

Theorising Strategy Map

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Abstract. This paper offers a conceptual model to examine the relationship between the strategy map approach and a RBV-driven competence. The model also helps examine how the BSC methodology can create distinctive competence and in turn achieve superior profitability for a client organisation.

Keywords: Strategy map, resource-based view, contingency theory

1. Introduction

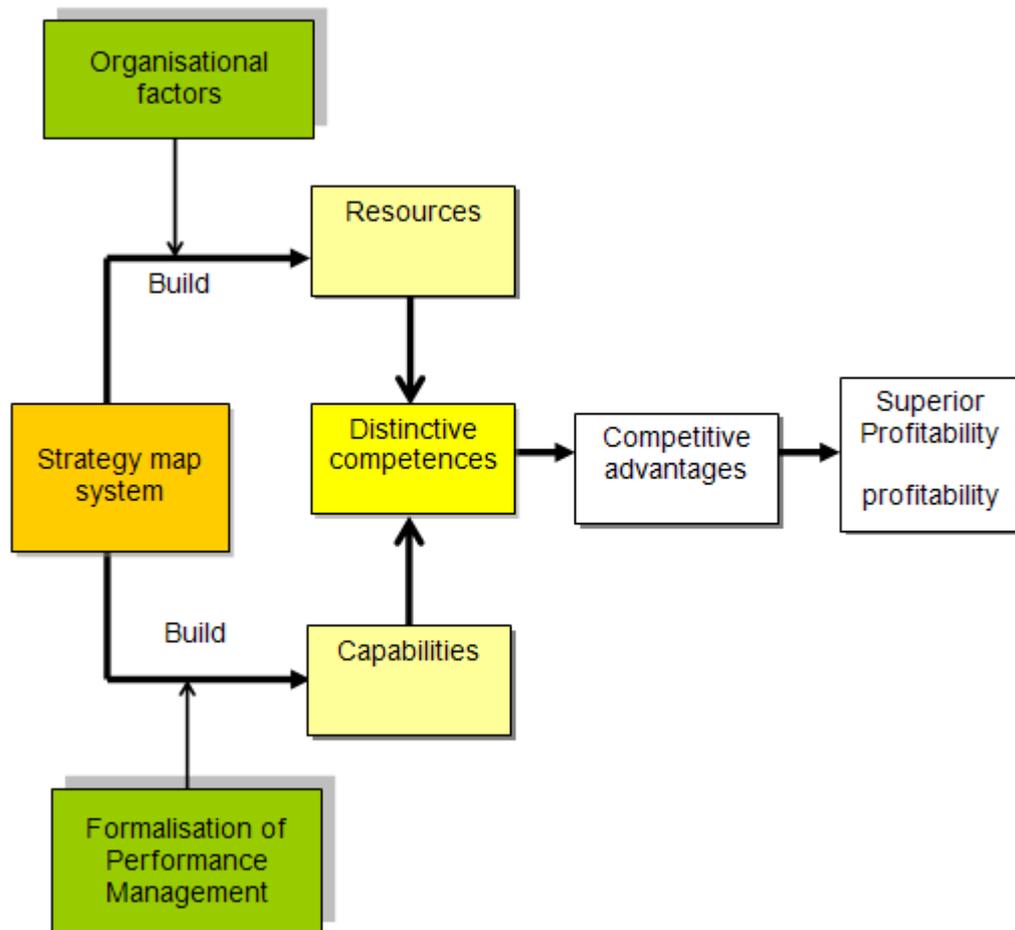
Kaplan and Norton introduced the Balanced Scorecard (BSC) approach, initially, as a performance management tool in 1992. In addition to recent new features such as destination statement, the BSC approach has been strengthened by enabling “strategic mapping” to link “activity” with “outcome” perspectives. Kaplan and Norton (2004) formally named this approach as strategy map, and have proposed it as a strategic management tool. However, strategic management is a mature and well-researched discipline. Without theoretical support, the strategy map approach is weak in theorising the phenomena and outcomes. Applying mainstream strategic management theory would significantly enhance the strategy map method’s reliability and applicability.

Wernerfelt (1984) posits RBV as a model of organisational performance that focuses on resources and capabilities controlled by an organisation as sources of competitive advantage. Resources in RBV are defined as the tangible and intangible assets that an organisation controls, which it can use to conceive of and implement its strategies (Barney, 1991). Hence, little, if any, competitive advantage can be created by intangible assets alone in the BSC approach. Furthermore, the strategy map approach attempts to illustrate the cause-and-effect relationship of performance drivers and outcome measures. Norreklit (2003) argues that such relationship is logical rather than causal. This is because the act of mapping performance drivers and outcomes cannot fully explain the socially and operationally complex nature of the value creation process. Kaplan and Norton’s works (2004) also appears to have ignored or not giving adequate attention to the contingency effects on their strategy map and Balanced Scorecard approaches. The basic principle of the contingency theory is that a firm’s performance is influenced considerably by the extent to which structure and managerial behaviour ‘fit’ with the degrees of complexity and uncertainty which are displayed in contingent factors such as technology, market position, product diversity, competences of employees.

