



Strategy Maps

Intrafocus Guide

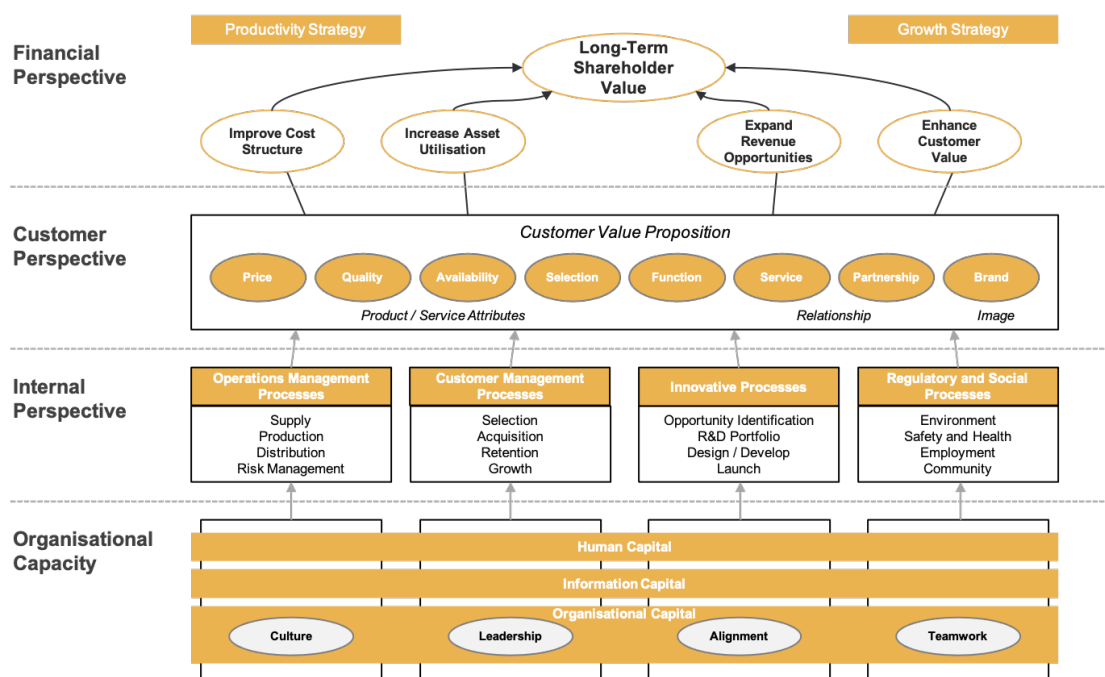
Table of Contents

Table of Contents	1
What is a Strategy Map?	2
How to build a Strategy Map	4
Vision and Purpose	4
Perspectives.....	5
Strategic Priorities	6
Strategic Objectives.....	8
Software	11
The Integrated Strategy Map.....	13

What is a Strategy Map?

In 2001 Kaplan and Norton¹ published “The Strategy Focused Organisation” which introduced the **Strategy Map** as an integral part of the Balanced Scorecard thus transforming it into a strategic management and performance system.

A Strategy Map is a diagram that describes how a company, or an organisation can create strategic value. It does this by linking strategic objectives based on the four Balanced Scorecard perspectives: Financial, Customer, Internal Processes and Organisational Capacity. A Strategy Map is usually linked to a ‘scorecard’ that monitors progress towards Strategic Objectives. The scorecard includes metrics, targets and strategic initiatives to drive performance towards achieving a strategic vision. An example of a generic strategy map can be seen below:



¹ Dr Robert Kaplan and Dr David Norton are also the authors of *The Balanced Scorecard – Translating Strategy into Action*, Harvard Business School Press 1996

Note: *editable PowerPoint templates for a set of Strategy Maps can be found in the 'Resources' section of the [Intrafocus](#) website.*

Clearly, for the strategy map shown above to be useful the *generic* needs to be *specific*. However, as a framework the diagram above is very useful. An entire company or organisation's strategy can be placed on a single sheet of paper (or single screen).

