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Purpose-Driven Balanced Scorecard

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Abstract

Corporate purpose is an enduring business theme. The notion that a company's purpose is to maximize profits has been the premise of many systems of management control and has often been accepted without question in managerial accounting. In Japan, however, many companies have followed *sanpō yoshi* (three-way benefits), the principle that business should benefit the seller, the buyer, and the community. *Sanpō yoshi* was a precursor to stakeholderism, the idea that a company works for the benefit of all stakeholders, not just shareholders. How a purpose is put into practice entails several questions. One question concerns the role a corporation's purpose plays in relation to systems of management control (known as "the levers of control"). Another question is how a company with a stakeholderist purpose should use the balanced scorecard, which is predicated upon shareholderism. In this study, theoretical research will be conducted because the theory has not yet been established. As a result, by using the purpose-driven balanced scorecard, it was found that the corporate purpose can be put into strategy through mission and vision, and these can be realized.

Keywords

Corporate Purpose, Balanced Scorecard, Belief Systems, Diagnostic Control Systems, Corporate Reputation

1. Introduction

Corporate purpose is a major theme in the business world (Chong & Joseph, 2021: p. ix). Companies with a clear purpose can progress relatively quickly (Shetty, 1979). There are two main types of corporate purposes (Ansoff, 1968). The first corporate purpose traces its origin to the concept of shareholder capitalism ("shareholderism") that Milton Friedman (Friedman, 2007) advocated in a 1970 article titled, "A Friedman doctrine—The social responsibility of business is to increase its profits." Influenced by the Friedman doctrine, many companies

devoted their resources toward the goal of maximizing returns to shareholders. In Japan, businesses and business leaders traditionally believed in balancing the company's financial interests with broader societal interests, referred to in Japanese literature as "economic value" (*keizai kachi*) and "social value" (*shakai kachi*), respectively. This principle is expressed in Japanese maxims such as *sengi kouri* (righteousness before profit) and *sanpō yoshi* (three-way benefits: benefiting the seller, the buyer, and the community). However, since the 1990s, Japanese economists and the Nikkei have advocated for the pursuit of shareholder value, as measured in return on equity (ROE), in a bid to catch up with the US. Meanwhile, with more Japanese companies going global, business leaders have advocated for converting to international accounting standards, further driving the shift toward shareholderism in Japan.

The second type of corporate purpose is based on stakeholderism. In a challenge to Friedman's shareholderism, Freeman (1984) proposed stakeholder capitalism ("stakeholderism"), arguing that business strategies should focus on satisfying a broad spectrum of stakeholders, not just shareholders. These other stakeholders include customers, employees, and the community. The rise of stakeholderism has led to more corporate engagement in sustainability, including corporations' commitment to corporate social responsibility and performance in environmental, social, and governance metrics.

How a company should craft its purpose is intimately linked with strategic concerns. Shimizu (2011) and Nagai and Goto (2021) argue that the literature on purpose should shift its attention from governance decision-making and strategic planning and focus on strategic execution. Strategic execution requires management control. If strategic planning is the inverse side of a coin (heads), then the other side (tails) is controlling strategic execution. Nonetheless, the literature on corporate purpose has rarely dealt with the execution aspect of strategy, that is, it has neglected management control (Ito, 2022). Theoretical research is appropriate for research methodology in this field where the theory is not established.

The present article focuses on corporate purpose from the perspective of management control. In Section 2, I clarify the relationship between strategy and management control. In Section 3, I distinguish purpose, mission, and vision in their obverse aspect. In Section 4, I discuss the reverse aspect—management control for purpose, mission, and vision. In Section 5, I discuss the balanced scorecard and its role as a post-hoc (lagging) control system. Finally, I summarize the findings.

Simons (1999) clarified the relationship between mission, vision and strategy in the discussion of management control. However, there is no description of purpose, which is regarded as a problem these days. In addition, since the balanced scorecard as management control has been constructed under shareholderism, it has not been questioned whether the balanced scorecard works under stakeholderism. This paper positions the corporate purpose within the framework of management control and clarifies that the balanced scorecard can be

used according to this purpose.

