



## The Strategic Management Maturity Model™

Many Institute clients ask a similar question as they work to improve their strategic management at their organizations: *where do we stand compared with other high performing organizations?* Until now, there was no clear method for answering that question. This recognition of a need for organizations to assess the quality of their strategic management led the Institute to develop the **Strategic Management Maturity Model™ (SMMM)**.

The SMMM was designed by and for busy managers who need a quick assessment of where their organization stands in terms of strategic management, to monitor progress in improving maturity of strategic management, and to allow benchmarking across organizations, or departments within one organization, in order to identify best practices.

There are two basic questions to ask of management: *are we doing things right*, and *are we doing the right things?* Operational management focuses on *doing things right*, and many tools have been developed to improve this (e.g. TQM, Six Sigma, business process reengineering etc.), including many maturity models. In developing the SMMM, the Institute has broadened the concept of “performance” to add strategic management concerns, which answer the second question, *are we doing the right things*. In any organization, it is the strategy, driven from the vision of the leadership, that defines what are the right things. Process improvements alone cannot guarantee that a company will be successful, or that an agency will achieve its mission. These two aspects of management – strategic and operational – complement each other, so both must be assessed to determine the organization's total management capabilities.



The SMMM Can Be Used  
to Assess Organizational  
Strategic Management  
Performance

### Eight Dimensions of Strategic Management

The SMMM contains assessments of performance along eight different dimensions of strategic management:

- Leadership
- Culture and values
- Strategic thinking and planning
- Alignment
- Performance measurement
- Performance management
- Process improvement
- Sustainability of strategic management

Following is a description of the aspects of strategic management included within each of these dimensions:

### **Leadership**

Effective strategic management starts with leadership. Ken Chenault, CEO of American Express, said *"My role is to define reality and to give hope."* Leaders question assumptions, look at problems in new ways, and create and articulate a vision for the future. In the context of strategic management, leadership includes the following traits: a) leaders set a clear and consistent vision or "picture of the future" of the organization; b) leaders are pro-active in preparing the organization for the future; c) leaders are visible and engaged to ensure that staff understand the common vision and can translate it into terms relevant to their roles; d) leaders "walk the talk" in exemplifying the values, ethics and policies of the organization; e) leaders don't micromanage, but trust and encourage employees to contribute their ideas and grow in their careers; f) leaders "walk around" and work alongside staff to encourage teamwork.

Many employees are now considered "knowledge workers" – they are hired for their thinking skills. In this environment employees want to know *why* they are being asked to do their assignments.

Hence strategic management leads to increased employee empowerment and less "command and control" management.

### **Culture and values**

*"A leader leads by example, whether he intends to or not."* (Author unknown). This dimension refers to the culture and values inside the organization, and it addresses leaders' and employees' shared understanding and agreement with stated values. Most organizations post a values statement with a list of virtuous words. What distinguishes maturity is the degree to which those values are communicated, understood and practiced – by the leader as well as by all employees. Evidences of of mature workforce culture and values include: a) thoughtful applications of change management principles and practices by the leadership; b) the degree of ownership that employees feel for the vision and values of the organization; c) their degree of participation in shaping the organization's culture and ways of working; d) the level of trust, transparency and freedom to communicate with candor, as opposed to a culture of fear and denial; e) the degree of flexibility and willingness to change to align to new strategic priorities; f) the level of awareness and consistency of adherence to stated values and policies.

### **Strategic thinking and planning**

*"I think and think for months and years. Ninety-nine times, the conclusion is false. The hundredth time I am right."* (Einstein). Strategy development is not a "cookbook" process. It is a challenging, heuristic task that requires strategic thinking. Strategic thinking involves several traits: a) the ability to use consistent definitions of planning terms and to understand their distinctions; b) awareness of the distinctions between project planning and strategic planning; c) the ability to discuss and describe items in plans at the appropriate "strategic altitude"; d) awareness of the dynamic system effects in organizations, such as delays and feedback; e) openness to new ideas and encouragement of creativity and innovation; f) openness of the planning process to a team of employees of various ranks and functions; g) degree to which alternative strategies and scenarios are considered; h) linkage of strategic planning to budgeting; i)



ability to write and speak with clarity and simplicity. Evidence for the degree of strategic thinking can be found in the organization's strategic planning documents.

