A Balanced Scorecard to drive growth through synergy: The application of Strategy Mapping in an International group of companies.

This detailed case study describes how strategy maps were used to design the balanced scorecards for a group of international technology companies.
The strategy mapping approach identified where synergy was available from amongst the various companies. The Balanced Scorecard was then designed to ensure that the

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1 INTRODUCTION

This case study demonstrates how strategy maps are developed and used by working through an example from a commercial organisation. For those who may never have used a strategy map alongside a balanced scorecard, this case study provides a detailed example. For those familiar with strategy maps, this case study demonstrates how to use strategy maps to elicit strategy, developing themes of a strategy map, and how to cascade a set of strategy maps across a group. The strategy maps also show the use of the fourth generation values perspective. The example also shows how measures can be chosen to ensure they tell the story of the strategy just as well as the strategy map.

We choose this case study to highlight some of the core principles of strategy map based balanced scorecards and demonstrate modern balanced scorecards. If you apply the principles that these strategy maps use, you will have an effective tool to communicate and manage your strategy.

Most case studies describe the finished strategy map. You might call that the "here a miracle happened" approach. In contrast, this case study describes the thinking behind how and why the strategy maps were designed, introduced and developed in the way they were. They deliberately expose the iterative nature of the strategy maps' development.

In all strategy map design you have to think about two things:

1. The content of the strategy map – that is the reflection of the organisation's strategy

2. The process of strategy mapping, which is how you elicit the strategy, develop ownership of the strategy maps and ensure they are used to bring about change and improvement.

The approach of this case study is designed to help you understand how to think about your strategy maps and the strategy mapping process.

2 INTERNATIONAL TECHNOLOGY GROUP

This organisation was part of a larger UK FTSE100 water utility company. Within that organisation, the Technology Group had been designing and commissioning water treatment plants, using various technologies, including their own innovations. The organisation decided to expand and had recently acquired three other companies, that did similar, but complementary work, in UK, Germany and Sweden to form the International Technology Group with the ambition of providing their expertise and services in a far wider set of countries.

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The strategy maps developed in this project were used over the next two to three years to manage the strategy, align the organisations and tease out synergy across the group. Over five years, the group grew from around £80m to around £210m. Though the Group changed its Managing Director part way through the period, the new MD continued to use the strategy and strategy maps that had been developed. The new MD said that the strategy map's focus on building capability and culture across the group was fundamental to the group's operations and successes. After five years the parent company decided to sell off most of the international acquisitions and revert to its core business. Even so, the remaining UK team still operated a strategy map that was recognisably derived from the original some five years earlier.

2.1 THINGS TO NOTICE ABOUT THE STRATEGY MAPS

As you read through this case study, there are some things about the strategy map design to notice and some aspects of this particular organisation that influenced both the design and the approach taken to the strategy maps.

- The strategy maps contain objectives, not measures. As you will see, measures are developed once the strategy map and objectives are clear. This avoids premature measure design and facilitates the refinement of measures if those chosen are not suitable or can be improved.

- The four perspectives of the strategy map create a cause and effect model. This cause and effect model contains objectives and allows the strategy map to tell the story of the strategy and how it will improve the organisation's performance.

- A fifth perspective, the "Organisational Values" perspective has been added underneath learning and growth. This anchors the strategy on the organisational values and acts to ensure there is alignment between the values and the strategy

- Both the strategy and the strategy map have three themes. These three themes apply to and are cascaded to all the companies in the group. The themes cross the perspectives of the strategy map and contain aspects from each perspective.

- The strategy map is developed iteratively. First from the Technology group perspective and then for each of the new operating companies. This was finally brought together into one for the group as a whole.

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2.2 BACKGROUND AND STRATEGY

Particular aspects of this case study and the organisation's strategy:

- The group was refining, communicating and creating ownership for its strategy at the same time as developing the strategy maps. The strategy mapping process worked alongside, and complemented, management discussions to bring the strategies of the companies together. This is the ideal situation, as the management teams get to use and own their strategy maps. You can also capture an existing strategy with strategy maps, but have to pay attention to ownership as well.

- The group strategy was fundamentally about growth (winning new opportunities) through synergy across the group. So the strategy map needed to describe those synergies and how, and where, synergy would improve performance. The development of the strategy maps needed to identify individual the strengths and weaknesses in each operating company and then potential synergies across the Technology Group.

