STRATEGY BUILDER

HOW TO CREATE AND COMMUNICATE MORE EFFECTIVE STRATEGIES

BY STEPHEN CUMMINGS AND DUNCAN ANGWIN
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### SEVEN STRENGTHS OF DRAWING STRATEGY

**PROBLEM:** People like strategy but feel overwhelmed by it or un-involved in it. Organizations subsequently underperform due to poor strategic engagement and implementation.

#### OPPORTUNITIES FOR:

- A method that overcomes strategy overload and inertia
- An approach that builds on old and fits with new ideas in business, e.g. innovation, design thinking
- A way to simply convey complex ideas and possibilities
- An approach that breaks down distance barriers/separation between managers
- A third way between simplistic PowerPoint and wordy documents

#### Strengths of **DRAWING** strategy:

1. Enables greater memory retention
2. Promotes more effective decision-making and action orientation
3. Encourages grounded innovation
4. And promotes pro-build prototyping
5. Drawing helps see your thinking... and thus uncovers new possibilities
6. Drawing aids collective engagement
7. Drawing is an alternative to conventional approaches to strategy presentation
Figure 1.1. Picture tells the story: Minard’s Napoleonic invasion of Russia. Retrieved from http://en.wikipedia.org/wiki/File:Minard.png
KEY FINDINGS FROM TEXT VS PICTURE STRATEGY EXPERIMENT

→ Those shown a drawing of a strategy remember twice as much as those shown the same strategy in written form.

→ The recall difference between picture versus text is even greater for those whose first language is not English.

→ Even if a strategy is communicated in written form, recalling it in a diagram leads to greater recall: drawing has a positive kinetic effect that helps people connect things up.

→ There is a weak correlation between amount recalled and confidence to discuss: it could be that the most confident people influencing strategy in your organization have a poor understanding of that strategy.

→ Recall is even better for subjects who are familiar with the archetype being used: in this case it was a simple arrow-shaped polygon, a value chain.
Figure 1.2. The bad old days of travelling by Tube: *Punch* cartoon (1909). Sourced from http://britton.disted.camosun.bc.ca/punch.html
Figure 1.3. London in the palm of your hand: Beck’s Underground map (1933) © TfL from the London Transport Museum collection
Figure 1.4. Fifty ways to be invaded: Luffman’s famous ‘invasion map’ (1803). The invasion lines have been overdrawn in blue. Sourced from http://www.mapforum.com/04/luffman.htm
Figure 1.5. Massironi's Matrix: optimum communication = graphics (adapted from Massironi's *Psychology of Graphic Images*, drawn by Rebecca Walthall)
**Problem:** People like strategy but feel overwhelmed by it or uninvolved in it. Organizations subsequently underperform due to poor strategic engagement and implementation.

**Opportunities:**

1. Need a method that overcomes strategy overload and inertia
2. Need an approach that builds on old and fits with new ideas in business e.g., innovation, design thinking
3. Need a way to simply convey complex ideas and possibilities
4. Need a way that breaks down distance barriers/separation between managers
5. Need a third way between simplistic PowerPoints and wordy documents

**Strengths of Drawing strategy**

1. Enables greater memory retention
2. Promotes more effective decision-making and action orientation
3. Encourages grounded innovation
4. And promotes pre-build prototyping
5. Drawing helps you think and thus uncovers new possibilities
6. Drawing aids collective engagement
7. Drawing is an alternative to conventional approaches to strategy presentation

**Strategy Builder**

1. Select only the most useful classic and new strategy frameworks
2. Arrange them into categories that follow a logical 'build' progression
3. Combine each category’s frames into a sequence of easy-to-recall ‘best of’ frames
4. Show how to draw ‘real life’ strategies with these frameworks, make it easy for people to build and communicate effective strategies
Before you list screeds of Ss and Ws draw a 2 x 2 matrix frame. This will help to inspire, contain and later link your thoughts.

Rather than long lists, edit each category down to the four most significant enablers or disablers of your organization’s strategic progress in each box.

Start with Os and then Ts. This will help you edit your lists down to the most important elements...

Remember, it’s really only a strategic S if it enables you to take advantage of an O or mitigate a W.

Look for links (between Ss and Os or Ts, or Ws and Ts and so on). Connect them with lines, arrows and circles defining subsets.
Morocco Oil: Opportunities to be seized (c. 2012*)

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<td>Higher car use, growing affluence &amp; disposable incomes</td>
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<td>Investment in tighter controls, specifications, techniques</td>
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<td>Increasing emission restrictions, poor weather affecting consumption</td>
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<td>Increasingly attacked socially (big foreign business) &amp; environmentally</td>
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<td>Corruption &amp; lack of transparency intensify competition &amp; international pressures</td>
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- Potential Opportunity
- Potential Threat
- Trend

1. The macro-environment offers Morocco Oil real strategic opportunities
2. Economic, social and political conditions present strong opportunities for growth
3. But clouds are gathering — ecological, legal, media and ethical threats loom further into the future
4. Opportunities, while strong now, may also be declining by T4. Decisive strategic action should be taken
5. Develop strategy around exploiting E, S and P opportunities and mitigating coming Eth, M, L and Ec threats

* The identity of this organization has been disguised.
1. Divide the paper in two. Brainstorm the macro-elements that impact on the firm on the right. Write the ESTEMPL categories that correspond to these on the left. Then consider the remaining ESTEMPL categories and whether there may be other important elements that relate to these.

2. You don’t have to cover all the bases. If, for example, social developments and the legal environment have little impact, just do an ETEMPE.

Creative ideas:
A. Re-order your categories in terms of biggest impact. It may be that TPEEME best captures your macro-environmental opportunities and threats.
B. Some categories may have sub-categories perceived as more important than whole categories — so you could have EESTTEMPLE.
C. Probability of impacts could be displayed for different future time periods.
Transport Ministry: Beyond *Yes, Minister* (c. 2011*)

Over the years the ministry has become less innovative and the staff increasingly disengaged.

One source of the problem may be the perception of the key stakeholder in the M’s strategy: its govt boss, the Minister of Transport.

But the Minister (who has other responsibilities) only has high interest when there’s a problem.

So the aim should be to keep him in the top left box. This can enable a new way of thinking about stakeholders.

Staff and key service users can be more engaged in strategy dev and we can think about better informing taxpayers of how their money is spent.

*The identity of this organization has been disguised.*
1. Start with a first draft that puts all stakeholders in the top right box, and then, in a second draft, think carefully about the extent to which each group has the interest and power to influence your strategy and move stakeholders leftwards and downwards accordingly.

2. Once you have placed all stakeholders, rank them within the four boxes, with the most important at the top of the box.

Creative ideas:
Be proactive. Complete your stakeholder map by writing strategies alongside the stakeholder groups. Develop clear strategies to enable top-ranked stakeholders to participate in some way in the firm’s strategic development. Develop clear strategies for keeping the top left and bottom right stakeholders informed.
Hong Kong: The third financial capital of the world? (c. 2013)

**GOOD FORTUNE**
- Geographic location
- Time zone between NY & London

**DEMAND CONDITIONS**
- Maths obsession
- Interest in gambling
- Contributes to highly discerning customers

**FACTOR CONDITIONS**
- Good unis
- Many locals study abroad
- Great expat location
- Good infrastructure

**HONG KONG VERSUS DUBAI, TOKYO, SINGAPORE**

**FIRM STRATEGY, STRUCTURE, RIVALRY**
- Many finance-related companies of all sizes, configurations, East & West all compete in HK

**RELATED & SUPPORTING INDUSTRIES**
- Many insurance, commodity companies, M&A, consultancies, brokers have bases in HK

**GOVERNMENT**
- Blended Anglo-Sino legal/political system

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1. Eventually, the world may only have three main financial centres. New York and London will likely be two...
2. Candidates for the third include Dubai, Singapore and Tokyo. The above picture reflects a case made by a group of HK MBA students for their town
3. Obvious advantages are HK being home to many finance comps and HQs for many supporting industry comps
4. But other advs = East-West governance, geo location and a highly educated & motivated workforce
5. Less obvious to outsiders may be HK culture’s emphasis on maths ed and gambling: understanding risk, reward, hedging etc. is ingrained
1. Draw your organization in the middle of the diagram — this will make it easier to conceptualize the regional/national impacts on your strategy.