2. Strategy and Management Control[1]

Oftentimes, companies devise a strategy only to see the strategy fail in practice. Failure in strategic execution might be attributable to a flaw in the strategy (perhaps the strategy was reckless or ill-considered). However, failure can also arise because of a disconnect between theory and execution. To that extent strategic planning and execution function interactively, this interactivity is key to fulfilling a corporate vision; that is, when a top-down strategy (one executed by senior management) fails, a new strategy should be shaped based on feedback from operative-level employees.

Thus, strategic planning and management control over strategic execution form two sides of the same coin. Just as strategic planning (heads) has numerous approaches, so too does control over strategy execution (tails). A company might develop a strategy to expand an existing business. It might also develop a strategy to find and nurture a fresh business idea. Strategies related to expanding a business are relatively straightforward as in these cases the external business environment is known and predictable (hence, the strategic assumptions are already in place). Planning strategies to nurture a new business idea is harder as one must contend with a more uncertain external environment. Accordingly, rather than just imposing a top-down strategy, managers should be prepared to recalibrate or rethink their strategy based on feedback from the lower levels of the organization, which may more acutely sense of the volatilities in the external environment. Strategic recalibration and emergent strategies require effective communication between senior management, middle management, and sometimes lower organizational levels. It is also worth noting that companies can always pursue both kinds of strategies; they can try to expand their business while pursuing other entrepreneurial opportunities, instead of focusing entirely on a single strategy.

Different strategies entail different types of management control. If the strategy entails expanding an existing business, then management control will involve achieving targets based on key performance indicators (KPIs). If the strategy entails finding and nurturing a new business idea, then management control will involve a more nuanced process of communication to manage strategic uncertainties. If the strategy entails both expanding and pursuing new ideas, both forms of management control will be required.

3. Elements of Strategic Planning: Purpose, Mission, Vision

In this section, I discuss purpose and mission in the context of strategic planning. The discussion reveals that purpose relates to a strategic perspective, while

[1]Management control is defined as 'the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives' in Anthony's (1965) foundational work on the concept.

mission relates to strategic positioning.

3.1. Purpose: Strategic Perspective

Kaplan and Norton (2008) treated purpose and mission as synonymous. On the other hand, the International Integrated Reporting Council (IIRC, 2021), in its 2021 International Framework, differentiated purpose from mission. In accordance with the IIRC, I consider purpose and mission as distinct concepts and distinguish between purpose, mission, and vision.

The IIRC did not explain its reasoning for differentiating purpose from mission. This differentiation makes some sense though, given the rising demand for companies to clarify their purpose. That is, companies are increasingly expected to clarify whether their purpose is shareholderist or stakeholderist.

Companies with a shareholderist purpose operate under the economic rationality principle. Although they do not completely ignore other stakeholders, they prioritize the interests of shareholders above all else. Companies with a stakeholderist purpose give roughly equal priority to the interests of all stakeholders. Not only shareholders, but also employees, customers, and supply-chain partners are considered stakeholders under this framework. Thus, stakeholderist companies balance economic value (the company's financial interests) with social value (societal interests). In other words, they execute their business strategies in pursuit of financial objectives (earning profit), but they also contribute tosocietal sustainability to build social value.

A business strategy might involve clarifying a strategic perspective (i.e., clarifying the company's purpose). Johnson & Johnson, for instance, clarified their purpose in a statement titled "Our Credo". Robert Simons (1999: p. 28) described Johnson & Johnson's credo as a "mission statement", suggesting that he considered mission synonymous with purpose. Since I have taken the position of conceptually differentiating purpose from mission, I would describe it as a "purpose statement."

3.2. Mission: Strategic Positioning

How does a mission differ from a purpose? A mission describes the company's reason for existing and describes the business activities through which the company aims to earn profits. Companies have limited resources and they can only conduct a certain range of business activities. They might focus on just one of the two basic types of competitive advantage: cost leadership or differentiation. Alternatively, they might try to pursue both. Likewise, a company might opt for either a concentration strategy (focusing on a specific product or market) or a diversification strategy (introducing new products or entering new markets). In either case, companies are limited regarding the number of markets they can operate in, so they must define the boundaries of their scope. In doing this, companies definetheir strategic position. Thus, when a company crafts a mission statement, it is strategically positioning itself.

