private and public sectors and across a variety of

   disciplines including mining, manufacturing, transport, and finance and services the
widespread adoption of the Balanced Scorecard is supplemented by the popularity of the founding authors Kaplan and Norton.

### Table 2.2

**Balanced Scorecard Successes**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Company (Mobil)</td>
<td>6(^{th}) in Profitability</td>
<td>1(^{st}) in Profitability</td>
<td>1(^{st}) in Profitability</td>
<td>1(^{st}) in Profitability</td>
<td>1(^{st}) in Profitability</td>
</tr>
<tr>
<td>Insurance Company (CIGNA)</td>
<td>-$275 loss</td>
<td>-$60m Profit</td>
<td>-$80m Profit</td>
<td>-$98m Profit</td>
<td>-$94m Profit</td>
</tr>
<tr>
<td>ENGINEERING COMPANY (BROWN &amp; ROOT)</td>
<td>Losing money</td>
<td>Not Available</td>
<td>1(^{st}) in Growth and Profitability</td>
<td>Not Available</td>
<td>Not Available</td>
</tr>
<tr>
<td>RETAIL BANK (CHEMICAL)</td>
<td>Profits = $x</td>
<td>Profits = $13x</td>
<td>Profit = $19x</td>
<td>Not Available</td>
<td>Not Available</td>
</tr>
</tbody>
</table>

Figure 2.3

Cause and effect relationship

<table>
<thead>
<tr>
<th>Category</th>
<th>Flowchart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>ROCE →</td>
</tr>
<tr>
<td>Customers</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td></td>
<td>On Time Delivery</td>
</tr>
<tr>
<td>Internal</td>
<td>Process Cycle Times</td>
</tr>
<tr>
<td>Learning &amp; Growth</td>
<td>Process Quality</td>
</tr>
<tr>
<td></td>
<td>Employee Skills</td>
</tr>
</tbody>
</table>

Source: Kaplan & Norton (1996)
2.8 Criticisms of Balanced Scorecard

Some failures occur when organisations actually build poor Balance Scorecard. The key to the Balanced Scorecard's success is successful implementation. It must be correctly constructed, carefully communicated and explained to the whole organization and systematically rolled out. Kaplan & Norton (1996:268) state that "there are few shortcuts in developing a viable scorecard". To be successful, the correct methodology and process must be followed. However, few of those initiating implementation probably fully understand what the process entails.

2.8.1 Lack of Senior Management Commitment

Perhaps the biggest source of failure occurs when the project has been delegated to a middle-management team. Senior management commitment is crucial for several reasons: First, senior management must articulate the organization's strategy Kaplan & Norton (2001:362). Their research has revealed that few middle managers understand the organization's strategy. Therefore a middle management team is unlikely to capture the organization's strategy when building a Balanced Scorecard. Only the senior executive team has been empowered to make the difficult choices and tradeoffs required for an effective strategy.

The Balanced Scorecard building process is a lengthy one. Senior managers need to be actively involved throughout the whole process; attending and participating in workshops, debating linkages, designing and selecting measures, and making trade-off decisions about what to include or omit.

To be effective, the Balanced Scorecard needs to be driven by the strategic vision of the senior executive team. There is also the risk that if senior management are not committed and do not participate in the Balanced Scorecard, it will not be used. Participation creates buy-in and ownership and fosters integration of the Balanced Scorecard into the management process.
2.8.2 Keeping the Scorecard at the top

The opposite error of not involving the senior executive team is to involve only the senior executive team. For the scorecard to be effective, it must eventually be shared with everyone in the organisation. The ultimate goal is to have everyone in the organisation understand the strategy and contribute to implementing it. When the scorecard is disseminated throughout the organisation, it provides the basis for setting local initiatives and promoting knowledge and learning on key organisational processes. It facilitates the sharing of best practices, either through publicized stories in company newsletters or, more formally, through knowledge-sharing networks. Organizations that do not deploy the scorecard throughout their organisation lose the potential for employee innovation, creativity, and learning. They fail to make strategy everyone’s everyday job.

2.8.3 Maintenance

It must be remembered that the initial design and implementation is only the start of the Balanced Scorecard process. To be truly successful, the scorecard needs to constantly evolve to reflect the changing dynamics in the environment. The scorecard must be used to test the strategy assumptions on which it is based and amended accordingly. This “strategic learning” may not come naturally and senior executives may need to learn how to use the Balanced Scorecard to its full advantage. The maintenance time and resource commitment required could often be overlooked, and this prevents the full benefits of the Balanced Scorecard from being realised.

2.9 Achieving Balance

The name, The Balanced Scorecard, implies Balance. The scorecard needs to be balanced in terms of the short and long-term, financial and non-financial measures, lead and lag indicators, current available measures and those that need to be developed to provide stretch targets across the different parts of the scorecard. Achieving balance
requires senior management support to ensure all eventualities are considered. It may also be necessary to solicit expert advice from outsiders to ensure the resulting scorecard is truly balanced.

2.10 Changing Environment

Gering & Rosmarin (2000:32) state that the Balanced Scorecard "is designed to help managers achieve results in an environment which is too complex and changes too quickly to manage with pure financial controls". They believe that operating in such an environment increases the tendency to centralise decision-making. If senior management succumb to the temptation to centralize and build the scorecard in isolation, it can be seriously flawed. Firstly, one of the Balanced Scorecard's strengths is to "make strategy everyone's everyday job" (Kaplan & Norton, 2000:12). Developing an individual understands of how their action impact upon the achievement of strategy does this. An individual's actions are linked to strategy achievement via the cause-and-effect relationships that are established. These linkages are lost if the scorecard is a centrally issued document. Secondly, the buy-in (from which understanding flows) is not achieved. Participation creates ownership. Without buy-in, the Balanced Scorecard is just another form of head office control.

2.11 SUMMARY

In this chapter the researcher has attempted to trace the evolution of thinking on the concept of the Balanced Scorecard model and its applications in organisations. The problems of using the traditional measurement systems are outlined in depth and the reasons are given for why the Balanced Scorecard is a preferred strategic management tool. The researcher has also tried to bring forth a broad theoretical review of the Balanced Scorecard on the following aspects: The importance of the Balanced Scorecard as a strategic Perspective. Its emphasis on balanced management and on intangible assets. The importance of the Balanced Scorecard as creating the framework for strategic learning. The success and criticism of the Balanced Scorecard has also been highlighted in this study. The researcher has also provided the reader
with a brief explanation of how organisations can bring about Balance in view of this ever-hostile environment in which they operate. The next chapter (Chapter 3) discusses in depth the case study of Mangosuthu Technikon’s present state of affairs.
Chapter 3

THE CASE STUDY: MANGOSUTHU TECHNIKON

3.1 Introduction

This chapter will attempt to examine and clarify broadly the present state of affairs of the organisation in question. It will focus deeply on where the organisation is at this present state in terms of achieving its goals in its critical management process. The Section (3.2) investigates the current state of the organisation in its ability to translate vision and strategy into operational terms. Section (3.3) analyses the organisation’s success in aligning the organisation around strategy. Section (3.4) investigates how the organisation has succeeded in making strategy a continuous process. And finally, Section (3.5) covers broadly the principles of how the organisation's strategy is evaluated and selected.