### **Alignment**

*"To be successful, you have to have your heart in your business, and your business in your heart".* (Thomas Watson, Sr.) Alignment refers to *strategic alignment*, that is, the degree to which the organization's people and resources are focused on the strategy. The opposite of alignment is "chaos", where managers, programs and projects are aiming at different goals and there is lack of a common vision, leading to wasted energy, delays, conflict and confusion. Features of the organization that can be aligned include: values, vision, mission, strategic plans, budgets, policies, procedures, functions, themes, objectives, information standards and organization structure. Alignment measures the degree to which: a) people at all levels are motivated by a common vision and strategy; b) people understand that supporting the strategy is their job; c) people are self-motivated, not merely by compliance to rules.

### **Performance Measurement**

*"Without metrics, managers are only caretakers."* (Jac Fitz-Enz). Without performance metrics or measures, managers are "flying blind". So most organizations by now have learned to measure some things, either for operational performance or for compliance with requirements of outside stakeholders. But strategic performance measures or metrics are aligned to the strategic plan – not just everyday operations and outputs, but strategic outcomes that tie to the vision of the organization. Features to look for in strategic performance metrics are a) metrics derived from and aligned to the strategy, not just "KPI's" for operations; b) metrics that focus on outcomes and results, not just money spent, tasks accomplished, or outputs delivered; c) metrics that use appropriate ratios, sample sizes and other features in order to be more meaningful; d) metrics that are measured and reported frequently enough to drive decision making; e) "team" and "organization" performance, not only individual performance is being tracked; f) a balanced set of metrics that cover a range of different dimensions including not only financial data but also customer satisfaction, internal process performance and capacities of the organization.

Performance measurement also includes an assessment of the use of technology in managing performance information. Spreadsheets and paper documents for data collection are only adequate for the very smallest, localized organizations. In most modern organizations the collection and distribution of performance data requires an IT system on a network, set up to allow appropriate users to see the data they need in time to make decisions. The degree to which end users have fast, reliable access to relevant, high-quality data thus becomes another aspect of maturity in strategic management.



## **Performance Management**

"Your most unhappy customers are your greatest source of learning." (Bill Gates). It is one thing to collect data, it is another to use it effectively. Performance management deals with the degree to which performance metrics are used in decision making. Features to look for are a) recognition of the organization as a dynamic system; b) the use of feedback loops – so managers get to see the results of their decisions; c) managers are able to change things based on timely reporting; d) strategic performance measures are available to test the strategy; e) leaders have placed the entire organization into a "learning loop" so that they can validate their vision; f) ultimately the organization is learning what works to satisfy customers and improve the organization. The degree to which leaders and managers feel they have the information they need to make decisions defines the level of performance management.



## **Process Improvement**

"The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency." (Bill Gates). The role of strategic management is to identify which processes out of our entire portfolio are most in need of improvement (*doing the right things*). This requires input from the strategy, which informs the allocation of resources for planning improvements of the most strategically important processes in the near term and long term.

Process improvement includes an assessment of a) the organization's knowledge about its strategically important work processes; b) how well these processes are being improved updated and documented; c) how efficiently these processes perform compared to industry benchmarks; d) skills, practices and technologies used to improve process quality and efficiency; e) knowledge of core competencies and capacities of the organization and how well they are employed in running the processes; f) the level of employee awareness of customers and their expectations; g) existence of contingency plans for future risks, such as disasters, funding shortages, and leadership succession.

