

Strategy Framework Canvas



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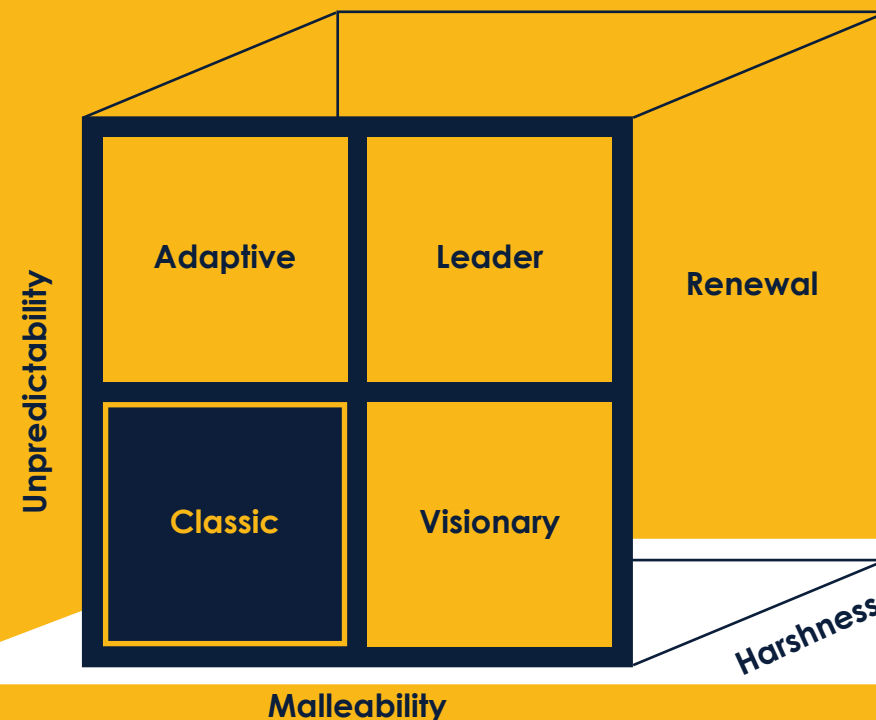


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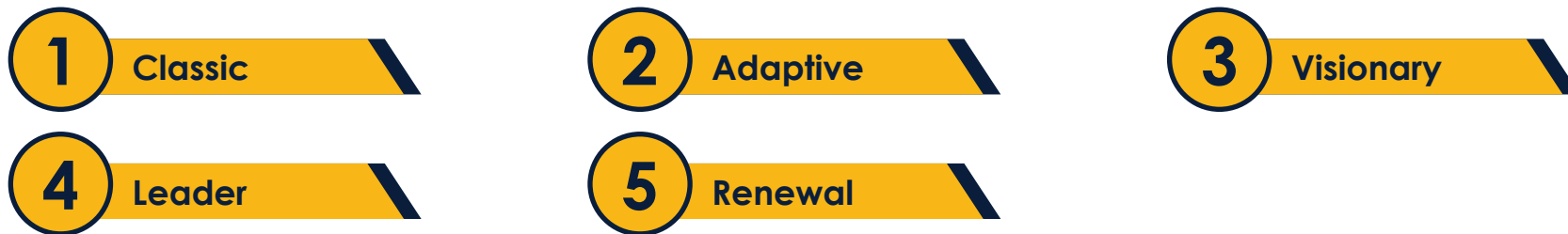
Renewal Approach

In a sea of available frameworks, the Strategy Framework Canvas guides us in selecting the appropriate strategy

Presentation Overview

The Strategy Framework Canvas is a methodology to help navigate through the sea of existing strategy frameworks. Since the 1950s, corporate strategy thinking has been evolving—new strategy frameworks are introduced each year. Today, there are literally 100s of strategy frameworks that have been developed by strategists, academics, and consulting firms.

The Strategy Framework Canvas is a unifying choice framework that guides us in selecting the appropriate strategy for the circumstances at hand and execute it effectively. It identifies 5 distinct approaches to strategy:



Each approach is driven by a unique business environment, characterized by 3 dimensions: Predictability, Malleability, and Harshness.

The Strategy Framework Canvas helps us determine which approach, or combination of approaches, is most appropriate for various facets of our organization—i.e., for different business units, geographies, and stage of our organization's lifecycle.

