

*Ch. 4: Focus on the Big  
Picture, Not the Numbers*

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# Focusing on the Big Picture

- Drawing a strategy canvas helps to
  - Visualize a company's current strategic position in its marketplace
  - Chart the company's future strategy
  - Focus on the big picture rather than small details of day to day operation

# Strategy Canvases 3 Main Purposes

- Shows the strategic profile of an industry by depicting very clearly the factors that affect competition among industry players
- Shows the strategic profile of current and potential competitors, identifying which factors they invest in strategically.
- Shows the company's strategic profile – or value curve – depicting how it invests in the factors of competition and how it might invest in them in the future.

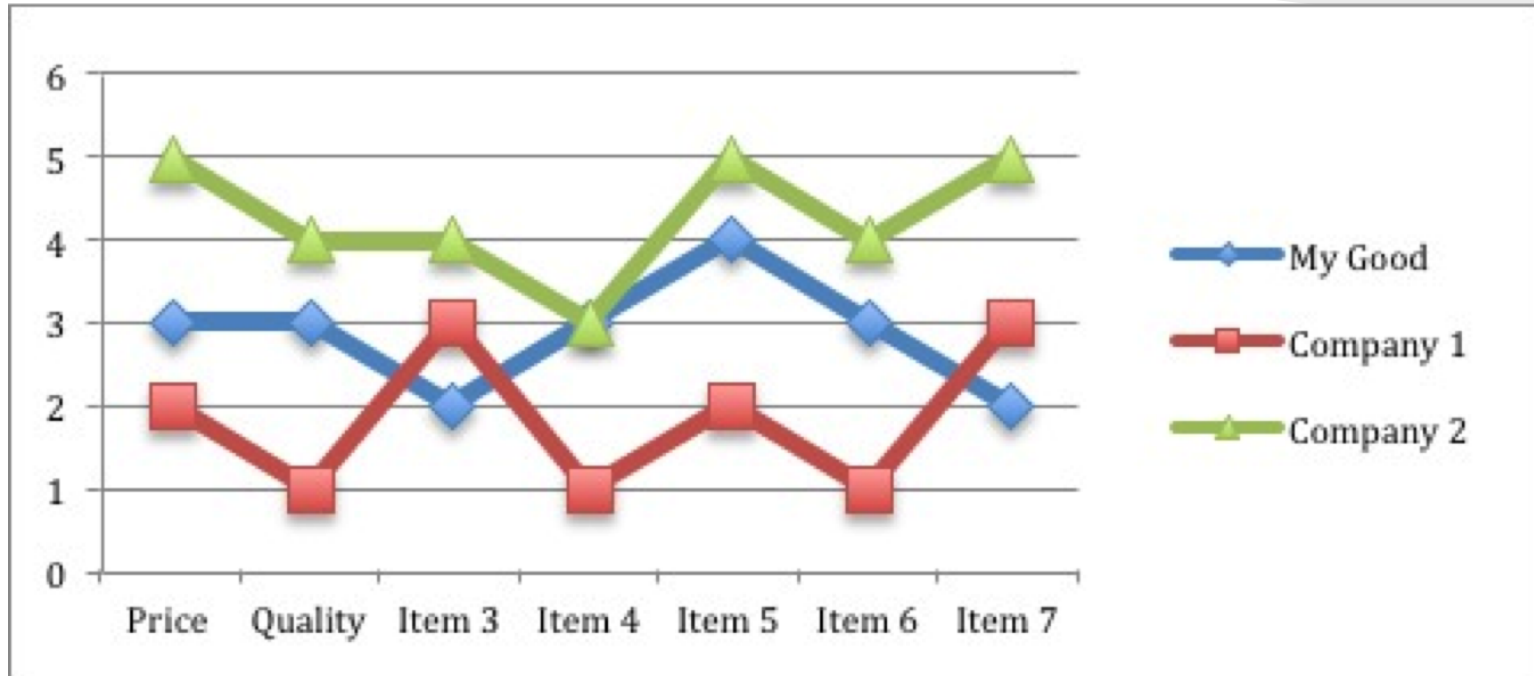
# Drawing your Strategy Canvas

<b>1. Visual Awakening</b>	<b>2. Visual Exploration</b>	<b>3. Visual Strategy Fair</b>	<b>4. Visual Communication</b>
<ul style="list-style-type: none"><li>• Compare your business with your competitors' by drawing your "as is" strategy canvas.</li><li>• See where your strategy needs to change.</li></ul>	<ul style="list-style-type: none"><li>• Go into the field to explore the six paths to creating blue oceans.</li><li>• Observe the distinctive advantages of alternative products and services.</li><li>• See which factors you should eliminate, create, or change.</li></ul>	<ul style="list-style-type: none"><li>• Draw your "to be" strategy canvas based on insights from field observations.</li><li>• Get feedback on alternative strategy canvases from customers, competitors' customers, and noncustomers.</li><li>• Use feedback to build the best "to be" future strategy.</li></ul>	<ul style="list-style-type: none"><li>• Distribute your before-and-after strategic profiles on one page for easy comparison.</li><li>• Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy.</li></ul>

# Step 1: Visual Awakening

- Common mistake is to discuss changes in strategy before resolving differences of opinion about the current state of play
- Wake-up call for companies to challenge their existing strategy.
- Changes should be made
- Drive towards a blue ocean

# “As Is” Canvas Strategy



# VISA



# Step 2 Visual Exploration

- This next step is to send a team into the field, putting managers face-to-face with what they must make sense of. How people use or don't use their products
- Companies should never outsource their eyes. There is no substitute for going into the field and seeing for yourself.



# Bloomberg Example

- Michael Bloomberg was hailed as a business visionary for his realization that providers of financial information also needed to provide online analytics. He believed it the problem was obvious to anyone
- Great strategic insights like this are less the product of genius than of getting into the field and challenging the boundaries of competition
- You need to breakdown your customers and even noncustomers, and when the customer is not the same as the user, you need to extend your observation to the user as well.

# EFS

- Sent its managers into the field for four weeks to explore the 6 paths to creating blue ocean strategies.
- In this process they had to interview ten people involved in corporate foreign exchange, including lost customers, new customers and the customers of EFS's competitors and alternatives. Also reached outside the boundaries to non users, who had the potential to use corporate foreign exchange services.
