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The Strategy-Focused Organizations, Twenty Years Later

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Summary

The traditional view of uncertainty in the business world assumes multiple levels of uncertainty with different implications for the implementation of the organizational strategy. In contrast, contemporary research seems to vindicate the initial binary view of uncertainty – the world is either certain or full of uncertainty – which makes cause-and-effect relationships weaker and the execution of strategy riskier than we usually like to admit. To examine these contrasting views this paper presents the findings of a field study based on the performance of the original strategy-focused organizations over the last twenty years after the seminal Kaplan & Norton's (2001) book was published. The findings show that half of the strategy-focused organizations, which were examples of best-practices in 2001, some twenty years later did not even match the overall market performance, and half of those organizations that were underperforming lost the total value provided by their shareholders.

These findings have important practical implications. They, however, do not imply that the Balanced Scorecard and the strategy map are useless. What these results call for is a genuine recognition of the fundamental role of uncertainty in organizational performance. To this end a few practical tools are proposed to improve the management-accounting systems in place.

Keywords: Balanced Scorecard, strategy maps; uncertainty, risk, value creation.

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Introduction

Deterministic thinking – i.e., the thinking in cause-and-effect relationships – has always been at the heart of accounting theory and practice. The problem of deterministic thinking is multifaceted. On the one hand, it is *the ease with which we recognize cause-and-effect relationships* even in situations where there is no causality. People often *confuse causality with simple correlation,* and often *misinterpret the type as well as the direction of causality.* On the other hand, it is the human *inability to fully understand the uncertainty* existing within social and economic systems as well as the underlying chance. Other problems relate to the difficulties people experience in *dealing with probabilities and probabilistic models*.

This paper does not argue that causality does not exist, nor that chance is at the heart of organizational value creation. In fact, to highlight the main idea of this study I may use

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a modified version of the two false statements proposed by Thaler (2016 [2015], p. 163):

1. *Cause-and-effect relationships are useless in analyzing value creation*.
2. *All phenomena in social and economic environment are predictable*.

If we all agree that these statements are false, then it is time to acknowledge the role of uncertainty in creating organizational value, i.e., in achieving organizational success. The major question is how big is that uncertainty and its impact on business success. This paper aims to answer this question using a field study based on the performance of the original strategy-focused organizations over the last twenty years after the seminal Kaplan & Norton's (2001) book was published.

The remainder of the paper is organized as follows. The next section critically discusses the levels of uncertainty and its fundamental influence in strategy execution. It justifies the strategy-focused organizations as a relevant test bed of the impact of uncertainty on strategy implementation. The third section provides a description of the data and methods used. The fourth section summarizes the main results of the field study. The last section discusses the practical implications of the study and suggests a few tools for better incorporating uncertainty into decision making and performance evaluation. The paper concludes with a brief summary.

Literature Review

Certainty vs. Fundamental Uncertainty. The traditional view of uncertainty in the business world assumes multiple levels of uncertainty. For example, Courtney, Kirkland & Viguerie (1997, pp. 68–71) suggest four possible levels of residual uncertainty that organizations face when developing and implementing their strategies. At level 1 "A Clear-Enough Future" uncertainty could be successfully managed through information and analysis. At level 2 "Alternate Futures" we have a few alternate outcomes that represent discrete scenarios; information and analysis could help to establish probabilities but not in identifying the outcome that will occur. Examples include expected legislative changes or competitors' actions. At level 3 "A Range of Futures" some key input variables define a range of potential future outcomes that lie along a continuum. This level applies to organizations in emerging industries and those entering new markets. Level 4 "True Ambiguity" is where we have an interaction of multiple uncertainties, and no predictions are possible.

In contrast, contemporary research recognizes the initial binary view of uncertainty – the world is either certain or full of uncertainty. One example of that view is the concept of resolvable and radical uncertainty.

> Resolvable uncertainty is uncertainty which can be removed by looking something up … or which can be represented by a known probability distribution of outcomes … With radical uncertainty, however, there is no similar means of resolving the uncertainty – we simply do not know… Radical uncertainty cannot be described in the probabilistic terms… This is a world of uncertain futures and unpredictable consequences, about which there is necessary speculations and inevitable disagreement. (Kay & King, 2020, pp. 14–15)

Another example of the same view is the notion of validity used by psychologists. Kahneman & Klein (2009, p. 520) use this term to describe "the causal and statistical structure of the relevant environment". In

high-validity environment "there are stable relationships between objectively identifiable cues and subsequent events or between cues and the outcomes of possible actions", while in zero-validity environments "outcomes are effectively unpredictable" (Kahneman & Klein, 2009, p. 524). Between those two extremes we have the low-validity environments that entail "a significant degree of uncertainty and unpredictability" (Kahneman, 2011, p. 223). In any low-validity environment final decisions should be left to simple mathematical models but not to experts because there are no regularities that could be studied and replicated.

Figure 1 shows the overlap of the three classifications discussed above. In summary, it seems that thinking about uncertainty in a binary way makes sense. On one plane, it is level 1, the clear-enough future, the resolvable uncertainty, or the high-validity environment. This is the world of clear and strong chains of cause and effect. On the other plane, it is the fundamental uncertainty. To thus end no justification is needed for levels 3 and 4. However, the fundamental uncertainty applies also to level 2. The only option to treat level 2 as part of the resolvable uncertainty is to know the objective probability distribution of the discrete scenarios. To do this we need to have the theoretical probability of the events or the empirical data on long-term (statistical) frequency. However, for the greater and more essential part of business decisions, this is not possible. We will never be able to objectively assess the probabilities of the expected actions of competitors, the outcome of a court case in which the organization is involved, etc. And while there are some nuances in the degrees of fundamental uncertainty (level 2, level 3, and level 4), as well as between the low- and the zero-validity environment, to a great extent, their radicality remains valid. Simply this is the world of contingency and weak causal relations. The most obvious finding to emerge from this analysis is that even if in theory we could distinguish between different levels of uncertainty (2, 3 and 4, etc.), in practice they are all simply a different form and degree of radical uncertainty and low validity existing in the social and economic systems.