- The strategy also needed to ensure that each company recognised how it could contribute and be helped. It also needed to accommodate differing approaches, cultures and values. Therefore an iterative development approach was used to both refine the strategy maps and develop ownership. .

The approach shows how the final group strategy was developed, iteratively, as a collective group strategy. A collective strategy which each company contributed to, owned, and played a part. Further developments, beyond this case study, cascaded the strategy maps deeper into the individual companies in the group.

3 STRATEGY MAPPING PROCESS

The initial structure of Technology Group was a UK Head office, consisting of the engineering design and project management team and an innovation team. The new companies were in the UK, Germany and Sweden.

The strategy mapping process started with the Group Managing Director and his immediate team in the UK. Normally, you would involve the managing directors of the subsidiary companies in this initial strategy map design work. However, the group had only recently formed. The UK management team were in discussions with the acquired company's management teams about the strategy and each company's future direction in the group. So the Group MD decided they would initially describe the strategy, centrally, and then

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involve the other company's Managing Directors and their teams as a second iteration. Thus using the approach to introduce the new companies to the group direction.

This meant that the strategy map and balanced scorecard development needed to be developed in phases, with each phase creating an iteration of the strategy and strategy maps across the companies in the group. It also required the engagement of the management team in each company as the first version was refined and developed with their help.

3.1 TEASING OUT THE OVERALL STRATEGY

The project started by identifying the future direction and ambition for the group as a whole. The ambition was to develop further existing markets whilst bringing about significant growth in new markets, using the combined capability of the group. The strategy was fundamentally about international growth, through synergy. They wanted to bring together the different strengths in each company, and to develop international opportunities that they could win, develop and deliver, together, profitably.

Whilst these companies each contained project managers and water engineering consultants, they delivering to different markets and had different strengths. The main UK office team were mainly designers and project managers. It also had a strong innovation team. The new UK subsidiary was strong on commercial contracts and innovative technologies, but in a different niche area of water treatment. Germany was strong on sales and engineering skills, but needed more project management expertise. It also operated in Eastern Europe, which opened up new markets. The Swedish subsidiary provided yet further technology innovation and operated in different markets again. The strategy was to get the companies to share technologies, skills, and knowledge, so they would ultimately win more, larger, contracts together.

3.2 ISOLATING THE ACQUISITION ACTIVITIES

A part of the group strategy involved further acquisitions: finding, engaging, funding and bringing on board more companies through an acquisition process. However, it was decided not to include the acquisition strategy within the main strategy map. This was to ensure that management attention stayed on synergy and delivery rather than being diverted onto the more attractive acquisitions activities. A separate strategy map was developed for the acquisition and merger process.

3.3 INITIAL GROUP STRATEGY MAP

The initial strategy map, shown in figure 1, came from the group management team discussions and reflects how they were thinking about the strategy. This was deliberately

