# Strategies, Themes and KPIs


## Adam Bennett, July 2009


Building a structured strategic plan, including KPI's, metrics and scorecards can be a daunting process, particularly with the large number of established approaches and terms available. This article describes, in summary form, an approach to achieving a logical, useful and clear structure for a successful strategic plan.

The basic structure for building the top down strategic plan is shown in Figure 1 below. It includes the development of vision and mission through objective definition, and plans that will deliver the objectives.

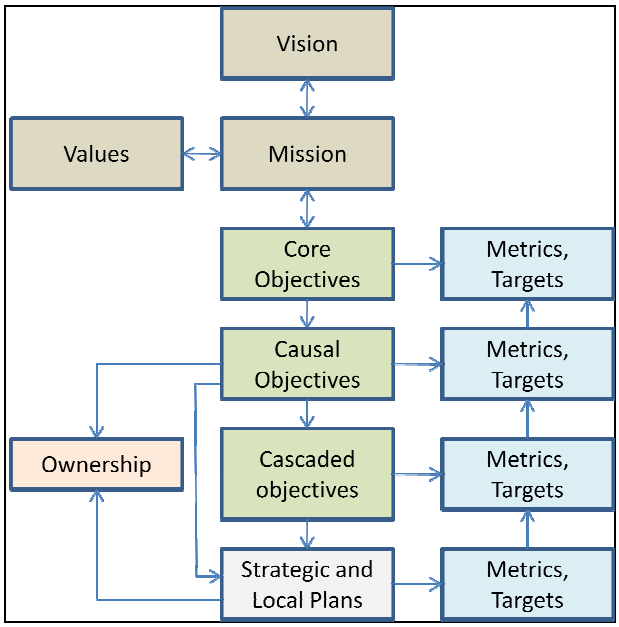


Figure 1 – Strategic Planning Model

The following points describe a summary of the stages of strategy development and delivery. The points are ordered to follow the logical sequence required to create a successful strategic plan.

1. The **Vision** is a definition of the future state, which can be internal or external to the organisation. For the purposes of this article, we are using an example of a book store, where the vision may be: "To be the number one in Retail Book Sales".
2. The **Mission** is the statement of why the organisation exists. Our book store's mission may be: "To provide a great book service, at a great price"
3. **Values** are the core attitudes that an organisation has, that underpin the way it works, and remain constant over time.
4. **Core objectives** are the clear definition of the different parts of the Vision, Mission and any other corporate statements. So in the examples above these might be:
   a. Achieve largest retail book market share
   b. Always have the top 100 books on the shelf
   c. Achieve > 10% profit
   d. Achieve the best book retail customer satisfaction

   Objectives should be clear, measurable and time framed (i.e. SMART)

5. Often core objectives cannot be directly delivered – they depend on achieving success in other areas. **Causal objectives** are therefore the things that an organisation believes it needs to achieve to deliver the **core objectives**. Causal objectives are not the core requirement of the business and usually have a different "currency", but through analysis are identified as critical enablers that need to be delivered. The relevance of causal objectives is generally based on a "hypothesis". For instance, the hypothesis that if we have a great culture, and well trained staff, then customer satisfaction will increase. It is important that these hypotheses are tested, to make sure that they are robust - if there are incorrect assumptions, then achieving great results in the causal measures will not flow through to achieving the core objectives.

   Causal objectives for our Book Store may include:

   a. Engender a great culture
   b. Have the right skills
   c. Have slick processes

