

SCENARIO-BASED STRATEGY MAPS

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ABSTRACT

Strategy maps are designed to help execute strategy and bring predictive qualities to key performance indicators by linking them according to perceived cause-and-effect relationships. However, strategy maps are often extrapolations of past performance and seldom sufficiently linked to possible future states. The authors of this paper argue that scenario analysis could play an important role in the design of strategy maps. Scenario-based strategy maps could enable organizations to face strategic uncertainty in a more effective way and make them more sustainable in the longer term. This paper highlights the strengths and weaknesses of strategy maps and scenario analysis, outlines an approach to develop scenario-based strategy maps, and presents an example.

Keywords:

Performance management, strategy maps, scenario analysis.

1. Introduction

Strategy scholars have often remarked on the importance of businesses “getting to the future first” (Hamel and Prahalad, 1994). Indeed, the development of an organization’s strategy should express a vision of a future condition (Mintzberg, 1994), particularly if we consider strategy as the transition of an organization from its current position to a desirable but uncertain future state (Kaplan and Norton, 2000). Consequently, executives have been urged to think about the future during the process of strategy formulation.

Despite considerable research in this area, however, we still need “an explicit, process-based description of how managers at all levels can contribute to managing strategic uncertainty in ways that mitigate risk and position a firm to capture emerging opportunities” (Raynor, 2007; p. 10). This is certainly not easy as it is challenging to predict future trends and developments, particularly in the current turbulent business climate (Fink et al., 2005). In this context, although strategic planning has been used by a wide proportion of organizations, “it has not proven its ability to inform organization leaders about massive emerging political, environmental, economic, and/or societal changes” (Chermack, 2004; p. 301). To serve a similar purpose, several forecasting techniques have been adopted, but they have not proven effective either (Raynor, 2007).

At the same time, increasing emphasis has been placed on strategy execution, namely the mobilization of resources necessary to deliver on the organization’s strategy (Rosenzweig, 2007; Kaplan and Norton, 2008). The need for tools that could enable organizations to communicate both their strategy and the processes and systems that will enable them execute that strategy, has been recognized (Kaplan and Norton, 2000). However, in a number of organizations, it is still unclear what the strategy means in operational terms, and there is still little explicit sense of

priority among the variety of performance targets and indicators existing at different hierarchical levels (Neely, Adams and Kennerley, 2002).

This paper intends to bring together two approaches that could enable organizations to effectively implement their strategy, while considering alternative options of how different factors may affect the organization's future environment and performance. Strategy maps are a visual representation of the relationships among the key components of an organization's strategy (Eccles and Pyburn, 1992). They are developed to provide "the missing link between strategy formulation and strategy execution" (Kaplan and Norton, 2004; p. 10). Scenario planning encourages managers and organizational planners to examine situations and factors that challenge their current way of thinking and to consider what could be presently unthinkable (Wack, 1985). In opposition to forecasting techniques, which aim to provide answers about future states, the purpose of scenario planning is to encourage people to pose questions (Van der Heijden, 2005). In fact, by developing scenarios, organizations oppose the idea that a single predictable future exists (Fink et al., 2005).

This paper is structured as follows. First, the strengths and weaknesses of strategy maps are critically reviewed. Subsequently, the main characteristics and use of scenario analysis are examined. The two tools are then compared and contrasted, and the benefits of their conjoint use outlined. The suggested approach to designing scenario-based strategy maps is exemplified through the case of a large recruitment firm for people with technology skills, such as software developers, support specialists, and database administrators. In the final sections, conclusions are drawn regarding the benefits of developing scenario-based strategy maps.

2. Strategy maps

A strategy map is an illustration of an organization's strategy. Its main purposes are to facilitate the translation of strategy into operational terms and to communicate to employees how their jobs relate to the organization's overall objectives (Lawson, Hatch and Desroches, 2008). Strategy maps are intended to help organizations focus on their strategies in a comprehensive, yet concise and systematic way (Kaplan and Norton, 2000).

If a strategy map is created through a collaborative process, the buy-in and commitment towards the strategy could be enhanced. Indeed, through strategy maps it is possible to visualize how different parts of the organization contribute, directly or indirectly, to the organization's overall performance. If we consider the Balanced Scorecard framework, a strategy map could be used to describe the logic of strategy, connecting organizational assets to internal business processes, which, in turn, enable the organization to succeed from both customers and shareholders' points of view. Moreover, objectives drawn from the four Balanced Scorecard perspectives could be linked together in a chain of cause-and-effect relationships (Kaplan and Norton, 2004).

Also, strategy maps could be used to help identify appropriate performance indicators (PIs) associated to the objectives. On the other hand, it could be argued that PIs that do not fit in a cause-and-effect relationship may not be important, and, if cause-and-effect relationships require a 'leap of imagination', then this may indicate that relevant PIs might be missing. Finally, strategy maps can facilitate the selection of leading indicators. When PIs are linked together in a cause-and-effect relationship, some necessarily would be leading and some lagging. Those PIs that are leading may be used for predictive purposes.

Although there may be benefits related to the design and use of strategy maps, a number of authors have highlighted possible shortcomings (e.g. Ahn, 2001; Buytendijk, 2008; Norreklit,

2000). First of all, from a stakeholder management point of view, the development of strategy maps could be criticized as too much of an inward-looking exercise. Also, the cause-and-effect relationships depict a one-way, linear approach often starting with the ‘learning and growth’ perspective and culminating in financial results instead of depicting non-linear, two-way linkages. In fact, since the Balanced Scorecard perspectives are not independent, feedback loops should be included in the maps (Franco and Bourne, 2005).