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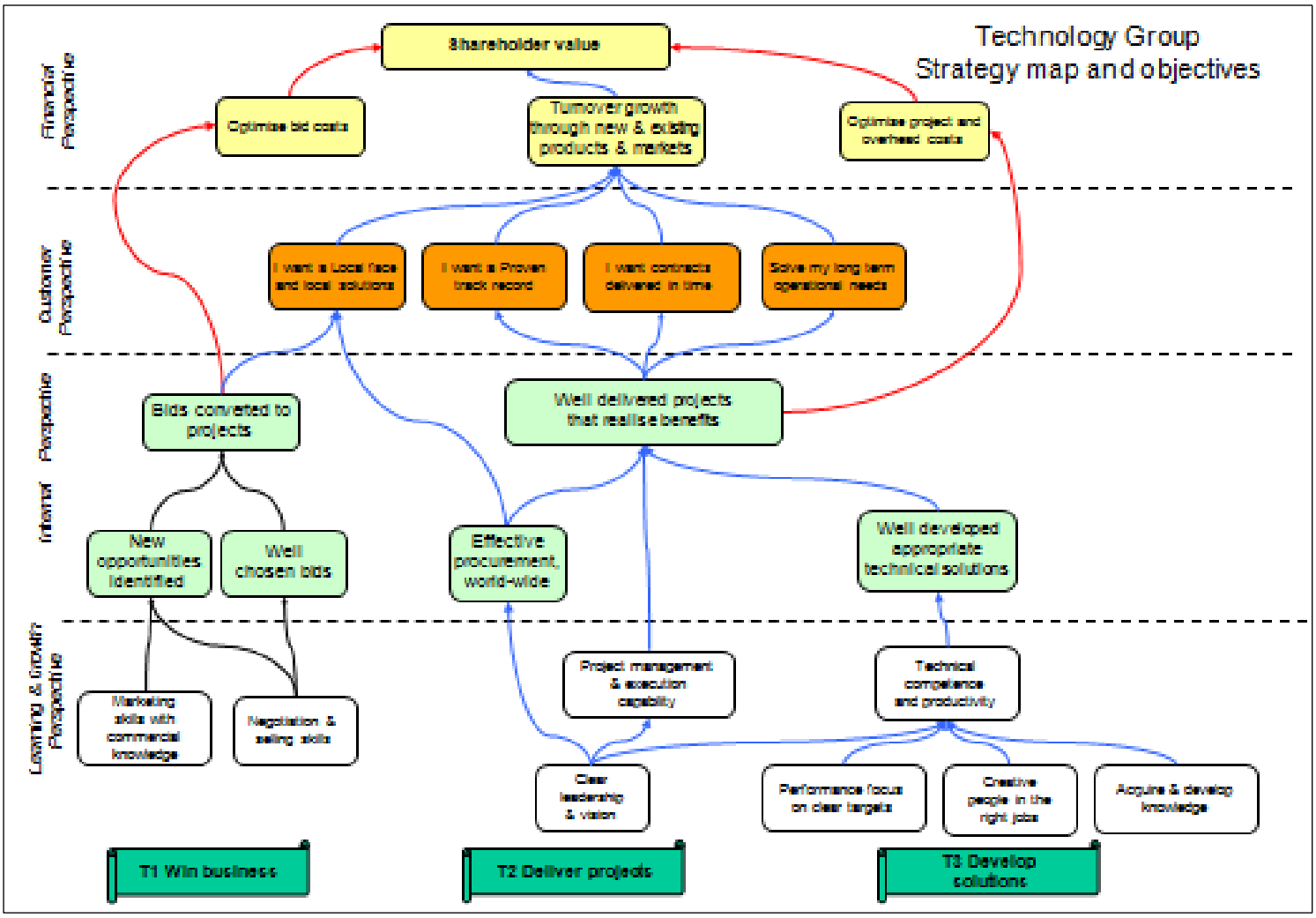
marked as a first version to allow the other companies to develop it further and feel they could develop it further.

This strategy map uses the four main perspectives along the left hand side. The order of the perspectives represents the cause and effect model. At this point the values were not left off, to be added as you will see in later iterations once they had been tested amongst the other companies in the group. Objectives exist in each perspective represented by the various named boxes.



This strategy map has three main themes: win business, deliver projects and develop solutions. These three themes are vertical. They cross all the four perspectives and describe how the strategy will be delivered by each part. Each theme contains a separate cause and effect story, and the three themes work together to make up the whole strategy.

As you can see, the management team believe that shareholder value will be created in part by optimising costs and overheads and in part by new revenue growth. Revenue growth will come from both new and existing customers perceiving that the company provided a local face, delivered compliant contracts and had a proven track record.

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The first theme "Win business" relies on the sales and marketing teams identifying new opportunities and then, together with the bid teams, ensuring that the bids are converted to projects. These are both process objectives. To achieve this, the organisation believes it needs to improve its marketing skills and knowledge, as well as to improve both selling and negotiation skills.

The second theme is about well delivered projects that realise benefits for their customers. This relies on the first theme, Win business, and the third theme, Develop Solutions. It may have seemed more natural to put this theme on the right, but the management team wanted well delivered projects to be centre stage. The management team recognised that, to deliver international projects for new clients, they needed to do two things well. They needed effective procurement of the materials required for those projects and, as was added later, they needed to find the right partners to work with. This relied on their ability to manage projects well and also the management team demonstrating clear leadership across the new group.

Their third theme was designed to ensure they developed and applied appropriate technology solutions to the contracts. The technology needed to help the project deliver. It relied on the technology development process being effective. This in turn was driven by the organisation's technical competence. Underpinning this was the organisation's ability to acquire and develop knowledge, have the right people in the right jobs, and ensuring a culture with clear targets and where performance mattered.

