

Strategic alignment through visual communication

A StrategyBlocks business whitepaper - July 2009

While every attempt has been made to ensure that the information in this document is accurate and complete, some typographical errors or technical inaccuracies may exist. StrategyBlocks Limited does not accept responsibility for any kind of loss resulting from the use of information contained in this document. The information contained in this document is subject to change without notice.

This text contains proprietary information, which is protected by copyright. All rights are reserved. No part of this document may be reproduced, or translated into another language without the prior written consent of StrategyBlocks Limited.

© StrategyBlocks Limited. StrategyBlocks Limited, Pacific Rise Mt Wellington, Auckland NZ. Published July 2009.

Table of Contents

- Strategic alignment through visual communication1
- Foreword3
 - Introduction.....3
 - Graphical Representations.....3
 - Effective Strategy Graphics4
 - Typical Approach.....5
- The Strategy Challenge.....6
- Communicating Strategy7
 - Hoshin Kanhri (Ho-sheen Kahn-ri)7
 - Effective communication.....7
- Dynamic Strategy9
 - Relationship to Projects.....9
 - Connected to people10
- Monitor and Measure.....11
 - Capital programmes and projects.....11
 - Linking actions and outcomes.....12
- Ready for StrategyBlocks?13
 - About StrategyBlocks.....13
 - For More Information.....13
 - Request contact13
 - Contact us13

Foreword

The excerpts in this foreword about the power of graphical representation in strategy are taken from **“Stratography: The Art of Communicating Strategy”** by Stephen Cummings, Professor Strategic Management, of Victoria University Management School in New Zealand and Duncan Angwin, Associate Professor in Strategy, at Warwick Business School in the United Kingdom.

Introduction

A strategy that is not understood by those who have to implement it is as bad as not having a strategy at all. A graphical approach to strategy can enable managers and employees to more effectively conceptualise and communicate strategy. Consequently, one of the greatest skills that any manager can possess is the ability to conceptualise and graphically represent their organisation’s strategic position.

Graphical Representations

A recent survey asked executives what were the areas of strategy requiring greater strength or emphasis. The most common response, outlined by 79 per cent of respondents, was the need to “more effectively communicate their strategy internally”.

One of the biggest problems in strategic management in this regard, is that a company’s strategy is generally captured in, and communicated by, a strategic planning document packed with text and numbers, or with graphics that are hard to follow or relate to. It should not be a surprise, therefore, that most people in most organisations are not sure what to do to enact the company’s strategy. Without good graphics they lack the proper foundation for learning, remembering and acting.

Consequently, many strategies fail not because they are poorly planned or implemented without enthusiasm, but because they are poorly expressed.

Scientific research in many spheres has told us that people have better recall of pictures and that printed words receive less processing attention. It is now widely understood that the best way to learn, and retain what we learn, is to build understanding through combining three elements. The first element is the concrete or ‘hands-on’ doing of tasks. The second is pictorial or graphical aids to help conceptualise. The third is associating these things with abstract representative symbols: language and numbers.

Effective Strategy Graphics

What makes a compelling graphical representation of strategy? Having surveyed what cartography, graphics, aesthetics, cognition and optics have concluded in this regard, we summarise seven principles of a good strategy graphic.

The first four are associated with mechanical movements: stopping the eye, tracking across a horizontal plane, moving it along a vertical plane, and moving diagonally from top to bottom. The last three are related to what we might call cognitive and sensual principles: mimesis, synaesthesia and mnemonics.

1. Attracting and focusing the eye

Good stratography must gain the attention of the viewer quickly; it must have eye appeal. Key elements for stopping the eye and encouraging it to focus on a graphic are: novelty, aesthetics, purpose and utility.

2. Spreading the eye: left to right, top to bottom

The Western eye becomes acculturated to scanning a page hierarchically from the top left corner across and down the page. It follows that good stratography will work with this rather than against this grain.

3. Encouraging the eye to 'amble with purpose' - the Horizontal Plane

A very good graphical representation may begin to do two more things simultaneously. It will draw in the eye, keeping it engaged in the picture; and it will begin to loosen the eye up, to make it suspend preconceived beliefs and ways of proceeding and to seek new patterns.

4. Facilitating the eye's movement in and out - the Vertical Plane

The ability to see the micro and the macro, the big picture and the detail, is a particularly important aspect of effective strategic action. The ability to see a particular detail that may be related specifically to a particular part of the system while seeing the system as a whole. To move in and out as it were, on a vertical plane – like a zoom-lens.