3.2 Translating Vision and Strategy

There is a frequently-asked question of why many organisations have difficulty in translating and implementing well-formulated strategies. Firstly, strategies – the unique and sustainable ways by which organisations create value – are changing but the tools for measuring strategies have not kept pace. Kaplan and Norton (1992), believed that by developing and implementing sound Balanced Scorecard performance measures could solve the problem; Secondly, the obvious paradigm shift in most organisations today is that opportunities for creating value are shifting from managing tangible assets to managing knowledge-based strategies that deploy the organisation’s intangible assets i.e. customer relationships, innovative products and services, high-quality and responsive operating processes, information technology and databases, and employee capabilities, skills and motivation.
Presently the organisation finds itself neither prepared nor in a position to apply and implement effectively knowledge-based strategies that deploy the organisation’s intangible assets. For these reasons the organisation cannot effectively translate its vision and strategy as it wishes.

Ramcharan and Godfrey Colvin (Fortune 21/6/99) cite the fact that "management's fascination with strategy and vision feeds the mistaken belief that developing the right strategy will enable the organisation to rocket past competitors. In reality, strategy is less than half the battle. In the majority of cases – management estimate 70% - the real problem isn't bad strategy – but its bad execution” The organisation has a problem in that although there is a strategy in place, it is executed badly or wrongly without proper consultation of all the stakeholders. As a result, the whole process fails. Thirdly, the most obvious thread linking these organisation problems is a lack of understanding by the employees of the organisation’s vision and strategy. Not understanding why things are being done, or the implications of actions or decisions, is creating an air of uncertainty and fear among the employees. This is exacerbated by the lack of a common culture as people are not bound together in pursuit of a common objective.

Lastly, the lack of clarity from senior management about the specific strategies to be used creates customer (student) confusion and confuses the general public. Confusion is evident internally on how customers (students)/ general public are to be served but also externally amongst customers about by whom they are being served. This confusion and uncertainty created potential for best practices to either go unnoticed or being lost.

A solution to all the problems mentioned can be found only if the vision and strategy can be clarified and articulated to create certainty and a clear direction. Kaplan & Norton (1996) state that the Balanced Scorecard places strategy at the centre of an organisation. All actions and decisions are aligned with to the achievement of strategy; a strategy designed to enable the vision to be attained.
3.3 Aligning the Organisation around the Strategy

For the organisation to function in a coherent manner, it needs to align the organisation around strategy. What has been discovered presently in the organisation is the inability of the senior management to put in place systems that will ensure that the entire organisation is aligned to the strategy. Presently there is no linkage between the strategic business unit's strategy and the corporate strategy. This causes fragmentation in the whole organisation.

Aligning the entire organization's strategic business units/departments will only be possible by making use of the Balanced Scorecard which provides a powerful framework for business units/departments to describe and implement their strategies.

Any Strategy-Focused Organisation, however, requires more than having each departmental unit using its own Balanced Scorecard to manage a greater strategy. A lot of organisations consist of many different business units/departments. For a maximum effectiveness, the strategies and the scorecards of all such units/departments should be aligned and linked with one another. This linkage across the scorecards reflects the theory of managing shared service units and decentralized business units within the same organization. Kaplan and Norton (2001:161) refer to these linkages as the “strategic architecture” of the organization. They describe how the organization creates synergies by integrating the activities of otherwise segregated and independent units.

The alignment through the organisation will only be achieved by cascading the scorecard. Martin Els cited the following links as important, (Senior HR Officer at Metalloys Company in his Balanced Scorecard Presentation - held in Sandton Johannesburg 2002).

- The higher level objectives prevail! The higher level indicates which

Objectives / measures have to be cascaded to the next level(s).
• The higher level provides definition of measures, whenever aggregate measures from the lower level(s) are needed.

• The higher level defines some non-negotiable objectives, measures and targets for the lower level(s).

• The lower level Abscess will be aligned to the higher level BSC but at the same time becomes more unique to the operation of a specific department / section.

• The lower the BSC is cascaded the more operational it will become.

3.3.1 Ensuring that Service departments are aligned with Corporate Strategy

The organisation's senior management first needs to develop the strategy at the corporate level. This will give a clear definition of the corporate role. The corporate sector—or division, sector or group—exists in order to create synergies among its component business support units /departments. Therefore the corporation needs to create synergies across its component parts for investors to be happy. The corporate role or critical resources should be articulated in a corporate scorecard. The corporate role is then translated into a set of priorities and a scorecard that is communicated to the rest of the organisation.
3.3.2 Critical Success Factors (CSF)

- The Balanced Scorecard must be driven from the top

- The organization's values need to be lived by the management team and all employees.

- The management team needs to take ownership of their responsibilities.

- Leadership/management long-term buy-in and commitment to the Balanced Scorecard process is critical to ensuring success.

- The scorecard needs to be a living document

- Measures must be carefully selected to reflect/determine the objective's core intent.

- A system with high running/maintenance costs should not be considered.

- All cascaded scorecards must support the Techninlon's strategy.

- All scorecards must be designed to deliver value to the internal and external customer.

- All cascaded scorecards are owned and driven by department / section heads

- Management at different levels in the organization must be aware of the significant time and energy commitment they must dedicate to the BSC.

- The implementation of the BSC should ideally be facilitated by an external facilitator who is familiar with the BSC or performance management systems.
• BSc training needs to be given to all applicable participants.

• All BSC documentation needs to be kept in a central file so that it is accessible to all employees of the organization.

• Once the BSC has been developed, regular review sessions need to be scheduled and should occur within a month of BSC implementation.

• Putting time frames on strategic goals is a powerful way to focus the minds of all levels in the organization.

• The customer requirements should be understood before developing the customer scorecard.

• An enabling culture needs to be created.

3.3.3 Creating Strategic Awareness

At present the organisation’s senior management is about to launch its organization on a major new strategy. In order to make a strategy everyone’s job, management needs to let every employee know about the major new directions the organisation is taking. Research by Kaplan & Norton (2001:214) indicates that less than five percent of the workforce understands their organization’s strategy. Logically, the changes in behavior required for a workforce to execute a new strategy are far greater than the changes required to get consumers to try a new product.

Executives should use communication processes at the launch of their new strategy similar to the one employed when a new product is being introduced on to the market for the first time.

The process should begin with education (creating strategy awareness) and that should be followed by testing that employees understand the message (strategy mind share),
checking that all employees believe the strategy is being followed (strategy loyalty), and finally, determining how many are teaching others about it (becoming a strategy missionary). Each of these states of mind and commitment should be measured, just as companies do with their customers. The organisation needs to authorize spending budgets to communicate and educate all their employees, just as they commit to advertising and promotion expenditures to communicate to consumers information about new product introductions.

As radical as these ideas may sound, they are becoming the norm for Strategy-Focused Organizations. Senior management must recognize that when a new strategy is being launched, all employees must understand the strategy so that they find new and better ways to conduct their day-to-day business.

The communication programs should have the following objectives:

• Develop an understanding of the strategy throughout the organization

• Develop buy-in to support the organization's strategy

• Educate the organization about the Balanced Scorecard measurement and management system for implementing the strategy

• Provide feedback, via the Balanced Scorecard, about the strategy.

The communication media that can be used must include the following:

• Quarterly meetings. Initially, the executives can use these meetings to introduce the Balanced Scorecard concept. As the concept becomes established, they should use quarterly meetings to brief the organization on recent performance and engage in Q&A discussions about the future.