3.3. Purpose, Mission, Vision

A purpose and mission are semi-permanent; they generally persist unchanged throughout much of the company's life. Granted, a company might appoint a visionary CEO who reconstructs the company's purpose and mission. However, unless and until such an event occurs, the purpose and mission remain constant. In contrast, a vision is usually updated every five or ten years (many companies publish a ten-year vision, for example). According to Kaplan and Norton (2008: p. 37), a vision is the company's "aspiration for future results".

Once a company has crafted a vision statement, it must then develop a roadmap to achieve the vision. The means by which the company will achieve its vision is, according to Kaplan and Norton, the strategy. Kaplan and Norton used the term "strategy" in this narrow sense, to denote the means for achieving a vision.

Figure 1 shows the sequence for specifying the purpose, mission, vision, and strategy. The company must first specify its purpose. It must then specify its mission. Many companies are founded with a pre-specified purpose and mission. In such cases, the process begins by specifying the vision. Once the vision is specified, the company crafts a strategy for fulfilling the vision.

4. Strategic Controls

To reiterate, strategic planning and management control form two sides of the same coin. Multiple types of strategy exist, and each type has a corresponding lever of control for implementing said strategy. Henry Mintzberg (a leader in corporate strategy), with colleagues Ahlstrand and Lampel, highlighted five key ways in which strategy is defined, which are termed "the Five Ps": strategy as a plan, pattern, position, perspective, and ploy (Mintzberg et al., 1998). Focusing on varieties of control, Robert Simons, a protégé of Henry Mintzberg, delineated four "levers of control" for strategic execution (Simons, 1999). **Table 1** shows the four types of strategy delineated by Mintzberg and colleagues (plan, pattern, position, perspective) and their corresponding levers of control (diagnostic control systems, interactive control systems, boundary systems, and belief systems).

4.1. Strategy as a Plan: Diagnostic Control Systems

The school of planning sees strategy as a plan. This school of thought regards strategy formation as a formal process. Of all the schools, the school of planning is conceptually the closest to the idea of military strategy and tactics, in which a

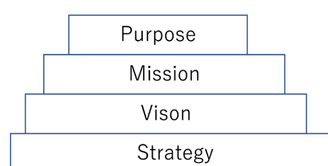

Figure 1. Sequence for setting a company's purpose, mission, vision, and strategy. Source: The Author.

Table 1. Different strategies and their characteristics. Source: Created by the Author based on Simons (1995).

Type of Strategy	School of Strategy	Control Lever	Control Objectives	Ex.
Planning	Planning School	Diagnostic control system	KPI (key performance indicators)	Military Command and Control
Pattern	Learning School	Interactive control system	Strategic uncertainties	Ford Model T black model
Position	Positioning School	Boundary systems	Risks to be avoided	Differentiation, Cost Leadership
Perspective	Design School	Belief systems	Core values	Unique History and culture

general devises a battle plan and issues orders and deployed troops execute the orders. This approach is characterized as "command and control" and is typically used in bureaucratic organizations. According to the school of planning, strategic success depends on monitoring performance using KPIs. KPIs quantitatively measure the degree to which the objectives are being met so that managers can monitor whether their company is achieving their objectives. As such, KPIs serve as a diagnostic control system for controlling the strategy. Diagnostic control systems are designed to ensure the objectives are accomplished effectively and efficiently. To accomplish an objective, you must first clarify what the objective is. When employees have a clear objective, managers do not need to constantly monitor them; they can be free to concentrate on strategy formation or other executive matters.

According to Simons (1999), to operate a diagnostic control system effectively, managers must attend to five matters: setting goals, aligning performance measures with strategy, designing incentives, reviewing reports on exceptions, and following up on significant exceptions). Simons (1999) continues to describe each as follows: regarding setting goals, this is absolutely critical, since if goals are never set, then the diagnostic control system cannot function at all; regarding aligning performance measures, performance appraisals should accurately reflect the realization of the strategy; regarding incentives (performance-linked compensation), these are vital in that they raise motivation; regarding reviewing reports on exceptions, efficiency is key and instead of monitoring every exception (variance from standard cost accounting or budget, for example), managers need only review reports on significant exceptions. Swiftness is crucial when it comes to following up on significant exceptions.

