The Innovator’s Guide to Strategy
Contents

Introduction ........................................... 3
What Is a Strategy? ..................................... 4
It Starts with Senior Management .......... 5
Enterprise Pillar ....................................... 6
Business Unit Pillar ................................. 7
Linkages to Product Strategies ............... 8
Product Development Pillar ................. 9
Strategic Framework in Practice .......... 11
Link Your Strategies to P³ ................ 13
Some closing thoughts ....................... 14
Is this happening within your organization?

- Lack of agreement on innovation priorities
- Misalignment between business strategies and product strategies, or no strategies at all
- Conflicting priorities between departments
- Losing market share to your competitors

Clients frequently report these frustrations, which are symptomatic of the lack of a well-thought-out strategy guiding all levels of the organization. To assist clients in overcoming these frustrations and achieving their innovation goals, we developed the proprietary s2m Strategic Framework™ (Figure 1). It is a structured guide to creating and documenting a comprehensive, cohesive set of strategies that will guide the organization’s innovation efforts. The s2m Strategic Framework is an instrumental part of our Exploratory PD™ (ExPD) process.

This article describes the three pillars of the s2m Strategic Framework, including enterprise, business unit, and product development strategies. These strategies are instrumental in guiding the organization’s ideation pipeline, product development process, and portfolio management system. We close with some suggestions on how to assimilate your strategies and attain momentum.

Figure 1: s2m Strategic Framework™

---

**Enterprise Pillar**
- Mission
- Vision
- Values
- Enterprise Strategy

**BU Pillar**
- Business Strategy
- Business Model
- Innovation Strategy

**PD Pillar**
- Product Strategy
- Market Strategy
- Technology/ IP Strategy
- Platform Strategy
- Road Maps

---

Pipeline
Process
Portfolio

Legend:
- Developed and executed by Executive Management
- Developed and executed by Product Management
- Executed by Project Teams
- Executed by Discovery Team
What Is a Strategy?

Simply, strategy defines where the organization is going, how it will get there, and how it will know when it has succeeded.

We’ve worked in organizations that have clearly stated strategies and those that don’t. The difference is clarity versus chaos, respectively.

Organizations with well-defined strategies exude a sense of purpose. Generally, decisions are made rapidly without extensive debate and politicking, because the goals are clear and decision criteria are well known. Speed and efficiency results from this clarity.

In addition, the alignment of strategic goals between executive management and product management lends itself to a more integrated strategy. It is not uncommon to see product managers aligning their product line and category strategies against the enterprise and business unit strategies, then meeting with executive management to review, align, and negotiate the entire Strategic Framework.

We worked with the group president of a large conglomerate to define its business unit strategies. When this set of strategies was communicated to the product managers, their reaction was, “Now we know what to do!”

In contrast, organizations without clearly stated business and innovation strategies waste valuable time debating which projects should be pursued and how resources should be allocated without any real purpose or objectives in mind.

Product managers are forced to develop their product line and category strategies in a vacuum, trying to infer the direction of the organization and hit revenue targets, with no guarantee that resources will be available.

With no stable direction, projects are preempted as new priorities become urgent. Chaos reigns over the entire organization as the various functions try to cope with different agendas, different resource requirements, and different priorities.

Now, where would you like to work?
It Starts with Senior Management

The Strategic Framework has three pillars: enterprise, business unit, and product development. Building the framework on these three pillars starts with leadership from senior management.
Mission, Vision, Values

Senior management must have a clear purpose for the enterprise, and this is often expressed as three elements: mission, vision, and values. Mission is what the enterprise does, which can include the industries and markets it will participate in, the products it will produce, and the high-level benefit its customers receive. Vision is an inspirational statement about the goal of the enterprise; examples include beating out your biggest competitors or being the best in what you do. Values state the guiding principles or philosophy of the enterprise and what the brand stands for; examples include “we are green” and “we use only suppliers that pay fair wages.”