2. Break up the bottom related/supporting industries box into a number of boxes, one for each of the industries that are impacting on your analysis. Then use lines and arrows and symbols to show how they interrelate.

3. Don’t worry about connecting all the diamond elements with arrows immediately, as is often the case in textbook versions of the diamond. Only draw links when they indicate relations that promote particular Os or Ts.

Creative ideas:
A. Draw multiple and combined locations/diamonds that tap selected advantages in other regions. Can you locate your operations in more than one location (e.g. production where factor costs are low and relating and supporting industries are favourable, and marketing, design where demand conditions are discerning) and then effectively combine these?
B. Double the demand box. Use demand sophistication in one location to drive demand in another (e.g. using French nationals and expat networks to sell wine in China).
Dell: A new pathway to market (c. 1990s)

NEW ENTRANTS
Kept at bay by technology + brand recognition/trust barriers

SUPPLIERS
Moving ‘upstream’ = better technology

SUBSTITUTES
Assembly as substitute for manufacture

1. Dell enters market outflanking trade barriers and harnessing the abilities of upskilling suppliers
2. It reduces cost by focusing on assembling what suppliers produce rather than investing in full-scale manufacturing
3. Cost to market reduced by using new technology, internet, credit card and transport developments to sell direct to the user
4. By focusing on domestic and small biz users, products can be simply modified to provide ‘tailored’ products
5. Dell also takes advantage of high growth in these two, relatively untapped at this time, segments

$\text{NEW ENTRANTS}$
$\text{SUPPLIERS}$
$\text{SUBSTITUTES}$
$\text{Dell}$
1. Start on the horizontal. Depict key suppliers and their level of influence. Draw customers and their key behaviours on the other side.

2. List potential new entrants on the vertical. Draw barriers that discourage them from coming in and incumbents from leaving. Outline substitutes and draw the impact on industry.

3. In the rivalry box, depict industry growth rate. Insert main competitors, show the degree of competition and how it may change.

Creative ideas:
Draw how things might change over the next five years, or how a new entrant might enter and change dynamics. Or how things might look differently to one of your competitors.
Apple: Reinventing the industry (c. 1980–2015)

1. The Sony Walkman kicked off a mobile music device industry but declined quickly in the 1990s.
2. The portable CD prolonged the decline, but Apple rejuvenated the industry with the iPod.
3. Apple then developed a portfolio that kept reinventing the industry as products matured: e.g. the iPhone and the iPad.
4. But perhaps the cleverest strategy was to look behind the products to the transfer and storage of music with systems like iTunes and the iCloud.
5. So while products may come & go, the ‘iCollective’ has mitigated the risk of industry decline.
1. Estimate the aggregate sales pattern of the industry over time. The current growth rate will determine which segment of the life cycle the industry is currently in.

2. When the current segment of the industry life cycle is determined, identify how this will affect: (1) competitive pressures; (2) industry profitability; (3) change in internal functional influence.

Creative ideas:
A. Consider the extent to which there is radical innovation in the industry in terms of (i) technology innovation and (ii) change in user experience (e.g. using Verganti’s framework – consult the references at the end of this section for more details). This will suggest whether the industry is about to rejuvenate.

B. The life cycle can be perceived as the vertical dimension of some portfolio matrixes such as the BCG matrix, from which the terms question mark, star, cash cow and dog are taken, so you could use the curve to plot your multiple products/services across all industries in terms of these four characters.
< Pol imperative for govt funding; > availability of tech.; > super rich in society seeking thrills; + media interest in space = opp for new type of space organization

NASA & govt once barriers to entry now key stakeholders in comps like SpaceXs future

A mature/declining industry provides opps to pick up bargains & industry rejuvenation

SpaceX’s strategy: utilizing existing facilities & new thinking to simplify operations and focus on key deliverables in a cost effective manner works well in this Ecosystem

You can download templates of the Environmental Ecosystem to aid your drawing at http://www.wiley.com/go/strategybuilder or try out the app at www.strategicplan.com.
Amazon: Reconfiguring a value chain (c. 2005)

1. Amazon's business model changes book retailing. The biro and highlighter over-writes show how
2. Instead of serving a large retail network, A concentrates into large warehouse/distribution hubs = procurement scale benefits
3. Trad sales/mktg functions deleted or moved online. HR costs decline, more emphasis on IT
4. Delivery outsourced to providers for whom parcel delivery is a core business
5. Knowledge gained from direct interface with book buyers provides info that informs focused expansion into related products/services
Creative ideas:
A. Use metaphorical shapes to enhance memorability. If you produce cars, show the chain in the shape of a car; if you sell adventure holidays, show the chain as a series of steps up a mountain.

B. Think innovation. Think of new activities that add value and add them to your chain. Cut costs by taking things out. Can you increase volume? Show it by widening the chain. Can you relate differently to the market? Draw the link from the end of the chain to customers in a new way...

1. Start on the left-hand side and begin by thinking of (and drawing) what happens when supplies (including labour) arrive at your door at the start of the chain.

2. We find that the top of the chain (support activities) can be more difficult to draw, so just focus on the chain of primary activities to begin and add support activities later as you see fit.
Earthwork machinery company Komatsu’s strategy a few decades ago was termed ‘Maru-C’

But what this actually meant is a lot easier to understand when it’s pictured using the GSM

Caterpillar was the dominant competitor with a high-quality rep and large market share

K moved from a cost-focused niche player investing on two fronts — R&D and marketing — to build brand image and new prod dev to grow mkt share

These advancements then nibbled away at CATs advantage on both flanks (Maru means ‘encircle’ in Japanese)
Creative ideas:

A. Rather than just placing your products/services in one box, think in terms of the portfolio of things you do in more than one segment and share platforms where possible (e.g., the VW Group has brands in different segments: Seat, Skoda, VW, Audi, but with some shared platforms/componentry where strategically useful).

B. Think about how you might best develop/move your strategic positions over time and draw this movement, the impact that this could have on your competitors, and how they might respond.

1. Start with your company (or that which you are focusing on) and place where you currently see them sitting in the matrix.

2. Think of this company’s main competitors. Where would you place them?

3. If you placed your company in the middle, do you think this is for a good reason, e.g., a strategic gap or blue ocean (no. 10)? Companies like Honda & Samsung might be categorized this way. Or rather because you just lost focus over time (many accused Marks & Spencer and Hewlett-Packard of this in the 1990s)? You can represent this drift of purpose with symbols (a meandering line or a bullseye).
Lamborghini: Orange is not the same as red (c. 1970s–2015)

1. 1963 Lamborghini founded by spurned Ferrari customer. Continues trad of ‘stuff you!’ differentiation
2. Because of the cutting edginess Lambos are not most reliable
3. View is that customer is buying in to being part of innovation and prototyping (and hence maintenance) process
4. The models and options are very limited and they are staggeringly expensive. They are not for everyone!
5. But nothing growls as powerfully as a Lambo or has the edgy image and iconic design. And that’s how they sustain competitive advantage
1. Draw a centring dot in the middle of the page. Start with your biggest differentiating strength (a 4 or a 5 notch perhaps) as the first ‘arm’ and then work around the clock drawing in your other lesser attributes.

