

STRATEGY DESIGN INNOVATION

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HOW TO
CREATE BUSINESS
SUCCESS USING
A SYSTEMATIC
TOOLBOX

OVERVIEW CHART: The Strategy Design Toolbox

OVERVIEW PLATFORM: orientate & connect



Perspective 1:
Creating
Orientation



Perspective 2:
Understanding
Developments



Perspective 3:
Reflecting
Positions



Perspective 4:
Designing
Advantages



Perspective 5:
Engaging
People



Perspective 6:
Realizing
Value



Perspective 7:
Navigating
Success

DETAIL PLATFORM: analyze & create

1.1



What is our vision
and mission?

2.1



Which dynamics
shape the environment?

3.1



What is key to be a
competitive player?

4.1



How do we satisfy
customers?

5.1



How can we develop
an innovative team?

6.1



How can we develop
the organization?

7.1



How can we capture
financial value?

1.2



What are our values?

2.2



What drives the
rules of the game?

3.2



Which opportunities &
threats are relevant?

4.2



How do we address
market segments?

5.2



How can we establish
powerful partnerships?

6.2



What is the roadmap
for implementation?

7.2



How can we control
our objectives?

1.3



What is our promise
to stakeholders?

2.3



How do markets
develop?

3.3



Which strengths and
weaknesses are relevant?

4.3



Which activities
create our offer?

5.3



How can we use the
power of networks?

6.3



How much money
do we need?

7.3



How can we
manage risks?

1.4



What are our
objectives?

2.4



What are possible
scenarios?

3.4



How can we improve
our position?

4.4



Which key resources
do we need?

5.4



How can we manage
promoters/opponents?

6.4



How can we
win investors?

7.4



How can we learn &
get out of thinking boxes?

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INTRODUCTION

DEAR READER,

Welcome to “*Strategy Design Innovation*”!

It looks like the title caught your attention and encouraged you to read on. Let us now try to justify this attention and to keep it high, without wasting time ...

The author of this book and his co-authors will use this introduction for the following purposes:

- 1 explain the general situation and the authors’ intention,
- 2 outline our main objectives,
- 3 list the respective target groups,
- 4 introduce ourselves, briefly,
- 5 address words of thanks to those who supported us,
- 6 describe the intended and expected benefits.

General situation and the authors’ intention

The world that surrounds us is characterized by impressive progress on the one hand, e.g. in the medical sector, in tele-communication, in digitalization or in mobility.

On the other hand, considerable influences come from a dramatic increase in complexity and uncertainty, e.g. increasing number of political conflicts, escalation and polarization, progress of global warming and migration. In our perception this increasing complexity is a huge challenge to anyone who needs to create, analyze and develop business strategies, because they need to cope with all these changes in their environment. And, as we learned from Michael Porter: “*Strategy is the act of aligning a company and its environment.*” With this book, it is our intention to provide orientation and guidance to better achieve this goal, in rough times.

Main objectives of the book

What is in scope, what is out of scope? Our main objective is not to just present a comprehensive overview of today’s strategic methodologies, tools and processes. Our main objective is rather to offer a flexible and effective system and tools that enable and help readers to design and innovate effective strategies.

This is what led us to the title *“Strategy Design Innovation”*. Key points are

- to offer a flexible and effective system and model in the shape of a workbook, based on the authors’ ample experience of 500+ business cases and driven by a problem-solving attitude.
- to offer and describe a scalable system, applicable both to global corporations and to SMEs.
- to use selected established methods and tools from various sources, as well as methods and tools recently developed and combine them, adding new insights.
- to use established terms, wherever possible, to ensure fast and effective communication, understandable around the world.
- to use a structure allowing to read and proceed page by page, but also to jump from topic to topic, connecting insights.
- to strive for continuous improvement and development both of this workbook (from edition to edition), using all kinds of sources, including feedback from our readers.

Target groups of the book

Here are seven questions you can use to check whether this book will offer value to you and to your personal management challenges:

- *Are you striving to create orientation for your entrepreneurial team?*
- *Do you see a need to understand the developments of volatility, uncertainty, complexity and ambiguity in your business environment?*
- *Are you challenged by innovative competitors threatening your strategic position?*
- *Do you feel the need to create tangible advantages for your customers in order to win the competitive game?*
- *Are you trying to do your best to engage people inside and outside your company?*
- *Are you searching for a smart way of implementing your business concepts?*
- *Do you intend to set up a targeted navigation system for your journey toward success?*

In terms of ‘groups of people with common interests’, we primarily think of the following ones:

- *Entrepreneurs: people who need to innovate their businesses, in a challenging environment*
- *Intrapreneurs: executives and managers who are responsible for developing their business units with a clear strategic fit, in a global environment*
- *Consultants: experts who support managers on their way towards success*
- *Founders and start-up-teams: people who drive innovation and launch new businesses*
- *Investors: enablers who need to analyze the potential for value creation of a specific strategy design*
- *Students, graduates, practitioners and MBAs: people who are preparing for their future roles in business*

GENERALLY SPEAKING:

people who are interested in designing and innovating business strategies.

”

About the authors

The author’s and co-authors’ mission and interest over the past 20 years concentrated on the question of how to create, analyze and develop innovative and successful business strategies, in all kinds of organizations, from small to large and global, both profit and non-profit organizations.

Our mission and interest in short: how to create successful business by practising “*Strategy Design Innovation*”, as we call it in this book.

Which areas do we come from?

- from various responsibilities: strategic and operational business, teaching at universities and business academies, consulting, designing and running workshops, start-up coaching etc.
- from different roles: entrepreneurs, intrapreneurs, university professors in the field of Business Administration, managers and lecturers in global corporate academies, independent consultants etc.

If you want to know more about the author and co-authors, please, take a look at the profiles, at the end of this book.

Words of thanks to those who supported us

We would like to express our gratitude and say a special word of thanks to all those who have contributed to the development of *“Strategy Design Innovation”*: most of all to our customers as well as their partners and employees (workshop participants) with whom we had the pleasure to work on more than 500 cases over the last 20 years. Second, to our colleagues who have always been available for a fruitful exchange of ideas and a discussion of the strategic issues. And – last but not least – to our students who were among the first to get to know these concepts, to work with them, challenge them and provide feedback.

Finally, we are grateful to those who decided not only to study our *Strategy Design Innovation* model and *Strategy Design Toolbox*, but also to implement it in their real-life business environment, where they practise and share it with their colleagues, partners and customers.

Intended and expected benefits of this book

Since the main objective is to offer a flexible and effective system and model that enables and helps readers to practise *Strategy Design Innovation*, the main benefits we provide will be:

- You will acquire (and/or enhance) the ability to design and innovate (business) strategies along with the process of *Strategy Design Innovation*
- You will learn to do so by following a guided procedure, in combination with a toolbox called *Strategy Design Toolbox*
- You will apply business model patterns and test the results in the agile process of *Strategy Design Modelling*
- These approaches will give you security, reliability and flexibility, in your *Strategy Design Projects*.

Our practical experience shows that there is unfortunately no guarantee that a *Strategy Design* will be successful, but there is a very high probability to get things right, if you follow this path, because

- You will have done the maximum to systematically include whoever and whatever it takes to design and innovate your strategy.
- You will have done this based on a model that did fulfil expectations in so many cases and circumstances.
- You will have done the maximum to systematically avoid traps and errors.

Please, come, apply and see for yourself!

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Author and designer

Augsburg, June 2019

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Norbert Alexy

Co-creators





3.1 Perspective 1

CREATING ORIENTATION



Overview Perspective 1: Orientation

Some 2,000 years ago *Lucius Annaeus Seneca* accentuated the importance of orientation with the following statement:

YOU MUST KNOW

your destination's port, if you wish to catch a favorable wind.



According to *Hofmann-Wellenhof* the art of navigation uses celestial points of reference that are based on the observation of the position of the Sun, the Moon, planets and navigational stars. Such systems are in use both for terrestrial and for interstellar navigation. A navigator can determine his distance from a given point on the rotating earth by referring to a celestial object above that point and by measuring the height above the observer's horizon. This can be transferred as an analogy to the journey a business is intended to make. *Creating Orientation* focuses the issue of effectiveness, which means doing the right things according to a certain point of reference or, in this case, with respect to the organization's set of targets. Orientation can be created by answering the following four questions:



What is our vision and mission?

A clear vision creates alignment in a team for driving a business toward future success. It should address trendsetting ideas, convince the organization's stakeholders and create excitement amongst them for the vision's realization.



What are our values?

