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Strategy Mapping

USING STRATEGY MAPS TO DRIVE PERFORMANCE

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What is the issue?

In many organizations there is a gap between strategy formulation and strategy execution.

Why is it important?

Without alignment between formulating and executing a strategy, an organization will not perform to its maximum capability.

What can be done?

Strategy mapping provides a visual representation of how an organization can align its resources and capabilities to achieve its strategic objectives.

MANAGEMENT ACCOUNTING GUIDELINE

OVERVIEW

Introduction to the Concept

You are sitting at your desk reviewing the results of the strategic planning retreat your organization just completed. The energy level amongst staff is high, and despite the average results of the past year, the future looks promising. Managers know what needs to be done to compete effectively and achieve desired results. The difficulty lies in getting workers to do what needs to be done. This is referred to as the knowing-doing gap. A cutting-edge tool that can assist in bridging this gap is called strategy mapping.

What is Strategy Mapping?

Strategy mapping is a structured process for managers to depict strategy in a graphical and illustrative (i.e., picture) format. Following a step-by-step process, strategy mapping allows organizations to describe and communicate their strategies. Starting with an overriding objective, the steps within strategy mapping guide organizations through the critical elements of

strategy (e.g., adding high-value customers, creating an organizational climate for action) in a format structured around the Balanced Scorecard.

Strategy mapping helps organizations execute their strategy and improve financial performance. There is strong anecdotal evidence that strategy mapping enables organizations to achieve results. A well-crafted strategy map improves the alignment of other corporate functions, including strategy planning, budgeting, monitoring, operations, and compensation.

Why is Strategy Mapping Relevant?

The knowing-doing gap is an issue that most organizations struggle with. Strategy mapping can help overcome the knowing-doing gap by illustrating strategy in a cause-and-effect format, and making strategy easier to understand. This in turn can facilitate the bridge between the strategy formulated by senior management, and the activities performed by the workers.

Investors, board of directors, stakeholders, and managers are all seeking improved performance as it relates to the execution of the organization's strategic plan. In order to do so, organizations must connect the dots between the formulation and execution phases of strategy. The ability to cascade an organization's vision, mission, and core strategies into actionable behaviors that achieve critical objectives is more difficult than much of what the current strategy literature world suggests. Failure to execute strategy not only leads to shareholder and board frustration, but also accounts for high levels of executive turnover.

Analysts are equally concerned about this knowing-doing gap. A series of Ernst & Young studies entitled "Measures That Matter" conducted in The United States and The United Kingdom asked analysts to rank the most important non-financial variables they look for in analyzing a firm's future prospects. The studies cited factors such as "ability to attract and retain talent," "management credibility," "innovativeness," and "quality of corporate strategy," but an important consideration for analysts in both countries was a firm's ability to execute its corporate strategy. The inference to be drawn is that, while analysts understand the importance of creating a value promise, the ability to deliver the promise is what justifies favourable ratings.

The Strategy Pyramid, in the diagram below, captures the essence of how strategy mapping helps to bridge the gap between the planned strategy and actual outcomes.

Strategy Pyramid

Figure 1 (Adapted from *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* by Robert S. Kaplan and David P. Norton) highlights where the strategy map fits in the overall strategic management process.

The Strategy Pyramid begins with shaping or reaffirming an organization’s mission, core values, and vision. These statements form the basis for discussions that lead to the development of a strategic plan.

The underlying concept of strategy mapping is based on a well-known premise “a picture is worth a thousand words.” While psychologists say that most humans are better able to respond to visual as opposed to verbal or textual forms of communication, until the past decade this axiom has not been widely used in business circles.

Strategy mapping brings this visualization to life in a generalized but highly integrated manner within the business context. Every organization, no matter its size or its sector, must meet customer or user requirements and financial obligations. In turn, customer and financial expectations can only be met with the right people, support systems, technologies and business processes. The strategy map incorporates these two outcome perspectives (customer and financial) with the input perspectives (people, systems and technologies, and processes) into a single representation that organizations can use to communicate their strategies and translate them into concrete actions.

Organizations adopting strategy mapping are able to reduce the impediments to successful strategy implementation. First, strategy mapping provides a way to describe and communicate strategy in a systematic manner; managers use maps to “tell the story” of their strategy to employees and other corporate stakeholders, thereby achieving a much greater understanding and engagement in the strategic process.

Second, strategy mapping forces organizations to place the onus first on the strategy and only secondarily on the measurement, and thus removes the problem of unfocused and numerous measures. Third, leading edge adopters use strategy mapping to not only define and communicate strategic

FIGURE 1: THE STRATEGY PYRAMID



imperatives, but also to validate their actions. They use them to test the links described on the map, for example, “If we undertake this set of strategies/initiatives in perspective X, then are we seeing the results we expect to see in perspective Y”?

How does Strategy Mapping Ensure an Enterprise is Sustainable (RAISE)?

As the marketplace continues to evolve at a rapid pace, organizations are faced with the dilemma on how to be resilient, adapt and innovate in their quest not only to sustain a competitive advantage and meet customer/client needs but also to remain as a viable ongoing concern. A useful ideology for ensuring successful implementation of strategy mapping is CPA Canada’s RAISE philosophy (whereby Resilient + Adaptive + Innovative = Sustainable Enterprises).

Properly structured strategy maps have consistently been shown to provide ongoing value and relevance. They not only change the way organizations effectively operate; they also provide a repeatable and sustainable method for deriving ongoing value from an organizations customer/client base while the organization reaps ongoing value in return.

At its core, the RAISE philosophy can help guide an organization (or enterprise) towards a unique customer-centric and competitive strategy that provides an ongoing sustainable edge. Strategy mapping leverages these philosophy drivers by developing resiliency in the face of challenges within competitive customer environments, adapting to sudden market changes, and innovating in response to the ever-evolving market needs. When these drivers of success are combined and leveraged, the outcome is a highly sustainable enterprise. This concept is explored further in this [guideline](#).

How do Professional Accountants in Business Add Value?

Professional accountants (CPAs) with a sound knowledge of the strategy mapping process play a critical role in promoting the RAISE philosophy by assisting an organization to realize the benefits described in this management accounting guideline series. Professional accountants are increasingly tasked with strategy and operational/tactical execution.

A successful strategy mapping implementation initiative draws on and sharpens the skills and expertise of its accounting professionals in several ways, in the following forms to ensure sustained value:

Creating Value

- **Formulation of strategies, goals, and objectives:** The senior professional accountant works as a facilitator with the executive management team in procuring the strategy map to define a sustainable path for the organization.

Enabling Value

- **Ongoing assessment:** The finance team plays a major role measuring the goals that were achieved as a result of strategy mapping.
- **Operation participation:** Professional accountants are major contributors to the operational aspects of ongoing actions that are needed to keep the organization aligned with the strategy map. They must be actively involved in the process of linking the strategy map to the management of day-to-day operations.



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This publication is one in a series on *Strategy Mapping*. The entire series of [overview](#), [guideline](#), [case study 1](#) and [case study 2](#) are available on our [website](#). For additional information or for general inquiries, please contact us at mags@cpacanada.ca.

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