From a statistical standpoint, testing the validity of the relationships between elements of a strategy map could enhance its quality. However, the very idea of cause-and-effect relationships may be misleading as performance indicators, or strategic objectives, may only be correlated at best. As Norreklit (2003) pointed out, strategy maps do not discriminate among logical (e.g. two and two makes four) and causal links (e.g. smoking causes cancer). Even if we only focused on statistical analysis, insufficient historic data may be available to determine a reliable coefficient. Typically, in many organizations, there are inconsistencies in the frequency of gathered values and the range in which the values vary over a period of time.

Even though statistical concerns with strategy maps are certainly relevant, in our experience, the design of strategy maps is rarely scientific. Most often, strategy maps are the outcome of a collective view of the involved managers on which objectives the business should focus, and how the business should operate to attain them. This is not necessarily wrong. If communicated poorly, a statistically proven and robust strategy map may be seen as a ‘black box’, with cause-and-effect relationships that are poorly understood. If managers were not part of the development process, they could try to distance themselves from the use and results of the strategy map, especially if the implications are not to their liking. Indeed, buy-in and a sense of ownership are needed, and the design of a strategy map should be a collaborative process.

A final, but very important concern is that reliance on the causal model represented in the strategy map may not be sufficient to reflect the evolution of strategy over time (Othman, 2007). Effectively, relying on a static strategy map over the mid and long term, is equivalent to assuming not only that the organization and its strategy will stay the same, but also that competitors will continue to behave in the same way. Furthermore, if strategy maps are supposed to have predictive abilities, one could question the validity of analyzing past data to predict future states. First of all, strategy maps do not include a possible time lag among PIs. Second, future situations may be different as relationships which were valid in the past may not hold up in future circumstances. Therefore, organizations incur the risk that once a map is created they concentrate solely on the development of a linear set of performance indicators, oblivious to possible changes in the future (Othman, 2007). Given that all we can truly predict about the future is that most likely it will be different from today, one could even argue that validating a strategy map based on past data, per definition may invalidate it. This implies that, although the development of a strategy map could help an organization implement its strategy, it could not enable the organization to face the changes that can impact its strategy, and ultimately, its performance.

Building on the previous analysis, it is possible to conclude that strategy maps should not be closed, static representations of strategy. Indeed, both organizations and ‘PESTEL factors’ (Political, Economical, Social, Technological, Environmental and Legal) change continuously and over-reliance on past performance can be very risky. Linking the design of strategy maps to future scenarios could help mitigate this risk as maps could become future-related, rather than mere representations of the present state. Therefore, we suggest that the use of a method for

imagining possible futures, such as scenario planning, could address these concerns and improve both current relevance and predictive abilities of strategy maps.

3. Scenario Analysis¹

A scenario could be defined as “an internally consistent view of what the future might turn out to be - not a forecast, but one possible future outcome” (Porter, 1985; p. 63). Scenario planning is a qualitative and disciplined way to depict possible future states (Schoemaker, 1995). Through the scenario planning process, participants create coherent stories based on current trends and future prospects arising in an organization’s external environment (Miller and Waller, 2003).

According to Schwartz (1991; p. 4), “scenario analysis is a tool for ordering one’s perception about alternative future environments in which one’s decisions might be played”. Therefore, scenario analysis is not meant to be *right* about the future. Instead, it helps managers think of future performance not as a single plan to stick to, but as a number of options, that, once played out, simply need to be recognized. In other words, scenarios could be used to prepare an organization for what might happen in the future.

Despite being “essentially a study of our collective ignorance” (Schoemaker, 1995; p. 38), scenario planning aims to tackle two common concerns in decision making: underprediction and overprediction over change. To do so, participants involved in the development of scenarios are encouraged to differentiate between factors they believe they are knowledgeable about and elements they consider uncertain or unknowable. Scenario analysis differs from other planning methods in a number of ways (building on Schoemaker, 1995; pp. 26-27):

1- scenarios explore the joint impact of various uncertainties, which stand side by side as equals

¹ Different authors have used various terms such as scenario analysis, scenario planning and scenario development (Bishop et al., 2007), yet the difference between these terms is loosely defined at best. In this paper we will use the term scenario analysis, as we base our approach mostly on Schwartz (1991).

- 2- scenarios change several variables at a time, without necessarily keeping others constant
- 3- scenarios go beyond objective analyses to include subjective interpretations.

Scenario planning is a relevant method to look at the future for two principal reasons. First of all, it is fundamental for organizations to think creatively about the future in order to avoid the risk of being surprised and unprepared, once discontinuous future states manifest themselves. Second, since the future is inherently uncertain, organizations need to prepare for multiple plausible futures, not only the one they expect to happen (Bishop, Hines and Collins, 2007). Effectively, scenario analysis can lead managers to gain a deeper appreciation for the innumerable factors that shape the future, thus challenging tunnel vision and insufficient consideration for possible future states (Schoemaker, 1995). In so doing, organizations are encouraged to build flexibility in the ways they operate (Miller and Waller, 2003). Moreover, scenarios can be used for a number of purposes (Schoemaker, 1995; p. 34):

- 1- identify early warning signals
- 2- assess the robustness of the organization's core competencies
- 3- generate better strategic options
- 4- evaluate the risk/return of each option in view of the uncertainties.

According to Schwartz (1991), usually two or three scenarios are created. One scenario can be an extrapolation of the present. A second one describes a bright future such as a discontinuity that would be dealt with well, because the organization was prepared. The third scenario could describe a more gloomy perspective (for instance a discontinuity that would not be dealt with successfully, because the organization was not ready). Others, such as analyst firm Gartner (2008), use a grid of two dimensions, each describing opposite sides of a trend, leading to four scenarios (for a review of the different approaches to scenario analysis, see Bishop et al. (2007)).