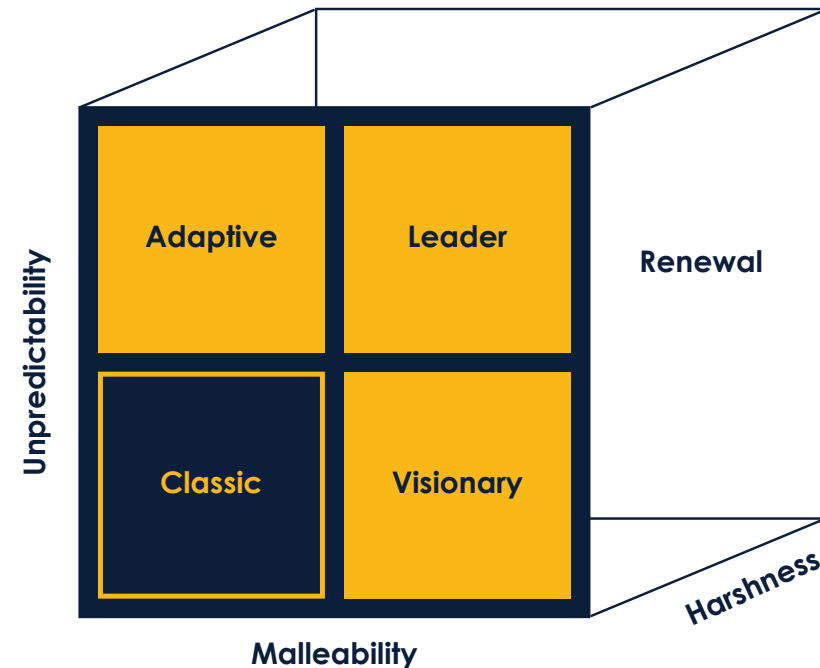
This model is particularly useful for large organizations that are now stretched across a more diverse and faster-changing range of business situations.

With 100s of strategy frameworks, it may be difficult to select the one appropriate for our situation—this framework addresses this issue

Strategy Framework Canvas (SFC) – Overview

There are literally 100s of strategy frameworks that have been developed by various strategists, academics, and consulting firms over the years. The Strategy Framework Canvas is a unifying choice framework that guides us in selecting the appropriate strategy for the circumstances at hand and execute it effectively.

In the Strategy Framework Canvas, there are 5 archetypal approaches to strategy:

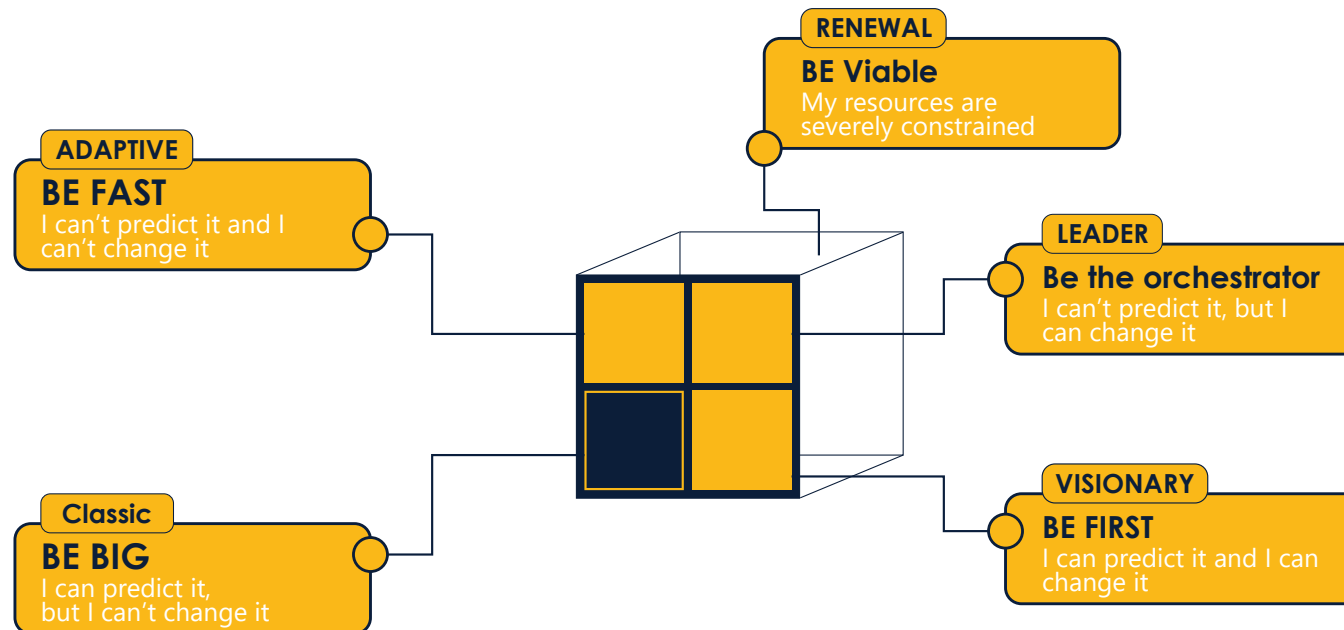


The Strategy Framework Canvas also helps us combine different strategy approaches to deal with multiple or changing environments.

