



Strategy Maps: Converting Intangible Assets into Tangible Outcomes

*Robert S. Kaplan and David P. Norton
(Harvard Business School Press, Boston; 2004;
1591391342) \$35*

REVIEWED BY RON ASHKENAS

Harvard Business School professor Robert Kaplan and consultant David Norton are the well-known originators of the balanced scorecard concept. Starting with their first *Harvard Business Review* article in 1993, they have had a profound influence on management thinking by promoting the notion that financial reporting systems were inadequate for capturing the full range of value created by an organization's intangible assets. Their solution was to enhance organizational measurement systems by creating a balanced suite of indicators that included not only the traditional financial measures (which tend to be retrospective), but also measures that reflected the drivers of future performance such as customer satisfaction, internal operations, human capital, and information technology. In the decade since they first began to publish their ideas, thousands of companies have adopted the

basic concepts of the balanced scorecard, and its language has permeated the lexicon of management.

Strategy Maps is the third book in Kaplan and Norton's trilogy of balanced scorecard concepts and tools, following *The Balanced Scorecard* (1996) and *The Strategy-Focused Organization* (2001). As the authors note in their introduction, however, *Strategy Maps* is actually a prequel in the series. In their logic system, the starting point for more effective organizational performance is to visually represent strategy. Using a "strategy map," executives can create the right measures to make up the balanced scorecard (which was the subject of the original book) and then manage the organization more strategically (which is the subject of the second book).

Strategy Maps does indeed lay out the concepts and tools for creating a graphic representation of organizational strategy, and it does so in a useful and logical format. Kaplan and Norton suggest that strategy maps include four major "themes based on value-creating processes." These are the financial, customer, internal, and learning/growth perspectives for how organizations translate their visions and missions into results. Each of these perspectives has a number of suggested generic cate-

gories. For example, the internal perspective includes operations management processes, customer management processes, innovation processes, and regulatory/social processes. The heart of the book walks the reader through these perspectives, with numerous case examples and illustrations. The next section goes into more detail on how to map an organization's intangible assets, such as human and information capital. This is followed by a discussion of how to create strategy maps for different types of strategic options such as low cost or product leadership, largely based on Michael Porter's work. The book concludes with additional case studies.

Readers of *Strategy Maps* may be somewhat put off by its bulk and detail. Almost one-third of its 400-plus pages is case study. Once the basic concepts are understood from the first couple of chapters, the rest can be skimmed or read selectively. Think of it more as a how-to book than as a set of new theories and concepts. There are also numerous examples of strategy maps, most of which seem somewhat generic and redundant. To some extent, this plethora of cases is a reflection of the balanced scorecard "industry" that Kaplan and Norton have created. All of the cases were written or contributed

by members of the Balanced Scorecard Collaborative (the consulting firm headed by David Norton) and their clients. The jacket cover promotes the “strategy map starter kit,” a multimedia tool kit for working with strategy maps. While this might indeed be a useful tool for consultants who want to apply the concepts in the book, it is clear that the book is a commercial venture as well as a contribution to management practice.

Perhaps the greatest limitation of *Strategy Maps* is the implicit assumption that organizations behave logically and rationally and that this logic, reflected in strategy, can actually be portrayed in a strategy map. The result is that many of the strategy maps seem overwhelming. The combination of all the strategic themes and the categories within them can yield over 30 distinct elements for a basic strategy map—which then need to be aligned, focused, prioritized, and measured so that specific strategic actions can be taken. It’s a gargantuan logic exercise—almost like trying to align a moving version of Rubik’s Cube. As most consultants know, organizations often include behaviors that do not fit on a logic map, such as politics, personal loyalty, ego-driven activities, internal competition, and conflicting values. And different parts of an organization may have different strategies and irrationalities that merely compound the messiness of organizational life.

At the same time, despite many executives’ affirmations, organizational strategies often are not clear or even existent. Strategies that emerge out of experience and discovery are dynamic and evolving rather than static and fixed. Thus communicating a strategy map to organizational associates may not only be difficult, it could also be dangerous, giving them the false impression that this is how things line up when in fact the picture is still in motion.

