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Visual Strategy: Linking projects with organisational goals

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Abstract - Openness in strategy comes in different forms and this research study has a particular focus on how visual strategy approaches can facilitate employee engagement and inclusion in strategy processes. A novel Visual Strategy approach is developed and tested in 20 manufacturing small and medium enterprises (SMEs) across Europe as part of a large European Commission funded project. The case studies demonstrate that visual management systems serve to support ongoing strategy development and implementation, link strategic projects with organisational goals, enable employee engagement and enhance collaboration. The main benefit of the Visual Strategy approach is that it allows everyone in the business to understand their own contribution to the big picture and eliminates a blame culture.

Introduction

Including many stakeholders in strategy process has been subject of research for many years. IBM developed its strategy jam project before 2002 (Bjelland and Wood 2008) in which 50,000 of IBM's workers submitted about 10,000 comments about the future of the company. Despite this initial practices, no management research can be observed in the literature until Chesbrough and Appleyard (2007) developed a new concept based on the notion of open innovation which they called "Open Strategy". They introduced open strategy as a concept which "embraces the benefits of openness as a means of expanding value creation for organisations. It also said to "widen the search for strategy ideas and improve commitment and understanding in strategy implementation" (Whittington et al. 2011, p.535). According to Whittington et al. (2014), open strategy has come in different ways such as:

- Strategy jamming: The inclusion of greater numbers of internal employees by various social media technologies
- Inter-organisational strategising: The organisation of strategy workshops between different firms for the collaborative exploration of strategic opportunities and threats
- More transparent external communication of strategy: such as through analyst and media strategy presentations and more thorough strategy reporting
- Collective, participatory strategy processes of community-based or network-based businesses

Thus, the point of departure for this article is that there is a trend towards greater openness in the strategy process, for which Chesbrough & Appleyard (2007) and Doz & Kosonen (2008) coined the term "open strategy". This development matches earlier ones in the area of innovation field resulting in radically more open approaches to managing innovation processes (Chesbrough, 2003). Whittington et al. (2011) explain the trend to greater strategy openness by identifying two distinctive dimensions:

- a) greater internal and external transparency with regards to processes and outcomes
- b) greater inclusiveness of various actors in strategy-making, internal and external.

Greater openness on these dimensions demonstrates tensions with conventional notions of strategy which treat it as exclusive and secretive rather than inclusive and transparent inside the firm. Similarly, Prof Cynthia A Montgomery, Harvard Business School (2012) highlighted that:

"Strategy has to be embraced as something open, not closed. It is a system that moves, evolves and changes. It comes into focus over time as you analyse and reflect on your business and work through each step of the process."

This study has a particular focus on SME context as SMEs are the backbones of world economies. Managing strategy within the context of SMEs requires a deeper understanding into their unique environment and organisational characteristics. A study by Ates et al. (2013) highlighted the key characteristics of SMEs that influence their organisational behaviour as: short-term priorities, internal operational focus, a lack of external orientation, tacit knowledge, looking for flexibility, poor managerial skills, entrepreneurial orientation, command and control culture and limited resources. For example, in SMEs, success is generally attributed to the individuals, owner managers or entrepreneurs rather than any planned process or practice. Many SMEs are owned and led by individuals who have command and control style management approach. This can be described as “strategy in the head of the entrepreneur” who runs the business on the basis of his/her experience and common sense (Ates, 2008; Ates and Bititci, 2011).

On the other hand, in order to create ‘one team’ and to share a common vision, it is important to understand and take part in the strategic conversations and on the formation of key strategic initiatives. There is a need to develop an effective communication tool to drive the right conversation, on the right topic, at the right time in the organisations. Thus, the development of “Visual Strategy” approach is inspired by the need to utilise visual methods to take the strategy out of the entrepreneur’s head and facilitate reification of strategy (Wenger, 1998; Mintzberg, 2000). In doing so, strategy becomes a living organisational routine which is accepted, embedded and institutionalised. When we reify, we often forget that we are doing it. It is no longer an exclusive or a calendar based practice. In pursuit of this aim, this study develops a new and novel approach to manage strategy and to link key projects with the business goals in order to create a shared understanding in the business. The approach is developed based on an in-depth study of 13 manufacturing SMEs as part of an EU FP7 Project called FutureSME (www.futuresme.eu). The developed approach is then tested in 20+ European SMEs in the next phase. This novel approach is explained along with a case study in the next sections.

What is Visual Strategy?