In the SFC, we define 5 unique business environments—each demands a different approach to strategy development

Strategy Framework Canvas – Five Strategy Environments

Business environments differ along 3 distinct dimensions: Predictability (can we forecast it?), Malleability (can we shape it—either alone or in collaboration with other organizations?), and Harshness (can we survive it?). Using these dimensions, we can create a matrix that reveals the 5 distinct environments:



Each environment requires a distinct approach to both strategy and execution.

Classic Approach

The Classic approach is the most common approach—here, the market is predictable, basis of competition is stable, and strategy is sustainable

Classic Approach –Overview

OVERVIEW

Classic strategy is achieved through sustainable competitive advantage by positioning our organization optimally in an attractive market. Since the basis of competitive advantage within these environments is known and non-malleable, advantage can be based on superior scale, differentiation (or, equivalently, scale within a narrower market segment), or superior capabilities

WHEN TO USE THIS APPROACH

- Organizations should deploy a Classic approach within relatively stable and predictable markets where there are established, fixed bases of competition.
- Within these nonmalleable markets, there is limited imminent risk of disruption, and industry conditions can be considered as given.
- Among the environmental signs that a Classic approach can thrive are well-established industries with high returns to scale; stable and homogeneous business models; and modest growth rates

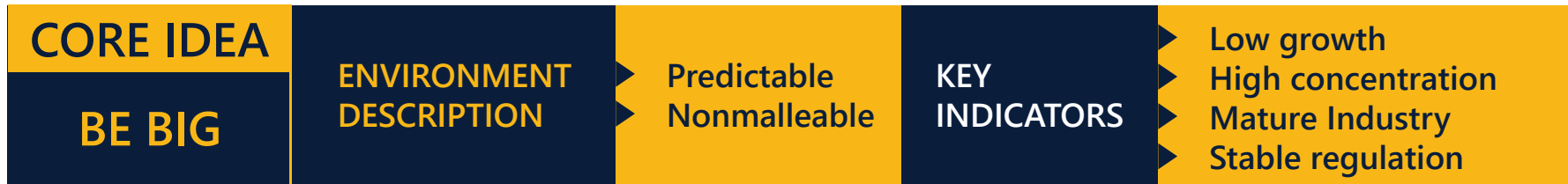
EXECUTION OF THIS APPROACH

- Classic strategizing, as typically followed by management consulting firms, is a three-phase process: Analysis and Design, Planning and Strategy Formulation, and Strategy Execution.
- The analysis is focused on the attractiveness of a market, the basis of competition, and a firm's competitiveness.
- The resulting plan forecasts those factors, articulates the targeted position, and maps the steps to achieve it

Predictable Classic environments lend themselves to strategies of position—whereby advantage is achieved through scale, differentiation, or capabilities and are achieved through comprehensive analysis and planning.

Examples of Classic strategy frameworks include Porter's Five Forces, BCG Matrix, and Consolidation-Endgame Curve

Classic Approach –Key Elements



Adaptive Approach

We use the Adaptive approach when the environment is neither predictable nor malleable—there is continuous disruption in the market

Adaptive Approach –Overview

OVERVIEW

■ Unlike the Classic approach of sustainable competitive advantage, the foundation to the Adaptive approach to strategy is the notion of serial temporary advantage. Within unpredictable and non-malleable environments, the emphasis is on continuous experimentation and real-time adjustment—as opposed to long-term analysis and planning. Because advantage is temporary, we focus on means and not ends.

WHEN TO USE THIS APPROACH

- An Adaptive approach works when the business environment is unpredictable and difficult to shape.
- It is also applicable when advantage may be short-lived.
- Continual and significant—possibly disruptive—changes in technologies, customer needs, competitive offerings, or industry structure are all good indicators of the need for an Adaptive approach.
- These highly volatile business environments are becoming increasingly common due to various emerging technologies. In fact, the World Economic Forum coined term the Fourth Industrial Revolution in 2016, driven by technologies, such as cyber-physical systems, A.I. (Artificial Intelligence), the IoT(Internet of Things), 3D printing, Cloud Computing, Blockchainnetworks, nanotechnology, biotechnology, automation/robotics, and so forth

