

Strategy Huddle™ with MyStrategicPlan

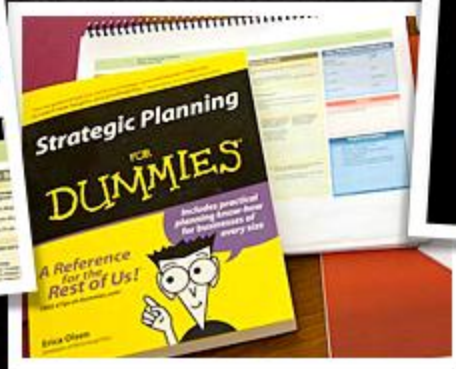
Welcome!

Powered by



- Purpose** Answer real-world questions, handle high-level strategy issues, and share best practices on strategy, execution, planning
- Duration** 45-60 minutes
- Your Role**
 - Ask questions: Questions can be submitted via the Chat Box on right at any time. **
 - Offer suggestions: Share your experience via the Chat Box during the topic at hand
- Details** Session is being recorded and a follow-up email this week will include a link to this huddle as well as the supporting slides.

- ⑥ In the past three years we have...
- ⑥ Managed 100+ strategic planning processes
- ⑥ Deployed 800+ strategic management systems (MyStrategicPlan, MyNonprofitPlan, MyChurchPlan)
- ⑥ Built consensus and commitment with 3,000+ executives, managers, boards
- ⑥ Empowered 1 million+ strategist & soon-to-be strategists



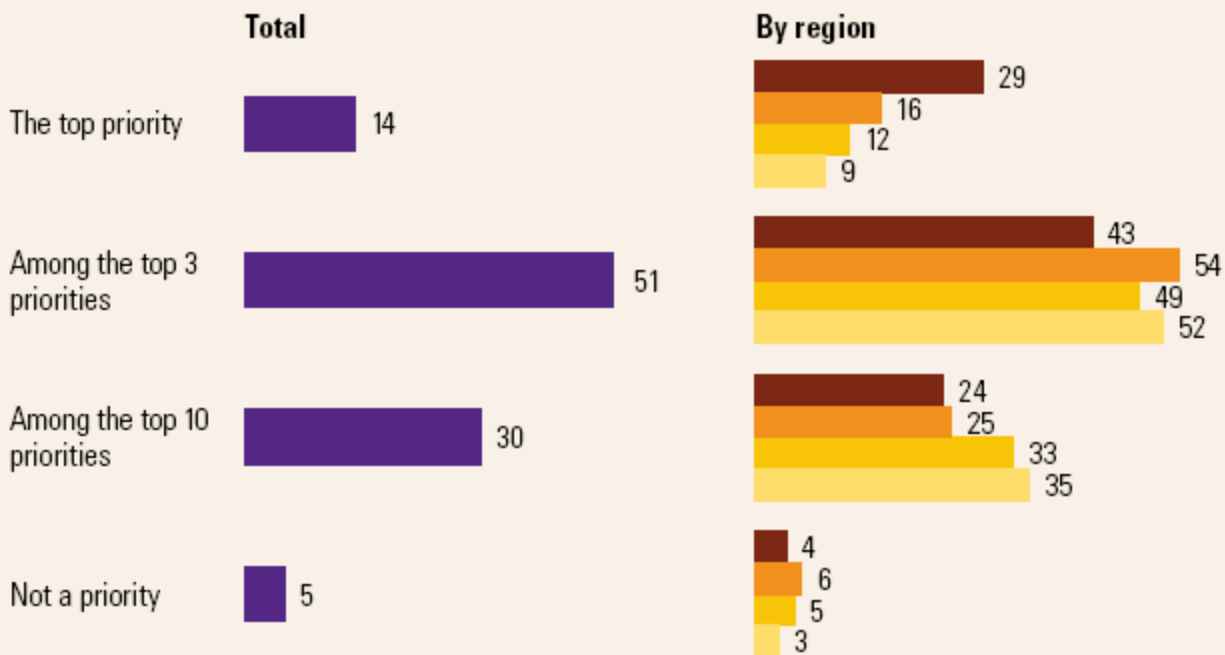
- I. Strategy Stat of the Month
- II. Innovation Strategies – The Shallow Dive**
- III. Innovation Strategies – The Deep Dive**
- IV. Innovation Strategies – Your Next Steps**
- V. Tap into the Wisdom of the Crowd: Your Questions (Time Permitting)**