Enterprise Strategy

Enterprise strategy explains why and how the enterprise will succeed against competitors. This strategy has three key elements, each of which we can express as a question for the leadership to answer.

The first question is “What are we trying to accomplish?” In essence, what competitive advantage do we need to build or protect? Examples can include the cost structure, organizational structure, physical or intellectual assets, and access to capital.

The second question is “How are we going to do that?” This includes the key initiatives that will create and protect our competitive advantage. With the cost structure example, senior management can ask, “Which components of our cost can be driven below the competition, and how are we going to do that?”

The third question is “How are we going to measure and monitor progress against these initiatives?” These metrics are typically captured and monitored via a balanced scorecard or some type of metrics system.

The enterprise strategies apply across all divisions or business units of the enterprise. They provide the rationale for the set of businesses. Examples of enterprise strategies can include economies of scale or scope and lowering risk through diversification.

One of the problem areas we encounter across all types of strategies is the lack of employee understanding. Can you and your staff clearly state your strategies? If so, does everyone have the same interpretation? If not, the organization’s leaders need to develop a communication effort that will bring everyone on board.
Business Unit Pillar

Similar to the Enterprise Pillar, the Business Unit Pillar explains why and how the business unit will succeed against the competition. Three components drive the business unit’s product development activities:

1. **Business strategy**
   Defines what the long-term direction of the business unit is, how the business unit will achieve its vision, and what measurements will allow it to identify progress and achievement of that vision. In particular, the business strategy defines the business unit’s competitive advantage: why and how the business unit will succeed when it goes up against competitors and achieves its vision.

2. **Business model**
   Supports the business strategy by defining the key elements of how the company will create and deliver appropriate products and services for the targeted customers. In particular, the business model identifies the unique processes, assets, and activities that contribute to the winning value propositions of its products.

3. **Innovation strategy**
   This is where we see the most confusion in organizations. Some early definitions of innovation strategy focused on the outputs of innovation, such as breakthrough vs. incremental, or percentage of revenue from new products. But these descriptions are not strategy. Rather, innovation strategy defines the infrastructure (the people, systems and processes, technologies, culture, and metrics) that efficiently and effectively produces the desired innovations. The purpose of an innovation strategy is to ensure the company is able to create the desired innovations now and in the future.

The enterprise and business unit strategies set direction for the product development strategies, which go into more detail on the markets served, the products produced, and the technologies used.
Linkages to Product Strategies

The Product Development Pillar consists of five interconnected elements. These strategies are typically developed and executed by product management with their product development partners (for example, engineering, sales, marketing and operations).
Product Development Pillar

Product Strategies
Product strategies help guide your organization in the development and evolution of categories, product lines, and products. A product strategy is created for each product line or category. It describes the purpose of developing new products and the end goal, which can be different for each product line. Sometimes the aim is to make a lagging product line competitive, to expand to a new market, or to invent a whole new product category.

In addition, the product strategy describes the plan for achieving the goal. The plan may entail timing a sequence of incremental product releases and major product upgrades. It may entail creating new capabilities within the organization, such as mastering new technologies or establishing new distribution channels.

Market Strategies
Market strategies guide the organization in the selection, development, and maintenance of the markets to be served. Deep understanding of each market and market segment is crucial to understanding product opportunities, value propositions, sales and distribution channels and how to maximize diffusion and adoption of new categories.

Serving different segments within the same market can require vastly different sales channels, value propositions, technologies, and infrastructure, so it is very important to be clear on which markets are aligned with the Enterprise and Business Unit Pillars.

What is vital, however, is to meet several conditions:

1. The product strategy should align with the enterprise and business unit strategies;
2. The strategy should be one that the organization can execute; and
3. The appropriate resources must be available. Without this grounding in resource management, a product strategy can be just a pipe dream.
Platform Strategies
Platform strategies guide your organization in creating and maintaining platforms. A platform enables your organization to create new products faster and more efficiently by bundling together elements that are common across multiple product lines. The elements in the platform do not have to be created for each new product. The platform gives the organization a competitive advantage in cost, speed, uniformity, or other benefits meaningful to the value proposition.

