

Strategic Themes – How Are They Used and WHY?

By Gail S. Perry

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One of the most common questions we receive in our training courses is: "I am confused by the role of themes in building a balanced scorecard. Can you please explain them?" And I think I've figured out why it is confusing to so many people. Themes are essential strategic elements that form the foundation for a balanced scorecard. However, once the scorecard is built, the fundamental role they play is not always clear to the naked eye.

We sometimes use the analogy of strategic themes as "load bearing walls". Look around your office building or house. Can you readily point to the load-bearing walls? If you have ever embarked on a remodel of your home or office, you quickly learn that load-bearing walls not only play a critical role in supporting the entire structure of your building, but their placement and design may actually dictate what you can and cannot do in terms of redesigning the layout and function of your space.

The same is true of strategic themes. They provide structure, support, and often boundaries for your strategic balanced scorecard. More importantly, they define your business strategies and business model.

This article will address how strategic themes are developed and used in a strategic balanced scorecard system. It is presumed the reader has some fundamental knowledge of balanced scorecard terminology. To learn more about balanced scorecard basics, you may access a complimentary 20-minute overview video here:

[Business / Industry](#)

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What Are Strategic Themes?

Strategic themes are the main, high-level business strategies that form the basis for the organization's business model. They are part of the strategic planning work of building a balanced scorecard. Once you have agreed upon the vision for your organization (your picture of the future or desired future state), then we systematically decompose that vision into 3-4 strategic themes. We sometimes refer to themes as "pillars of excellence". The strategic themes are very broad in scope. They apply to every part of the organization and define what major strategic thrusts the organization will pursue to achieve its vision. Themes affect all four of the balanced scorecard perspectives (financial, customer, internal process, organizational capacity). A strategic theme is an area in which your organization must excel in order to achieve your vision.

Developing strategic themes requires considerations of other strategic elements, such as the challenges, enablers, customer value proposition, and other components of the strategic assessment work. Themes also represent deliberate strategic directional decisions made by the leadership team. Taken together, one can look at the proposed set of strategic themes and ask this question: "If we excel in these 3-4 areas, will we achieve our vision?" and receive a resounding answer of "Yes!" This is similar to an engineer looking at an architectural design and answering this question, "If we put these walls of this thickness in these locations, will the building stand solid?"

What is a Strategic Result?

Each theme has a “strategic result” associated with it. This is a statement of a desired end-state. In other words, how will you know when you have achieved the theme? The result is stated in such a way that you will clearly recognize success when you see it. Strategic results are measurable and explicitly defined using outcome language. Strategic themes are often similar from organization to organization. Examples include Business Growth, Operational Excellence, Customer Service Excellence, Innovation, and Sustainability. However, the **strategic differentiator lies in the strategic result**. The specificity of the result gives guidance to organizational transformation. For example, in one organization the result of Business Growth might be “We supply the electricity products and services our customers need when they need them, now and in the future” and be measured by a “Build the Business Composite Indicator” (made up of market share, electricity availability ratio, and a new services customer acceptance ratio). In another organization this same theme might have a completely different strategic result such as “Our customers choose us over other lenders in all the financial markets we serve, now and in the future” and be measured by a compound measure of current and future-looking indicators.

Strategic Elements Form the Structure of the Balanced Scorecard “House”

Figure 1 illustrates the idea of strategic elements that form the structure of the balanced scorecard “house”. The roof represents the mission (what is our purpose) and vision (what are we trying to achieve). The balanced scorecard perspectives represent the floors of the house. These are the lenses, the dimensions of performance through which we view the organization. The foundation of the house represents the human dimensions of the system – without fully engaged leadership and proactive communications and change management, your house is built on shaky ground. The strategic themes/results are the load bearing walls which support the mission and vision of the organization and provide stability by

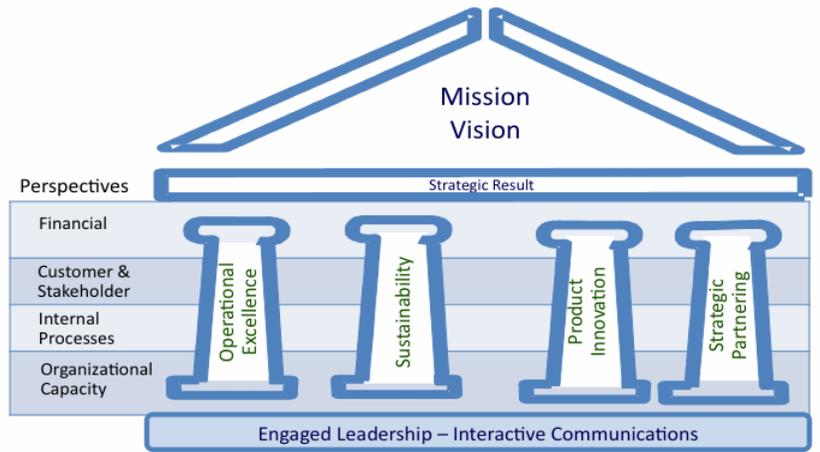


Figure 1: Strategic Themes are the Pillars that Support the Mission & Vision

linking all the way from the foundation, through each perspective level, to the roof.