Management of strategy and identifying key strategic projects to implement business goals have both planned and emergent dynamics. Particularly more contemporary research suggests that strategy emerges as a result of conversations and dialogues through both informal and formal interactions (e.g. meetings, memos, e-mails etc.). This is reflected in the following quote by Gilad Tiefenbrun, the Managing Director of Linn Products Ltd, UK:

“The key thing is to recognise that the world is going to change and to build that adaptability...have some kind of vision, coupled with this notion that step by step all the time. You do it by being in the problem domain, so by being very aligned with your customers, caring about your product, caring about the market, caring about what we do, music, reproducing music at the highest possible quality...So we have discussions that create quite visionary futuristic models that are impossible today, but we kind of agree that’s how it will work in the future. We keep those discussions going all the time, sometimes in the pub, sometimes over a beer, sometimes on an aeroplane, sometimes in an official meeting. It could be anywhere, but you have to be thinking that way.”

However, the process by which these strategic conversations and actions are captured and communicated (Pettigrew, 1992; Teece, 1990) is considered critical for taking the strategy from the head of the entrepreneurs/ owner managers and maintaining alignment with the organisational purpose. Based on this requirement, we see early examples of visual approaches to strategy such as Balanced Scorecard (Kaplan and Norton, 1992), Strategy Canvas (Kim and Mauborgne 2002), Strategy Maps (Kaplan and Norton, 2000) which allow an organisation to visualise the competitive dynamics of its operating environment to make decisions. Strategy maps enable financial goals and objectives to be linked with customer, internal processes and learning and growth objectives and metrics. Hoshin Kanri Planning (Witcher and Butterworth 2001) uses complex spreadsheets to deploy top goals to functions, teams and processes. As can be seen from these examples, using visual aids in management is not new. However, visual approaches to strategy development and deployment appear somewhat static and top-down rather than engaging and letting strategy and projects emerge from strategic conversations (Bititci et al., 2015).

Visual Strategy approach is important for SMEs and allows management to align business goals with actions and key projects by engaging employees in strategic conversations. Some of the key benefits are identified in Table 1.

Table 1 - Importance of an open and inclusive strategy management for SMEs

If strategy is seen as....	...the result can be
A luxury that only large firms can afford	SMEs will only react to changes in the environment with too much dependency to large customers rather than being able to shape the future
Only the job of the managing director and leaders	Failure to utilise the creativity of the remainder of employees, and to capture their fresh ideas and perspectives to develop business goals
Dominant and top-down leadership	Lack of involvement by others results in strategy not being accepted in the hearts and minds.
A complicated spread sheet with only financial goals	Strategy becomes simply an uninspiring activity of filling a shopping list of financial targets and there is little high level purpose and employee engagement
Only about game changing "smart" ideas	Neglect of the potential of incremental learning, development, innovation and continuous adaptation.

Visual Strategy is a methodology to develop and translate strategy into goals, milestones and objectives, strategic projects and operational tasks while facilitating employee engagement. The methodology encompasses both strategy formulation and implementation process steps. The process of creating a Visual Strategy is simple and follows a 5-step interactive steps (Figure 1).



Figure 1 - Visual Strategy approach

There are maturity levels for how you can use the Visual Strategy in your organisation. For example, if you need to develop vision, mission, values and business strategies you may start from the first step and follow the whole methodology (For further support and online resources, visit www.futuresme.eu). The estimated time to complete the methodology varies between one or two full days depending on the company's requirements and its strategy process maturity level. Actual implementation in the work environment is a lengthy process, which requires considerable management time and effort. In addition, the reviews should take place at regular (weekly, monthly) management meetings.

How to implement the Visual Strategy approach?

The Visual Strategy methodology has five steps (Figure 1). This section identifies the activities required to complete each of the steps:

Step 1 - Guiding Vision: Guiding vision should be purpose driven rather than only financial driven. This is important for employee engagement. In the Guiding Vision process you should identify:

- The picture of the future (Vision)
- The core purpose of your organisation (Mission)
- Timeless guiding principles for your organisation (Core Values)

Step 2 – Horizon Scanning: Anticipates and senses continuously what is happening in the external environment. It seeks answers to:

- What do we want to know? What is the gossip in the industry?
- How do we get this information?
- What is happening in the external environment? What are the implications?
- What opportunities and threats affect us?

Step 3 – Internal Analysis: The internal performance analysis looks at the current operating model (how the business is organised and operates), profit formulae (how the business makes money), customer value proposition (what is the competitive offer, why the customer comes to you rather than your competitors) and the unique selling point (what makes the business different). From this analysis, the management team should question:

- Is the current approach still valid?
- How can the business build on strengths?
- What are the areas for improvement?
- Which Key Performance Indicators (KPIs) should be used for decision making?