5. Mimesis: Leading the eye in human directions

Strategic planning documents, presented as text, can only go left to right and back again, they can't mimic any other direction.

6. Synaesthesia: Uniting other senses and behaviours

A good map makes you want to touch the image; trace what you see with your finger; talk to the person next to you about it and hear what they have to say. Like any map, once you have added to it physically you have a greater mental connection with it.

7. Mnemonics: Entering the mind's eye

Being able to stick in the mind is especially important in strategy. Because it is being enacted in real time, there are very few opportunities for people to refer back to the plan or policy details before acting. So it helps if people can recall a broad picture of what they are contributing to and how.

Typical Approach

Unfortunately, in our experience, most strategic plans are not so endearing. They are either so generalised as to have little real meaning or resonance to employees on the ground, or they go into such detail and are so complex and thickly worded that people can't readily zoom-in to see how it relates to them and zoom-out to where they are in relation to the big picture.

Typical approaches are so complex and concerned with micro-detail that they deflect rather than arrest the eye and work against comprehending the big picture. Because of this they do not draw in other senses and can be difficult for employees to recall. In short, they become so full of words and so unpictorial that they overwhelm rather than engage the viewer.

Organisations require approaches that enable them to develop and communicate strategy graphically.

The Strategy Challenge

StrategyBlocks offers an approach that rises to the challenge presented by this emerging knowledge about the power of graphical representation in strategy.

There is no shortage of great strategic ideas. Ideas with the potential to have a profound positive impact on the future economic outlook of any organisation, private or public sector. In reality, organisations face the quandary of having to selectively choose from a number of strategic alternatives, guessing at those with the greatest likelihood for success. Remaining ideas are generally discarded, lost or forgotten.

For those strategic initiatives that make the grade it is unfortunate that no matter how good the idea is, approximately nine out of ten of those initiatives fail to provide a meaningful return to the business.

It is well known that the majority of people within an organisation have no understanding or visibility of their employer's strategic goals or vision. This problem is widely considered to be the primary reason for a failure in strategic execution. Generally, with the best intentions, people will carry out those daily tasks that are urgent or they consider is an important use of their time. However, without an understanding of the organisation's strategic goals, people will continue to do what they have always done. This may have no impact on the achievement of the organisation's goals, but what is the opportunity cost of this loss of focus when multiplied across every member of staff?

Over 85% of organisations have created very detailed strategic plans, usually very large documents or presentations. These plans are often the result of annual senior management strategic planning sessions and are reviewed and updated just once a year. However these organisations have made four important discoveries:

- 1. Strategy needs to be clearly communicated.**
- 2. It needs to be "dynamic", evolving with the changing market conditions.**
- 3. Connection to people; it needs to be put in the hands of everyone.**
- 4. Its progress and value need to be monitored and measured.**

Unfortunately, implementing these four key discoveries is very rarely achieved. The term SPOTS (Strategic Plan On Top Shelf) has been coined to explain what generally occurs. These documents are not living or evolving documents as they are difficult to maintain, and are not an engaging method of communicating strategy effectively.

StrategyBlocks can fundamentally change the way your organisation engages with strategy and make it come alive for every member of your team. It does so by covering all four of these important discoveries in way that reflects the seven principles of great graphical representation described earlier.

Communicating Strategy

It is fundamentally important for employees responsible for the ultimate execution of strategy to understand the strategy. This way their daily activities will be shaped by their knowledge of the organisational strategies and, therefore, support the overall vision.

It is apparent that consistently communicating strategic information (organisational strategic alignment) to teams of people is extremely difficult. Overload of strategic information is also not desirable and effective alignment means associating individual control activities clearly back to an overall strategic goal.

Hoshin Kanhri (Ho-sheen Kahn-ri)

Hoshin Kanri, or Hoshin Planning as it is often known, was developed by Doctor Yoji Akao in the early 1950s. "Hoshin Kanri is a method devised to capture and concretise strategic goals as well as flashes of insight about the future and develop the means to bring these into reality ... its unique intention: to integrate an entire organization's daily activities with its long-term goals"¹. The Hoshin Kanri methodology has been successfully applied to many global organisations.