## **Sustainability of Strategic Management**

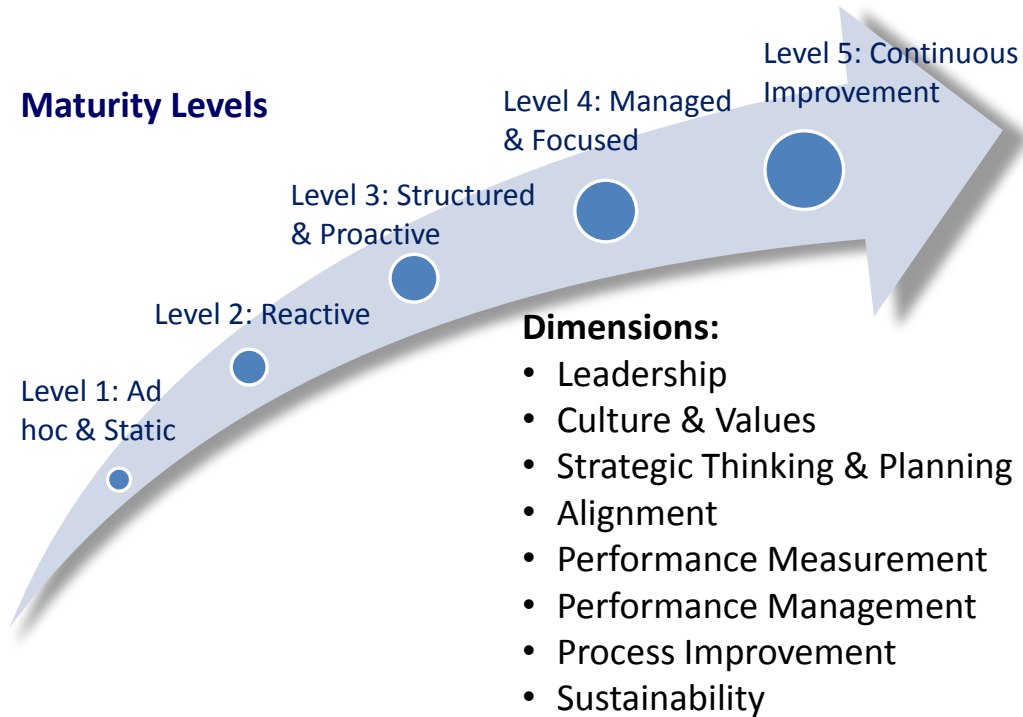
"Thought is the blossom; language the bud; action the fruit behind it." (Ralph Waldo Emerson) Sustainability of the strategic management of the organization is defined by: a) how well the organization is maintaining its focus on its strategic vision, plans and initiatives; b) people, systems, and communication activities are in place to maintain the momentum of desired change; c) a sense of urgency in the staff and workforce; d) reward and recognition systems that support efforts to motivate employees to do the right things; e) presence of "champions" to keep the workforce informed about the strategic priorities and levels of performance that are desired; f) presence of an "Office of Strategic Management" to deploy the strategy and track performance; g) degree to which strategic management has been institutionalized, so that "strategy is everyone's job". When a high level of maturity is achieved, the organization is on a journey of continuous learning and improvement.

## **Evaluate Your Organization's Strategic Management Maturity**

For each of these eight dimensions, there are five levels of strategic management maturity (see Figure 1 below): Level 1: Ad Hoc and Static, Level 2: Reactive, Level 3: Structured and Proactive, Level 4: Managed and Focused, Level 5:

Continuous Improvement. You can evaluate your organization by scoring the level of performance on each of the five levels of strategic management maturity.

Figure 1: Strategic Management Maturity Model™ Levels and Dimensions



### **Level 1: Ad Hoc and Static**

It is characteristic of organizations at this level that they currently do not do any strategic planning or management in a formal sense, tending to plan only on the tactical or operational level in an ad hoc and uncontrolled manner, normally by senior management behind closed doors. Leaders spend a majority of their time addressing operational issues and “putting out fires” and never address long-term strategy.

### **Level 2: Reactive**

It is characteristic of organizations at this level that some elements of effective planning and strategic performance management are being applied, only in an inconsistent fashion and often with poor results. Planning discipline is unlikely to be rigorous, and only happens in reaction to events or to temporarily please an individual leader. These organizations might measure performance or even use it to punish underperformers, but often these activities are done by individuals to meet a routine policy need and are not taken seriously.

### **Level 3: Structured & Proactive**

It is characteristic of organizations at this level that there are formal structures and processes in place to comprehensively and proactively engage in strategic planning and management. These activities occur on a fairly regular basis and are subject to some degree of improvement over time. Measurements are somewhat aligned with strategy and employee accountability is taken seriously.

### **Level 4: Managed & Focused**

It is characteristic of organizations at this level that strategy drives focus and decision making for the organization. Organization-wide standards and methods are broadly implemented for strategy management. Leaders formally engage employees in the process and a measurement & accountability work culture help drive strategic success for the organization.

### **Level 5: Continuous Improvement**

It is a characteristic of organizations at this level that the strategic planning and management excellence are embedded within the culture of the organization and are continuously improved in a formal sense. This means that as performance is evaluated, the organization first analyzes how it is performing towards its strategic goals and then second studies how effective the strategic planning and management processes are and adapts as necessary. Excellence in strategic management drives the organization's competitive edge or performance success.



### **Interactive Assessment**

On the Balanced Scorecard Institute website, a free [Interactive Assessment](#) survey matching Figure 2 below is available for organization's to assess their organization's strategic management maturity level. To assess an organization's maturity, simply select the maturity level that best describes your organization for each dimension. Read the descriptions and identify the most appropriate level for each of the dimensions in your organization. The median value of these is your organization's maturity level. Knowing this level will allow you to determine appropriate next steps to take your organization's strategic management to the next level.