This overall design represented the management team's first draft of the strategy map. It shows the overall themes of the strategy and their concerns in the areas of leadership, knowledge and project delivery. At this point, the UK group management team were happy with the map as a starting point, recognising that it would be discussed with each company and refined as a result.

3.4 REFINING THE STRATEGY ACROSS THE GROUP

Having developed this first draft strategy map, strategy workshops were set up with each separate company's management team. The first draft group strategy map was used to explain the overall group strategy and, as a starting point, to invite each company to build and develop local emphasis and how each local company would contribute to the overall strategy.

Bear in mind that the other companies had not been in the group long, though the key players in each company's management team had been in discussions through the acquisition process and continued to be in discussions about the group direction and strategy. They were not developing a strategy from cold. Rather they were elucidating the strategy that was fundamental to the acquisitions. The workshops included a representative

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of the UK group management team participating to ensure alignment with the overall direction and resolve any issues.

Starting from the top of the strategy map, the story of the strategy was told and reviewed. This allowed each management team to enhance the story with their particular perspective and contribution. Each company built upon the strategy map to develop objectives that reflected their ambition, contribution and wording, in the context of the overall strategy. In some cases new objectives were added. In other cases, words were refined to reflect their particular angle. The individual company's views enhanced the detail of the overall objectives.

As a result, the various strategy maps had a similar structure or themes and objectives that reflected their overall strategy and their contribution to the corporate objective, but they omitted some objectives and added others, depending upon their circumstances, emphasis and capabilities. The main mechanism of the cascade is the structure of the themes rather than the detailed objectives.

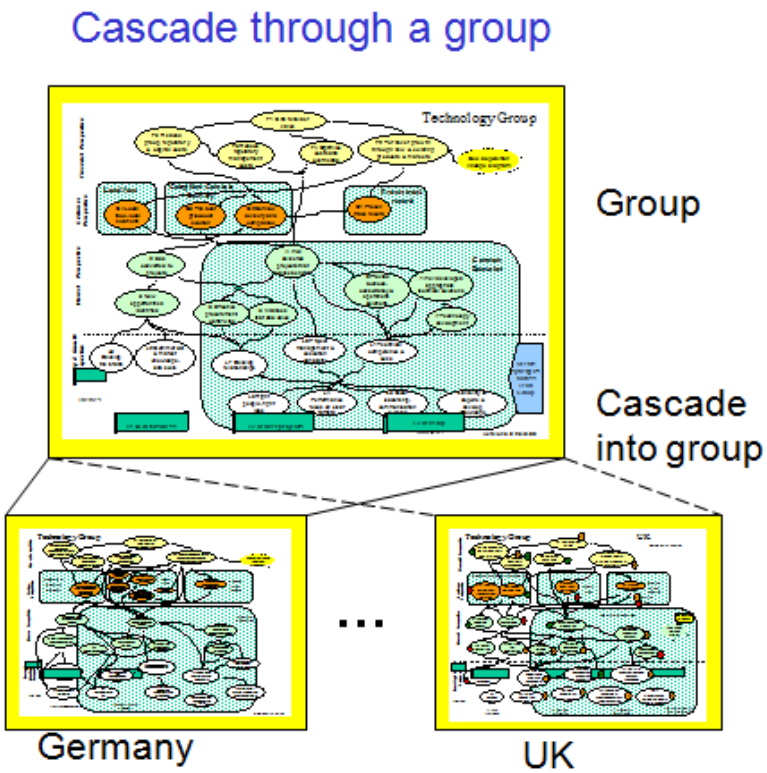

Figure 2, above, shows the original group strategy map has developed and the strategy maps for each company have now been created. The lower strategy maps represent two of the various companies in the group. Each have the same overall themes and structure of the group strategy map, but contain additional or modified objectives within those perspectives and themes.

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3.5 CONSOLIDATING THE STRATEGY

The next stage in the design and development of the strategy maps involved two pieces of work. Firstly to produce a consolidated strategy map from which a balanced scorecard could be developed for the group. Secondly, to assess how each company in the group was performing against these consolidated objectives, so we could see where one company could help another and so where synergy might be found.