The development of scenarios also has the benefit of continually pushing the envelope of possibilities, since it regards strategic planning as collective learning (Schoemaker, 1995). Once scenarios are created, managers can devise strategic initiatives, which could reduce the risk posed by the main uncertainties, exploit the opportunities identified, and keep risk within an acceptable limit (Miller and Waller, 2003).

Following the reflections presented in the previous section, it is possible to argue that organizations could benefit from bringing together scenario analysis with a formalized approach in creating strategy maps. Strategy maps aim to be predictive, as they aspire to show how decisions made in the present could impact future results. Scenario analysis could expand the effectiveness of strategy maps. The joint use of the two methods could be a substantial step forward, compared with either the uncoordinated multiple versions of the truth that all too often characterize the state of management information in many organizations (Buytendijk, 2007), or with a single version of the truth often crystallized through the design of a single strategy map. Moreover, the use of scenario analysis in the creation of strategy maps could add a probabilistic and anticipatory view, which the standard process of strategy map design lacks.

Despite the benefits of jointly developing scenarios and strategy maps, the combination of these two techniques is not common. The next section investigates in more detail how such a combination could work.

4. Scenario-based strategy maps

Both scenario analysis and strategy maps require managers to exercise their judgment to, respectively, distil countless possible future states to the most plausible few, and identify the key organizational objectives. The development of scenario-based strategy maps implies that, once

scenarios have been created, the main task for managers is to devise a strategy that is robust under the conditions identified under the final scenarios considered (Othman, 2007). The combination of strategy maps and scenario analysis has a number of advantages (building on Miller and Waller (2003), and Kaplan and Norton (2004)):

- Strategy maps and scenarios are effective means to communicate the present and future strategy of an organization.
- Both tools are built on a holistic view of the organization and its environment, and on how key activities and processes are interrelated.
- The internal focus of strategy maps is complemented by focus of scenario analysis on environmental factors.
- Through strategy maps and scenarios, both qualitative and quantitative aspects can be taken into account.
- Both tools require the participation of several stakeholder groups; this could increase the validity and robustness of the organization's strategy.
- The development of strategy maps and scenarios also imply the comparison of mental models (Senge, 1990) and the achievement of intersubjective agreement between participants.
- Finally, contingencies, uncertainties, trends, and opportunities, which are seldom anticipated, could be identified and evaluated through scenario analysis, incorporated in the strategy maps, and thus acted upon (Miller and Waller, 2003).

Although the joint development of scenarios and strategy maps could result in major benefits, we are not suggesting that the complete process of developing a strategy map should be driven solely by external influences as identified in various scenarios. Competitive advantage also

comes from strategic choices based on the organization's own capabilities and strengths. As a market player, those strategic choices impact the market as well; therefore they should be taken into account along with external factors. However, even though the literature on strategy mapping is fairly vast, few authors have suggested the combination of strategy maps and scenario analysis (Othman, 2007; Fink et al., 2005) and none of them has described the actual design process.

To address this issue, we propose a number of steps to create a scenario-based strategy map. Given the popularity of balanced scorecards and strategy maps, we will assume that the organization already has a strategy map:

1. Consider the strategy map and identify the strategic objectives that describe the assumptions for the business model. For instance, 'cost leadership' for a budget airline, or 'ultimate safety' for a car manufacturer, or 'superior service' in a hotel chain.
2. Create different scenarios, for example using PESTEL analysis. Identify the new (or unchanged) critical success factors in each of those scenarios.
3. Create a strategy map with objectives for each of those scenarios, based on the specifics of that scenario.
4. Establish the commonality of objectives across the various scenarios. The more an objective is present across scenarios, the more 'future-proof'² such an objective will be, and the higher the probability that these goals could be reached in a changing environment. In order for this commonality analysis to work, objectives will have to be specific; this implies that predominantly high-level objectives such as "maintain profitability" and "seek growth" do

² The term 'future-proof' is clearly problematic, as the future cannot be exactly predicted; rather, one can prepare for it. Therefore, no strategy could really be future-proof. However, this term is used here to remark that the conventional way of focusing on a single future is even less 'future-proof'.

not provide practical guidance and will most likely only change in the gravest of discontinuities.

In order to clarify and illustrate the proposed approach, an example is presented in the next sections.

5. Example – Tier One Talent

Tier One Talent (a hypothetical firm) is a large recruitment firm for people with technology skills, such as software developers, support specialists and database administrators. In a market full of job mobility, and many people building IT skills, there is an ample supply of talent. Tier One Talent (T one T)'s competitive differentiators are its superior matching process, and customer relationships. It has developed global contracts with its large multinational customers, yet retains local management for personalized service. Account managers know their customers inside and out and know what skills to look for; instead of asking customers to fill in forms, T one T offers 'live services' creating job profiles based on interviews and mutual understanding. In other words, T one T focuses on the "customer intimacy" value discipline (Treacy, Wiersema, 1995). T one T created a strategy map (Fig. 1) to articulate how they intend to meet their goals for the next years.