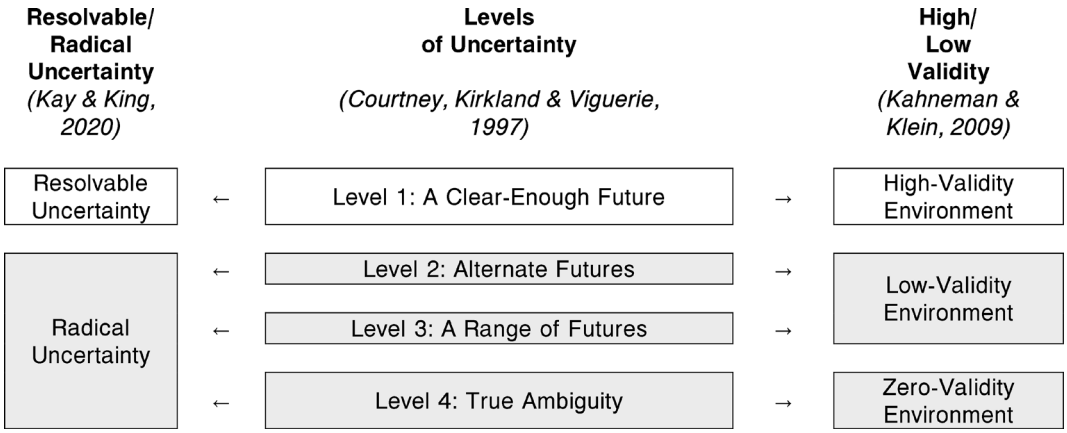

Fig. 1. A Mapping of Levels of Uncertainty, Resolvable/Radical Uncertainty and High-/Low-Validity Environment

Fundamental Uncertainty Implications. Under conditions of uncertainty outcomes are a weak and unreliable basis for evaluating the quality of the decisions made and the budgets prepared as well as of their implementation. Management style and management models still have an impact on the execution of the organizational strategy, but that influence is less significant than we usually admit. The impact of many other drivers (chance, or otherwise stated "unforeseen circumstances", included) is much more significant. Moreover, organizational success is transitory and the fundamental uncertainty of business environment plays a crucial role (Kahneman, 2011, pp. 212–216; Rosenzweig, 2007, pp. 103, 143, among others). Projected toward the future, this idea implies that the high performance in the past does not necessarily lead to a high performance in the future. What breaks the link between past and future performance are all the uncertainties, the continuous changes in the external and internal environment included.

To test the real impact of uncertainty on organization's performance in managerial and accounting context we may use any concept or model in management accounting which we believe inevitably lead to a sustainable (but not transitory) organizational success. To this end, the Balanced Scorecard stands out as one of the most suitable models. One reason is that it is a popular contemporary management tool for strategy execution (and sometimes for strategy development) of the organization's strategy, and as such is directly linked to the organizational success. Another reason is that this tool ranks (along with activity-based costing) among the most significant contributions of management accounting throughout the last 30 years. The concept of the Balanced Scorecard as a system of multiple performance measures originated in a publication by Kaplan & Norton (1992), which then grew into their first book on this topic (Kaplan & Norton, 1996). Until now, there are numerous research publications on this topic by a vast majority of economists (Simeonov, 2005; Todorov, 2011, pp. 143–152; Nielsen, Lund, & Thomsen, 2017; Timchev, 2020; Mollov, 2020; Tanushev, 2022; among others).[1]

"The Strategy-Focused Organization" (Kaplan & Norton, 2001). Some ten years after their first publication, Kaplan & Norton (2001) published "The Strategy-Focused Organization", which presented the Balanced Scorecard as an effective management system for implementing organizational strategy. In this book Kaplan & Norton (2001, pp. 1–7) pair the Balanced Scorecard with the organizational strategy. The strategy sets the objectives and measures on a Balanced Scorecard which in turn focuses the organizational resources and processes on the strategy implementation. Hence, the usage of the Balances Scorecard concept for creating strategy-focused organizations. These are organizations following five common principles that Kaplan & Norton (2001, pp. 7–17) inductively justify as follows: (1) translate the strategy to operational terms; (2) align the organization to the strategy; (3) make strategy everyone's everyday job; (4) make strategy a continual process; and (5) mobilize change through executive leadership.

We must admit that these principles are not qualitatively new to business literature. For example, many of the underpinning building

[1] A search for "Balanced Scorecard" generates more than 8,100,000 results in Google, and more than 290,000 results in Google Scholar (as of April 2023).

blocks of these principles overlap with those applicable to the 18 "visionary companies" analyzed in "Built to Last" (Collins & Porras, 1994, pp. 7–11) – they: pursue a set of objectives; prioritize broader understanding of the organizational core values over the content of their ideology; use stretch goals; sometimes experiment and rely on trial and error; develop home-grown managers, pursue a balance between stability and change, and last but not least, demonstrate all these features continuously. Similar characteristics – in terms of people, values, culture and actions – are also inherent in other similar studies (see Rosenzweig, 2007, p. 96).

Within these principles particular attention should be paid to the role of *cause-and-effect relationships.* These relationships are at the heart of the Balanced Scorecard and the corresponding concept of strategy maps. They all are built on the assumption that strategy represents a set of hypotheses about the relationship between independent variables and desired strategic outcomes:

> Strategy implies the movement of an organization from its present position to a desirable but uncertain future position. Because the organization has never been to this future position, its intended pathway involves a series of linked hypotheses. The scorecard enables the strategic hypotheses to be described as a set of cause-and-effect relationships that are explicit and testable. (Kaplan & Norton, 2001, pp. 75–76)

Or, the Balanced Scorecard and the strategy maps describe and visualize the strategic hypotheses about the relationship between drivers and outcomes using a set of cause-and-effect relationships. There are no measures on the Balanced Scorecard that are outside of a hypothesized chain of cause-and-effect logic. It is correct to perceive these relationships as testable hypotheses. In the initial development of the strategy and the Balanced Scorecard, the relationships between the factors and the results are most often untested hypotheses – an assumption about what the possible relationships between the variables are. Once the strategy implementation starts, these hypotheses can be tested. Kaplan & Norton (2001, p. 308) insist that the hypotheses in question "need to be continually tested for their validity and rejected when evidence accumulates that expected linkages are not occurring". In turn, the hypotheses about the cause-and-effect relationships are used to predict future developments and to change the strategy if necessary.

