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Modern Strategic Planning Approach: Aligning Goals with Balanced Performance Indicators

Abstract

In the face of increasing global competition during the 1980 s. strategic management emerged as a critical tool for organizations to define long-term goals and align their operations accordingly. This approach integrates four essential elements-vision, mission, strategy and action-to guide decision-making and ensure organizational alignment. A major challenge in traditional strategic planning has been translating broad mission statements into concrete, actionable goals and projects.

To address this, the Balanced Performance Management approach, also known as the Balanced Scorecard, offers a comprehensive framework for setting and monitoring strategic objectives. It corporates four interrelated dimensions: financial performance, customer satisfaction, internal processes, and learning and growth. This model enables organizations to balance short-term outcomes with long-term development by linking cause-and-effect relationships across performance areas. By integrating forward-looking indicators and aligning strategic goals with performance metrics, the Balanced Scorecard enhances both the effectiveness and accountability of strategic planning.

This study emphasizes the importance of incorporating balanced performance dimensions into strategic planning to support informed decision-making and promote sustainable organizational success.

Keywords: *strategic management, balanced scored, strategic planning, financial performance, performance indicators*

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Müasir strateji planlaşdırma yanaşması: məqsədlərin balanslaşdırılmış performans göstəriciləri ilə uyğunlaşdırılması

Xülasə

1980-ci illərdə artan qlobal rəqabət şəraitində strateji idarəetmə təşkilatların uzunmüddətli məqsədlərini müəyyənləşdirməsi və fəaliyyətlərini bu məqsədlərə uyğun şəkildə istiqamətləndirməsi üçün həyati əhəmiyyətli bir vasitə kimi meydana çıxdı. Bu yanaşma qərar qəbulunu dəstəkləmək və təşkilati uyğunluğu təmin etmək üçün dörd əsas elementi-vizyon, missiya, strategiya və fəaliyyət kimi elementləri özündə birləşdirir. Ənənəvi strateji planlaşdırmanın əsas problemləri geniş və ümumi missiya bəyanatlarının konkret, əməli məqsədlərə və layihələrə çevrilməsində çətinliklərin olmasıdır.

Bu problemi aradan qaldırmaq üçün Balanslaşdırılmış Performans İdarəetməsi, digər adı ilə Balanslaşdırılmış Göstəricilər Sistemi (Balanced Scorecard) strateji məqsədlərin müəyyənləşdirilməsi və izlənilməsi üçün hərtərəfli bir çərçivə təqdim edir. Bu model maliyyə göstəriciləri, müştəri məmnuniyyəti, daxili proseslər, öyrənmə və inkişaf olmaqla dörd qarşılıqlı əlaqəli ölçünü əhatə edir.

Yanaşma olaraq, təşkilatlara qısamüddətli nəticələrlə uzunmüddətli inkişaf arasında tarazlıq yaratmaq və performans sahələri üzrə səbəb-nəticə əlaqələrini qurmaq imkanı verir.

Məqalə balanslaşdırılmış performans ölçülərinin strateji planlaşdırma prosesinə daxil edilməsinin əhəmiyyətini vurğulayır və məlumatlara əsaslanan qərar qəbulunu, eləcə də davamlı təşkilati uğurun təmin edilməsini təşviq edir.

Açar sözlər: *strateji idarəetmə, balanslaşdırılmış göstəricilər sistemi, strateji planlaşdırma, maliyyə göstəriciləri, performans göstəriciləri*

Introduction

As traditional performance evaluation methods often emphasize past results, they fall short in guiding future-oriented decision-making. The Balanced Performance Management approach, notably the Balanced Scorecard developed by Kaplan and Norton, addresses this gap by integrating forward-looking performance indicators across financial, customer, internal processes, and learning and growth dimensions. This multidimensional and interconnected framework not only links strategic goals with operational actions but also enhances innovation, accountability, and long-term sustainability. Integrating this approach into strategic planning ensures a more holistic, balanced, and effective pathway to achieving organizational success.

This study explores the integration of strategic management principles with the Balanced Performance Management approach, particularly focusing on the Balanced Scorecard (BSC) model. The research investigates how organizations can effectively translate their mission and vision into actionable strategic goals and align these with performance indicators across multiple dimensions-financial, customer, internal processes, and learning and growth.

Additionally, the study addresses the practical challenges organizations face in implementing strategic plans, particularly in transforming abstract mission statements into concrete objectives and initiatives. By proposing a model that incorporates cause-and-effect relationships among performance dimensions, the research aims to demonstrate how balanced performance management can enhance strategic alignment, organizational learning, and sustainable growth.