That said, there is potentially great

value in the process of creating strategy maps and using them as a framework for organizational dialogue. In an irrational and ambiguous organizational world, giving people a venue for discussion of what strategy is, what the elements are, how we align the activities, and how we measure against them has great value. For consultants who want to help their clients foster this dialogue, *Strategy Maps* provides a very useful starting point.

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S-Business: Reinventing the Services Organization

James A. Alexander and Mark W. Hordes
(*SelectBooks*, New York; 2003;
ISBN 1-59079-054-5) \$24.95

REVIEWED BY PATRICK MCKENNA

I fondly remember attending a conference wherein one management consultant quipped, “Give me a double-axis chart and I can rule the world.” I laughed so hard I nearly blew coffee out my nose, until the reality of some of my own PowerPoint™ slides took hold.

In the case of *S-Business: Reinventing the Services Organization*, it might be said that giving two distinguished consultants, James A. Alexander and Mark W. Hordes, a double-axis chart allowed them to wrap an entire book around their specific 2x2 matrix.

The Alexander and Hordes matrix is a slight variation on other models first advanced by Harvard’s Michael Porter and also by the esteemed folks at McKinsey, who in the late 1970s called their particular concoction a “strategic game board.” While those ini-

tial versions were preoccupied with assessing product-based companies, Alexander and Hordes apply their matrix to S-business: the “services-focused, services-measured, and indeed, services-driven organization, regardless of whether it also builds and sells products.”

There are problems as Alexander and Hordes attempt to apply their model both to service providers from all industries and to those that reside in professional service firms. In my experience (having lived in both), the observations proffered in this text may at times apply to one, and at times to the other, but rarely to both. Professional service firms and product companies with a service component represent two very different dynamics.

The authors’ suggested model, “Four Paths to Greatness,” identifies four generic business strategies that they then attach their own labels to: the low-cost provider (they call “Vendors”), the niche player (labeled “Specialists”), the market leader (“Total Solutions Providers”), and finally, the innovator (called “Game Changers,” a McKinsey-inspired marker).

The Vendor strategy is the lean and mean value proposition of adequate performance, low cost, and no hassle. This applies to service professionals from all industries, except professional service firms. Professional service firms that make low fees their strategy had better be prepared to go all the way to the bottom, always! Arguably, with matters of a highly commoditized nature in which clients know exactly what they want done (a lawyer preparing a simple will, for example) and could possibly do it themselves, it may be justified to choose a professional based on the lowest price. And lowest price makes the deal today on certain websites that match providers with prospective clients. But there is room for only one lowest-cost provider. After all, if the lowest price is most important to the client,

why would the client choose the second lowest-cost provider?

Alternatively, at a time when many purchasers of services report that they are operating in a “zone of tolerance” (read that to mean: Those buggers haven’t quite made me angry enough yet to bother investing the time to select an alternative) with respect to some of their providers, a huge strategic advantage gravitates to that firm or supplier that discerns the difference between the hierarchy of customer needs (routine-explicit-unmet-latent) and goes the distance to not just satisfy, but also re-define the customer’s experience with buying from or using their firm.

The second strategic option, and the one prescribed for those who wish to make a move out of the Vendor box, is to occupy the Specialists square. In most industries, especially as they mature, there are most always highly profitable niche players. The driving factor to profitability is not so much being a niche player as it is being a player in the *right* niche. And what constitutes the right niche is dominating a segment that is in its early growth phase, where it is possible to build and develop skills and competencies along with the growth in client demand, where a first-mover advantage is possible, and where there is little if any competition. Unfortunately, the authors don’t delve into these aspects of pursuing a Specialist strategy, which in and of itself could fill a book.

The Specialist strategy is largely the one our firm has attempted to employ for the past 20 years. We’ve long recognized that market loyalty comes strictly from being more valuable to clients tomorrow than we were yesterday. What that requires is the discipline to continually develop skills to be on the frontier of new areas in demand. As

soon as other competitors begin offering the same or similar services as ours, we are entering a commodity phase characterized by fee-sensitivity and the eventual erosion of margins. Simply being a specialist among a number of other specialists doesn’t make us or anyone special.