Is Innovation a Strategic Priority?

% of respondents,¹ n = 1,075

How important is innovation in products, services, processes, or business models on your organization's strategic agenda?

- Asia-Pacific
- Europe
- North America
- Developing markets



Source: McKinsey Study conducted in October 2008, the survey had 1,075 respondents, all C-level or other senior executives, representing a full range of regions and industries.

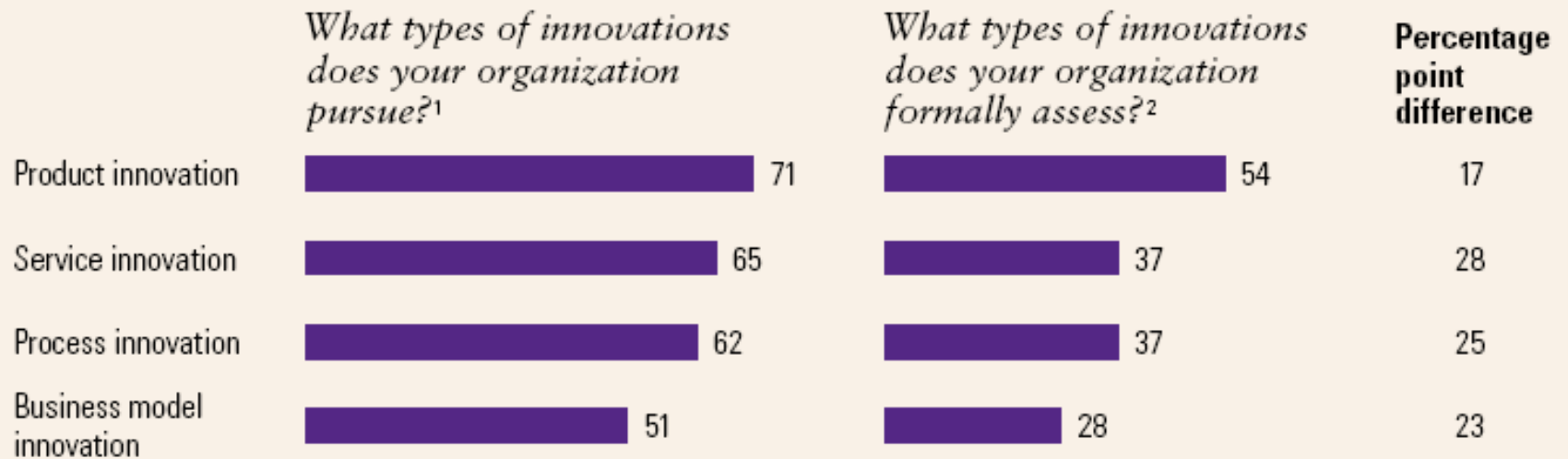
Innovation strategies are the name of the game, so they say, how do you really do this?

INNOVATION STRATEGIES:

Behavioral Business model

Product & service
Business Process
Technology

% of respondents, n = 1,075



Source: McKinsey Study conducted in October 2008, the survey had 1,075 respondents, all C-level or other senior executives, representing a full range of regions and industries.

