CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Strategy Mapping

WIKIGEAR INC.

Cam Scholey

TEACHING CASE

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The following case is based on a real organization. The names and the content have been modified for illustrative purposes.

Background

WikiGear Inc. (WG) manufactures and sells sportswear and casual apparel, mainly in North America. The company's sportswear lines focus on hockey, baseball, and running (mainly shirts, underwear, and socks made from moisture-wicking fabric). The company also offers a limited range of casualwear, including sweatpants, shirts, and jackets. While the primary target market is athletes, the company also markets to non-athletes. The company currently manufactures all of its gear in Winnipeg and Nebraska.

WG was founded in late 2002 by MBA classmates Brad Dover and Suzanne Grecia. They had been inspired during the 2002 Winter Olympics in Salt Lake City, Utah, when the United States and Canada met in the gold-medal hockey round in both the men's and women's divisions. A national pastime in Canada, hockey's popularity in the United States had been increasing rapidly over the past decade. This increase had led to a substantial demand for hockey equipment and, as a result, new entrants had become players in the expansion market.

Dover and Grecia, both hockey players, were disappointed with the quality of the hockey apparel worn underneath the protective equipment (namely, the shirt, underwear, and socks). They agreed that it was either low quality (i.e., it retained perspiration) or, in cases where the manufacturer used moisture-wicking fabric, it was overpriced. They pooled their scarce resources and launched a very limited but good-quality product line at a decent price.

WG was incorporated in 2003 (each founder becoming a co-CEO) and continued to expand its product line in subsequent years to include gloves, jackets, hats, and shoes.

Initially, WG's business model was premised on providing high-value, fast-drying, moisture-wicking sportswear for serious athletes (the "wiki" in the company's name means "quick " and is also similar to "wicking"). Although non-athletes became moderate consumers of WG apparel, for several years the company's primary focus remained on manufacturing and selling sportswear. The fitness world continued to evolve, however, and over time, North American society began to feel that being a serious athlete was not necessarily a precursor to purchasing and wearing athletic apparel — looking athletic was in. In 2007, WG expanded into casualwear that became very popular among athletes and non-athletes alike.

In 2009, Dover and Grecia decided that they should divide their duties. Each would continue in the role of co-CEO, but Grecia would focus on expanding the casualwear line (both the product lines and the market) and Dover would devote additional attention to increasing market share in the sportswear line. While this division made sense, by early 2011 it had become evident that Dover and Grecia no longer shared a common vision. This led to some confusion in the messages being communicated throughout the company. Acknowledging this, the co-CEOs tasked Mumtaz Singh, the new vice-president of human resources, with identifying a tool that would get the entire company on the same page and enable employees to support the company's overall mission of "promoting the sales of WG products through retail outlets and the online store through high-quality, reasonably priced sportswear and casualwear."

Singh, who was familiar with a performance measurement tool called the Balanced Scorecard (BSC), assembled a cross-functional team who produced a scorecard that could be displayed and discussed using PowerPoint slides and Excel spreadsheets. While most employees (including the co-CEOs) were intrigued, the project stalled, largely due to the difficulty in compiling and circulating results. This took much more time and resources than anyone had realized.