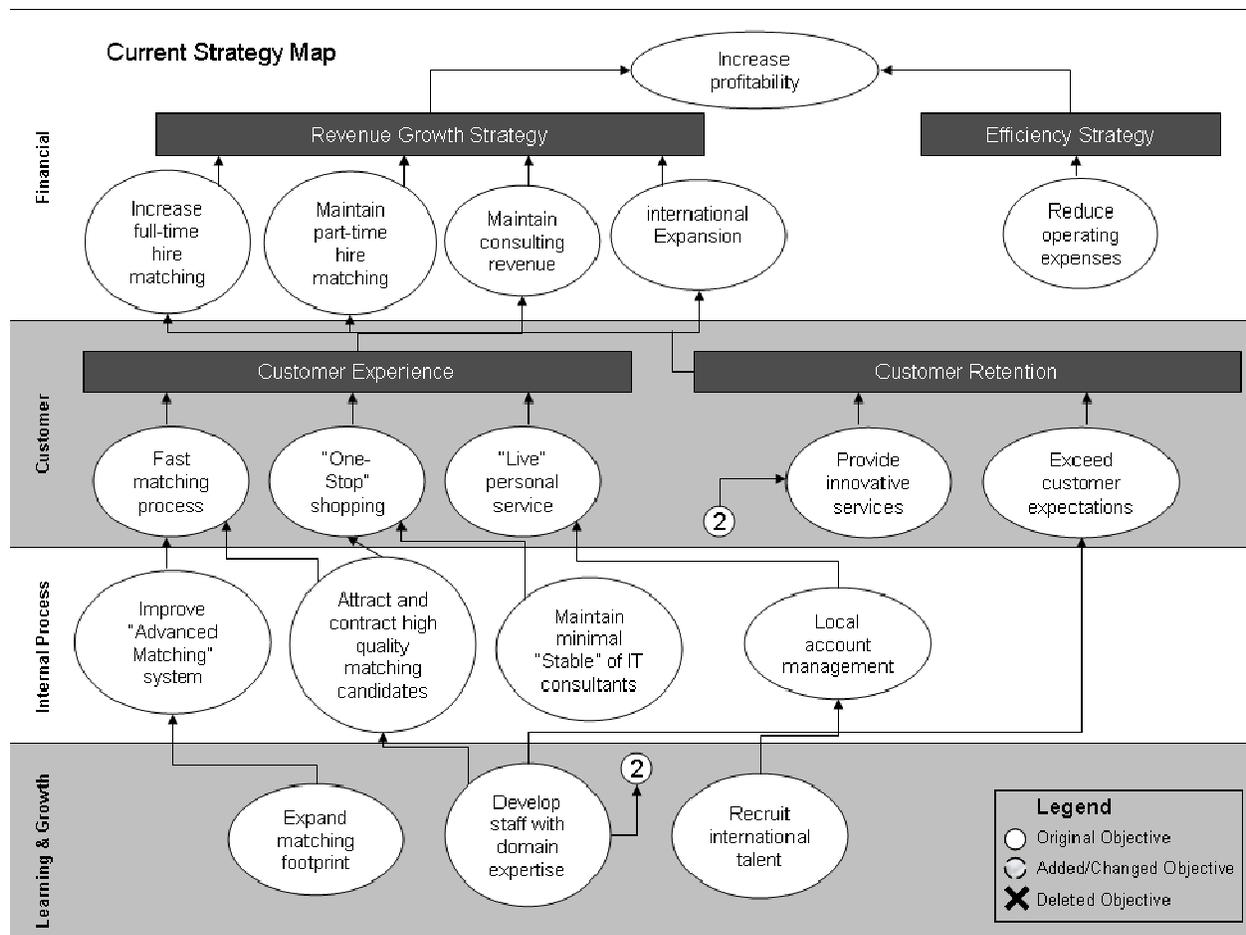


Figure 1: Current strategy map

T one T is known for its advanced matching system, consisting of very specific technology that provides better results than off-the-shelf packages. This translates well into their customer value proposition, as T one T can offer better candidates in a shorter period of time - an important driver of revenue growth. T one T is also working on expanding the footprint of the technology. This means adding candidates and adding matching criteria to further improve the system, and opening up the system for candidates and customers to search themselves, providing an innovative service. T one T's focus is to increase the number of full-time placements and maintain their part-time placements in order to meet their revenue growth objectives. Customer

intimacy does not only imply knowing the customer very well and having local account management (increasingly internationally), but also have staff that understands IT. This adds to qualifying candidates effectively, a positive customer experience, customer retention, and ultimately revenue growth.

To further differentiate from the competition, T one T has a small unit of employed IT consultants that take on projects, mainly focused on project management. This is an hourly-rate consulting business, aimed to create a ‘T one T’ way of doing IT, adding to the customer experience. This service is particularly aimed at smaller customers, who do not have their own professional IT department.

5.1 Scenarios

In order to test the validity of the strategic objectives and making the strategy map ‘future-proof’, T one T has prepared three scenarios³:

- 1) ‘Steady-as-she-goes’ – The economic market stays the same and the company continues to grow organically.
- 2) ‘It’s a networked world’ – The labor economy starts to boom and T one T needs to focus on hyper-growth.
- 3) ‘Cost-cost-cost’ – The economy takes a severe downturn, IT strategies change, and T one T needs to change the business model to survive.

³ Bishop et al. (2007) advise against producing a best case, worst case, and a middle version, as this would lead organizations to choose the middle ground. They also point out there are many other techniques. However, we have still chosen a variation on this approach in the example, as the focus of this paper is not on the description of approaches to scenario analysis, but on the idea of using scenarios when creating strategy maps.

Scenario 1 can be completed using the same strategy map. T one T simply ramps up efforts to hire and retain employees, and find and contract new candidates for matching. The current objectives in the ‘Learning and growth’ perspective would be sufficient.

Scenario 2 – ‘It’s a networked world’ sketches a different situation⁴. With ‘Generation Y’ entering the workforce, there is a rise of the independent professional. Where life-long employment had already moved to job-hopping, now professionals hop from project to project. Governments support entrepreneurship by offering various tax rebates, thus lowering the risk for people who become self-employed. Open source working styles dominate the IT world. The 2.0 wave rules the business, and commerce shifts even more from traditional channels to social websites. ‘Green’ is the key, causing many professionals to work at home serving multiple customers. New projects are found using internet markets.