Finding Profit Centers

**TECHNOLOGY & BUSINESS
PROCESS INNOVATION:**

Consumer Spending Is Rapidly Declining



Nike Inc plans to halt its production at three shoe factories in China and one in Vietnam as crumbling consumer demand forces it to curtail output and streamline its supply chain. The move comes as manufacturers, reeling from a worldwide consumer-spending slowdown, shutter plants in Asia, lay off workers or reduce orders, devastating a region that has long played the role of manufacturing base for Western markets. (*Reuters*)

Value for money is a strategic imperative

What capabilities must companies possess to thrive in this environment?

- **What everyone is doing:** Refining cost-cutting techniques.

- Reducing the marketing budget

- Reducing or eliminating corporate contributions to 401K

- **What everyone needs to be doing:** Reengineer cost structures - offer customers dramatically more for less.



Selling cutting-edge technology at mass-market prices

BYD turned into a global market leader by bringing down the cost of manufacturing lithium-ion batteries so dramatically that they became viable substitutes for the lower-performance nickel-cadmium cells.]



Blowing up niches into mass markets

HAIER captured 60% of the U.S. wine-refrigerator market in less than a decade by lowering prices so much that a small, unguarded niche became a volume business.



Offering a large choice or customizing products

UNITED SPIRITS has maintained its position as India's largest alcoholic beverage manufacturer by using flexible processes to offer 140 brands of spirits that cover almost every price point in the market.

Learn more – HBR, March 2009

Moving from products to services, or being first to market

PRODUCT/SERVICE INNOVATION:

Choosing an Innovation Sourcing Strategy

	Shop for Raw Ideas	Shop for Market-Ready Ideas	Shop for Market-Ready Products	
Industry/Market Factors	Pace of technological and market change	Low	Medium	High
	Intellectual property context	Well-defined IP rights	Roughly defined IP rights	Poorly defined IP rights
	Market potential for typical innovation	<\$100M revenues	\$100M-\$500M revenues	>\$500M revenues
	Cost of evaluating typical innovation	Low (idea can be tested in isolation)	Medium (detailed market/technology assessment required)	High (expensive infrastructure required)
	Information required to develop typical innovation	Specific knowledge about an innovation	Integrated knowledge from different business functional areas	Complex and integrated knowledge from different technologies and markets
Company Factors	Purpose of innovation	Enhancement of existing products	New products and brand extensions	New markets & redefined product portfolios
	Innovation capabilities	Strong development and commercialization	Moderate development and strong commercialization	Weak development and strong commercialization
	Product portfolio	Large number of diverse products	Products in a few key markets	Products in a few key technology domains
	Company size	Medium	Medium to large	Large
	Risk appetite	High	Medium	Low
	Innovation portfolio	Weak; needs externally sourced ideas	Complimentary to externally sourced ideas	Weak; needs externally sourced ideas

Innovation processes that move from ideas to products



Identify opportunities with sellable benefits and competitive offering.

- # of high-quality ideas generated in the unit
- # of high-quality ideas generated across units
- # of high-quality ideas generated from outside the company

Maintain an innovation pipeline that is evolutionary and revolutionary.

- Percentage of all ideas generated that end up being selected and funded
- Percentage of funded ideas that lead to revenues; number of months to first sale

Consistently launch products that deliver on forecasted metrics/KPIs.

- Product launch KPIs
- Percentage of penetration in desired markets, channels, customer groups; number of months to full diffusion

Establish and maintain a product portfolio for each segment.

- 10% of portfolio units 36 months or younger
- 10% of Line Extension made of new or evolutionary technology

Operational processes that must support innovation processes



Existing Products

Active cost reduction process, quantify the market opportunity

Inventory

- Cases
- Actual On hand \$ vs. Budgeted On Hand \$ and variance
- In-Transit inventory \$
- DIOH: Day inventory on Hnd
- ENM: Excess no move inventory \$

OPEX

- Warehouse cost per case
- Labor productivity (OT, temp)
- Freight per 100 LB

Actively assess quality opportunities

- Right quality
- Order fill rate
- Order complete
- Line complete

Regulatory improvements, opportunity assessment of market review

- Quality KPIS

New Products/ Line Extensions

Establish and maintain a product portfolio for each segment.*

Facilitate portfolio requirements between ops and marketing.

