

## Beyond the Balanced Scorecard – Should Strategy Maps be a part of the management accountant’s tool kit?

**Abstract:**

*The balanced scorecard and strategy maps are used in a large number of organisations, in both the public and private sectors, as part of a growing number of management tools that senior executives are using in order to improve the performance of their organisation. Management accountants’ role within organisations has been described as many things but this paper examines whether strategy maps and more broadly balanced scorecards should be used by management accountants in fulfilling their role within the organisation. The paper also provides an example of a strategy map for a hypothetical newspaper publisher and discusses how a strategy map could be used within the newspaper industry to try to improve their organisational performances.*

**Introduction:**

This article will examine whether strategy maps and balanced scorecards should be used by management accountants in fulfilling their organisational role with a look at how they can be used by the newspaper industry.

**The Balanced Scorecard:**

Balanced scorecard translates mission and strategy into objectives and measures, organized into four different perspectives – innovation, learning & growth, internal business process, customer and financial. Providing a framework to communicate the mission and strategy; it uses measurement to inform employees about the drivers of current and future success. (Kaplan and Norton, 1996). Complementing financial measures, which tell the results of previous actions, with operational measures, which are the drivers of future financial performance (Kaplan and Norton, 1992).

So senior executives use the balanced scorecard not to tell their employees what to do, but rather communicate where the organisation wants to be in future and hope that their employees use their skills to work towards achieving the organisational goals by meeting the performance measures set out in the balanced scorecard. By using it, decision makers are able to see the skills, knowledge and systems the employees will need

to improve the internal processes, by innovating and efficiency gains, which will deliver added value to the organisation’s stakeholders.

Traditional management control and



Year	Usage	Satisfaction
2006:	66% (12th)	3.60 (21st)
2004:	57% (13th)	3.86 (18th)
2002:	62% (16th)	3.88 (8th)
2000:	36% (14th)	3.94 (5th)
1999:	40% (14th)	3.84 (13th)
1998:	38% (19th)	3.89 (13th)
1997:	46% (14th)	3.94 (5th)
1996:	39% (15th)	3.81 (7th)
1995:	-	-
1994:	-	-
1993:	-	-

Table of the usage and satisfaction with the balanced scorecard with position amongst management tools in brackets.

Adapted from *Management Tools and Trends 2007*, Bain & Company (2007)

measurement systems judge the organisation's performance solely on financial measures, which can be short-termist ignoring the long-term needs of the organisation, Norreklit (2002, p66) says they "are not sufficient to ensure goal congruence between company staff decisions and actions." Management accountants have however developed non-financial Key Performance Indicators, to measure the factors which generate profits, as they are just a result of a successful business. Although Key Performance Indicators are an improvement traditional measures, they still only operate in isolation, whereas on a Balanced Scorecard all of the financial and non-financial measures are linked via cause and effect relationships, which provide the reader with a context in which individual performance measures can be viewed, in other words a holistic view. Management accountants are in an ideal position to develop performance measures appropriate for an organisation's chosen strategy, as they bring with them a unique set of

**Many companies "have a complete disconnect between their strategy and how they measure it"**

***Kaplan and Norton (2000)***

skills and knowledge of the business that allows them to design suitable measures. (Peter Simons, CIMA, 2006).

### Strategy Maps:

Strategy maps are a tool that organisations can use for communicating both their chosen strategy and the processes, systems and skills that will be required to implement that strategy. They demonstrate "the cause and effect links by which specific improvements [in assets, processes and staff attributes] can create desired outcomes." (Kaplan and Norton, 2000, p168). They give employees, at all levels, a clear view of how their jobs are linked to the overarching objectives of the organisation, hopefully allowing everyone to work in a cohesive manner towards achieving the organisation's goals.

The Strategy Map, as a progression from the Balanced Scorecard, "show how an organization will convert its initiatives and resources – including intangible assets such as corporate culture and employee knowledge – into tangible outcomes." (Kaplan and Norton, 2000, p168). The measures from an organisation's balanced scorecard are based upon the strategy map, which connects the desired outcomes of the strategy with the measures which will drive those outcomes.

Kaplan and Norton (2000) say that the best way to construct a strategy map is from the top down, starting with the destination, i.e. the financial goals, and working down through the cause and effect relationships between actions that will allow the organisation to meet those financial objectives. As management accountants have immense knowledge of the organisation, especially the financial measures and what

impacts on them, they are in an ideal position to take a lead in developing the strategy maps, ensuring that they are accurate, feasible and based on facts.