This article contributes to the ongoing discourse on strategic planning by highlighting the importance of a holistic and integrated approach. It provides actionable insights for both private and public sector organizations seeking to improve their strategic effectiveness in a competitive and rapidly evolving environment.

Research

In the early 1980s, Strategic Management started to gain importance in the face of increasing competition all over the world. This management technique, which enables the determination of goals and objectives for the future and the necessary actions to be taken to achieve these goals, includes four elements: Vision, Mission, Strategy, and Action (Gagné, 2018).

It ensures that strategic goals, vision and mission are expressed in the form of solid and measurable goals. Strategic objectives constitute the framework for the details of the strategic plan. While strategic goals are more specific than a mission statement, they are general enough to encourage creativity and innovation. Goals determine the strategic direction of the institution as a whole.

The determination of strategic goals is considered a critical step in the strategic planning process in that it facilitates the correct allocation of resources of the organization, the understanding of its priorities and preferences, the transfer of responsibilities, and accountability in terms of results (Hitt, Black, Stewart & Porter, 2005).

Activities and projects*:* a detailed description of the strategies and steps used to implement the strategic plan. The roles, responsibilities, and authorities of the units responsible for achieving each goal are clearly stated at this stage.

For many managers, the main indicators showing the performance of the organization are related to the retrospective results. These indicators provide managers with a very narrow view of the future of the organization. This situation is similar to driving a car with only rear-view mirrors and a windshield covered (Kaplan & Norton, 1996).

Financial Dimension- Financial performance metrics show whether the organization's strategy formulation and implementation efforts achieve the organization's main objective. Often, financial objectives are metrics such as operating revenues, growth in sales, cash flow generation, and capital/revenue ratio. These criteria, which are frequently used apart from the balanced performance management approach, are mostly indicators of the success of the organization in the short term. The difference of the balanced performance management approach in using these criteria from classical control systems is that financial results are associated with performance criteria determined in other dimensions.

Customer Size-at the customer level, the organization needs to define its customer and determine the market segments it competes with. This determined customer profile and the desired success criteria in the market should be set forth. The main outputs of this dimension can be customer satisfaction, customer retention, and number of new customers, customer profitability, and its share in the targeted market. In addition to the criteria that can be applied to all profit-oriented organizations, the organization can also, develop criteria tailored to its structure and market. For example, in the service sector, delivering the product to the customer on time or short service time can be important criteria.

Internal Functioning Process Dimension-Internal functioning criteria should be chosen from among the areas that are most important in achieving customer satisfaction and the financial goals of the organization. The balanced performance management approach has two fundamental differences given the internal functioning dimension of the organization compared to the traditional approach. First, it is essential to monitor and improve the current process in the traditional approach. Performance metrics can be metrics based on quality and time as well as financial metrics.

Learning and Growth Dimension-the long-term growth and development of the organization are reflected in the learning and growth dimension and balanced performance management elements. There are three sources of growth and learning: people, systems, and organizational functioning. Financial, customer, and internal operation dimensions in balanced performance management reveal the deficiencies of the current employees, system, and corporate functioning (Chiva & Alegre, 2005).

For the balanced performance management approach to be successful, the dimensions must be “balanced” and the connection between them must be established correctly. The way to achieve this link is to establish a cause-effect relationship between balanced performance management dimensions. The cause-and-effect relationships between the balanced performance management dimensions are like a story that tells the strategy of the organization. It explains what the organization should target at the customer level to achieve its targeted financial results or what should be learned in the long term to improve the functioning, cause-effect relationships in balanced performance management.

Conclusion

1. In an increasingly competitive and dynamic global environment, organizations must adopt comprehensive and forward-thinking strategies to sustain long-term success. Strategic Management, with its core elements of vision, mission, strategy, and action, offers a robust framework for setting and achieving organizational goals.

2. The Balanced Performance Management approach, particularly through the Balanced Scorecard model, enhances strategic planning by integrating multiple dimensions of organizational performance-financial, customer, internal processes, and learning and growth. By aligning strategic goals with measurable indicators across these dimensions, organizations gain a holistic perspective that bridges the gap between long-term objectives and short-term actions.

3. Crucially, this approach emphasizes both retrospective (lagging) and prospective (leading) indicators, fostering a balanced view of organizational health and performance. The cause-and-

effect relationships between strategic goals and performance dimensions also support a narrative that guides decision-making and resource allocation.

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