Multi-level strategic alignment within a complex organisation

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Abstract

Purpose – This paper aims to assess the utility of an approach to the design of multiple Balanced Scorecards within large/complex organisations, consider the relevance of "emergent strategising" in this kind of strategy implementation and explore project organisation and wider coordination issues that impact this type of work.

Design/methodology/approach – A "research-oriented – action research" approach has been adopted, comprising qualitative observations of an ongoing programme within a major organisation in the Middle East. The case is based on feedback obtained from key actors (participants, facilitators) and the analysis of documentation produced by the project.

Findings – Over four years, the project engaged directly with over 200 managers from the organisation's 35 most senior management units. Its purpose was to align the strategic aims of each unit with those of the organisation and introduce a new form of strategic control. The paper shows that consensus-forming and creation of locally relevant strategic agendas can be usefully and successfully embedded in a large-scale strategic control and alignment programme. The paper notes the large resource implications and duration of such programmes, and the challenges of integrating the resulting processes with those already in place. The paper concludes that for the case organisation, the resource investment appears to have generated useful outcomes.

Research limitations/implications – The project relates to a continuing programme within the client organisation that was not explicitly established before it started as an action-research activity. This has limited and constrained the quality of the information reported.

Originality/value – The scale of the project, the use of design methods that emphasis consensus forming and local relevance provide novel information and insights.

Keywords Performance management, Case study, Performance measurement, Strategic control, Balanced Scorecard, Strategic alignment, Cascading

Paper type Case study

Introduction

The implementation of large numbers of Balanced Scorecards as part of a coordinated programme ("cascading") has been proposed as an efficient method for aligning strategic objectives and control across an organisation (Epstein and Manzoni, 1997;

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O'Brien and Meadows, 2003; Micheli and Neely, 2010; Buhovac and Groff, 2012), but case-based descriptions of experiences arising from such work particularly in complex organisations are infrequent in the literature.

This paper has several research aims:

- to assess the utility of "3rd Generation" methods (Lawrie and Cobbold, 2004) to support the design of multiple Balanced Scorecards within large/complex organisations;
- to consider the relevance of "emergent strategising" in this kind of strategy implementation; and
- to explore the project organisation and wider coordination issues that impact this type of work.

A "research-oriented – action research" approach has been adopted (Eden and Huxham, 2006).

The paper reports on a large-scale implementation of multiple strategic Balanced Scorecards within a large multi-divisional organisation in the Middle East that began in 2008. The driving force for the work was the desire of the organisation's senior management to facilitate and control work to implement a new strategic plan within the organisation. The work reported is part of a continuing project.

The paper focuses on the design and execution of the project and, except in the most general terms, discusses neither the specific aims or contents of the strategy adopted by the organisation nor the success or otherwise of the plan once implemented.

The paper follows the activity over a four-year period, reflects upon the effectiveness of the methods used, describes how the methods used evolved through experiential learning across the period considered and makes observations about how the methods used might be improved for future work within the case organisation or elsewhere.

Conceptual background

Strategic planning concerns the definition of changes to an organisation's structure and to its business systems (De Wit and Meyer, 2004), and it is, by one measure, the world's most popular management tool (Rigby and Bilodeau, 2013). The term has attracted multiple (and sometimes ambiguous) definitions in the literature (Hambrick, 1980; Jarzabkowski and Spee, 2009; Salih and Doll, 2013). In this paper, we have assumed that strategic planning is a systematic approach to strategy development and implementation pre-emptively guided by the strategic aspirations of the organisation's leaders (Eden and Ackermann, 1998; Modell, 2012) and applied and implemented through distributed work-units within the organisation (Wooldridge *et al.*, 2008).

The methods for communicating strategic aspirations and developing aligned behaviours within work-units used in this case are consistent with the concept of "emergent strategising" – the idea that within an organisation, strategy implementation is a negotiated rather than an imperative activity (Eden and Ackermann, 1998).

Strategic control concerns the need within organisations to ensure that "strategy is implemented as planned and results produced by the strategy are those intended" (Schendel and Hofer, 1979); use of the term was pioneered in the 1980s (Goold and Campbell, 1987). The first forms of strategic controls proposed were simple cybernetic systems comprising a three-step process (Muralidharan, 2004):

- first, articulation of the strategy itself;
- second, measurement of the organisation's activities to implement the strategy; and
- third, corrective action based on the difference between planned and actual activity and outcome states.

Two weaknesses in this simple cybernetic model for strategic control have been noted by many authors. Broadly, these concerns focus on *task-definition* [whether it is possible to efficiently produce an unambiguous definition of what is required to implement the strategy – e.g. Ouchi (1977), Hofstede (1978), Snell (1992), Modell (2012)] and *compliance monitoring* [whether it is possible to determine in a timely and economic fashion whether the required implementation work has been completed – e.g. Schreyogg and Steinmann (1987)]. Simply put, it is argued that if you cannot define what activities are required to implement the strategy, you cannot measure progress against them, and so interactive control to manage the implementation of a strategy (Goold and Quinn, 1990) cannot be achieved.