Over the last twenty years the idea of Corporate Social Responsibility has become an important reference in running a business. After major compliance scandals since the year 2000, executives perceived that they have to take more and more responsibility for the behavior on the collective and on the individual level. So an explicit set of company values has become an important point of navigation in an environment where stakeholders' expectations have to be considered.

3.1.4 What are our objectives?

What it does

Effectiveness is defined as ‘Doing the right things’. A clear strategic orientation about what to do and what to avoid is crucial, as Table 3.6 illustrates.

In order to be effective, managers need to define a consistent set of objectives at four strategic levels:

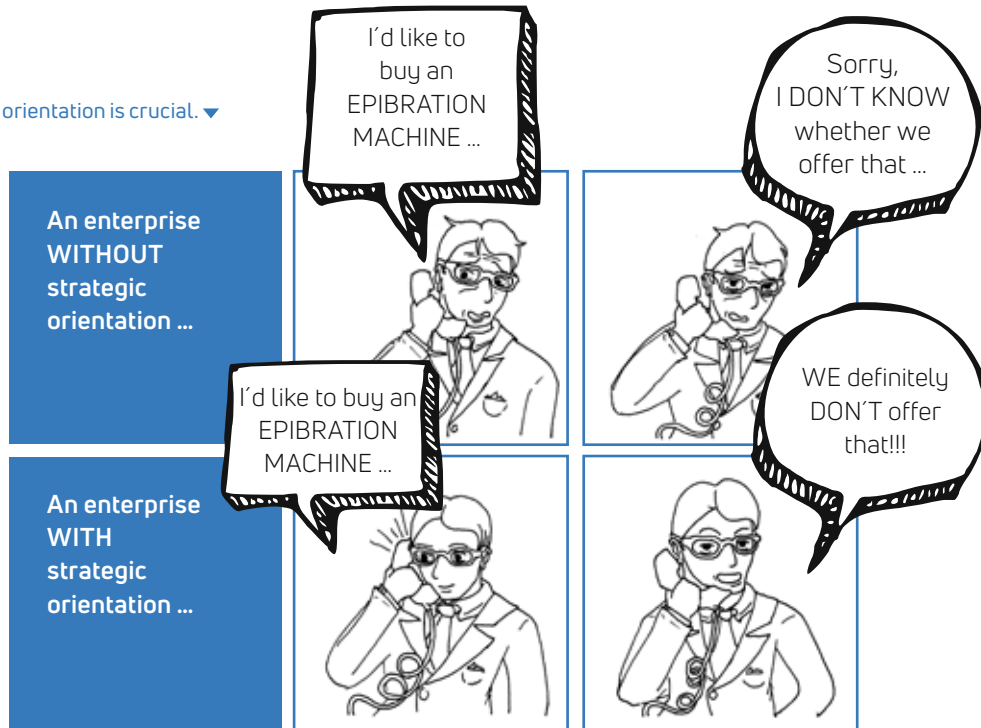
— The level of Corporate Strategy.

In a multi-business corporation management at this level acts in the role of an investor. For the long-term survival, executives need to constantly develop a corporate portfolio of offer-market combinations. This portfolio is organized in separate business units with entrepreneurial responsibility. As outlined in chapter 3.1.3, managers need to define a set of corporate objectives for Stakeholder Value Creation (e.g. Customer Satisfaction or Return on Capital Employed). In addition, corporate objectives need to address the synergies that can be realized between the organization’s various business units, functions and regions. Corporate Value Added, for example, can be used as a metric here.

— The level of Business Unit Strategy.

At this level management is in the role of the entrepreneur, being responsible for the business unit’s strategic and operational success. The set of objectives has to address the aspects of competitiveness (e.g. Relative Market Share or Market Position), long-term profit potential (e.g. Company Growth Rates in relation to Market Growth Rates or Business Values of investment opportunities), profit (e.g. Economic Value Added, Return on Capital Employed) and cash (e.g. Free Cash Flow, Cash Conversion Rates). *Baum / Coenberg / Günther (2007, p. 6)* point out that objectives on the level of the business unit may be conflicting because of their different perspectives in time: from the long term perspective of profit potential over the period-oriented perspective of profit down to the short-term perspective of cash flow. Investing in a new market, for example, increases the profit potential of the future, but at the same time, reduces this year’s profit and cash flow. Balancing these target conflicts is one of the challenging entrepreneurial tasks.

Table 3.6
Clear strategic orientation is crucial. ▼



— **The level of Functional Strategy.**

Leaders at the functional level are responsible for effectively and efficiently implementing a business unit's strategy. Accordingly, they need to focus on measures contributing to their business unit's success. Here, the set of functional objectives needs to be broken down from the overall business unit's set of objectives in an aligned and balanced way. Examples for functional metrics are Time to Market measuring the efficiency of the R&D function, Relative Competitive Sales Growth for the marketing function, or Capacity Utilization for the manufacturing function.

— **The level of Regional Strategy.**

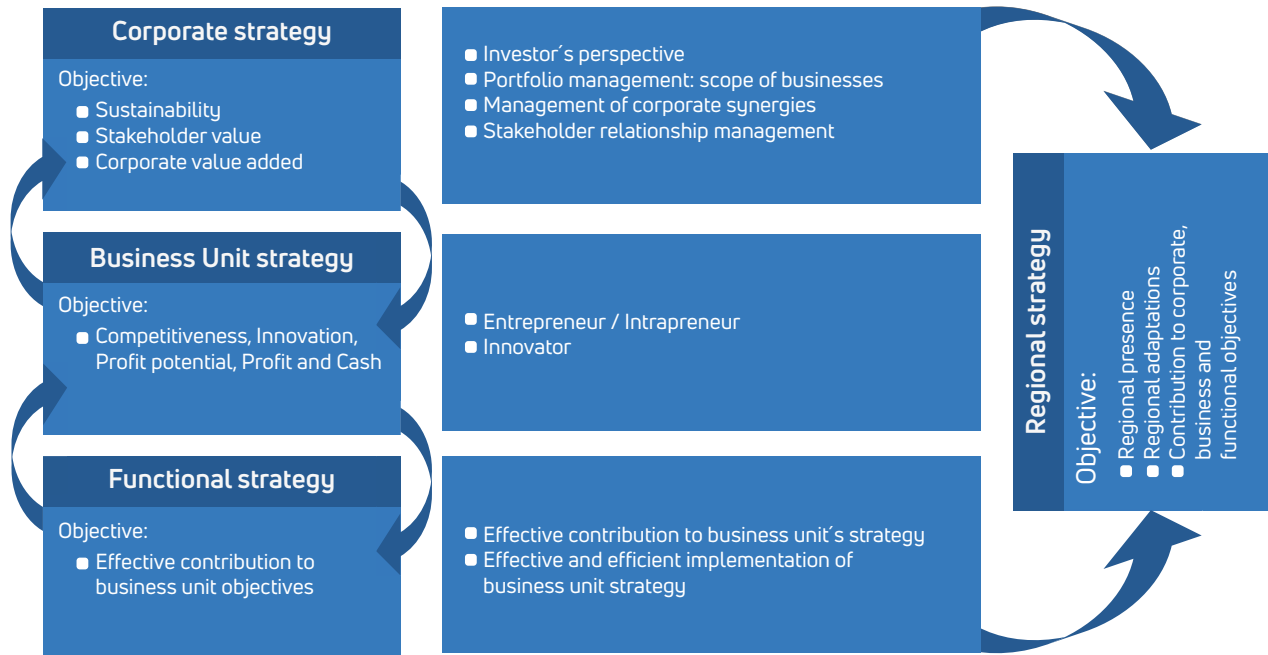
Companies being active in a multinational environment need to define an efficient organizational setup for globalization. This includes an adequate control system for regional responsibility and its conjunction to the corporate, the business unit and the functional level of entrepreneurial responsibility. Consistently, the regional set of objectives is built on metrics addressing all three control levels: the corporate, the business unit and the functional level.

Table 3.7 outlines the interdependencies of objectives on the four corporate management levels.



Table 3.7

A company's set of objectives has to be developed at four levels. The alignment between corporate, business, functional and regional objectives is key for success. ▼



Further reading: Johnson, G. / Whittington, R. / Duncan, A. / Regner, P.: Exploring Strategy, New York 2013.

How it works

The process of finding and fixing objectives on the four corporate management levels requires a professional process of communication and bargaining in two dimensions:

- firstly, applying a top-down and bottom-up communication approach aligning the corporate, the business unit and the functional level,
- secondly, an outside-in (from region to headquarters) and inside-out (from headquarters to region) communication approach.

Communicating and bargaining in these two dimensions is the best way for finding challenging and at the same time realistic business objective agreements aligning all four corporate management levels.

