

BARRIERS TO TRANSLATE STRATEGY INTO ACTION: BALANCED SCORECARD APPROACH

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The barriers in implementing the strategy formulation are critical in today's fast-paced and rapidly changing business environment. At this stage, no matter how effectively an organization has planned its strategies, it can not be succeed if the strategies are not able to identify the barriers that will affect the organization performance. Kaplan and Norton (2000) have identified four (4) barriers in implementing effective strategy that are (1) vision barrier, (2) people barrier, (3) management barrier, and (4) resource barrier. In this paper, the researcher would like to stress on how the vision barrier affects the organization to translate its strategy into action. Meanwhile, the Balanced Scorecard is a management system that enables organizations to clarify organization vision and strategy, thus translate them into action. It provides feedback from both internal business processes and external outcomes in order to have continuous improvement on the strategic performance and results. When it is fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise. The respondents were includes three (3) College University in the Southern Region (Kolej Universiti Teknologi Tun Hussein Onn (KUiTTHO), Kolej Universiti Teknikal Kebangsaan Malaysia (KUSTEM) and Kolej Universiti Islam Malaysia (KUIM)). The Questionnaires has been distributed to only Deputy Registrar and Assistant Registrar in order to obtain primer data and SPSS (Statistical Package for Social Science) version 13 was used to analyze the data.

This research was formulated based on the significance of further research by Kaplan and Norton (2001) who identified four (4) barriers in implementing the strategy. They estimated that nine (9) out of ten (10) companies fail to implement the strategy successfully.

The organization strategy must be planned, organized, put into effort and controlled to determine the long-run performance. To support the organization strategy, the performance indicators must be developed to measure the right thing. Therefore, translating the organization strategy into action is the true purpose of the Balanced Scorecard. The Balanced Scorecard is a management system. It is not only a measurement system that enables organizations to clarify their vision and strategy, but translate them into action.

Background of the Problem

Kaplan and Norton, the developers of Balanced Scorecard concept, make the point that fewer than 10 per cent of all strategies are implemented, and this can be traced to fundamental problems in the process of strategic implementation. They point out four (4) barriers as shows in Figure 1.1 to strategic implementation, which are:

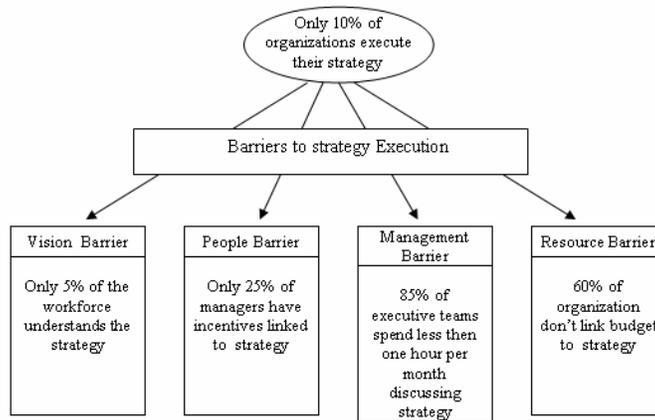
1. The vision barrier - Only 5 per cent of the workforce understands the strategy;
2. The management barrier – 85 per cent of executive teams spend less than one hour per month discussing strategy;
3. The resource barrier – 60 per cent of organizations do not link budgets to strategy;
4. The people barrier - Only 25 per cent of managers have incentives linked to strategy.

The Balanced Scorecard system is designed to overcome these barriers through the translation of strategy into measurable objectives, organization-wide understanding of the strategy, resource allocation to support the strategy, and learning about strategy.

Statement of the Problem

According to *Fortune*, (Niven, 2002), stated that 70 per cent of the Chief Executive Officer (CEO) did not succeed, not because of poor strategy, but due to poor strategy execution. The question is that why the strategy is so difficult to implement? The previous research has identified that the problem in the implementation stage is because of the number barriers that they suggested on the strategy execution. Four barriers have been identified for most organization which is vision barrier, people barrier, resource barrier and management barrier.