4.2. Strategy as a Pattern: Interactive Controls Systems

The school of learning defines strategy as a pattern. This school regards strategy formation as an emergent process. In this school of thought, strategy can arise

from a cohesive pattern of behavior, even a pattern that was never expressly intended. Henry Ford produced a single model of a car in just one color (black), the Ford Model T. This black car came to epitomize the idea of an affordable car for the masses. As this example illustrates, a pattern of behavior can also become a strategy. According to the school of learning, an emergent strategy is more likely to succeed when organizational attention is focused on strategic uncertainties. The lever of control in this case is an interactive control system. Interactive control systems facilitate the learning and organizational responses necessary to generate a new strategy. An example is the use of a balanced scorecard to facilitate communication throughout the organization. Simons (1999) cited four characteristics that differentiate interactive control systems from diagnostic control systems: 1) the system limits the company's focus to information that is relevant to strategy; 2) the system gives importance to information from all hierarchical levels; 3) the system encourages employees to access and discuss new information; and 4) the system generates new data, assumptions, and action plans.

In an interactive control system, managers must do more than just facilitate communication. Managers must first gather data about strategic uncertainties. The data must then beused by the relevant parties in the organization. For the data to stimulate inter-departmental communication, the data must be distributed, and it must be reliable. Finally, managers using the system must keep asking the questions: 1) What has changed? 2) Why has it changed? and 3) What are we going to do about it? Control systems are interactive if they have the above characteristics (Simons, 1999).

4.3. Strategy as a Position: Boundary Systems

The school of positioning considers strategy as a position. Further, this school regards strategy formation as an analytical process. As discussed earlier, a mission defines the scope of the company, that is, it positions the company. As such, position and mission can be used interchangeably. Viewing a company's strategy is a position means that what managers need to control are the strategy's risks. In this school of thought, successful risk management determines the success of the strategy. The lever of control in this case is a boundary system. Boundary control systems define the rules of the business and clarify the risks—the off-limit behaviors. When a company chooses between differentiation and cost leadership (as defined in Porter, 1985), the company is choosing a position. Crucially, the company is determining what *not* to do—what are off limits.

4.4. Strategy as a Perspective: Belief Systems

Finally, the school of design views strategy as a perspective. This school considers strategy formation a process of conception. Many companies specify their strategy based on their unique perspective or approach—their history or ethos, for example. In these cases, the values and perspectives shared among members of the organization constitute a strategy. In this school of thought, a company's

purpose expresses the company's values, and as such can be regarded as the company's perspective. When a company's strategy is a perspective, what managers need to control is how the company's core beliefs are communicated. Accordingly, the lever of control in this case is a belief system. Belief systems encourage the organization to explore fresh opportunities and give it direction.

4.5. Strategy and Management Control

How should managers decide between the four types of strategy and the four levers of control? In practice, managers do not select these options individually. Rather, they are compelled to adopt the strategies and levers of control as a set. Thus, the four strategies and levers of control must be introduced as one package.

The question is not which managerial accounting systems correspond to which control systems; the question is how the managerial accounting systems are used. Standard cost accounting and budgeting have traditionally been used as diagnostic control systems, but they sometimes function as interactive control systems. Likewise, while business scorecards can function as interactive control systems, in some cases they also serve as diagnostic control systems in their focus on variances. In summary, a managerial accounting system can potentially be a diagnostic control system or an interactive control system, depending on how it is used.

Figure 2 shows the relationships between purpose, mission, vision, strategy, and the levers of control[2]. With a clear purpose, a company can clarify its values and have its employees identify with them. When such a purpose is being specified, a pre-hoc belief system serves as the control lever. When the mission is being specified, a pre-hoc boundary system serves as the control lever. Post-hoc control systems are essential too.

Next, management crafts a strategy to achieve a vision. Typical examples include an "operational excellence" strategy, in which the company aspires to excel in quality, cost, and delivery; a "customer intimacy" strategy, which takes a customer-oriented approach and solves customers' problems; and a "product leadership" strategy, in which the company aims to produce a winning product. Management then cascades the strategy into a medium-term plan (usually with a timeframe of three or five years) setting out budgets, performance targets, and other projections. Management then uses a diagnostic control system to monitor variance from these medium-term projections. When reviewing strategic outcomes, management may notice that coherent patterns of behavior have emerged. In this case, management can use an interactive control system to stimulate discussions and feedback about their vision among top-level management, middle management, and in some cases among lower-level members of the organization too.

