

GET VERIFIABLE CPD UNITS

Answer questions about this article online

Studying this article and answering the questions can count towards your verifiable CPD if you are following the unit route and the content is relevant to your development needs. One hour of learning equates to one unit of CPD

Meet the optopus

This month **Dr Tony Grundy** demonstrates how to get the most out of strategic thinking by creating and evaluating strategic options for the business

The third in this series of five articles examines a crucial phase of the strategy development process: generating and evaluating strategic options (defined as alternative strategies in the first article in this series). This follows on from the more analytical tools explored in the second article, and entails a great deal of strategic thinking.

As many legs as you like

Few systematic models exist for generating strategic options. Igor Ansoff created a very simple but rather limited grid (the Ansoff matrix) which displays existing products versus new products along one axis, and existing versus new markets along the other. To go beyond that I have created a more powerful method that accommodates far more than just two variables or 'degrees of freedom'. I call it an 'optopus' as it has eight variables (although in practice you can have as many or as few variables as you want) ranged around and linked to a central circle that lists the options created by those variables. The eight variables are:

- * value creation: the different ways in which your product adds value for the customer
- * value delivery: the technologies, media and distribution to take the product to market
- * alliance: different partners and different types of alliances, doing different things
- * acquisition: different types and different targets to do different things
- * divestment or outsourcing
- * geography: national, regional, global
- * market sectors
- * customer segments.

The strategic option grid

Criteria	Option 1	Option 2	Option 3	Option 4
Strategic attractiveness				
Financial attractiveness*				
Implementation difficulty				
Uncertainty and risk				
Acceptability (to stakeholders)				

Attractiveness score: **3**=high **2**=medium **1**=low

* benefits less costs – net cashflows relative to investment

These variables can be refined or added to – for example, brand and pricing options could be included.

Let's explore the potential of the optopus through the Virgin Galactic.

Essentially, the idea behind Galactic was to develop a technology capable of delivering paying passengers into space for a suborbital flight. Travelling at a height of around 50 miles above the Earth these passengers would then see the planet from a distance in all its glory and in a state of weightlessness at a 'budget' price of \$200,000.

The reusable spacecraft would be so light (and could fold its wings to create extra drag) that it could dispense with a heavy heat shield to prevent it burning up on re-entering the atmosphere. And with a fin to act as a sail, it wouldn't need so much fuel.

I visited Virgin Galactic's HQ in 2008, taking with me around 90 strategic business ideas generated from the optopus, including:

- * market sectors: corporates (eg acquisition deal meetings), governments (eg to promote ecological awareness)
- * customer segments: business millionaires (by industry), celebrities/wives (footballers/pop stars, etc), the not-so-rich (by sponsorship or lottery), groups of friends
- * value-creating activities: astronauts club/season ticket holders, as a present (a very big one!), differential pricing (premiums seats/service), two or three flights at once, 50-mile-high club, weddings
- * value delivery: TV channels (eg



celebrity knock-out programme in space), alliances, NASA

- * divestment/outsourcing: different aeroplane manufacturers
- * geography: by customer (eg US, Europe, Middle East, Japan, China), by flight anywhere subject to launch sites (world network).

On the basis of these ideas, Galactic certainly has potential for being a global business.

The 'so what?' arising from this analysis is the sheer richness of opportunities that the technique reveals within the Virgin Galactic context. It appears far more effective than brainstorming.

Discussion of the criteria and scores should not be abstract but as specific as possible. Each criterion is scored for attractiveness: very attractive gains three ticks, moderately attractive two ticks, not very attractive one tick; half-ticks can also be allocated (for example, a high 'implementation difficulty' and 'uncertainty and risk' might muster one tick combined).

The strategic option grid can be used for many options including market development, product/services, new technology, sourcing, acquisitions, divestment and alliances.