This is one of the most valuable aspects of a Strategy Map. It provides a talking point, something that everyone can look at, examine and relate to. In an instant, the means to communicate an entire strategy has been created.

There are four major reasons why a Strategy Map should be created:

1. It provides a clear and concise means to communicate a company strategy. Research has shown that less than 10% of employees have a clear understanding of their company's strategy².
2. It focuses attention on *key* strategic objectives and consequently *key* strategic initiative and projects.
3. It provides a clear mechanism to measure progress focused on attaining strategic objectives.
4. It forces an organisation to focus on initiatives and projects that are based measurable strategic objectives.

At a time when budgets must be managed carefully, the Strategy Map provides the means to identify exactly where strategic funding should be applied for the best results.

² Kaplan and Norton, *The Execution Premium: Linking Strategy to Operations for Competitive Advantage*, Harvard Business Press, 2008

How to build a Strategy Map

Vision and Purpose

A Strategy Map cannot be created without a Vision and Purpose statement. Traditionally, this used to be a Vision and Mission statement. However, in recent years, the use of Vision and Purpose has become an imperative. See [Purpose Vs Mission](#)

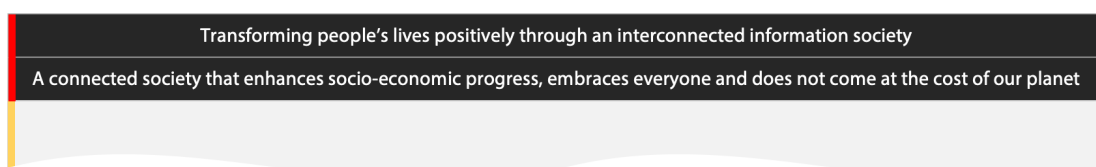
Vision describes what a company or organisation aims to do over the next three, five or ten years

Purpose describes reason for an organisation's existence, and the journey it is taking

For Vision think: Transforming people's lives positively through an interconnected information society

For Purpose think: We will build a connected society that enhances socio-economic progress, embraces everyone and does not come at the cost of our planet.

So, the first part of a strategy map might look like this:



The vision and purpose statements should be inspiring. They should describe something that everyone wants to get behind and believes to be true. An example of a good purpose statement comes from Nike:

- "To bring inspiration and innovation to every athlete in the world"

The Nike vision statement however leaves a lot to be desired:

- “To be the number one athletic company in the world”

Interestingly, the Nike vision statement of the 70’s was somewhat more inspiring if not a little aggressive:

- “Crush Adidas”

There are many good methods to develop mission and vision statements. Although the methods may differ, without exception, they all agree that the senior management team must be actively involved in the activity.

This is also true of the Strategy Map. This is not an activity that should be devolved to middle management or an external consultant and then ‘signed off’ by the executive. Senior executives need to own the strategy, and therefore the Strategy Map.