The statement of the problem for this research is “*What are the barriers that the organizations face to translate its strategy into action and the suitability of using Balanced Scorecard to form effective strategy implementation?*”



Source: Niven (2002: 11)

Figure 1.1: The Barriers to Implementing Strategy

Research Questions

The research was carried out to seek and provide answers to the following question;

- Q1 : How the vision barrier can affects the organization to translate its strategy into action.
- Q2 : What is the level of suitability in using Balanced Scorecard for the organization to translate strategy into implementation?

Objective of the Study

The objectives of the research are;

- i. To determine whether implementing the Balanced Scorecard leads the workforce towards the achievement into better understanding of the organizations vision.
- ii. To determine the suitability of Balanced Scorecard as a measurement tool that truly measures organization strategy.

Scope of the Study

The scope of the research mainly focused on three (3) College Universities in Malaysia. Among the College Universities selected are Kolej Universiti Teknologi Tun Hussein Onn (KUiTTHO), Kolej Universiti Teknikal Kebangsaan Malaysia (KUSTEM) and Kolej Universiti Islam Malaysia (KUIM). The respondents of the study are from three College Universities who only include Deputy Registrar and Assistant Registrar.

The researcher seeks to study the barriers to translate strategy into action based on the Kaplan and Norton previous research. In this paper only the vision barrier is illustrate in details.

Finally the researcher is looking at only the Balanced Scorecard approach that provides for a balanced range of objectives covering finance, customer, learning and growth and internal business processes with accompanying measurements.

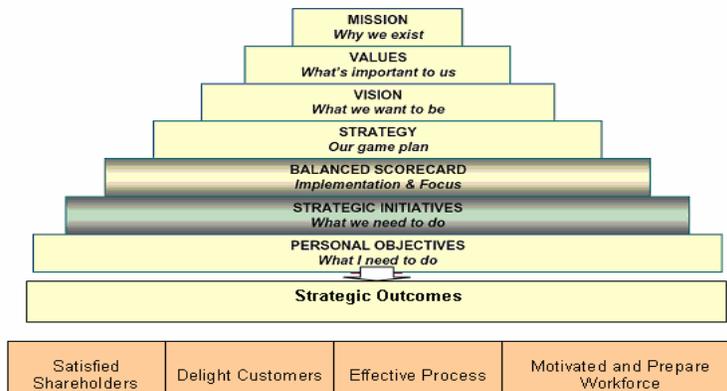
Literature Review

According to Kaplan and Norton (2001) research in the area has suggested a number of barriers to strategy execution. The execution of a strategy is more important, and more valuable, than the formulation of a strategy. Niven (2002) stated that strategy execution is one thing to sit down and craft what is seemingly a winning strategy, but successfully implementing it is another thing entirely. The research identified is that the barrier of strategy execution can be divided into four (4) as displayed in Figure 1.1.

The Vision Barrier

Most organizations have now adopted vision statements to communicate as fundamental values and beliefs to all employees. Usually, a vision is a statement addresses core beliefs and identifies target markets and core products. The vision statements are designed to be inspirational and provide energy throughout the whole organization. Developing the vision statement is often considered as the first step in strategic planning

However, vision statements are often difficult to put into practice. It is seldom to see a wide gap between the words on paper and the employees' day-to-day actions. Strategies are not understood by those who should implement it. As mention before in Figure 1.1, only 5 per cent of the workforce understands the organization strategy. Often, the executive leadership team is not on the same page in understanding the strategic destination of the organization. Even when they are, that understanding is not driven into the organization. As a result, the workforce has little chance of understanding the organization's strategy and even less at implementing it.



Source: Kaplan and Norton (2001:73)

Figure 2.1: Kaplan and Norton: Translating a Mission into Desired Outcomes

Figure 2.1 explains how vision and mission are the step which moves your strategic planning process from the present to the future. A mission statement should be short and concise statement of goals and priorities. In turn, goals are specific objectives that relate to specific time periods and are stated in terms of facts. The primary goal of any business is to increase stakeholder value. The most important stakeholders are shareholders who own the business, employees who work for the business and clients or customers who purchase products and/or services from the business.