When defining objectives it is important to formulate them according to the 'SMART' approach: objectives need to be **S**pecific, **M**easurable, **A**ctively controllable, **R**ealistic and **T**erminated.

Here is an example for a SMART objective that is in the responsibility of a business unit's entrepreneur:

Increasing profitability (**S**pecific) in terms of Return on Capital Employed (**M**easurable) for Business Unit X (**A**ctively controllable according to the entrepreneur's responsibility) from 10% to 12% (assumed to be **R**ealistic) until the end of the current fiscal year (**T**erminated).

Assignment SD-T 1.4. invites you to work out your organization's SMART objectives at the four different levels.

3.2 Perspective 2

UNDERSTANDING DEVELOPMENTS



3.2.1 Which dynamics shape the environment?

What it does

Looking at the long term perspective of *Strategy Design Innovation*, an organization must have a solid understanding of those developments that set the scene for its long-term survival. The focus therefore goes to the most important factors in the organization's broader environment. Relevant influences need to be detected and incorporated in strategic management decisions. The developments of the macro-environment may have considerable impact on almost all organizations within an industry. So from a competitive perspective it is most important, to discover the core driving forces which can change the structure and the rules of the game in an entire industry or in a specific market segment. Understanding developments at that macro-environmental level delivers the following key results:

- Identifying dominant trends and their turbulences in the macro-environment and understanding how the resulting opportunities and threats will influence one's own industry and organization.
- Detecting trends in those areas where most people – and experts – would not expect them.

How it works

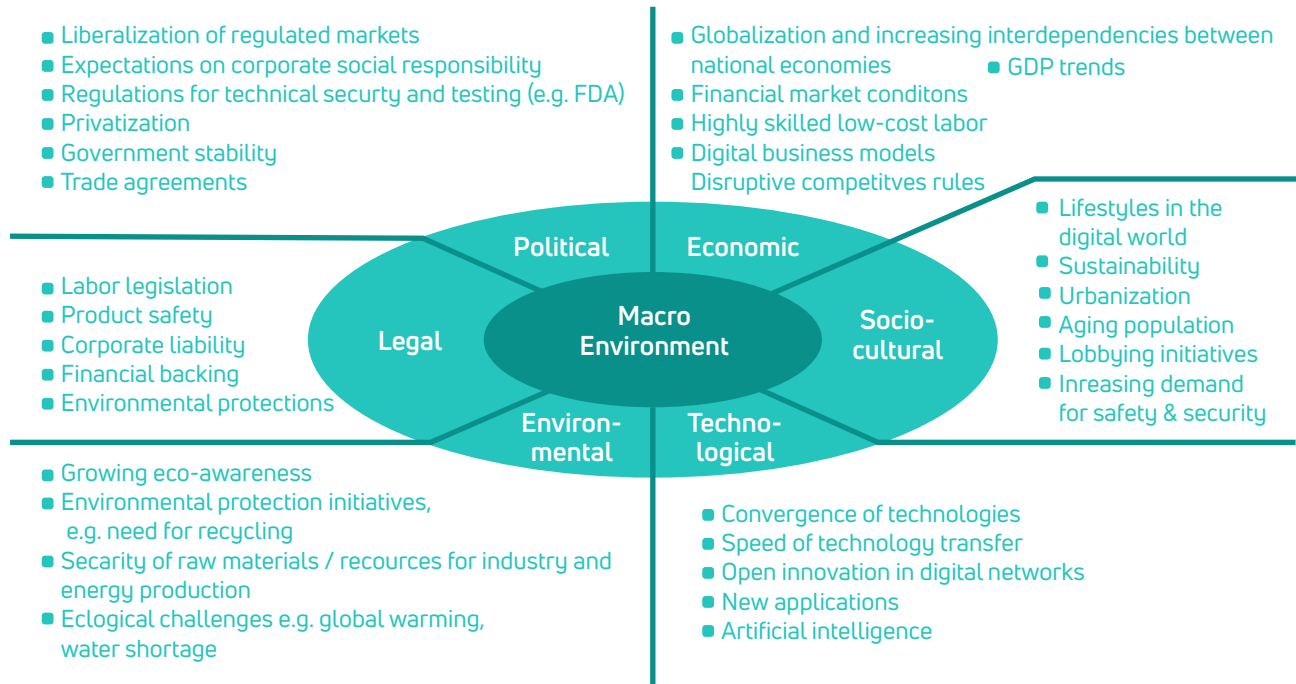
Farmer and Richman (1966) introduced the idea of macro-environmental analysis. Based on that concept *Johnson and Scholes (2002)* developed their PESTEL framework. It distinguishes six main environmental influences: political, economic, social, technological, environmental and legal, as shown in Table 3.8.

- **Political influences** are created by governments, political parties and international bodies like the European Commission, the United Nations or the World Trade Organization when they intervene in the economy and in markets.
- **Economic influences** show the developments that will influence the demand and supply in the markets for goods and capital. For example, consumer spending power is one of the major factors for the prosperity of an industry.
- **Socio-cultural influences** characterize the developments of social standards and moral concepts as well as the structural dynamics of the society and its sub-cultural groups or the development of demographic patterns.



Table 3.8

A range of macro-environmental influences can affect an organization's development. ▼

**Further reading:**

Farmer, R.N. / Richman, B. M.: International Business: An Operational Theory, New York 1966.
 Johnson G. / Whittington R. / Duncan A. / Regner P.: Exploring Strategy, New York 2013.



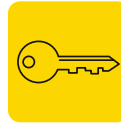
3.3 Perspective 3

REFLECTING POSITIONS



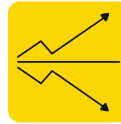
Overview Perspective 3: Reflecting Positions

When *Seneca* mentions the *port* one is sailing to, he must also have in mind the ship's position in order to define the details of a potential journey. In the art of navigation the determination of a ship's *position* builds on the concepts of latitude and longitude of a certain place on Earth. Only if the captain can determine both, the latitude as the angular distance north or south of the equator and the longitude as the angular distance east of the prime meridian of the Greenwich meridian, the position can be fixed. Modern navigation relies on intelligent positioning systems by receivers collecting information from satellites. This approach of navigation can also be transferred as an analogy to the idea of the *Strategy Design*. In order to reflect a company's position it is important to determine the 'latitude' and the 'longitude' of the current position in a competitive environment. The following questions are vital in order to learn more about this specific position:



What is key to be a competitive player?

The type of a business implies key success factors for an organization's position. With respect to product business, customer solution business and digital lock-in business the relevant success factors have to be detected for the competitive game.



Which opportunities and threats are relevant?

An organization's current position comprises a set of specific innovation challenges. Business people should be able to detect which incremental, radical or even disruptive aspects are developed by players in the market and which of them are of competitive importance to their own organization. For this process of detection they need appropriate radar systems. It is necessary to find out which impacts can be expected. They can be clustered as opportunities or threats – depending on their power of influence as well as on the level of the disruptiveness of the people creating the competitive future *Strategy Design*.

3.3.1 What is key to be a competitive player?

What it does

Perspective 3 – Reflecting Positions is fostering a deep understanding of the competitive context an organization is acting in. According to *Porter (2004)*, having a set of competitive advantages is crucial for an organization's ability to create and sustain superior performance. Question 3.1 "What is key to be a competitive player?" focuses on the sources that create competitive advantages between one's own company and the industry competitors.

Hax and Wilde (2001) show that the generic type of a business has vital implications for the ability to create competitive advantages. The strategic task of establishing competitive advantages starts with an understanding of what is 'key' in a competitive game, for example: What is 'key' to get access to a certain market? What is 'key' to become or to stay a competitive player in a certain environment? What is 'key' to create lasting success? Putting it more concretely: What are the 'key success factors' for winning with a certain business strategy? *Hax and Wilde* show that the generic type of a business has vital implications for the relevant key success factors. They differentiate three generic types of business:

- **Product Business:** offering homogeneous products to a mass market.
- **Solution Business:** offering individual solutions to customers with a specific portfolio of needs.
- **System Lock-in Business:** offering systems that can lock in customers and complementors and, at the same time, and lock out competitors.

Each of these types of business has its own generic key success factors.

Table 3.14 contains a synopsis of examples for the relevant key success factors in the cases of a product business, a solution business and a system lock-in business.

How it works

In a first step, Question 3.1 "What is key to be a competitive player?" requires defining one's own type of business - according to *Hax and Wilde* - as product business, customer solution business or system lock-in business. It is also possible, if relevant in your case, to define a combination of these three generic types.