Perspectives

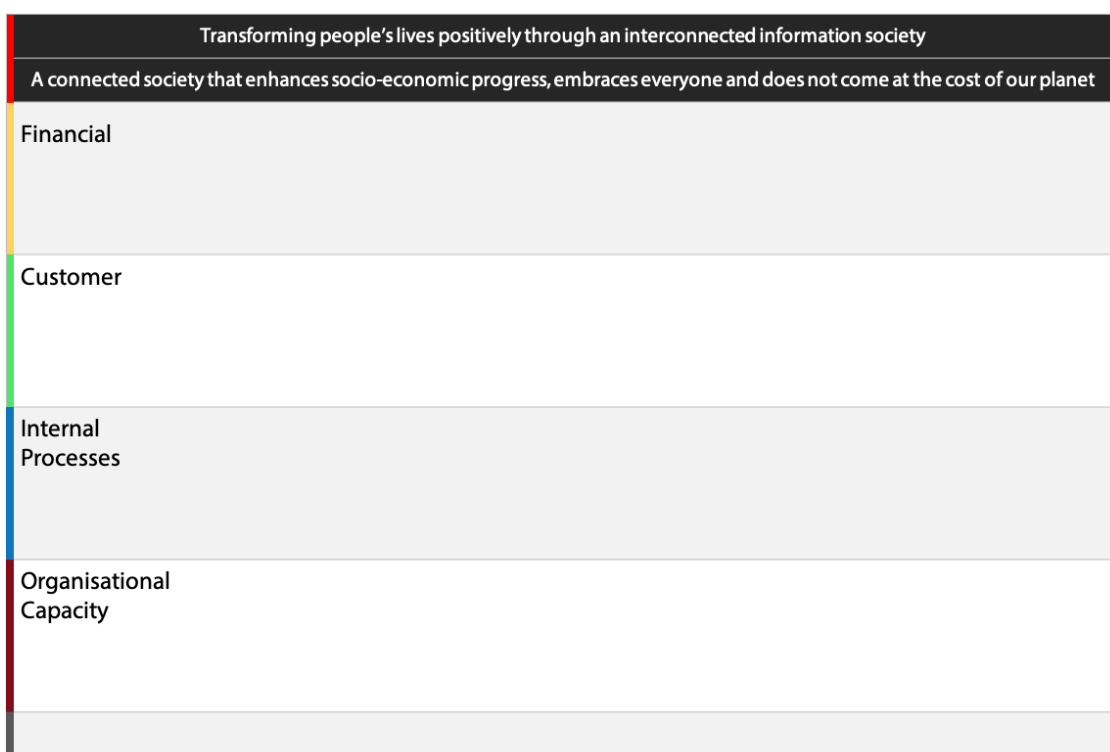
The link between the Balanced Scorecard and the Strategy Map becomes immediately apparent upon the introduction of the four perspectives. It is this ‘balance’ that has proven to be so successful in the methodology. Relying on financial measures can only take a business so far. While financial measures are essential, they can only measure results, that is, what has happened in the past. They cannot drive a business strategy.

A classic Balanced Scorecard includes four perspectives: Financial, Customer, Internal Processes and Organisational Capacity. The order of the perspectives is important. The ones at the bottom, drive activity at the top. This can be seen by asking the following questions:

- Financial - What do our financial results have to be to satisfy our stakeholders?

- Customer - What must we achieve with our customers and the marketplace to successfully reach our financial results?
- Internal Process - What must we achieve with our internal processes for success with our customers and marketplace?
- Organisational Capacity - What must our people, culture, infrastructure and IT be to succeed with our processes?

The strategy map with Perspectives added might look like this:



The strategic objectives in the lower layers feed into the upper layers.

If the perspective names do not fit a company culture, this is more often the case with non-profit organisations, it is perfectly acceptable to rename the perspective provided the meaning is not altered.

Strategic Priorities

Vision and purpose define a strategy at the uppermost level. To implement a strategy, the vision and purpose should be broken down into strategic priorities. An assessment phase needs to be entered

into. We recommend looking at three aspects of your business or organisation:

1. Current Situation

There are several ways to look at your current situation, but generally speaking, it will result in looking your strengths, weaknesses, opportunities and threats. What are you doing well? What are you doing badly? Where could you do more? What's holding you back?

2. Future View

Your vision and purpose should force you to look at the future. Unfortunately, predicting the future can be very difficult. However, techniques such as asking your team to “place themselves in the future looking back” and imagining where – and how – the business has been immensely successful, can help.

3. Value Proposition

A value proposition is a collection of the most persuasive reasons why your customers, and potential customers, should be interested in your offerings. Examples of the language used in your value proposition might include; use of ethical products, responsive, premium pricing or error free services.

Finally – Define your Priorities

The aim is to use the exercises above to find a number of priorities and then select the top *three*. Why three? Countless research studies show that the *Law of Diminishing Returns* applies directly to prioritisation.

So, if you have:

- 2-3 priorities, **you are likely to achieve 2 or 3**
- 4-10 priorities, you are likely to achieve 1 or 2
- 10+ priorities, you are likely to achieve nothing

An example of a strategy map with three strategic priorities added might look like this:

Transforming people's lives positively through an interconnected information society		
A connected society that enhances socio-economic progress, embraces everyone and does not come at the cost of our planet		
Content Partnerships	Brand awareness	Customer Service
Financial		
Customer		
Internal Processes		
Organisational Capacity		

In the diagram above you can see three Strategic Priorities in label form. You will see later that it is important to have a Strategic Result for each Strategic Priority.