The Total Solutions strategy is the one-stop shopping, breadth of capabilities, path to greatness. And a very viable path it is. The authors note that “there are always at least two or three service businesses that customers feel can adequately do the job.” I wish the authors had gone even deeper on this point. The theory of the Rule of Three suggests that, on average, clients consider at most, three choices on a short list before making a final decision. The strategic imperative then becomes how to get into this inner circle that a prospective client first thinks about.

If we explored—on a local, regional, national, or even international basis—those firms that dominate the top end of any service business, we would find that in most instances these firms get the lion’s share of the most profitable work, largest deals, and best customer transactions. Jagdish Sheth and Rajendra Sisodia, in their book, *The Rule of Three: Surviving and Thriving in Competitive Markets* (Free Press, 2002), do a nice job of building on the work first advanced by Bruce Henderson of the Boston Consulting Group in this area, and make a convincing case for why both Total Solution Providers and Specialists need to explore how to dominate their market space.

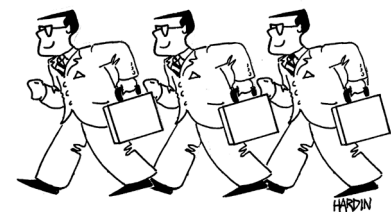
The authors of *S-Business* conclude their matrix with their “Game Changers” strategy, which they position as having the highest importance to customers on the vertical axis and the highest uniqueness of offerings on the horizontal axis. The remainder of the text then takes their matrix as the platform from which to devote specific

chapters on S-business sales, delivery, operations, talent, and culture.

My advice? While I am critical of this book, I still recommend it. I believe it will cause you to think more deeply about the various aspects of your current strategy and that of your clients. And the book makes some highly relevant points, especially as it attempts to approach strategy from the customer’s perspective. I do wish the authors had gone deeper in some of the areas I’ve mentioned and dispensed with shop-worn advice that no one practices, such as “A good rule of thumb is to fire the bottom 20% of your customers and retire 20% of your service offerings each year.” Yes, I too have probably uttered that same drivel at some point in my career. Now all I need to do is find just one organization that practices what I preach, including my own!

And noticeably absent is this: The authors never really make a case for either differentiating a firm or developing a meaningful strategy based on providing exceptional service. So, if not “service,” what then does the “S” in S-business stand for?

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World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability

Amy Chua (*Doubleday, New York; 2003; ISBN 0-385-50302-4*) \$26

REVIEWED BY JOHN D. TRUDEL

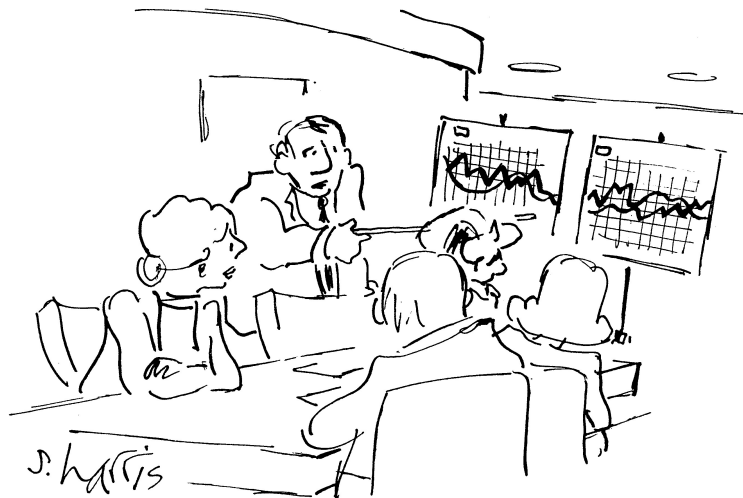
W*orld on Fire* is the most profound book on global business and international trade policy that you've probably not read or even heard of. While it might not provide you with a noncontroversial and actionable checklist for what to do on Monday morning, it deserves deep consideration because the issues it raises are important and affect business greatly.

The book delves into areas of major societal harm from globalization. It convincingly links the two greatest trends in the world today: globalization and violence. A few good books on globalization have emerged from the perspective of theory, but this one presents a pragmatic report on what's actually been happening.¹

Professor Chua is well credentialed to write such a book. She teaches at Yale, but her experience is more than academic. She comes from one of the prominent Chinese families in the Philippines, was trained almost from the cradle in global trade, and rose to employment with organizations like the World Bank. She fuses compelling research with first-hand experience to build her case, and her conclusions are sobering.