• Brochures: A one/two-page document describing strategic objectives and how these will be measured should be issued.
• Monthly newsletters: The newsletters initially will define and describe the scorecard. Subsequent newsletters will provide periodic reports on the measures and stories about employee initiatives leading to improved performance.

• Education Programs: By incorporating the scorecard in all education and training programs, the message of the scorecard as a new way of doing business is gradually reinforced.

• Organisation's Intranet: The scorecard should be posted on the Intranet, with voice and video segments of executives describing the overall strategy and explanations for individual objectives, measures, target, and initiatives.

Very few organisations will use only a single medium. Most will use a comprehensive mix of media in a program of continual communications. See figure 3.1 which shows a spectrum of communication channels that could be used by Technikon Mangosuthu to roll out a new strategy. "Rich channels," such as small group meetings, enable the communicator to focus the message in a personal manner and to respond to questions and feedback from the audience. Rich channels are highly effective but are the most expensive and limited in their reach. "Lean channels," such as newsletters, lack the personalization of rich channels but are much more economical and provide broader reach. History indicates that successful Balanced Scorecard implementers have used virtually every one of the channels listed in appendix 5 at one time or another, including a mixture of rich and lean channels. Eventually, when the scorecard becomes imbedded in ongoing management processes, the formal communications program will cease. It will no longer be needed when the scorecard has become pervasive and routine.
Figure 3.1

Using Multiple Media to Communicate the New Strategies

The communication Channel Continuum

Rich Channels

- One-on-One/Face-to-Face Communication
- Hallway/Coffeepot Communication
- Small Group Meetings
- Video Conferencing
- Telephone Conversations
- Voice Mail
- E-mail
- Large Group Meetings
- Handwritten Personal Notes
- Advanced Copies of Agenda
- Faxes
- Interoffice Memos
- Formal Speeches
- Letters
- Newsletters
- Reports

Lean Channels

Lean Channels


3.4 Making Strategy A Continual Process

It is very common that most organisations encounter serious problems when implementing strategy. Research indicates that the problem is more than just a failure of senior management leadership, but rather that systemic forces in the organisation inhibit strategy implementation. As researchers have observed, managing strategy is fundamentally different from managing operations. In order to manage operations successfully, the budget needs to serve as the planning and control system. It should define the resources that will be allocated to business units / departments operations for the subsequent year, and the performance targets. During the year, The organisation’s senior management needs to review operations performance against the budget, and identify variances, and to take necessary corrective action when necessary. In most organizations, including the one in question, the budget bears little relations to the organization’s strategy, so management attention and actions are mostly directed at short-term operational details, not implementation of the long-term strategy.

Kaplan & Norton (2001:272) cites the fact that recent surveys have found that:

- 20 percent of organizations take more than sixteen weeks to prepare a budget, with many budgets not even completed by the start of the fiscal year.

- 78 percent of companies do not change their budgets within the fiscal cycle.

- 85 percent of teams spend less than one hour per month discussing strategy.

- 60 percent of organizations do not link strategy and budgeting

- 92 percent of organizations do not report on strategic lead indicators.
If the organisation wants to be a Strategy-Focused Organization, it should use a “double-loop” process that integrates the management of budgets and operations with the management of the strategy. A reporting system, based on the Balanced Scorecard, will allow progress against the strategy to be monitored and corrective actions to be taken as required. The scorecard will serve as the linchpin of the strategic learning process, linking the operations control process with the learning and control process for managing strategy.

This new strategy-focused management system will introduce the following three remedies to restore the management system to health:

- Linking strategy and budgeting.

- Closing the strategy loop. Strategic feedback systems linked to the Balanced Scorecard will provide a new framework for reporting and a new kind of management meeting – one focused on strategy.

- Testing, learning, and adapting

With the strategy-focused management system, the organisation’s senior Management team will be able to:

- Monitor performance against strategy

- Work as teams to interpret the data

- Develop new strategic insights

- Formulate new strategic directions

- Update the measures on scorecards

- Change their budgets
• The organisation will be able to adapt their strategies as the environment changes or the strategy matures. The double-loop strategic management system will provide the foundation for making strategy a continual process.

3.5 Strategy Evaluation and Selection

A lack of a strategy evaluation process by the organisation’s senior management team, means the strategy can neither be formulated nor adjusted to the changing environment. To many organisation executives, strategy evaluation remains as simple as an appraisal of how well business performs. Has it grown, Is the profit rate normal or better? If the answers to these questions are affirmative, it is assumed that the organization’s strategy is a sound one. But what management needs to know is that this type of reasoning misses the whole point of strategy – that the critical factors determining the quality of current results are often not directly observable or simply measured, and that by the time strategic opportunities or threats do directly affect operating results, it may well be too late for an effective response.

The strategy evaluation must be viewed as an attempt to look beyond the obvious facts regarding the short-term health of an organization and appraise instead those more fundamental factors and trends that govern success in the chosen field of endeavour.

The most important fundamental tenets of science are that a theory can never be proven to be absolutely true. Similarly, it is impossible to demonstrate conclusively that a particular business strategy is optimal or even guaranteed to work. One can, nevertheless, test it for critical flaws. One of the many tests which could be justifiably applied to a business strategy, most will fit within one of these broad criteria. The following are the five which can be applied to a business strategy.

3.5.1 Consistency

The strategy must not present mutually inconsistent goals and policies. What is important is that the organisation’s senior management must provide coherence in
organisation action. A clear and explicit concept of strategy can foster a climate of tacit coordination that is more efficient than most administrative mechanisms. The final type of consistency that must be sought in strategy is between organizational objectives and the values of the management group. Inconsistency in this section is more of a problem in strategy formulation than in the evaluation of a strategy that has already been implemented.

3.5.2 Consonance

The strategy must represent an adaptive response to the external environment and to the critical changes occurring within the organisation. There are two aspects in which the organisation can relate to its environment: It must both match and be adapted to its environment and it must at the same time compete with other institutions that are also trying to adapt. This dual character of the relationship between the organisation and its environment has its analogue in two different aspects of strategic choice and two different methods of strategy evaluation.

The first aspect of fit deals with the basic mission or scope of the business and the second with its special competitive position or "edge." Analysis of the first is done by looking at changing economic and social conditions over time. Analysis of the second, by contrast, focuses on the differences across institutions at a given time. The first one is called the "generic" aspect of strategy and the second "competitive" strategy.

The notion of consonance, or matching, therefore, invites a focus on generic strategy. The importance of the evaluator in this case is to examine the basic pattern of economic relationships that characterize the business and determine whether or not sufficient value is being created to sustain the strategy. The most problematic and difficult aspect in evaluating consonance is that most of the critical threats to a business will come from without, Thus threatening an entire group of firms.
The key to evaluating consonance is an understanding of why the organization, as it currently stands, exists at all and how it assumed its current pattern. Once management obtains a good grasp of the basic economic foundation that supports and defines the organization, it is possible to study the consequences of key trends and changes.

3.5.3 Advantage

The organisation's strategy needs to provide for the creation and/or maintenance of a competitive advantage in the selected area of activity.

It is true to say that competitive strategy is the art of creating or exploiting those advantages that are most telling, enduring, and most difficult to duplicate. Competitive strategy, in contrast to generic strategy, focuses on the differences among organizations rather than their common missions. The only problem it addresses is not so much "how can this function be performed" but "how can we perform it either better than, or at least instead of our rivals?"

