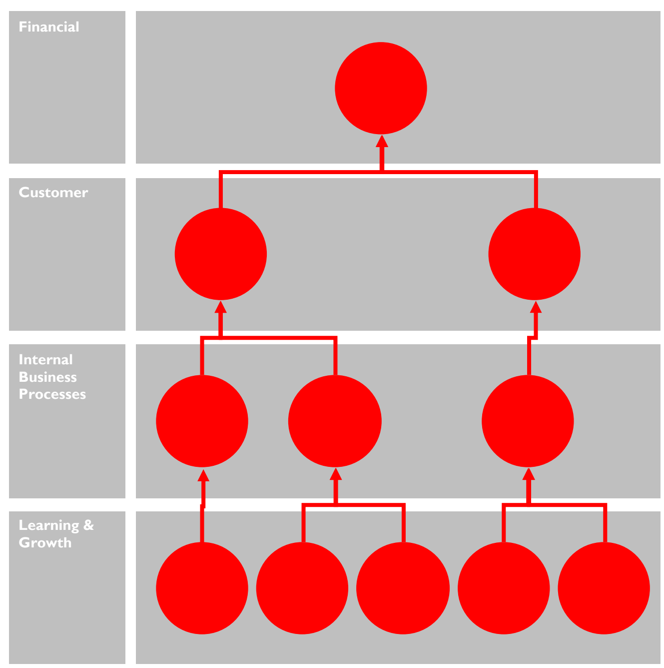
The brand strategists' toolkit #9

The Balanced Scorecard & Strategy Map



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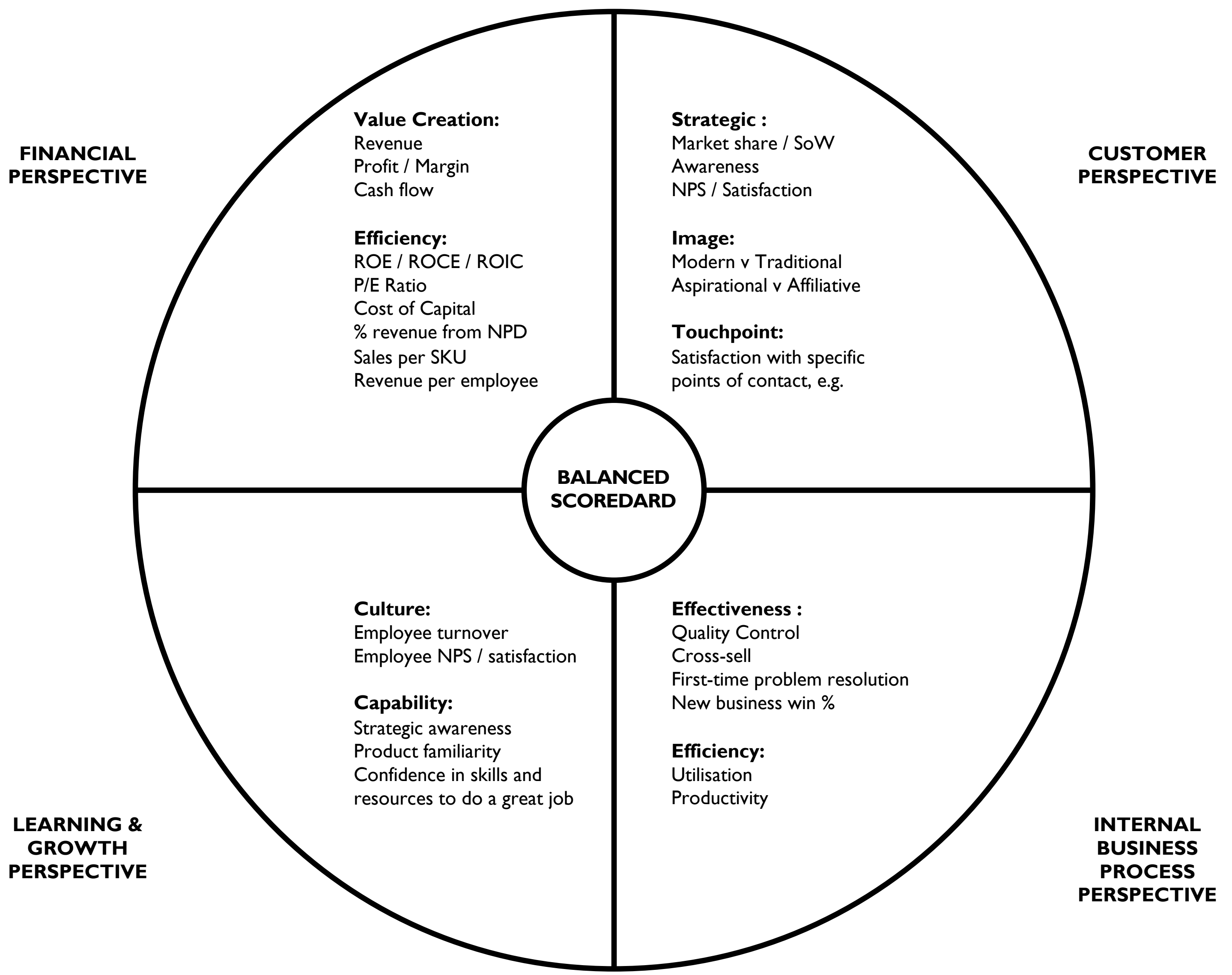
Along with Britpop, curtain hairstyles and lad culture, the Balanced Scorecard was wildly popular in the 1990s.