- Field research overturned many of managements conclusions. For example account relationship who was seen as the key to success at EFS, was actually the Achilles heal. Customers hated wasting time with relationship managers. To everyone's surprise the factor customers most valued was getting speedy confirmation of transactions. Which only one manager suggested as important.

# EFS Continued

- EFS teams were sent to the drawing board, this time to propose new strategy.
- Each team had to draw 6 new value curves using the 6 path framework. Each new value curve had to depict a strategy that would make the company stand out in its market.
- Managers strived to make the process fun, to create more innovation and ideas.

# Step 3: Visual Strategy Fair

- EFS has visual strategy fair for 2 teams to present their six value curves using the six path framework
- The fair had senior corporate executives and reps of EFS's external constituencies, including non-customers, customers of competitors, and some of the most demanding current customers
- Teams were given 10 minutes to present each curve
  - Theory- if it took longer than 10 minutes to explain it was probably too complicated
  - Visual examples featuring each team's presentation were posted around the room

# Visual Strategy Fair Cont...

- Each judge-an invited attendee-was given 5 sticky notes and was told to place them on whichever strategy/presentation they thought was best
  - This made for a more open, transparent environment
  - Managers had to rely on originality and clarity of their curves and pitches
    - “We’ve got a strategy so cunning that you won’t be our customers, you’ll be our fans.”
- Judges were asked to explain their decisions, and why they didn’t go with other curves/strategies

# Visual Strategy Fair Cont...

- After hearing the judges' feedback, teams realized that one third of what they had thought were key competitive factors were marginal to customers
- Another one third were not articulated or had been overlooked
  - Clear that long held assumptions needed to be reassessed.
    - EX: EFS's separation of its online and traditional businesses
- Learned that buyers from all markets had a basic set of needs and expected similar services
  - If you meet those common needs, customers would be happy to forgo everything else
  - Regional differences only became significant when there was a problem with the basics
- After the strategy fair, teams were able to draw a value curve that was truer to the existing strategic profile than anything produced before,
  - Partly because the new picture ignored the distinction that EFS had made between its on and offline businesses.
  - Furthermore, managers were able to draw a better future strategy

# Visual Strategy Fair Cont...

- EFS's future strategy eliminated relationship management and reduced investment in account executives
  - Relationship managers and account executives were the high cost elements of its business
  - Reduced costs by eliminating/reducing
- Future strategy emphasized ease of use, security, accuracy, and speed
  - These factors were to be delivered through computerization
  - Freed up corporate dealers' time
    - Allowed them to provide richer market commentary, a key success factor
- Using the internet allowed EFS to send automatic confirmation to its customers, along with payment tracking service
  - Never done in the foreign exchange industry before
- The new value curve displayed more focus than the previous strategy
  - By converting its online and traditional businesses into one offering, EFS cut the operational complexity of its business model, making execution and delivery far easier