If we now turn to the *main message* of this book, we can see that it is quite clear. The organizations that have adopted the Balanced Scorecard "thrive and prosper" (Kaplan & Norton, 2001, p. vii); they "realized positive returns within twelve to twenty-four months … [and] enjoyed nonlinear performance breakthroughs" (p. viii); using the Balanced Scorecard as a framework for a new performance management process leads to "significant performance improvements rapidly, reliably, and in a sustainable manner" (p. 26) as well as to other similar benefits. The authors provide detailed examples of how implementing the Balanced Scorecard has resulted in significant performance improvements: *Mobil North America Marketing and Refining Division*, for example, after years of below-average performance, succeeded to outperform the industry average profits by 56 percent (p. 4); *Chemical (Chase) Retail Bank* increased its profits 19 times only for three years after implementing the Balanced Scorecard (p. 6);

United Parcel Service, Inc. achieved a sustainable annual growth in revenues of 10 percent (industry average growth of 3 percent to 4 percent) and an improved profitability by 30 and 40 percent for two subsequent years (pp. 21–22). However, this is not the whole story. Kaplan & Norton (2001, pp. 355–357) cite various studies showing that organizations that have a Balanced Scorecard management system outperform the others: for example, they have better teamwork among their top managers and/or better communication, they outperform their competitors and the organizations using traditional management systems, among others.

Since the publication of "The Strategy-Focused Organization" more than twenty years have passed. This is a long enough period to track how well the organizations that implemented the Balanced Scorecard managed to keep the success achieved before 2001. Expectations for the results of such a field study may be extremely different. On the one hand, based on the best practice examples listed above, one may expect that the success achieved continues in the long run and these organizations continue to perform much better than the industry average in a sustainable way. On the other hand, the theoretical background provided in this short literature review section forces us to be cautious in our expectations and to consider the fundamental uncertainty in the social and economic environment as well as the regression toward the mean. The latter is a phenomenon inherent to all variables that are subject to the influence of uncertainty, performance measures included (see Kahneman, 2011, pp. 179–184; Thaler, 2016 [2015], pp. 222–223, among others).

Data and Methods

The methodology of data sampling for this field study could be described in four logical steps: (1) selecting the organizations to be included in the study; (2) choosing indicators; (3) collecting data; (4) computing and comparing the measures. These steps, which are discussed below, generally follow the methodology used by Rosenzweig (2007, p. 89) for comparison of the shareholder return of forty-three high-performing US companies with the overall market return (the Standard & Poor's 500 market index).

First, selecting the organizations to be included in the field study. A careful study of the Kaplan & Norton' (2001) book allows us to identify the names of a total of 61 organizations that are mentioned for some reason in the text. Organizations that are objects of this field study meet simultaneously the following three criteria:

- *organizations that are objects of case studies in the book* – part of the organizations (38 in total) are objects of case studies where Kaplan & Norton (2001) provide detailed information for the organizations, and/or for the application of the principles of strategy-focused organizations, and/or for the adopted innovative management approaches (for example, for strategic transformation, for the relationship between strategic planning and operational budgeting, for analyzing cause-and-effect relationships, for building dynamic simulation models, among others). It is these organizations that are the objects of this field study, as they are the focus of the book and form its empirical background. The rest of the organizations (22 in total) are either simply mentioned or listed as examples of organizations that

have fully or partially implemented the Balanced Scorecard, without any additional information about these entities and/or the management approaches adopted by them.[2] These organizations are not objects of this field study.

- *organizations that are for-profit* – the organizations that are objects of detailed consideration in the book include: for-profit organizations (25 in total), non-profit organizations (3 in total), public sector organizations (7 in total) and health or educational institutions (3 in total). For-profit organizations are deliberately chosen as objects of this empirical study as they are the only entities for which we can assess how sustainable the financial success achieved is as well as to compare this success with the average market performance for the respective time period.
- *organizations that are publicly traded* – of all for-profit organizations only part is publicly held (15 in total), i.e., corporations whose shares are publicly traded. These organizations are objects of this study as they are the only entities for which we can compute market capital value and the information from the financial statements has the highest degree of availability, reliability and comparability. Privately held companies (10 in total) are out of the scope of this study.

In summary, the field study includes a total of *fifteen "strategy-focused organizations" – publicly traded corporations, which are the objects of detailed (or relatively detailed) considerations in "The Strategy-Focused Organization"* (see Table 1). The shares of these corporations are traded on the following financial markets: Toronto Stock Exchange (Canada), New York Stock Exchange, NASDAQ and OTC Markets (USA) and SIX Swiss Exchange (Switzerland).

Second, choosing indicators. Although in general Kaplan & Norton's (2001) book defends the stakeholder theory, the leading performance indicator remains the financial one. Throughout the book the Balanced Scorecard and the strategy map are treated as "a tool to describe how shareholder value is created" (p. 11) or as a summary of "hypotheses about the cause-and-effect relationships among the measures for creating superior, long-run financial performance" (p. 266). This is the major and most important goal that the Balanced Scorecard has within a corporation. Moreover, as Kaplan & Norton (2001, p. 59) point out, the success of an organization in the long run depends on its positioning relative to the competitors. An appropriate indicator measuring long-term shareholder value creation, therefore, is the total shareholder return, measured by the percentage change in the adjusted close price. Adjusted close price is the stock's closing price adjusted for events such as stock splits, dividend distributions, and new stock offerings. It is considered a reliable measure of corporate performance in the long run (Rosenzweig, 2007, p. 98).

To benchmark performance against competitors the market index data is also needed. For comparability purposes the value of the market indices has also to be calculated on a total return basis, which includes both the yield from changes in the stock prices and the yield from dividends. For the U.S. stock markets, the most common index is the *S&P 500 TR (SPXTR),* which includes

[2] The name of one of the organizations is disguised by Kaplan u Norton (2001, p. 131). It is excluded from this analysis as it is not possible identify it with any real-world organization.