Or at least so it seemed to me.

I was working in brand valuation and wrestling with the idea of how to bring together financial and non-financial measures of brand performance in a single framework in a way that felt vaguely sensible. The problem is a thorny one. Financial measures are loved by brand owners because they are 'hard' metrics that shareholders care about: what level of sales did we achieve in the past quarter? How much did each sale cost us? What level of return have we received on our capital employed? The drawback with these measures is that they are all backward-looking indicators of past accomplishment rather than future success. And as management theorists are fond of pointing out, "You can't drive a car looking in the rear-view mirror." On the other hand, leading indicators of future performance tend to be non-financial: how motivated are our employees? How positive are our relationships with customers? How strong is our brand?

It doesn't take a genius to work out that achieving a balance between leading non-financial metrics and lagging financial metrics is the most sensible way to assess how you're doing. But it does take a genius to work out exactly how to achieve this balance. Or even two geniuses.

In 1996, Harvard Business School Professor Robert S. Kaplan and consultant David P. Norton literally wrote the book on Balanced Scorecards. This is the first business book I truly loved. Kaplan and Norton's scorecard is designed to answer four fundamental questions:



1. How much value are we creating and how effective is our use of resources? (the financial or 'stewardship' perspective)
2. How do customers see us and how strong are our relationships with them? (the customer perspective)
3. How efficiently and effectively are we working? (the internal business perspective)
4. How good are we at improving how we work? (the learning & growth perspective)

The resulting Balanced Scorecard is split into four sections that represent each of these perspectives. The brilliance of the design is not just the clarity of thought, but Kaplan and Norton's insistence that each of these perspectives is interrelated: Sustainably strong financial performance requires a positive and loyal set of customer relationships, which depend on effective internal processes, which in turn rely on an organisation's ability to learn and improve. And because each of the four perspectives is 'owned' by a distinct function within a business, the Balanced Scorecard encourages collaboration and communication between the finance, marketing, operations, innovation, HR and L&D teams.

The most basic way to implement this thinking is to invite each team to focus on the handful of measures that matter most to them. This is where I saw a lot of attempts to implement Balanced Scorecards flounder. Organisations would either cram so many metrics into each perspective that the scorecard ceased to function practically, or the basket of measures chosen by each function would be a rehash of stuff that was already being measured, with little attempt to link these to the overarching organisational strategy. As a result, the clients I worked with who tried to implement the Balanced Scorecard became dismissive of it as a theoretical exercise. In today's world of agile working, pivoting and failing fast, it's barely spoken of at all.

Which is a shame.

