



Chapter 6

Benefits Management and Balanced Scorecard Dealing With Business Dynamic Environments

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ABSTRACT

In the rapidly changing environments characterizing most industries today, organizations face intense competitive pressure to do things better, faster, and cheaper. Most markets are becoming increasingly dynamic. Organizations can no longer rely on a traditional analytical approach to understand their industry or market, since that market is changing in rapid and unexpected ways. Despite its worldwide dissemination, balanced scorecard (BSC) has demonstrated inadequacy in certain circumstances. Some of the original advantages of the BSC can nowadays be interpreted as weaknesses. The authors suggest that in business dynamic environments the benefits management approach, by using the benefits dependency network, can help BSCs to guide and support the benefits achievement related with investments, in a complementary way. By using a case study, they try to show how a BSC exhibits limitations to deal with business disruptive environments and how a benefits management approach brings a strengthened business implementation vision, from strategy down to operations

DOI: 10.4018/978-1-6684-5436-7.ch006

INTRODUCTION

Organizations today face intense competitive pressure to do things better, faster and cheaper. Most markets are becoming increasingly dynamic; organizations cannot rely on an analytical approach to understanding their industry or market, since that market is changing in rapid and unexpected ways. Equally, they cannot rely on the collection of resources that have provided them with competitive advantage in the past. Rather, they must learn to develop capabilities that allow them to integrate, reconfigure, gain and release resources (Eisenhardt and Martin, 2000).

With a shift from the industrial economy towards a *new economy* that is now predominantly characterized by intangible assets, such as knowledge and innovative capability, organizations must manage increasing levels of complexity, mobility and uncertainty (Voelpel et al. 2005). The ability to manage knowledge-based intellect is of critical important in this new environment (Quinn, 1992). Competition in this *new economy* is now increasingly characterized by the rapid emergence of brand-owning companies that devote their energies to organizational fitness (Beer, 2002).

For many companies' competitive advantage is a continuous process of performance improvements and search for better practices and development of new capabilities. This includes a search for more efficient process technologies, new or improved products and procedures in the manufacturing process but also development of dynamic capabilities (Teece, Pisano and Shuen 1997) to respond and adapt to change and new trends in the sector. Prahalad and Hamel (1990) argue that sustainable competitive advantage is dependent upon building and exploiting *core competences*.

Porter's recent work emphasizes the need for firms and countries to broaden and upgrade their internal advantages to sustain and extend competitive advantages (Porter 1991, 1992).

Firms obtain sustained competitive advantage by implementing strategies that exploit their internal strengths through responding to environmental opportunities, improving internal weaknesses and eliminated the external threats (Barney, 1991).

For managers the challenge is to identify, develop, protect, and deploy resources and capabilities in a way that provides the firm with a sustainable competitive advantage and, thereby, a superior return on capital (Amit & Schoemaker, 1993).

Teece et al., (1997) originally defined the dynamic capabilities approach as ways of exploiting existing internal and external firm specific competences to address changing investments.

Some authors have long recognized the importance of firm differences and distinctive competencies (Selznick, 1957; Ansoff, 1965; Andrews, 1971; Hofer and Schendel, 1978).

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