Table 3.14 The type of business has vital implications for the relevant key success factors. ▼

Aspect for the Allocation of Key Success Factors	Product Business	Customer Solution Business	Lock-In Business
Strategic focus on players	Customers and competitors	Customers and consistent bundle of suppliers	Customers, suppliers, partners, complementors
Customer value proposition	Product economics	Customer economics	Digital system economics
Location of main value drivers	Internal value chain	Integrated supply chain – customers, company, suppliers	Digital system supply network - customers, suppliers, partners, complementors
Relevant channels	Generic mass distribution	Targeted direct channels	Channel network with customers, suppliers, partners, complementors
Innovation focus	Customer oriented internal	Joint innovation with customer	Platform development and open innovation with complementors
Role of IT	Internal support function	Supporting integrated supply chain	Total network support on platform connecting all players and organizing transactions

Further reading:

Hax, A.C. / Wilde II, D.L.: The Delta Project – discovering new sources of profitability in a networked economy, New York 2001.

Hoffmeister, C.: Digital Business Modelling, Digitale Geschäftsmodelle entwickeln und strategisch verankern, München 2015.

Porter, M.E.: Competitive Advantage – Creating and Sustaining Superior Performance, New York 2004.



3.4 Perspective 4:

DESIGNING ADVANTAGES



Overview Perspective 4: Designing Advantages

To succeed in a sailing regatta it is of critical importance to develop real advantages and to make the best out of them. The same is true for the competitive journey of a business. Designing Advantages is powered by the following questions:



How do we satisfy customers?

The mind of the strategist strives for creating real customer advantages against the competition. This approach means to avoid competition and to create a monopolistic situation: it is like leaving the highly competitive oceans, where cutthroat competition between shark fish turns the market blood-red, while entering the blue oceans opens up untapped market spaces, creating a potential for demand and highly profitable growth. If we want to make customers happy, we need to build innovation around customer experiences.

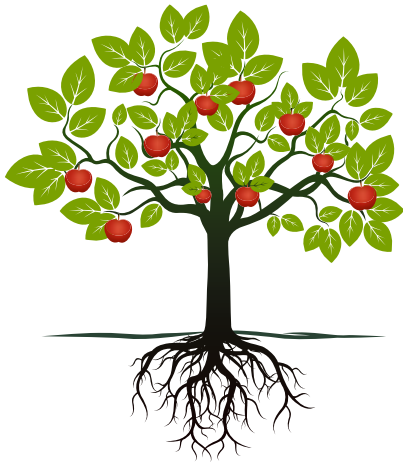


How do we address market segments?

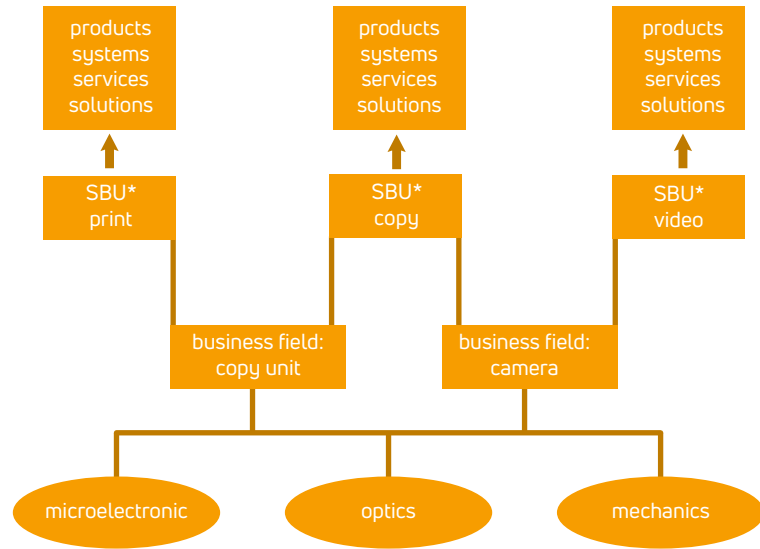
Customer advantages have to be taken to promising market segments in a targeted way. Which offers and innovations are a perfect match for existing market segments? And where should we try to open up new markets? Where do we have to foster innovation in terms of incremental ideas, radical technology or disruptive and game changing business models? Finally we need to identify suitable measures that allow us to successfully implement this offer-market strategy.

Table 3.28

The idea of key resources and competences can be illustrated by the analogy 'tree'. ▼



- Fruit:** products, systems, services, solutions
- Leaves (photosynthesis):** revenue generators
- Branches:** strategic business units (SBU)
- Trunk:** business fields
- Roots:** Key competencies and key resources
- Ground:** physical resources, capital



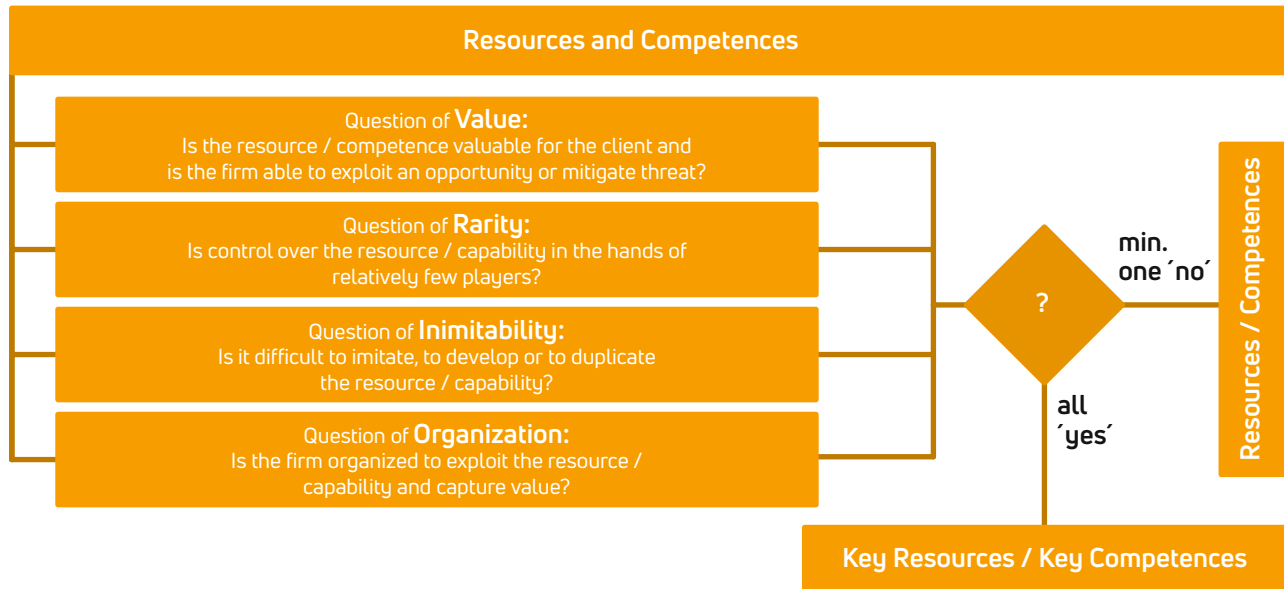
*SBU: Strategic Business Unit

Further reading:

Prahalad, C.K. / Hamel, G.: The Core Competence of the Corporation, in: Harvard Business Review, 68, 1990, No 3, pp 79 – 91.

Table 3.29

In order to be 'key', resources and competences must fulfil the 'VRIO'-requirements. ▼



Further reading: Barney, J. B. / Hesterly, W. S.: Strategic Management and Competitive Advantage: Concepts, New Jersey 2011.

HERE YOU CAN WORK OUT YOUR IDEAS ABOUT YOUR ORGANIZATION'S KEY RESOURCES AND COMPETENCES.



Assignment SD-T 4.4:

Key Resources	Check: Valuable?	Check: Rare?	Check: Inimitable?	Check: Organized?
Key Competences	Check: Valuable?	Check: Rare?	Check: Inimitable?	Check: Organized?