2. Don’t be limited to the five ‘arms’ mentioned on the previous page. Replace them with more appropriate attributes in your industry or add in additional ones.

3. Don’t just draw arms that relate to things your organization is good at. Also include the things that could be important to customers that you don’t do so well.

Creative ideas:
A. On the same sketch, add in your main competitors. Connect your and their arm notches to create oblongs. Where are the main areas of difference?
B. Slack went on to promote an importance/performance matrix. Next to your spidergram draw a matrix with performance divided into low and high on one plane and importance (to customers) on the other. Place your high and low rating spidergram advantage categories into the matrix and discuss.
EasyJet is now a leader in the airline industry. It got there by doing less than, more than, the same as & differently from the norm.

They \( \downarrow \) costs by operating just one type of plane, diminishing freq flyer benefits, reducing onboard service, and using regional airports.

They improved the time planes spend on the ground, and maintained safety standards.

This all led to much lower fares & it grew the overall market for air travel, while comps found it hard to reduce/retool their systems.

EasyJet also promoted a brand different from the traditional stuffy European airlines: bright, breezy, lean and orange.

\[ \text{EasyJet: A leaner shade of orange (c. 1990s)} \]
1. Draw a horizontal axis for value factors and label the vertical axis high and low for industry standards.

2. Along the horizontal axis, list key success factors for the industry and include those that are not currently KSFs but might become so.

3. Plot the industry standards for your factors and then map out your company's current standards.

4. Consider gaps that already exist and then think about which of the factors could be raised, lowered, eliminated or created.

Creative ideas:
A. Brainstorming is important for coming up with creative approaches to BOS and it may be beneficial to consider what may be eliminated or could be new, before focusing upon what are current industry KSFs and risk getting locked into existing industry logic.

B. Consider how your new value line may tap into or promote new customer demand.

C. Consider how easy it would be for competitors to copy your initiative.
Adidas: Sixty-year marriage (c. 2013)

1. In 2013 Adidas announced the continuation of its collaboration with FIFA until 2030 — the world’s longest sports partnership.
2. Adidas is preferred partner at all FIFA World Cups and soccer development programmes.
3. Together they grow participation, share data and tech and, by association, grow sales and social media views.
4. The co-operation helps define Adidas’s emphasis on team sports, team ethics and global sports involvement.
5. By contrast, main competitor Nike’s brand is more associated with star individuals, US sports and individual games like golf.
1. Start by drawing your organization in the middle of the page. Either as a logo, a symbol or perhaps as a simplified version of your value chain (no. 7).

2. If you find it difficult to think of suppliers and customers on the vertical plane, move the ‘compass’ around 90 degrees so that they sit to the left and right of your company.

3. Use symbols to aid meaning and memorization. If you’re promoting soccer, use soccer balls in place of generic boxes; if you’re promoting tourism services, use hotel and aeroplane shapes.

Creative ideas:
The key here is to advance beyond competitors by more effectively tapping into relationships with other institutions and associations, so actually draw yourself and your complementors rising up above competitors, the nature of the collaboration, how this will happen, and how it will enhance the value you provide to customers.
The Best of the Competitive Positioning Frameworks Combined – Second Foundation: The Competitive Positioning Spidergram

**PURPOSE:**

To bring together the key insights from a range of positioning frameworks and thus help present an organization’s key competitive strengths and weaknesses graphically on one page to enable better strategic discussion and analysis.

**COMPONENTS:**

The Competitive Positioning Spidergram (CPS) brings together key elements from the generic strategy matrix, differentiation categories and blue ocean strategy in two axes. The y-axis runs from a focus on a broad target at the top to a niche at the bottom. The x-axis runs from a cost reduction-focused strategy on the left to a focus on high quality on the right. Thinking about the position of the organization-in-focus relative to competitors can help in thinking about key aspects that should be focused upon the organization’s value chain and who might be good collaborators.
Traditionally V cleaners were ‘generic’, targeted at broad segments with a focus on cost-consciousness & conservative prod development.

D went for untapped blue ocean with relatively expensive ‘designer’ V cleaner.

Dyson ‘cleaned up’ this segment, but not a lot of blue ocean left to exploit given original product was so extreme.

Hence later moves to < reduce manufacturing costs, broaden appeal & goes into related industries with bottom-right gaps with D aesthetic: e.g. hand-dryers.

Key aspect of D’s val chain: hi-end design + mkting + difficult to imitate tech; good collaborators = unis focused on engineering/design: Cambridge & Imperial.

You can download templates of the Competitive Spidergram to aid your drawing at http://www.wiley.com/go/strategybuilder or try out the app at www.strategicplan.com.
Underwater Cinema: Launching Underwater (c. 2008*)

<table>
<thead>
<tr>
<th>Valuable to Customers</th>
<th>Rare</th>
<th>Costly to Imitate</th>
<th>Supported by Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Cinema-goers</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Scuba/Diving Enthusiasts</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- **World Class Filming Technology** → Sustainable Advantage
- **Patented Lighting Optics Technology** → Sustainable Advantage
- **Entrepreneur/Owner is Highly Experienced Movie Camera Man** → Parity
- **Emphasis on Underwater Films is Distinctive** → Sustainable Advantage

1. UC has interesting set of capabilities and rare, hard to imitate, potentially valuable, tech for underwater film
2. Need to look at where product could be most valuable. May be little perceived value among general audiences
3. Concerns about whether this mkt wants full-length underwater feature + sound quality is problematic
4. But for niche mkt of dive enthusiasts there could be value in seeing such films
5. Launch strategy refocused upon developing specialist dive films + offering specialist content for other companies seeking particular underwater scenes

*The identity of this organization has been disguised.*
1. Start by noting all of the strengths that a SWOT analysis (no. 1) might highlight about the organization in focus in a vertical list on the left side of the page.

2. List the four categories/boxes from the diagram on the previous page as headings along the top of the page to create a table.

3. Draw arrows next to each strength and continue each arrow rightwards until the answer to the question posed by the next column is 'no'. Those arrows that make it to the end are your VRIO capabilities or strengths.

Creative ideas:
Take the outlines of a few of your favourite frameworks from previous sections (e.g. think about the stakeholders that need to work to ensure that a VRIO capability is maintained and where these stakeholders are placed on your PI matrix; if you say a capability is supported organizationally, draw it in the centre of a 7-S framework and list how each of the seven nodes supports it).
### 13. Resource Strengths/Importance Matrix (RSIM)

**AUTHOR:** Unknown

<table>
<thead>
<tr>
<th>Resources</th>
<th>Capabilities</th>
<th>Same as Competitors or Easy to Imitate</th>
<th>Better than Competitors &amp; Difficult to Imitate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold Resources</strong></td>
<td><strong>Unique Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Threshold Capabilities</strong></td>
<td><strong>Core Capabilities / Competencies</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RATINGS:** AIM rates ‘resource-based analysis’ number seven in most popular strategy tools and part of their core toolkit. Top five for strategy choice and number two for strategy implementation, as it may often be employed to summarize findings and create action points from other tools. Resource-based planning is rated number 15 by Aston study. He et al.’s (2012) study rates resource analysis fourth most popular strategy tool in Chinese companies (51%).

**WHEN TO USE:** To distinguish between the resources and capabilities necessary to compete and those that are unique to the company and which can enable superior performance in the market (although a core competence does not automatically confer competitive advantage).