Figure 2: Strategic Management Maturity Model™ Assessment

	Level 1: Ad hoc & Static	Level 2: Reactive	Level 3: Structured & Proactive	Level 4: Managed & Focused	Level 5: Continuous Improvement
<b>Leadership</b>	Leaders dictate / command & control; otherwise disengaged	Leaders dictate but gather feedback sporadically	Leaders engage with direct reports only, but do model desired behaviors and values	Leaders empower many employees through on going engagement	Leaders & employees fully engage in a continuous dialog based on a team-based culture
<b>Culture &amp; Values</b>	Vision & values undefined or not shared	Vision & Values published, but not lived	Vision & Values communicated & understood	Vision & Values collaboratively developed	Vision & Values fully integrated into organization culture
<b>Strategic Thinking &amp; Planning</b>	No strategic planning occurs within the organization; no goals defined	Strategic planning is the responsibility of a small team and dictated to the organization	A structured and open planning process involves people throughout the organization every couple of years	Plans are developed and revised regularly by trained, cross-functional planning teams	Strategy drives critical organizational decisions and a continuous improvement planning process is maintained
<b>Alignment</b>	Work is narrowly focused based on organization structure, with little customer input	Customer needs and feedback start to influence more aligned decision making	Employees know their customer sand align strategy to those needs	Vision, Customer Needs, Strategy, and employee reward and recognition systems are cascaded and aligned	All structures and systems are aligned with strategy, and organizational alignment is continuously improved
<b>Performance Measurement</b>	No data, or only ad hoc performance measures are collected	Performance data collected routinely, but are mostly operationally focused	Strategic performance measures are collected, covering most strategic objectives	Strategic measures are broadly used to improve focus & performance and inform budget decisions	Measurements comprehensively used and routinely revised based on continuous improvement.
<b>Performance Management</b>	No emphasis on using performance as a criterion to manage the organization	Performance reviews required but not taken seriously; no accountability for performance exists	Measures are assigned owners and performance is managed at the organizational and employee level	Measurement owners are held accountable and performance is managed at all levels	Organizational culture is measurement and accountability focused; decisions are evidence-based.
<b>Process Improvement</b>	Processes are undocumented and ad hoc with evident duplication and delays	A few key processes documented, and process improvement models (TQM, Lean Six Sigma, etc.) introduced	All key processes are identified and documented, and strategy guides successful process improvement initiative and improvements	All key processes are tracked and improved on a continuous basis and new process improvement ideas are accepted	Employees are empowered and trained, and a formal process exists for improving process management
<b>Sustainability</b>	Lack of structure and champions lead to short-term focus on tasks	Strategy “champions” identified	Formal organization structure in place to maintain focus on strategy	Organization has an “Office of Strategy Management” or equivalent.	Strategic thinking and management are embedded in the culture of the organization

### Getting to the Next Level

Once you have identified your organization's current level of strategic maturity, the model suggests improvements to help you get to the next level. This information can guide leaders in identifying what specific dimensions of strategic management have higher priority for improvement initiatives.

Regardless of where your organization stands in its strategic maturity, if you are interested in getting an assessment and recommendations on next steps to take in improving strategic performance, you may contact the Balanced Scorecard Institute [online](#). An

Institute consultant will contact you to discuss further steps to achieve a breakthrough in strategic performance!



### Reading

For more information, articles and books on effective approaches to strategic management, please see the following links and references:

H. Rohm, *Is There Any Strategy in Your Strategic Plan?* (Balanced Scorecard Institute, 2008)

R. S. Kaplan and D. P. Norton, *The Strategy-Focused Organization*, (Harvard Business School Press, 2001).

R. S. Kaplan and D. P. Norton, *The Execution Premium*, (Harvard Business School Press, 2008).

J. P. Kotter, *Leading Change*, (Harvard Business School Press, 1996).

M. G. Brown, *Winning Score: How to Design and Implement Organizational Scorecards*, (Productivity Press, 2000)

L. Bossidy and R. Charan, *Execution: The Discipline of Getting Things Done*, (Crown Business, 2002).

J. Fitz-Enz, *Benchmarking Staff Performance*, (Jossey-Bass, 1993).

W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy*, (Harvard Business Press; 2005).

For other related white papers and articles, please visit: <http://www.balancedscorecard.org/BSCResources/ArticlesWhitePapers/tabid/56/Default.aspx>

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