The grid is effective for a number of reasons. Visually it has columns for

evaluations look very sensitive

- * ask yourself what's the one big thing you've missed? – the 'challenge' process

Count up the number of ticks each option has. Those with a total of 12 to 15 ticks are attractive strategies on the face of it but will still need testing; those with 10 to 11 ticks probably lack cunning; those with eight or nine will need a lot more work; those with five to seven are off the menu unless they can be completely rethought; and those with fewer than five ticks shouldn't be touched with a bargepole.

These scores will move up and down quite a lot as you goes through a 'challenge and build' process. Try to make them more cunning, so that shifts of two ticks in the total scores are common.

Possible pitfalls of the grid are:

- * 'strategic attractiveness' may be scored without real thought about the environment or Porter's forces
- * 'financial attractiveness' may be conceived solely in the context of the short and medium term, and not include long term as well
- * 'implementation difficulty' may be largely subjective, based mainly on the general kind of strategy rather than detailed thinking about enablers and constraints, and particularly how these will change over time; it may also lack much thought about the 'how'
- * 'uncertainty and risk' may be merely a global assessment and lack any granular thinking about specific assumptions
- * 'stakeholder acceptability' may be done without thinking who all the stakeholders are, and how their agendas differ

STRATEGIC OPTIONS THAT AMASS FEWER THAN FIVE TICKS ALTOGETHER IN THE GRID SHOULDN'T BE TOUCHED WITH A BARGEPOLE

Strategic option grid

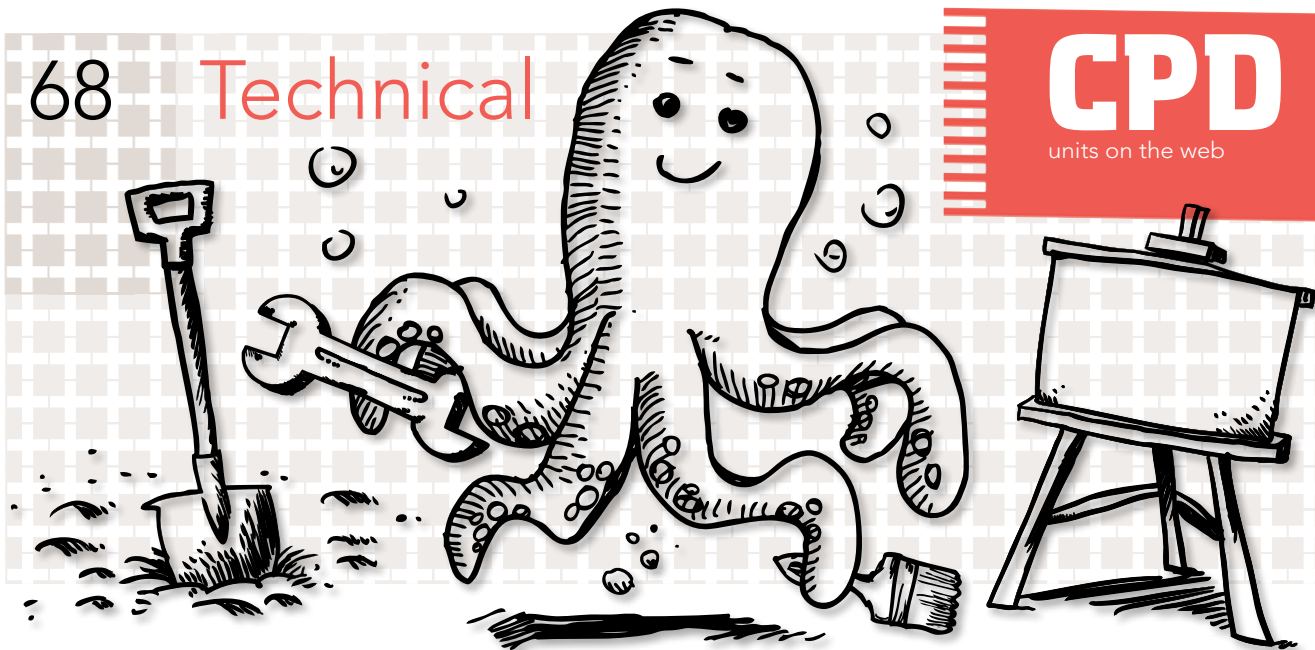
Once the optopus has been created, it is time to do the option evaluation with the help of the strategic option grid shown opposite. The grid has the following five key criteria:

- * strategic attractiveness: the external market attractiveness (based on market growth, Porter's five forces and perhaps PEST analysis) and the relative competitive position
- * financial attractiveness: the long and short term returns
- * implementation difficulty: the sum of difficulty over time to achieve the strategic goals
- * uncertainty and risk: the volatility of the key assumptions
- * stakeholder acceptability: the extent to which stakeholders look favourably (or not) on an option.

four, if not more, strategic options, which will help foster creativity among senior managers. The decision criteria allows managers to think about options in a more objective way. They also reflect the unconscious and informal, decision-making rules that managers actually use – especially the criteria of 'financial attractiveness', and 'uncertainty and risk'.

The best way to use the grid is to:

- * explore the available options
- * look at the 'degrees of freedom'
- * consider how a strategic option might be achieved, and the timing options
- * develop a 'cunning plan' for each of the options
- * do the evaluation scores, based on what is behind these criteria
- * check out any facts – where



* there may be no cunning plan at all, or for what will be done and how; as a result, many of the scores may end up looking weak simply because of a lack of truly inventive thinking. Most managers and accountants will relapse into mediocre thinking

Make your product easier to buy

Just removing the difficulties of buying something can lead to increased sales. Alternatively, making it easier for the customer to buy more (mentally, emotionally and physically) can facilitate sales volume.

Change the rules of the game

The rules are not fixed – and you can change them. Suppose you were starting an estate agency industry from scratch at the present time. Would you have expensive BMWs for your senior sales agents? Smart cars?

SIMPLY AVOIDING THE DESTRUCTION OR DILUTION OF CUSTOMER VALUE CAN GENERATE REAL COMPETITIVE ADVANTAGE

especially where there are low scores – it is a lot to ask to be cunning and to evaluate at the same time. An example of what can be done can be found in my book, *Be Your Own Strategy Consultant*, which contains a list of cunning checklists developed for Dyson.

Tips and tricks

If there is a constraint, think why it is there and how it can be avoided

Rather than by resorting to simplistic brainstorming, it may help to consider why a constraint exists anyway.

Focus on constraints one at a time, always beginning with the most critical

Instead of focusing on all constraints simultaneously, pick them out one at a time to challenge and dissolve, beginning with the hardest. If that one is simply too daunting, pick off a number of the easier ones first.

You don't always have to add value

Most writers on strategy focus on adding value, but simply avoiding the destruction or dilution of customer value can generate real competitive advantage, as Dyson demonstrated when it said 'goodbye to the bag'.

Make your product irresistible

Set yourself the mental goal of making your proposition so compelling that it becomes irresistible.

Study your competitors

Competitive analysis is not particularly done well by many companies; some don't do it at all. But doing competitor analysis is only the first stage in answering the question, how can we do things even better than them?

Building barriers to imitation

It is not always important to protect against imitation. While in theory each part of a business's competitive advantage might be imitated, it would be very difficult indeed to copy all the elements of that advantage.

Abandon mindsets (at industry, company and personal levels)

Forget not only how your industry (and company) does things currently, but also how you yourself do and even think about things.

Imagine you just started in the organisation today

Forget your own experience, agendas and thought patterns which have been shaped by the organisation. If you were not in the market already, how would you now enter it and with what business model?

Advise yourself

Here it may pay to conduct a special version of the out-of-body experience, imagining you are your own management consultant.

Dr Tony Grundy is an independent consultant and trainer and lectures at Henley Business School in the UK
www.tonygrundy.com



LAST MONTH

**THE TOOLS OF THE TRADE:
SWOT, GAP, PEST AND
PORTER'S FIVE FORCES**