Competitive advantages can normally be traced to one of the following three roots:

- Superior resources
- Superior skills
- Superior position

3.5.4 Feasibility

The strategy must neither overtax available resources nor create unsolvable subproblems. The question often asked here is: Can the strategy be attempted within the physical, human, and financial resources available? In assessing the organization's ability to carry out a strategy, it is helpful to ask three separate questions.
• Has the organization demonstrated that it possesses the problem solving abilities and/or special competencies required by the strategy?

Normally a strategy, as such, does not and cannot specify in detail each action that must be carried out. Its purpose is to provide structure to the general issue of the business’ goals and approaches to coping with its environment. It is entirely up to the members and departments of the organization to carry out the tasks defined by the strategy. Strategies that require tasks to be accomplished which fall outside the realm of available or easily obtainable skills and knowledge should not be accepted. It is either not feasible or incomplete.

• Has the organization demonstrated the degree of coordinate and integrative skills necessary to carry out the strategy? The key tasks required of a strategy not only require specialized skill, but often make considerable demands on the organization’s ability to integrate disparate activities.

• Does the strategy challenge and motivate key personnel and is it acceptable to those who must lend their support? The purpose of strategy is to effectively deploy the unique and distinctive resources of an enterprise. If key managers are unmoved by a strategy, nor excited by its goals or methods, or strongly support an alternative, it fails dismally in most medium to large-size organizations.

As a process, strategy evaluation is the outcome of activities and events, which are strongly shaped by the organization’s control and reward systems, its information and planning systems, its structure and its history and particular culture.

3.6 Summary

Chapter 3 has elaborated at length on the following key issues which prevail in Mangousuthu’s Technikon present situation: Translating vision and strategy, aligning the organisation around strategy, making strategy a continuous process and lastly, the strategy evaluation and selection. The main objective of the case analysis of Mangosuthu Technikon, as has been pointed out, was to establish the organisation’s
present state of affairs as compared with the vision in order to identify the gap and try to close it. The results of the analysis indicate that the organisation is in crisis in the sense that it is unable to translate its vision and strategy into operational terms. The reasons for this have been cited in the text. The fact that the organisation is not capable of aligning the organisation around the strategy was dealt with and the underlying implications were also highlighted. Making strategy a continuous process was looked at as well as the reasons like systematic forces in the organisation which management had to sort out to realise this goal. Strategy evaluation and selection of the organisation was looked at in depth. What transpired was that the senior management of the organisation was not adjusting strategies when the environment kept on changing?

The next chapter (Chapter 4) covers broadly the evaluation of the Balanced Scorecard model against organisation's present state of affairs and will attempt to identify the gap that exists and how it can be bridged using the Balanced Scorecard Model.
Chapter 4

THE EVALUATION OF THE MODEL AND PRACTICE

4.1 Introduction

This chapter (Chapter 4) will give a detailed evaluation of the Balanced Scorecard model against the present state of affairs of the organisation in question as outlined in the previous chapter (Chapter 3) in the case study analysis. The main objective is to try and identify the gap that exists between where the organisation is presently and where the organisation wants to be (i.e. vision for the future). The following sections are covered in this chapter: Section 4.2 evaluates the situation; Section 4.2.1 gives an analysis of the Balanced Scorecard model and lastly, Section 4.2.2 provides a detail analysis relating to the gap that exist between Mangosuthu’s Technikon present strategy and its implementation and its vision.

4.2 Evaluation of the Situation

Thompson and Strickland (2001) argue that “The handling of the strategy implementation process is considered a failure if and when the organisation is not achieving its targeted strategic objectives and goals”. Looking from the detailed analysis from the preceding chapter (Chapter 3), it emerges that the organisation is completely not able to translate its vision and strategy to operational terms. The problem is that the majority of staff members at this organisation neither know nor understand the organisation’s vision and strategy. This is because its management did not consult and include as many of the stakeholders as possible when vision and strategy were crafted. The senior management did not take it upon themselves to educate and make everyone understand the purpose of the vision and strategy. What management needs to know is that crafting a strategy is not a one man show but a task for the whole and not just a few senior managers at the top.
Thompson and Strickland (2001:346) highlight the importance of inclusiveness by citing the point that “all managers become strategy-implementers in their own areas of authority and responsibility, and all employees are participants.” Lack of communication by the senior management was also cited as a major obstacle in translating vision and strategy for the organisation. It should be remembered that one of the keys to successful implementation is for management to communicate the case for organisation change so clearly and persuasively to organisational members that there is a determined commitment throughout the ranks to carry out the strategy and meet performance targets. The ideal condition is for management to arouse enough enthusiasm for the strategy to turn the implementation process into a companywide crusade.

It became clear from the analysis that management is not successful in aligning the organisation to strategy. This has been because of the problems that the researcher raised earlier on and because of the fact that synergy can only be created when individual strategies are linked and integrated. What is needed is for all parts of the organisation to become linked to organisational strategy through common themes and objectives. The present strategy used by management is not producing desired results in terms of making strategy a continuous process. The problem is that management has failed to communicate and educate the organisation about the strategy. It was mentioned that to be successful, the senior management must ensure that everyone understands the strategy clearly and that their daily decisions and activities contribute to the success of the strategy. It was also highlighted in the text that management fails to effectively select and evaluate strategy. The main problem is that the senior management assumes strategy evaluation to be a simple appraisal of how the organisation performs. In other words, if the student intake increases so does the bank balance of the organisation and management assumes that the organisation's strategy is a sound one. This type of reasoning misses the whole point of strategy – that the critical factors determining the quality of current results are not directly observable or simply measured, and that by the time strategic opportunities or threats affect the organisation, it may well be too late for an effective response.
It is evident from the analysis point of view that the organisation's strategy is inconsistent with the goals and policies of the organisation, and there is no coherence with regard to organisation action by management. Lastly, it came to light that the organisation is lacking a strategy that is adaptive in response to the external environment and the critical changes that may occur are regarded as suicidal for organisational growth and survival.

4.2.1 The Balanced Scorecard Model

Kaplan and Norton (1996) note that "The Balanced Scorecard has became a framework for implementing and managing strategy at all levels of the organisation by linking objectives, initiatives and measures to overall strategy". The Balanced Scorecard (BSc) was first identified and implemented by Kaplan and Norton as a performance management tool, following a one-year multi-company study in 1990. Kaplan and Norton (1989) argue that "the Balanced Scorecard's aim is to present management with a concise summary of the key success factors of a business, and to facilitate the alignment of business operations with the overall strategy". It provides a medium to translate the vision into a clear set of objectives. These objectives are then further translated into a system of performance measurements that effectively communicate a powerful, forward-looking, strategic focus to the entire organisation. The original Balanced Scorecard design identifies four perspectives which are the Financial perspective, Customer perspective, the Internal–business perspective, and the Learning and growth perspective. These perspectives represent three of the major stakeholders of business (Shareholders, Customers and Employees) thereby ensuring that a holistic view of the organisation is used for strategic reflection and implementation. The importance of each of these perspectives (no matter how many are chosen to be necessary) is that the perspectives themselves and the measures chosen are consistent with the corporate strategy. See figure 4.1