# Step 4: Visual Communication

- Communicating in a way that can be easily understood by any and every employee *eg: EFS*
- Visualizing Strategy at the Corporate Level:
  - A proper visualizing strategy can greatly improve the effectiveness of transitioning a company from a red ocean to a blue ocean. *Fostering the transfer of strategic practices across business units*
- *Using the Strategy Canvas- Samsung Korea, 2000*
  - During a corp. conference, unit heads were faced with heated debates about where to lead their strategies. Poor performers felt that they were forced to match competitors offerings
  - The mobile phone unit presented a key decision by presenting the Value Innovation Program (VIP)
  - Within the mobile unit, the VIP instilled a meeting of cross functional team members to discuss strategic projects. The VIP was later installed into Samsung as a whole and allowed regular meetings to discuss unified strategic practices and allowed a common language system to be used by all SBU's



# Step 4: Visual Communication

- Questions to consider:
  - Do your SBU heads lack an understanding of the other units of the company?
  - Are each unit's practices poorly communicated across SBUs?
  - Are low performing units quick to blame their competitive situations for their results?
  - If yes, a company needs to explore, inquire, and understand the strategies used by their different units, and come to a unified understanding of all aspects of the company's portfolio.

# Using the Pioneer-Migrator-Settler (PMS) Map

## Visualizing Strategy:

- Pioneer
- Migrator
- Settler

Pursuing profitable growth by plotting current and planned portfolios.

# Pioneers

- Blue Ocean Strategists
- Offer unprecedented value
- Most powerful sources of profitable growth
- Value curve
  - Diverges from the competition on the strategy canvas
- Have maximum growth potential but consume the most cash

# Settlers

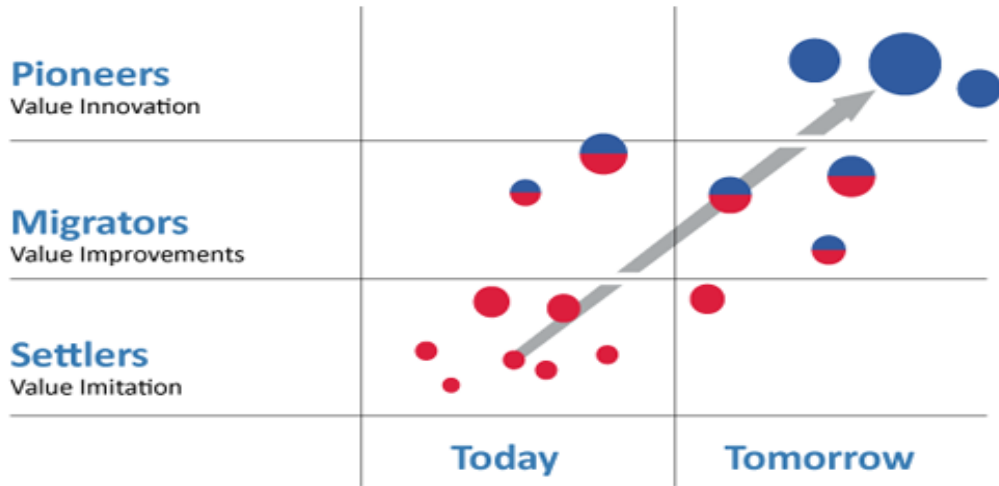
- Me-too businesses
- Generally don't contribute much to a company's future growth
- Stuck in red oceans
- Value Curve:
  - Conform to the basic shape of the industry
- Marginal growth potential but are cash generators

# Migrators

- The inbetweeners
- Offer improved value - not innovative value
- Strategies fall on the margin between red oceans and blue oceans
- Value Curve:
  - Extend the industry's curve by giving customers more for less, but do not alter its basic shape.
- Balance between profitable growth and cash flow

# The Path to Profitable Growth: Using the (PMS) Map

## PMS Map



# Overcoming the Limitations of Strategic Planning

- Strategic Planning - the core activity of strategy
- Collective wisdom vs. top-down or bottom-up planning
- Visualizing strategy helps not only in developing but will greatly improve your chances of creating blue ocean