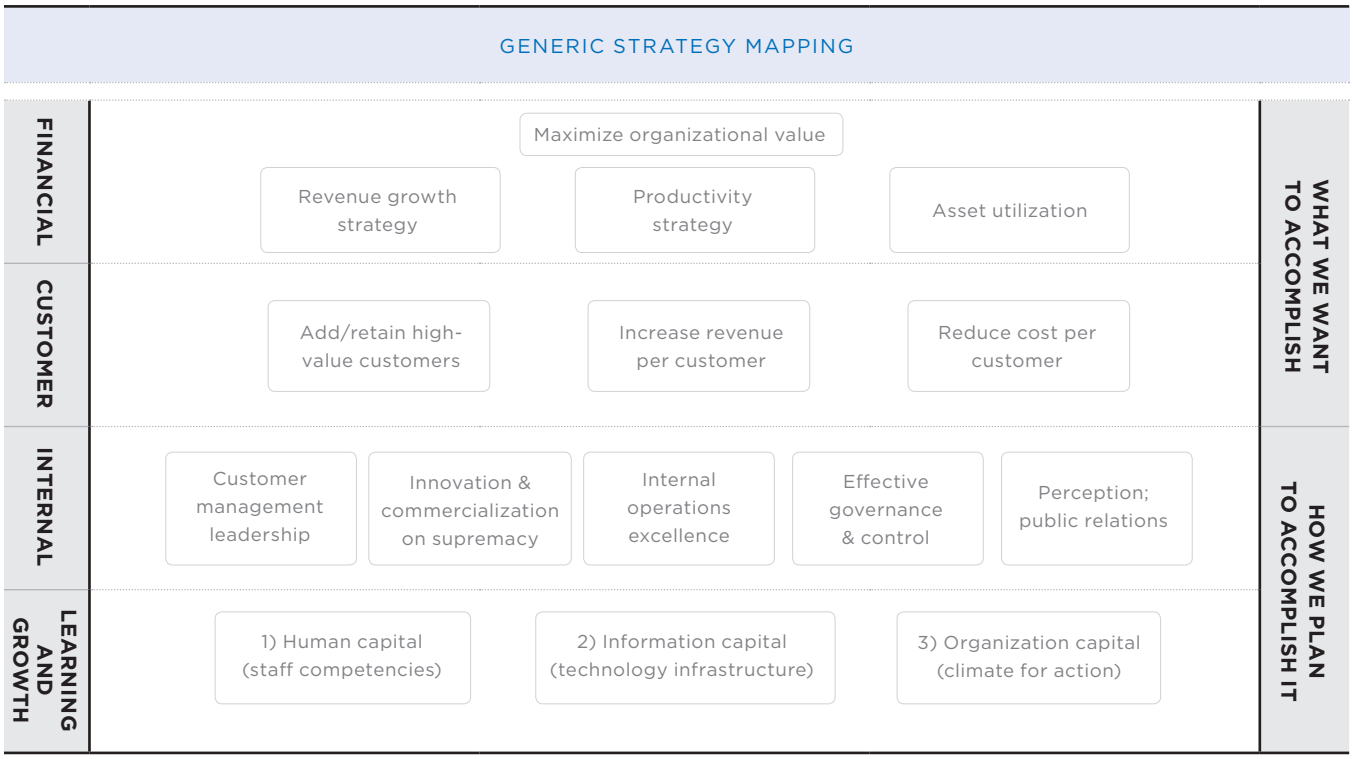
The project remained idle until August of 2012, when Aina Smith became the new managing director, a role created to focus the company on effective strategy formulation and execution. Determined to renew the BSC effort, Smith authorized the building of a new IT system that would facilitate the BSC use and circulation on the company's intranet.

With the BSC in place, Smith and her team (largely the original BSC team plus a few other employees who represented functions across the company) decided to deliver a new focus on strategy by ensuring that the BSC was communicated and deployed across all levels of the company. To date, the firm had espoused an open, decentralized culture in which employees would feel free to speak their minds and challenge management's ideas. In reality, very few people outside of senior management had participated in any discussions about strategy and the development of future business. The channels of communication were simply absent. Smith believed it was time to mobilize the strong pool of intellectual capital for strategy implementation. All involved firmly believed employee engagement and measurement would be critical to the future success of the company.

What is a strategy map?

Strategy mapping is a strategic tool that has revolutionized the way strategy is formulated and executed. It was introduced in 2000 by Robert S. Kaplan and David P. Norton, and it quickly became a popular tool for organizations to depict and execute strategy. By diagramming cause-and-effect linkages, an organization's strategy can be depicted in such a way that it is clear not just to those formulating the strategy, but to the employees who are charged with executing the strategy. Strategy mapping alleviates many communication issues through the use of pictures; something almost everyone can understand. More information can be found in CPA Canada's Guidance *Strategy Mapping: Applying a six-step process to your organization*.

FIGURE 1 Generic strategy mapping



Strategy review

In early 2013, WG hired a strategy consultant firm to study and provide insight on the 2012 and 2013 strategic plans. The consultancy presented a comprehensive report to the senior management team. The two major areas where immediate action was recommended fell into two categories: structure and communication.

Structure

The consultants noted that, while the company was manufacturing and selling two different types of product lines (sportswear and casualwear), all decisions (including manufacturing and marketing) were made on a company-wide basis. The consultants recommended creating two distinct divisions, one for each line, so each could pursue its own strategy around the value proposition set most appropriate to it. The sportswear line would focus on product leadership in an innovative context, staying on top of the latest moisture-wicking technologies. At the same time, but to a lesser degree, the division would focus on operational excellence in order to keep prices reasonable and maintain a healthy profit level.

The casualwear division would also focus on product leadership; however, the context would be far more focused on fashion. Research and development would focus on current trends, and products would be made in much smaller quantities, seasonality being a major factor.

Communication

The consultants also observed that, like most growing companies, the informal style of communication that had been sufficient in the past was no longer effective. As the company had grown and organized itself into

various functions, the need for a communications strategy had also grown. In a two-day offsite retreat, senior management brainstormed and produced seven key directives for 2013:

1. promote innovation (performance and fashion);
2. be the employer of choice;
3. meet and exceed customer expectations;
4. be seen as a leader in the environmental movement;
5. promote a uniform message throughout the company;
6. continue increasing customer accessibility to products; and,
7. be profitable.