[2]The original source of this figure is Simons's (1999: p. 302) relationship between control levers and realized strategies. Using Simons' figure as a reference, we added a corporate purpose, as well as strategies and strategic themes for realizing the vision.

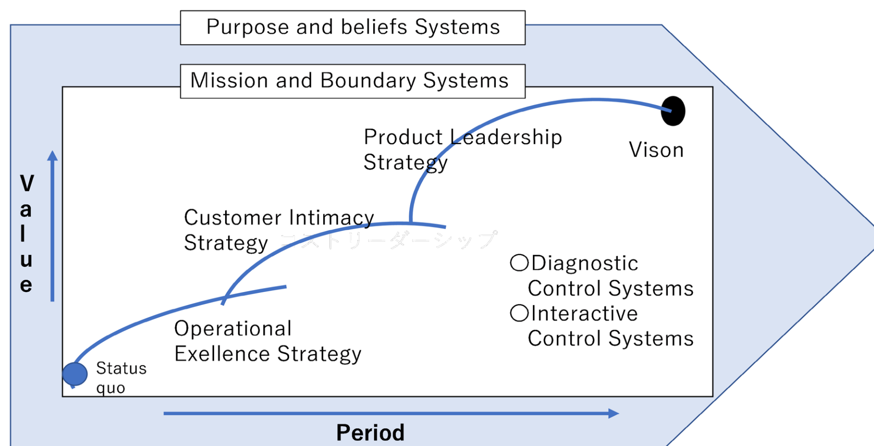

Figure 2. Purpose, Mission, Vision, Strategy and Control Lever. Source: The Author.

5. The Role of a Balanced Scorecard in Fulfilling the Purpose

The pre-hoc control for purpose has already been described. Therefore, next, we discuss the linkage with a post-hoc control designed to fulfill the purpose. The post-hoc control in this case is the balanced scorecard. The balanced scorecard is predicated upon single-loop learning when the company has a shareholderist purpose, but it can also follow a double-loop learning approach when the company has a stakeholderist purpose. In this chapter, I describe how the balanced scorecard is used in both cases.

5.1. Balanced Scorecard: Single-Loop Learning for a Shareholderist Purpose

The traditional balanced scorecard was developed by Kaplan and Norton (1992) for companies with a shareholderist purpose. The scorecard consists of strategic objectives, indicators for measuring the achievement of these objectives, a target for each indicator, and action plans for eliminating gaps between performance and targets. Table 2 shows the framework for Kaplan and Norton's balanced scorecard, today known as the scorecard[3].

As the title of Table 2 implies, the balanced scorecard, as it was known at the time, provides tools for managing the execution of a pre-specified strategy. From the outset, Kaplan and Norton regarded financial objectives as outcomes for which non-financial objectives are causal factors. Their idea of financial objectives was predicated upon the stakeholderist idea of placing top priority on maximizing shareholder value in the long term. With financial objectives at the end of the causal chain, the question became how to enhance non-financial factors to increase the long-term prospects of share value, the ultimate outcome. These non-financial factors are typically grouped into three perspectives: the learning and growth perspective (how intangible assets contributing to a strategy), the internal perspective (how much value is created through internal business processes), and the customer perspective (how successfully the company is

[3]My own interpretation is that "scorecard" is used when there is no strategy map.

Table 2. Single Loop Learning and BSC. Source: Kaplan and Norton (2004: p. 53).

Strategic Objectives	Scorecard		Action Plan	
	Measurement	Target	Initiative	Budget
• Profitability	• Market value	• 30% CAGR		
• Grow Revenue	• Seat revenue	• 20% CAGR		
• Fewer Planes	• Plane lease cost	• 5% CAGR		
• Attract and Retain more Customers	• #Repeat Customers • #Customers	• 70% • Increase 12% annually	• Implement CRM system	• $ ×××
• Flight is on time	• FAA on-time arrival rating	• #1	• Quality Management	• $ ×××
• Lowest Prices	• Customer ranking	• #1	• Customer loyalty program	• $ ×××
• Fast ground turnaround	• On-ground time • On-time departure	• 30 minutes • 90%	• Cycle-time Optimization	• $ ×××
• Develop the necessary skills	• Strategic job readiness	• Yr, 1%~70% Yr, 3%~90% Yr, 5%~100%	• Ground crew training	• 4 ×××
• Develop the aligned system	• Information system availability • Strategic awareneses	• 100% • 101%	• Crew scheduling system • Communications program	• $ ××× • $ ×××
• Ground crew aligned with strategy	• % of ground crew stockholders	• 100%	• Employee Stock Ownership • Plan	• $ ××× • $ ×××