Table 1. A list of the "strategy-focused organizations" included in the field study

Country	Name of Organization in Kaplan & Norton (2001)	Name of Organization (as of 2022)
1	2	3
Canada	Nova Scotia Power, Inc.	Emera Incorporated (EMA.TO)
USA	Chemical and Chase Banks / Chemical (Chase) Retail Bank	J.P. Morgan Chase & Co. / JPMorgan Chase & Co (JPM)
	Cigna Corporation (> Property & Casualty Division)	Cigna Corporation (CI)
	Citicorp	Citigroup Inc. (C)
	Fannie Mae (> Operations and Corporate Services Division)	Federal National Mortgage Association (FNMA)
	FMC Corporation	FMC Corporation (FMC)
	General Motors Corporation	General Motors Company (GM)
	GTE Service Corporation	Verizon Communications Inc. (VZ)
	Halliburton Corporation (> Brown & Root Energy Services > Rockwater Division)	Halliburton Company (HAL)
	Mobil Oil Corporation (> North America Marketing and Refining Division)	Exxon Mobil Corporation (XOM)
	Motorola, Inc.	Motorola Solutions, Inc. (MSI)
	Royal Dutch Shell plc. (> Shell Services International Division)	Shell plc (SHEL)
	Sears, Roebuck and Co.	Sears Holdings Corporation (SHLDQ)
	United Parcel Service	United Parcel Service, Inc. (UPS)
Switzerland	ABB Switzerland	ABB Ltd. – Switzerland (CFN)

Sources: Column No. 2 is based on Kaplan & Norton (2001). Column No. 3 is based on information retrieved from https://finance.yahoo.com/.

over 500 of the leading U.S. corporations, covering about 80 percent of the U.S. market capitalization. The Canadian equivalent of this index is the *S&P/TSX Composite Total Return (TRGSPTSE).* It covers about 250 corporations traded on the Toronto Stock Exchange, representing approximately 70% of the total market capitalization. For Switzerland, the most relevant benchmark index is the *SMI Cum Div (SMIC),* which includes the 20 largest corporations traded on the SIX Swiss Exchange and represents about 80% of the market capitalization in Switzerland.

Third, collecting data. The historical adjusted close stock price data used in this field study came from the financial platform Yahoo! Finance (available at https://finance.yahoo.com/). The historical data for market indices came from the Investing.com platform (available at https://www.investing.com/). Data have been collected as of the end of the following five financial years: 2001, 2006, 2011, 2016, and 2021.

Fourth, computing and comparing the measures. Based on the data collected, the percent changes in stock price and market indices were calculated for four consecutive five-year periods after Kaplan & Norton's (2001) book had been published: 2001–2006, 2006–2011, 2011–2016 and 2016–2021. Percent changes in stock prices are compared to percent changes in the quotations of the relevant market index. Full results by organization are presented in Appendix A.

Same calculations and comparisons were made for the ten years after the "The Strategy-Focused Organization" (Kaplan & Norton, 2001) had been published, 2001–2011, and for twenty years after, 2001–2021. Full results are shown in Appendix B.

Results

Appendix A shows that the number of corporations that perform better than the overall market gradually decreases during the four five-year periods, while the number of organizations that failed to keep up increase (see Figure 2). For example, between 2001 and 2006, out of fifteen strategy-focused organizations, eleven corporations outperformed the market average; the other four organizations didn't match the market. In the years from 2016 to 2021 the situation observed is just the opposite. Only four of the strategy-focused organizations (i.e., 27 percent) outperformed the market index; the other eleven organizations (i.e., 73 percent) didn't even keep up.

There is also considerable variation in the performance of individual organizations over the four five-year periods under consideration. This is obvious when utilizing Mlodinow's (2008, pp. 198–200) experiment using data of the fifteen strategy-focused organizations. Figure 3 presents the corporations arranged in descending order of profitability achieved for the five-year period, 2001–2006. On the vertical axis the corporations' returns relative to the market average are plotted. That is, a return of 0 percent means the organization's performance was average for this period. On the horizontal axis the organizations' relative rank is plotted, from the number-1 performer to the number-15 performer. That is, to look up the performance of the 10th most

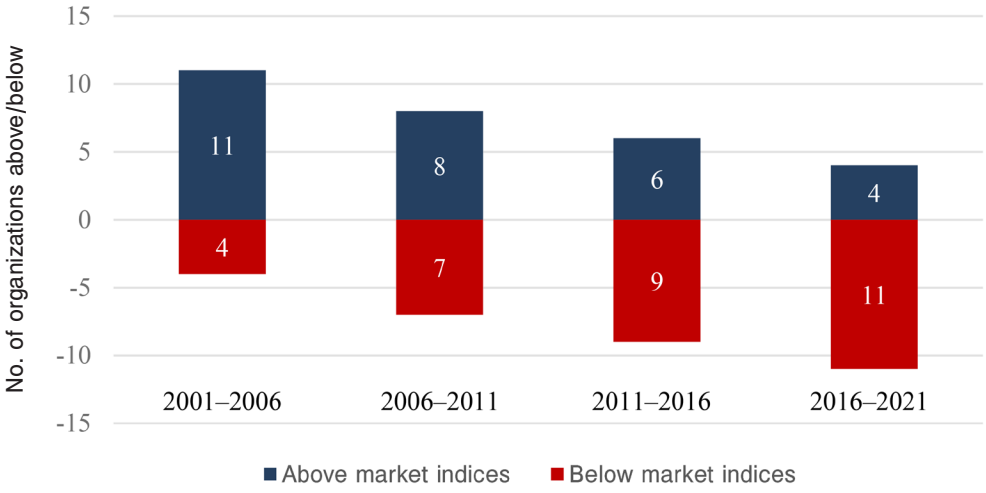

Fig. 2. Performance relative to the average market return in the five-year periods 2001–2006, 2006–2011, 2011–2016, and 2016–2021

successful organization in this period, one finds the point on the graph corresponding to the spot labeled 10 on the horizontal axis.