The consultants' feedback put a larger priority on directive five (promote a uniform message). It was decided that the platform for this uniform message should be the seven directives themselves. The intent was that virtually all communications, including meetings and reports, would be in the context of the seven directives on the list. For this new strategy to succeed, WG would need to invest in the technology and human resources necessary to communicate the seven directives throughout the company. It needed to align and focus the workforce around the new strategic model.

Meeting notes from WG's strategy map discussion

Aina Smith's team met with the company's senior managers and the external consultants, as well as with several staff members throughout the company, and compiled the following notes and insights with regard to each of the four quadrants associated with the strategy map.

The financial perspective needs to reflect the normal combination of revenue growth and cost optimization objectives. The term "optimization" was used by several senior managers to send the message that costs should not be reduced at any sacrifice to quality. There was also a focus on profitable growth.

With regard to the customer perspective, the proposed strategy map needs to capture the value proposition, starting with non-differentiable factors, that is, those elements that must be part of every apparel line operating in this market space: for example, (i) ease of purchase, (ii) high level of quality, and (iii) comfort. However, the map also needs to display what differentiates WG wear by stating those elements that, when combined, produce a brand unique to the industry.

WG's internal process objectives need to capture the fact that the company wants to simultaneously pursue operational excellence by rationalizing operations, customer management by leveraging customer service, and innovation by exploiting trends in science and fashion.

To rationalize operations, WG wants to move more of its sales to an e-commerce channel that would provide more convenient customer access, increase the customer's contact efficiency, and lower operational costs associated with customer contacts. At the same time, WG is aware that many new customers purchase its apparel at retail outlets, so it is strategically important to continue to strengthen its retail partnership model for ease of purchase.

To leverage customer service, WG wants to personalize the purchasing experience (whether it be e-commerce or retail), reduce the number of total interactions, and improve the ease of purchasing experienced by the customer. On the e-commerce side, the strategy is to overhaul the corporate website into a state-of-the-art store, where customers can make purchases, ask questions, and learn about the company and all of its offerings. On the retail side, the retail partnership model would include agreements for staff to wear WG apparel, test new offerings, and undergo product knowledge training. The idea is, no matter where or how customers attempt to purchase WG products, their experience will be efficient, friendly, and knowledge based. The goal is to exceed customers' expectations.

To exploit trends, WG wants to focus on customer value from two perspectives: (i) performance in the sportswear lines and (ii) style in the casualwear lines. The intent is to use a two-fold strategy of combining in-house expertise with skilled external partnering. The divisional re-structure would make this new approach fairly straightforward.

For learning and growth, management needs to focus on having the right resources in the right places for proper execution of the new strategic approach. Staff competencies are paramount — recruitment, hiring, and training must be undertaken in the context of how each assists in the realization of strategic objectives. In an instance where competencies cannot feasibly be fully satisfied in-house (e.g., ever-changing fashion knowledge), partnering agreements are expected to be put in place.

The culture has always been very positive at WG. The plan is to exploit this through better communication of the strategy and, more specifically, of the seven strategic directives. The longer-term plan is to link bonuses to the Balanced Scorecard, which is targeted for implementation in 2014. ☐

This publication is one in a series on *Strategy Mapping.* An Overview, Guidance and a Teaching Case, *Saskatchewan Green Roofing*, are also available on our website. For additional information, please contact Carol Raven, Principal, Strategic Management Accounting & Finance at 416-204-3489 or email craven@cpacanada.ca.

Exercises and questions

1. Take on the role of Aina Smith (and her team) and develop a strategy map for WG based on the generic strategy map format (Figure 1). To develop your proposed map, use the case information provided in this document, along with the company's overriding objective of "increasing shareholder value through increased profits and market share." Show all your strategic objectives for each quadrant (financial, customer, internal, and learning and growth), along with how they are linked (cause and effect). On a separate page, provide your reasoning for each objective listed in your proposed strategy map.
2. Is there value in adopting a strategy map once an organization has already created and implemented a Balanced Scorecard? Why or why not? To what degree are these two tools related to one another? How do they differ?
3. What other strategic management tools could WG have considered to formulate and implement its strategy? Based on the circumstances faced by WG, what are the strengths and weaknesses of these other tools, as well as of the strategy map?

Resources

RESOURCE Create a strategy map

TITLE:			
FINANCIAL			WHAT WE PLAN TO ACCOMPLISH
CUSTOMER			
INTERNAL			HOW WE PLAN TO ACCOMPLISH IT
LEARNING AND GROWTH			

Notes

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