**COMPONENTS:** Threshold resources include tangible and intangible resources (such as financial, physical, human and intellectual). Threshold capabilities (processes, activities or routines applied to resources) are those required to meet customers' minimum requirements. Unique resources critically underpin competitive advantage and cannot be imitated or obtained. Core competencies are the capabilities needed to achieve competitive advantage.
Lush: Smells like a strategy (c. 2010)

**RESOURCES**

- Shop locations & fit out
- Retail employees
- Natural ingredients
- Bright lighting
- Free sample

**CAPABILITIES**

- Product development of items in range of colours, textures, smells
- Helpful, friendly staff who encourage trying products

**SAME AS COMPETITORS OR EASY TO IMITATE**

**BETTER THAN COMPETITORS & DIFFICULT TO IMITATE**

- Unique products displayed without packaging
- Cocktail of exciting, innovative products
- Big basins + mirrors create feel of luxurious bathroom

**THE CORE OF LUSH**

1. Lush has amped up retailing with colourful, aromatic and organic-looking products that excite senses
2. Removal of packaging enables shoppers to actively experience product sensually: sight, smell, touch...
3. Bright colours, vivid aromas + other related promos attract passers-by into the store
4. Shopping becomes process of trying out, taking away samples, rather than a transaction — ‘experiencing’ this encourages sales
5. In combination, these elements create an exotic and memorable experience that keeps Lush ‘top-of-mind’
1. The RSIM works better graphically if you reverse the Rs and Cs on the y-axis. Once you've redrawn the matrix this way, start by noting all the things that are necessary to compete in your market in the bottom left box (threshold Rs).

2. Think about whether these things are a stock or supply of assets (Rs) or things we do (processes/activities) (Cs). Move the Cs upwards (threshold Cs).

3. Think about which Rs and Cs are unique to your firm and difficult for competitors to imitate. Move them into the appropriate box in the right column.

Creative ideas:
A. Look at the system within the matrix. Once you've noted all your main Rs and Cs, draw links between them with arrows to illustrate how interconnected (and thus even more difficult to replicate by competitors) your capability system is.

B. Make the RSIM into a value chain shape that depicts how your Rs and Cs combine to create value for users/customers/stakeholders.
It’s easy to recognize Toyota’s surface strengths: brand, global network, product range, etc. But it pays to look deeper.

Behind these strengths are deeper capabilities and dynamic capabilities that drive Toyota’s evolution.

Incorporating diverse perspectives combined with common eval criteria helps the continued sensing of ops.

An internal marketplace & excellent convergence/integration mechanisms ensure ops are seized well.

Standardized documentation systems mean learning is circulated quickly to enable the whole org to transform itself.
1. Start by jotting down your VRI strengths in any of the three sensing, seizing and transforming boxes, depending on how you think they would be best categorized.

2. If you are left with gaps in any of the three boxes, look back at your VRIO table and see if there are other capabilities that could be made more inimitable.

3. Articulate these and draw them into the appropriate boxes in a different coloured pen as capabilities that your strategy should aim to enhance.

Creative ideas:
DCs are almost always systems of multiple parts and relations (one of the main reasons why they are dynamic, self-perpetuating and difficult for others to replicate). Instead of listing them as text in the boxes, draw each of them as a system of components and show how the sensing system links to the seizing system and so on in a cycle rather than just a linear arrangement.
15. Design Thinking

**AUTHOR:** Roger Martin (and others)

**WHEN TO USE:** To encourage innovative strategies by promoting thinking like a good designer: thinking from the customer’s experience, embracing constraints, prototyping and learning fast, and utilizing ‘abductive’ logic.

**COMPONENTS:** Many and varied, but we have narrowed this down to five: being user-centric in your strategic thinking; thinking out beyond traditional planning periods; recognizing and embracing constraints; quick prototyping of ideas; and fast failing and refinement.

**RATINGS:** Not yet rated. Probably too new an idea to appear in surveys, and traditionally not applied in framework form.
Swatch: The Second Watch (c. 1980)

1. USER CENTRIC
   People buying more than one watch

2. THINKING OUT
   What if a Swiss watch was
   - A fashion statement
   - World’s smallest canvas

3. EMBRACE CONSTRAINTS / QUICK PROTOTYPING
   Make high quality fashionable watch cheaper
   - New materials
   - Mass-production friendly construction

4. REFINE EXISTING IDEAS
   - Swiss engineered
   - Super-thin watch
   - Previous attempts at plastic watch construction

5. REITERATE
   + New retail ideas
   - Locate in malls, airports etc
   + Apply Swatch design logic to other arenas
   e.g. SMART car

---

1. Swiss watchmakers worried about Asian competition. But N.G. Hayek observes an opportunity...
2. Looking at how this has changed user behaviour, encouraging multi-buying, he conceives the ‘2nd watch’ concept
3. Swatch seeks to rethink what a Swiss watch can be, seeing trad constraints as challenges to be overcome
4. Innovations that missed the market (Tissots’ plastic, Concord superthin) are learnt from/refined
5. Continued user-centric thinking out leads to new retail ideas and projects like the SMART (Swatch Mercedes Art) car
1. Begin by isolating a particular customer and draw him/her in the middle of the page.

2. Work through the design thinking phases asking how the customer is experiencing your company and draw the results. Then ‘think out’ to consider how this could be improved; draw the constraints and design with and around them; how can you prototype this thinking fast; and how will you learn and adapt as you see the impact of these developments on the user experience?

Creative ideas:
Don’t just imagine how customers experience your products, pick up a phone or step into a showroom and ask them to describe or draw this. Or search social media for what people are saying about your company and the use quotations from this as basis of your drawing/design thinking.
16. 7-S Framework

AUTHORS: Tony Athos, Richard Pascale, Tom Peters and Robert Waterman

WHEN TO USE: To evaluate how the elements that reflect an organization’s culture may interact to enable or disable its success and strategic development.

COMPONENTS: Seven interconnected nodes that are seen to reflect the elements of an organization’s culture that can influence its strategic development. All seven start with the letter S, more as a memory aid than for any other reason (earlier versions used different terms – see the following page).

RATINGS: Not rated.

But culture, which frameworks such as the 7-S framework seek to relate to strategy, has always scored highly in lists of concerns for executives over the past two decades.
Barcelona FC: La Familia (c. 1930s–2015)

1. Barca is one of the world's great teams: the elements of their culture reinforce each other & drive strategy.
2. The club is shaped by Catalan values: tolerance, cosmopolitanism, innovation, flair & above all family. All understand what Barca is about.
3. The values inform the academy, the ownership structure, the Barca style, players sought & strategy.
4. In the words of Pep Segura, Barca's system 'is about creating one philosophy from the bottom of the club to the top'.
5. This clarity + tolerance & the appreciation of diversity enable ideas and players from abroad to be effectively blended with the Barca way.
1. Pencil in all the seven circles and leave them blank. Get started by jotting notes in one circle in which you think the organization has real strength.

2. Fill in the other circles as you see fit. There is no order you need to follow, and apart from shared values in the middle, you can move the other nodes around to suit the connections and links you see.

3. Show strength of the connections or reinforcement between nodes through the width of the connecting lines. A lack of connection could be drawn as a dashed line. No connection or inconsistency could be indicated by no line.

Creative ideas:
A. Alter the size of the circles to indicate their importance/contribution to your strategy.
B. Draw the present situation. Then, next to that, draw the ideal that you think the organization should move towards.
C. If you find it hard to articulate the organization’s shared values, think of the personality or even the car brand that is most analogous to the company and draw them or it in the middle (e.g. an earlier book of ours contained a case that looked at how HSBC staff found it useful to relate the company to actor and travel show host Michael Palin). Are the other six nodes consistent with this character/brand or not?
The Best of the Resources and Capabilities Frameworks Combined –
Third Foundation: The Capability Radar

**PURPOSE:**
To bring together the key insights from a range of capability frameworks to help present key capabilities in combination with the competitive spidergram's assessment of strengths and weaknesses to enable more focused strategic analysis and decision-making.