This book is a study in unintended consequences. What happens when you combine the unfettered essence of the two most fundamental precepts of the West—democracy and free market economics? Most would expect good to result. Not so. The truth is simply this: When great wealth is accumulated by a minority that dominates the

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“The first one depicts our sales compared to Snedly Electronics, and the second one depicts the speed of our corporate jet compared to Snedly’s.”

market and a disenfranchised majority gains political power, the result is violence.

Writes Chua: “After the fall of the Berlin Wall, a common political and economic consensus emerged, not only in the West but to a considerable extent around the world. Markets and democracy, working hand in hand, would transform the world into a community of modernized, peace-loving nations. In the process, ethnic hatred, extremist fundamentalism, and other ‘backward’ aspects of underdevelopment would be swept away. The consensus could not have been more mistaken.” It does not please Professor Chua to report this. She’s not an antiglobalist.

What caused her to notice that something was badly wrong wasn’t reading headlines about protests, riots, or terrorism. It was more personal. Her aunt Leona, her father’s wealthy, unmarried twin sister, was killed in her home in the Philippines. The police interviewed the witnesses. The household maids confessed that the chauffeur planned and executed the crime with their knowl-

edge and assistance. At the time of the interview, the chauffeur was wearing bloodied white gloves and still holding the bloody knife. It was murder most foul. With premeditation, the burly 6’2” chauffeur had brutally killed his 4’11”, 58-year-old employer in her own living room. The maids were released after questioning, a warrant was issued, and the chauffeur disappeared. He’s not been found, and the case is, in effect, closed. As Chua says, “The policemen in the Philippines, all poor ethnic Filipinos themselves, are notoriously unmotivated in these cases.”

Chua found her family’s reaction more shocking than the murder. They were matter-of-fact, almost indifferent. It turns out that Aunt Leona’s murder fits a common pattern: “Hundreds of Chinese in the Philippines are kidnapped every year, almost invariably by ethnic Filipinos.” The Chinese community has hired more guards and upgraded their security systems. Why are the Chinese targeted? As one grinning policeman explained, because “they have more money.” At 1% of the

population, they control 60% of the private economy. The motive the police listed was summed up in one word: Revenge.

With that comment, I'll skip past this murder, which is but a pinprick in a larger pattern of global violence. As Chua writes: "This book is about a phenomenon—pervasive outside the West yet rarely acknowledged, indeed often viewed as taboo—that turns free market democracy into an engine of ethnic conflagration. The phenomenon I refer to is that of market-dominant minorities."

The book is divided into three parts: "The Economics of Globalization," "The Political Consequences of Globalization," and "Ethnonationalism and the West."

Economics

The richness of this section is outstanding. In region after region (though not everywhere), the result of democracy and free markets has been to consolidate wealth in the hands of a privileged minority, usually an ethnic minority, as with the Chinese in the Philippines and Southeast Asia.

One key point is that the United States of America is "everywhere perceived as the world's market-dominant minority, wielding outrageously disproportionate economic power relative to our size and numbers." We're credited (or blamed) for sponsoring globalization, and hated for it by many. Hence the terrorist acts of 9/11.

We don't think that way, of course. Most people in the United States are supportive of people becoming wealthy. That's the American Dream. We believe at our core that this is a good thing, that anyone who prepares and works hard can better his or her situation. Few Americans curse Bill Gates for his wealth

(perhaps for other things, but not for being wealthy). Most are envious and motivated by his successes. Indeed, "poor and lower-middle-class Americans are often capitalism's biggest fans."

The American Dream is unique and may even be eroding as we watch high-wage jobs being exported and intellectual property law being massively shifted from enabling the new to protecting the old.² In any case, "outside the West, in countries with widespread poverty and a market-dominant minority, the dream of upward mobility is largely a nonstarter."

If large-scale entrepreneurship is rare, crony capitalism and cartels are not. The book argues that this dark side of capitalism—especially when combined with practices such as sweatshops and plundering natural resources—leads to resentment, hopelessness, and rage. When a minority can be blamed, the mix is explosive.

