Strategy Maps: Converting Intangible Assets Into Tangible Outcomes

Robert S. Kaplan
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From the authors of the worldwide bestselling The Balanced Scorecard

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More than a decade ago, Robert S. Kaplan and David P. Norton introduced the Balanced Scorecard, a revolutionary performance measurement system that allowed organizations to quantify intangible assets such as people, information, and customer relationships. Then, in The Strategy-Focused Organization, Kaplan and Norton showed how organizations achieved breakthrough performance with a management system that put the Balanced Scorecard into action. Now, using their ongoing research with hundreds of Balanced Scorecard adopters across the globe, the authors have created a powerful new tool—the "strategy map"—that enables companies to describe the links between intangible assets and value creation with a clarity and precision never before possible. Kaplan and Norton argue that the most critical aspect of strategy—implementing it in a way that ensures sustained value creation—depends on managing four key internal processes: operations, customer relationships, innovation, and regulatory and social processes. The authors show how companies can use strategy maps to link those processes to desired outcomes; evaluate, measure, and improve the processes most critical to success; and target investments in human, informational, and organizational capital. Providing a visual "aha!" for executives everywhere who can’t figure out why their strategy isn’t working, Strategy Maps is a blueprint any organization can follow to align processes, people, and information technology for superior performance.

Kaplan and Norton co-authored an article which was published in the Harvard Business Review (January/February 1992). In it they introduce an exciting new concept: the balanced scorecard.
They have since published three books: this one, preceded by The Balanced Scorecard: Translating Strategy into Action (1996) and The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment (2000). Here’s some background on the two books before we shift our attention to Strategy Maps. In The Balanced Scorecard, as Kaplan and Norton explain in their Preface, "the Balanced Scorecard evolved from an improved measurement system to an improved management system." The distinction is critically important to understanding this book. Senior executives in various companies have used the Balanced Scorecard as the central organizing framework for important managerial processes such as individual and team goal setting, compensation, resource allocation, budgeting and planning, and strategic feedback and learning. When writing this book, it was the authors’ hope that the observations they share would help more executives to launch and implement Balanced Scorecard programs in their organizations. Then in The Strategy-Focused Organization, Kaplan and Norton note that, according to an abundance of research data, only 5% of the workforce understand their company’s strategy, that only 25% of managers have incentives linked to strategy, that 60% of organizations don’t link budgets to strategy, and 85% of executive teams spend less than one hour per month discussing strategy. These and other research findings help to explain why Kaplan and Norton believe so strongly in the power of the Balanced Scorecard.

"Finally the book from Norton/Kaplan that links Scorecarding to Intangible Assets Management and that focuses on the holistic process (not on a tool) of managing strategically". That’s what I thought BEFORE the book was published. That’s what I expected. But this book takes a different, a very different turn. Strategy Maps fails in two critical aspects: First, it presents Strategy Maps as a tool. "As important as the Balanced Scorecard" (citation from the introduction!), the authors claim. This is CRAP. In fact, Strategy Maps are and have always been a critical part of the typical Scorecard-based strategy management process that we might also refer to as "scorecarding". Maps are NOT another tool that we might or might not use. They are simply an ESSENTIAL part of using the Balanced Scorecard. No Strategy Map = No (real) Scorecard. Period. Why? Without a Strategy Map, a Scorecard is just hollow numbers and graphs. (And by the way: I guess 90% of today’s Scorecards in practice are just that. Hollow and useless...). So this is not about a new tool really, but on one specific aspect of scorecarding. Too bad that Norton/Kaplan try to hype this as "the next big thing!". Second problem: Norton/Kaplan seem to be just too narrow-minded nowadays to acknowledge what OTHERS (outside the Balanced Scorecard Collaborative) have been doing lately. They fill plenty of pages this time with examples (the book is in fact very repetitive), and they
could have used the pages better connecting the Scorecard concept with fresh ideas. But they don't. They don't make use of valuable accomplishments regarding Intangible Assets Management. They ignore the highly relevant Beyond Budgeting framework.

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