Vision is a short, succinct, and inspiring statement of what the organization intends to become and to achieve at one point in the future, often stated in competitive terms. Vision refers to the category of intentions that are broad, all-intrusive and forward-thinking. It is the image that a business must have of its goals before it sets out to reach them. It describes aspirations for the future, without specifying the means that will be used to achieve those desired ends.

Balanced Scorecard Approach

Kaplan and Norton's Balanced Scorecard describes strategy and performance management from multiple perspectives. The classic Balanced Scorecard has four (4) perspectives as shown in Table 2.1.

Table 2.1: The Balanced Scorecard Key Question

KEY PERSPECTIVES		KEY QUESTION
i.	Learning and growth perspective	Can the firm continue to improve and create value for customers?
ii.	Internal business process perspective	In which capabilities must the firm excel?
iii.	Customer perspective	How do customers see the firm?
iv.	Financial perspective	How does the firm look to providers of financial resources?

Each perspective can be explained by a key question with which it is associated. The answers to each key question become the objectives associated with that perspective, and performance is then judged by the progress in achieving these objectives. There is an explicit causal relationship between the perspectives: good performance in the Learning and Growth objectives generally drives improvements in the Internal Business Process objectives, which should improve the organization in the eyes of the customers, which ultimately leads to improved financial results.

Methodology

The researches find that an appropriate research design method can be classified as a case study. According to Zikmund (2000) the purpose of the case study method is to obtain information from one or a few situations that are similar to the researcher problem situation.

The instruments of the study are determined by giving the respondents a set of questionnaire. A questionnaire is a set of questions that is filled in by the respondent (Zikmund, 2000).

Results

From 70 questionnaires distributed to the three (3) College Universities only 56 questionnaires completed and returned to researcher. The details of questionnaires return accordingly to College University are shown in Table 4.1.

Table 4.1: Total Respondents from Three (3) College Universities

College University	Frequency	Per cent (%)
KUiTTHO	20	35.7
KUIM	16	28.6
KUTKM	20	35.7
Total	56	100

20 questionnaires were collected from KUiTTHO and KUTKM or 35.7 per cent and 16 questionnaires or 28.6 per cent collected from KUIM. Total questionnaires collected were 56 out of 70 questionnaires distributed to three (3) college universities.

From the age groups perspective, the finding shows that most of the respondents are in the average group groups of 26 to 30 years old. Table 4.2 shows that 55.4 per cent of the respondent between age 26 to 30 and 25 per cent between 31 to 35 years old.

From 56 questionnaires collected the most essential respondents are collected from the Assistant Registrar 92.9 per cent and the Deputy Registrar which is only 7.1 per cent. Figure 4.1 and Table 4.2 show the allocation of respondents according to position and college universities.

Figure 4.1: Position from College Universities

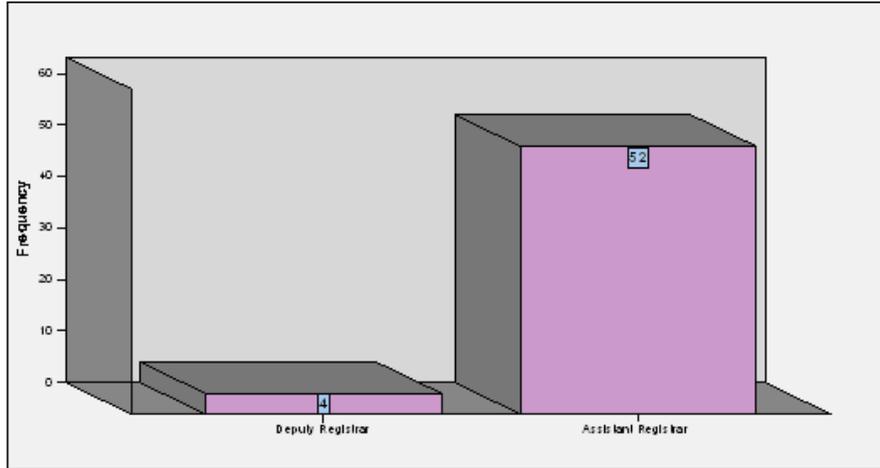


Table 4.2: Allocation of Position According to College Universities

		College Universities		
		KUİTTHO	KUİM	KUTK M
Position	Deputy Registrar	1	2	1
	Assistant Registrar	19	14	19

Finding on the Vision Barriers.