3.5 Perspective 5

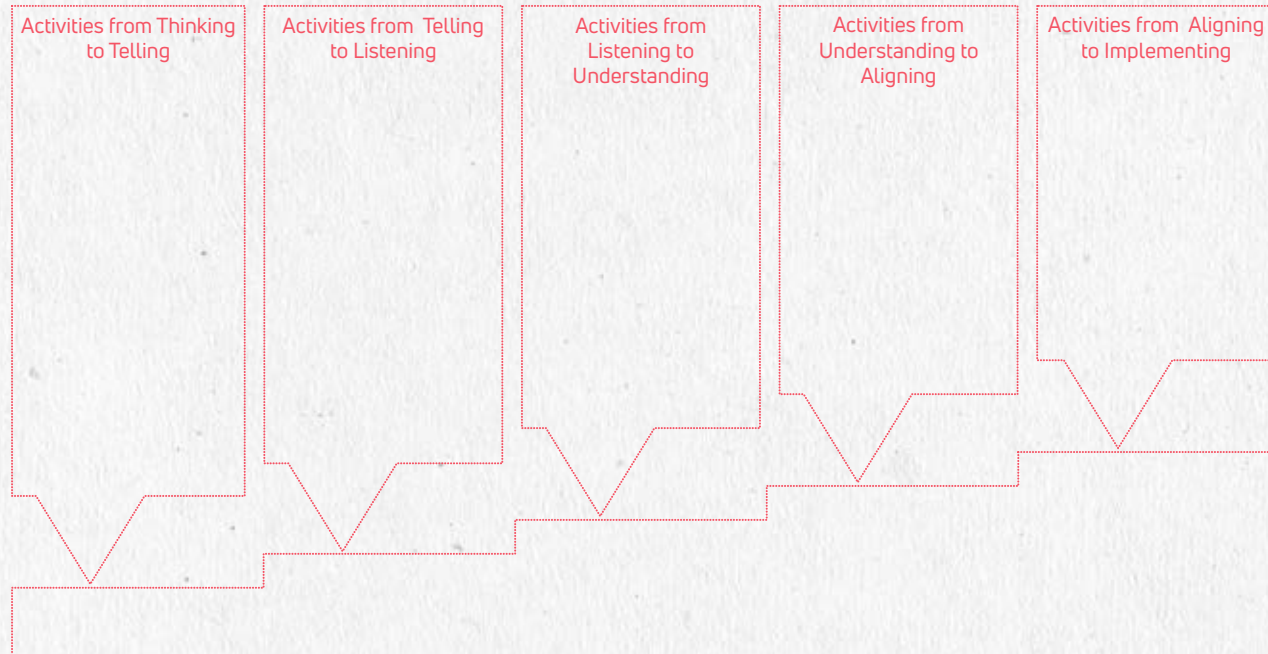
ENGAGING PEOPLE



Assignment SD-T 5.4



HERE YOU CAN WORK OUT YOUR IDEAS ABOUT HOW TO ENGAGE PEOPLE BY MANAGING PROMOTORS AND OPPONENTS.





3.6 Perspective 6

REALIZING VALUE

Overview Perspective 6: Realizing Value

Coming back to *Seneca's* idea of effective navigation. Passage planning is the procedure to develop a complete description of a ship's voyage from start to finish. The plan includes leaving the dock and the harbor area, the route of the voyage, up to approaching the destination and mooring. According to international law, a vessel's captain is legally responsible for passage planning. So passage planning has to comprise two qualities at the same time: fixing the guardrails for a planned route and being flexible enough to react to changing conditions. So passage planning comprises all the necessary aspects of how to organize a ship's entire voyage and, eventually, how to realize success with the passage. In *Strategy Design Innovation*, accordingly, Perspective 6 - Realizing Value asks the following questions:



How can we develop the organization?

An effective and consistent set of structural and cultural components can foster organizational innovativeness. Aspects like leadership, effective team work, training, a creative climate and enablers for a learning organization can boost the innovative potential of the organization.



What is the roadmap for implementation?

Passage planning for a business has to define the initial situation, understand stakeholders' expectations, define targets, develop key concepts, set milestones, allocate resources and, understand risks and opportunities for the journey. The essence of the ideas developed with the questions and instruments of Perspectives 1 to 5 have to be broken down to a project management structure along a timeline. After the discussion of more strategic issues now entrepreneurial spirit has to deal with the very operational aspects of project management. The resulting roadmap allocates milestone actions and prepares for effective implementation of *Strategy Design*.

Table 3.37

A set of structural and cultural components can foster organizational innovativeness. ▼

Component	Key features
Shared vision, leadership to innovate	Top level support for difficult decisions or radical new directions
Appropriate structure	Corporate venturing models
Key individuals	Champions to promote risk taking and new roles to facilitate internal venturing
Effective team work	Bringing together different perspectives and fast-forming temporary teams
Stretching individual development	Training to think and work out of the box
Extensive communication	Develop channels to get unorthodox ideas flowing
High involvement in innovation	Programmes which identify and capture new ideas across the firm
External focus	Extensive networking and open innovation
Creative climate	Development of intrapreneurship
Learning organization	Increasing emphasis on early and rapid prototyping

Further reading:

Tidd, J. / Bessant, J.: Managing Innovation – Integrating Technological, Market and Organizational Change, Chichester 2009.

Robertson, B.J.: Holocracy – ein revolutionäres Management-System für eine volatile Welt, München 2016.

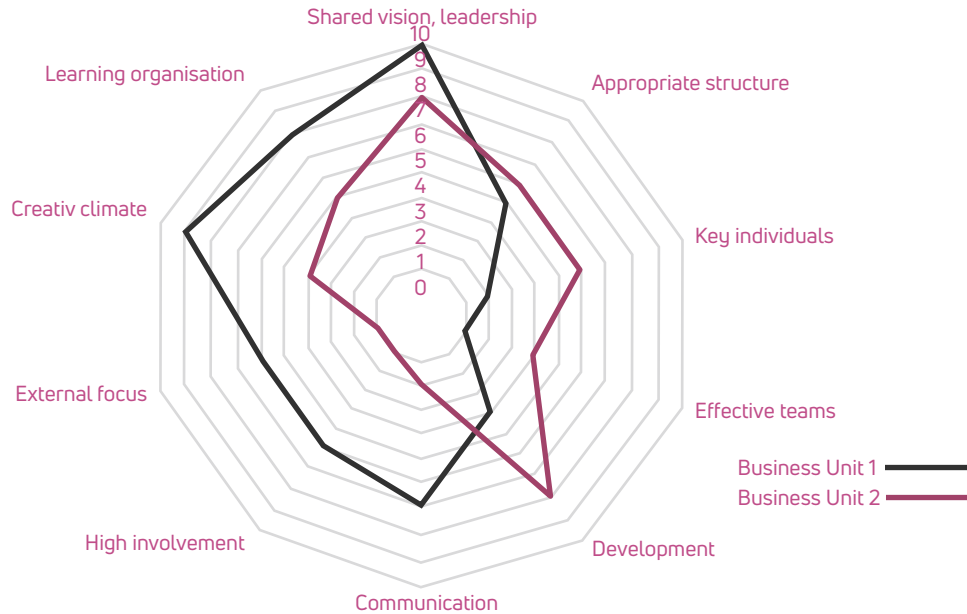
**Perspective 6 – Realizing Value**

SD-T 6.1 How can we develop the organization?

Table 3.38

The Innovation Spider Web shows the potentials for organizational development. ▼

Innovation Spider Web



Further reading: Tidd, J. / Bessant, J.: Managing Innovation – Integrating Technological, Market and Organizational Change, Chichester 2009.



3.7 Perspective 7

NAVIGATING SUCCESS



3.7.2 How can we control our objectives?

What it does

Like a captain in the cockpit of an airplane, entrepreneurs need proper instruments for navigation. *Kaplan and Norton (1996)* introduced the Balanced Scorecard as an approach to create a management cockpit, comprising the relevant information for an organization's strategic journey.

Table 3.45 outlines the idea of a management cockpit for business. The cockpit should address information in four general perspectives: customers / markets, processes, employees / innovation and, bottom line, finance. Applying the Balanced Scorecard helps to provide a bundle of positive effects:

- operationalizing the *Strategy Design*
- establishing a common strategic understanding
- setting the standards for incentive systems
- focusing on critical drivers for success
- setting up an early warning system
- creating ideas for improvement actions