Politics and Violence

Chua argues that globalism as presently practiced has unleashed a veritable bloodbath all over the world. "In America we read about acts of mass slaughter and savagery; at first in faraway places, now coming closer and closer to home. We do not understand what connects these acts. Nor do we understand the role we have played in bringing them about."

Recent years have seen genocides unparalleled since Hitler's Nazi Germany. In a period of some 90 days, in Rwanda, ordinary Hutus killed some eight hundred thousand Tutsis, typically by hacking them to death with machetes. Patients hacked their doctors, students their teachers. In Sierra Leone, there was a decade of violence that killed some 75,000 and left 4.5 million displaced. Rebels gave farmers a choice: They could either rape their own daughters or have both hands cut off. Much the same happened in Kenya,

Indonesia, South Africa, Namibia, Rhodesia (now Zimbabwe), and elsewhere.

Many describe the violence directed at Zimbabwe's white farmers and their black farmhands as anarchy. If so, it was anarchy born of democracy. Mugabe was a hero of Zimbabwe's national movement, elected overwhelmingly in the closely monitored elections of 1980 and every election since. His platform was to seize land from the "white exploiters."

Serbia was worse. There, the genocide spread to neighboring countries, engulfing the entire region in civil war and ethnic cleansing. It's important to note that Milosevic was duly elected—in fact, reelected—even after being put on trial as an international war criminal.

Chua argues that laissez-faire markets and rapid democratization would be a very high-risk strategy for the Middle East. Some may disagree, but Chua sees it as a recipe for extremist politics, dominated by "ethnonationalist" or fundamentalist parties unified in their hatred of Israel and the West. Iraq may test this thesis.

Why It Matters to the West

Chua notes that the export of free markets and democracy repeatedly has not led to peace and prosperity, but instead to ethnic or bureaucratic confiscation, authoritarian backlash, and mass killing. So, should we just give this up as failed policy? She thinks not.

I'm skeptical. Until quite recently, we had national sovereignty in trade matters, high tariffs, strong unions, and intellectual property and antitrust law set to protect new things. We had high-wage jobs and economic prosperity without global carnage and hatred. We had more freedom to pursue the American Dream. Perhaps a public debate on economic and trade policy is needed.

This part of the book presents speculative adjustments to improve current policy: all reasonable, most compassionate, and none likely to be adopted.

Still, she has some good points. The best of which is that we've forgotten our own history. For 20 years, we've been promoting instantaneous democratization and Wild West capitalism. "In doing so, we are asking developing and post-Communist countries to embrace a process of democratization that no Western nation ever went through." Capitalism in the West has historically been crafted to create upward mobility and a middle class. That's not working well anywhere now, not even in the West. Thus, we have a world on fire.

Notes

1. See, for example, William Greider, *One World, Ready or Not: The Manic Logic of Global Capitalism* (Simon & Schuster, New York, 1997). The opposite view is presented in Thomas L. Friedman's *The Lexus and the Olive Tree: Understanding Globalization* (Anchor Books/Doubleday, New York, 2000).
2. See, for example, Lawrence Lessig, *The Future of Ideas: The Fate of the Commons in a Connected World* (Random House, New York, 2001) (Vintage Books USA, New York, 2002).

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Managing and Leading: 52 Lessons Learned for Engineers

Stuart G. Welsh (ASCE Press, Reston, VA; 2004; ISBN 0-78-44-06758) \$55

REVIEWED BY EDWARD J. PHILLIPS

While *Managing and Leading* is not apt to become a staple of management literature, all consultants to management—especially those just starting their careers—can nonetheless benefit from it. Given its title and publisher, the book appears to be directed at engineers, but everyone directly involved in business or consulting who is striving to advance within an organization will find that 90% of the lessons apply to them.

Organized into eight parts—personal roles and goals, communication, learning and teaching, improving productivity, meetings, marketing, building mutually beneficial partnerships, and effecting change—most of the book's 52 essays or lessons aim to improve the "soft skills" of management and leadership versus "hard side" technical skills. A great deal of psychology and lessons learned by the author from the school of hard knocks help make this happen.