To refine the objectives, the input from the various workshops was used to add detail to their definitions. We needed to define all the objectives clearly, before we started developing any measures, to ensure that we were clear what they wanted to measure, before they started to choose measures. The refinement involved looking across each company for the detail they provided for each of the original objectives. Quite often they were similar, but perhaps phrased differently or with a different emphasis. This allowed us to refine and develop the initial definitions of the objectives that combined the aspects identified by each company.

From the workshops, each company provided a score for how well they felt they were performing against the objectives they had identified. This scoring was an important part of the workshops. We asked for a score out of 10, as a judgement of how well they thought they were performing against each objective, backed up with evidence. Converting these scores to a red, amber, green scale enabled them to see at a glance how each company felt they were performing against the strategy, as they defined it.

This meant that we were able to obtain an initial assessment of where each company thought its strengths and weaknesses were. By looking across the rows for any objective, we could identify where one company was strong and another felt it needed help. Of course, it was possible that one company scored itself harshly and another generously. However, the approach created a starting point from which the various companies could discuss their relative strengths and weaknesses and so identify where they could help one another. This identified explicitly where synergy might occur and what they needed to do to unlock it as a part of their overall strategy.

3.6 BRINGING THE MANAGEMENT TEAMS TOGETHER

This work was subsequently used to seed a two-day strategy meeting involving the senior management teams of all the companies. This event allowed each of them to express their views, hear the views of others and understand how the individual companies could help and contribute to each other. This was also the first time they had all come together in a single place, so the event was as much about getting to know one another, as it was about building the new team around the joint direction, strategy and ambition. Using the input from this two-day event, the strategy maps were refined and developed further. This

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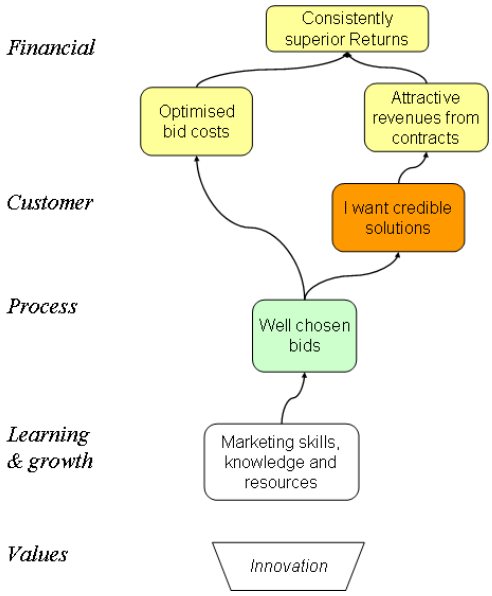
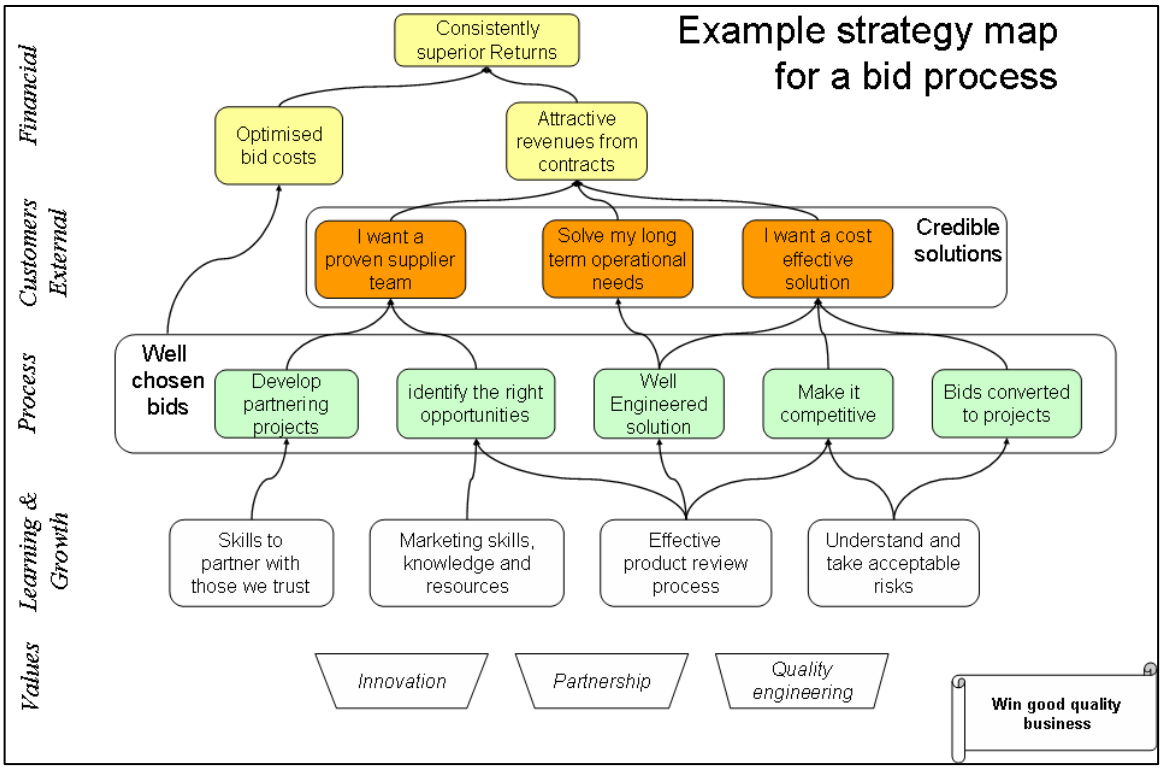
included developing the definitions of the objectives, so that measures could be developed from them.