How it works

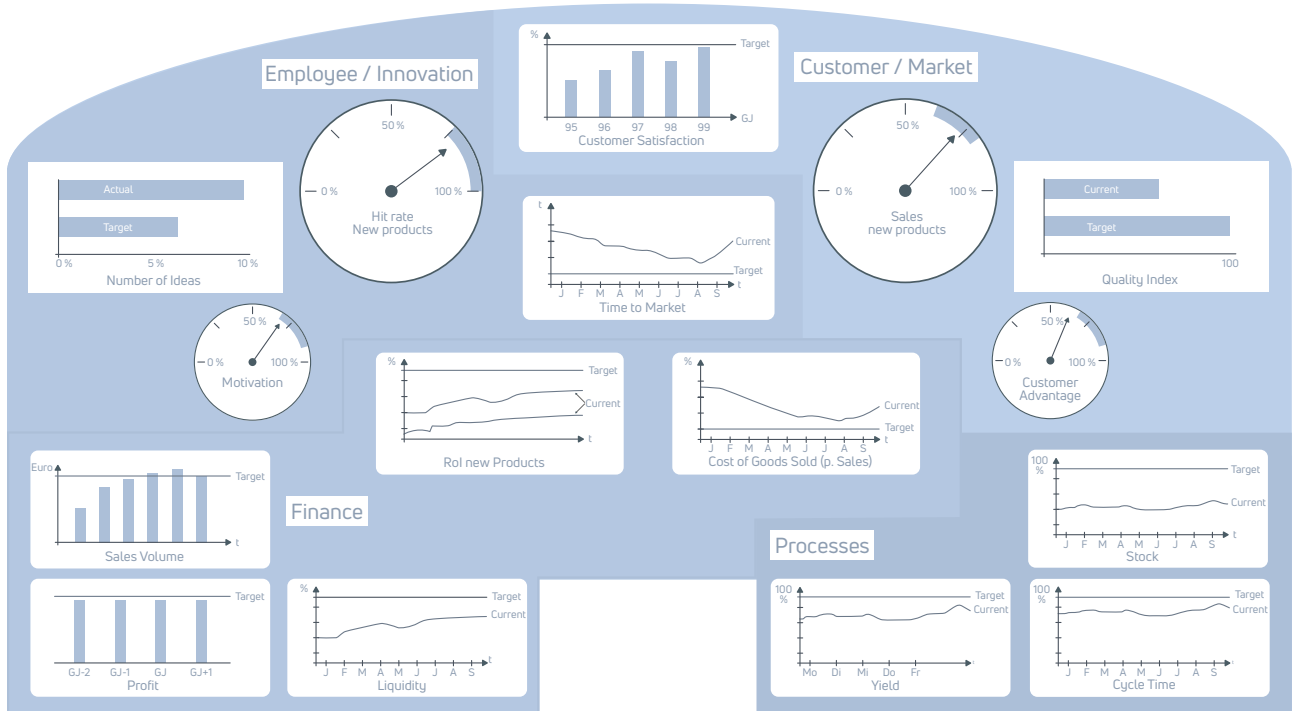
Table 3.46 outlines how a Balanced Scorecard is set up.

- In a first step the strategic objectives need to be defined in order to give an answer to the question 'Where does our organization want to go to?'. So the set up starts following the idea of effectiveness: 'Doing the right things'.
- In a second step business drivers need to be detected with reference to the strategic objectives. Identifying the drivers requires a translation to the operational business level: people from the various functions of the organization's value chain need to identify how and with which measures they can contribute to achieve the overall objectives.
- In a next step metrics are detected, making the business drivers measurable. This is a prerequisite for showing them on the cockpit instruments.
- Now a set of targets needs to be defined for the set of metrics. This step may be one of the most challenging in setting up a Balanced Scorecard, since the set of targets has to be 'balanced'. This means, it needs to be effective with reference to the strategic objectives on the one hand and, on the other hand, it needs to take the various re-



Table 3.45:

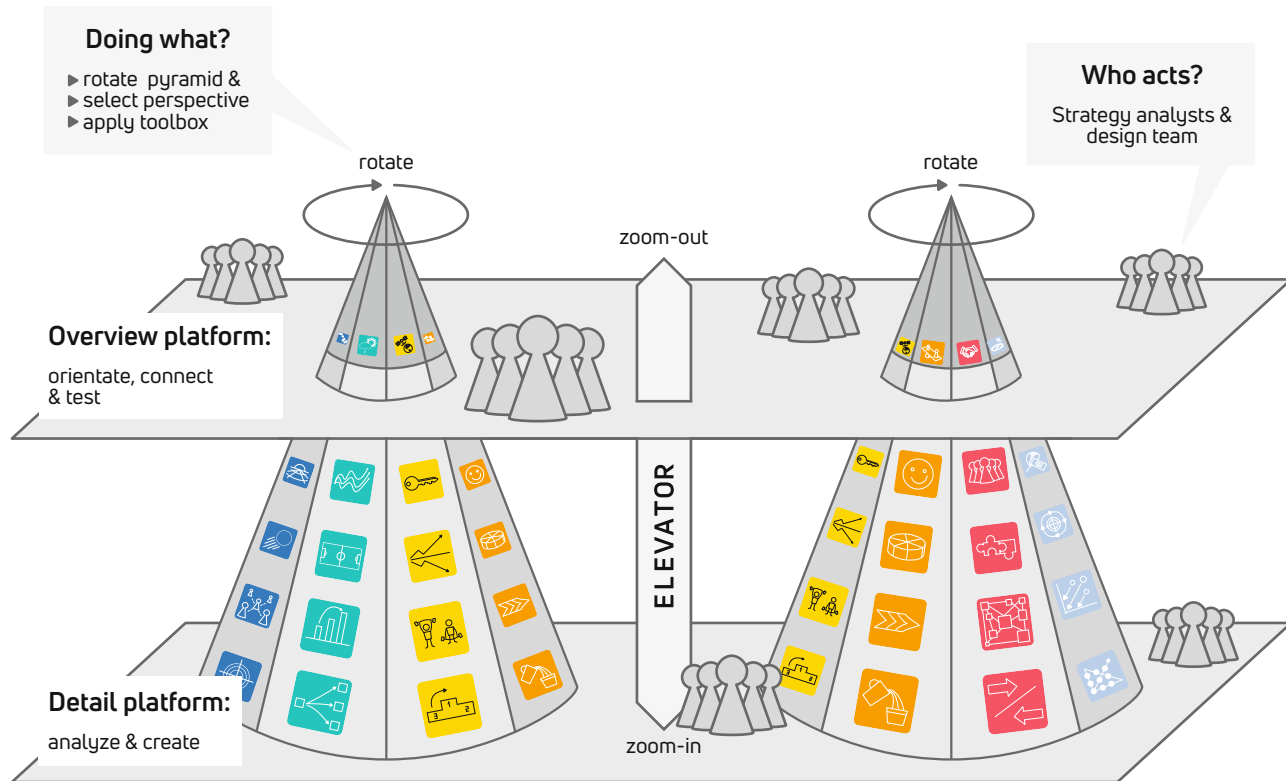
The Balanced Scorecard enables management to control strategy execution and to communicate strategy and objectives in a uniform way. ▼



Further reading: Kaplan, R. S. / Norton, D. P.: The Balanced Scorecard: Translating Strategy into Action, Harvard 1996.

Table 4.2

The three dimensional Pyramid Approach of Strategy Design Modelling uses the zoom-in and zoom-out approach for analyzing and designing Strategy Designs. ▼



Chapter 4.2

USING STRATEGY DESIGN PATTERNS

Strategy Design Patterns

An organization's *Strategy Design* is a consistent set of measures aligning a company and its environment, with the overriding goal of creating value for all stakeholders in a balanced way.

In this definition the word 'Strategy' addresses the necessity to create competitive advantages for the stakeholders involved in a specific *Strategy Design*. However, creating competitive advantages does not necessarily mean to reinvent the wheel. In their book 'The Business Model Navigator' *Gassmann / Frankenberger / Csik (2014, p. 21)* show that about 90 per cent of all successful business model innovations actually recombine existing business model patterns. According to their approach a considerable potential for innovation lies in the understanding, the translation, the recombination and the transfer of successful patterns from different industry contexts to one's own industry. However, it has to be taken into consideration that a simple copy-cat action is not really helpful. The transferred patterns have to be integrated into one's own *Strategy Design* in a consistent way. But by understanding, translating, recombining and, eventually, transferring existing business model patterns to one's own company, management can learn from other organizations and can create game-changing new rules for one's own industry context.

Based on industry research *Gassmann / Frankenberger / Csik (2014)* could identify 55 generic business model patterns. Looking critically at that finding, it must be mentioned that the 55 patterns cannot provide a complete list of potential approaches. But *Gassmann / Frankenberger / Csik* can offer an inspiring pool for developing one's own and innovative *Strategy Design* patterns.

Executives have to manage the relations among groups that have a stake in the organization's activities in order to create value. Starting with the question "For whom do we generate added value?" Table 4.3 arranges generic business model patterns around stakeholders' value expectations.