This figure indicates how the Balanced Scorecard provides a framework, through these four perspectives, for translating strategy into operational themes and thereby facilitating the role of management. The Balanced Scorecard typically measures
organisational performance across the four balanced and linked perspectives below. The following questions will be asked under each perspective:

Figure 4.1

<table>
<thead>
<tr>
<th>Vision and Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>“To achieve our vision, how will we sustain our ability to change and improve?”</td>
</tr>
<tr>
<td>Objectives</td>
</tr>
<tr>
<td>Measures</td>
</tr>
<tr>
<td>Targets</td>
</tr>
<tr>
<td>Initiatives</td>
</tr>
</tbody>
</table>

**Financial**

| “To succeed Financially, how should we appear to our Shareholders?” |
| Objectives |
| Measures |
| Targets |
| Initiatives |

**Customer**

| “To achieve our vision, how should we appear to our Customer’s?” |
| Objectives |
| Measures |
| Targets |
| Initiatives |

**Internal Business Process**

| “To Satisfy our shareholders and customers, what business Processes must we excel at?” |
| Objectives |
| Measures |
| Targets |
| Initiatives |

**Learning and growth**

| “To achieve our vision, how will we sustain our ability to change and improve?” |
| Objectives |
| Measures |
| Targets |
| Initiatives |

Financial Perspective: How can the organisation look after its shareholders? To succeed financially, how should we appear to our shareholders? How do we create value for our shareholders? How do we create value for the public/shareholders? To succeed with our mission and satisfy stakeholders, what financial objectives must we as an organisation accomplish? The financial performance measures indicate how strategy, implementation and execution are contributing to bottom line improvement. Financial perspective strategies should (1) Indicate long-term goals and (2) Must follow a strategic theme e.g. Minimising costs, improving service delivery, capacity utilisation, and investment.

- **Customer Perspective:** How can the organisation satisfy its customer needs? Typical measures may include results of customer profitability analysis or customer satisfaction surveys. To achieve our vision, how should we appear to our customers? What do existing and new customers value from our organisation? The customer perspective mainly focuses on customer needs, satisfaction and the market share and looks at the organisation through the eyes of its customers. Strategies in the customer perspective must (1) Identify ways and means in which value is to be created for customers (2) Identify how customers' demand for this value is to be satisfied (3) Determine how to increase and ensure customer loyalty (3) Describe customer segments to be given priority and (4) Be based on an analysis of the product/service provided and know what the product/service means to customers.

- **Internal Perspective:** What must we excel at. To satisfy shareholders and customers, what business processes must we excel at? What business process must we excel at to achieve our financial and customer objectives? To satisfy customers, in which internal business processes must we excel? How well does the organisation perform in key internal operational processes? Effective internal business processes are critical to providing products and services to satisfy customers' needs in a fiscally responsible manner. The Internal/Business perspective pays attention to key internal processes, which drive the organisation. Customer measures need to be translated into what need doing internally to meet
customer expectations. **Strategies in the internal/Business process perspective should:** (1) Pinpoint resources and capabilities which need to be upgraded (2) Identify those processes that enlarge customer base and/or affect customer loyalty. (3) Consider links with the outside and (4) Include measures and goals of how to manage relationship.

- **Learning and Growth Perspective:** To achieve our vision, how will we sustain our ability to change and innovate? To achieve our mission, how must the organisation learn and innovate? Is the organisation able to sustain innovation, change, and continual improvement? These measures relate to an organisation's more intangible assets and the ability to excel in the future. They normally reflect employee satisfaction, motivation and empowerment, as well as the capabilities of employees and information systems. Measures may include frequency of training employee development, advancement opportunities, turnover rate and the development of new services and products. This perspective directs attention to the basis of all future success- the organisation' people infrastructure. It mainly deals with employee issues and enables the organisation to ensure its capacity for long-term renewal. **Strategies in this perspective should** (1) Identify which core competencies to cultivate as a basis for future development (2) Determine how it will obtain the know-how it will need (3) Review the structure and conditions which exist for developing a learning organisation and (4) Include measures and goals of how to manage relationships.

The Balanced Scorecard is also used as a strategic framework for action, to manage the organisation strategy over the long run (See figure 4.2). The organisation is using the measurement focus of the scorecard to accomplish the following critical management processes:

- Clarify and Translate Vision and Strategy
• Communicate and Link Strategic objectives and Measures

• Plan, Set targets and Align Strategic Initiatives

• Enhance Strategic feedback and Learning
Figure 4.2

The balanced scorecard as a strategic framework for action

[Diagram showing the balanced scorecard framework with arrows pointing to the following components:
- Clarifying and Translating the Vision and Strategy
  - Clarifying the vision
  - Gaining consensus
- Communicating and Linking
  - Communicating and Educating
  - Setting goals
  - Linking rewards to performance measures
- Strategic Feedback And Learning
  - Articulating the shared vision
  - Supplying strategic feedback
  - Facilitating strategy review and learning
- Planning and Target Setting
  - Setting targets
  - Aligning strategic initiatives
  - Allocating resources
  - Establishing milestones]

4.2.1.1 Translating the Vision

This process involves developing an integrated set of objectives and measures based on vision and strategy; a team of senior executives usually does it. Mission statements are often vague; they tend to be interpreted differently by different people. The process of actually formulating the measures often reveals discrepancies in assumptions about the vision, mission, and strategies. The process of translating vision and strategy into operational measures serves to build consensus among managers. Their participation and dialogue also foster commitment.

Once consensus has been reached, the resulting objectives and measures are used to communicate the strategy to people throughout the organisation. Measurement serves as a powerful way to help an organisation implement strategy. It communicates strategy in a common language and stresses what is important.

4.2.1.2 Communicating and Linking

This process involves communicating the strategy to all employees and helping them understand the critical objectives and how they will be measured. The organisation can use creative and interactive modes of communication to generate interest, enthusiasm, and support.

4.2.1.3 Business Planning

This process helps the organisations integrate business and financial plans by using the Balanced Scorecard objectives as the basis for setting targets, ordering priorities and allocating scarce resources. This ensures that various programs and change initiatives actually support organisational strategy and that new programmes and initiatives will receive adequate resources.
4.2.1.4 Feedback and Learning

This process allows the organisation to test the viability of the overall strategy. The results from all four perspectives are reviewed frequently and compared to the assumptions upon which the strategy is based. If the original hypothesis was correct, results will be moving toward the Balances Scorecard targets as predicted. If they are not, then the strategy (cause-and-effect relationships contained in BSc) should be re-evaluated in the light of current conditions and organisational capabilities, and the objectives and measures should be reviewed and possibly revised.

4.2.2 The Technikon Gap

A broad overview as to where the organisation is at this present stage was dealt with in the previous chapter (chapter 3). This provided the reader with ample opportunity to have a complete analysis of the current position of the entire organisation in terms of its strategy and strategy implementation. More importantly, the entire organisation analysis was made with regard to the organisation’s failure to translate strategy and vision to operational terms, the failure to make strategy a continuous process, and to align the organisation around strategy. Lastly, the inability by the organisation to select and evaluate strategy was discussed with reasons by the researcher. Having completed a detailed analysis of the organisation, and identified where the organisation is in its current state, the researcher will now focus on what the vision of the organisation is and what strategic actions the organisation needs to take to achieve that vision (i.e. closing the gap).