The book jumps from topic to topic with no clear thread, making it difficult to read more than a few lessons consecutively. Although the lessons are short, most readers will find it easier to focus on only one or two a week, especially if they follow the advice in each lesson and embark on the pragmatic steps the author recommends.

A few of the lessons will seem hackneyed to old hands, but the great majority reflect Welsh's solid experience as a solo consultant, scholar, and academic. The lessons usually recommend action items, guidelines, checklists, follow-up chapters, and a wealth of other resource materials to help readers master the material.

"Preparing, Presenting, and Publishing Professional Papers" is among the most useful essays. Although there is minimal information on publishing, the author's comments on making presentations triggered some new ideas and reminded me of some basics—such as the three-step process of telling the audience what you are going to tell them, then telling them, and then telling them what you told them. It's also wise to know the three basic learning styles—auditory, visual, and kinesthetic—and how to develop presentations that communicate with all of them. And it helps to learn how to use seven different colors to classify and convey messages that symbolize feelings ranging from trust to power.

Another useful essay for management consultants is the author's outline of a "Simple Professional Services Marketing Model." One good reminder stems from Greek philosophy and, more recently, from Stephen Covey's *The Seven Habits of Highly Effective People* (Simon & Schuster, 1990). It consists of a three-step model for working with clients: Ethos, Pathos, and Logos. *Ethos* is "your personal credibility, the faith people have in your integrity and competence. It's the trust you inspire." Earning this trust is a prerequisite to moving forward with prospects and clients. *Pathos* is "the empathic side—it's the feeling. It means you are in alignment with the emotional thrust of another's communication." We must pay attention to clients' subtle moods, needs, wants, circumstances, and opinions before proceeding. *Logos* is "the logic, the reasoning part of the presentation." Here we must use our reasoning ability to respond to the needs and wants we've heard, or we stand little chance of getting buy-in for what we're trying to sell.

The author correctly points out that, particularly for technical people, the tendency is to start with logos instead

of ethos, which seldom leads to satisfactory results. Technically oriented people tend to proceed too quickly with and rely too much on logic. In this lesson, the author briefly discusses marketing approaches that work and don't work. In addition to Covey's work, Walesh recommends an excellent article by Peter R. Lantos from the November 1998 issue of *Journal of Management Consulting* ("Marketing 101: How I Got My Ten Largest Assignments"). And I really like David Maister's comment that "What you do with your billable time determines your current income, but what you do with your non-billable time determines your future."

I'm amazed the section titled "Thank Our 50 Stars" is included. This section is a pep talk directed at U.S. engineers, not a lesson. "Life, liberty, and the pursuit of happiness" is what it's all about; "there's no better place on earth" than the USA; "our lives should exemplify our thankfulness" for being born in the United States; the U.S. flag

should remind us of the many unique avenues open to U.S. citizens and engineers; and we should thank our 50 stars for all that. This is presented in such an arrogant and narrow-minded way that I must assume the publisher has no plans to sell the book outside the United States.

Also, some of the lessons will be familiar to well-read management consultants. Walesh appears to have studied the works of dozens of other management thinkers and writers such as Richard Carlson (*Don't Sweat the Small Stuff*), Jim Collins (*Good to Great*), Stephen Covey, Michael Hammer (*The Reengineering Revolution*), Tom Peters (*The Pursuit of Wow!*), and Zig Ziglar (*Top Performance*). Much emphasis is placed on Covey's work and on Walesh's previous writings, and the lessons draw heavily from his book *Engineering Your Future: The Non-Technical Side of Professional Practice in Engineering and Other Technical Fields*—referenced in at least a third of the chapters.

Almost every lesson references e-newsletters, websites, and other books or articles written on the theme

of the lesson. The bibliography overflows with more than 170 reference papers and books, about 40 websites, and more than 20 recommended e-newsletter subscriptions. The reference information alone is worth having on the shelf.

There is another good reason to get this book, and that is its liberal dose of famous (and not so famous) quotations—more than 315 quotations from over 225 different people. From Aesop and Aristotle to Woodrow Wilson, even the author's high school drafting teacher is immortalized in text. One of my personal favorites is from Mark Twain: "The difference between the right word and the almost right word is the difference between lightning and the lightning bug."

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