creating a differentiated value proposition). By incorporating these non-financial perspectives into the strategy along with the financial perspective, managers can achieve the minimum necessary balance. At the top of the hierarchy are the strategic objectives aligned with the financial perspective. These are the outcomes of past decisions. Under these are strategic objectives aligned with the customer perspective. These represent current actions to meet customer demands. Next are strategic objectives aligned with the internal perspective. These are designed to achieve the above strategic objectives (those aligned under the financial and customer perspectives). At the bottom are strategic objectives aligned with the learning and growth perspective. These serve as underpinnings to the strategic objectives aligned with the internal perspective. In this way, the strategic objectives form a causal chain, creating a balance between financial and non-financial concerns as well as a balance between value created in the past, present, and future.

Once a company has set strategic objectives under all four perspectives, it must choose a suitable indicator for measuring its achievement of its objectives because as noted by Kaplan and Norton: "people can't manage what they can't measure." It is essential to set lagging indicators to measure changes that have occurred, but companies can use leading indicators as a substitute if the lagging indicators are not immediately available. Managers should first envision the strategic scenario that would be present if the company achieves its medium-term

strategic objectives and then set targets that represent and lead to that scenario. In a deductive process, medium-term targets can be further cascaded into annual targets and even into semi-annual targets.

Once targets are set as strategic objectives, managers must then develop a set of strategic initiatives for narrowing and ultimately eliminating the gaps between current values of the indicators of interest and the medium-term targets for those indicators. These strategic initiatives are action plans that are strategically essential in the medium term. They differ from conventional action plans in that they require scheduling management with strategic budgetary allocations. Though they may be termed action plans, they are best understood as strategic programs that encompass multiple strategic projects. Note that no strategic initiatives are ever aligned around the financial perspective. The reason is that such strategic objectives are attained by means of the strategic initiatives aligned around the other three perspectives (customer, internal, and learning and growth).

Even though the balanced scorecard can be considered a system for managing strategic implementation, it operates on the single-loop learning system, with the strategy as a pre-specified constant. As such, the balanced scorecard functions as a diagnostic control system. The party responsible for the strategy (the strategy owner) uses the scorecard to check variances between objectives and performance and to identify the causes of any failure to meet targets. Once the causal factors of failure are known, the strategy owner can direct employees in such a way as to remove the causal factors so that they can better meet their targets. For example, the strategy owner might find that the specified actions were never taken or that projects fell behind schedule, and that these outcomes occurred because budgeted resources were never distributed for the strategic initiatives or were inadequate. Having learned this, the strategy owner would then remedy the causal factors as quickly as possible to ensure the target can be met. Crucially, because the learning occurs on a single loop, the variable that the strategy owner adjusts in light of the gap between the target and performance will generally be the scheduling of the implementation initiatives; the strategic objectives, indicators, and targets will remain constant, at least for a certain period. At any rate, the diagnostic control system never questions the pre-specified strategic objectives, indicators, and targets.

As a system for managing strategic implementation, the balanced scorecard is generally applied to business units. The balanced scorecard theoretically falls under the jurisdiction of the company's strategy division (such as a corporate planning department or strategic planning office). In practice, however, it is implemented at the bottom rung of the hierarchy. At this level, the balanced scorecard should guide efforts to cascade the strategy to the workplace with operative-level management approaches such as compass management (*hoshin kanri*) and management-by-objectives. Budgeting can be used to cascade financial objectives, but it cannot be used to cascade non-financial objectives. Key importance lies in cascading strategic initiatives into routine operative-level actions.