The vision for the organisation is “Mangosuthu Technikon wants to be a leader amongst institutions of technology whose management, students, staff and alumni are committed to the advancement and application of knowledge through teaching and research”. The organisation’s vision states clearly the goals that need to be achieved i.e. become a leader of technology, commitment by the staff, students, management and the alumni to the advancement and application of knowledge through teaching. Therefore it is clear that a gap exists between where
the organisation is at present and where the organisation wants to be in terms of its vision. This gap can only be bridged or closed by developing and implementing the Balanced Scorecard model, which will basically look closely, at all four perspectives mentioned earlier on. These are:

- Financial Perspective
- Customer Perspective
- Learning and Growth Perspective and
- Internal Business Processes

Each of these perspectives will be accompanied by its objectives, measures, targets and initiatives which must be explicitly defined. This linkage between the four dimensions is crucial in ensuring long-term success of the organisation. The measures will link the organisation top-to-bottom to operationalise the vision and strategy. What needs to be pointed out is that measurement is about motivating staff to work hard, not just control. With the Balanced Scorecard efficiently implemented, everything is transparent. It should be noted that the process of gaining involvement and buy-in during the implementation is the key to success of the Balanced Scorecard.

Once management has finished putting all four perspectives in place, they must then use this measurement focus of the scorecard to accomplish the following critical management process:

- Clarifying and translating the vision and strategy
- Communicating and linking
- Planning and target setting and
- Strategic feedback and learning
This process will ensure that implementing the Balanced Scorecard model as a solution closes the gap that exists between the organisation’s current state and where it wants to be (vision).

4.2.3 Summary

In this chapter (Chapter 4), the researcher has covered broadly the following sections. Section 4.2 covered the evaluation of the situation within the organisation. This section also dealt with a broad overview of the entire organisation’s state of affairs at present. The next section 4.2.1 looked at the Balanced Scorecard model. This section in particular provided detailed theory and analysis of the model and how the model can be used to solve the problems in question. Section 4.2.2 gave a thorough explanation of the existing gap caused by two different positions of the organisation i.e. where it is now and where it wants to be in terms of its vision and future. An analysis of how the Balanced Scorecard could be used to close the gap was given.

The next chapter (Chapter 5) will provide the reader with recommendations and what could be learnt from implementing the Balanced Scorecard model from other organisations. The chapter will also look at some problems with BSc implementation. Lastly, conclusions will be given.
CHAPTER 5 RECOMMENDATIONS AND CONCLUSION

5.1. Introduction

This chapter (Chapter 5) contains the following sections: Section 5.2, which gives a detailed Balanced Scorecard development stage. Section 5.3 gives an analysis of the implementation of the BSc. Section 5.4 provides the reader with an overview of the Balanced Scorecard critical success factors. Section 5.5 investigates the successes of the BSc. Section 5.6 details the recommendations while Section 5.7 highlights the precautions needed to be taken when implementing the BSC model. Lastly, Section 5.8 provides the conclusion and Section 5.9 gives a detailed summary.

5.2 BSc Development Stage

Ever since the Balanced Scorecard was developed in 1992, it has been used by many organizations successfully. With the widespread use of the framework, certain processes and guidelines have emerged which enable successful implementation (See figures 5.1, 5.2, and 5.3 respectively). Kaplan & Norton (1996) believe that the building of the Balanced Scorecard is a systematic process and the methodology adopted here was in keeping with their advice. Kaplan & Norton (1996:308) suggest that an organization’s first scorecard can be built in approximately 16 weeks. The implementation at Mangosuthu Technikon has an 11-week time frame.

The role that will be played by the researcher in the Balanced Scorecard project will be that of a project leader, or an architect as termed by Kaplan & Norton (1996:299). The role of an architect is to take ownership of the project and assume overall responsibility for keeping the process going. Kaplan & Norton (1996:299) see the architects’s role as the following:

- Own and maintain the framework
• Guide the process
• Oversee the scheduling of meetings and interviews
• Ensure adequate documentation and information
• Keep the process on schedule

It is very important to understand that the CEO of the Technikon must drive the whole process, and not the architect.
Figure 5.1

Building a Balanced Scorecard
1. Preparations
2. Interviews: First round
3. Executive workshop: First round
4. Interviews: Second round
5. Executive workshop: Third round
6. Implementation
7. Periodic review


Figure 5.2

Building a Balanced Scorecard
Define the measurement architecture
1. Select the Appropriate organisational unit
2. Identify SBU/Corporate Linkages

Build Consensus around strategic objectives
3. Conduct first round interviews
4. Synthesis session
5. Executive workshop: First round

Select and Design Measures
6. Subgroup meetings
7. Executive workshop: Second round

Build the Implementation Plan
8. Develop the implementation plan
9. Executive workshop: Third round
10. Finalise the implementation plan

### Figure 5.3

**Steps in the Building Process**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Procedure</th>
<th>Suggested Times</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Define the industry, Describe its development and the role of the company.</td>
<td>Interviews with as many people as possible. Should be done if possible by an outside party to obtain the most objective picture. Research on industry situations and trends.</td>
<td>1-2 months</td>
</tr>
<tr>
<td>2</td>
<td>Establish/Confirm the company’s vision.</td>
<td>Joint seminar attended by top management, project group and someone having previous experience with Balanced Scorecard projects.</td>
<td>1-2 Meetings of one and a half days each.</td>
</tr>
<tr>
<td>3</td>
<td>Establish the perspective</td>
<td>Seminar attended by top management, project group, and someone having previous experience with Balanced Scorecard projects.</td>
<td>1-2 days</td>
</tr>
<tr>
<td>4</td>
<td>Break the vision down according to each perspective and formulate overall strategic goals.</td>
<td>Joint seminar with the same group as in Step 2</td>
<td>See below</td>
</tr>
<tr>
<td>5</td>
<td>Identify critical success factors</td>
<td>At the seminar above</td>
<td>Total Including step 4: 2-3 days</td>
</tr>
<tr>
<td>6</td>
<td>Develop measures, identify causes and effects and establish balance.</td>
<td>At the seminar above, if possible. However, a certain interval is often beneficial.</td>
<td>Included above, otherwise 1-2 days</td>
</tr>
<tr>
<td></td>
<td>Establish the top level Scorecard</td>
<td>Final determination by top management and the project group. Preferably, though, with the participation of someone with previous experience with Balanced Scorecard Projects.</td>
<td>1-2 Days</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>8</td>
<td>Breakdown of the scorecard and measures by organisational unit</td>
<td>Suitable for the project to be divided up into appropriate organisational units under the leadership of the project group. Preferably all personnel involved should take part in the project work of each unit. A suitable form for the work would be a seminar. Progress reports and ongoing co-ordination with top management.</td>
<td>Total of 2 to x months.</td>
</tr>
<tr>
<td>9</td>
<td>Formulate goals</td>
<td>Proposals by each unit project leader. Final approval of goals by top management</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Develop an action plan</td>
<td>Prepared by each project group</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Implementing the scorecard</td>
<td>Ensured by each ongoing monitoring the overall responsibility of top management</td>
<td></td>
</tr>
</tbody>
</table>
5.2.1 Interviews

The first step in the development phase is to issue background information to the senior management team and a tentative interview agenda. The aim is to provide an outline of what the Balanced Scorecard is and what its main aims are. The main aim of the interview will be explained to the senior managers and enable them to formulate tentative responses.