The strategy map can be broken up into multiple strategies, Kaplan and Norton (2000) cite Mobil as an example, where they used both a revenue growth strategy and a productivity improvement strategy, Kaplan and Norton (2000, p170) say that “balancing the two strategies helps to ensure that cost and asset reductions do not compromise a company’s growth opportunities with their customers.”

### Case Study – The Newspaper Industry:

The newspaper industry is in decline and that downturn is getting worse (Steel, July 18, 2007).

Jeff Jarvis, a journalism professor, talks about a growing unease in the industry.

“Industry analysts forecast declining ad revenue. Redundancies are rampant. Hand-wringing is epidemic. [...] What disturbs me most is not the news, but the news industry’s reaction. Where we should be seeing aggressive, strategic leaps into the future, we instead hear the mournful braying of editorial Eeyores.”  
Jeff Jarvis (November 6, 2006).

“[...] striking is the depth of the crisis in the American newspaper industry. A number of my US colleagues here do not know if they will have jobs to go back to. Every week seems to bring further cutbacks as the industry

struggles to redefine itself for the internet age.”  
Simon Wilson (January 9, 2008)

With decreasing circulation (See Table), readership and advertising spending, and the growing impact of the internet on the provision of news, newspapers need to come up with a solution that will allow their organisation to survive, let alone prosper, even if that means that it will not be in the form of a printed newspaper. I propose that newspapers can use the strategy map and balanced scorecard frameworks to communicate their future strategy and use all of the experience and skills of their staff to help them achieve that goal.

The hard part of course will be to come up with a strategy to begin with, by looking towards innovative news providers (not just newspapers) and listening to and trying new ideas generated in-house by their own staff they are in a position to prosper in the future. The management accountant will be crucial to the success in defining a new strategy, as they should be able to

United States Newspaper Circulations 1990-2006 (in 000s)								
Year	Number of Daily Newspapers			Daily Circulation			Sunday	
	Morning	Evening	Total	Morning	Evening	Total	Total Newspapers	Total Circulation
1990	559	1,084	1,611	41,311	21,017	62,328	863	62,635
1991	571	1,042	1,586	41,470	19,217	60,687	875	62,068
1992	596	996	1,570	42,388	17,777	60,164	891	62,160
1993	623	954	1,556	43,094	16,718	59,812	884	62,566
1994	635	935	1,548	43,382	15,924	59,305	886	62,295
1995	656	891	1,533	44,310	13,883	58,193	888	61,229
1996	686	846	1,520	44,785	12,198	56,983	890	60,798
1997	705	816	1,509	45,434	11,290	56,728	903	60,486
1998	721	781	1,489	45,643	10,539	56,182	898	60,066
1999	736	760	1,483	45,997	9,982	55,979	905	59,894
2000	766	727	1,480	46,772	9,000	55,773	917	59,421
2001	776	704	1,468	46,821	8,756	55,578	913	59,090
2002	777	692	1,457	46,617	8,568	55,186	913	58,780
2003	787	680	1,456	46,930	8,255	55,185	917	58,495
2004	814	653	1,457	46,887	7,738	54,626	915	57,754
2005	817	645	1,452	46,122	7,222	53,345	914	55,270
2006	833	614	1,437	45,441	6,888	52,329	907	53,179

Table showing the circulation figures for newspapers in the United States from 1990-2006.

Adapted from Newspaper Association of America (2007)

fulfil their role in providing all of the relevant financial and non-financial information that may be required in order to create new hypothetical strategies and model their results.

The performance measures to be used within the balanced scorecard framework will need to be chosen carefully, taking into account not only financial performance drivers, such as advertising revenue, but also non-financial drivers, including readership numbers. However the declining circulation figures and volatile advertising revenue figures will need to be taken into account, as these may not be controllable by the organisation's employees. Instead new performance measures could be created that allow the publisher to understand who reads their newspaper, how trusted for news they are when compared to their news media competitors.

I have created a hypothetical strategy map for a newspaper publisher following the framework set out by Kaplan and Norton (2000). Although just an example, I believe that this shows just how much strategic information a strategy map contains and thus how useful it can be. *Please see over page for example.*

### **What is in the management accountant's toolkit?**

I propose that the management accountant's toolkit would contain five main tools or techniques which enable them to serve their purpose within the organisation of identification, measurement, analysis, interpretation and communication of this information for decision makers to use while also ensuring accountability and appropriate use of resources (Chartered Institute of Management Accountants, 1991). The toolkit would be comprised of the following:

- Activity Based Costing/Management

Activity based costing (ABC) is the allocating of costs to the different cost creating activities to provide a more realistic apportionment than traditional costing would provide. Activity based management (ABM) uses the knowledge gained from activity based costing to improve decision making, by gaining a thorough understanding of the different activities and how they interrelate.