Task-definition and *compliance monitoring* issues of these kinds are also discussed in the literature of transaction cost economics (Williamson, 1975). Williamson argues that contracts that concern only actions that can be clearly and unambiguously defined in advance, and for which delivery of the outcomes can be efficiently and accurately monitored, can be enforced (the "spot contract"). He noted that these conditions are hard to meet for the large majority of service and employment contracts because of a mix of information asymmetries and practical task measurement difficulties, and yet use of such contracts is widespread. Williamson observed the common use of a practical work-around for this definition and monitoring issue: the "umbrella contract", wherein the description of the contracted requirement is generalised (e.g. "do marketing work as required") and where contract delivery is monitored by assessing conformance with various kinds of easily measured boundary conditions (usually behavioural rules, such as regular attendance at a place of work or conformance with workplace social conventions). An "umbrella contract" is much less desirable from a control perspective, and Williamson argues that it should only be used where no "spot contract" alternative exists.

Similar (but less concisely defined) work-around improvements are proposed for the cybernetic model of strategic control by those who noted its weaknesses. This equivalence of issues between the strategic control theory and contract theory is therefore helpful and perhaps not surprising; it is reasonable to view the tasking of an organisation to implement a strategy as a quasi-contracted activity (between the organisation's leaders and its staff).

Adopting the "umbrella contract" approach is necessarily transformative for the strategic control process; if unambiguous/detailed task definitions cannot be provided for work-units within an organisation by its leadership, the detailed definition of the implementation tasks to be pursued, and the methods by which they will be monitored by work-units, would need to be determined at the point of delivery (i.e. within work-units) rather than by its leadership – a change with potentially beneficial effects for the organisation (Wooldridge *et al.*, 2008). However, such flexible definition of goals within work-units does not remove the concurrent need for their alignment to and coherence with of the organisation's goals to be validated by the organisation's leadership (Shulver *et al.*, 2000; Walter *et al.*, 2013).

The same definitional ambiguities that make adoption of an "umbrella contract" approach necessary also preclude the assessment by the leadership of the organisation of the alignment of work-unit goals with its goals at anything more than a superficial level (Akerlof, 1970): if enough is known about a work-unit's activities to be able to assess the alignment of its chosen goals at a detailed level, this information would be sufficient to allow the leadership to set work-unit goals in the first place, allowing use of the more efficient "spot contract" form at the outset.

However, this limitation on the organisation's leadership to undertake anything more than a superficial evaluation of work-unit goals has the potential to cause dissonance that could reduce organisational effectiveness (Gupta *et al.*, 1999), as the work-unit's managers may define goals that are appropriate but appear, *on superficial inspection*, to be poorly aligned with the overall corporate goals of the organisation (Shulver and Antarkar, 2001). The challenge associated with adopting the "umbrella contract" form is thus the requirement to provide for a strategic control and alignment while concurrently supporting and enabling local autonomy (Amason, 1996; Kellermanns *et al.*, 2011; Salih and Doll, 2013).

This paper describes a real-world application of an improved form of strategic control that provides for local goal flexibility while facilitating the overall validation of organisational strategic alignment as outlined above (Lawrie *et al.*, 2004; Andersen *et al.*, 2005). The improved framework is one derived from an advanced form of the Balanced Scorecard (Lawrie and Cobbold, 2004).

The Balanced Scorecard is a simple performance measurement concept that combines financial and non-financial data in a concise report. The idea of combining financial and non-financial information in a concise report was in itself not new (Dearden, 1969), but the issue was rather how an appropriate sub-set of non-financial measures could be identified. As the Committee on Non-Financial Measures of Effectiveness of the American Accounting Association (CFNME) observed in its 1971 report, "Conceivably, any information might be of use to someone at some future time" (CNFME, 1971, p. 198). The Committee concluded that any such selection needed to be informed by a three-way trade-off between *practicality*, the *cost of collection*, and the *expected utility* of the data collected: an idea that became central to theories of transaction cost economics such as those developed later, notably by Williamson (1975) and Rothschild and Stiglitz (1976).

During the 1980s, it was argued that relevance to an organisation's strategic policies could be used to determine the "*expected utility*" of a measure and so inform and justify the choice of selection of non-financial measures (Green and Welsh, 1988). The first versions of the Balanced Scorecard developed in the late 1980s offered a simple structure for formalising this idea – mapping strategic policies to non-financial measures (Schneiderman, 1999): the framework subsequently became well known via a paper in the *Harvard Business Review* that described and extended the basic idea (Kaplan and Norton, 1992). The framework has become widely adopted and remains popular to this day (Rigby and Bilodeau, 2013).

Subsequent developments of the of the Balanced Scorecard framework have added greater focus on the two remaining CFNME issues – practicality and cost of collection – primarily through changes to the design process used (Kaplan and Norton, 1996; Lawrie and Cobbold, 2004; Shulver and Lawrie, 2008).

One class of these modern design methods ("3rd Generation Balanced Scorecard") has been reported as being an efficient and effective method for building strategic alignment in large organisations (Lawrie *et al.*, 2004; Andersen *et al.*, 2005).

At the heart of the 3rd Generation Balanced Scorecard design method is a representation of the three-step cybernetic strategic control model described earlier in this paper (Muralidharan, 2004) but separated out across four steps: the first item of the Muralidharan triplet being separated into two, and the second and third items being defined slightly differently. The model is known by the acronym of these four steps:

(1) *Articulate (A)*: Documentation by an organisation's management of the strategic outcomes that they are hoping (or needing) to achieve – typically a description of a "to be" state for a specific future date.

(2) *Communicate (C)*: A translation of the strategic outcomes into a small set of change programmes and operational goals that the management team will focus on achieving in the near term – combining critical operational outcomes with the most urgently required change initiatives.