**COMPONENTS:**
The Capability Radar (CR) multiplies many of the important dimensions of the capability frameworks outlined in this section to identify an organization’s most strategically important strengths and weaknesses and frames this with ‘design thinking’. Valuable capabilities in an industry are listed in the top left column. Below these are listed potentially valuable capabilities unique to the organization in focus. The organization is then assessed in terms of whether their capability in each category is rare, organizationally supported, inimitable and dynamic. The right-hand column allows space for considering how particular users may experience these capabilities. The top-scoring capabilities are then presenting in a radar chart, with the strongest scoring capabilities being key strengths and the lowest weaknesses.
1. MAT has some of the trad important capa’s but can also tap into: hi-perf sports-tech brand, engineering related to human/tech interface, hi-speed prob-solving culture.

2. These ‘out of the box’ capa’s are rare, org supported & hard to imitate. The culture & human/tech focus are dynamic capabilities.

3. These capa’s may be esp. appealing to specialist hi-tech or engineering focused firms whose cultures may jar with trad consult. firms.

4. Once they are established here, MAT may broaden focus while building their networking & biz acumen capa’s.

5. MAT must keep key strengths/systems/staff etc. networked to each other & to shared values as they grow.

You can download templates of the Capability Radar to aid your drawing at http://www.wiley.com/go/strategybuilder or try out the app at www.strategicplan.com.
**17. Confrontation Matrix**

**AUTHOR: Unknown**

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>01</td>
<td>T1</td>
</tr>
<tr>
<td>S2</td>
<td>02</td>
<td>T2</td>
</tr>
<tr>
<td>S3</td>
<td>03</td>
<td>T3</td>
</tr>
<tr>
<td>S4</td>
<td>04</td>
<td>T4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WEAKNESSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>W1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**WHEN TO USE:** An effective way to bring together the results of external and internal strategic analyses, to assess the fit of the company with its context. The assumption is that a good fit means a more profitable and sustainable strategic position.

**COMPONENTS:** Strengths (organizational strengths better than industry standard); weaknesses (organizational weaknesses below industry standard); threats (negative pressures from external environments); opportunities (positive pressures from external environments).

**RATINGS:** Not rated, but the Confrontation Matrix can be seen as a graphical development of number on ranked SWOT analysis that seeks to overcome many of its traditional weaknesses.
Morgan: Avoiding a high-impact collusion (c. 2010)

**REAL OPPORTUNITY**
- Demand to be tapped
- Growth potential, increased prices, profits possible
- And/or increase output

**POTENTIAL THREATS**
- While brand is strong, M could price themselves out of market
- Technology gap between Morgan & competitors could grow too large

**POTENTIAL OPPORTUNITIES**
- Limited capacity/inefficiency prevents growth
- Culture prevents change to realize opportunities

**REAL THREATS**
- Rising cuts & inefficiency & lack of investment undermining brand
- Competitors moving ahead
- Conservative culture ignoring threats & need for change

---

1. Morgan cars are distinctive. Their advantage traditionally enabled by history, values and affection for the brand
2. Intensifying external factors present rising challenges, threatening M's traditional business model
3. Others increasingly able to offer tech superior cars to customers at lower prices
4. Strong M culture enables brand image but has become barrier to change that is increasingly necessary
5. High % of parts bought in, no scale economies, no investment = big problems. Big collusion in T/W square means culture change strategy must be priority

---

**S**
- Iconic brand
- Design
- 'Hand built'
- Morgan Club culture

**W**
- Inefficient manufacturing
- Limited capacity
- High % outsourced components
- Highly change-resistant culture

---

**SWOT**
- Long order book
- Customer loyalty
- Secondary market for places on list
- Rising Asian/Middle East demand
- Increasing safety regs
- Well-resourced competitors
- Competitors superior technology
- Rising labour costs

---

**T**
- Must address this now/first
### Creative ideas:

A. Rather than get bogged down looking at each individual collision, look more holistically as groups, e.g. all Ts versus all Ss, and note your general insights across the wider Ts versus Ss box of the matrix.

B. A good shorthand version of the CM can be just to look at colliding Os and Ss.

C. Look at the priorities/objectives you’ve noted down and categorize them as economic, social or environmental (using the triple bottom line — no. 23) or short-term or long-term and profit- or people-oriented (using balanced scorecard thinking — no. 24).

### 1. Start with opportunities and threats as row or column headings first. Then insert key strengths and weaknesses as headings on the other axis so that they 'collide' into the Os and Ts.

### 2. Edit! Just list what your previous analysis has indicated are the key Os and Ss etc.

### 3. As ideas for strategic priorities and objectives emerge from your drawing, analysis and discussion, note them down underneath your matrix, linking them back to the collisions from where they emerged with arrows.
### 18. General Electric/McKinsey Screen

**AUTHOR:** McKinsey & Co.

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WHEN TO USE:</strong></td>
<td>To better see the 'bigger picture' in a multi-activity operation, so that decisions can be made about whether to invest further in, or divest, particular parts of an organization's portfolio.</td>
</tr>
<tr>
<td><strong>COMPONENTS:</strong></td>
<td>A matrix built on two axes: (1) strength of the business unit or investment in terms of profitability and strength in the market relative to competitors; (2) attractiveness of the market for that offering in terms of size, anticipated growth rate, competitive intensity, profitability and risk. Within this matrix, business units are generally represented by circles showing the market size, market share or contribution to group revenues or profits.</td>
</tr>
</tbody>
</table>

**RATINGS:** Not rated, but AIM rates portfolio matrices generally as 10th most popular strategy tools (19%). Portfolio matrices rated no. 17 by Aston survey. Portfolio analysis rated no. 11 in China (26%).
Richard Branson’s Virgin Group has grown from a small recording label to a multi-business giant through investment and divestment.

Some investments have been consistently solid: retail, entertainment and phones.

Others have been sold or part-sold because they weren’t performing or when the timing was right to free up cash for new investments.

Others could grow stronger and more attractive with further investment.

A few are performing poorly but provide other benefits: e.g. Galactic keeps Branson in the public eye & feeds Virgin brand image.

These depictions are only approximations based on publicly reported information.
1. Start by listing your business units, investments or key activities.

2. Estimating their size as a contribution to revenue and the percentage of this revenue that is net profit for the business.

3. Determine the strength of the business unit(s) in question in terms of profitability and strength relating to their cost-effectiveness and differentiation from competitors’ offerings.

4. Determine the attractiveness of the market(s) in terms of size, anticipated growth rate, competitive intensity, profitability and risk, and plot your business units accordingly.

Creative ideas:

A. You only need estimate these things broadly – don’t get bogged down or paralysed if you do not have the exact figures and percentages. Broad estimates will enable you to get a debate going about your situation. You can always seek further details at a later stage.

B. For a third dimension, draw an industry life cycle (no. 6) alongside your GEM and plot your business units in terms of where the industries they serve are on the industry life cycle.
19. Ansoff’s Box

AUTHOR: Igor Ansoff

RATINGS: The box is rated as the number 13 most popular strategy tool by AIM (17%) – the oldest true strategy framework on their list. At 60 years old this framework has certainly stood the test of time!

WHEN TO USE: An excellent way to stimulate strategic thinking and discussion about general growth options for an organization.