This scenario has a clear impact on T one T’s strategic objectives (Fig. 2). The dynamics of the market will change too. Currently being a recruitment firm, T one T may have to shift focus to become more of a temp agency, matching customers and candidates on a project-by-project basis. Given the huge growth of the market, T one T may have to acquire a temp agency in order to keep up with the competition and the market growth. Another opportunity would be to acquire a training firm, to educate new graduates and to provide them with a few months of basic experience. With a huge demand for flexible employment, T one T’s customer intimacy would have to shift focus to the supply side, understanding the networks of self-employed professionals and building close relationships with colleges and universities. In this scenario, it is no longer necessary to have staff with in-depth domain expertise about IT. T one T’s ‘live services’ would not scale, and matching would have to become a self-service process between customers and

⁴ We used the 6 factors of PESTEL-analysis to create this sample scenario. Political/legal influence: tax rebates. Economical/social factors: Generation Y self-employed professionals who use internet markets to find work. Technological: rise of the 2.0 world. Ecological: focus on sustainability.

candidates. This then becomes the innovative service of choice. In addition, T one T would have to take a hard look at their lines of business to ensure they are maximizing revenue. For this reason, T one T would no longer have the luxury of maintaining its own staff providing hourly consulting for smaller clients.

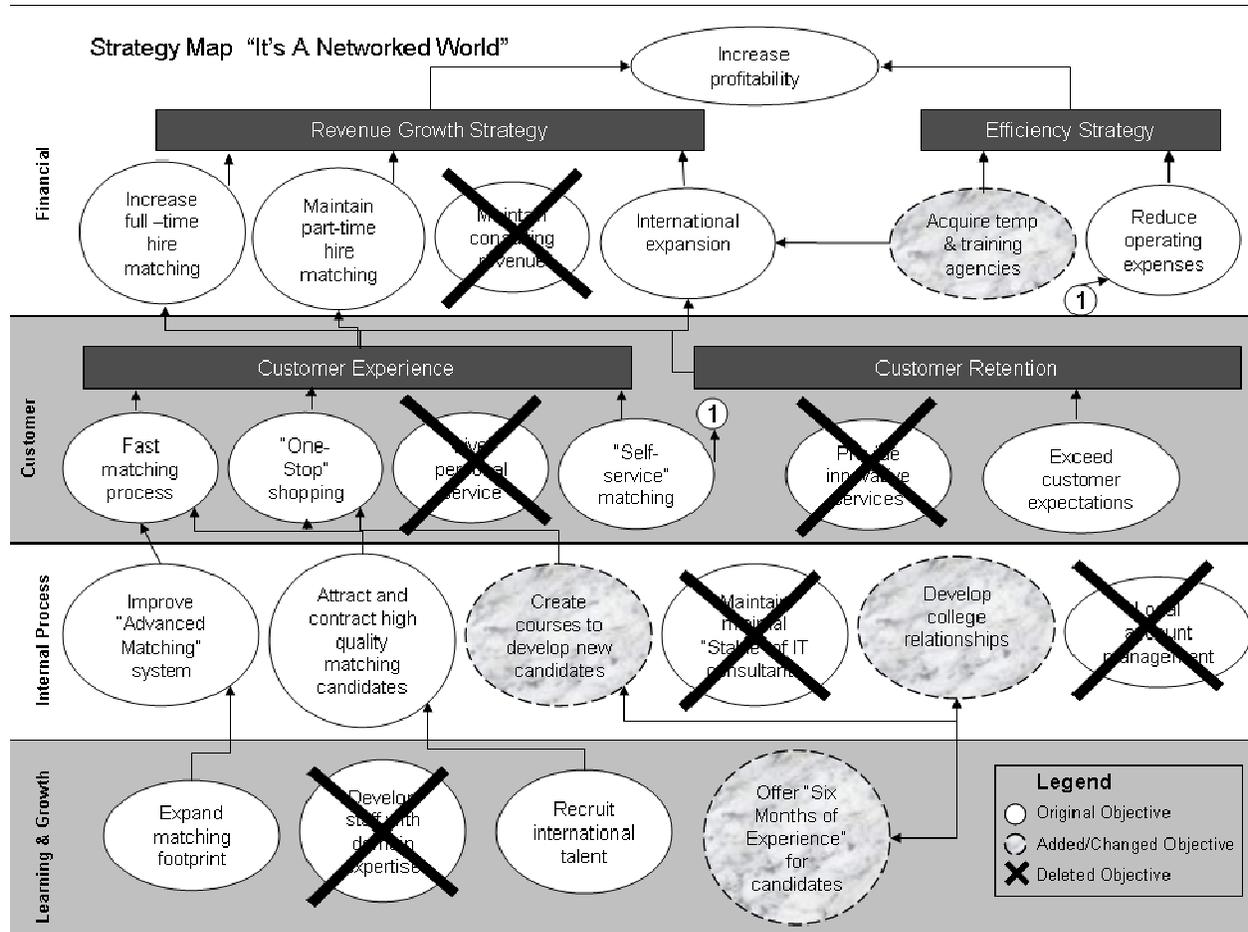


Figure 2: Strategy map, Scenario 2

In this scenario, T one T's customer intimacy strategy turns out to be not very 'future-proof'. Yet, given the enormous market growth, the matching system and the planned expansion still hold.