(3) *Monitor (M)*: A small number of high-level measures with associated targets that will track the implementation activities being undertaken and their consequences (e.g. Are the required strategic outcomes being achieved?).

(4) *Engage (E)*: An agreed-upon mechanism of intervention to enable the management to efficiently and effectively engage with their organisation to ensure that the required actions are being carried out, and where these actions are not working as expected, to be able to change the actions as required (Amason, 1996).

The 3rd Generation Balanced Scorecard has design elements that match each of the four ACME steps closely:

(1) A *Destination Statement*: A concise description of what the organisation is expected to "look like" at some nominated future date, usually three to five years hence. The document has sentences grouped under headings chosen to suit particular characteristics of the organisation, but broadly similar in purpose to the four "perspectives" that are used as design aids in early versions of the Balanced Scorecard. The document typically comprises between 40 and 60 sentences.

(2) A *Strategic Linkage Model*: A simple connected diagram illustrating the short- to medium-term strategic agenda that needs to be followed to achieve the conditions described in the *Destination Statement*, comprising up to 20 objectives split between:

- *Activity Objectives*: Describing, at a high level, the strategic implementation actions to work on over the coming 18 months.
- *Outcome Objectives*: A high-level summary of how managers will track impact of the implementation activities upon the organisation.

(3) A set *Measures and Targets*: This is a set that the managers proposed to use to keep track of progress against the activity and outcome objectives described in the *Strategic Linkage Model*.

(4) A programme of *Structured Management Meetings*: This is a programme to review the measurement information being reported coupled with a periodical review of the overall design of the Balanced Scorecard as a whole.

Development of multiple sets of Balanced Scorecards across a large organisation can aid the formation of local strategic agendas, improving the effectiveness of strategy implementation (Amason, 1996). In 1st and 2nd Generation Balanced Scorecard designs, such cascading is problematic, as the information about unit-level goals and objectives is derived from corporate-level measure or activity definitions (Kaplan and Norton, 2008; Jayashree and Hussain, 2011) which can lead to poor results because of the lack of local relevance when applied at the level of work-units within the organisation (Dess, 1987).

The additional "3rd Generation" design elements prove to be useful aids in the design of multiple Balanced Scorecard systems. In particular, the "Destination Statement" element allows for a richer communication of the organisational outcome sought (than simple measures or corporate activity descriptions), and can be the starting point for work-unit management team to identify a locally relevant set of strategic actions to support the achievement of this Destination State.

A typical 3rd Generation cascade process comprises the following steps:

- First, a corporate-level Destination Statement is created by the organisation's leadership as an original document drawing upon their collective views of how to address key stakeholder expectations for future performance. They use this outcome description to identify key elements of the high-level strategic agenda that the leadership team needed to manage for directing the organisation. These actions in turn inform the selection of measures and targets that need to be included on the leadership teams' Balanced Scorecard.
- Second, at the level immediately below the leadership, each work-unit develops its own "local" Destination Statement that reflected its management team's interpretation of how achieving the corporate strategy would affect the work-unit – using the Corporate Level Destination Statement as a key input. These local Destination Statements are known as "Contribution Statements" to emphasise the point that the local strategic outcome envisaged is nonetheless aligned with the overall aims of the organisation and comprises the unit's "contribution" to the overall strategy. Each work-unit then develops its own strategic agenda focused on the actions required to realise the conditions described in the unit's Contribution Statement, and measures and targets for its own Balanced Scorecard report.
- Subsequently, this design sequence is applied recursively down the organisation hierarchy with the Contribution Statements of parent units forming the starting point for Contribution Statement development at lower levels. This recursive approach has other useful benefits – the use of a common approach across the organisation helped in the communication of the approach, training of internal staff, development of project documentation and design of a system for performance reporting.

The approach described here is advantageous because it allows each unit management team to base their consideration of how best to support the corporate strategy in a concise and "locally relevant" interpretation of the organisation's strategy. Case study

reports indicate that this approach also generates a strong consensus within each work-unit management team about how the strategy will be applied, while providing for overall reassurance to the leaders of the organisation that "strategic alignment" is being maintained (Lawrie *et al.*, 2004).

Research method

A "research-oriented – action research" approach has been adopted (Eden and Huxham, 2006).

The case study data are drawn primarily from a retrospective review of documents generated during the execution programme; practical constraints made it impossible to undertake information gathering prior to the programme's commencement.

Data that were also collected from notes of interviews and discussions with stakeholders that took place during the project period were considered as part of the project activity.

Additional data were obtained from interviews with key executives and project owners from within the host organisation and with consultants from the external consulting firm that was supporting the work undertaken subsequently as part of a formal assessment of a later stage of the project.

Because all sources of information are of a client-sensitive nature, it is not possible to report all in detail within the bounds of this paper, but these have been summarised, and such data, as have been included, have been anonymised.

As the focus of this case study concerns the strategic alignment and control process adopted and the scale of the project required to implement it, the analysis of the data obtained has focused on finding information to describe these two elements and assess the effectiveness the approaches used.

Case study

Background information

During the 2000s, energy demand in the region covered by the member states of the Gulf Cooperation Council (GCC)[1] region had been growing fast: between 2000 and 2006, the total energy demand within the GCC had grown by roughly 40 per cent (Kinninmont, 2010, p. 5), and electricity consumption will continue to increase at an even faster rate – per-capita electricity consumption within the region is forecast to increase from 63 per cent of per capita demand to 78 per cent during the decade till 2014 in the USA, whereas other measures of energy intensity were expected to decrease (Kinninmont, 2010, p. 25).