Translating Themes into Strategy Maps

A strategy-based balanced scorecard system involves the collaborative development of an organization's “Story of the Strategy” and identifies the connection between capacity, processes, customer value, and financial outcomes.

In order to map this “story of strategy”, we assemble a team of subject matter experts for the theme and use their expertise to systematically decompose each theme into a set of strategic objectives, mapped in a story of value creation, to achieve the desired strategic result. Figure 2 illustrates how themes are translated into strategy maps. It is important to note that the leadership team, by setting the themes and results, has deliberately defined certain strategic boundaries or parameters to give guidance to the theme teams. It is also important to note that the guidance is broad enough to allow the theme teams to have some creative latitude to develop the “how” of the strategy – to consider many options for achieving the desired strategic result. So to continue our load-bearing wall analogy, selecting where to put the wall will, by design, open up or limit options for the footprint and function of potential rooms within the building.

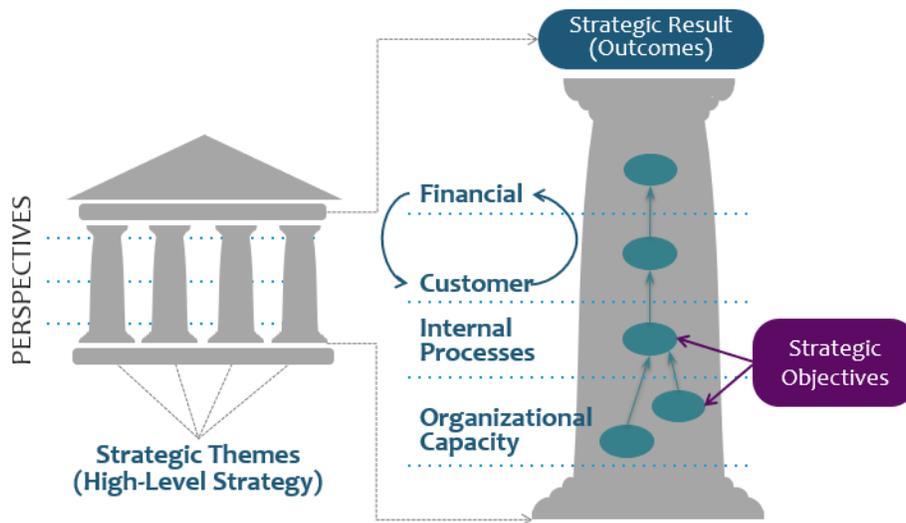


Figure 2: Well Executed Strategy Leads to Desired Strategic Results

For more reading and examples on developing strategy maps for strategic themes, please refer to these articles:

[Building Innovation to your Strategy](#)

[Link Sustainability to Corporate Strategy](#)

The Finishing Touches

Once all the theme maps are developed, they are combined to create a powerful, mutually reinforcing business strategy (see Figure 3). We are often asked "why" we go to all the trouble of building theme maps when we are just going to combine them in the end. That is like asking why we go to the trouble of installing the load-bearing walls when we are just going to plaster over them, and they'll disappear into the woodwork anyway.