Step 4 - SWOT: Identify “Opportunities and Threats” based on Horizon Scanning activity and “Strengths and Weaknesses” based on Internal Analysis activity. Put them in a 2x2 matrix based on SWOT. Then develop goals and milestones for the business and departments. Actions should be developed against SWOT for the business in the Strategy Map.

Step 5 – Strategy Maps: The Strategy Map graphically presents key goals for each process. It visually links strategic projects with process goals and milestones.

A case study: Visual Strategy implementation at Linn Product Ltd., UK

Linn Products Ltd is a medium sized manufacturing SME, employing around 170 people and is located in Scotland. The company designs and manufactures high end home entertainment systems such as digital streamers, speakers and studio quality music systems for domestic use. The firm has a clear strategy which is focused and based on bottom line growth rather than expanding in terms of employee numbers. The targets and KPIs for sales, purchasing, quality etc. are monitored and discussed regularly. The relevant people in the organisation meet every morning in front of white boards in a dedicated area to review current KPIs and discuss what needs to be done. In general, people in the organisation understand the short term objectives and priorities but remain unsure about long term strategy. Visual Strategy approach is facilitated in their management board meeting and monitored every six months during the EU project (2009-2012).

The Visual Strategy approach helped the management team have a common understanding into the business goals and the firm chose to customise and internalise the approach in their own way (Figure 2). The organisation focused on developing a milestone approach which enabled the company to make significant checks of progress every six months. These milestones focused on key aspects of business and created a shared understanding in the organisation regarding what the priority is. These milestones resulted in creating a highly focused business, development of new products and

enhancement of existing product offerings. In August 2014, the company reported record sales and profits¹.

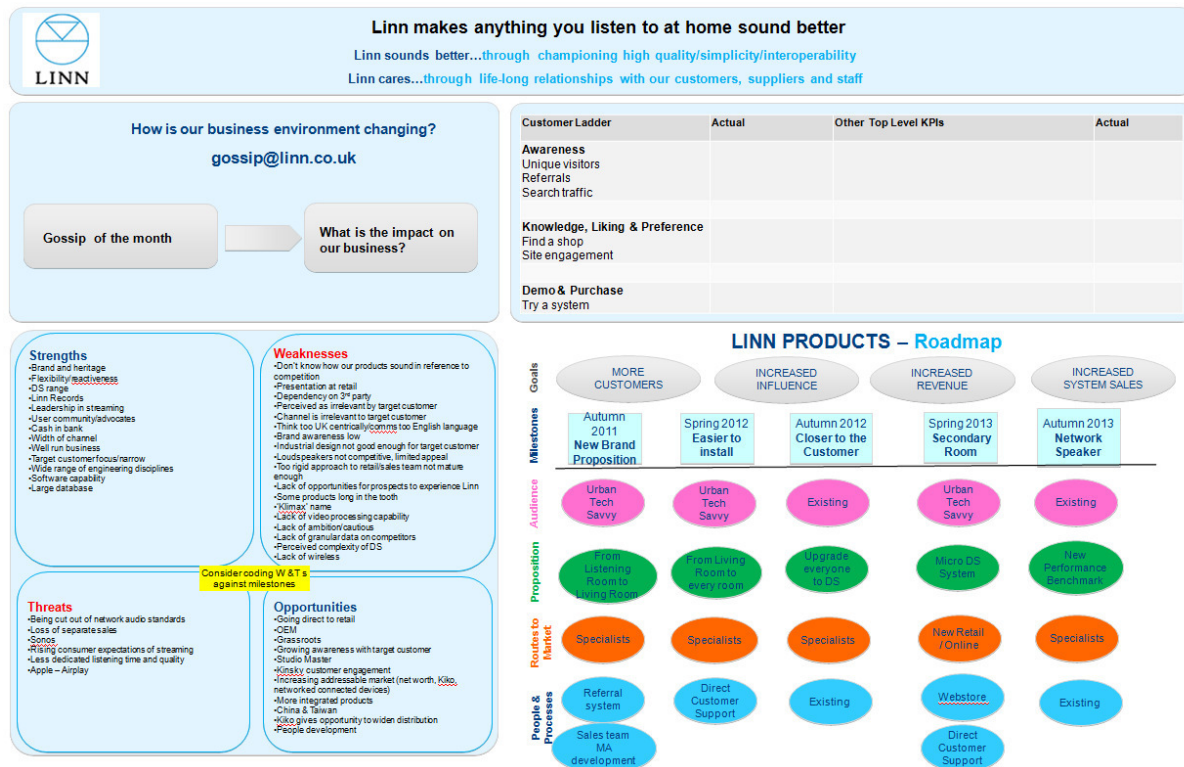


Figure 2 - Linn Products Ltd Visual Strategy

Step 1: Guiding Vision

This first step helped Linn identify their vision, mission and core values which are purpose driven rather than only involving financial motives. Linn employees, partners and retailers refer to the same values and organisational purposes in their daily doings.