Hoshin Planning encourages individuals to be recognised as the experts in their area of responsibility. Therefore, accountability and ownership within the organisation can be achieved and maintained.

StrategyBlocks borrows from the Hoshin Planning strategic management methodology by linking control activities to stated goals visually and to achieve this uses a variety of strategy maps and visual layouts.



Effective communication

What is important when communicating strategy?

- Consistency** Presenting the same information, the same way for everyone and in a timely fashion. Taking into account geographic separation and time zone differences.
- Clarity** A simple clear path of communication, whether from the micro perspective (bottom-up) or the macro (top-down).
- Guidance** Providing and showing direction; where are we? Where are we going? Where do I fit in?

¹ Hoshin Kanri Policy Deployment for Successful TQM, Yoji Akao

Engaging Strategy needs to tell a story, as well as providing a monitoring capability, it needs to motivate, animate and energise people.

Visual Highly visual; a picture tells a thousand words – particularly if the principles we outlined above are achieved.

More than one approach to mapping is required to achieve clarity around the communication of strategic thinking. It requires levels of detail from an entire view of all elements of strategy, through to a more detailed view of families of strategic elements, down to individual activities. These all offer differing value, and are all critical for a consistent and clear visual representation of strategy.

Dynamic Strategy

Another important aspect of Hoshin Planning is acknowledging that each and every individual within an organisation are experts in their own field or area of responsibility. As an example; the Chief Executive is not an expert in the field of Corporate Governance, the GM Corporate cannot be the specialist in Human Resources, the HR Manager does not have a deep understanding of HR Systems, and the HR Systems Manager does not have a deep understanding of system development.

As responsibility for specific aspects of strategic execution are delegated down through the layers of the organisation, it becomes more detailed. In this way the high-level vision and goals become richer and develop over time, with the content and ideas being driven by those in the organisation with expertise in specific operational functions and roles.

As strategies are formed, implemented, and content and detail is added, organisations all too often forget their successes; and their failures. Ideally the shape of a subset of strategy needs to be retained and stored for future use as a template. If successful, to be redeployed at another time in the future, or if unsuccessful, remembered so it is not reused again. Success or failure needs to be considered by the owner of an activity and the owner of the parent activity.

Relationship to Projects

How does this work within a typical company? The organisation forms a strategy with a clear objective and formulates those outcomes that can be monitored to determine success. These strategies trigger defined (or more often undefined) projects to organise the operational tasks needed to achieve the stated objective. Once the operational project is underway there is an almost instant disconnect with the high-level strategy and there is reduced visibility of how it is progressing. In addition, it is difficult to bring all the strategies together into a single coherent view with outcomes (KPIs).

The StrategyBlocks framework is an umbrella across operational projects and a presentation layer for strategic KPIs. StrategyBlocks allows strategy to grow dynamically in a number of ways:

1. From the top-down, driven by executive strategic goals.
2. From the bottom-up with detail being added to predetermined strategies.
3. With the reuse of strategic components.
4. Project integration through a 1-way import from MS Project (or another XML source) enabling the linkage of operational projects to their strategic initiatives.

Connected to people

As an employee, your activities should be guided by the organisation's strategic vision; as "if I am not involved in an activity that is strategically relevant, then why am I doing it?" ?"

Taken a step further, the activities of an individual should be measurable, and progress monitored to ensure that their performance is directly linked to the goals of the organisation.

Accountability is, of course, critical. Any activity, at any level within the strategic framework requires an individual to be accountable. Although an individual will not be directly accountable for activities that are owned by others, the ultimate success of each branch of strategy must remain with a single individual.

For this concept to work, every individual requires an understanding of not only their involvement, but the involvement of others as well. "How are their activities affecting my objectives as an individual and how are mine affecting theirs?"

The goal is to alter work practices so that people are more aligned with their organisation's vision. This is done by communicating strategic goals visually, and the individuals' involvement within them.



In recent years we have seen a major change in how people work together and this is expected to continue. Today, modern organisations are faced with a number of challenges when creating teams: geographic separation, time zone conflicts, flexibility as to where and when people work. In many large organisations it is not always obvious who has the right skills to bring value to a project or how to find these resources and how to engage with them?

Personnel profiles are a useful tool to overcome these challenges. As an individual I need a concise snapshot about myself to help others find me and, more importantly, my skill set. The StrategyBlocks system contains knowledge of the kinds of activities in which I, as an individual, have been involved. Through a search we have the ability to assemble virtual teams based on experience, availability and location to involve people in our strategic goals.