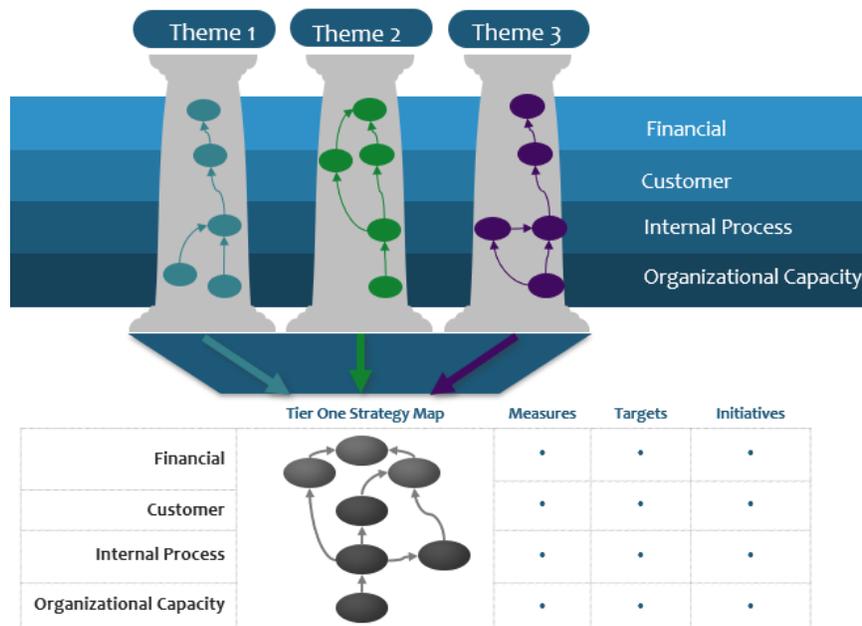


Figure 3: Theme Maps are Combined into a Single Tier 1 Map

The reason we are so deliberate about building theme maps is to ensure that you have fully considered the strategy needed to achieve each strategic result. If you skip this step, you risk missing major objectives that will be critical to achieve a strategic result. And if you do not achieve your strategic results, you will not achieve your vision. It's all connected. In other words, themes ensure the structural integrity of your system.

Another benefit of strategic themes is the opportunity to involve more people (their voices, their experiences, and their knowledge) in developing strategy through their inclusion on theme teams. This not only results in a better product, but it contributes greatly to buy-in, understanding, empowerment, and accountability (the human factors of the system). And buy-in and transparency are key components of changing hearts and minds, which are critical to transforming an organization into a higher performing entity.

Some clients express concern that themes will "disappear" as they move forward in developing the system, but this isn't the case. Most organizations do not present their balanced scorecard in this format but look at Figure 4. See how we can easily trace the origins of each objective back to the strategic theme(s) that it supports?

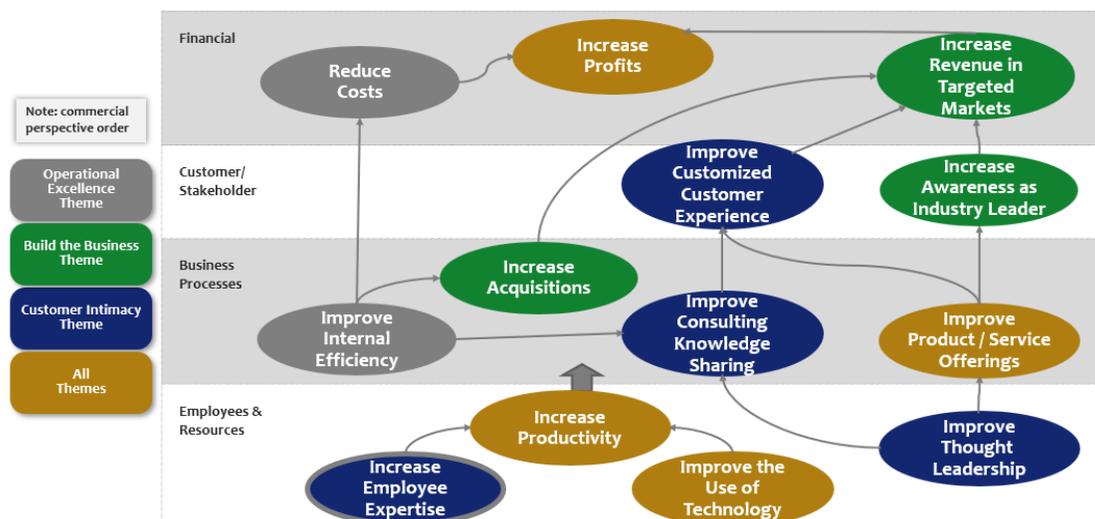


Figure 4: Themes are Traceable on a Tier 1 Map

Summary

The architects of a building always know where the load-bearing walls are. Similarly, the architects of your balanced scorecard system can quickly show you how your themes are woven through your scorecard. And when it is time to reassess your strategy, your system architects (usually referred to as the Office of Strategy Management) can accurately assess what a change in strategic direction (such as a change in mission, vision, themes, results, objectives) will mean and how to make the necessary adjustments to ensure the ongoing integrity and alignment of your strategy – to ensure that the strategy you execute is in alignment with your vision. The strategic themes are the structural supports which ensure the rest of your system is "squared up" to your mission and vision.

About the Author

Gail S. Perry is co-author of *The Institute Way*. With a career spanning over 30 years of strategic planning and performance management consulting with corporate, nonprofit, and government organizations, she enjoys speaking, training, and writing, sharing her experience with others. She currently is the Vice President at Credera.

About the Balanced Scorecard Institute (BSI)

BSI provides consulting, training, and professional certification services to organizations worldwide related to strategic planning, balanced scorecard, KPI/performance measurement, and strategic project management.

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