4 DETAILING THE TECHNOLOGY STRATEGY MAP

The themes were developed using the input of those that were strongest in each area. For instance, the "win business" theme was further developed into its own strategy map that detailed the strategy map for the bid process. Figure 3 alongside shows the outline of the theme. Figure 4 shows how this was expanded and developed to flesh out the bid process. This is an example of cascading strategy maps by themes. Notice how the cause and effect model across the perspectives is retained in the more detailed strategy map and the objectives in each perspective expanded to elaborate further the bid process. Similar maps would exist for the other two themes of the technology map.



In this theme, you can see how the top level strategy map contained the customer objective, "I want credible solutions". In this more detailed strategy map "Credible solutions" is broken down into three more detailed customer objectives "I want a proven supplier", "Solve my long term operational needs" and "I want a cost effective solution". This is typical of how an objective gets defined, detailed and clarified, before measures are chosen.



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4.1 DEVELOPMENT OF MEASURES FROM THE STRATEGY MAP

Having developed the strategy map and detailed the objectives, it was then possible to choose and design the measures that best allowed measurement of the strategy. The process for developing the objectives relies on the development and definition of the characteristics of the objectives, BEFORE any measures are developed. From these characteristics, you are able to choose the most appropriate measures of the objective.

Figure 5 shows the early draft measures associated with the top level strategy map for the group. You will notice immediately how the story of the strategy that is told in the strategy map, is lost when the objectives and measures are presented as a table.

