


How strategy maps frame an organization's objectives: in an excerpt from their new book, two noted authors on corporate management outline how organizations can.

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Title: How strategy maps frame an organization's objectives: in an excerpt from their new book, two noted authors on corporate management outline how organizations can mobilize and sustain their intangible assets for value-creating internal processes

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Strategy describes how an organization intends to create sustained value for its shareholders. Strategy is not a stand-alone management process; it is one step in a logical continuum that moves an organization from a high-level mission statement to the work performed by frontline and back-office employees. The strategy literature is uncommonly diverse. Scholars and practitioners have very different frameworks for strategy and don't even agree on its definition. While "strategy maps"--to be discussed in this article--and Balanced Scorecards can be developed for any strategic approach, we base our approach on the general

framework articulated by Michael Porter, a founder and outstanding leader in the strategy field. Porter argues that strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the marketplace. The sustainable difference can be to deliver greater value to customers than competitors, or to provide comparable value, but at lower costs than competitors. He states, "Differentiation arises from both the choice of activities and how they are performed." The Balanced Scorecard strategy map provides a framework to illustrate how strategy links intangible assets to value-creating processes. The financial perspective (Figure 1) describes the tangible outcomes of the strategy in traditional financial terms. Measures such as return on investment (ROI), shareholder value, profitability, revenue growth and cost per unit are the lag indicators that show whether the organization's strategy is succeeding or failing. The customer perspective defines the value proposition for targeted customers. The value proposition provides the context for the intangible assets to create value. If customers value consistent quality and timely delivery, then the skills, systems and processes that produce and deliver quality products and services are highly valuable to the organization. If customers value innovation and high performance, then the skills, systems and processes that create new products and services with superior functionality take on high value. Consistent alignment of actions and capabilities with the customer value proposition is the core of strategy execution. The financial and customer perspectives describe the desired outcomes from the strategy. Both perspectives contain many lag indicators. How does the organization create these desired outcomes? The internal process perspective identifies the critical few processes that are expected to have the greatest impact on the strategy. For example, one organization may increase its internal R & D investments and reengineer its product development processes so that it can develop high-performance, innovative products for its customers. Another organization, attempting to deliver the same value proposition, might choose to develop new products through joint-venture product partnerships. The learning and growth perspective identifies the intangible assets most important to the strategy. The objectives in this perspective identify which jobs (human capital), which systems (information capital), and what kind of climate (organization capital) are required to support the value-creating internal processes. These assets must be bundled together and aligned to the critical internal processes. [FIGURE 1 OMITTED] The objectives in the four perspectives are linked together by cause-and-effect relationships. Starting from the top is the hypothesis...

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