The interviews are held with each individual senior manager to determine their thoughts about the following:

- The vision
- The strategy
- Their understanding of the Balanced Scorecard
- Problems within the Technikon
- Strategies for each perspective
- Suggested measures
- Ranking of measures
- The potential success of the Balanced Scorecard
- Enthusiasm for the process
- The organization’s current culture

The aim of the interviews will be to:

Ensure that all senior managers understand the following:
• The concept of the Balanced Scorecard

• How the Balanced Scorecard works

• The potential for success if the Balanced Scorecard worked based upon case study evidence

• Why the Balanced Scorecard has been selected

Set expectations of:

• How the process will proceed

• The level of senior management involvement that would be required

• Build the foundations of a common language to be used in the ongoing process.

• Generate enthusiasm for the project and show how the successful implementation could be translated into enhanced corporate performance.

• Monitor the level of awareness amongst the senior management team of the organisation's vision and strategy.

• Create participation in the process and start buy-in to the project

• Communicate the initiative

5.2.2 Reportback Meetings:
Once all the interview data has been collated, a meeting will be arranged with the senior director Human Resources and the CEO of the Technikon. The Technikon's CEO is wholly supportive of the Balanced Scorecard and had committed to its success. He appointed the Senior Director Human Resources as the project champion, whose role is to assume day-to-day responsibility for the Balanced Scorecard and to provide a reference contact for the architect.
The process of going forward has been agreed upon, namely:

- An Interim scorecard with broad objectives would be established.
- Communicating the interim scorecard and driver models to executives and soliciting feedback
- Creating a driver model depicting the cause-and-effect relationships amongst measures, again providing education of the Balanced Scorecard process.
- Creating measures-those that could be implemented immediately and those to be implemented in the longer term.
- Align the measurements to initiatives already underway-displaying future measures with a view to setting expectations for a longer term.
- Determining the initial communication strategy
- Setting an agreed delivery date for the interim scorecard to be implemented.

5.2.3 Project Team and Subgroup

The next step, which needs to be followed, is to hold a full Balanced Scorecard project team meeting. In this meeting, the architect will present:

- A formal project plan, including milestones
- Feedback from senior management interviews
- The Technikon’s vision and strategy documents
- Feedback from the meeting with the Technikon’s CEO and the Senior Director Human Resources

The meeting will have the following objectives:

- To communicate to team members the progress so far, On-going process and the next steps to be taken
- To discuss and achieve agreement on the Technikon’s vision and strategy
- To agree on the next steps and assign responsibility for achieving them.
During the meeting, the team will review the overall Technikon’s vision and strategy, and will decide upon other department vision and strategy supportive of achieving the corporate strategy.

A sub-team will be tasked with devising the strategic aims, critical success factors and measures and reporting back to the team within a reasonable period. This sub-team will be made up of the architect, Heads of Departments, Project Manager and a consultant. The sub-team will take the overall divisional strategy devised by the whole project group, and extrapolate broad strategic aims, critical success factors in each of the quadrants and strategic measures.

The first draft of the Mangosuthu’s Technikon Balanced Scorecard, including strategic aims, critical success factors and measures, will be presented to the whole project team. The team will debate and refine the elements contained and reach an agreement when the scorecard is ready for publication to the senior executive team. The agreed scorecard will be e-mailed to the executive team as an interim measure, and their feedback solicited. This will then be regarded as the first, interim Balanced Scorecard of the organisation.

5.3 Implementation Stage

The main objective of the project has been to develop and implement the strategic Balanced Scorecard for the organisation in question. For this development and implementation to be successful, the following objectives were identified and agreed upon as very important in the development phase:

- Establishment/Confirmation of the vision
- Establishment/Confirmation of Technikon’s strategy
- Measurement perspective selection
- Strategy development for each perspective
• Identification of factors which are critical to the success of the strategy in each perspective
• Definition of the measures which drive the critical success factors

5.3.1 Required Output

Earlier on in the initial stages of the project, it was established that certain key outputs were important in the building of a Scorecard and were thus satisfying the overall objectives. These outputs were:

• The vision
• Technikon’s strategy
• Selection of perspectives
• Strategic aims
• Measures
• Driver model
• Communication plan
• Alignment

The information for the above outputs had to be collected in several ways. The main sources were as follows:

• Focus interviews with senior management
• Meetings
• Project team meetings
• Sub-team meetings
• Publications

5.3.2 The vision

The interviews with the senior management indicated that the Technikon’s vision was dominated by the following:
• Retaining the customer loyalty
• Increasing/Attracting new customers
• Investing wisely
• Operating better
• Maximising ROI
• Developing people to be the best they can
• Retaining the most loyal and committed people
• Striving towards technological excellence

This information could be reviewed from the independent analyst reports (Sertect) and from Technikon’s publications (Annual Report, Newsletter) to confirm this way forward as the true direction that the Institution is taking. From the feedback meeting held with the CEO and the Senior Director Human Resources, it was agreed that achieving the Technikon’s vision was the overall objective.

5.3.3 The Strategy

Thompson & Strickland (2001:10) define a company strategy as that which consists of the competitive efforts and business approaches that managers employ to please customers, compete successfully, and achieve organisational objectives. Mangosuthu Technikon did not follow.

• Cost reduction to maximize its ROI for shareholders
• Differentiation along some specific customer valued dimension in terms of subjects offered
• Focus on a narrow competitive scope and market and customer segments

From strategy documents, it appeared that the Mangosuthu Technikon set its strategy as:
• Increasing ROI
• Investing wisely
• Increasing customer spending
• Attracting new customers
• Recruiting the best
• Developing people to be the best they can
• Building better
• Operating better
• Being technology superior

5.3.4 Perspective Selection

The Balanced Scorecard has the following perspectives namely customer, financial, learning and innovation and internal process perspectives. Kaplan & Norton (1996:34) suggest that the four perspectives should be considered as a template, not a straight jacket.

The People perspective, which is only applicable in the South African context needed to be included in the discussion especially because of the South African government legislation regarding the Basic Employment Equity Act and to ensure that there is a clear commitment by the Technikon in adhering to their goals.

5.3.5 Strategic Aims

The strategic aims normally emanate from the general strategies that were agreed upon. These are essentially the "Whats". For example, what the Technikon has to do in order to achieve the vision. The strategic aims that were finally decided upon were:
• Positive cash in the bank
• Optimal cost
• Align with customer expectation
• Benchmarking
• Quality education/tuition
• To attract, retain, develop and reward in an environment that is conducive to progress.

These strategic aims were to be presented to the entire project team, who after receiving the executive feedback, debate and make further suggestions for amendment or refinement.

The above stated strategic aims were finally agreed upon.

5.4 Critical Success factors

These are the “Hows” i.e. How will the Technikon’s strategic aims identified be achieved? The sub-team will identify the critical success factors and review them in terms of both the strategic aim and the four perspectives mentioned earlier on, and also taken into consideration all the areas deemed to be crucial by the senior management team.

Next, they will present the project team with the perspectives critical success factors for each of the strategic aims identified. If need be after a lengthy debate, and in line with the debate on strategic aims, critical success factors might be adapted as well.

5.4.1 Measures

The main objective of the measures is to monitor achievement of critical success factors and thus indicate the strategic direction the Technikon is taking.