OUTCOME	LEAD MEASURE: BEHAVIOURS AND ACTIONS	LEAD: BASE This yr	LEAD: TARGET Next Yr	LAG MEASURE: MEASURE OF SUCCESS	LAG BASE: This Yr	LAG: TARGET Next Yr
What will shareholders want?						
F1 Shareholder Value	NPV of anticipated future profit			Group contribution to profits		
F2 Turnover Through New and Existing 'Products' and Markets	Acquisition	0	3	Turnover (incl. acquisition)	86mE/y	250mE/y
F3 Reduce Group Capital Costs	Forecast savings in capital costs	0	-40mE/y	Actual savings	0mE/y	40mE/y
F4 Reduce Operational Costs	Design for low power and chemical consideration	1	costs/ unit of water	Actual opex costs		
What will customers want?	These measures will be achieved via a customer survey					
C1 Proven Track Record						
C2 Contract Delivery and Compliance	It needs to address:					
C3 Exceed Customer's Project Expectations	- wider market - brand issues					
C4 Excellent Water Quality Invisible Waste Water	- customers we work with		1 time/yr	Customers preferring us as next contractual partner	?	70%
C5 Sustainability of Communities and Environment	- customers we have worked with					
C6 Local Face, Local Solutions						
Which processes must be excellent						
I1 Well Developed Appropriate Technical Solutions (Engineering)	Measure relating to early design review - compliance with procedure		100%	Final design reviews are satisfactory against manuals and customer specifications (independent on peer reviews)		100%
I2 Bids Converted to Projects (Sales)	Measure opportunities with a pretender evaluation (e.g. Purac Ltd lists)		100% use	Conversion rate bid to contract	25%	33%
I3 New Opportunities Identified (Marketing)	presentations/conferences/individual visits etc		Number of active contacts	Value of invitations to tender		>750mE/y
I4 Well Delivered Projects that Realise Benefits (Project Management)	Forecast Cost v Budget and Deliverables are on time and schedule		100%	% of projects reaching gross margin and customer sign-off on time		100%
I5 Alliances Add Value	Case by case evaluation of the alliance		100% use	Conversion rate bid to contract		33%
			100% use			100%
I6 Effective Procurement World-wide (Procurement)	Use of Group wide, procured goods, data base	0	80% of value	Decrease cost of goods and services compared with cost estimate		2%
I7 Technology Development (Innovation)	Potential new technologies passing ICG Stage 1 approval		10/y	Proven new technologies	0	3
What must we learn and grow						
L1 Technical Competence and Productivity	Time allocated/demonstrated spent on learning		40 h/y	Skill coverage	-	-
L2 Marketing Skills with Commercial Knowledge	Time allocated/demonstrated spent on learning		40 h/y	Skill coverage	-	-
L3 Creative People in the Right Jobs	Personal development plans		2 /y person	Personal performance plan achieved		100%
L4 performance Focus on Clear Targets	Time spent against target			Joint Performance Appraisal		100%
L5 Clear Leadership and Vision	Communication of vision against plan	-	-	Upward Appraisal		100%
L6 Capability to Learn and Acquire Knowledge	Post project reviews		100% use	Knowledge audit	-	-
L7 Negotiation and Selling Skills	Time allocated/demonstrated spent on learning		40 h/y	Skill coverage	-	-

This example is included here, because this is how most balanced scorecards are presented: many without the context of a strategy map to tell the story behind them and to help guide the choice of measures.

This table does show how lead and lag measures have been identified for the various objectives. This is a design stage scorecard used to identify what is best to measure and ensure that, as a set, they make sense and provide a complete picture. The reporting balanced scorecard would show levels of performance and targets for these measures. Separately, you would also develop any actions or projects designed to bring the changes about and show who is responsible for the delivery of the objective.

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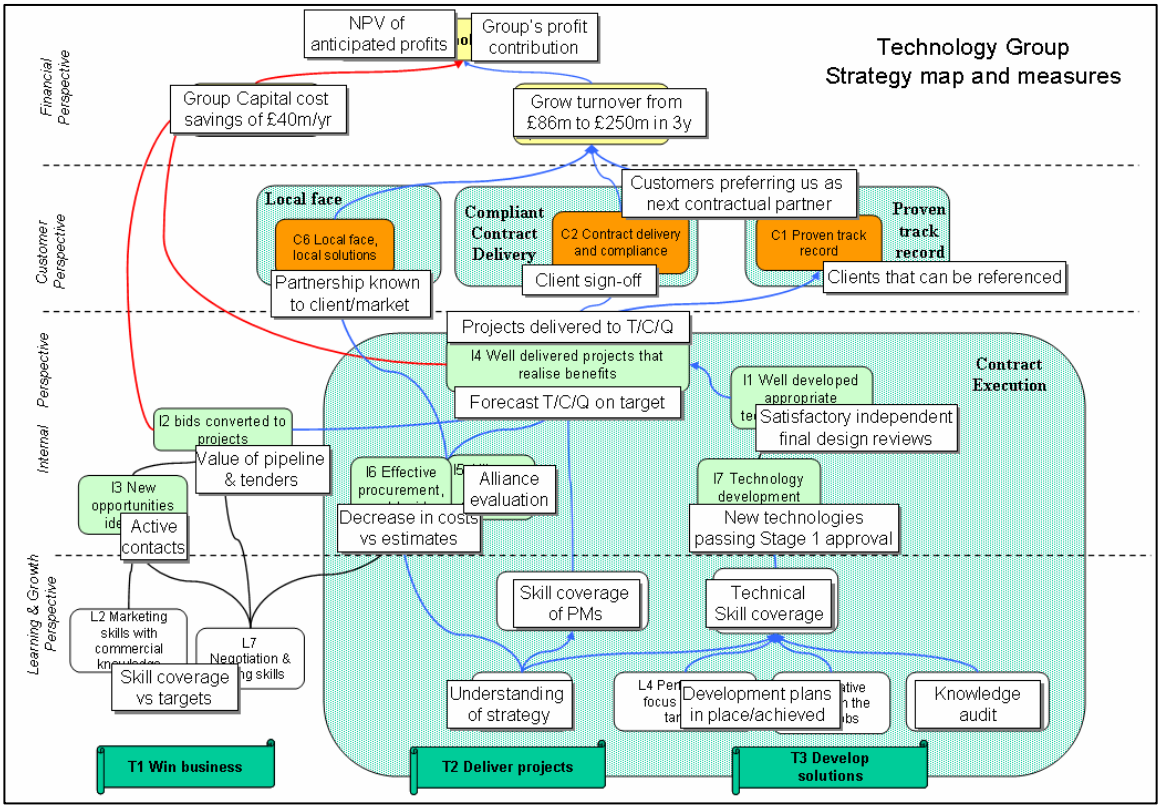
4.2 TIGHT INTEGRATION BETWEEN STRATEGY MAP AND MEASURES