Compass management serves as an effective tool in operative-level management in terms of disseminating strategic objectives and strategic agendas throughout the company. However, compass management usually falls under the jurisdiction of the quality assurance team, whereas for many companies it would be better to have the human resources team manage objectives. Either way, integrating strategic-level and operative-level management requires inter-departmental collaboration in strategic management; strategic management cannot be the sole preserve of the corporate planning department (Ito, 2014).

5.2. Balanced Scorecard: Double-Loop Learning for Stakeholderist Purpose

If the company has a stakeholderist purpose, corporate reputation will be key to fulfilling it. Corporate reputation creates sustainable competitive advantage, known in Japanese literature as "corporate value" (*kigyō kachi*). "Corporate value" is a holistic concept encompassing the value created for all stakeholders, not just shareholders. Thus, the idea of corporate value underpinned by corporate reputation is consistent with the idea of a stakeholderist purpose.

Based on this understanding, Sakurai (2019) developed the corporate reputation framework shown in **Figure 3**. Sakurai re-envisaged Kaplan and Norton's strategy map, delineating 23 reputation factors grouped into the four perspectives. The factors in the financial perspective (economic/financial factors) contribute to economic value (the company's financial interests) with the mediation of shareholder satisfaction. The factors in the customer perspective (customer factors) contribute to customer value via customer satisfaction. Then there are social factors that contribute to social value (societal interests) via social responsibility. In the learning and growth perspective are organizational factors that contribute to organizational value via employee satisfaction. Thus, companies can enhance their stakeholderist corporate value by enhancing the above reputation factors. With this framework, it should be possible to reformat the balanced scorecard for use in a company with a stakeholderist purpose. That is, although the balanced scorecard was originally intended to serve a shareholderist purpose, the perspectives it delineates can still be utilized by stakeholderist companies.

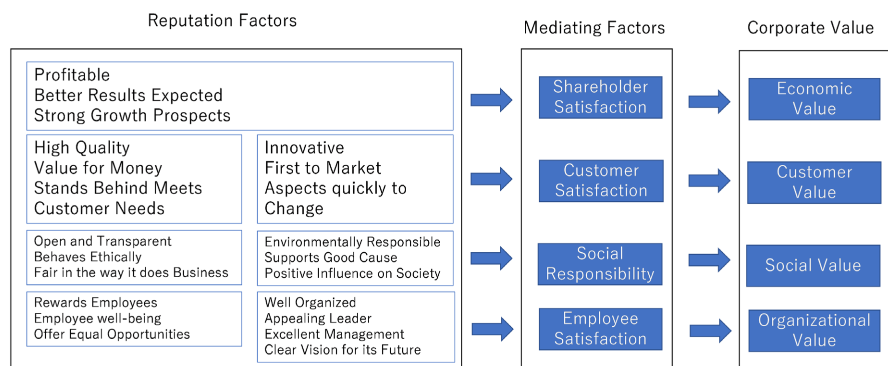

Figure 3. Framework for Reputational Management. Source: Sakurai (2019: p. 693).

Figure 4 shows a strategy map derived from the reputation drivers shown in Figure 3. The figure shows the causal links between the four sets of strategic objectives (those aligned with the financial, customer, internal, and learning and growth perspectives). The example used here is a strategy pursued by Southwest Airlines, a leading low-cost carrier. Of the three types of strategy discussed earlier (operational excellence, customer intimacy, product leadership), Southwest Airlines opts for operational excellence.

This balanced scorecard combines the strategic map with the scorecard. One starts by indicating the causal links between strategic objectives, since "people can't manage what they can't measure." The result is the strategy map shown in the figure. In the past, top-level management communicated strategies orally, but they used written communication in many cases. In either case, the strategies were rarely cascaded successfully to lower levels of the organization. However, presenting the strategy visually in a strategy map has proved a better way of ensuring that the strategy is accurately disseminated throughout the organization. Thus, a strategic map offers immense business benefits.