- New product cost/planned
- New product output/planned
- New product reject rate

* Intersection between innovation & ops processes

Managing the Portfolio

Idea Pipeline

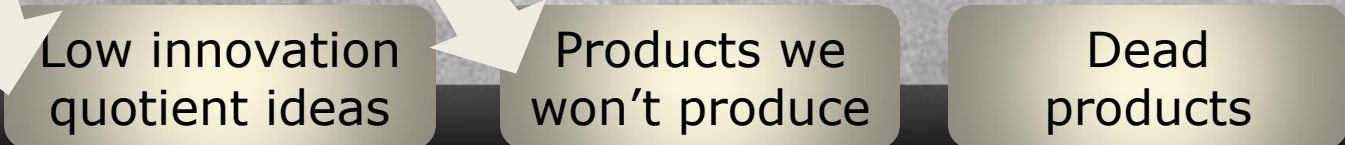
Segment Scorecard

Trash Bin



XYZ Segment

New Products		Market Opp.	Exp. Launch Date	
X Product		\$50MM	Q1 2009	
Current Products		Cases sold	% of Sales	Launch Date
Product 1		93,275	64.60%	1994
Product 2		20,561	14.20%	1995
Product 3		10,621	7.40%	1999
Product 4		6,559	4.60%	1999
Product 5		5,178	3.60%	2007
Product 6		4,078	2.80%	1994
Threat Products	Company	Specs		
Product #1	Co #1	Info here		
Product #2	Co #2	Info here		
Product #3	Co #3	info here		