Building a platform is usually an expensive, time-consuming endeavor, so the platform strategy should address the actual design and the benefits it delivers. The strategy must also address how the platform is executed, maintained, enhanced, and replaced as the needs of the organization change and as new market opportunities arise.

Technology Strategies
Technology strategies guide your organization in the acquisition, development, and application of technology for purposes of creating and providing products. Some technologies will be the cornerstone of product value propositions, requiring careful attention to the plan for how the technology will be developed, utilized, maintained, and supported. These crucial technologies may be identified through product and platform strategic planning.

Product and Technology Road Maps
Product and technology road maps illustrate the sequence and timing of initiatives or projects contained in the product development strategies. Road maps are particularly effective in widespread communication of organizational priorities, and they support forecasting of skills and technologies to be acquired to meet strategic goals.
Strategic Framework in Practice

We find that most of our clients have some elements of the enterprise, business unit, and product development strategies already in place, so the Strategic Framework must take the current state into account and build on it. The opportunities and constraints imposed by the industry, markets, and company capabilities will also play a major role in developing the Strategic Framework and the options available for growth.

Development of the Strategic Framework should be an ongoing, collaborative effort. It is not necessarily a top-down approach, but bidirectional. Senior management ultimately sets the direction through the enterprise and business unit strategies. As the product development strategies are developed and executed, they can affect the business unit strategies and the enterprise strategies. Ultimately, the three pillars need to be aligned and reinforce each other. They also need to be reviewed and updated to evolve as goals are achieved. Most importantly, the strategies need to adapt to changes in the environment and take advantage of new opportunities.

Whirlpool was very brave in openly discussing its lack of strategic boundaries in the May 8, 2006, issue of Business Week. The article revealed that management had learned the hard way by sending a team off to generate new product ideas without the guidance of a strategy, resulting in wasted time and effort.

The company selected a 25-person team from its European staff and asked the team to develop out-of-the-box ideas that would differentiate Whirlpool in the future. Team members were freed from their regular jobs and spent a year together, brainstorming ideas in the Italian Alps.

A year later, the team presented its best idea to Whirlpool executives. It was an idea for racing stationary bicycles over the Internet. It is quite evident that this idea didn’t build on Whirlpool’s strengths and business strategy.

We can all learn from this story. A good strategic framework can save us from a path of folly and direct us to a path of relevant product ideas. This may sound overly rigid to some, but creativity and breakthrough ideas are possible with a focused approach.
Who actually creates the product development strategies will vary by organization, but we have seen excellent success with the following approach:

1. Senior management not only communicates the enterprise and business unit strategies throughout the organization, but also meets with the product management team to review these business strategies in detail. Understanding the underlying rationale, particularly for any major changes in strategy, goes a long way toward alignment, coordination, and clarity.

2. Product managers work with their product development partners (for example, engineering, sales, marketing and operations) to lay out appropriate product development strategies for their product lines or categories. Throughout this process, it is essential to refer back to the enterprise and business unit strategies to ensure alignment.

3. Product managers present their strategic plans to senior management for feedback. It is natural to find that the sum of these plans will exceed the available resources, so senior management will need to weigh the relative merits and timing of the plans and come to a decision on project prioritization. It is imperative that resource issues be resolved across the product lines.

4. Product managers and their product development teams create master market, product, technology, and platform road maps across product lines and categories. This will make evident gaps, inconsistencies, and unrealistic sequencing and timing.

5. Although the Strategic Framework is confidential, we recommend that it be released to product development personnel and supporting functions to ensure that everyone has an equal understanding of the strategic initiatives for product development.