In Table 4.3 the authors of this book (we) show some generic patterns for the stakeholder groups 'Society' and 'Government' which were not explicitly addressed by *Gassmann / Frankenberger / Csik (2014)*. We did so, because we consider these groups to be essential players. So Table 4.3. will help you discussing your own *Strategy Design* approaches from a challenging benchmarking perspective. Here you can find short explanations of stakeholder-oriented *Strategy Design* patterns you can play with and transfer them to your model:

Principle 3: Applying Design Thinking and Visual Thinking

According to *Uebernicket et al. (2015)* Design Thinking is a method of innovation running iterative processes in order to create customer-oriented results for the solution of complex problems. In his book *'The Rise of the Creative Class', Florida (2015)* describes the social change leading to the following basic principles of Design Thinking (see table 4.4):

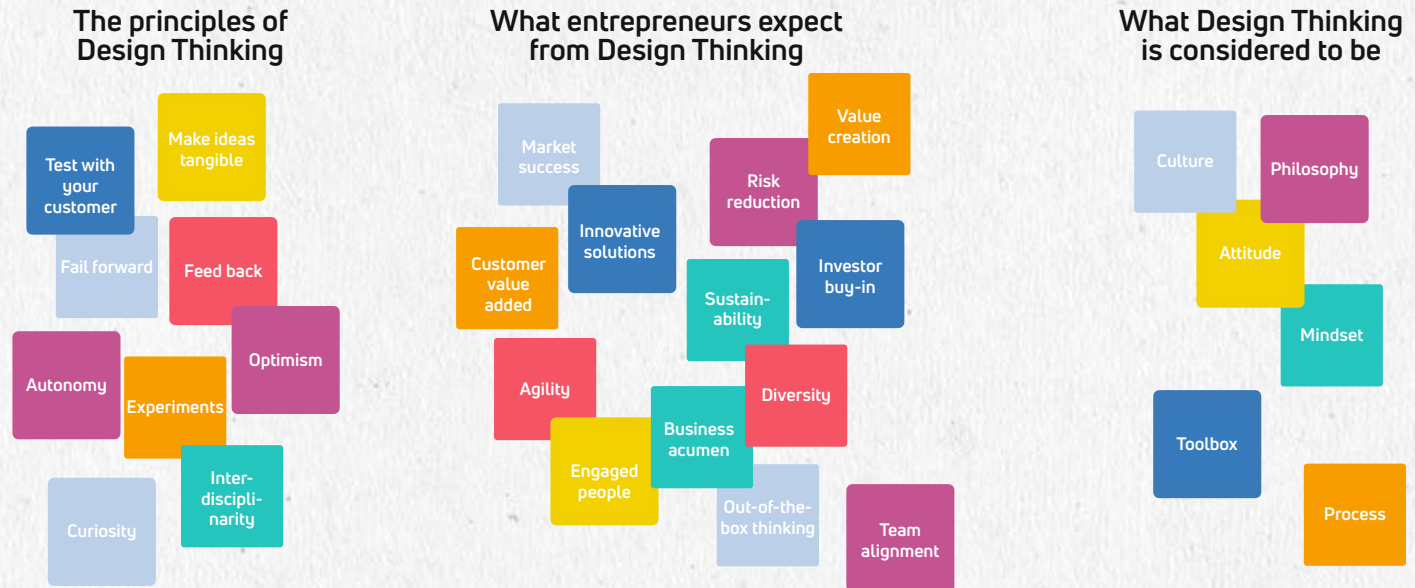
- **Fail forward:** Making mistakes is a constitutive element of any innovation and learning process. Design Thinking teams are good at identifying failures quickly, decide on early correction and, thereby, reduce risks in time.
- **Autonomy:** There is empirical evidence that frustration and demotivation arise in situations where solutions have to be found in a restrictive environment. By contrast, subjectively perceived degrees of freedom are key to the success of an innovation project.
- **Experimental:** Design Thinking is a pragmatic approach, striving for early testing and prototyping.
- **Test with your customer:** Prototypes are validated by customers or users – not by managers and project leaders. The idea is to start with User-Experience Design.

- **Encouraging feedback:** “Yes, but ...” is avoided in communication – this phrase is a dysfunctional killer of creativity. The “Yes, and ...” technique fosters listening and asserting and is like a springboard for the creative process of a team.
- **Make it tangible:** All results in Design Thinking should be provided as prototypes to make them visible and tangible. Story telling is a great means to support early go-to-market strategies.
- **Interdisciplinarity:** Design Thinking lives from the combination of various perspectives. The team can benefit from different qualifications and bundle a variety of the ideas into convincing and strong solutions.
- **Optimistic curiosity:** This is a must-have for the selection of team members in a Design Thinking process.

So entrepreneurs can expect a lot of benefits from Design Thinking. Once they have applied these principles, it is obvious that it is not just a toolbox or a process, but powerful cultural leadership unleashing an organization’s innovative potential. Design Thinking is a prerequisite for successful *Strategy Design Innovation*.

Table 4.4

Design Thinking principles, benefits and paradigms. ▼

**Further reading:**

Martin, R.: The Design of Business – why design thinking is the next competitive advantage, Boston 2009.
 Uebernickel, F. / Brenner, W. / Pukatl, B. / Naef, T. / Schindlholzer, B.: Design Thinking – Das Handbuch, 2015.

INTRODUCTION TO CHAPTER 5

A *Strategy Design* can be defined at different stage gates, depending on the purpose and on the phase in the process of *Strategy Design Innovation*. Table 5.1 gives you an overview of the different process steps, from Generate Ideas over Select Ideas, Implement Ideas down to Develop Business. In chapter 5 we will take a look at three different instruments for outlining the stages of a specific *Strategy Design* along this process. These instruments are vital prerequisites for the decision of investors or management moving from stage gate to stage gate along the process of *Strategy Design Innovation*.

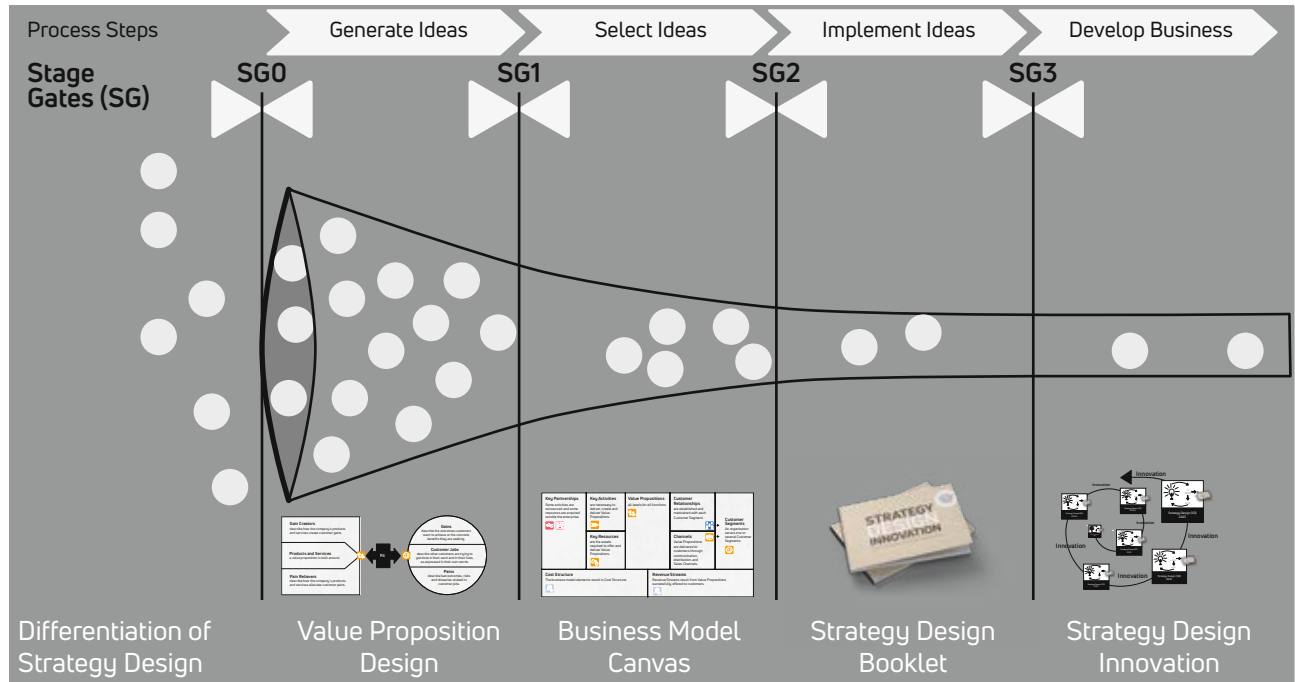
In **chapter 5.1** we will see that the Value Proposition Design (VPD) is a helpful tool in case you want to determine the strategic fit between the customer's need and your company's offer.

In **chapter 5.2** we will have a look at the Business Model Canvas (BMC). With this tool you can create a sketchy outline of all the fundamental elements of what makes a business model tick. This includes aspects of the market strategy, the value chain strategy, the resource strategy and the basic mechanics of the financial implications.