A label can be misinterpreted, a good result cannot. For example, for the Strategic Priority Content Partnerships, the Strategic Result might be: To improve our supply chain for content delivery over our mobile platform focusing on exclusive contracts for sports-based content.

Here we can see that a generic label has become very directive. This will provide clear guidance to the people responsible for the next stage, the creation of strategic objectives.

Strategic Objectives

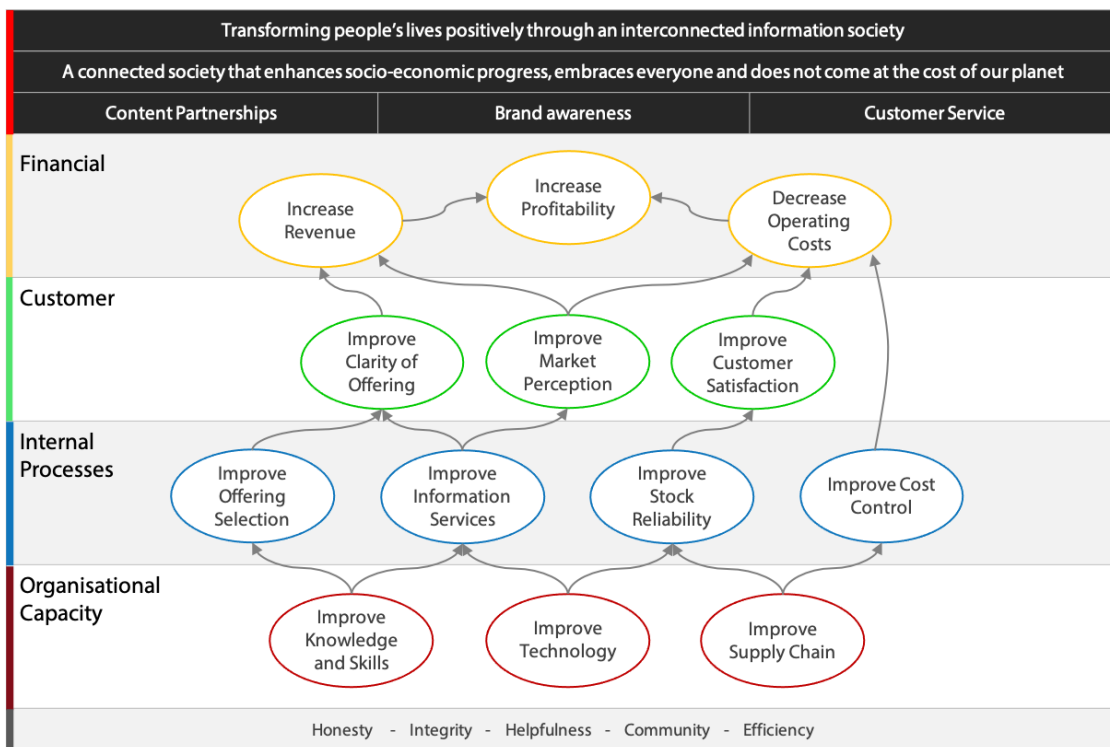
A strategic objective must contribute to the vision, purpose and be part of a strategic priority. Care must be taken to avoid reflecting

regular operational activities in the Strategy Map. Remember the Strategy Map is about fulfilling the vision.

The Strategy Map should contain critical financial and non-financial objectives, which can be measured and will deliver the vision.

Successful strategies keep the number of objectives low. The rule of diminishing returns applies here as well. You should be aiming to have twelve to fifteen strategic objectives.

The key strength of a Strategy Map is the ability to visualise the ‘causal’ relationship between strategic objectives, that is, how one strategic objective exerts influence over another. The influence flows from the bottom of the map to the top. Occasionally, it can flow from side to side, but never from the top to the bottom. An example of a completed strategy map with causal arrows can be seen below.