This scenario depicts only one of several potential realities. Scenario 3 - 'Cost-cost-cost' – draws a different picture. In this scenario, the economy declines and the cost of living increases. People are looking for secure jobs. Companies are not willing to invest in IT innovation, but instead outsource IT activities to other countries that offer economies of scale. IT professionals focus on managing sourcing relationships, instead of developing or maintaining systems themselves. Consequently, IT becomes a utility; government regulations intensify, and more IT budget is spent on compliance.⁵

Also in scenario 3, T one T's strategy is heavily impacted (Fig. 3). New sources of business are needed. The traditional recruiting business will take a hit. T one T will have to differentiate even more. It will need to emphasize its live services and needs to prove even more the superior capabilities of the matching system. The IT people customers hire will be of a more senior level, and IT managers will manage the outsourcing relationships instead of IT development and operations. T one T will need to position the matching system as a mechanism between the customer and the outsourcing party and how resources can be matched between those parties. T one T then will mediate between outsourcers and customers, based on an annual contract. Given the additional complexity of this work, T one T will need to ramp up its consulting business, advising large customers on outsourcing strategies, and manage outsourcing relationships for smaller customers as a trusted advisor. T one T will need to hire more IT professionals themselves. Instead of expanding in North America and Europe, the company would need to invest in India and other countries where outsourcers run their operations. Like in scenario two, the company needs to intensify relationships with the supply side. There are more than enough candidates, but it needs to find the right ones with a multitude of skills. Customer intimacy is

⁵ The PESTEL analysis related to this scenario is as follows: Political/legal influence: increased compliance regulations. Economical/social factors: job security in a declining economy. Technological: Internet largely used to globalize and source operations, IT becomes a utility. Ecological: focus on sustainability.

now more important than ever, however the company now needs to specialize and therefore no longer has the luxury of offering one-stop-shopping.

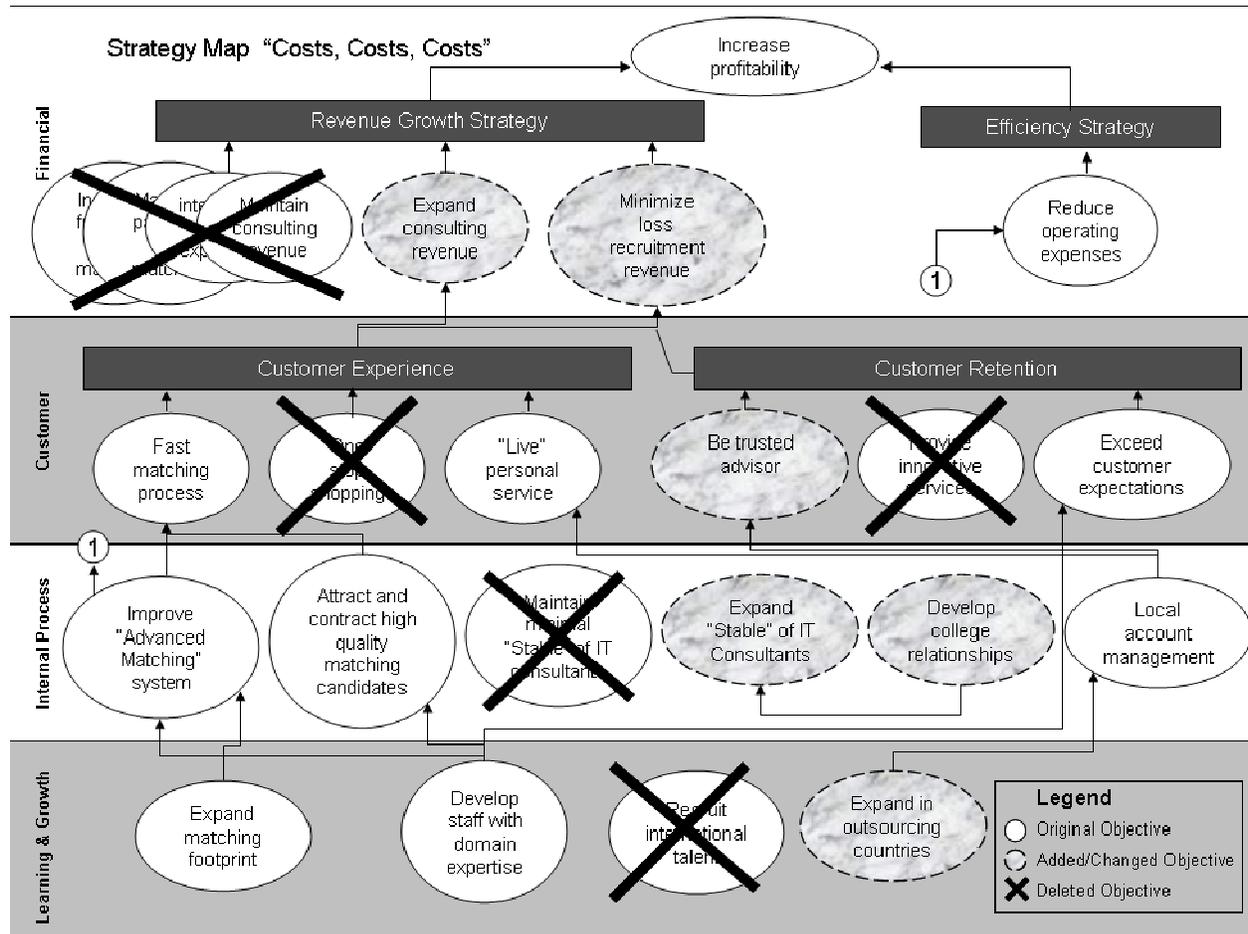


Figure 3: Strategy map, Scenario 3

Key objectives in this scenario are expanding the matching footprint, and expanding the consulting business. In every scenario, setting up college relationships emerges as important.

5.2 Synthesized Strategy Map

Considering all scenarios, a new, synthesized strategy map can be created. This is T one T's new, more 'future-proof' strategy map, based on the common strategic objectives throughout the various scenarios, and other objectives which were evaluated and considered important to T one T's future. The objectives are categorized into two types: strategic imperatives and strategic choices.