Figures 4, 5, and 6 show the returns during the next three consecutive five-year periods, still ranked in order of their performance in the first five-year period analyzed in Figure 3. That is, the graphs show the corporations ranked based on the period 2001–2006, but display the return the organizations achieved in the consecutive five-year periods, 2006–2011, 2011–2016, and 2016–2021. Expectations are straightforward, as put by Mlodinow (2008, p. 199): if the past were a good basis for future projections, the organization in the period 2001–2006 would have had "more or less the same relative performance" in the later periods. However, this is not the case.

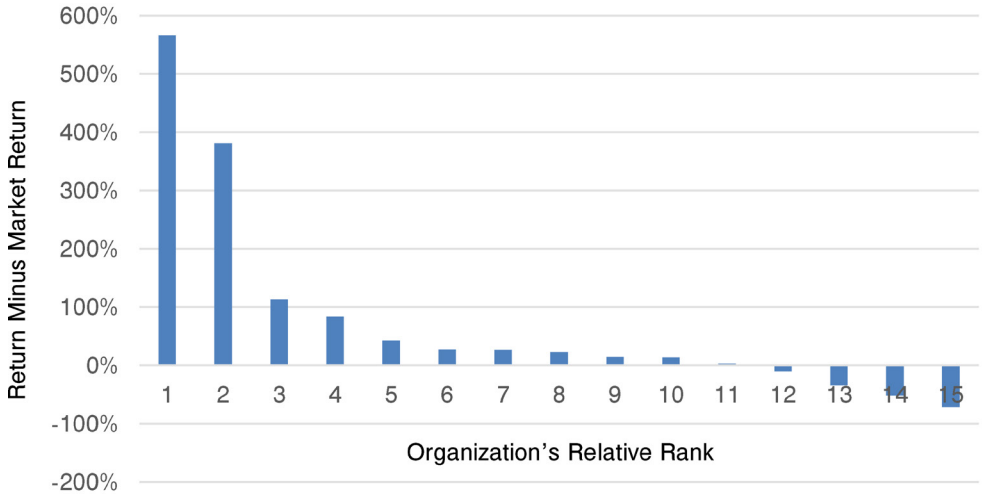

Fig. 3. Performance versus ranking of the "strategy-focused organizations" in 2001–2006

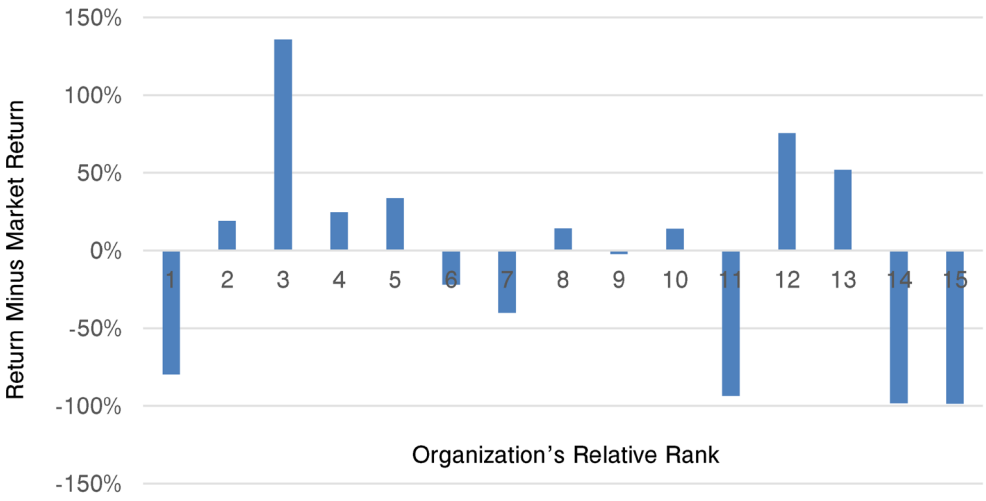

Fig. 4. Performance of the "strategy-focused organizations" in 2006–2011 (ranking based on the period 2001–2006)

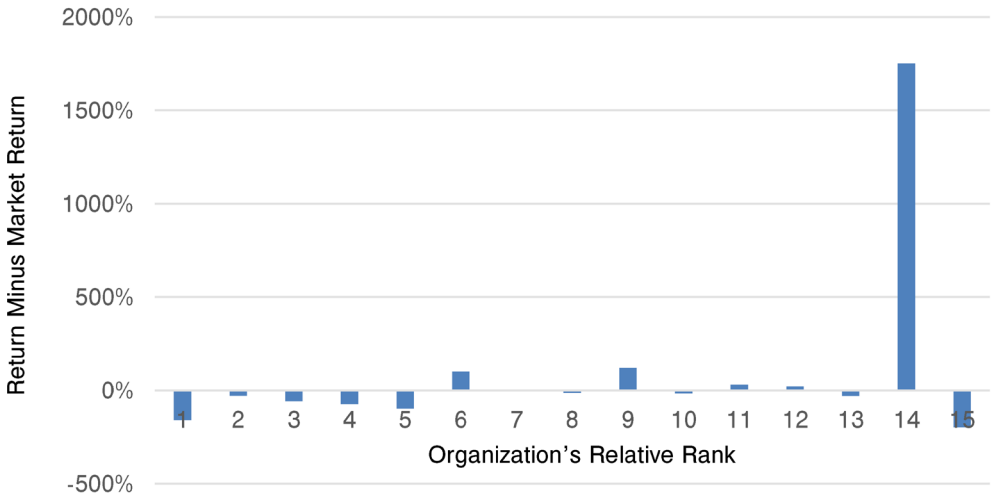

Fig. 5. Performance of the "strategy-focused organizations" in 2011–2016 (ranking based on the period 2001–2006)