Although the Strategy map should be able to ‘stand up’ by itself, it is of utmost importance that each of the strategic objectives has an associated description that includes:

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- A full and concise description of the objective
 - Exactly what is to be achieved, the expected outcome
 - When the objective should be complete
 - How progress will be measured, the associated metric(s)
 - Who owns the objective and therefore associated initiative(s)

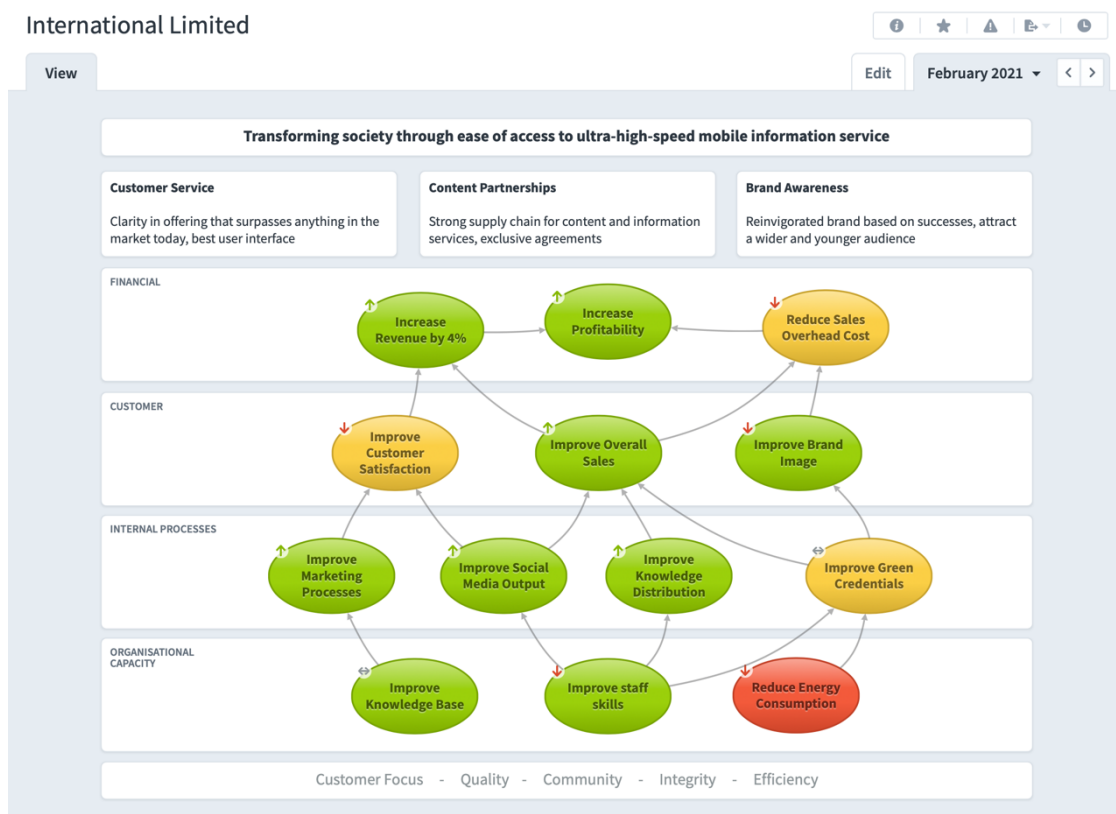
By adding metrics and ownership the Strategy Map will become a living, breathing strategy rather than an academic exercise.

It is for this reason that we strongly recommend you look at performance management software to help ensure the ongoing management of the process.

Software

The production and management of a Strategy (and a Strategy Map) can be undertaken through the normal management process of reviews and aided by documents, presentations and spreadsheets.