Especially in recent years, the renewed focus on customer and process quality has caused many organisations to track and communicate measures on customer satisfaction and complaints, product and process defect levels and missed delivery dates. According to Kaplan & Norton (1996), measures must include performance
drivers, or leading indicators to reflect the customisation of the Balanced Scorecard for Mangosuthu Technikon.

5.4.2 The Driver Model

The driver model is created by the sub-team immediately the draft scorecard passes through all the iterations and amendments and after team meetings and senior management feedback. It shows the cause-and-effect relationships and linkages across the scorecard. The main objective is to highlight those development areas or parts that are still missing and which need to be worked on.

5.4.3 The communication Plan

The communication plan would be agreed upon after the meeting between the senior Director HR and the project champion. The following steps would be followed:

- Senior Director HR would present the Balanced Scorecard at the highest level meeting of the Technikon’s senior management at which the Balanced Scorecard is going to be introduced.
- The project champion would take the responsibility for the Balanced Scorecard for exco purposes.
- The Senior Director HR would hold meetings using the Balance Scorecard format and will not deviate from it.
- The interim scorecard would be emailed to all senior managers and the CEO and the project champion will stipulate that feedback is required.
- Once the amended and refined based on senior management feedback, the Balanced Scorecard and the driver model would be publicized and widely distributed. Critical success factors must be shown and any achievement would be reflected.
5.4.4 Alignment

For the Balanced Scorecard to be successful, it is critical that all initiatives are aligned with and supportive of the Technikon's vision and strategy. At the conclusion of the development process, a Balanced Scorecard for the Technikon ought to be published.

5.5 Successes

Like many other projects, not everything is expected will go as planned because a number of successes and failures had been experienced. These were the following:

**Vision clarified and confirmed**

A clear, articulated vision of the future was extrapolated which had been subject to debate and finally agreed upon. This was important to set direction and create focus for the future of the Technikon.

**Support from Senior Management**

Almost all the senior management showed their unqualified support and commitment to the project, including the CEO. This is very important in that the whole research project relies on the support and commitment of the senior management team.

**Education**

Educating the people involved is progressing well and this has even stimulated debates and talk around the Balanced Scorecard. People have started to think in terms of the strategy and the cause-and-effect relationships, which are necessary for its achievement.
Measures

The fact that some of the measures were not available, was not seen as a flaw in the scorecard. Kaplan & Norton (2000:364) suggest that, “most successful implementations of the Balanced Scorecard start with missing measurements”. Creating the missing measures gives stretch targets for the organization to aim for. In some instances, it may prove possible for strategy to be monitored without the measure and it is not so much “missing” as “unnecessary”. The measures that are contained in the scorecard are both outcome (lag) and performance drivers (lead).

Alignment

The project team members of the Balanced Scorecard possessed dual initiatives, which enabled on-going alignment checks to be performed easily between the Balanced Scorecard and the majority of other initiatives. This continual checking resulted in confidence that alignment had occurred.

Published Scorecard

On completion of the project, Mangosuthu’s Technikon first Balanced Scorecard will be published. All the exco meetings are now conducted in the Balanced Scorecard format and results presented in terms of the four perspectives.

Failures

The whole project experienced only a few failures and these were:

Strategy

Kaplan and Norton’s book entitled, “Translating Strategy Into Action (1996), cites that the Balanced Scorecard is intended to facilitate strategy implementation rather than strategy formulation. In the beginning of the process it was assumed that, a strategy existed. However, it emerged that this was not the case. It required that everything was stopped and all the resources devoted to resolving the strategy issue. Once the strategy had been decided, the building process could be undertaken.
5.6 Recommendations

The Technikon Mangosuthu’s Balanced Scorecard will be published as per plan, in line with the deadline. In order to make it truly successful, it was necessary to build upon the positives and redress any weaknesses. The recommendations to make it successful are:

- The Strategy
- Senior management commitment
- Adapting the interim

The Strategy

The Technikon is advised to start formulating their strategy. The project team using the interview process outputs had devised the strategy inherent in the scorecard and not, as should have been, through senior management debate and agreement. The building process, however, produced a major breakthrough since it highlighted the facts that an explicit strategy did not exist.

In order to successfully drive the scorecard forward and make it a working and living document, the strategy needed to be determined.

Senior management involvement

It is recommended that the executive team become actively involved because without their full support and commitment, the whole implementation of the Balanced Scorecard should not be attempted.

Adapting the Interim

It is recommended that the interim scorecard developed is adapted. The scorecard presented here represented the interim scorecard as requested by the CEO of the
Technikon. This needs to be adapted and adopted to ensure that it evolves into the desired “true” scorecard. The scorecard needs to be used and embedded into the management system of the Technikon.

5.7 Precautions

Kaplan and Norton (1996:286) state, “There are few shortcuts in developing a viable scorecard”. In the process of conducting this research, I have come to the conclusion and agreement with these authors. To others contemplating implementation of the Balanced Scorecard, I would offer the following advice.

- **Timing** – The first step must be to review the organization in terms of where it is and other issues taking place internally and externally.

- **Senior Management** – senior management support is very important, especially from the CEO. Without their input and support, the process has little chance of being successful. The amount of support must be assessed before the Balanced Scorecard is launched.

- **Follow the Methodology** – The books written on Balanced Scorecard provide a detailed and consistent methodology on how to implement the Balanced Scorecard, based on proven experiences of many other implementations.

- **Project Team and Sub-Groups** – The importance of using the project team and sub-groups in the implementation process is invaluable. The composition of the team can also rapidly ensure alignment with other issues.

- **“Just do it”**- This is one piece of the advice from Kaplan and Norton (1996:286). Launching an imperfect scorecard is not a failure and delaying until it is perfect can be suicidal as enthusiasm and impetus may be lost. It must be noted that a typical Balanced Scorecard can take up to two years to implement fully. Waiting this long before publication can only lose support for the process.
5.8 Conclusion

It is clear now that as companies around the world transform themselves for competition that is based on information, their ability to exploit intangible assets has become far more decisive than their ability to invest in and manage physical assets as a result of this paradigm shift. The Balanced Scorecard was then introduced to supplement traditional financial measures with criteria that measured performance from three additional perspectives - those of customers, internal business processes, and learning and growth.

This Balanced Scorecard introduction came as a solution to many organisations because it enabled companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. It was also demonstrated that the Balanced Scorecard is or has become a framework for implementing and managing strategy at all levels of an organisation by linking objectives, initiatives and measures to overall strategy. As such, it can be said without doubt that the Balanced Scorecard provides an enterprise view of an organisation’s performance by integrating financial measures with other key performance indicators around customer perspective, internal business processes, and organisational growth, learning, and innovation.

5.9 Summary

In this chapter (Chapter 5) the researcher recorded an in-depth discussion on the following topics. Section 5.2 covered a broad discussion on the Balanced Scorecard development. Section 5.3 looked widely at the Implementation of the Balanced Scorecard Model. Section 5.4 comprises of a complete review of the Balanced Scorecard Critical Success factors. Section 5.5 revisited the successes of the Balanced Scorecard while Section 5.6 provided the reader with the Recommendations. In the next Section (5.7) the researcher provided the precautions that needed to be taken by an organisation that intends implementing the Balanced Scorecard. The last section, Section (5.8) gave a detailed conclusion.
BIBLIOGRAPHY