d. Have clear understanding of competitors
e. Achieve a wide book range stock

6. **Causal objectives** can be identified using a number of different tools including SWOT analysis, Fishbone diagramming, PESTEL analysis and using the balanced scorecard described below.
7. **Causal objectives** can drill down further than a single layer under core objectives to identify lower causal measures. For example, a great culture may be driven by good leadership, quality office accommodation and the company having a great reputation. However, the effective testing of causal objectives in point 5 becomes ever more important if they are broken down, as these lower order causal objectives become more distant from the core objectives and therefore ever more difficult to prove as a significant lever.
8. All **objectives** should be owned, or championed by somebody in the organisation. This person is responsible for
   a. ensuring the relevance of their objective to the goals of the business,
   b. defining and reviewing the suitability of the objective's metrics, and
   c. ensuring that the hypotheses behind the causal links (see point 5) flowing down from their objective are robust, and that the number of causal objectives is appropriate.
9. Kaplan and Norton suggested that a "**balanced scorecard**" be developed when an organisation wants to build the model of **Core** and **Causal objectives**. This scorecard holds the key objectives / measures for the organisation, arranged into a number of themes. Kaplan and Norton suggested that a good balance of lead and lag indicators across the organisation could be defined if the following 4 themes are used:
   a. Customer
   b. Finance
   c. Process / Operations
   d. People and learning

   Once objectives and metrics are developed as described above, the balanced scorecard can be used to validate, and arrange them. Figure 2 shows the Book Store objectives above arranged into a balanced scorecard.

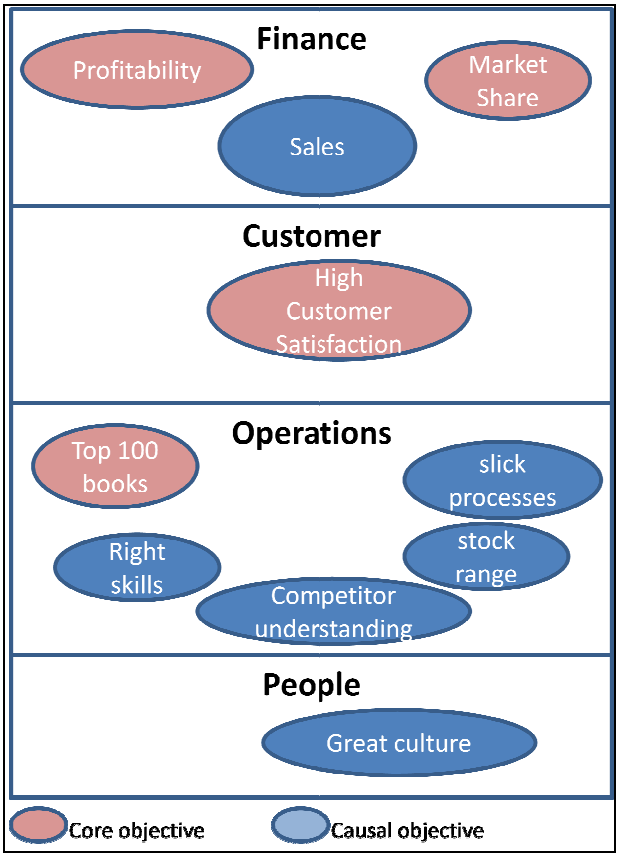


Figure 2 – Balanced Scorecard

10. **Causal links** describe how objectives are related to each other and drive achievement of core objectives. They can be shown on a version of the balanced scorecard called a "**strategy map**" (Figure 3) that shows the flow of levers through the scorecard.
11. As well as showing the links in the scorecard and reflecting why and how the causal objectives were arrived at, the **causal links** provide key information for the objective owners in prioritising their actions and plans. For example, the owner of "slick processes" will get context from the strategy map to help prioritise which processes to assess and improve. The links in Figure 3 show the following priorities:
    a. Supply chain processes to get books onto shelves
    b. Processes that directly drive profitability (high resource, high cost processes)
    c. Customer facing processes that drive customer satisfaction and sales

