Having Trouble with Your Strategy? Then Map It.

By Robert S. Kaplan & David P. Norton
The Idea in Brief...

- Organizations need tools for communicating their strategy, processes and systems.
- Present to employees a clear line how their jobs are linked to the overall objectives and company’s goals.
- **The Balanced Scorecard** measures company’s performance from 4 perspectives: financial, customer, internal processes and learning and growth.

**Strategy Map:**
- A visual framework for the corporate objectives within those 4 areas.
The Idea in Practice...

Industrial Age

- Economy based on tangible assets (inventory, land, factories, equipment)

Information Age

- Create and deploy intangible assets (customer relationships, employee skills, corporate culture)

VALUE

- Arises from entire set of assets and the strategy that links them together.
Strategy Map Template

Review Mission Statement & Core Values

Develop an strategic vision

Financial Perspective
Customer Perspective
Internal Process Perspective
Learning and growth Perspective
Financial Perspective

Financial Strategy for increasing Shareholders Value

Revenue Growth Strategy
- Build the franchise (revenue from new resources, products, markets, customers)
- Increase value to customers (deepen relations through expanding sales)

Productivity Strategy
- Improve cost structure (reduce direct and indirect expenses)
- Improve use of assets (asset utilization)

Balancing two strategies helps ensure that cost and asset reductions will not compromise growth opportunities with customers
Mobil’s Case

FINANCIAL PERSPECTIVE

Increase Mobil’s ROC Employed
- company’s actual return on capital
- net margin compares with rest of industry

Revenue Growth Strategy
(understand customers’ needs and differentiate accordingly)

Build the franchise
Introduce new sources of non-gasoline revenue through expanded convenience store presence

Increase value to customers
Sell more premium brands to increase customer profitability

Productivity Growth Strategy
(maximize the use of existing assets)

Improve cost structure
Become cost leader in all chain supply categories

Improve use of assets
Maximize the use of existing assets
### Operational Excellence (McDonalds, Dell)

<table>
<thead>
<tr>
<th>Product/Service Attributes</th>
<th>Relationship</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>✔</td>
<td>Smart shopper</td>
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<tr>
<td>Time</td>
<td>✔</td>
<td></td>
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<td>Quality</td>
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<tr>
<td>Selection</td>
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Companies excel at competitive pricing, product quality, and on-time delivery.

### Customer Intimacy (IBM)

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<tbody>
<tr>
<td>Time</td>
<td>✔</td>
<td>Trusted brand</td>
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<tr>
<td>Quality</td>
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<td></td>
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<td>Selection</td>
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<td></td>
</tr>
<tr>
<td>Service</td>
<td>✔</td>
<td></td>
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<tr>
<td>Customer relations</td>
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Companies excel at offering personalized service to customers and building long-term relationships.

### Product Leadership (Intel, Sony)

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<tbody>
<tr>
<td>Time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functionality</td>
<td>✔</td>
<td>Best in class</td>
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<tr>
<td></td>
<td>✔</td>
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Companies excel at creating unique products that push the envelope.
Mobil’s Case

CUSTOMER PERSPECTIVE

Product/Service Attributes
- Clean
- Safe
- Quality product
- Speedy purchase

Relationship
- Friendly, helpful workers
- Recognize customer loyalty

Image
- Trusted brand

Delight the consumers

Win-Win Relations
- Offer more products
- Help dealers develop business skills
Internal Process Perspective

Four high-level processes:

- **Build the franchise through innovations**
  - New products & services
  - Penetrating new markets & customer segments

- **Increase customer value through customer management processes**
  - Deepen relationships with current customers

- **Achieve operational excellence through operations and logistics processes**
  - Improve supply chain management, the cost, quality, the cycle time of internal processes, asset utilization & capacity management

- **Become a good corporate citizen through regulatory and environmental processes**
  - Establish effective relationships with external stakeholders
Financial benefits from improved businesses are revealed in three stages:

- **Short-term:** cost savings from increased operational efficiencies & process improvements
- **Intermediate term:** revenue growth from enhanced customer relationships
- **Long term & margin improvements:** increased innovation

A complete strategy should involve generating returns from all three of these internal processes.
Mobil’s Case

INTERNAL PROCESS PERSPECTIVE

Create non-gasoline products and services

- New product acceptance rate
- New product ROI

Understand customer segments better and build best-in-class franchise teams

- Share of target market
- Dealer quality rating

Improve environmental health and safety

- Refinery yield gap
- Unplanned downtime
- Inventory levels
- Stock-out rate
- Activity-based costs VS competition

Improve hardware performance, inventory mgt, deliver products on time, become cost leader

- Reduced number of environmental incidents and safety incidents
Mobil’s case

• Develop new products & services (sales from convenience stores)

• Enhance customer value by training dealers to become better managers & help them generate profits from non-gasoline products & services

• Concentrate on building best-in-class franchise teams

• Improve refining & distribution operations

• Focus on achieving operational excellence through value chain of operations
Organization must decide how it will fulfill the requirements from internal processes, the differentiated value proposition and customer relationships.

A strategy must describe how a company will satisfy employees, customers and shareholders.

‘How’ must take account of value proposition in customer perspective, innovation, customer management, operating processes in the internal process perspective, employee skills and IT capabilities in the learning & growth perspective.

**Benefit:** strategy maps help communicate strategy to an entire organization.
Mobil’s Case

LEARNING & GROWTH PERSPECTIVE

Promote functional excellence, develop leadership skills, and create an integrated view of the company among employees
- Ratio of strategic skills to job coverage

Adopt new technology that encourages and aids process improvements
- On-time deployment of systems

Align business and personal goals
- Personal balanced scorecards
- Employee feedback
Mobil’s Case

• Employees **needed to gain more knowledge** of the marketing and refining business (automated equipment for monitoring the refining processes and databases to analyze consumers’ buying experiences)

• After completing learning & growth perspective, Mobil had a **complete strategy map** linked to 4 major perspectives (clear direction of all business units)

• Mobil could **uncover and remedy omissions** in strategies implemented **at lower levels** of organization (one business unit had no objectives or metrics for dealers and another had no measure for quality)

• **Speedpass**, a device to ease purchasing transaction (importance of speed/ strong differentiator for Mobil’s value proposition)

• Employee **awareness and commitment** to the new strategy increased and number of consumers using Speedpass grew by 1 million annually
Marketing Implications

- **Formulation** of strategies is an art but **description** of strategy should **not** be an art.
- Strategy maps **facilitate organizations** to see their strategies in an organized, integrated and systematic way.
- Executives can take **early action** to correct possible omissions.
- Movement of an organization **from present position to a desirable though uncertain future position**.
- All members of an organization must have a deep **understanding of hypotheses**, test them on a constant basis and align all units and resources respectively.
Thank you!!!