

Strategy Mapping



Financial reporting systems provided no foundation for measuring and managing the value created by enhancing the capabilities of an organization's intangible assets. Companies' primary measurement systems have remained the financial accounting systems which treated investments in employee capabilities, databases, information systems, customer relationships, quality, responsive processes, and innovative products and services as expenses in the period in which they were incurred.

It was believed that executive and employees paid attention to what they measured, and that people could not manage well what they were not measuring. Consequently, executives' attention and effort were overly focused on influencing short – term financial measures, and insufficiently on investing in and managing the intangible assets that provided the foundation for future financial success. Without an improved performance measurement system, executives would not develop and mobilize their intangible assets effectively, and thereby forfeit major opportunities for value creation.

The Kaplan – Norton Collaboration began in 1990 with a multi company research project that explored new ways to measure organizational performance.

We believed, at the time, that knowledge based assets - primarily employees and information technology – were becoming increasingly important for companies' competitive success.

Strategy

An organization's strategy describes how it intends to create value for its shareholders, customers, and citizens. If an organization's intangible assets represent more than 75 percent of its value, then its strategy formulation and execution need to explicitly address the mobilization and alignment of intangible assets.

Describing Your Strategy

In order to build a measurement system that describes the strategy, we need a general model of strategy. The Balance Scorecard offers just such a framework for describing strategies for creating value. The following are the elements of Balance Scorecard Framework.

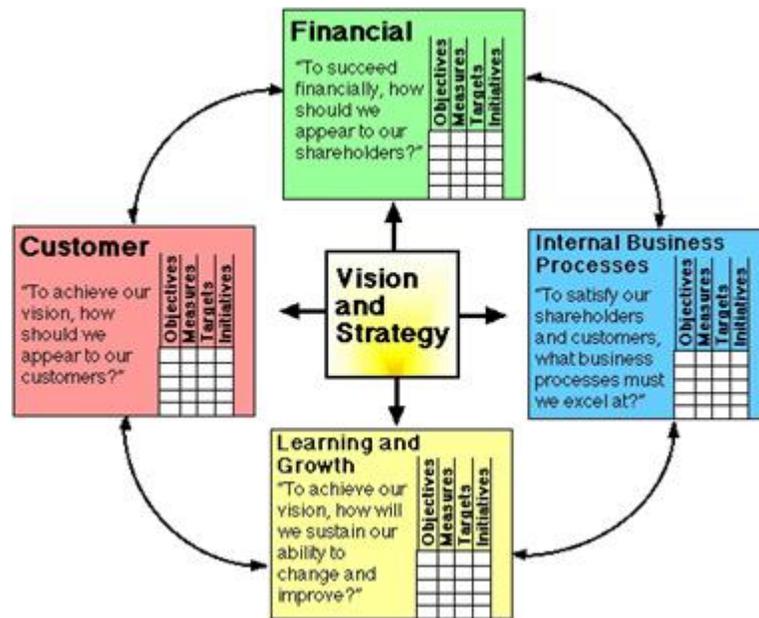
Financial Performance, a lag indicator, provides the ultimate definition of an organization's success. Strategy describes how an organization intends to create sustainable growth in shareholder value.

Success with targeted customers provides a principle component for improved financial performance. In addition to measuring the lagging outcome indicators of customer success, such as satisfaction, retention, and growth, the customer perspective defines the value proposition for targeted customer segments. Choosing the customer value proposition is the central element of strategy.

Internal processes create and deliver the value proposition for customers. The performance of internal processes is a leading indicator of subsequent improvements in customer and financial outcomes.

Intangible assets are the ultimate source of sustainable value creation. Learning and growth objectives describe how the people, technology, and the organization climate combine to support the strategy. Improvements in learning and growth measures are lead indicators for internal process, customer, and financial performance.

Objectives in four perspectives linked together in a chain of cause and effect relationships. Enhancing and aligning intangible assets leads to improved process performance, which, in turn, drives success for customers and shareholders.



Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996): 76.

The strategy map is based on several principles

Strategy balances contradictory forces. Investing in intangible assets for long term revenue growth usually conflicts with cutting costs for short term financial performance.

Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation. Strategy requires a clear articulation of targeted customer segments and the value proposition required to please them.

Value is created through internal business processes. The financial and customer perspectives in strategy maps and Balance Scorecards describe the outcomes, that is, what the organization hopes to achieve: increases in shareholder value through revenue growth and productivity improvements; increases in the company's share of customers' spending through customer acquisition, satisfaction, retention, loyalty, and growth.

Processes in the internal and learning and growth perspectives drive the strategy; they describe how the organization will implement its strategy. Effective and aligned internal processes determine how value gets created and sustained.

Strategy consists of simultaneous, complementary themes. Each cluster of internal processes delivers benefits at different points in time. Improvements in operational processes generally deliver short term results through cost savings and quality enhancements.

Strategic alignment determines the value of intangible assets. The fourth perspective of the Balanced Score card strategy map, learning and growth, describes the organization's intangible assets and their role in the strategy. Intangible assets can be classified into three categories:

- Human capital – employees' skills, talent and knowledge
- Information capital – databases, information systems, networks and technology infrastructure
- Organization capital –culture, leadership, employee alignment, teamwork, and knowledge management

In summary, the strategy map template, customized to the organization's particular strategy, describes how intangible assets drive performance enhancements to the organization's internal processes that have the maximum leverage for delivering value to customers, shareholders and communities.

The purpose of this workshop is to facilitate the Strategy Mapping developed by the senior team of the organization to achieve their Vision and Mission.

Strategy Map is a technique for helping an organization clearly define - and communicate - the causal links among different components of its strategy. It involves reducing strategic complexity to a core set of key outcomes and drivers that are graphically represented to show how they causally relate one to another.

Benefits

A Strategy Map is used to help an organization:

- Align the organization leaders around a single interpretation of the strategy
- Communicate the strategy to employees
- Identify leading indicators of strategic success
- Validate and test assumptions about what core capabilities that drive bottom-line performance
- Structure a core set of strategic performance metrics

Program Specification

Audience: - Directors & CXOs

Class Size: - 12 to 15 participants

Length: - 1 day.