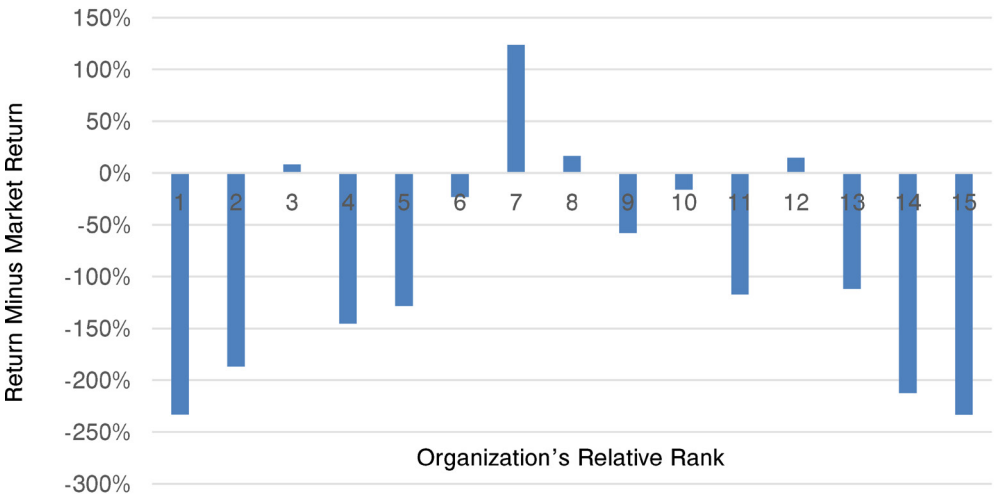

Fig. 6. Performance of the "strategy-focused organizations" in 2016–2021 (ranking based on the period 2001–2006)

The winners (at the left of the graph) did not continue to do it better than the others; the losers (at the right) did not continue to do it worse. What we observe is the same Mlodinow (2008, p. 199) observed: "the order of the past dissolves when extrapolated to the future, and the graph ends up looking like random noise". This is yet another confirmation that past data and results are not enough to reliably predict future performance.

The findings in Appendix B do not differ greatly (see Figure 7). For the first 10 years after "The Strategy-Focused Organization", 2001 to 2011, nine organizations (60 percent) achieved above-market returns. However, for the entire 20-year period, 2001 to 2021, only

seven out of fifteen organizations (47 percent) grew faster than the overall market. Some of the successful organizations even achieve profitability significantly higher than the market return – for example, *FMC Corporation* (3.6 times higher than the market), *Emera Incorporated* (2.5 times higher than the market), among others. For the entire 20-year period, 2001 to 2021, eight out of fifteen organizations weren't even average. This implies that shareholders would have been able to achieve a higher return investing in the market index than in any of these eight "strategy-focused organizations". But this is not the whole picture. Four out of these eight underperforming organizations – *General Motors Corporation* (entered bankruptcy in 2009), *Sears Holdings Corporation, Fannie Mae,* and *Citigroup Inc.* – realized returns between -100% and -81%, which means a total or almost total loss of the capital provided by their shareholders.

Discussion

The results of the field study of the relative market performance of fifteen "strategy-focused organizations" do not confirm Kaplan & Norton's (2001) claim, that the Balanced Scorecard and strategy maps endure long-term and sustainable success where organizations, say, "thrive", "prosper", and enjoy "nonlinear performance breakthroughs". This empirical study shows that for the twenty-year period after Kaplan & Norton (2001) presented their strategy-focused organizations, 2001 to 2021, half of the publicly traded corporations did not even match the overall market return, and half of those organizations that were underperforming lost the total shareholder value invested. Enduring success does not exist among strategy-focused organizations.

These results are fully in line with the results of other previous studies. For example, Rosenzweig (2007, pp. 83–105) examined the performance of organizations that are part of the well-known bestsellers ever revealing the secrets of business success. For the

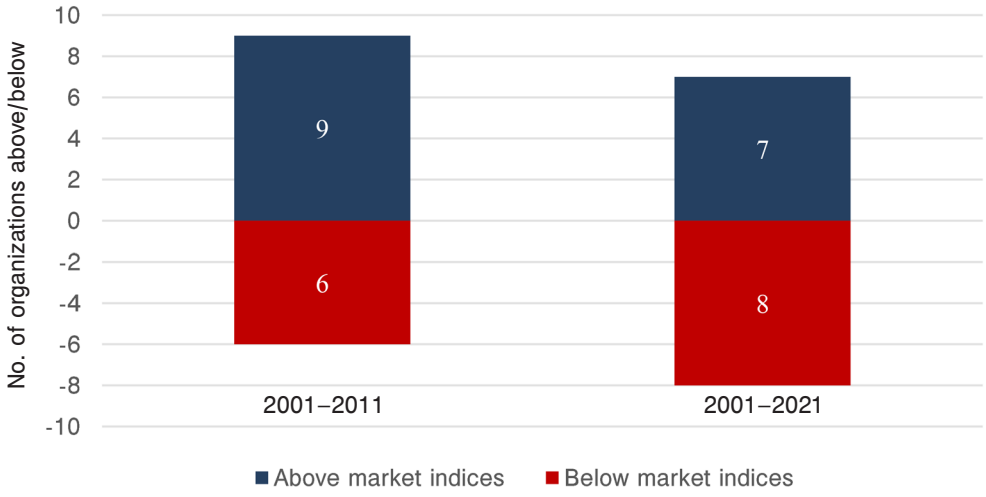

Fig. 7. Performance relative to the average market return in the ten-year period 2001–2011 and in the twenty-year period 2001–2021

organizations included in "In Search of Excellence: Lessons from America's Best-Run Companies" (Peters and Waterman, 2004 [1982]), he found that two-thirds of America's best-run corporations failed to reach average market returns five years after the book was published. The author also reported an excellent example of the regression toward the mean. He demonstrated how the gap in performance between the eighteen most promising companies and their less successful equivalents studied in "Built to Last: Successful Habits of Visionary Companies" (Collins & Porras, 1994, p. 3) increasingly shrank and even completely disappeared in the first five and first ten years after the publication of "Built to Last", respectively. The results of this study fully confirm Foster & Kaplan's (2001, p. 9) conclusion that there are no guarantees of long-term success for shareholders: "In the long run, markets always win". They also fully confirm Alchain's (1950 pp. 212–213) thesis that under conditions of uncertainty, "the mark of success and viability" is not the realization of maximum profits, but the realization of sustainable profits over time (which is a difficult enough task to achieve).