COMPONENTS: Breaks strategic growth options down to four generic categories – market penetration, product development, new market development and diversification into new arena – and arranges these in a 2 × 2 matrix with existing market–new market on the vertical axis and existing product/service–new product/service on the horizontal.
Tesco: Every little (type of growth) helps (c. 1990–2015)

EXISTING PRODUCTS

- 1950s - START BUYING UP SMALL COMPETITORS
- 1987 - TAKEOVER OF HILLARDS
- 1990 - ATTEMPTED TAKEOVER OF SAINDURYS

MARKET HEATING UP

CONSOLIDATION / PENETRATION

NEW PRODUCTS

- 1974 - PETROL STATIONS
- 1995 - LAUNCH ‘CLUB’ CARD
- 2000 - TESCO.COM & MAJOR PUSH INTO DURABLES: CLOTHING, ELECTRONICS
- 2006 - CATALOGUES

FEWER OPPORTUNITIES

PRODUCT DEVELOPMENT

1996 - CZECH REPUBLIC
1998 - THAILAND
2002 - MALAYSIA
2003 - TURKEY
2004 - CHINA
2007 - USA (SOLD 2013)
2008 - SOUTH KOREA
2014 - JOINT VENTURE IN INDIA

GLOBAL MARKET HEATING UP

MARKET DEVELOPMENT

- 1999 - MOBILE PHONES
- 2009 - TESCO’S BANK
- 2013 - ‘HUDL’ TABLET

RISKIER, BUT HIGHER RETURNS NOW THAN OTHER OPTIONS

DIVERSIFICATION

1. Tesco was born in 1919. But the past 60 years have seen it become a giant by working many kinds of growth options.

2. After many years of penetrating its trad market, since the 1990s it has branched out developing new products.

3. In the 2000s growth primarily came from international expansion.

4. This combo of mkt and prod development has been largely successful but as these ops diminish new growth is needed.

5. More risky diversifications are being developed as comp in trad mkts gets tougher and portfolio approach sees some less profitable parts being divested.
1. If the organization you are focusing on is involved in more than one business or has more than one business unit, it will probably be better to separate those units out and analyse each with a separate AGM.

2. Having done this, you can bring these different analyses together into this one unified frame.

3. Mark out what directions the firm is going to take (colour-code business units if you have more than one), by having them drop in from the top left corner and draw an arrow to show the square in which they should develop.

Creative ideas:
A. The matrix can be rotated. If it makes more sense to you to show the unit’s development coming in from the bottom left corner and growing rightwards and/or upwards then reverse the ‘new market’ and ‘existing market’ rows.

B. Once you’ve developed a sense for where things need to go, it can be useful to think about and draw how the required change should be managed. Underneath the matrix, make some notes using a basic change framework like unfreeze—move—refreeze about what will need to be done to lead the organization toward this growth.
20. Post-acquisition Matrix

AUTHOR: Duncan Angwin

**RATINGS:** AIM rates corporate parenting matrices as the 18th most popular strategy framework (5%) and merger and acquisition (M&A) matrices in general at number 15 (8%). This post-acquisition matrix (PAM) captures some of the best insights from these.

**WHEN TO USE:** The PAM is best used when considering an acquisition in order to think through how the intended synergy benefits could be best achieved after the acquisition.

**COMPONENTS:** The PAM considers how much autonomy the acquired firm needs, in terms of (a) how much freedom the top management has to make strategic decisions such as capital investments and disposals and (b) how far the organizational culture needs to remain intact for the acquisition to perform well; and the extent to which knowledge transfer between both organizations is important to generating collective synergies.
Disney/Pixar: Maintaining animation, maximizing benefits (c. 2006)

1. Pixar has valuable + rare assets: characters, brand loyalty among young kids and parents, talented CEO and other employees

2. Disney's scale + reach can help Pix grow, Pix can transfer talent to Dis and help it reach hard-to-tap markets

3. High absorption may destroy Pix capabilities + damage the customer loyalty that Dis wants to utilize

4. But if Dis doesn't integrate Pix into its network, little will be gained

5. Reorientation best to protect Pix capabilities, keep excellent Pix staff on board and aid speedy integration + commercialization to benefit of all
1. Draw the horizontal axis first and label it ‘Acquired firm level of autonomy: low/high’. Identify the extent to which the target company’s culture is critical to the protection of its value-creating capability — and locate along the horizontal axis.

2. Draw the vertical axis and label it ‘Knowledge transfer: high/low’. Consider the extent to which transferring knowledge (such as skills, innovation, patents) between the companies may generate added value — and locate on the vertical axis.

3. Find the intersection of your two points and you have a preferred post-acquisition integration strategy.

Creative ideas:
A. Consider and draw below your matrix the timeline of synergy benefits for your integration style — will this satisfy stakeholders?
B. Consider the pros and cons of adopting different integration strategies in terms of organizational disruption, timing of synergy benefits, risks and sustainability.
21. Next Practice Matrix

AUTHORS: Stephen Cummings and Chris Bilton

**RATINGS:** Not rated by AIM. Benchmarking rated second most popular strategy tool in the Aston study and benchmarking continually rates highly in Bain surveys of most popular management tools.

**WHEN TO USE:** A structured way of encouraging strategic initiatives other than those that simply follow the current industry leader's best practices and the diminishing returns associated with this.

**COMPONENTS:** Four different developments upon benchmarking that claim to offer superior opportunities for strategic learning and development: worst, good, promising and next practice; arranged in a matrix crossing learning orientation with innovation orientation.
Oakland As: Bases loaded (c. late 1990s)

1. When Beane became GM his experience as a hailed but failed player enabled him to get to heart of things & see with new perspective.

2. He saw that trying to follow best practice on the As' budget wasn't getting them to 1st base & challenged orthodoxy.

3. Beane aware of promising stats practices and that As had some success with unusual or 'ugly' players who scrambled to 1st.

4. He saw next practice as blending trad good practices with promising practices to buy players others overlooked.

5. The As approach was unique for a time, but the challenge was staying ahead as others copied their approach.
1. While it makes sense to move clockwise from worst practice around to next practice, you can start in any of the first three boxes of this framework.

2. To get started, you can use the NPM as a pinboard and put up any examples of worst, good or promising practices you think of or invite examples from those you work with.

3. Having thought about and/or debated W, G and P practices, now think about, debate and draw or write up what your organization could do next to leapfrog current conventions and expectations.

Creative ideas:
A. It can be difficult to dwell on your own worst practices, so ask instead: ‘What is the worst practice of anybody in our industry?’
B. Actually find an example (or project a picture) of what is considered to be current best practice and place it in front of you or the group. Make sure this gets updated over time. This is what you are trying to leapfrog.
The Best of the Strategic Growth Options Frameworks Combined — 
Fourth Foundation: The Growth Options Heatmap

**PURPOSE:**
The Growth Options Heatmap (GOH) seeks to bring together the key insights from a range of strategic growth options frameworks to help see how relating key strengths and weaknesses to opportunities and threats enables better decision-making about appropriate future strategic goals.

**COMPONENTS:**
The core is a collision matrix to enable strengths and weaknesses summarized from analysis using tools from the second and third sections of the Strategy Builder and the opportunities and threats from the first section to be set against each other to analyse their relations and relative impacts. Aspects of other frameworks in this section can be sketched, leading off from where the greatest impact 'heat' is in the matrix. Ansoff's box can be arranged at different angles leading from the greatest area of heat (e.g. if strengths and opportunities line up, product growth and market penetration may be good options; if threats and weaknesses are more obvious then diversification might make sense, as in example above). What growth into certain areas may mean for the overall portfolio can be considered, how any acquisition might be best managed can be discussed, and options for next practice innovation evaluated.
Big opps — creative activity increasingly clustered in cities with high room rents & derelict industrial space; increasingly tech networked virtual workers

SH has capabilities for delivering cool alternative space to meet/relax/work in areas where few cost-effective hotels or premises

This has created the heat for growth if desired

At this stage, there are many opportunities for lower risk/hi-return growth in further mkt penetration in other locations

As viable space for mkt penetration decreases & strengths copied by competitors, next practice prod & mkt dev should be considered

You can download templates of the Growth Options Heatmap to aid your drawing at http://www.wiley.com/go/strategybuilder or try out the app at www.strategicplan.com.
Vision

**AUTHOR:** Multiple

**RATINGS:** Bain's most popular management tool in North America 2013, and the second most popular globally. Tied first for tool 'most satisfied with' globally – 79% of all companies surveyed claimed that would use vision or mission development in the next year. After a decade or so of being perceived as unfashionable, vision is making a comeback.