Satisfying this rapid growth in demand presented a continuing challenge to energy utilities within the region over several years, and had begun to trigger changes in the regulatory environments across the region. Promotion of new investment mechanisms intended to encourage the infrastructure developments are required to support the growth in demand (Kinninmont, 2010, p. 21).

The Gulf Utilities Company (GUCO) is a large vertically integrated utility operating in the energy sector within one of the member countries of the GCC, employing over 10,000 people. GUCO was formed in the early part of the 2000 decade to take advantage of the commercial opportunities these changes were creating, and it was the result of a merger of a collection of smaller energy firms active in the electricity supply industry within one of the GCC countries.

Initially the company's leadership focused on integrating the many smaller firms into a single entity, but in 2006, GUCO's leadership determined that to fully exploit future opportunities, it would be better for the company to separate into four linked businesses, each addressing one area of the energy supply market. The new strategy anticipated regulatory changes that were expected, but it also recognised issues encountered when harmonising the separate internal cultures of the primary functional elements within GUCO. It was believed that restructuring would allow each business to more easily maintain its own operational focus, and concurrently, facilitate new forms of external investment and operational partnerships with other firms within the region.

The new company was to be structured around three national-scale business units: one focusing on electricity generation, one on bulk power transmission and one on the distribution and retailing of electricity to consumers and businesses. A fourth business unit was to be established comprising the functional units providing central services to the three main business units. Although each business unit was to be owned directly by GUCO, the intention was for each to become a standalone business.

The company's managers knew that given the scale of the required significant changes to the organisation's structure, culture and operations implementing the strategy would take several years. The managers also realised that making these changes successfully without disruption to daily operations would be difficult, and that the changes should be actively coordinated and controlled. At the time, GUCO did not have a strategic control mechanism: they realised that one needed to be created. The case work described in this paper concerns the resulting programme to design and implement this strategic control system.

Project design

GUCO decided to implement a Balanced Scorecard-based strategic control system in each work-unit of the organisation (of which there were over 250). The Balanced Scorecards would be designed using "3rd Generation" design methods and implemented over several years using a top-down cascade design approach. The choice of this method was, in part, informed by prior experience: one of GUCO's directors had used a similar approach successfully before he had joined the GUCO board.

While GUCO's SMT sought to align the organisation as a whole behind the corporate strategy, they envisaged this approach would allow each operating division to developing its own unique interpretation of the overall GUCO strategy, reflecting the differences between each division.

For the GUCO project, the initial "future date" for the *Destination Statement* was set to be five years into the future – i.e. 1 January 2013. This date was discussed at some length during the early part of the project with the GUCO SMT, and was chosen for a variety of reasons:

- it was consistent with expectations for when the next wave of energy industry liberalisations within the region would begin;
- it was far enough into the future to allow for the impact of change management programmes not already running when the Destination Statement was imagined to be included in the description of the organisation's desired/required future state; and

- the five-year gap had been shown to be a reasonable one to use in previous applications of this type of strategic Balanced Scorecard design (Lawrie *et al.*, 2004).

Planning for the GUCO strategic alignment project began in the autumn of 2007, and from the outset, it was envisaged as a multi-phase programme. This paper will concentrate on the first three phases, which ran from late 2007 through to mid-2010, covering the first 38 of 250+ management units. In keeping with the top-down nature of the approach adopted, each of the first three phases focused on work with one of the top three layers of the organisation hierarchy.

The work undertaken was facilitated by a small team staff assigned part-time to the project (most of whom worked within an existing support unit within GUCO) and a similar-sized team of professional management consultants from 2GC Active Management – the company chosen by GUCO to support the project. The size of this joint team varied across the three phases of the project, reflecting the changing workload, and it is noted in the text relating to each phase.

Phase 1 – corporate-level work

The purpose of Phase 1, which involved working directly with the GUCO SMT, was to establish the foundations of the project to follow. The work carried out during Phase 1 had three aims:

- First, to develop a clear and concise statement of the required outcomes of the new strategy – the corporate-level Destination Statement.
- Second, to agree a set of high-level strategic objectives relevant to the SMT's collective perspective and associated tracking measures and targets to monitor progress against them.
- Third, to prototype the unit-level design process to be used within GUCO, both to show that it worked well and to encourage the SMT members to become advocates for the approach when it would be applied to their teams.

The Phase 1 work used a design process that included four whole-day workshops (involving the whole of the SMT), a series of one-to-one interviews with the ten members of the SMT and some inter-workshop activities for SMT members to complete either alone or with the support of staff from own functional area. As noted earlier, this style of design process had been developed some years previously and extensively tested in a variety of real projects.

The work during Phase 1 was supported by a joint team comprising six staff – three from GUCO and three from the consultancy.

The work undertaken comprised five stages, and was scheduled to take four months to complete:

- *Stage 1*: Document review and interviews. This stage comprised a review by the facilitation team of strategic documentation relating to GUCO's mission and strategic goals, followed by structured interviews with each member of GUCO's SMT. This work was to allow the facilitation team to clarify their understanding of the GUCO strategy, to identify any areas of dissonance between SMT members concerning the expected impact the strategy would have on GUCO, to identify

areas within the strategy where strategic choices were still to be made and to give the SMT members the opportunity to discuss the work planned before it started. The output of this activity was translated into the work plan and content to be used in the first workshop session.