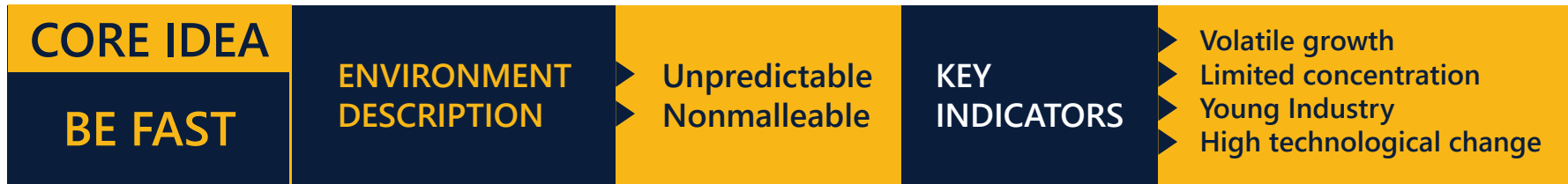
EXECUTION OF THIS APPROACH

- Strategizing in the Adaptive environment requires a process of watching and responding to changes in the environment by capturing change signals and managing a portfolio of experiments.
- Adaptive organizations are continuously optimizing the way they do business by trying many novel approaches and then scaling up.
- They exploit the most promising methods prior to repeating the cycle.
- Successful adaptive organizations outperform competition by iterating more rapidly and effectively than others.

Adaptive environments require continuous experimentation, because planning doesn't work under conditions of rapid change and lack of predictability.

Examples of Adaptive strategy frameworks include Time-based Competition, Temporary Advantage, and Adaptive Advantage

Adaptive Approach –Key Elements



Visionary Approach

We take the Visionary approach when we can reliably create or re-create an environment largely by ourselves

Visionary Approach –Overview

OVERVIEW

- The Visionary approach empowers our organization to create or re-create an industry with some degree of predictability by seeing an opportunity and pursuing it single-mindedly.
- This is a rare situation, although extremely effective.
- Being first translates the advantage of superior size that comes with being ahead of rivals and allows a firm to set industry standards, influence customer preferences, develop a superior cost position, and determine the direction for an entire market.
- Visionary approaches are most frequently associated with entrepreneurial start-ups. However, large organizations increasingly need to adopt this approach for themselves, as well

WHEN TO USE THIS APPROACH

- We should employ the Visionary strategy when there is an opportunity to create or re-create an industry
- This opportunity occurs when we see the outcome as predictable and the environment as malleable, even if others don't share that vision.
- Visionary circumstances can arise when an organization sees an emerging megatrend before someone else sees or acts on it, when technological change opens up the possibility to reshape an industry, or when unaddressed customer dissatisfaction with the dominant offering creates the possibility of a new market

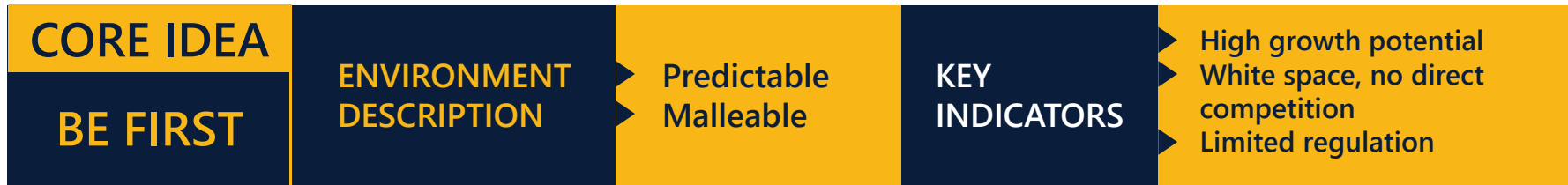
EXECUTION OF THIS APPROACH

- Timing is crucial to success in the Visionary approach.
- Successful visionary firms capitalize on gaps in the market by Envisaging, Building, and Persisting.
- First, envisage an opportunity by tapping into a megatrend early, applying a new technology, or addressing customer dissatisfaction or a latent need.
- Secondly, be the first in the market to build a company and a product that realize this vision.
- Lastly, persist in pursuing a fixed goal, while being flexible about the means to overcome unforeseen obstacles and challenges

In the Visionary environment, organizations win by being the first to create a new market to disrupt an existing one.