In **chapter 5.3** we will extend the perspective to the full blown *Strategy Design*. On this level of detail all the relevant elements of your business concept are defined as a holistic and a consistent picture, including all the seven perspectives of the *Strategy Design Toolbox* from Perspective 1 – Creating Orientation down to Perspective 7 – Navigating success.

Table 5.1

Strategy Design is created along a stage-gate process. ▼



We used this funnel graphic before when we talked about the Stage Gates, in chapter 5.1. Here, we refer back to it, with a different focus: The Innovation Funnel. With reference to Tidd and Bessant there is a generic innovation funnel comprising the following steps: generate ideas, select the most promising ideas, implement these ideas and develop business (see table 6.1).

In order to get the highest level of creativity out of this funnel it is important,

- **to open the funnel** widely in the first step in order to generate ideas (green arrows). This can be fostered e.g. by applying creativity methods, by searching in the environment for technical and

economic clues of change, by integrating market or technology expert knowledge or by implementing open innovation approaches.

- **to consequently narrow down the funnel** in the second step in order to select ideas (red arrows). It is necessary to check the ideas' potential in a customer context, to verify the organization's ability of implementing the idea in the next step and to consequently apply additional selection criteria.

The combined movements, opening the funnel and concentrating it, are important boosters of Strategy Design Innovation.

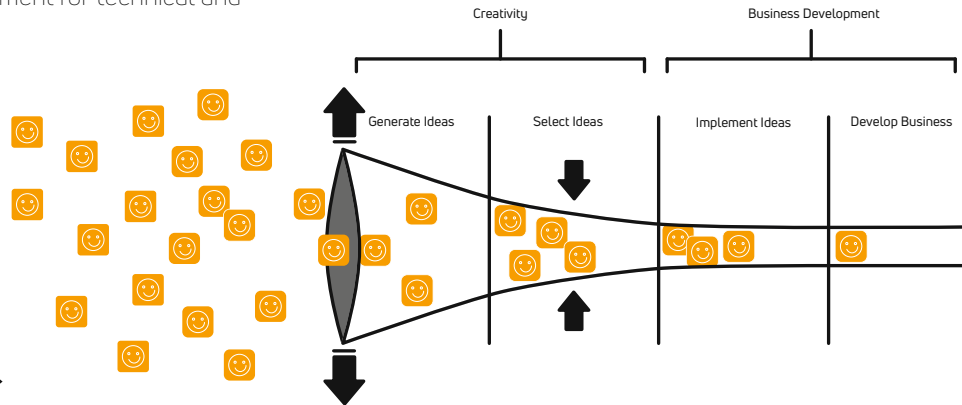


Table 6.1
Managing the innovation funnel ▶

Chapter 7

SUMMARY AND OUTLOOK



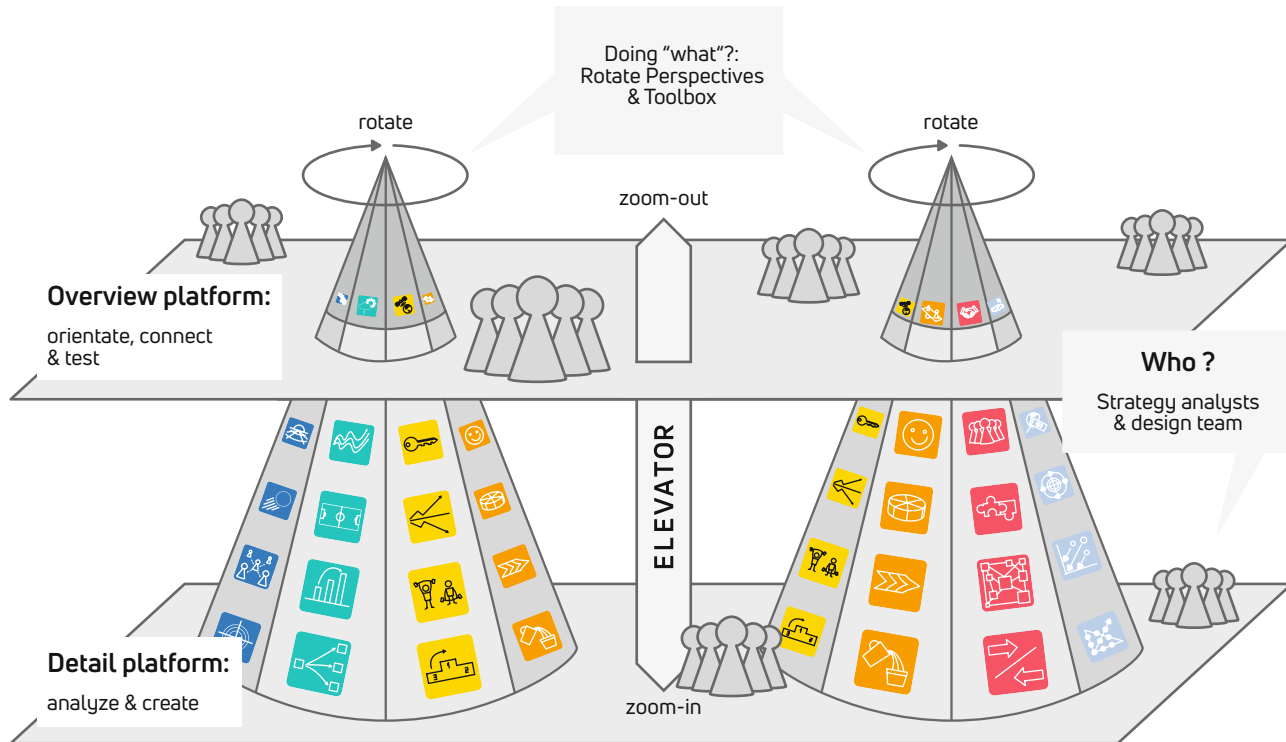
In this final chapter, we, the authors of this workbook, want to pinpoint the key success factors for implementing the idea of *Strategy Design Innovation* in an organization against the backdrop of our business experience. In our consulting projects we have constantly developed and applied this systematic approach over the last years in a large variety of contexts and organizations: from start-up businesses to international multi-unit corporations, from traditional product-driven business approaches to digital solution-driven business ideas, from shareholder-value-oriented companies to non-profit charity organizations.

From our point of view, *Strategy Design Innovation* relies on seven key success factors:

- **Top level support.** Top management needs to create a shared vision for innovative leadership around the idea of *Strategy Design Innovation*. This encompasses top level support allowing to think out of the box, to create radical new ideas and to support their staff in situations where disruptive decisions have to be taken.
- **Learning organization.** Effective *Strategy Design Innovation* sources its power from a creative climate, fostering entrepreneurship at all levels and throughout the entire organization. In order to get unorthodox ideas flowing, adequate communication channels and platforms need to be established. The ideas of customer-oriented learning and early and rapid prototyping foster the power of a learning organization. Corporate venturing models establish organizational space for developing and reinventing competitive *Strategy Designs* – beyond the structure of existing business units and vertical organizations, that might limit people's creativity.
- **Involvement in innovation.** Strategy Design Innovation needs appropriate degrees of freedom in terms of brains, resources and time for all employees throughout the organization and even beyond its organizational borders. Programs which foster the process of identifying and capturing new ideas across the firm can create organizational space for the involvement of all the smart minds in your organization and in its extended sphere of influence (open innovation).

Overview Chart:

The Strategy Design Modelling with the pyramid-approach – based on the Strategy Design Toolbox. ▼



This workbook offers a new and systematic approach about how to engage and excel in the practice of Business Design Innovation. Here are seven questions you can use to check whether this book will offer value to you:

- Are you striving to create orientation for your team?
- Do you see a need to understand the developments of volatility, uncertainty, complexity and ambiguity in your business environment?
- Are you challenged by innovative competitors threatening your strategic position?
- Do you feel the need to create tangible advantages for your customers in order to win the competitive game?
- Are you trying to do your best to engage people inside and outside your company?
- Are you searching for a smart way of implementing your business concepts?
- Do you intent to set up a targeted navigation system for your journey toward success?

If your answer to one of these questions is “yes”, this book is for you.

This Book is meant for:

- Founders – and their teams who drive innovation and start up a business
- Entrepreneurs – business people who need to innovate their business in a challenging and game-changing environment
- Intrapreneurs – executives who are responsible for developing their business unit strategically, operationally and with a clear strategic fit within a global multi-corporate enterprise
- Consultants – who support managers on their way to success
- Investors – who need to analyze the potential for value creation in a specific business design

We hope this book will set your Entrepreneurial Spirit free, driving your business to lasting success.



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