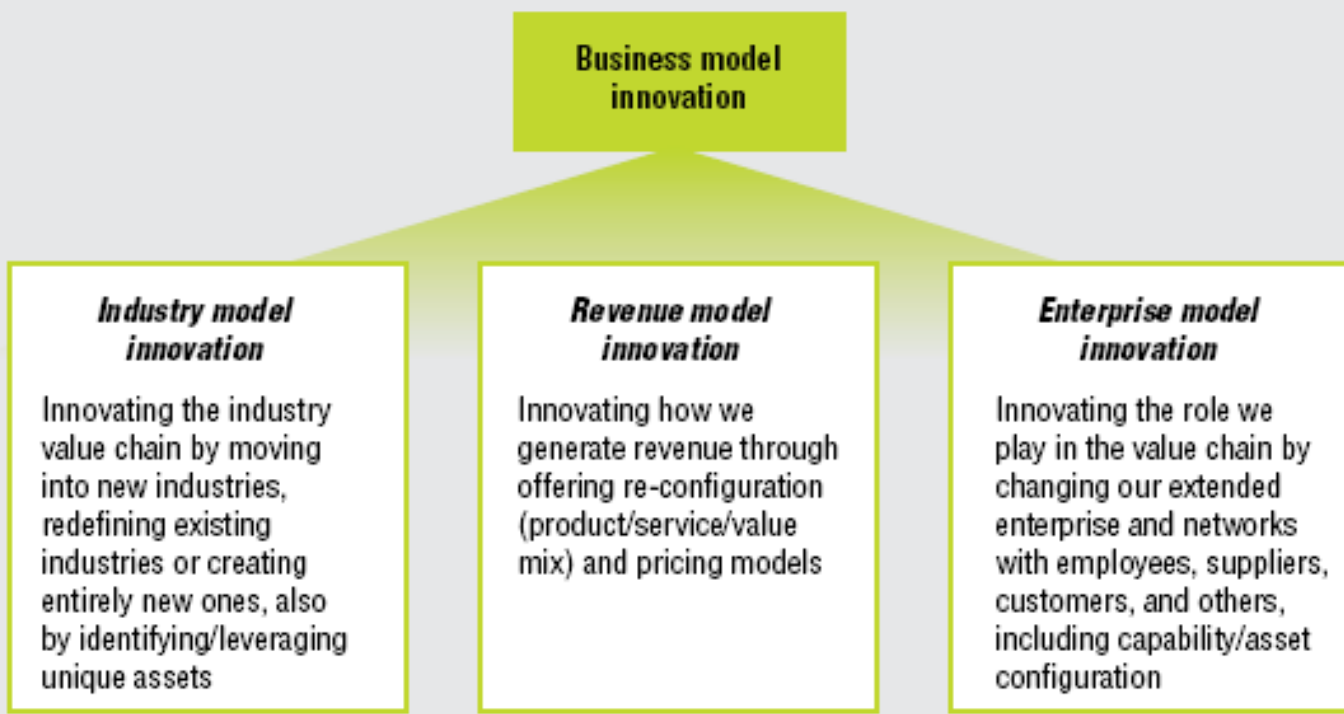


Redesigning the value chain

BUSINESS MODEL INNOVATION:

According to IBM, there are three types of business model innovation

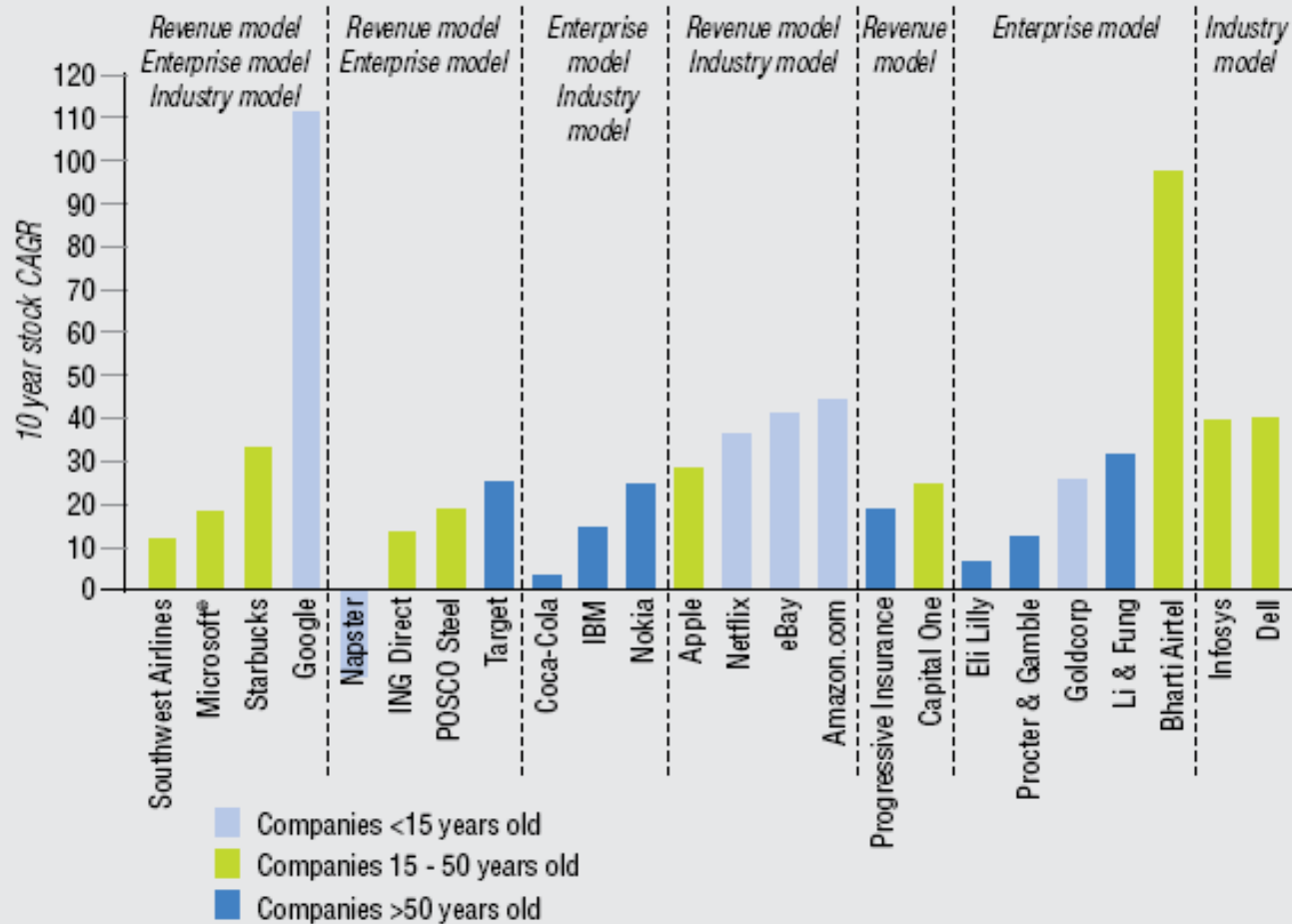
FIGURE 2.
IBM framework for business model innovation.