- *Stage 2*: Build a destination statement. This stage comprised a whole-day workshop with the GUCO SMT to develop and define the first draft of a "Destination Statement" for GUCO – a concise word-picture of what the SMT collective agreed that GUCO would need to be like five years into the future (i.e. in 2013, as the workshop took place in 2008). This work was structured using highly interactive group working methods designed to foster group discussion and the formation of consensus.
- *Stage 3*: Identify strategic objectives and Strategic Linkage Model. This stage comprised another whole-day workshop with the GUCO SMT. The aim of the session was to finalise the Destination Statement document drafted in the first workshop, and then to use this as the starting point of work to select and define high-level Strategic Objectives that could be used to monitor, at a high level, subsequent work to implement the strategy within GUCO, linking these objectives to create a Strategic Linkage Model.
- *Stage 4*: Select strategic performance measures and targets. This stage comprised another whole-day workshop with the GUCO SMT. The aim of the session being to confirm the selection of strategic objectives made during Stage 3, and to define some measures to enable GUCO SMT to monitor progress against each objective. Except where they were self-evident, targets for these measures were not set during the workshop, but rather chosen by assigned SMT managers as "homework" after the session.
- *Stage 5*: Design finalisation, plus implementation and usage. This stage comprised another whole-day workshop with the GUCO SMT. The session had two aims. First, to finalise the choice of tracking measures and targets for strategic objectives from proposals prepared by the assigned SMT members. Second, to decide how the resulting Balanced Scorecard report would be generated on a quarterly basis, and to agree how and when SMT would collectively review this report.

Management of the work and documentation of the Balanced Scorecard designs generated was to be done manually (using standard office software tools) and distributed to participants by email.

Project control was achieved through routine project team meetings, wherein the status of each work stream could be reasonably discussed by a relatively small group of participants. Project documentation (i.e. working documents used by the project team) was stored in a simple, secure and shared online file storage and message passing system that could be accessed remotely by all the team members.

Phase 2 – initial cascading of the GUCO corporate Balanced Scorecard

The purpose of Phase 2 was to begin the process of "cascading" the corporate-level strategy articulated in Phase 1 to lower levels of the organisations. In Phase 2, this activity focused on the seven organisational units that reported directly to the GUCO SMT.

The seven units were split between operational and support roles include.

(1) Operational units:
   - generation;
   - transmission; and
   - distribution and customer services.

(2) Support units:
   - finance;
   - human resources;
   - planning and programmes; and
   - general services.

During Phase 2, the design process used aimed to replicate as closely as was practicable the one that had been used in Phase 1 with the SMT: four workshops with each of the six designated management teams to develop seven sets of Contribution Statements, Strategic Linkage Models and Measures and Targets. Two small changes were made to the Phase 1 process:

- First, the document review and interview process was shortened – for timetabling purposes, the interviews were limited to those that could be met within a specific time-window, and resulted in only a small selection of the unit management team being met.
- Second, the unit's Contribution Statement was actively aligned with the content of the SMT's Destination Statement – this was done by seeding the unit-level contribution statement design discussion with the content of the corporate Destination Statement, effectively challenging the unit management team to create their version by editing material into and out of this corporate statement, rather than create a new document from scratch (as the SMT had done).

The Phase 2 project plan comprised the same steps from the Phase 1 plan completed twice over a six-month period – with each iteration, the plan being applied near-concurrently first to three business units and then to four business units. This approach allowed all the facilitation work to be carried out by the same joint team of facilitators that supported Phase 1. The activities carried out are described below, and are clearly similar to those carried out during Phase 1.

The work within each of the units participating in Phase 2 was encouraged through the advocacy of the one or SMT members participating in the unit-level design work – typically the Vice President in charge of the Division concerned.

In Phase 2, the project documentation and project control methods used were the same as those used during Phase 1.

The work during Phase 1 was supported by the same joint team of six that worked on Phase 1. Several additional observers also participated. The observers, who had no functional role in Phase 2, were GUCO employees who were expected to become part of the project team in Phase 3: the observation activity was part of their orientation/training for this future role.

Phase 3 – cascading of the business unit-level Balanced Scorecards

The purpose of Phase 3 was to continue the process of "cascading" the corporate-level strategy to lower levels of the organisations, and it concerned the 30 management units that reported directly to the seven divisional-level units that participated in Phase 2.

Phase 3 required the creation of over four times as many Balanced Scorecard designs as had been completed during Phase 2, but wider project scheduling constraints meant that this work had to happen within approximately the same time period (about six months). To add to the complexity, two new design constraints were introduced by GUCO:

(1) It was requested that at least two-thirds of the joint team supporting Phase 3 was to be resourced from within GUCO. This was partly to save money on external consulting resource and partly to build up on the skills and experience of the emerging Balanced Scorecard support team within GUCO.

(2) It was required that the design work was to be undertaken in Arabic rather than English. In the first two phases, all of the managers from GUCO involved in the design activities had been fully bilingual, allowing the work to be undertaken with the support of English-speaking consultants. GUCO was aware that many of the lower-level managers had little or no English language skills. There was also enthusiasm within the commissioning team for the Balanced Scorecard work to be seen as more "locally based".

In response to these constraints, a project plan was developed that featured:

- Use of three separate facilitation teams working concurrently over a period of six months, during which time, each team would support the design of about ten Balanced Scorecards.
- One of the three facilitation teams would comprise just GUCO staff. In the other two, the majority of staff would be from GUCO, with some support from the external consultancy. The external consultancy, which continued to be involved, would focus more on project coordination and quality assurance.
- Use of a customised off-the-shelf Balanced Scorecard reporting software system to support the documentation of the designs being developed and to facilitate project management and Balanced Scorecard design quality assurance activities.