Monitor and Measure

To determine an initiative's successful execution or whether it is tracking as planned requires the ability to monitor unstructured (soft) and structured (hard) measures.

Progress (soft) – the calculation of effort in days, aggregated across all strategic activities to answer “how far have we come?” and therefore “how far to go?” However, aggregating effort is a complex exercise. Some tasks overlap partially, others completely, and there are also periods of no activity. This summation becomes important when making assumptions about progress when compared to elapsed time at a high-level, as anticipated progress is non-linear.



Key Indicators (hard) – specific key performance indicators placed within the strategic framework provide the ability to monitor strategic impact on operations to answer “how is strategy affecting the organisation's operational performance?” By defining a target, at any point KPIs can be compared to target to calculate the status of a KPI; is it improving, stable, or decreasing?

Grouping KPIs around a common set of focus areas provides a rapid and consistent method of grouping key metrics. In addition, it is useful to be able to separate those metrics which are deemed as strategic compared to those operational or non-strategic indicators.

Value and Cost (hard) – the calculation of financial return aggregated across all strategic activities to answer “what will be the relative value of a strategic initiative compared to another, and against the organisation's initial expectations?” All strategic activities with a material outlay should drive financial value in some way. We can measure that as Net Present Value (NPV) calculated from forecast cash outflows and inflows/benefits. NPV is a measure of the economic contribution a series of cash flows (as incurred by a project) makes to existing business and drives total Economic Value Added (EVA) to shareholder value.

Capital programmes and projects

For each element of strategy, the owner may submit cash inflows and outflows expected (e.g. over 10 annual periods + residual ongoing). The cash flows are captured and presented as the original business case and latest estimate. Cash flows roll up e.g. project to programme and through to the mission level. In this way a total ‘overall value’ to the organisation can be calculated.

Given cash flows, the NPV is calculated at each level using a global hurdle rate (set by the CFO). This provides a view of economic value created at any level or branch of the strategic plan.

Project owners may review any consolidated cash flows from owners of activities under their project and will submit their cash flows for review further up.

Management can review the original business case vs. the latest estimate from the start of the project for comparison purposes. Management may also review the NPV of the latest estimate from the current year forward, to objectively consider the value of continuing any level or activity of the strategic plan.

When an initiative is complete, value is considered realised (or not) and its cash flows are removed from the roll up.

Cash flows may be manually entered or loaded via file into StrategyBlocks. For organisations with a programme of capital projects, this data including KPIs could be extracted from an underlying source system. For other organisations, these estimates may have come from a Project Planning tool or spreadsheet and copied in. In addition working documents may be uploaded and attached to the activity.

Linking actions and outcomes

Now strategy is defined as a graphical framework of strategic thinking from the macro down through to the micro. In addition, key indicators are identified to monitor strategic outcomes. To gain a complete understanding of strategy we need to draw together the unstructured content of our strategy map – the actions, with those structured measures – the outcomes.

Ready for StrategyBlocks?

This is a common question and the simple rule is whether the organisation has documented their strategic plan. This shows that they have realised that it must be clearly described and that it is important to have it available for distribution. In addition, in terms of governance, is there a desire to track progress, monitor activity and track key outcome areas?

If you can identify with any of the topics covered in this document your organisation will benefit from a new approach to communicating strategy.

About StrategyBlocks

StrategyBlocks.com was created to address the problems that many companies face when attempting to communicate great ideas across the organisation. Its aim is to help companies innovate and be more successful by eliminating confusion and creating organisational clarity. We combine ideas, people, and information in an engaging way to build strong communication channels between employees and partners.

In December 2005 the StrategyBlocks concept was conceived, and three years later after extensive development effort and market testing, leveraging some of the most modern programming technology and techniques, this rich internet application is brought to market.

StrategyBlocks.com is headquartered in Auckland, New Zealand with operations in the United Kingdom.

For more information

For more information regarding please visit www.strategyblocks.com or email info@StrategyBlocks.com

Request contact

To have a representative contact you within the next business day, complete the form at www.strategyblocks.com/contact/

Contact us

Asia Pacific: Tel +64 (9) 574 1770 or Fax + 64 (9) 574 2755

Europe: Tel +44 (0)7787 536225 or Fax + 44(0)20 8943 4900