CHAPTER 11

CREATING A STRATEGY MAP

Introduction

The strategy map is an essential leadership tool as it provides a clear, complete and coherent picture of how the business operates as an interconnected system, and of what drives success. It promotes intelligent and successful decision-making, fosters colleague engagement and supports sustainably strong and continuously improving performance.

The benefits of developing a strategy map

A clear strategy map helps to:

1. Manage performance effectively, because it:
    - Identifies the factors that drive performance and how they interact and affect each other
    - Helps differentiate between the genuinely important 'vital few' activities and the distracting noise of the 'trivial many'
    - Maintains a balance between short-term operational performance and long-term capability building
2. Improve cross-functional teamwork, coordination, cooperation and joint problem-solving by helping people understand how the business works as a system and how each part affects the others

3. Enable people to understand how their actions affect success. This in turn helps to engage and empower people, getting them more actively involved and taking greater responsibility for managing and improving performance
4. Ensure consistent, sustainable performance. The strategy map reduces the risk of focusing too much on one thing, knocking the system out of balance and undermining overall performance: For example, the drive for increased profitability can compromise quality or customer satisfaction, introducing failure-driven demand and associated inefficiencies, creating tensions and frustrations, and undermining sustainable financial performance. (Similar distortions can occur in the other direction by focusing too much on quality, customer satisfaction or employee satisfaction.) While it is tempting to push a system hard in one direction for short-term results, there's always a price to pay. No system works well for long when it's out of balance

Without the clear, comprehensive picture a strategy map provides, strategy and goal-setting is likely to be too loose, subjective and 'gut feel', driven by too narrow and rigid a set of measures, and characterised by focus jumping from one thing to another, rather than a consistent, balanced focus on all relevant factors being maintained.

Creating your strategy map

A generalised example is shown in Figure 11.1.

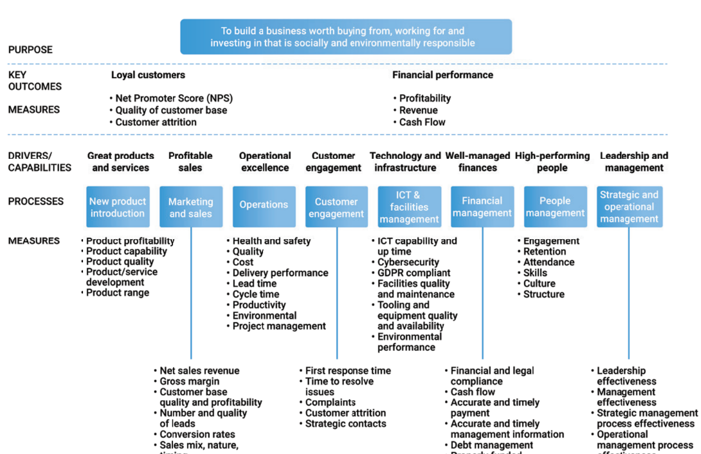

Figure 11.1: Top-level strategy map

There are four steps in creating a strategy map:

1. Identify your overall purpose
2. Identify your key outcome measures
3. Identify the core capabilities that underpin success
4. Derive from this the key measures that will allow performance to be managed and improved consistently and sustainably

Let's look at each of these in turn.

Step one: Identify your purpose

This is typically a short sentence or paragraph capturing the top-level criteria for success. For example:

> *'Toyota will lead the future mobility society, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, ceaseless innovation, and respect for the planet, we strive to exceed expectations and be rewarded with a smile. We will meet challenging goals by engaging the talent and passion of people who believe there is always a better way.' (Toyota Purpose Statement)*

Step two: Identify your outcome measures

The next step is to identify what the most important outcomes are for your business. Commercial organisations, for example, will need to have loyal customers and strong financial performance to survive and thrive. Increasingly, organisations also include social and environmental outcomes as being central to their purpose.

Step three: Identify the core capabilities

Next, identify the core capabilities and the underlying processes that the business requires if it is to deliver the desired outcomes. These capability areas will typically include:

- Great products and services
- Profitable sales
- Operational excellence

- Customer engagement
- Technology and infrastructure
- Financial management
- High-performing people
- Leadership and management

Step four: Derive the key measures

The final step is to decide how success in each area will be measured. The measures will be used to drive the agenda of management meetings – making them more productive, and cutting down time spent, by focusing everyone on the highest-leverage topics.

Now that you have a good first working draft of your strategy map, it is ready for the 'catchball' process which will hone the plan, develop the next-level plans and develop the concrete action plans, and in the process, inform, involve and engage colleagues at all levels across the organisation.

Summary

The strategy map helps to identify what success means, the factors that underpin performance and how these can be reliably measured. This allows meaningful goals to be set for strong operational performance, continuous improvement and strategic breakthroughs.