However, over the past few years several software packages have emerged that not only remove the burden of creating templates but provide the means to create Strategy Maps, collect and track metrics, collate strategic objectives, manage strategic initiatives and generate reports. Most systems also include alerting mechanisms and ensure ownership is assigned. The following is an example of a Strategy Map created by a software product:



Some interesting things to note about Strategy Maps generated by software:

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- The objectives are colour (R/A/G) coded; this status indicator will change automatically when the metrics associated with the initiatives are updated.
 - There are 'trend' arrows indicating the status of the objective during the previous reporting period; the software will retain a useful history.
 - Each item in the Strategy Map can be 'clicked' to take the viewer to the next level of information and usually all the way through to associated metrics, initiatives and reports.

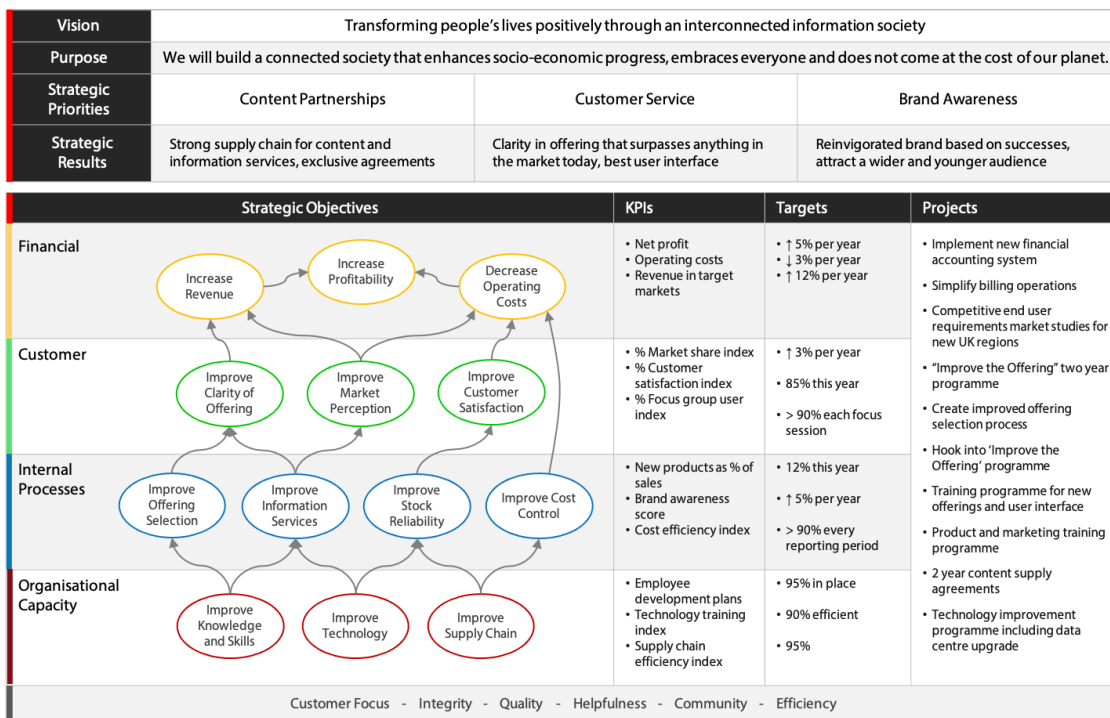
This automated strategic management process can be easily integrated into existing management processes therefore keeping the 'strategy' alive and on the executive agenda throughout the business year.

The Integrated Strategy Map

A strategy map provides the visual foundation of a business strategy. It is the means by which a business can communicate its strategic plan to employees, customers and stakeholders. As such, it is probably one of the most powerful documents a business can create.

However, a *basic* strategy map does not link to measures, targets and projects. These things are not usually described on the public view of the strategy map. This can be a mistake. By failing to include this detail, the value of the strategy map is greatly decreased.

It is when the 'how' is included with the 'what' that the real power of this one-page document reveals itself. The diagram below shows an example of an Integrated Strategy Map. That is, it includes all of the business elements on a single page:



Here we can see, at a glance, not only what the business is trying to achieve, but how it is going to go about it and most importantly how success is going to be measured. This is a very public demonstration

of intent can generate a high degree of confidence both internally and externally.

Notice that a set of Core values has been added at the bottom.

A satisfying by-product is that these people involved in the creation of the Integrated Strategy map become fully bought into the process and the strategy.