- Customer Profitability/Value Analysis

"Customer profitability analysis provides important information that can be used to determine which classes of customers should be emphasized or de-emphasized and the price to charge for customer services." (Drury, 2004, p433)

- Competitor Analysis

"involves the legal collection of information on competitors and the overall business environment. The knowledge gained from this information is then used to enhance the organization's own competitiveness." (Weiss, 2002, p41)

- Balanced Scorecard

The Balanced Scorecard is a set of measures that gives top managers a fast but comprehensive view of the business. It complements financial measures, which tell the results of previous actions, with operational measures, which are the drivers of future financial performance (Kaplan and Norton, 1992).

- Performance Measurement

Monitoring a range of pre-selected drivers, so that performance can be measured in key areas of the organisation, financial and non-financial.

### Strategy Map for Hypothetical Newspaper Publisher

**Increase Return on Capital Employed**

**Revenue Growth:**  
Understand customers' needs and differentiate from competitors

**Productivity Growth:**  
Maximise use of existing assets and improve processes to reduce costs

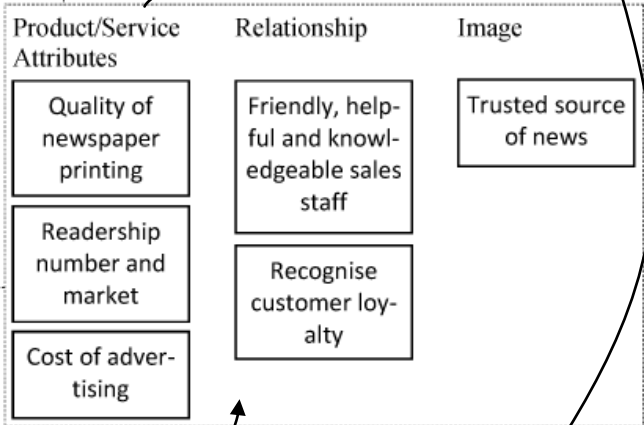
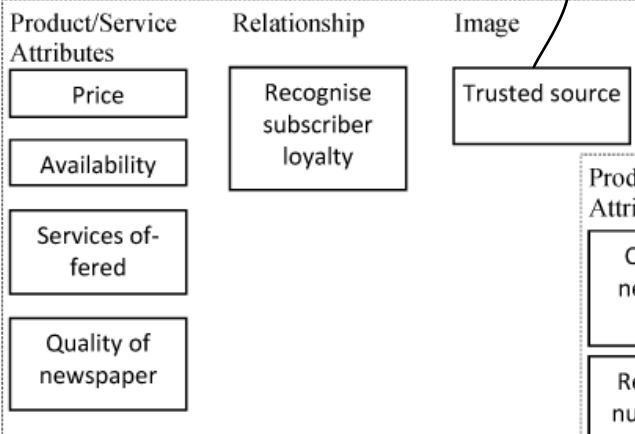
Increase sources of non-advertising revenue through expanded subscriber base and alternative products

Sell more newspapers to increase customer profitability, through newspaper sales and increased advertising spending

Become a cost leader in newspaper production

Maximise use of existing assets through more products and printing

Customer Perspective



Internal Process Perspective

Create alternative products and services

Improve news gathering operations and target more towards readership

Improve inventory management, deliver news products to spec and on time while reducing costs from wastage

Use printing press to print newspapers for other organisations and products. Use the existing staff to conduct commercial printing activities to maximise their productivity

Learning & Growth Perspective

Adopt new technology that aids process improvement (i.e. Straight to print workflow software and hardware)

Encourage functional excellence and create an holistic company wide view and develop leadership skills of key employees

Train staff in the latest technologies and methods so that they are more efficient at what they do.

Align business and personal goals through performance related pay, employee feedback, personal balanced scorecards.

The drivers need to be chosen so that they have a cause and effect relationship with the performance of the organisation, and as such management accountants are well placed to provide this information.