The use of three teams of facilitators rather than one would greatly reduce the average experience of each team – as the majority of GUCO facilitators would be new to the project. But to deliver the required 30 Balanced Scorecards within the programme constraints, each of the three separate facilitation teams would need to concurrently support work with five work-units. The experienced Phase 2 team had supported work with four units concurrently during the second cycle of Phase 2, but it would be ambitious to expect the less-experienced teams being used in Phase 3 to be more productive than the Phase 2 team. To mitigate this risk, three variants to the Phase 2 design process were developed with the intention of reducing the facilitation inputs required and the duration of the design activity with a unit management team. The variations reused some of the design elements from the parent unit (e.g. the Contribution Statement) to save development time and reduce facilitation inputs.

The three design variants developed were:

- *Type 1*: Three design workshops (rather than the four used at higher levels), where the first workshop was from Phase 2 (Contribution Statement building) was replaced by an extended interview with the unit General Manager. This interview developed a version of the "parent" business unit contribution statement that was used at the start of the Strategic Linkage Model workshop (which would then be the first group workshop). The rest of the design sequence was as used in higher levels.
- *Type 2*: "*2.5 workshops*": Similar to the Type 1 variant, but instead of a customised Contribution Statement, the unit simply used their "parent" business unit Contribution Statement. Work started with a Strategic Linkage Model design workshop as for Type 1, but the final workshop (which focuses on agreeing how the management team would review the outputs of the monitoring work and then engage with their organisation) was shared with another team from the same business unit (e.g. two transmission districts) – two units therefore need five separate workshops, hence the "2.5 workshop" label […].
- *Type 3*: A "2 workshop/unit" plan. For a handful of small (in headcount) subordinate units, the design approach used the standard 2GC workshop sequence, but with two units working in parallel in each workshop – so two units would need four separate workshops, hence the "2 workshop/unit" label.

Of the 30 work-units included in Phase 3 work, the "Type 1" design variant was used with 12 work-units, the "Type 2" variant with 12 work-units and the "Type 3" with 6 work-units.

There were concerns that the project control and documentation methods used during Phase 1 and Phase 2 would be effective during Phase 3 because of the scale and complexity of the programme envisaged.

Separately towards the end of Phase 2, GUCO had begun planning to purchase a software system to support the automation of activities to collect measurement data and generate Balanced Scorecard reports (of which there would be over 200 eventually).

These two ideas came together, and it was decided to investigate whether for Phase 3 all documentation of the Balanced Scorecard designs could be entered directly into whatever system was to eventually be used to automate Balanced Scorecard reporting. It was decided to use Phase 3 to test both ideas using a prototype software system: a software vendor offered to do some development work to a standard system to facilitate this application in the hope of subsequently becoming a preferred supplier for the full reporting system.

A prototype documentation and reporting system was developed and adapted to work in Arabic. The software system was configured to capture the same design information as had been manually recorded during Phases 1 and 2. Output templates were created that allowed this information to be then printed out in a format similar to one that had become familiar during Phases 1 and 2. The documentation system was also able to generate automatically most of the working materials needed during the design process. In this way, the software system aimed to reduce facilitators' workshop preparation and documentation work-load.

A secondary expected benefit of the Documentation System was that it allowed the project team to more easily follow the progress of the various work streams used in

Phase 3. Because, as each work stream progressed, it would generate various elements of standard workshop output documentation, a simple report of what information each stream was storing would inform on actual rather than a planned progress.

Project execution

Phase 1

Phase 1 activities ran smoothly and was timely, and it generated all of the outputs required. The Balanced Scorecard resulting from the work comprised a Destination Statement, a Strategic Linkage Model and some materials documenting the strategic priorities that the SMT thought would be the focus of their attention in the 18 months the design work. The Strategic Linkage Model noted nine areas of critically important strategic implementation activity that needed to be started almost immediately, and nine interim strategic outcomes that SMT would track to ensure that the strategy as a whole was having the expected impact on the organisation and its performance.

This phase took an elapsed time of four months to complete: finding dates where all the SMT members could attend the design workshop sessions was difficult, and two- or three-week gaps between meetings were not uncommon.

The Phase 1 design work was considered by the board to have been successful. Within the constraints of the real-world project being reported, a detailed analysis of participant satisfaction was not possible, and this view of successful completion is based on two factors.

- First, the SMT gave its consent for Phase 2 of the design process to begin as soon as was practicable.
- Second, the SMT agreed that the tracking measures associated with the Balanced Scorecard developed during Phase 1 would be reported on a quarterly basis within one of the SMT's scheduled whole-group meetings, and that this quarterly review would be the primary mechanism by which SMT tracked the implementation of the wider strategy.

These tangible measures of support for the work were supported in an informal feedback provided by individual SMT members to the facilitation team.

Phase 2

Phase 2 began in January 2009 and was completed in early July 2009. As noted above, work with each of the seven functional work-units was carried out by the management team of the unit concerned, a group that in each case included one person from the SMT.

Some teams were more engaged in the process than others. Feedback from participants in Phase 2 lead to the identification of three critical factors that appeared to influenced engagement:

(1) *Prior experience of the Balanced Scorecard*: Participants who had used the Balanced Scorecard in some prior context were more actively supportive of the Phase 2 programme.

