Strategic Innovation

*Strategy Canvas & The Four Actions Framework*
Flow of Seminar

1. Ideas and Customers
2. Tools and Methods
3. Business Design Assessment
4. Innovation Capability Assessment
5. Action Plan
In this module we’ll help you identify and appreciate the importance of a strategy canvas and how it helps define your strategy creating and sustaining differentiated business models.

Objectives:

- To explore the potential benefits of a Blue Ocean strategy approach.
- List the current and future key competitive value elements for your organization and your key competitors.
- Create and construct a first draft of a high level strategy canvas for your current organization and associated four Actions Framework Grid.
- Create and construct a first draft of a high level strategy canvas for your future organization and associated four Actions Framework Grid.
Agenda

- Red & Blue Ocean strategy and the associated six guiding principles
- Four actions framework and grid (ERRC)
- Align strategic intent with selected value elements
- Map your organization and your competitor’s current strategy canvas
- Map your organization’s future strategy canvas
Red oceans and blue oceans differ; The “Blue Ocean” approach is a strategic tool that helps innovation strategists assess current and desired future strategic states; Red Ocean is a current state.

RED OCEAN:
- All of the industries in existence today
- Boundaries are defined and accepted
- It is the known marketspace
- Competition is based upon an established rules
- Value elements are identified and generally convergent

BLUE OCEAN:
- ‘Strategically divergent’ method of positioning/visualizing strategy
- Boundaries are undefined and generally unknown
- Competition is irrelevant because the industry is not defined
- Value elements are not identified, represent divergence
- Products and services are deliberately chosen as a unique set of value characteristics on which to invest

Source: “Blue Ocean Strategy”, Kim and Maubourgne
Research indicates a significant profit opportunity for organization’s that effectively employ blue oceans as they account for a disproportionate impact on profit for many organizations.

**NOTE:** Blue Oceans account for a disproportional contribution to profit.

Source: “Blue Ocean Strategy”, Kim and Maubourgne
The ‘Blue Ocean” approach has several key principles and associated assumptions that help organizations create compelling, sustaining and differentiating strategies.

**BLUE OCEAN PRINCIPLES**

*Formulation principles*

1. Reconstructs market boundaries and the competitive industry aspects
2. Focuses on the big picture, not the numbers
3. Reaches beyond existing demand, creates new demand paradigm

**BLUE OCEAN ASSUMPTIONS**

- Market boundaries and industry structure are not a ‘given’ and can be changed
- Designed to create new and uncontested marketspace
- Focuses on making competition irrelevant
The strategy canvas is a high level depiction of current and future strategic position based on the key Blue Ocean principles; it helps strategists examine value creation, value capture and opportunity.

The Strategy Canvas:

• Graphically depicts your, and your competitors, value elements (value proposition investments).
• Suggests areas of opportunity on which to escape/eliminate competition.
• Captures the current and future state of activity within a marketspace.
• Documents current and future competitive investment.
**Value Elements**

Value Elements are those value creating components an organization invests in including resources, processes and capabilities and entails strategic choices and strategic intent.

**Value Elements...:**

- can be derived from direct or indirect analysis of an organization.
- help form the basis for value creation and value capture.
- can be used for the basis of differentiation and competition.
- are a high level graphical depiction used to communicate strategic intent.
- require a deliberate choice for the allocation of organization resources.
- change over time with the adaptation of value propositions and strategy.

Source: “Blue Ocean Strategy”, Kim and Maubourgne
Here is an example of Southwest Airlines depicting its chosen value elements for its unique strategy canvas in relation to one selected key competitor.
Mapping your company and several key competitor’s value elements onto a strategy canvas may provide greater insight into strategy choices and indicate the industry’s value curve.
Let’s attempt to draw your strategy canvas for your existing product as it relates to key competitors.

**Current Strategy Canvas Activity:**

- Identify and record on the following page:
  - Plot your EXISTING product’s top 6-8 value elements in which you currently compete.
  - Plot your key competitor’s top 6-8 value elements.

- Be prepared to discuss these questions.
  - The similarities and/or differences between your and your competitor’s canvasses?
  - The competitive assumptions made about your industry’s value elements?
  - The strategic implications for your organization, competitors and industry?
  - Any general patterns? (i.e., convergence or divergence on value elements?)

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**Timing:**
- Preparation Tonight 30 min
- Workshop discussion 15-20 min tomorrow morning
Current Strategy Canvas

Value Elements

Focus on Value Element

Low

High
A helpful tool in crafting a future strategy canvas is the ‘Four Actions Framework’ as it facilitates identifying the value elements to be created, increased, decreased, or eliminated.

**Reduce**
Which factors should be reduced well below the industry’s standards?

**Eliminate**
Which factors the industry takes for granted should be eliminated?

**Create**
Which factors should be created that the industry has never created?

**Raise**
Which factors should be raised well above the industry’s standards?

Source: “Blue Ocean Strategy”, Kim and Maubourgne
Strategic innovators use the Four Actions Framework with the use of a supplementary tool, the ERRC Grid, in order to help examine value elements with which they elect to invest in.

The E-R-R-C Grid

<table>
<thead>
<tr>
<th>ELIMINATE</th>
<th>RAISE</th>
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<tbody>
<tr>
<td>Value Element 6</td>
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<td>Value Element 13</td>
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This illustration of a sample organization’s previous value elements chart mapped to a basic strategy canvas shown with current and future value curves.
An actual example of the outcome of a facilitated strategy session using the Four Actions Framework tool and associated value elements for EFS (European Financial Services company).

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<tr>
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<tr>
<td>Relationship Management</td>
<td>Ease of Use, Security, Accuracy, Speed, Market Commentary</td>
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<td>Account Executives</td>
<td>Confirmation, Tracking</td>
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<td>Corporate Dealers</td>
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Source: “Blue Ocean Strategy”, Kim and Maubourgne
This is a graphical illustration of EFS’s value elements chart mapped to a Strategy Canvas shown with current and future value curves.
Creating Your New Innovation Strategy Canvas: Let’s take your ‘new’ idea and use the same approach we used mapping the strategy canvas for your current product but enhance it using ERRC techniques.

New Innovation Strategy Canvas and ERRC Activity:

1) Make a copy of your current strategy canvas (with competitors).

2) List your future value elements with thoughts to strategic innovation and differentiation on the ERRC grid.

3) Apply ERRC thinking to your value elements and then map the resulting value elements onto your current and industry strategy canvas.
   a) Do not get caught up on the ‘how’ or associated deeper execution questions.
   b) However, do remember open innovation thinking to capture capabilities and ideas your organization does not have natively

4) Once the first draft is completed, take time to answer:
   a) What are your industry’s general value elements (plot them if you have time)?
   b) Is your industry convergent or divergent on the selected value elements?
   c) Would Open Innovation thinking change your idea or its value elements?
   d) What are the strategic implications of your new idea for your organization?
Future Strategy Canvas for Your Innovative Idea

Focus on Value Element

Value Elements

Low                                 High
Creating Your New Innovation Strategy Canvas

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...
New Innovation Strategy Canvas Questions

1) What are your industry’s general value elements (plot them if you have time)?

2) Is your industry convergent or divergent on the selected value elements?

3) Would Open Innovation thinking change your idea or its value elements?

4) What are the strategic implications of your new idea for your organization?