Examples of Adaptive strategy frameworks include Time-based Competition, Temporary Advantage, and Adaptive Advantage

Adaptive Approach –Key Elements



Leader Approach

The Leader Approach is used when the environment is unpredictable, but malleable—we can shape or re-shape the whole industry

Leader Approach –Overview

OVERVIEW

- In the Leader environment, we mold or reshape an industry by influencing the development of a market in its favor through coordination with other players.
- A Leader approach both permits and requires an organization to collaborate with others in a diverse ecosystem that distributes risk, supplies complementary capabilities and resources, and builds the market quickly through strength in numbers.
- A Leader organization operates with a high degree of unpredictability, because it faces an early stage of industry evolution. Furthermore, this unpredictability is enhanced because it requires the participation of multiple stakeholders that it must influence, but cannot control

WHEN TO USE THIS APPROACH

- We should use a Leader strategy when there is an opportunity to write or rewrite the rules of an industry at an early stage of its development.
- Categories of such industries include: highly fragmented, young, dynamic industries; freshly disrupted industries; and emerging markets.
- These opportunities are intrinsically unpredictable with regards to their sizes, growth rates, and profitability, and are malleable because of low barriers to entry and the unfamiliarity of regulators with new products.
- Timing and positioning are critical to success.
- Leader strategists must seize an inflection point in the early development of a market or in the disruption of an existing one. Furthermore, they must have enough influence to attract other powerful stakeholders to its ecosystem

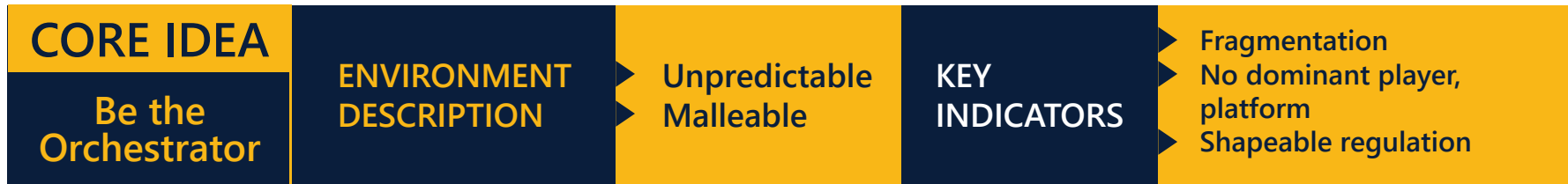
EXECUTION OF THIS APPROACH

- Leader organizations engage other stakeholders to achieve the following:
 - Create a shared vision at the right point in time;
 - Build a platform through which they influence and orchestrate collaboration;
 - Evolve the platform and ecosystem by scaling it and maintaining its high flexibility.
- The way to win is via co-development of the market and industry by multiple key players.
- Similar to the Adaptive approach, the Leader strategy eventually emerges from continuous iteration of 3 elements:
 - Repeated engagement
 - Orchestration
 - Evolution of the ecosystem

In the Leader environment, organizations can collaborative influence an industry to their advantage by orchestrating the activities of other stakeholders

In the Leader Approach, we leverage frameworks that deal with Networks, Ecosystems, and Platforms

Leader Approach –Key Elements



Renewal Approach

We take the Visionary approach when we can reliably create or re-create an environment largely by ourselves

Visionary Approach –Overview

OVERVIEW

- A Renewal approach to strategy refreshes the vitality and competitiveness of a firm when it is operating in a very harsh environment.
- In such a harsh environment, the existing circumstances prevent the current way of doing business from being sustainable.
- The first step is to change course to preserve and free up resources.
- After resources are made available, we redirect toward growth—this shifts the mode from survive to thrive. Thus, the Renewal approach is characterized by two distinct phases: Survival and Growth

WHEN TO USE THIS APPROACH

- The survival of our organization is threatened by the harsh conditions of our market.
- These conditions can arise from a protracted mismatch between our organization's approach to strategy and its environment or by shock—either external or internal.
- Though an organization may not notice such distress signals immediately, protracted competitive underperformance in terms of margins or sales growth, sharp drops in free-cash flows, and reductions in available capital are all indicators that the long-term survival of the organization are at heightened risk

EXECUTION OF THIS APPROACH

- It is self-evident that an organization must first notice and react to the deteriorating environment as early as possible. The sooner, the easier it is to recover.
- The organization needs to economize to decisively address its immediate impediments to financial viability or even its very survival. To do so, the company must focus the business, cut costs, and preserve capital while also freeing up resources to fund the next part of the renewal journey.
- Lastly, the organization should re-position its strategic compass and pivot to one of the four other strategy approaches in the Strategy Framework Canvas

In the harsh conditions of the Renewal environment, an organization needs to first conserve and free up resources to allow for its viability. Then, it can go on to select one of the other 4 approaches to rejuvenate growth.

Under the Renewal approach, we focus on Transformation and Turnaround strategies

Renewal Approach –Key Elements