**WHEN TO USE:** To develop a simple, overarching statement of strategic intent that can orient and animate development for all members and key stakeholders of an organization.

**COMPONENTS:** Normally just a brief, memorable statement, but the adaptation of the Ashridge mission model above also focuses minds on how a vision must align with the firm's values and culture to be an effective driver of strategic action.

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LEGO: ‘Everything [we help a kid do] is awesome’ (c. 2014)

This ‘values chain’ shows how LEGO’s values, vision, culture and mission fit together

The values and employee culture underpin the brief, memorable and inspirational vision

Whereas the vision outlines a future state, LEGO’s mission indicates a way of proceeding in the present

Together these elements act as a strong guide for developing strategic actions, things as varied as...

→ OPEN INNOVATION & CROWDSOURCING e.g. ‘LEGO MINDSTORMS’

→ THE PLOTLINE OF THE LEGO MOVIE

→ PRODUCT DEVELOPMENT PARTNERSHIPS WITH LIKE-MINDED ORGANIZATIONS

1. Inventing the future of play
2. Inspire & develop the builders of tomorrow
3. ‘Clutch power’
4. ‘CLONE’

1. VALUES
2. VISION
3. STRATEGIC ACTIONS
4. LEGO
5. LEADERSHIP
6. CULTURE
7. SYSTEMIC CREATIVE
8. SUCCEED TOGETHER
9. OPEN INNOVATION & CROWDSOURCING
10. ‘LEGO MINDSTORMS’
11. THE PLOTLINE OF THE LEGO MOVIE
12. PRODUCT DEVELOPMENT PARTNERSHIPS WITH LIKE-MINDED ORGANIZATIONS
1. Leaping into writing a vision is daunting. So start by working from the outside in (what the previous page’s framework encourages). List your firm’s values on the bottom left of the page and an approximation of your strategic goals on the bottom right. Draft a vision above these that reflects the values and indicates a path to the goals.

2. You’ll need lots of pages and lots of drafts. Despite only being a few words long, a good vision takes a lot of development and refinement.

3. Don’t be discouraged if everybody else isn’t stunned by the brilliance of your vision. It’s a step on the road. Hand it over and ask others to improve upon it (so long as the improvements stay brief, inspirational, verifiable and so on).

Creative ideas:
A. Think pictorial symbols rather than words. If your vision was expressed in a drawing rather than text, what would it look like? Once you have pictures, convert them into words.

B. Involve people from outside the C-Suite in development, because this is who a vision has to orient and animate (no. 26). Make sure your key stakeholders from your PI matrix (no. 3) are included in the development team.
The triple bottom line (TBL) is generally not classified as a tool or framework. However, it is most commonly used to promote social and environmental concerns, and these now consistently rate near the top of lists of imperatives for executives.

**WHEN TO USE:** To develop a broader view of strategic performance, and subsequently broader strategic goals, than conventional financial measures would promote by considering the social and environmental impacts and responsibilities of an organization’s strategy.

**COMPONENTS:** Three intersecting circles: one in which to record conventional economic goals; one for goals relating to impacts on the natural environment; and one that encourages goals relating to the development of people and the broader community.
EcoPower: Four cables (c. 2014)

1. EcoPower needed a way to focus minds out into the longer term & a way of showing how their strategic goals were linked.

2. They added the preservation & development of their region’s distinctive cultural heritage to the TBL.

3. This resulted in 4 strategic goal ‘arenas’: economic, social, environmental & cultural.

4. 3 other long-term goal sets that related to the intersections between these arena were defined = 7 goals towards the 2040 vision.

5. Other docs that link to this one outline shorter-term five-yearly targets with respect to each of these 7 goals.

The identity of this organization has been disguised.
1. A good way of beginning to draw the TBL is by drawing the outline of the three circles and placing each of your current strategic goals (or what you think these should be) in the appropriate circles or intersections.

2. Think through or debate whether this set looks balanced.

3. If not, how might you adjust and move them or develop different or additional goals? What might they be, and what would the impact of pursuing them be on the others?

Creative ideas:
Rather than using the circles, draw a three-legged spidergram of the three performance dimensions and explore the implications for each of pursuing different goals.
24. Balanced Scorecard

**AUTHOR:** Robert Kaplan and David Norton (inspired by Art Schneiderman)

**RATINGS:** Bain’s most popular strategy tool globally, number one in the US until recently and tied with vision as the tool ‘most satisfied with’. Not rated by AIM. Number six in the most popular strategy tools by the Aston study and a much more recent development than those tools rated above it. Eighth equal and rising in China (37%).

**WHEN TO USE:** To think through balancing short-term financial measures with performance relating to the longer-term strategic health of the organization.

**COMPONENTS:** Two sets of ‘scales’ representing the need for balance between short-term financial performance and longer-term investment in maintaining capabilities (the vertical plane), and how customers perceive us and what we strive to excel at (the horizontal plane).
Southwest Airlines: Excellent Connections (c. 2012)

WE MUST EXCEL AT
- Fast Ground Turnaround
- Efficient Staff
- Cost Effectiveness
< Average Time on Ground
> % On Time Departures

WHAT CUSTOMERS WANT FROM US
- Lowest Prices
- On-Time Departures
> Customer Service Ranking
FAA On-Time Arrival Rating #1

GREATER PROFITABILITY
- Greater Seat Revenue
- Cost Reduction
↑ Market Value
↑ Seat Revenue
↓ Plane Leasing Costs, Etc.

LEARNING/INNOVATION
GREATER STAFF INVOLVEMENT & ALIGNMENT WITH STRATEGY
> % Staff Shareholders
> % Staff Advanced Training

FINANCIALS

1 Southwest uses a lot of simple BSCs to help inform staff of strategy and what they are contributing to.
2 Goals with regard to customer service are simple: lowest prices + on-time arrivals.
3 SW aims to excel at these things, which requires efficient, engaged staff who understand the importance of these goals.
4 This is advanced by good training + enabling staff to own shares and see how things fit together to the benefit of all.
5 And all of these connections enhance the achievement of financial goals: cost reduction, market value and revenue.
1. Start out on the horizontal and on the right-hand side with some words or pictures depicting what customers expect of you. If you are not sure, ask someone or seek out what has been expressed on the internet.

2. On the left, outline how you will match this by achieving and exceeding these expectations.

3. Outline your short-term financial goals in the northern node, then seek to balance these with a set of longer-term goals aimed at maintaining and developing human capabilities.

Creative ideas:
Make the BSC more strategic by bringing in elements from earlier frameworks. Make the western node of the BSC into a value chain (no. 7) shape and insert the main primary activities you must excel at and how they are linked. Make the eastern node the eastern part of the five forces (no. 5), charting buyer behaviour and expectations.
**25. Risk Management/Probability Impact Matrix**

**AUTHOR:** Unknown

**WHEN TO USE:** To assess and debate whether the organization’s strategy is exposing it to unnecessary or overly high levels of risk.