(2) *Clarity of work-unit role*: The specific future within GUCO of two work-units was unclear during Phase 2, and for these groups, engaging in the "contribution definition" activity was clearly more difficult. Having their vice president in the

room helped to some extent, but it was clear that for these two groups, engagement in the Phase 2 activity was reduced.

(3) *Advocacy for the process by the attending vice-president*: Perhaps unsurprisingly, participant engagement was strongly influenced by the behaviour of the work-unit vice president. In three work-units, the vice-president behaviour indicated low engagement (for example, arriving late or leaving early from workshops, or simply not attending working sessions) and the remaining managers also showed low levels of engagement.

As with Phase 1, at the end of the process, the managers of most work-units involved agreed to use the Balanced Scorecard they had developed to inform themselves about strategy implementation activities within their division, and endorsed the subsequent extension of this work to the units directly reporting to them within the hierarchy. However, one unit (that suffered both from a lack of clarity about work-unit role and low advocacy of the process by the attending vice-president) decided to delay the implementation of the Balanced Scorecard for their own use, and defer further development of the system within the subordinate units within the work-unit.

This tangible support from the majority of participants in Phase 2 is indicative of success for the activity.

Phase 3

Phase 3 began in the autumn of 2009 and finished in late April 2010. The programme ran as planned and was completed on schedule. But during the execution of the plan, a variety of serious issues were encountered that lowered the overall participant satisfaction levels with the work compared to those achieved earlier.

The facilitation team believed that the reasons for this discontent were directly linked to the constraints introduced by GUCO at the start of Phase 3 – in particular:

- GUCO had found it difficult to assign a sufficient number of experienced facilitators to the project, which adversely affected the quality of facilitation and productivity of the three teams.
- Working in Arabic proved more complicated than had been anticipated – mostly because of disagreements within management teams about how best to translate management concepts into Arabic: many of the managers, particularly those working in engineering and technical areas, actually preferred working in English and found expressing the concepts they were using in Arabic difficult.
- The software documentation and reporting system chosen by GUCO had some technical problems, mostly related to its adaptation to run in Arabic.

These issues were each resolved, but mostly through a greater reliance upon the team that had worked during Phase 1 and Phase 2, and a temporary recourse to the project management and documentation methods they had used. The temporary overloading of the Phase 1/2 team resulted in the delivery of some poorly prepared and poorly documented working sessions. By the end of the first cycle of Phase 3, additional experienced facilitators were made available by GUCO and the pressure on experienced facilitators reduced.

Translation issues were largely addressed by the creation during the first cycle of Phase 3 of a standard "lexicon" of Arabic terms and through the generation of an increasing number of sample documents (the outputs from work-unit workshops) where translation issues had been discussed.

The prototype documentation system was improved during the course of Phase 3, but never reached a level of function sufficient for the purposes of the project. Entering workshop data into the system took longer than manual documentation using office software because of issues related to its conversion to support Arabic script that were sufficiently fundamental to prevent easy resolution. As a result, work in 12 of the 30 work-units was documented using the manual approach used during Phases 1 and 2. Similar issues with the software also prevented the generation of project management reports, and so in practice, Phase 3 was managed using the same methods that had been used in Phases 1 and 2.

Despite the perception of lower satisfaction levels, the outcomes from Phase 3 were still perceived by the organisation as a whole to be good, and the overall experience was considered positive. Accordingly, GUCO decided to continue the alignment of its strategy to the next level in a fourth phase. The fourth phase began in late 2010, and was supported entirely by a team from within GUCO. The work continued on past Phase 4, and in late 2014, work is currently underway to plan "Phase 6" of this work.

Summary of outcomes achieved – Phases 1-3

In most respects, the cascade programme described here was executed successfully:

(1) GUCO obtained strategic alignment and introduced new strategic control processes within 38 business units:
   - Phase 1 – Corporate Balanced Scorecard – three months (March-June 2008).
   - Phase 2 – 7 business units – seven months (January-June 2009) via two three-month sequences.
   - Phase 3 – 3 (smaller) business units and 27 sectors – six months (November 2009-April 2010).

(2) A group of staff within GUCO emerged with considerable knowledge and experience of the methods being used – having participated in the delivery of 123 management team workshops. This secured GUCO's ability to continue to develop and use the approach independently of the external support.

(3) The new approach to strategic control within GUCO had begun to influence the behaviours and ideas used by managers to approach strategic activities, including within units that had not been participating in the programme. It was clear from post-activity discussions with participants in the process that a side-effect of the work was the introduction of a new "strategic vocabulary" within GUCO – participants reported that they found it easier to discuss strategic outcomes and activities with others using the standard design elements created both as concept labels and content sources.

(4) Infrastructure to support the management and day-to-day use of the strategic control system had been created, but at the conclusion of Phase 3, it was not fully operational. The technical issues with the software system were addressed, but by the time they were resolved the use of manual documentation and project

management methods had become "the norm" within GUCO, and so, in later phases, the software system remained largely unused.

Discussion

The recursive use of a standard design process for each of the Balanced Scorecards created has had benefits both for the project organisers and participants in the process.

For the project organisers, the benefits stemmed from having a relatively small set of interventions to deploy:

- Programme planning/scheduling was made easier than if each unit used a unique set of interventions.
- The development of in-house expertise to support the work was made easier, as new facilitators only had to learn a single set of actions.
- Only one set of documentation tools needed to be developed.
- Insights and learnings could be shared more easily across the facilitator group.