The strategy map is a tool of communication. A strategy map should tell the story of your strategy. Measures alone generally don't tell the story of a strategy. Instead, using the strategy map and measures allows you to tell the story through the strategy map *and* the measures. The strategy map in figure 7 shows how to do this. By placing the measures in the context of the strategy map, you can check whether the measures also tell the story of the strategy, whether they are balanced and how they work as a set of lead and lag measures to predict performance.

In this diagram the measures derived from each objective have been placed next to their objective on the strategy map. This allows you to see how the measures relate to the strategy and the extent to which they cover the perspectives and the breadth or themes of the strategy. You can see immediately that we have a good coverage of measures across the strategy map.



You should therefore be able to tell the story of the strategy through the measures, just as we have with the objectives. You should be able to do this with any strategy map and its corresponding balanced scorecard.

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5 CONCLUSIONS

This case study provides an example of a strategy map used to capture the group strategy and then see how that strategy applies in separate companies in the group. It is also a good example of where the approach can be used to identify and exploit synergy across parts of an organisation.

It is worth noting, again, that this group were still using the same basic strategy map some five years later. That persistency was down to two things:

1) The strategy map was developed in a way that created ownership and understanding. It was recognisably their strategy, represented in a strategy map that that management team owned and understood.

2) Staff, outside the management team, were also involved in the design. More importantly, they were trained in the principles, and more detailed maintenance and support tasks necessary to maintain the balanced scorecard, to assist in reporting and also update the strategy maps and balanced scorecards as necessary. Particular attention was made to involving team members outside the UK head office.

The approach we use is specifically designed to gain ownership of both the process and the content. We find that this means clients are able to support and maintain their balanced scorecards and it continues to be useful and work for them.

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6 ABOUT EXCITANT

Now you have some of the insights our approach and how it creates a sustainable strategic performance management approach in an organisation.

Thank you for taking the time to read this case study. We are happy to talk about what you found and the potential implications for your organisation's strategy.

To find out more, or to have a conversation about how performance management could be improved in your organisation, simply send us an email or pick up the phone.

6.1 ABOUT EXCITANT

We are a niche consultancy. We specialise in Fourth Generation Balanced Scorecards that improve how you manage strategy and performance. We are experts in making Balanced Scorecards work as a tool of strategy and performance. We help you to manage such organisations better, so you can get the best out of your people and measurably improve your financial performance and results.

6.2 WHAT MAKES US DIFFERENT?

- We want to pass our skills to you, our clients, as quickly and effectively as possible. That way you get sustainable results and we get a good reference site.
- We don't hold back. We ask hard questions and push our clients to uncover and address the deeper elements that stop performance happening.
- Deep expertise. Our skills are based on practical experience and research, so you can improve and develop.

6.3 TO EXPLORE THIS FURTHER

For more information or to have an informal discussion about your needs, call Excitant directly and ask for Phil Jones. The number is 08456 809 208 (in the UK) or from outside the UK +44 1780 784 887. Or send our Managing Director, Phil Jones, an email via info@excitant.co.uk , Thank you.