6. In order to adapt to market changes or opportunities, have your product managers scan the market (Google Updates, industry reports, trade shows). Create a feedback loop to inform appropriate personnel and integrate any significant changes into the Strategic Framework. These changes can potentially affect all the strategies within the 3 pillars.
Link Your Strategies to $P^3$

Pipeline, Process, Portfolio

We have encountered companies struggling with the implementation of their strategies because there is no clear linkage between strategy and execution. The approach we have seen work best includes linkages between strategies and the design and implementation of the idea pipeline, product development process, and portfolio management system.

**Pipeline**
New product ideas are identified and vetted during the strategic planning process (for example, discussion of new categories, new markets, and platform generations) and communicated most visibly in the road maps. Though the ideas on the product road maps should proceed through the product development process with few obstacles, serendipitous ideas require careful evaluation based on several dimensions, including strategic fit.

The strategic framework provides guidance on where new ideas are needed and the boundaries to work within. This establishes the challenge that sparks valuable innovations.

**Process**
Once the idea enters the product development process, the product concept adapts to changes in customer needs, technologies, and competitor actions. It is important that the product concept remain true to the strategic objectives, and this can be achieved both at the executive and team level. The executive team is responsible for evaluating projects based on strategic fit and other criteria.

At the team level, periodic review and team self-evaluation against the strategies at the Enterprise, Business Unit and Product Development levels help the team to ensure that the project is meeting its strategic objectives.

**Portfolio Management System**
The executive team evaluates the portfolio of product development projects using strategically-driven criteria. The totality of the portfolio is adjusted as necessary to not only maximize return on investment but to achieve the strategic priorities. This includes managing the level of risk and diversification, and the assignment of resources to projects.

The biggest black hole that we see for our clients is the inability to determine the appropriate number of projects for the resources available. We commonly see too many projects initiated resulting in over-extended employees and projects that are not delivered on time. It is important to stick to the established priorities, manage resources diligently and don’t over-stuff the pipeline.
Some closing thoughts

The Strategic Framework is a common sense approach that addresses the elemental trade-offs that product development contends with: doing the right projects and optimizing resource usage. The framework brings clarity to the product development system. Your organization benefits from a strong sense of purpose, including decisions that are made rapidly without extensive debate and politicking.

Following the Strategic Framework doesn’t mean sticking to static priorities when the rest of the world is changing. Be flexible, and strike a balance between discipline and leveraging unexpected opportunities by carefully assessing when a shift in strategy and priorities is needed.

About Strategy 2 Market

Since 2002, our product development consultants have been working with companies to achieve three primary goals:

1. Drive new product revenue through a comprehensive and strategically aligned product development program
2. Reduce the complexity of the product development process and improve time to market
3. Select the right product development projects and optimize resources

Mary Drotar
Co-Founder, Strategy 2 Market

Mary’s expertise is in product development strategies and product development processes, including the integration of flexible and lean methods. She also has expertise in product management, team structure, organizational development and culture. Mary has an MBA from the University of Chicago. She recently graduated from the Lean Launch Pad Educators Seminar at the University of California, Berkeley.

Mary also works part-time for the University of Chicago, as a Faculty Coach for the New Product Development, Market Research and Intellectual Property Lab courses. Mary is currently co-authoring a book with Kathy Morrissey on a new way to develop products.

Kathy Morrissey
Co-Founder, Strategy 2 Market

Kathy’s product development expertise is in developing business models, innovation and product development strategies, as well as product and technology roadmaps. In addition, she also has considerable experience in portfolio management and early-staged product development activities. Kathy also works part-time for The University of Chicago, as a Faculty Coach for the New Product Development, Market Research and Intellectual Property Lab courses. Kathy is currently co-authoring a book with Mary Drotar on a new way to develop products.

Kathy has an MS in Statistics from Carnegie-Mellon. She also has an MBA from the University of Chicago. She recently graduated from the Lean Launch Pad Educator Seminar at the University of California, Berkeley.

Keep updated on our latest endeavor, Exploratory Product Development. www.exploratorypd.com

Our book should be published in the forth quarter of 2015.