- The **strategic imperatives (SI)** include all objectives that remained stable throughout all scenarios. Strategic imperatives also include the objectives that appear in all the new scenarios (other than 'steady as she goes'), that don't harm the original scenario and fit the new strategic direction. The objectives that were formulated on a level which is too abstract (too high) did not change, but are likely not useful. These should be discussed to see if they can be made more relevant, or be removed.
- **Strategic choices (SC)** include all objectives that did not appear in all scenarios but do fit the strategic direction moving forward.

The objectives in scenarios that are neither imperative nor a strategic choice (**Not Chosen**) are removed from the strategy map.

We suggest that it is considered safe to make long-term investments in strategic imperatives. It is less safe to invest heavily in strategic choices unless the investment can be made in such a way that it is possible to reconsider or alter the investment, if required by a future reality.

Table 1 compares the objectives for the three scenarios being considered. The evaluation column describes whether or not the objective was considered a strategic imperative, a strategic choice (in some cases modified based on the insights gained by the scenario analysis process), or not considered at all for the synthesized map.

Strategic Objective	Current and “Steady-as-She-Goes”	Networked World	Costs, Costs, Costs	Evaluation
Financial				
Increase profitability	✓	✓	✓	SI
Increase full-time hire matching	✓	✓	✗	SC Modified
Maintain part-time hire matching	✓	✓	✗	SC Modified
Maintain/Expand hourly consulting	✓	✗	✓	SC
International revenue expansion	✓	✓	✗	SC Modified
Minimize loss recruitment revenue	✗	✗	✓	Not Chosen
Reduce operating expenses	✓	✓	✓	SI
Acquire temp & training agency	✗	✓	✗	Not Chosen
Customer				
Fast matching process	✓	✓	✓	SI Modified
One-stop shopping	✓	✓	✗	SC
Live personal service	✓	✗	✓	SC
Self-service matching	✗	✓	✗	SC
Provide innovative services	✓	✗	✗	Not chosen
Exceed customer expectations	✓	✓	✓	SI
Be trusted advisor	✗	✗	✓	Not Chosen
Internal Process				
Improve matching system	✓	✓	✓	SI
Attract and contract high quality matching candidates	✓	✓	✓	SI
Create courses to develop new	✗	✓	✗	Not Chosen

candidates				
Maintain/Expand stable of IT consultants	✓	✗	✓	SC
Local account management	✓	✗	✓	SC
Develop college relationships	✗	✓	✓	SI
Learning & Growth				
Expand matching footprint	✓	✓	✓	SI
Develop staff with domain expertise	✓	✗	✓	SC
Recruit international talent	✓	✓	✗	SC Modified
Expand in outsourcing countries	✗	✗	✓	SC Modified
Offer six months of experience for candidates	✗	✗	✓	Not Chosen

Table 1: Finding commonality across all scenarios.

A few strategic objectives of T one T remain solid throughout all scenarios and can therefore be labeled imperatives (Table 1). T one T’s key competitive differentiator, the matching system, is fortunately ‘future-proof’. Expanding its technology footprint works in all explored scenarios and using it in various ways remains an important part of the customer value proposition. Monitoring operating expenses and reducing them where possible is also important as is the main strategic objective, increasing profitability. It is also logical that attracting candidates remains a strategic imperative throughout all scenarios as it is T one T’s core business.

Scenario two and three both suggest it is wise to invest in college relationships, and, since this objective does not negatively affect the ‘steady as she goes’ scenario, it can be considered a strategic imperative as well. Exceeding customer expectations endured throughout the three scenarios, therefore it is also present on the new strategy map. This objective is meaningful in all

scenarios; however, it is not clear if this is truly a strategic imperative or if it did not change from scenario to scenario because it has been defined at too high a level to be of significance.

Based on the scenario analysis, T one T chooses to change its strategy. As T one T already has a reasonable share of the market, the strategic choices it makes will not only affect them, but also will have an impact on the market. T one T decides to move away from a high-touch business model for all customers. Consequently, it will supply local account management and live personal service for key accounts only. For other customer segments, the company will move to a self-service model where customers and candidates get access to the matching system themselves. For non-key customers, T one T will still offer a wide range of services for all areas of the business thus retaining their business model of “one-stop-shopping” for IT recruitment.

As long as the consulting activities are profitable and there are no drastic changes in volume, this objective should remain on the map. The revenue stream from maintaining a group of consultants should be retained. Given the lower service costs of the self-service model, it makes sense to continue providing and even expanding full-time and part-time contracts. Currently, T one T does not need to actively pursue acquiring a temp agency, another recruitment agency, or a training company. However, it is prudent to continue to monitor the mergers and acquisitions market in case a good opportunities arises and the market conditions change again.

In the learning and growth area, T one T will continue to invest in developing IT domain expertise in its own staff. This expertise is needed to carry on improving the intelligence of the self-service matching system, from which customers and candidates will benefit. On a more strategic level, international investments will be rerouted to countries that may hold large outsourcing businesses. Attracting staff in these local communities can not only help grow

business and revenue in the emerging economies, but also add to the intelligence of the self-service system.

The objective to provide six-months of experience was not inserted in the synthesized strategy map as currently it is not needed and the program can always be started later. Although it makes sense in a number of scenarios (scenario 3 and, with hindsight, in scenario 1) to focus on being a trusted advisor, this path of thinking is not followed. Indeed, it does not fit the self-service model and local account management should already have that role in key accounts. Providing innovative services is also not on the strategy map anymore, because the self-service model has become the innovative model of choice.