Source: IBM Institute for Business Value and IBM Global Business Services.

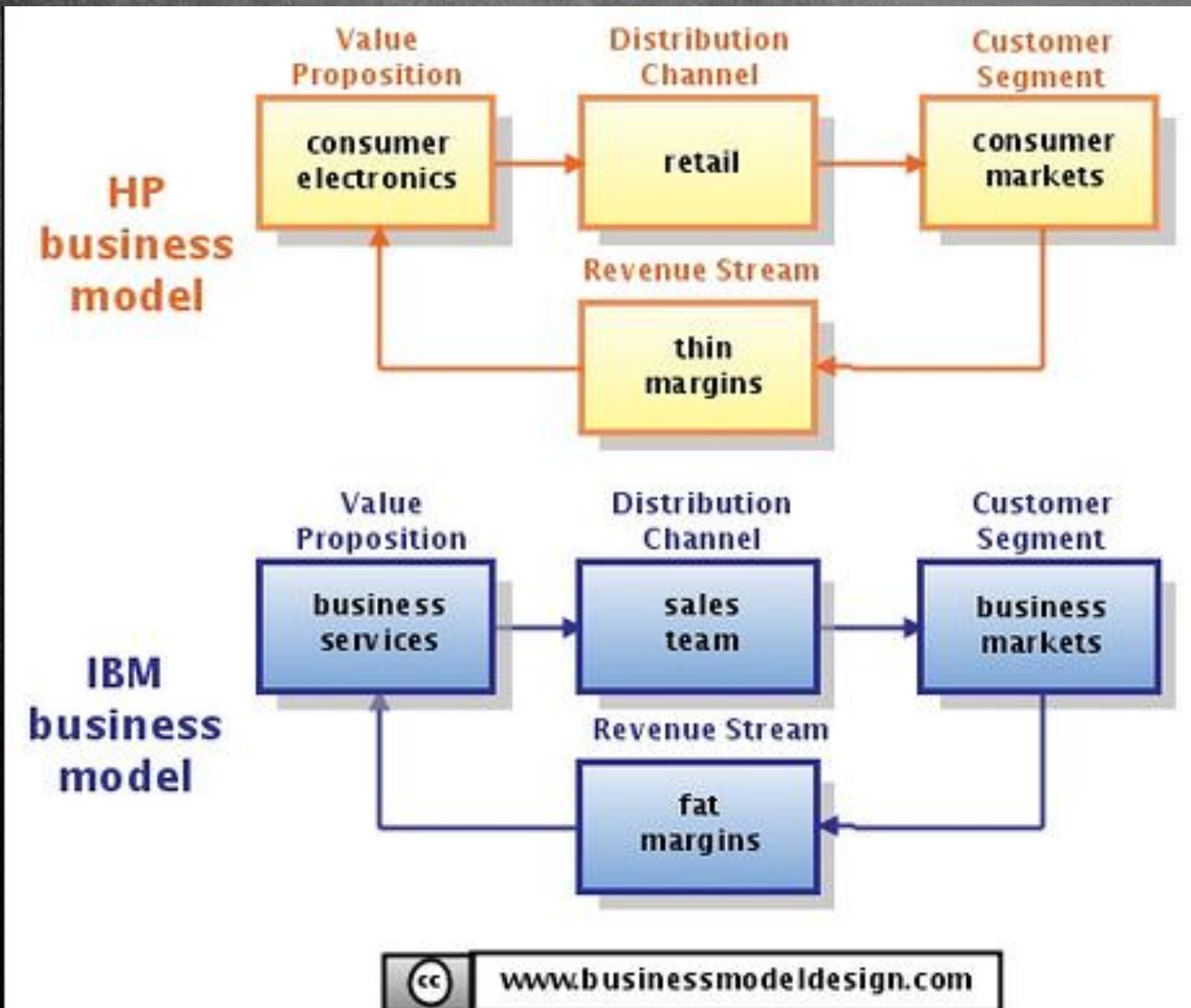
Results of business model innovation by Fortune 500 companies