RQ1: How the vision barriers can affect the organization to translate its strategy into action?

In this analysis, the researcher tries to answer research question on how the vision barriers can affect the organization to translate its strategy into action. The finding from collected data shows that 94.6 per cent agree that the College Universities have clearly articulated statement of strategic direction that will led the College Universities to the long term goals as shows in Figure 4.2. Developing the vision and mission statement is the step which moves the College Universities strategic planning process from the present to the future.

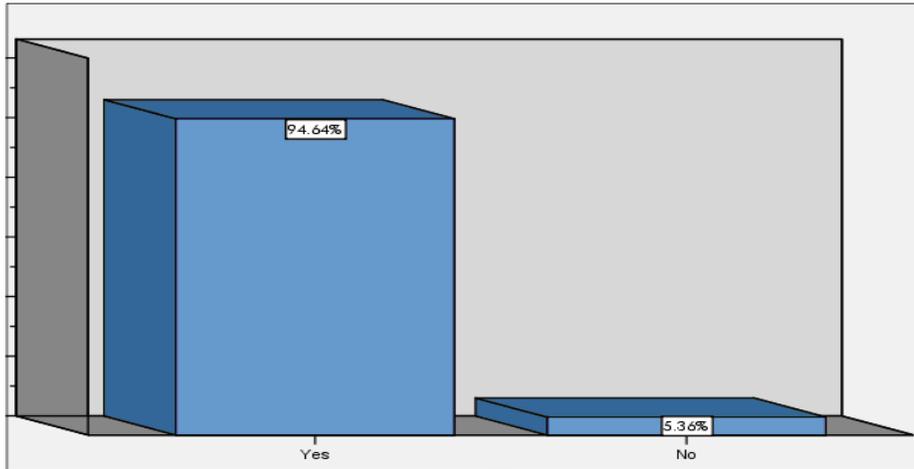


Figure 4.2: Statement of College Universities Strategic Direction

Beside that, Table 4.3 shows 69.6 per cent agree that they understand the university, faculty, department and centre vision and mission statement. Therefore the respondents agreed that the College Universities have a strong strategic direction that the management decides to pursue. The colleges universities management has establish the milestone that the College University will reach in the future and the most important is that the goals are understood by the employees.

Table 4.3: College Universities Vision and Mission Statements

Understand Vision and Mission				
Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
21.4%	69.6%	8.9%	.0%	.0%

At the same time, the respondents agreed that the work priorities they do are based on university, faculty, department and centre vision and mission statement. Figure 4.3 shows that 69.64 per cent agree and 21.43 per cent strongly agree the work priorities are based on the vision and mission statement. The finding supports the vision and mission statement that providing direction for employees. The daily work prepared by the Assistant Registrar and the Deputy Registrar completely supports the College Universities milestone.