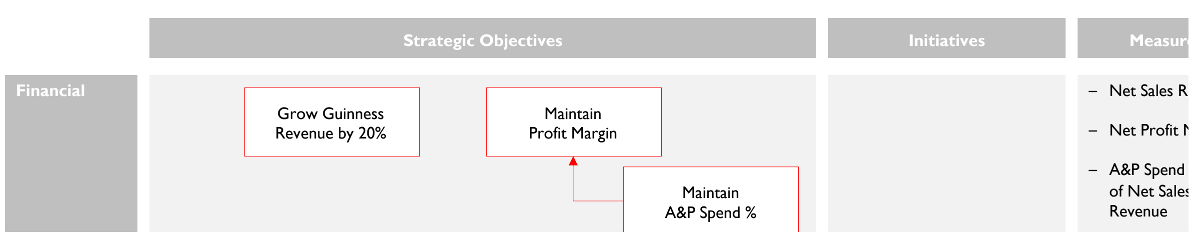
Because Kaplan and Norton's Balanced Scorecard was never intended to be a box-ticking exercise, or a way to rearrange existing KPIs. The examples I've described above are what they term a "stakeholder scorecard", which is really just a bunch of different department heads sticking together their KPIs with Sellotape and no unifying strategic thought. That's why Kaplan and Norton created a sibling framework to the Balanced Scorecard: The Strategy Map.

And (to quote Renée Zellweger) it's the Strategy Map that had me at "Hello".

Here's what I like about the Strategy Map: it makes strategy visual.

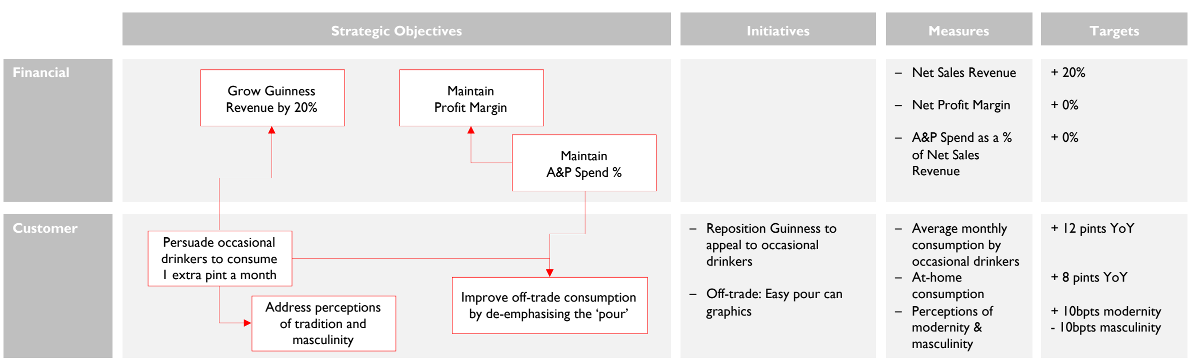
Most of the strategy I see is spread over multiple slides of PowerPoint, often as a dizzying procession of charts, diagrams, matrices, bulleted lists and action points. Rarely is it visualised on a single page. That's exactly what a Strategy Map does, by cascading strategic priorities using the four perspectives contained in the Balanced Scorecard.

Let's take a hypothetical example: imagine we're working at Diageo on a brand strategy for Guinness. And let's give ourselves a really simple but stretching financial objective: grow revenue by 20% without reducing profit margin. That means we can't throw lots of money at additional advertising & promotional spend. The financial part of our strategy map might look a little something like this:

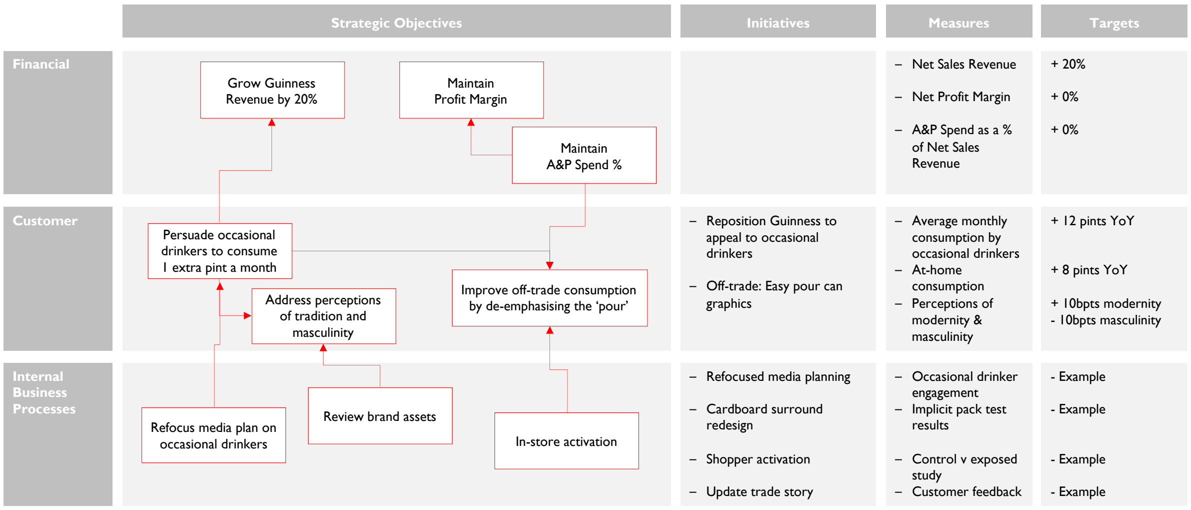


So far so simple. Next up in the mapping process would be to think about what we need to achieve from a customer perspective to achieve our financial objectives. Let's say that we calculate that it isn't possible to achieve this growth responsibly by persuading loyal drinkers to consume more of our brand, but that we find out that there is a huge group of beer drinkers who like the brand but only consume Guinness occasionally – usually on St. Patrick's Day. We can achieve our 20% growth target if we persuade this group to drink an average of one extra pint of Guinness each month. Now we've got the beginnings of a strategy…

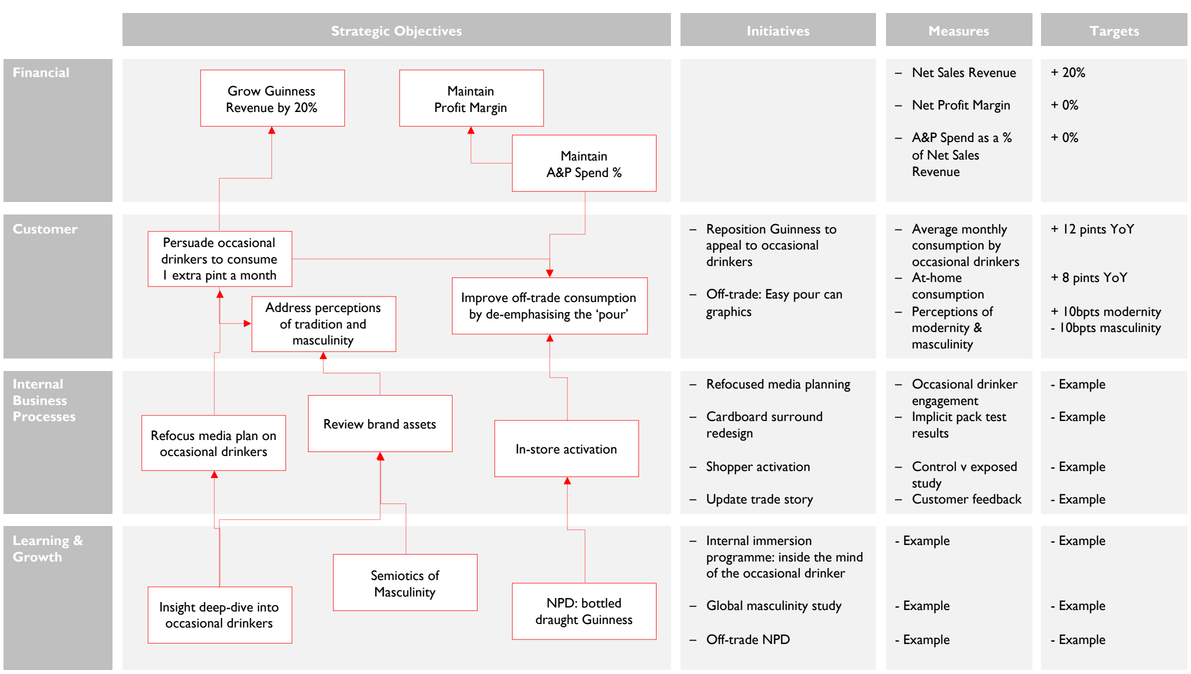
The strategy mapping process is a little like a treasure hunt: every clue you solve leads to the next. So, how might we persuade occasional drinkers to consume an average of one extra pint of Guinness a month? Let's say research reveals that a key perceptual barrier for this group is that they see Guinness as excessively male and traditional. We may decide that we need to reposition the brand in response. Let's say we also find that in-home consumption is where the greatest opportunity lies, but occasional drinkers are worried that they might not be pouring the product correctly because historical advertising has emphasised the importance of the 'perfect' pour. We'll also need to address this issue. Our strategy map is beginning to take form:



Now that we know what we want to achieve in the customer perspective, we need to start making decisions about the internal business processes we need to initiate in order to change customer perceptions and behaviour in the short time we've given ourselves. We don't have enough time to commission and create a new campaign, so we'll have to focus instead on repurposing our media plan to engage occasional drinkers. Maybe we can move more quickly in redesigning cardboard surrounds for off-trade, as well as creating an in-store activation campaign to let occasional drinkers know that the widget in cans of Guinness draught means it pours perfectly every time:



Finally, we need to consider how we can lay the groundwork for future growth. We're likely to have an equally punishing growth target next year, so what more can we learn more about the occasional drinker? Perhaps we can also explore the semiotics of masculinity to understand how to address this weakness in the brand over the longer-term. And if we're serious about driving further growth in the off-trade, maybe we can explore the possibility of Guinness draught in a bottle rather than a can:



OK. Admittedly, it's a VERY simplistic example and I've neglected to specify some of the measures and targets but I'm sure you get the picture. To my eyes, a strategy map is the simplest and surest way to make sure you've got a strategy that actually hangs together. Everything works systematically back from a defined set of commercial goals and every activity (and every target) has a clear role. Because it has been visualised, the strategy is easier to communicate and easier to sell-in. And because the Learning & Growth perspective is a baked-in component, it forces you to think about how you lay foundations for long-term success, as well as how you achieve your short-term targets.

In theory, designing and presenting your strategy as a map should improve your chances of success, but it's also really helpful if further down the line your strategy looks like it's going to fail because it should help you to pinpoint where you might have gone wrong. Did we pick the wrong consumer segment? Did we fail to move the dial in terms of brand image? Did we misunderstand how occasional Guinness drinkers shop the beer aisle?

As much as I still love the Strategy Map (even a couple of decades after first encountering it), the honest truth is that I don't often use it. I think that's partly because it has an image problem; I suspect a lot of clients would stare blankly at me if I suggested mapping their strategy visually. But I also think visualising strategy makes people (including me) feel uncomfortable. It exposes the flaws in our logic for everybody to see. It gives us nowhere to hide if things go wrong. And isn't strategy supposed to be too clever to reduce to a simple visual?

The strength of a Strategy Map is also its greatest potential drawback: forcing an entire strategy together into a single visual challenges the way that many organisations work. It forces them to tackle strategy creation holistically, rather than divvying up strategy between relevant departments. The outcome of a Strategy Map visual is lovely and simple but really difficult to deliver in most organisations without a fundamental overhaul of the strategic planning process; and I know from experience that few people relish this process to begin with. At the time of writing, I honestly have no idea if the Strategy Map will ever make a comeback, but I hear the curtain hairstyle is experiencing a renaissance, so maybe it's worth a shot…