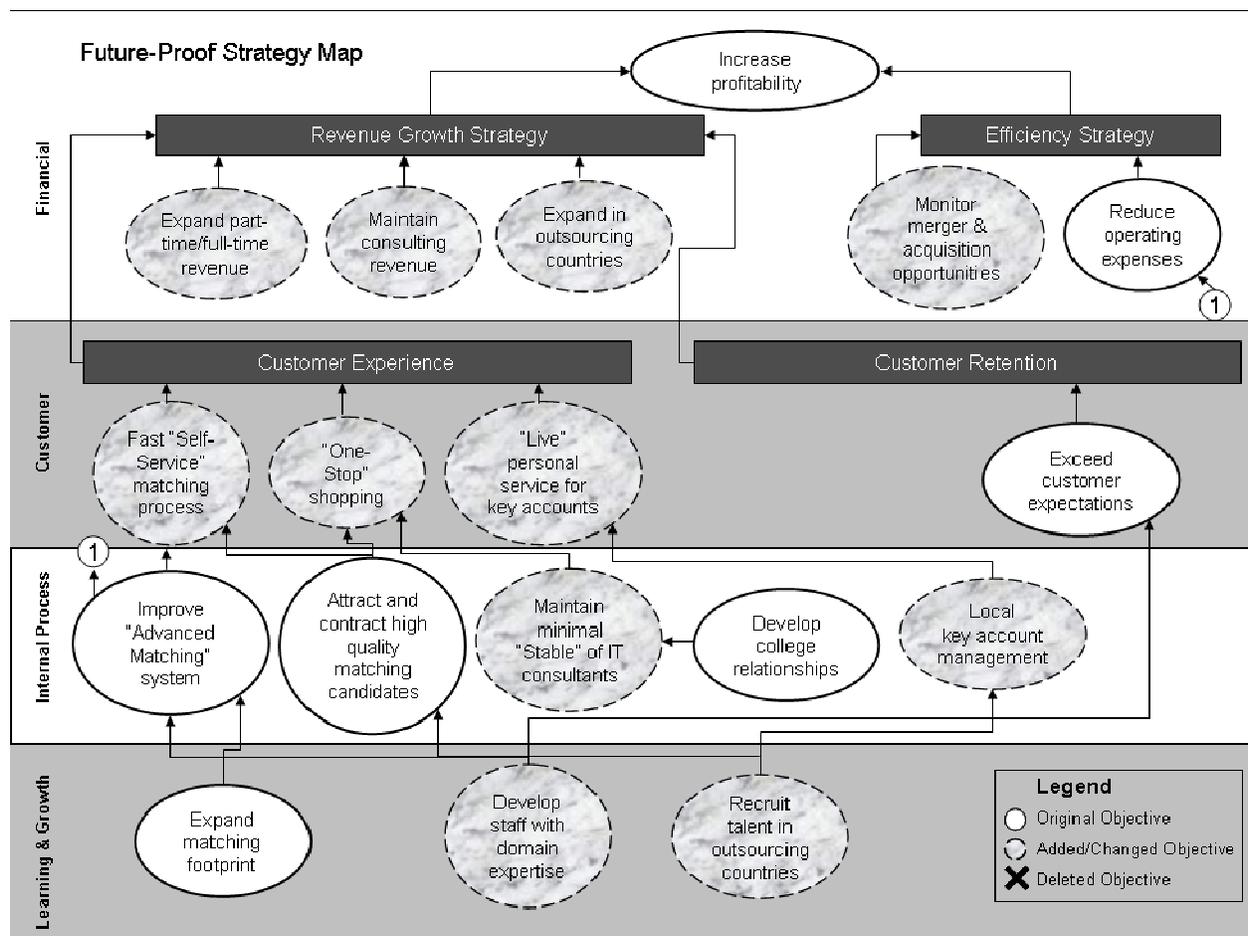


Figure 4: Synthesized strategy map

Figure 4 shows the effects of the new approach on the development of the strategy map. If we compare this new strategy map with the initial one (Fig. 1), a number of differences are evident. Based on the scenario-based strategy mapping exercise, T one T has effectively decided to change its strategy. Strategic uncertainty will always be present, and T one T's new strategy, although more 'future-proof', may not necessarily be *right*. However, the new strategy map has informed T one T's decisions on which strategic areas the company could invest safely for the long term, and which options should be kept open.

6. Conclusions

This paper has looked at the benefits of developing scenario-based strategy maps. Strategy maps are useful tools for strategy execution, but they are often built on unclear cause-and-effect relationships derived from the extrapolation of past performance data and insufficiently linked to possible future states. If too static, strategy maps could actually lead organizations on a risky path which assumes that present conditions will simply perpetuate. Therefore, the development of static strategy maps might make organizations even more ill-prepared to face radical changes, than if they did not have a strategy map at all.

In order to address these concerns, we have proposed the joint use of scenario analysis and strategy maps. Scenario analysis has been utilized in a variety of contexts over the past decades, and it has proven valuable in considering new and possibly discontinuous futures. Building strategy maps that are linked to scenarios could help organizations link their strategy to future conditions, and prepare them to face currently unexpected situations.

Through the case of T one T, a large recruitment firm for people with technology skills, we have exemplified the development of scenario-based strategy maps. In this instance, it is clear how T

one T could, and should, consider a suite of factors that may have a significant impact on the way the organization and its market operate. By considering three scenarios, T one T could modify its current strategy and prepare itself for possible future conditions. Differentiating among strategic imperatives, strategic choices and marginally relevant objectives (particularly in the light of future states), the organization could design a more ‘future-proof’ strategy map. This could enable it to face strategic uncertainty in a more effective way and, eventually, make it more sustainable in the longer term.

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