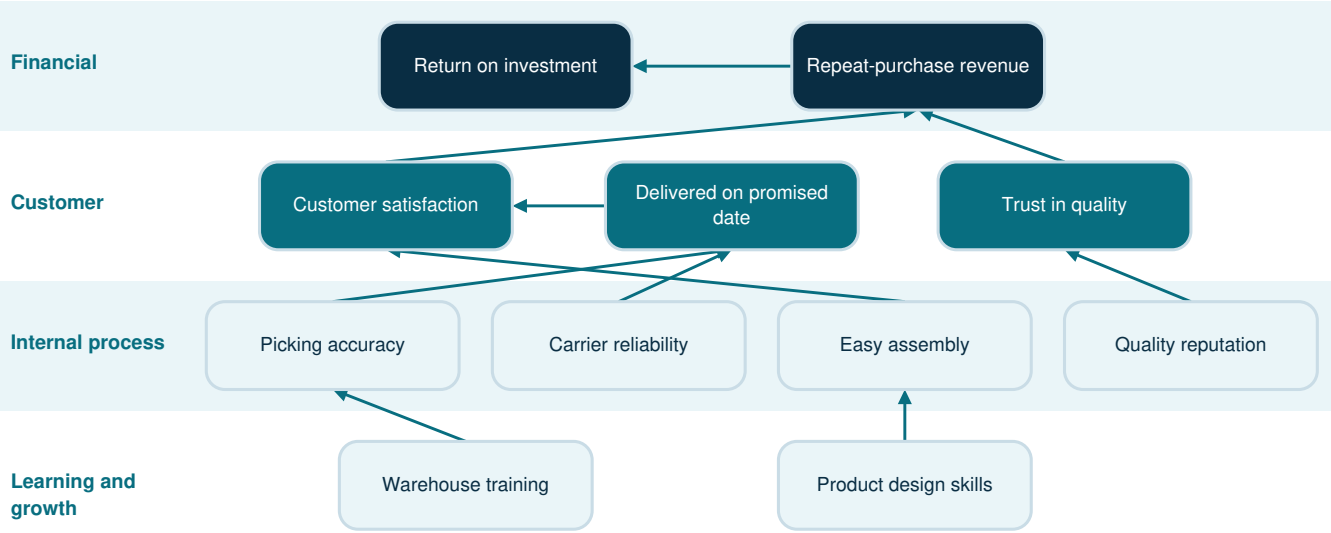
Strategy maps and cascading

MODULE 5 | PART B.4 | STUDENT COMPANION

Strategy map: a visual of the assumed cause-and-effect links between objectives across the scorecard perspectives - the predictive model. **Measure** = the characteristic (e.g. ROI); **target** = the level wanted (e.g. 12%).

A strategy map

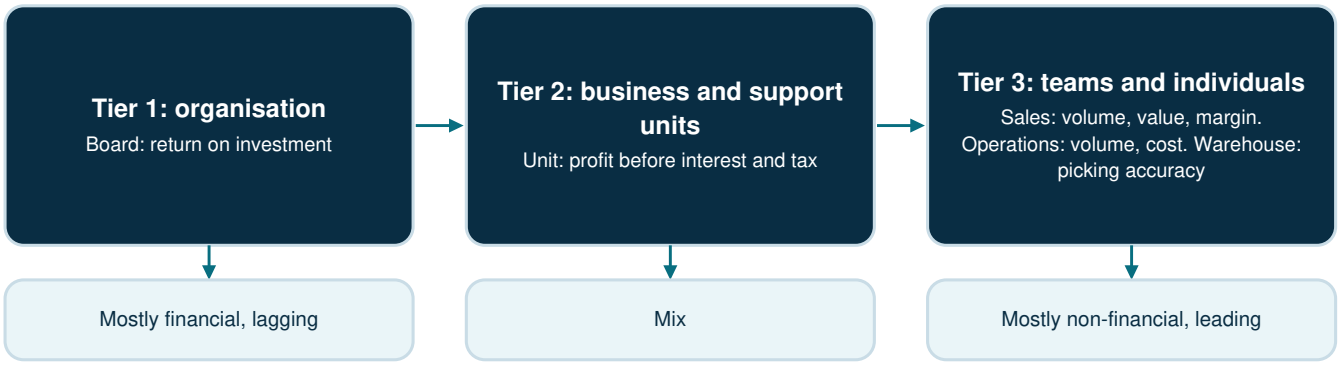


Imagined online furniture retailer: arrows show assumed cause and effect

Building a strategy map

Step	Remember
Customer focus groups	What customers value and will pay for
Internal cross-functional workshops	How to deliver it; obstacles and solutions
Top-down and bottom-up	Board sets targets and direction; staff identify obstacles
Measures and targets	For every element of the map
Budget reallocation	Move resources mid-year where performance lags
Continual learning	Revise assumed causes, measures and targets as results arrive

Cascading measures



Each level's measures differ, but feed the level above - about a dozen per manager

Watch for competing targets (sales overwhelming operations capacity) and internal charging that pits units against each other. Cascade to departments, cross-functional teams, or projects - with consistent measures.

Information systems for performance management

System	Contribution
Point of sale	Sales by product, store and hour; stock and staffing needs
Enterprise resource planning	Integrated accounting, operational, customer and supplier data; feeds scorecards
Cloud and big data	Scale, access and new data sources (with privacy risks)
Dashboards	Traffic lights (green, amber, red) and drill-down to detail

Making strategy implementation work

Four barriers

- No consensus at the top
- Strategy not linked to unit, team and individual goals
- Strategy not linked to resource allocation
- Feedback on short-term financials only

Keys to success

- One vision, owned by top management
- Measures show implementation and success
- Resources follow strategic priorities
- Individual and team measures linked upward
- One integrated, accessible suite of measures
- Measures used for learning, not just control

Turbulent environments (economic uncertainty, technology, new products, changing demand, regulation and competition) call for timelier information, faster decisions, links between projects and performance, and performance management used for learning.

Practice questions

MODULE 5 | PART B.4 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Draw a strategy map

A suburban physiotherapy clinic wants higher profit through more repeat patients. Sketch a four-level strategy map with at least six objectives and the links between them.

Question 2 - Cascade it

Cascade a group target of 'reduce component costs by 8%' to purchasing, production and finance, with one measure each.

Question 3 - Barriers

Two directors disagree about strategy, and budgets are still set as last year plus 3%. Which barriers are present and what would you recommend?

Worked answers

MODULE 5 | PART B.4 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Draw a strategy map

Learning: physiotherapist skills training; booking-system capability. Process: appointment availability within 48 hours; personalised home-exercise plans; reminder system. Customer: patient satisfaction and outcomes; repeat visits and referrals. Financial: revenue per patient; profit. Links run upward: training -> better plans -> outcomes -> satisfaction -> repeat visits -> revenue -> profit; booking system -> availability and reminders -> repeat visits.

Question 2 - Cascade it

Level	Measure
Group	Component cost per unit (8% reduction target)
Purchasing	Purchase price variance; supplier quality rejects
Production	Component wastage % and rework
Finance	Timely cost reports by component and supplier; savings tracked against target

Question 3 - Barriers

No consensus at the top, and strategy not linked to resource allocation (incremental budgets). Recommend a facilitated strategy-mapping workshop to agree one vision, then allocate budgets to strategic priorities and review them during the year.