Why do strategy-focused organizations fail to achieve enduring business success? There are several possible explanations. A possible explanation for this might be that these organizations, by definition, pursue strategies that are inadequate and/or inappropriate for the goals of achieving long-term success. For example, organizations may not change their strategic priorities despite a change in the environment, or they may change these priorities but not in time. In these cases, as Kaplan & Norton (2001, p. 303) warn, Balanced Scorecard management systems could lead to a failure, even faster than without using such a kind of systems.

Another possible explanation is that organizations may follow an adequate strategy, but they do not always apply the Balanced Scorecard in the right way. For example, it is possible for the organizations, at some point, to begin to experience the impact of one or more of the "traps" preventing the further development of strategy-focused organizations that Kaplan & Norton (2001) warn against. Examples of such are: poor balance between the performance drivers and desired strategic outcomes and/or lack of coordination between the organization's Balanced Scorecard and the personal scorecards (pp. 360–361); applying the Balanced Scorecard partially but not as "the central framework for a new performance management process" (p. 26); having a management style that is not focused on "vision, communication, participation, and employee initiative and innovation" (p. 352, 353, 359); various process failures related to the Balances Scorecard implementation and update (pp. 361–368) – no commitment by senior management, too few individuals involved in creating and implementing the Balanced Scorecard, treating the Balanced Scorecards as a one-time project, among others. Justifying the failure of the Balanced Scorecard in some organizations by omissions or errors in the development and implementation processes is more than normal. However, it does not provide a satisfactory explanation of why almost half of the corporations that serve as a best-practice case studies for creating "The Strategy-Focused Organization" failed to achieve the average market return in the long run.

A third possible explanation is that these strategy-focused organizations, like all other organizations, undergo transitional and management changes, which create major uncertainty about the further implementation of the Balanced Scorecard in the organizations considered. Kaplan & Norton (2001, p. 358) point out that the new managers of *Cigna Corporation* did not retain the management system they found (in 1998), and that the new management body of *AT&T Canada* continued the implementation of the Balanced Scorecard, but (from the beginning of 1999) under new leadership and in a new way. It is true that a change in leadership is a serious test for the organization's management systems in place. However, any wise leadership style suggests keeping processes and models that work well and replacing the dysfunctional ones. An organization that had already benefitted from the Balanced Scorecard would continue to apply the system, in one form or another, regardless of any changes in the management team. It would be extremely difficult for any new management to replace a well-functioning management system with another one, let alone when it is implemented at the level of individual responsibility centers in the organization or even at the personal level – where everyone sees his/her own contribution to the overall organization's success. This is of course possible if the existing system is not working as good as the old management believed and/or reported. But even this is not enough to reveal the root causes why almost half of the successful examples of strategy-focused organizations failed to keep up twenty years later.

No doubts, other explanations, and speculations for the failure of strategy-focused organizations in the long run could be added as well. However, this would not mean that the Balanced Scorecard and the corresponding strategy maps are inappropriate or ineffective tools for implementing organizational strategy. The results of this study do not diminish their usefulness. The concept of the Balanced Scorecard and the corresponding concept of strategy maps are useful for the management of the organization for a number of reasons, but mainly because they call for management actions. We can hardly imagine a situation in which following the recommendations given in "The Strategy-Focused Organization" could prove to be detrimental to the organization. Just to the contrary. Each and every organization could benefit from pursuing a clear vision, caring for its employees, focusing on customers and/or striving for ever better results. Keeping this in mind I fully agree with Kaplan & Norton's (2001, p. 104) thesis that "if we can describe strategy in a more disciplined way, we increase the likelihood of successful implementation". However, this is actually all we could claim about the Balanced Scorecard – it increases the probability of success, to some extent may facilitate this success, but cannot guarantee it. Success in the strategy implementation is a result not of the application of a specific "magic" tool or system, but merely of the combined effect of a number of drivers, where the influence of uncertainty, as shown above, is fundamental. That is, success depends on the genuine recognition of this uncertainty.

To overcome our intuitive cognitive difficulties with the correct understanding of uncertainty as well as with its adequate incorporation into the decision-making and performance-management processes, behavioral literature may help to identify a number of tools and practices. These

practices include, among other things: estimating probability distributions based on objective statistical data (Hammond, Keeney & Raiffa, 2006, p. 126); preparing alternative estimations with corresponding relevant statistics (Bedford, 1967, p. 83); making "gradual commitments instead of big gambles", when it is impossible to assess the level of uncertainty, and analyzing past decisions that have led to a favorable outcome, i.e., doing "postmortems of successes", in order to learn from experience (Sibony, 2020, Appendix 2); re-evaluating past decisions that have led to an unfavorable outcome in order to improve the decision-making process in the future (Baron & Hershey, 1988, pp. 569, 578); providing rapid feedback (Kahneman, 2011, pp. 241–242; Foster & Kaplan, 2001, p. 23,); extrapolating past trends into the future with caution (Kay & King, 2020, pp. 15–17); accounting for the regression toward the mean (Hastie & Dawes, 2010, p. 154); evaluating the quality of the decision not by the outcomes of that decision, but by the quality of the decision-making process; using multiple performance measures (AAA, 1970, p. 7), among others.

Conclusions

Neither the Balanced Scorecard, nor any other similar management system could guarantee organizational success. This is because success in the strategy implementation is a result not of the application of a specific tool or system, but merely of the combined effect of a number of drivers, where the influence of uncertainty is fundamental. All cause-and-effect relationships in the environment of "radical uncertainty" are not strong but weak. And this is valid regardless of what statistical tools have been applied to validate the cause-and-effect relationships hypothesized. Otherwise, for example, how could we explain the case of Sears – one of the strategy-focused organizations in this field study? In 1998 the corporation undertook a large-scale study of the validity and the strength of the hypothesized chain of cause and effects and because of the statistical rigor of the study managers believed they had established values that worked (Rucci, Kirn & Quinn, 1998). However, as this field study reports, the organization not only failed to match the average market return, but it lost 100% of its shareholders' investments (Sears' stock price at the end of 2003 – its first year of publicly trading – was $18.08; at the end of 2021 it was only $0.02). The cause-and-effect relationships based on historical data dissolve when extrapolated to the future. Fundamental uncertainty inevitably introduces changes, and these, in turn, can make the initial assumptions in strategy development invalid, or may alter any correctly measured strength of relationship between two or more variables. However, this breaks the connection between past and future; the past performance ceases to be a good indication of the future performance. Finally, let's not forget that fundamental uncertainty inevitably leads to a regression toward the mean of all those probabilistic outcomes (stock prices included). The dynamics of the environment, the need for risk taking to beat the rivals, and the competitors' actions and responses make enduring success rare. There are no systems and tools that guarantee its achievement but only systems and tools that increase the chances of success varying in accordance with the contingencies in place. The Balanced Scorecard and the corresponding strategy map are just such kinds of systems and tools.