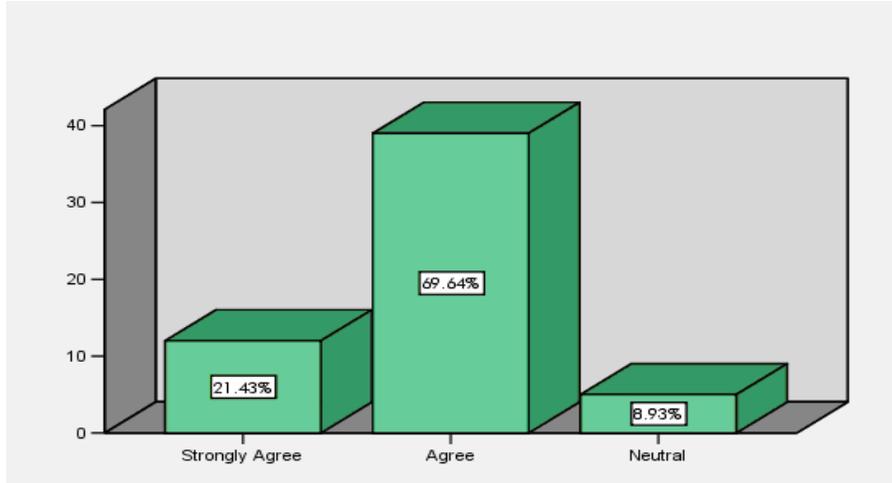


Figure 4.3: Work Priorities and Strategic Direction of College Universities

Communication is such a fundamental part of managing today that without it, virtually nothing can be accomplished. The finding shows that the university, faculty, department and centre communicate its vision and mission statement well to directly supportive the business objectives. Figure 4.4 explain that 12.5 per cent strongly agree and 62.5 per cent agree strategic directions are well communicated. Another 21.43 per cent neutral while 3.57 per cent disagree about the situation.

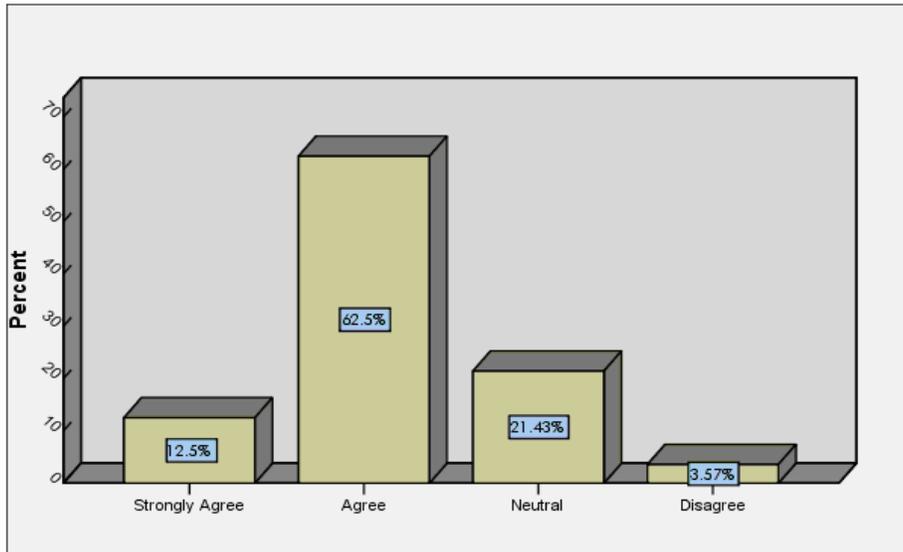


Figure 4.4: Communicate on the College Universities Strategic Direction

The output for the understanding respondents on how faculty / department / centre contribute to the university as a whole showed in Table 4.6, where 66.1 per cent of the respondents agree and 26.8 per cent strongly agree that they understand the important of contribution faculty / department / centre to the university strategic vision and mission.

Table 4.4: Faculty/ Department/ Centre Contribution to the College Universities

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Strongly Agree	15	26.8	26.8	26.8
Agree	37	66.1	66.1	92.9
Neutral	2	3.6	3.6	96.4
Disagree	2	3.6	3.6	100.0
Total	56	100.0	100.0	

Figure 4.4, Figure 4.5 and Figure 4.6 explain how well-understood is the university strategic direction across the following employees group that consist of Executive Management, Faculty/Department/Centre Directors and Employees. These three levels of group employees normally exist in the university organization structure. Since the Executive Management determines the milestone of the organization, the understanding of strategic direction is more higher compared to the Faculty/ Department/ Centre Directors and Employees groups. For the Executive Management the strategic direction is determined as a whole while the Faculty/ Department/ Centre Directors strategic direction are more on the supports achieving the university vision and mission.