### **Conclusion - Where does the Strategy Map fit in?**

As we have seen, the balanced scorecard and latterly the strategy maps can, if created and used in the right way, be very useful tools for organisations to use in defining their strategy to enable their employees to work collectively towards achieving the organisational goals by following the strategy laid out by the senior executives. With the management accountants able to use their knowledge and skillsets to provide the strategic decision makers with the information that they need, with the information for the balanced scorecards and strategy maps being adapted from data and knowledge already gathered for other areas of the management accountant's role for example: activity based costing and management gives the management accountant information about where in the organisation's operations costs are incurred but also why, this can then be used in a balanced scorecard in setting a target of reduction in certain activity costs.

Customer profitability analysis information can be used by the management accountant to inform the decision makers which customers their future strategy needs to focus on. While competitor analysis could be carried out alongside the formulation of a strategy and the balanced scorecard as the management accountant should be able to generate types of performance measure and also try and forecast what competitors may do in reaction to their organisation's strategy and thus adapt the strategy accordingly. With Performance

measurement critical in the creation of a successful balanced scorecard.

So strategy maps are a natural partner with the other parts of a management accountant's role, and provided that the management accountant's information and knowledge is used in the creation of strategy maps it should add value to the organisation, which is what should be aspired to.

### **Bibliography:**

- Bain & Company (2007). *Management Tools and Trends 2007*. Retrieved January 4, 2008, from Bain & Company website: [http://www.bain.com/management\\_tools/Management\\_Tools\\_and\\_Trends\\_2007.pdf](http://www.bain.com/management_tools/Management_Tools_and_Trends_2007.pdf)
- Chartered Institute of Management Accountants. (1991). *Management accounting official terminology of the CIMA*. London: Chartered Institute of Management Accountants.
- Drury, C. (2005). *Management and Cost Accounting, 6th Edition* (6th ed.). London: Thomson.
- Jarvis, J. (2006, November 6). Time for the free-fall press to get down to earth. *The Guardian*. Retrieved January 9, 2008, from <http://www.guardian.co.uk/media/2006/nov/06/mondaymediasection7>
- Kaplan, R., & Norton, D. (1992, January). The Balanced Scorecard--Measures That Drive Performance. *Harvard Business Review*, 70(1), 71-79. Retrieved January 7, 2008, from Business Source Premier database.
- Kaplan, R., & Norton, D. (1993, September). Putting the Balanced Scorecard to Work. *Harvard Business Review*, 71(5), 134-147. Retrieved January 7, 2008, from Business Source Premier database.

- Kaplan, R. & Norton, D. (1996). *The balanced scorecard: translating strategy into action*. Boston, Massachusetts: Harvard Business School Press.
- Kaplan, R., & Norton, D. (2000, September). Having Trouble with Your Strategy? Then Map It. *Harvard Business Review*, 78(5), 167-176. Retrieved January 4, 2008, from Business Source Premier database.
- Kaplan, R., & Norton, D. (2001, March). Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: Part I. *Accounting Horizons*, 15(1), 87-104. Retrieved January 5, 2008, from Business Source Premier database.
- Newspaper Association of America (2007). *Total Paid Circulation*. Retrieved January 9, 2008, from Newspaper Association of America website:  
<http://www.naa.org/TrendsandNumbers/Total-Paid-Circulation.aspx>
- Simons, P. (2008, January 10). Symposium asks: *does the balanced scorecard work?* CIMA Insight. Retrieved January 6, 2008, from [http://www.cimaglobal.com/cps/rde/xchg/SID-0AAAC564-8D0543F4/live/root.xsl/Insight05839\\_889.htm](http://www.cimaglobal.com/cps/rde/xchg/SID-0AAAC564-8D0543F4/live/root.xsl/Insight05839_889.htm)
- Steel, E. (2007, July 18). Newspapers' Ad Sales Show Accelerating Drop. *The Wall Street Journal*. Retrieved January 9, 2008, from [http://online.wsj.com/article/SB118471859134569679.html?mod=rss\\_media\\_and\\_marketing](http://online.wsj.com/article/SB118471859134569679.html?mod=rss_media_and_marketing)
- Wilson, S. (2008, January 10). *From Gaza to Harvard*. BBC NEWS: The Editors. Retrieved January 9, 2008, from [http://www.bbc.co.uk/blogs/theeditors/2008/01/from\\_gaza\\_to\\_harvard.html](http://www.bbc.co.uk/blogs/theeditors/2008/01/from_gaza_to_harvard.html)

Word Count (Excluding Abstract, Bibliography, Figures and Tables) = 1749