For participants, the benefits arose from the "shared experience" caused by the programme across the organisation. Some 270 managers from 38 work-units drawn from the top four layers of the organisation's hierarchy participated in the programme, and each participated with their work-unit management colleagues in a broadly similar set of design activities across several days. This commonality of experience appears to have triggered the formation of a consensus within this management cadre concerning a new vocabulary associated with strategic alignment and control, and the adoption of new behaviours associated with the use of the tools being created.

The design elements that make up the "3rd Generation" method Balanced Scorecards used in this project have directly contributed to the utility of the outcomes of the project to the organisation as a whole and to the participants. The use of "Contribution Statements" as the primary mechanism of alignment reduces the potential for task dissonance of the kind described by Gupta *et al.* (1999) within the management teams participating by allowing each work-unit to identify its own set of locally relevant strategic goals and associated measures and targets, while allowing the organisation as a whole to be reassured about the overall goal alignment of the work-unit (through comparison of the work-unit's Contribution Statement with the other Contribution Statements and to the corporate Destination Statement).

Implementing behavioural strategic control in any non-trivial fashion in a large organisation has been previously shown to be something that is difficult to do (Lawrie *et al.*, 2004; Andersen *et al.*, 2005; Shulver and Lawrie, 2008). This paper has again shown that introducing a system of strategic control that provides for strategic alignment across a large organisation and can meet a test of local relevance (Amason, 1996; Shulver *et al.*, 2000) is necessarily a resource-intensive and time-consuming activity. However, it has also shown that within the cascade activity, there are various techniques that can be used to accelerate the rate of progress: the use of parallel streams of working; the concurrent development of multiple work-unit Balanced Scorecards; and the use of simplified design approaches at lower levels in the organisation.

The programme made explicit use of "chained advocacy", where the management team for a work-unit at one level included within it the leading managers of the functional sub-groups that made-up the unit. During Phase 2 and beyond, facilitators could be sure that at least one person in each work-unit team would have participated in the design of the parent-level Destination/Contribution Statement and could act as interlocutor for the parent-level content provided (e.g. "Why did our bosses choose strategy X?"). Most were also content to offer guidance to their colleagues concerning the process being used and act as advocates for the wider programme being pursued. This advocacy encouraged participation within units, and this participation in turn reinforced the management team members' confidence concerning the quality and value of the consensus outputs they produced; some of those participating would go on to become similar advocates in the following phase(s).

One area where the programme encountered difficulties during the three phases reported here was in triggering complementary changes in pre-existing management processes. The impact of the lack of appropriate changes was not identified as an issue during the design process, but emerged later. In particular, failure to adjust the budgeting processes to accommodate the strategy implementation activities tracked by the Balanced Scorecards being created resulted in delayed allocation of the resources managers needed to carry them out. Within GUCO, managers had very little discretionary scope to reallocate resources between tasks and reported that such resource conflicts resulted in task dissonance. In general, the managers' response to such dissonance was to delay action against new strategic agenda until budgetary approval was obtained.

The decision in Phase 3 to mitigate the cost of external consultants by sourcing the majority of facilitation team from within GUCO reduced the quality of facilitation delivered during the phase. The implications of the economic cost of delivery, or duration of delivery, of major programmes such as these are rarely considered in the literature that describe the approaches that might be used – yet clearly in this case, these two factors combined to adversely affect the output of the work done.

Conclusions

This paper has reported on a practical application of an approach to strategic alignment and control system design in a large multidivisional organisation. It highlights some of the practical considerations to be weighed alongside theoretical ideas about improving strategic control methods within organisations.

The case has shown that strategic alignment and control methods that combine behavioural and cybernetic elements, that are designed in a manner conducive to the idea of "emergent strategising", and that incorporate locally generated strategic agendas can be implemented in reasonable time in a large organisation. The case has also illustrated how a Balanced Scorecard design method based on the "3rd Generation" principles was an effective approach to use for this purpose.

The case has illustrated the complexity and resource intensity of the practical work associated with the implementation of strategic alignment and control methods in large modern organisations: work with the first three layers of the organisation required an elapsed time of 2.5 years to complete (about four years if

project planning/set-up and post-project working is included), comprised some 123 separate whole-day management workshops and consumed over 4,000 h of GUCO senior managers' time. The level and duration of the resource commitment required raises questions about the economics of implementation this kind of programme.

For GUCO, it is clear that the project was a success: the core strategic aims for the organisation embodied in the initial corporate strategy document in Phase 1 were achieved in early 2012 when the first of the GUCO operating units was successfully separated from the corporate core to become a free-standing business (a year ahead of expectation articulated in 2008 Corporate Destination Statement). Further, during this period of enormous strategic change, the organisation has successfully maintained continuity of supply, and improved the quality of the services it delivers (both of which were also explicit corporate requirements for the strategic implementation programme).

In 2012, the role of the new strategic alignment and control system was recognised by GUCO's SMT when work began on redefining their corporate-level Balanced Scorecard, and the restart of the alignment process with the organisation's component businesses – to reflect the successful completion of its 2008 five-year strategy.

The work on the design and implementation of advanced strategic alignment and control systems within GUCO continued after the conclusion of Phase 3 in 2010; the authors of this paper hope to be able to document insights gained from this subsequent activity in a future paper.

Note

1. The Gulf Cooperation Council (GCC) is a regional intergovernmental political and economic union of the Arab states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

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