A strategy map like that shown in Figure 4 enables double-loop learning. Rather than the strategy being a pre-specified constant, the strategy can be adapted, or a new strategy can emerge in response to the changing external environment. With this visualization, the strategy map can be adjusted when discrepancies

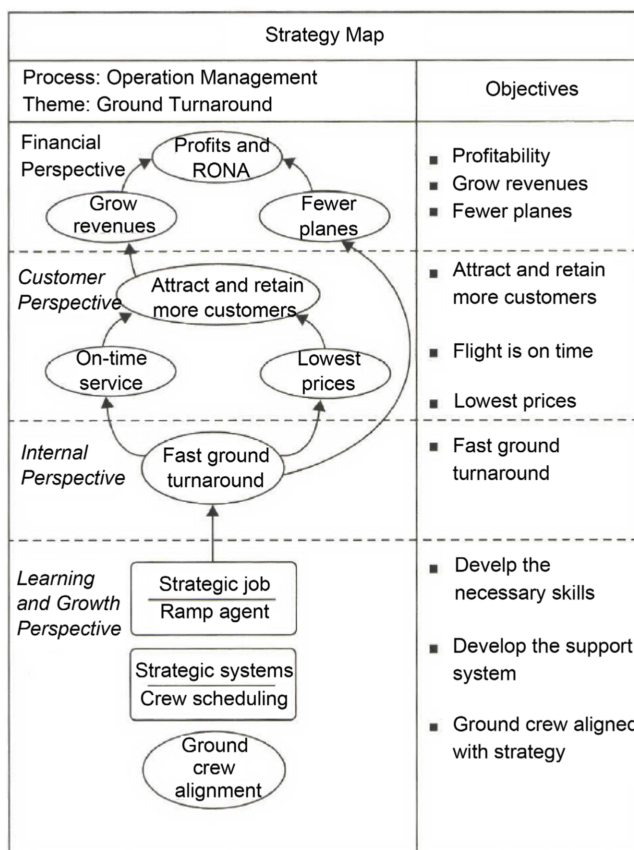

Figure 4. Strategy map. Source: Kaplan and Norton (2004: p. 53).

emerge between strategic management and the operative level. Thus, double-loop learning assumes that the strategy itself is subject to change; the strategy may be recalibrated, or a new strategy may emerge.

Once the strategy map is put into effect, managers analyze variances between targets and performance as they would in single-loop learning. However, in the case of single-loop learning, such variances would be attributed to issues in the implementation of the strategic initiatives, since the pre-specified strategic objectives, indicators, and targets themselves are never deemed at fault. However, no such axiomatic assumption is made in double-loop learning. Accordingly, when a target is missed, managers consider the possibility that the indicator or target may have been flawed. They can also consider the possibility that the fault lies in the strategic objective itself, or in the causal links between strategic objectives. The company then engages in communication across all hierarchical layers (from top-level management to the operative level) to navigate the strategic uncertainties. Thus, the strategy can be managed using an interactive control system.

6. Summary

Corporate purpose is a key theme in the business world. A company's purpose can be shareholderist or stakeholderist. Either way, from a governance-choice perspective, the key issue is how to execute the strategy for the purpose. However, purpose has rarely been considered in the management control aspect. Accordingly, this article examined how a strategy can be executed with a purpose-driven balanced scorecard. Three key findings were obtained.

First, whereas purpose and mission are sometimes used interchangeably, they are also sometimes distinguished. Treating them as distinct concepts, I characterized purpose as a matter of governance decision-making, and mission as a matter of defining the company's business scope. With these distinctions, I clarified the management control systems associated with both concepts. Specifically, purpose functions as a beliefs control system, while mission functions as a boundary control system.

Second, I examined how a strategy can be executed using a balanced scorecard predicated upon a stakeholderist purpose and single-loop learning, revealing that the scorecard (in practice, the scorecard and action plan) serves as a post-hoc system for analyzing variance between targets and performance. Thus, single-loop learning regards strategy as a plan, and the balanced scorecard based upon it serves as a diagnostic control system.

Third, I examined how a strategy can be executed using a balanced scorecard predicated upon a stakeholderist purpose and double-loop learning, revealing that the strategic map and scorecard enable strategic recalibration and emergent strategy. Thus, insofar as double-loop learning regards strategy as a pattern, and the balanced scorecard based upon it serves as an interactive control system.

In this paper, we proposed that the corporate purpose functions as the beliefs

system of management control. Under this, when the corporate purpose is decided to be shareholderism or stakeholderism, we have discussed the execution of the strategy by the balanced scorecard according to it. In short, we proposed the purpose-driven balanced scorecard according to the corporate purpose.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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