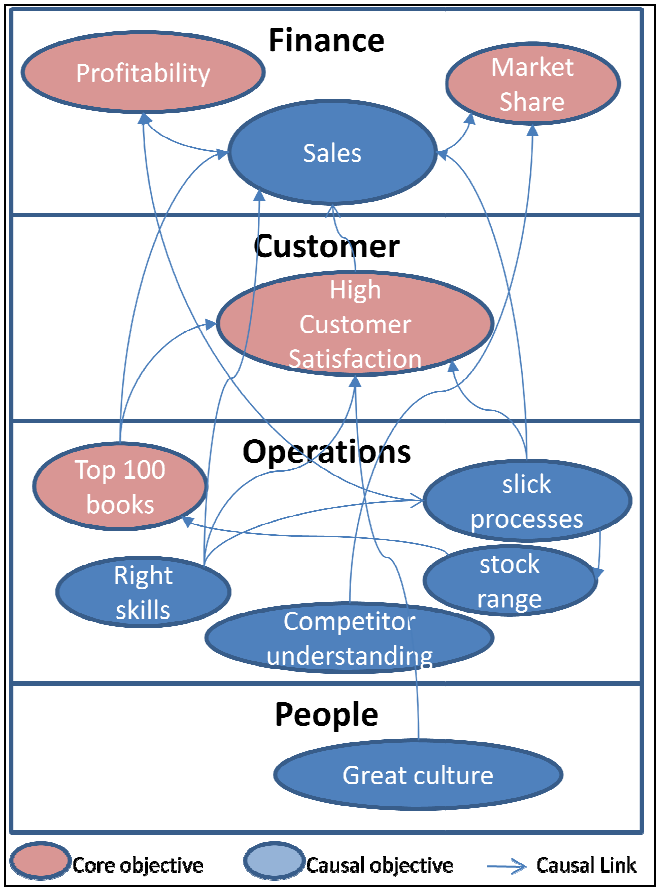


Figure 3 – Strategy Map

12. **Metrics and targets** should be defined and agreed for all objectives, which demonstrate whether the objectives are being progressed or have been achieved. These metrics are championed by the objective owner.
13. Objectives and metrics can be "**cascaded**" through the organisation to different people or functions. Cascaded metrics have the same currency as their parent. For example, "Sales" can be cascaded to each store, with each store having its own sales target, which is a component of the overall target. The overall company sales is therefore an aggregation of each stores sales figures.
14. There is a third type of disaggregation of objective. In addition to causal objectives and cascaded objectives, there is the **"causal stratification"**. This is the stratification of an objective or metric by a causal factor that is outside of the control of the organisation. An example might be the weather. In our example, book sales could be stratified by hot, mild and cold days. This stratification needs to be used with care, however, because it may be interesting but without action adds nothing to achieving the objectives. However, with an owner it can lead to mitigation plans that reduce the adverse impact of the stratification. For example air conditioning may reduce the adverse impact of hot weather on sales.
15. Once objectives and causes have been agreed, and owners assigned, **plans** are then be put in place to deliver the changes required to achieve the objectives. These plans may be functional or cross functional, and need appropriate sponsorship, collaboration and drive to ensure that they are delivered. Effective delegation of objectives, cascades, and plan delivery, along with an aligned management team will go a long way to achieving an integrated and successful strategic plan.
16. Across a business there might be hundreds of **plans** at any one time, at a **local** or **strategic** level, that are driving towards the achievement of cascaded objectives. Organising, coordinating, communicating and reviewing these plans is critical – they are what the company is doing to achieve the objectives. They take up a lot of resource and cost, and at the start of a programme can often appear in conflict or overlap. There are many tools and methods available to support effective delivery, including project methodologies, programme and change management tools, software, and people development, that if implemented will make a significant difference to the success and effectiveness of the change programme.
17. Finally, reviewing the **strategic plan** is essential to successful delivery. **Plans** need to be monitored and reviewed. **Metrics** and their improvement relative to expected changes need to be monitored to check that the plans are having the desired performance benefits. And at a macro level, the overall **strategic plan** model should also be reviewed periodically, to check that the **causal links** are correct and that no important **causal objectives** have been missed.

Adam Bennett
ThinkingProcess
+44 (0) 7736 450090
adam.bennett@thinkingprocess.co.uk