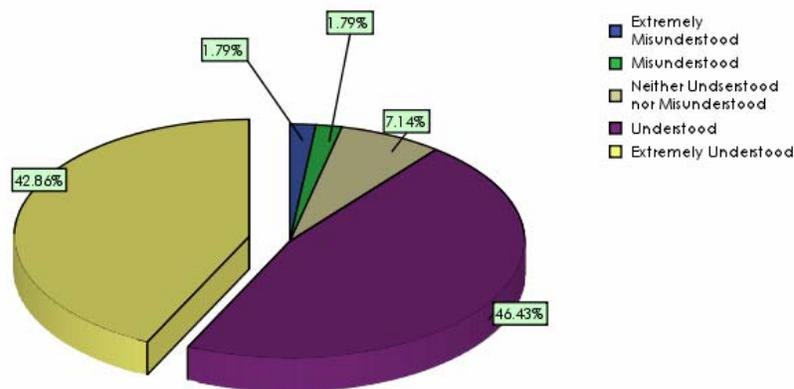


Figure 4.5: Executive Management and College Universities Strategic Direction

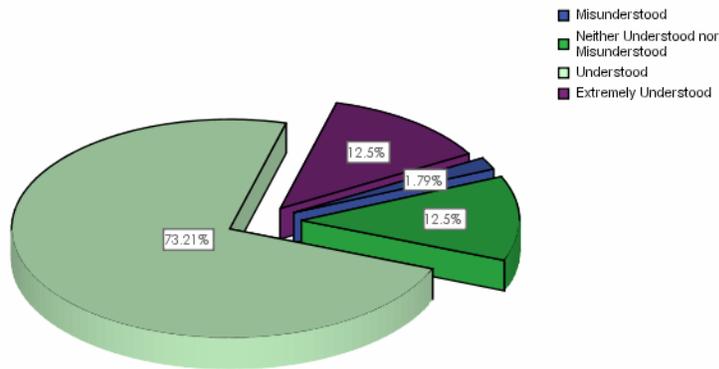


Figure 4.6: Faculty/Department/Centre Directors and College Universities Strategic Direction

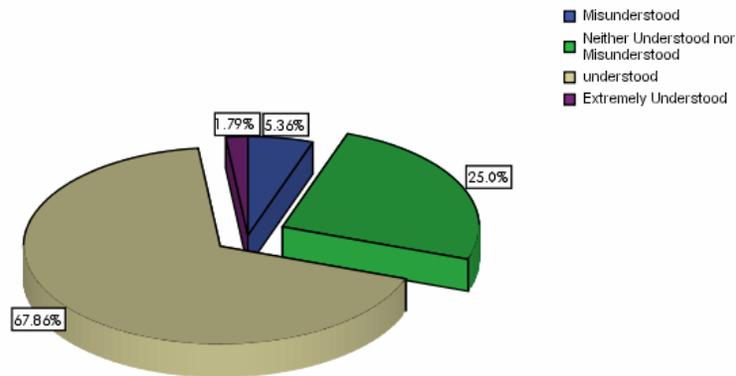


Figure 4.7: Employees and College Universities Strategic Direction

In Figure 4.7, we can see that the understanding of university strategic direction among employees groups level is quite high at 67.9 per cent compared to only 5.36 per cent misunderstood the university strategy direction. The analysis also shows that 25 per cent of employee level and 12.5 per cent Faculty/Department/Centre Directors employee level neither understood nor misunderstood the university strategic direction.

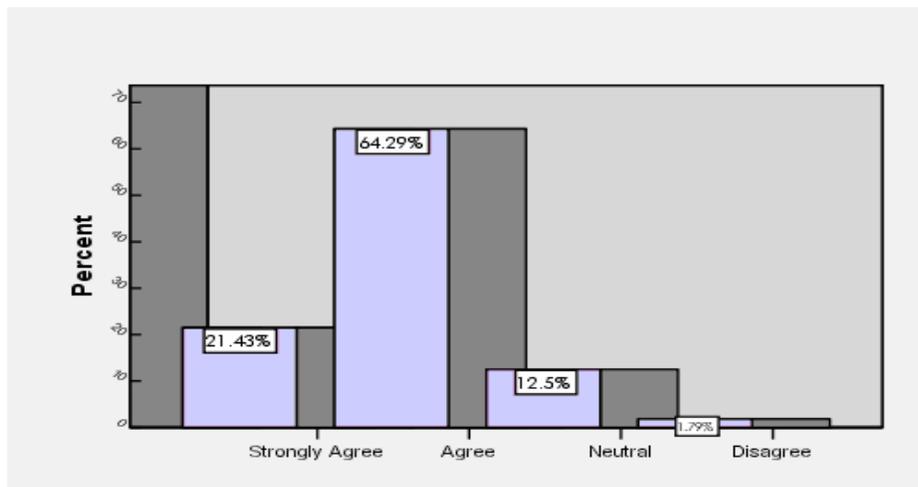


Figure 4.8: Possibility for College Universities to Translate Strategy into Action