In conclusion, there are a few tools and practices that may enhance our poor abilities to understand and genuinely recognize the uncertainty in social and economic environment and its impact in organizational success. And if the broad aim of accounting is to support organizational success, then these practices should be pivotal to any management-accounting system.

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Appendix A

Performance relative to the average market return in the five-year periods 2001–2006, 2006–2011, 2011–2016, and 2016–2021

(All Values in Percentage)

Country	Name of Organization in Kaplan & Norton (2001)	Name of Organization (as of 2022)	2001–2006	2006–2011	2011–2016	2016–2021
1	2	3	4	5	6	7
Canada	**S&P/TSX Composite Total Return (TRGSPTSE)**		**84.9%**	**6.7%**	**48.6%**	**61.3%**
	Nova Scotia Power, Inc., Canada	Emera Incorporated (EMA.TO)	74.4	82.3	70.5	76.2
USA	**S&P 500 TR (SPXTR)**		**35.0**	**-1.2**	**98.2**	**133.4**
	Chemical and Chase Banks / Chemical (Chase) Retail Bank	J.P. Morgan Chase & Co. / JPMorgan Chase & Co (JPM)	62.3	-23.3	198.3	110.3
	Cigna Corporation (> Property & Casualty Division)	Cigna Corporation (CI)	49.9	-3.6	218.4	75.4
	Citicorp	Citigroup Inc. (C)	38.5	-94.8	129.4	16.2
	Fannie Mae (> Operations and Corporate Services Division)	Federal National Mortgage Association (FNMA)	-16.6	-99.6	1850.0	-79.0
	FMC Corporation	FMC Corporation (FMC)	148.0	134.5	38.8	141.8
	General Motors Corporation	General Motors Company (GM)	-36.8	-100.0	-100.0	-100.0
	GTE Service Corporation	Verizon Communications Inc. (VZ)	0.8	50.6	66.9	21.6
	Halliburton Corporation (> Brown & Root Energy Services > Rockwater Division)	Halliburton Company (HAL)	416.1	17.8	67.9	-53.5
	Mobil Oil Corporation (> North America Marketing and Refining Division)	Exxon Mobil Corporation (XOM)	118.9	23.4	23.5	-12.0
	Motorola, Inc.	Motorola Solutions, Inc. (MSI)	61.7	-41.4	98.5	257.1
	Royal Dutch Shell plc. (> Shell Services International Division)	Shell plc (SHEL)	77.6	32.6	-0.3	4.8
	Sears, Roebuck and Co.	Sears Holdings Corporation (SHLDQ)	601.2	-81.1	-61.3	-99.8
	United Parcel Service	United Parcel Service, Inc. (UPS)	48.9	12.9	80.8	117.4
Switzerland	**SMI Cum Div (SMIC)**		**50.4**	**-21.9**	**62.8**	**84.2**
	ABB Switzerland	ABB Ltd. – Switzerland (CFN)	73.3	-7.6	49.6	100.7
Number of corporations above market indices			11	8	6	4
Number of corporations below market indices			4	7	9	11
TOTAL			15	15	15	15

Data sources: https://finance.yahoo.com/ & https://www.investing.com/.

Performance relative to the average market return in the ten-year period 2001–2011 and in the twenty-year period 2001–2021

(All Values in Percentage)

Country	Name of Organization in Kaplan & Norton (2001)	Name of Organization (as of 2022)	2001–2011	2001–2021
1	2	3	4	5
Canada	**S&P/TSX Composite Total Return (TRGSPTSE)**		**97.3%**	**373.1%**
	Nova Scotia Power, Inc., Canada	Emera Incorporated (EMA.TO)	217.9	855.1
USA	**S&P 500 TR (SPXTR)**		**33.4**	**516.9**
	Chemical and Chase Banks / Chemical (Chase) Retail Bank	J.P. Morgan Chase & Co. / JPMorgan Chase & Co (JPM)	24.6	681.8
	Cigna Corporation (> Property & Casualty Division)	Cigna Corporation (CI)	44.6	707.5
	Citicorp	Citigroup Inc. (C)	-92.8	-80.7
	Fannie Mae (> Operations and Corporate Services Division)	Federal National Mortgage Association (FNMA)	-99.7	-98.8
	FMC Corporation	FMC Corporation (FMC)	481.5	1,851.8
	General Motors Corporation	General Motors Company (GM)	-100.0	-100.0
	GTE Service Corporation	Verizon Communications Inc. (VZ)	51.8	208.1
	Halliburton Corporation (> Brown & Root Energy Services > Rockwater Division)	Halliburton Company (HAL)	508.1	374.3
	Mobil Oil Corporation (> North America Marketing and Refining Division)	Exxon Mobil Corporation (XOM)	170.0	193.6
	Motorola, Inc.	Motorola Solutions, Inc. (MSI)	-5.3	571.3
	Royal Dutch Shell plc. (> Shell Services International Division)	Shell plc (SHEL)	135.5	146.2
	Sears, Roebuck and Co.	Sears Holdings Corporation (SHLDQ)	32.7	-99.9
	United Parcel Service	United Parcel Service, Inc. (UPS)	68.1	560.8
Switzerland	**SMI Cum Div (SMIC)**		**17.4**	**252.3**
	ABB Switzerland	ABB Ltd. – Switzerland (CFN)	60.1	380.9

Number of corporations above market indices	9	7
Number of corporations below market indices	6	8
TOTAL	15	15

Data sources: https://finance.yahoo.com/ & https://www.investing.com/.