FIGURE 5.
10 year stock CAGR versus type of business model innovation.



Source: IBM Institute for Business Value analysis of Thomson ONE Banker financial data and company annual reports, 1997-2006.

Two companies – “Same” industry, different business models



It really is about our people

BEHAVIORAL INNOVATION:

Stewardship – Not exploiting your resources



Trusteeship – Looking out for the common good, competing on a level playing field, not racing to the bottom.
([GreenXchange](#))



Leadership – Challenge the status quo (nanotech)



Partnership – Seeing customers as partners, focusing on people's outcomes



Adapted from Umair Haque

Yesterday

Cost advantage (Just me)

Dominance

Control

Differentiation (Starbucks)

Brand

Tomorrow

Loss advantage (Us)

Responsiveness

Resilience

Difference

Meaning

Adapted from Umair Haque

Innovation Metrics (cont.)

% of respondents who use more than 3 innovation metrics,¹ n = 633

■ Input
■ Output

Metric ranked no. 1 in terms of importance in respondents' organizations²



Source: McKinsey Study conducted in October 2008, the survey had 1,075 respondents, all C-level or other senior executives, representing a full range of regions and industries.

Innovation Strategies	Your Next Steps
Technology & Business Process (Cost Innovation)	Tiger team that is truly cross-functional.
Product/Service Innovation	Assess risk appetite.
Business Model Innovation	Review your value chain. Consider dis-intermediation.
Behavioral Innovation	Assess current business model for potential "gaps." Determine if behavioral innovation creates value or just sounds good.

- ⑥ Organizations that invest in innovation during a downturn reap big rewards when the economy recovers.
- ⑥ Consider what type of innovation will have the biggest impact on your organization.
- ⑥ The new source of real innovation will come from behavioral changes.
- ⑥ Measuring the outcome of your innovation efforts needs to be a combination of input and output measures.

Any insights you would like to share related to one of today's topics?

What are some strategy or execution questions you would like to discuss?

- ⑥ 9am PT on Wed, September 29th
- ⑥ Send in questions for the next Strategy Huddle to admin@mystrategicplan.com (reference the Strategy Huddle in the subject line)
- ⑥ Interested in sharing/presenting a best practice as a Strategy Leader? (send email to admin@mystrategicplan.com and reference the Strategy Huddle in the subject line)
- ⑥ Follow us on Facebook & Twitter @MyStrategicPlan
- ⑥ Today's session is being recorded and a follow-up email this week will include a link to this huddle as well as the supporting slides.

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