Another important finding is that 64.3 per cent agree that it is possible for the University/Faculty/Department/Centre to translate strategy into action. Figure 4.9 shows the higher per cent of possibility to translate strategy into action bring significant value to this research. The Synergy of everyone contributing to the same objectives is the overarching goal. Each department must contribute in some way to accomplishing as many objectives as possible. This is done by launching initiatives that can improve the current process or by doing something new according to the description of how the objective is to be accomplished.

Finding on the Suitability in Using Balanced Scorecard.

RQ2 : What is the level of suitability in using Balanced Scorecard for the organization to translate strategy into implementation?

Analysis in this section begins with the performance measurement system that is implemented in the College Universities. Table 4.5 shows that most of the respondents recognize the university implement performance measurement system to measure organizational performance as a whole. This statement was supported with the finding stating that 98.2 per cent choose ‘yes’ and only 1.8 per cent state ‘no’.

Table 4.5: Implementing the Performance Measurement System in College Universities

		Frequen cy	Percent	Valid Percent	Cumulativ e Percent
Valid	Yes	55	98.2	98.2	98.2
	No	1	1.8	1.8	100.0
	Total	56	100.0	100.0	

Analysis shows that all College Universities in this recent research are planning to implement the Balanced Scorecard in the future. Figure 4.9 shows that 94.44 per cent of the respondents distinguish that their College University will implement the Balanced Scorecard in the future as one of the performance measurement systems to measure organizational performance.

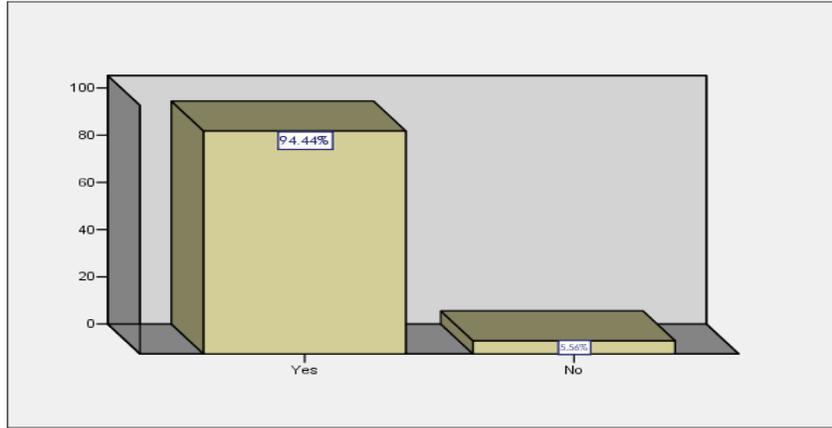


Figure 4.9: College Universities Planning to Implement Balanced Scorecard in the Future

The finding also shows that the trend of implementation of the Balanced Scorecard as one of the performance measurement systems to measure organizational performance is increasing in college universities. The increment of trend is because they believe that the Balanced Scorecard is a conceptual framework for translating an organization's vision into a set of performance indicators. Balanced Scorecard perspectives such as Financial, Customer, Internal Business Processes, and Learning and Growth measure an organization's progress toward achieving its vision and the long-term drivers of success.

The requirement to implement the Balanced Scorecard should be supported by the employee's knowledge of the Balanced Scorecard itself. They need to familiarize themselves with the Balanced Scorecard method to measure organizational performance. The data show that most of the respondents are not familiar with the Balanced Scorecard methods even though their university will implement the Balanced Scorecard in the future. Figure 4.10 shows that 55.36 per cent of the respondents are not familiar with the Balanced Scorecard method and 44.64 per cent are familiar with the method.