2. The Conceptual Model and Propositions

We have developed eight propositions to address the two main weaknesses of Kaplan and Norton’s strategy map system: the lack of a theoretical framework and contingency perspective.

Figure 1 The Strategy Map System-Driven Competence Building Model – A Contingency Approach



Proposition 1a The strategy map approach as a strategic management system helps identify important tangible resources of the company and enables them to create better value by combining it with intangible assets and capabilities of the company.

Proposition 1b The strategy map approach as a strategic management system helps identify important intangible resources of the company and enables them to create better value by combining it with tangible assets and capabilities of the company.

Proposition 1c The strategy map approach as a strategic management system helps identify important capabilities of the company and enables them to create better value by combining it with resources of the company.

The strategy map approach as a strategic management system helps the company identify and combine (a) tangible, (b) intangible resources and (c) capabilities to create distinctive competence.

Proposition 1d The resource-based view's VRIO framework is an effective management tool to assess the sustainability of a distinctive competence identified.

Proposition 2a Department with high power can have critical influence on the development of the strategy map approach and hence the competence building.

Proposition 2b When executives of the company are committed to a customer-oriented strategy they will be more likely to support the development of the strategy map approach.

Proposition 2c The higher the degree of formalisation of performance management in the company the higher the chance of success in adopting the strategy map approach in it.

3. Method

The data collection process was designed and implemented in accordance with the suggestions proposed by Stake (1995) and Yin (2003). Following the BSC literature (e.g., Beiman and Sun, 2003; Kaplan and Norton, 2005) that suggests top management's support is a vital factor for launching BSC, we interviewed all 10 top management executives to assess, among other consulting and research issues, their readiness of introducing BSC approach in their department or business unit. All interviews were based on a semi-structured questionnaire. In order to ascertain a more precise response, many guided questions required the

subject to choose an answer from a five-point scale: 1 Mostly Disagree; 2 Disagree; 3 Marginally Agree; 4 Agree; and 5 Mostly Agree. Notes were taken as the interviewees had reservations about tape-recording. We sought to triangulate the data by cross-checking the views of the interviewees. The data were transcribed thematically and tested against the propositions.

4. Findings

The strategy mapping process in the case organisation lasted for more than six months during which the behaviours and attitudes of the key respondents changed as they interacted with other executives and the researchers. A summary of the responses to each of the propositions is presented below.

Propositions	Results	Conclusion
P1: <i>The BSC approach as a strategic management system is an effective management tool to help the company to redefine and translate its strategies.</i>	6 agree 4 marginally agree	P1 Strongly Supported
P2a, b & c: <i>The BSC approach as a strategic management system helps the company identify and combine (a) tangible, (b) intangible resources and (c) capabilities to create value.</i>	3 agree 5 marginally agree 2 disagreed	P2a, b & c Supported
P2d: <i>The resource-based view's VRIO framework is an effective management tool to assess the sustainability of a distinctive competence identified.</i> ~ on Production Department:	6 agree; 4 marginally agree	P2b Supported
~ on R&D	1 most disagree; 8 disagree	
~ on Marketing & Sales	2 disagree; 4 marginal agree	
P3a: <i>A department with high power can have critical influence on the development of the BSC approach and hence the competence building.</i>	1 disagree; 3 marginally agree 6 agree	P3a Supported
P3b: <i>When executives of the company are committed to a customer-oriented strategy they will be more likely to support the development of BSC approach.</i>	1 marginally agree 1 most agree 8 agree	P3b Strongly Supported
P3c: <i>The higher the degree of formalisation of performance management in the company the higher the chance of success in adopting the BSC approach in it.</i>	1 disagree 4 agree 5 marginally agree	P3c Supported

5. Conclusion

While the results of model testing positively support all propositions, it would be misleading to infer that the implementation of the strategy map approach in the organisation would be equally as supported by all the executives. In fact, as spotted in data analysis, many managers were keen to scramble for individual or group interests at the expense of the organisation. These 'deadly sins' for the organisation have to be eradicated if top management wants to obtain any positive result from implementing the strategy map

approach. This study aims to theorise about the world-renowned BSC strategy map approach. With the strategy map's four-perspective approach, executives were able to translate strategy into action and resolve the most important objective of the case project. Our model also addressed another major deficiency of the BSC strategy map approach which is the importance of having a contingency perspective. According to the managers interviewed, the results of the study did clearly indicate that the contingency factors of department power, customer-oriented strategy and formalisation of performance management all have significant moderating effects on the effectiveness of developing the strategy map approach in the organisation. We were able to appreciate many contextual factors expressed by the key informants that could make or break the entire strategy map development project. Future research using a large-scale survey could further examine the model specifically on the relationship between the BSC strategy map approach and RBV competence building as well as on the moderating effects of individual contingency factors for the outcomes of the BSC implementation.

6. References

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