**COMPONENTS:** Probability of occurrence is a continuous scale but can be categorized as high/medium/low and attributed numeric values. Impact of risk is also a continuous scale but can be attributed categories. This means the figure could be a grid with numeric scores attached or a conceptual space as presented above. Locating risks on the matrix allows judgement to be made about what is the acceptable level of overall risk.

**RATINGS:** Not rated by AIM. Aston study rates risk analysis the fifth most popular strategy tool. Risk management is always a major concern in executive surveys. Risk analysis is rated the seventh most popular strategy tool in China by the He. et al (2012) study (46%).
Harley Davidson: The Electric Hog (c. 2014)

**Big Risk 1**

- **Traditional H.D. Market (Middle-aged White Males)**
  - Ageing/Declining

**Take Lead In E-tech & Develop A Harley Electric Bike**

**Big Risk 2**

- Fossil Fuels
  - Diminishing
  - More ‘Expensive’
  - Less Tolerated

**Respond To Environmental Concerns**

**Attract New Buyers**

**Potential Opportunity Timeline**

- **High Impact of Risk on Our Business**
  - Low Probability of Risk

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1. Big risk facing Harley 1: Traditional market (MAWM) is inevitably ageing/declining

2. Big risk facing Harley 2: Bike’s reliance on fossil fuels less likely to impact so fast but even more of a game changer

3. Harley seeks to respond by seizing unlikely opportunity now: develop a trend-setting e-Bike: Livewire

4. See relations between risks and this op: a) Replace distinctive HD growl with jet-engine sound; b) ‘If the Livewire is green, it has to be badass green.’ Mark-Hans Richer, Director, Harley Marketing
1. List the main risks associated with your strategy in terms of: (1) organization; (2) demand; (3) competition; (4) supply risks.

2. Estimate for each risk their probability of occurrence (either by marking the chart or by attributing a value) and their potential impact upon the organization.

3. Locate each risk on the chart and then consider the overall distribution of risks – is the level of overall risk acceptable in terms of the outcomes intended by your strategy?

Creative ideas:
A. The matrix can also be used to represent opportunities at the same time so that risks can be assessed directly in relation to emergent opportunities. How the positioning of risks and opportunities may change over time using arrows, or with a number of diagrams in a succession.
B. It might also be used dynamically in order to show how the positioning of risks and opportunities may change over time using arrows, or with a number of diagrams in a succession.
26. Animation–Orientation Matrix

**AUTHOR:** Stephen Cummings and David Wilson (based on an idea by Karl Weick)

**RATINGS:** Not rated as it may generally be seen as more of a final check than a strategy tool *per se*. However, it is mentioned as a key strategy tool in recently published reviews such as Max Mckeown’s (2013) *The Strategy Book and 80+ Strategy Frameworks that you Should Know*.

**WHEN TO USE:** As a simple check to gauge if your strategy is memorable, inspiring and providing the necessary direction to those who are charged with implementing it.

**COMPONENTS:** A 2 × 2 matrix that uses Karl Weick’s two ‘substitutes for formal strategic planning’, orientation and animation, on its x- and y-axes.
Philips was a highly successful company in the 20th century but change was required for the 21st century. Strategy development based on following tech developments left the company disparate & unclear of focus. Seek to reorient by simplifying organization, strategy development and strategy comms. Reanimate by involving staff in initiatives like a day devoted to thinking about how to simplify their work. Strategy reorganized around understanding people rather than tech, in just three clear divisions.
1. The animation–orientation (AO) matrix is one framework that sometimes you don’t need to embellish much at all. It’s there to provoke reflection and discussion, so just draw up the framework on a board or a page.

2. Get people to point to where they think your organization is strategically, asking them to provide reasons as they do so. Note these.

3. Discuss/note ways that you could move upwards and rightwards.

Creative ideas:
A. So, you’ve arrived in the top right box. Make a note of all the threats that could lead to you drifting back out of high orientation and animation. Outline potential strategies that could prevent this drift towards de-orientation and de-animation from happening.

B. Draw these strategies in as thickening borders around the top right box acting as barriers from exiting it.
The Best of the Managing Performance Strategically Frameworks Combined – Fifth Foundation: The Balanced Goals Envelope

**PURPOSE:**
To bring together key insights from a range of strategic goal development frameworks to help present these goals graphically, enable the evaluation of their collective balance, and encourage better strategic discussion and analysis about future direction.

**COMPONENTS:**
The BGE places a box for capturing and animating an orienting vision and/or set of values in the middle of an envelope with different strategic goal aspects on the north, south, east and west sides. These are an amalgam of elements from the TBL, the BSC and the RSIM. The framework encourages ‘pushing the envelope’ on all sides with goals that are balanced rather than a set of goals that are all in the same quadrant.
At the centre of Maersk's strategic goals are its core values. M's 'Unlocking Growth' goals add to a traditional focus on things such as profitability, cost savings and health and safety. This means reducing emissions in the short term & developing better supply chains & infrastructures. It also means investing in education for M's employees and others that M works with and operates among. The third thread relates to the risk posed to trade and M's businesses by volatility & here M now seeks to be more proactive in promoting geopolitical stability & growth.

1. Environmental Opportunities & Threats

2/3. Internal Capabilities & Weaknesses

4. Growth Options Heatmap

5. Balanced Strategic Goals

**Figure 3.1** Strategy Builder ‘Strategy on a Page’ Template
**Figure 3.2** Bad stratography: strategy drawn poorly
Figure 3.3 From bullet points to Olympic rings
1. Environmental Opportunities & Threats

2/3. Internal Capabilities & Weaknesses

4. Growth Options Heatmap

5. Balanced Strategic Goals

Figure 3.4 Strategy on a Page: Principle 1 — Simplicity that attracts and focuses the eye
Figure 3.5 Principle 2 in action: The Little Red Caboose. Sourced from http://www.imaginarymuseum.org/MHV/PZImhv/WoodPowerMaps1993.html
**P&G Growth Strategy:** Touching and improving more consumers’ lives in more parts of the world more completely

**WHERE TO PLAY:**
1. Grow leading, global brands and core categories
2. Build business with underserved and unserved consumers
3. Continue to grow and develop faster-growing, structurally attractive businesses with global leadership potential

**HOW TO WIN:**
1. Drive Core P&G Strengths in consumer understanding, brand building, innovation and go to market
2. Simplify, Scale and Execute for competitive advantage
3. Lead change to win with consumers and customers

**Figure 3.6** Principle 2 in action: P&G’s graphic spreads the eye
Figure 3.7 Strategy on a Page: Principle 2 – Spread the eye
Figure 3.8 Good and bad practice examples of graphics encouraging the eye to wander and find relations
Figure 3.9 BECA’s strategic action development template
Figure 3.10 Strategy on a Page: Principle 3 – Encouraging the eye to find relations
Figure 3.11 Bordone’s *Isolario* 16th-century woodcut world map. Sourced from http://www.raremaps.com/gallery/detail/31432?view=print
Figure 3.12 Tesco’s ‘steering wheel’. (Source: Tesco PLC, 2008)
Figure 3.13 Tesco’s steering wheel extension and a ‘shopping list’.
Figure 3.14 Strategy on a Page: Principle 4 – Encouraging the eye to zoom in and out
Figure 3.15 One of Air New Zealand’s 2005 strategy roadshow images
Figure 3.16 Strategy on a Page: Principle 5 – Drawing on relatable human patterns
Figure 3.17 A hand-drawn picture can be more tactile and engage the senses more than a computer-generated one.
Figure 3.18 Strategy on a Page: Principle 6 – Seek to engage more than one sense