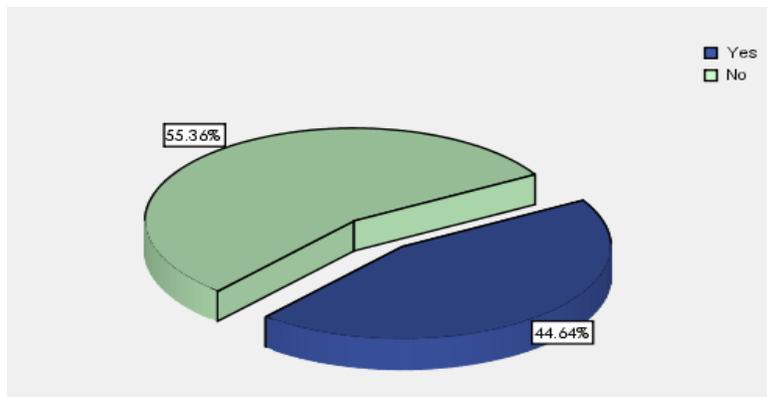


Figure 4.10: Familiarity of Balanced Scorecard Method to Measure Organization Performance

Finally, most of the respondents agree that by implementation of Balanced Scorecard method, the University/ Faculty/ Department/ Centre is able to translate the organization's vision into operational objective.

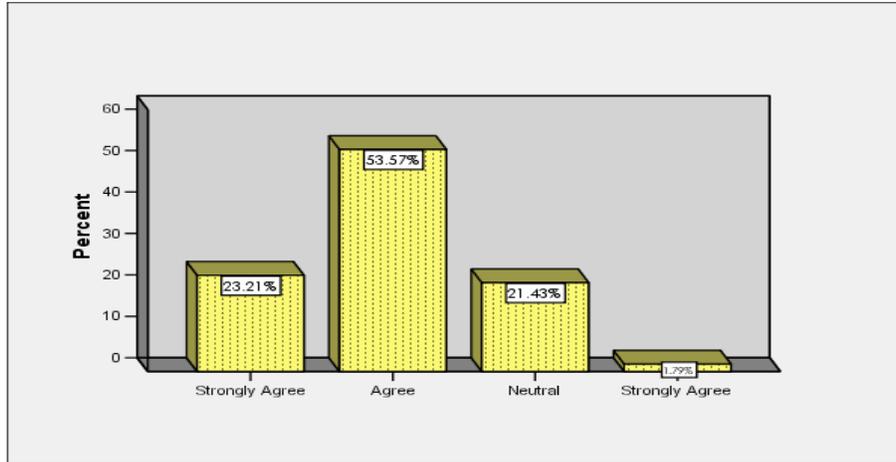


Figure 4.11: Ability on Balanced Scorecard Method to Translate Vision into Operational Objectives

Figure 4.11 shows the highest percentage (53.57 %) of the respondent are agree and agree with the ability Balanced Scorecard to make sure the organization vision and mission can be translate into operational objective.

Conclusion

The performance management system is a powerful behavioral tool. What you measure is what you get. When the system includes the right measures, link to the organization's strategy, people are provided with the guidance for their actions. This is essential when the organization faces environmental challenges, barriers, implements improvement programs, or alters its strategy.

Barriers that exist in the organization to translate strategy into action affecting many organizations is easy to detect why the odds of successfully implementing a strategy are so small. However, organizations using a balanced scorecard approach have abolish those odds. Not only they have implemented a strategy, they also have done it rapidly and with significant results. The balanced scorecard is a strategic management

system that provides a framework to help organizations to translate strategy into operational objectives that drive both behavior and performance.

Table 5.1: Summary on Findings for Research Question

RQ	RESEACH QUESTION	FINDINGS
1	How the vision barriers can affect the organization to translate its strategy into action?	Vision barrier does not affect College University to translate strategy into action.
2	What is the level of suitability in using Balanced Scorecard for the organization to translate strategy into implementation?	Finding shows that the level of suitability in using Balanced Scorecard for the College University to translate strategy into implementation is high.

Based on the finding, the researcher concludes that the vision barrier from the first research question to the fourth research question do not affect a lot for the College University to translate its strategy into action.

Meanwhile for the second research question shows that the respondents from three College Universities agree that Balanced Scorecard helps to form effective strategy implementation.

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