Step 2: Horizon Scanning

In the second step, the objective is to assess the key dynamics in the external environment such as customers, suppliers, competitors, market trends, technology, management tools, regulation, legislation, economic trends, H&S standards, quality standards etc. Environmental scanning and intelligence gathering should be everyone's responsibility. Thus, Linn preferred to set up an e-mail account for their sales teams and other mobile employees to feedback 'the gossip' in the industry. These feedback from the field are assessed regularly and the best piece of news is awarded. The output of this activity will identify the opportunities and threats for the business.

Step 3: Internal Analysis

The third step aims to analyse KPIs and assess the current state of the business. This step generates a lively discussion on strengths and weaknesses based on KPIs. The aim is to build on the strengths and maintain those positions in the market and making improvements on the weakness areas.

Step 4: SWOT

SWOT analysis helped Linn convert the analysis in steps 1-3 into actionable goals and focused milestones in the next step. On completion of the SWOT analysis, the team should agree on the goals and milestones for the business which will provide a focus for the company every six months.

- What are the business goals and milestones? (i.e. customer facing, financial, internal and external key stakeholders)

¹ Source: <http://www.dailyrecord.co.uk/business/company-results-forecasts/profits-more-double-linn-products-4627784#cjX0TciECc96alH.97>

- What process, projects and actions would deliver these goals and milestones?

Step 5: Strategy Map/ Linn Roadmap

Strategy Maps are visual methods to align goals and milestones with processes, strategic implementation projects and actions. In this step, companies should understand which projects and actions will deliver the process goals and milestones. The output of this activity is a visual display of how the goals and milestones will be achieved in the business.

Linn Products has made a significant modification at this stage and adopted 'Linn Roadmap' instead of a 'Strategy Map'. The company needed to allocate its limited resources effectively and efficiently. Therefore, they have developed a 'Milestone' approach at the final stage. The Linn management team listed strategic goals and milestones based on what requires immediate attention next six months then align these with processes and departments.

Conclusions

Visual Strategy enables companies to improve their strategic capability and competitiveness. Visual strategy is about understanding: (a) where your business is now and looking at where it wants to go (vision); (b) how it is going to get there and how you are going to behave along the way (the core values); (c) how you are going to differentiate your products and services from the competition (value proposition). This is done through thinking together, acting together and reflecting together cycles in the firm. It is a methodology to provide a simple and visual process to enable companies, according to their maturity level, to formulate, communicate and implement a coherent strategy for their business. Visual Strategy methodology can also provide a structure for board meetings (i.e. management agenda) where managers can quickly see which aspects of their strategy are succeeding and where they are falling short. For example, Jimmy Roche, Roche Engineering Ltd, Ireland said that:

"It's very timely for us to be involved in strategy. Due to the downturn, we need to rebuild our strategy. Visual Strategy is a simple tool which works for us. Personally, I like the visual nature of the tool as a constant reminder"

The benefits of Visual Strategy approach is also described by Bill Dickie, Houston Bottling & Co-pack Ltd, UK as:

"Visual Strategy tool will make a very positive contribution to future development in our company. Mainly because the process gets you thinking in a different way; it is visual, alive, and dynamic; management team understand each other's viewpoints; result is an action plan that everyone has contributed to and bought into; effective and visual communication tool; can be used across all functions; can be used as a benchmark for the management team."

To conclude, although Visual Strategy approach has its own challenges, the method delivers several business benefits. Some of the benefits of adopting this methodology are: establishing long term thinking rather than short termism and firefighting; empowering employees and encouraging strategic conversations rather than considering strategy as a top management job; creation of a shared vision rather than strategy 'in the head of the entrepreneur/ owner manager'; strategy being inclusive and open rather than strategy being secretive and exclusive and enabling continuous success rather than success by accident. However it is important to note that managers' reluctance of sharing financial information with employees, level of openness, employees' reluctance of getting involved in strategic initiatives and longevity of the approach are some of the challenges during implementation. SME managers should step away from a linear approach towards flexible approaches as participation and reification are complementary as strategy becomes part of employees' daily activities and conversations. Consequently, visual strategy helps turning organisational purpose a shared reality.

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