



# HELP TO GROW.

## MANAGEMENT COURSE

### MODULE ONE

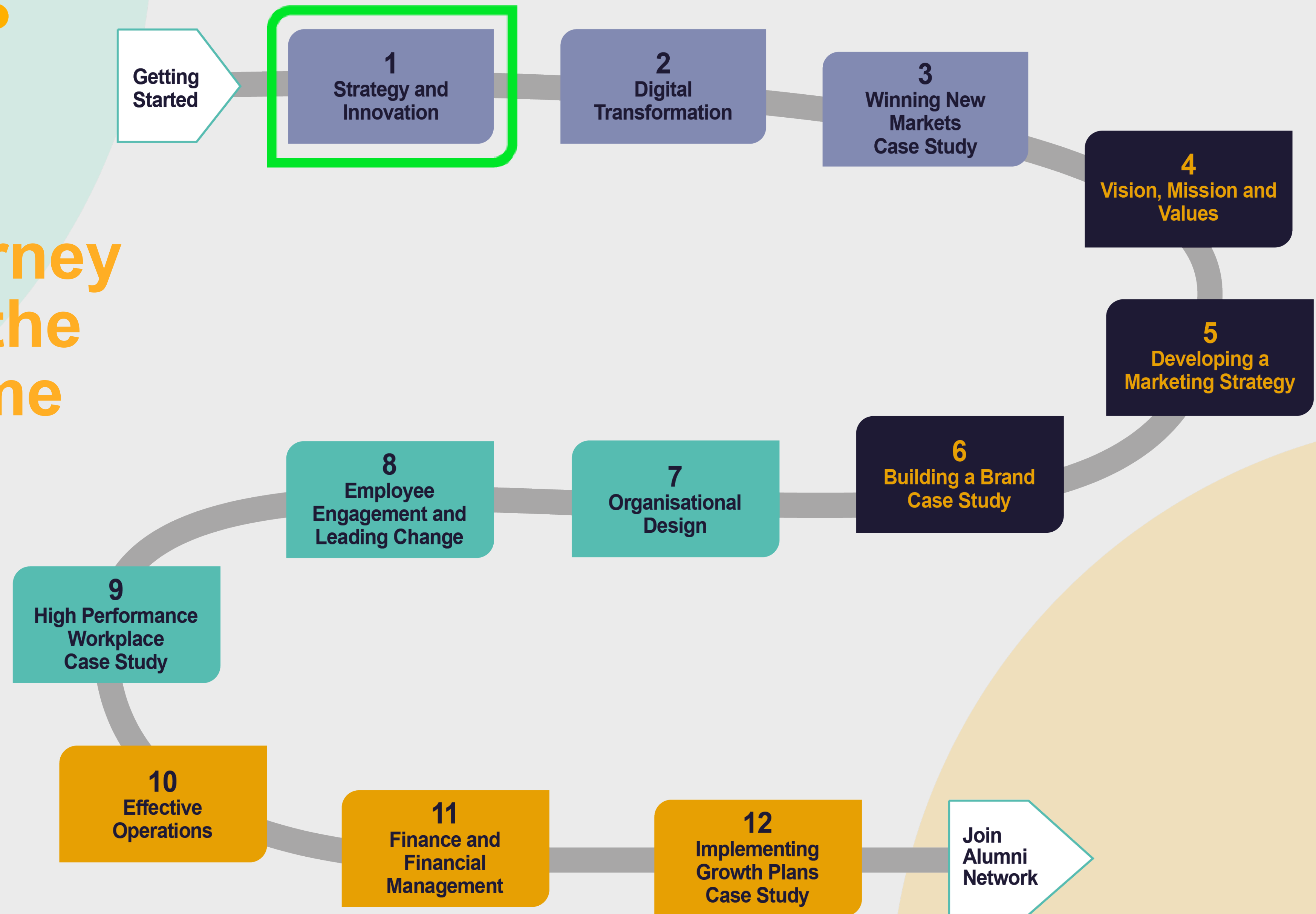
# Strategy and Innovation



HM Government



## Your Journey Through the Programme



## MODULE ONE LEARNING AND ACTION OUTCOMES

### Knowledge

I understand what innovation is and the different ways an SME can innovate.

I am aware of techniques for developing strategy and identifying opportunities (e.g. internal and external analysis tools).

### Mindset and Skills

I am able to describe the key elements of our business model.

I am motivated to seek new ways of doing things in the business.

### Action

I have started defining the core value proposition of our business.

I have started to use at least one of the module tools (Business Model Canvas, Bain Pyramid, Ansoff matrix, PESTEL) to map key areas of our business.

## THE FOCUS FOR THIS MODULE

**SECTION 1: TAKING A STRATEGIC VIEW OF YOUR BUSINESS**

**SECTION 2: INNOVATION AND DIFFERENTIATION**

**SECTION 3: YOUR VALUE PROPOSITION AND BUSINESS MODEL**

**AFTER THE SESSION** – Workbook and supporting materials

## Introducing Your Organisation

If you're new to the programme today and haven't met others in the group yet, please share:

- Your name and organisation
- Your main business
- AND one future growth opportunity for your business



**SECTION ONE**

**Taking a Strategic View  
of Your Business**

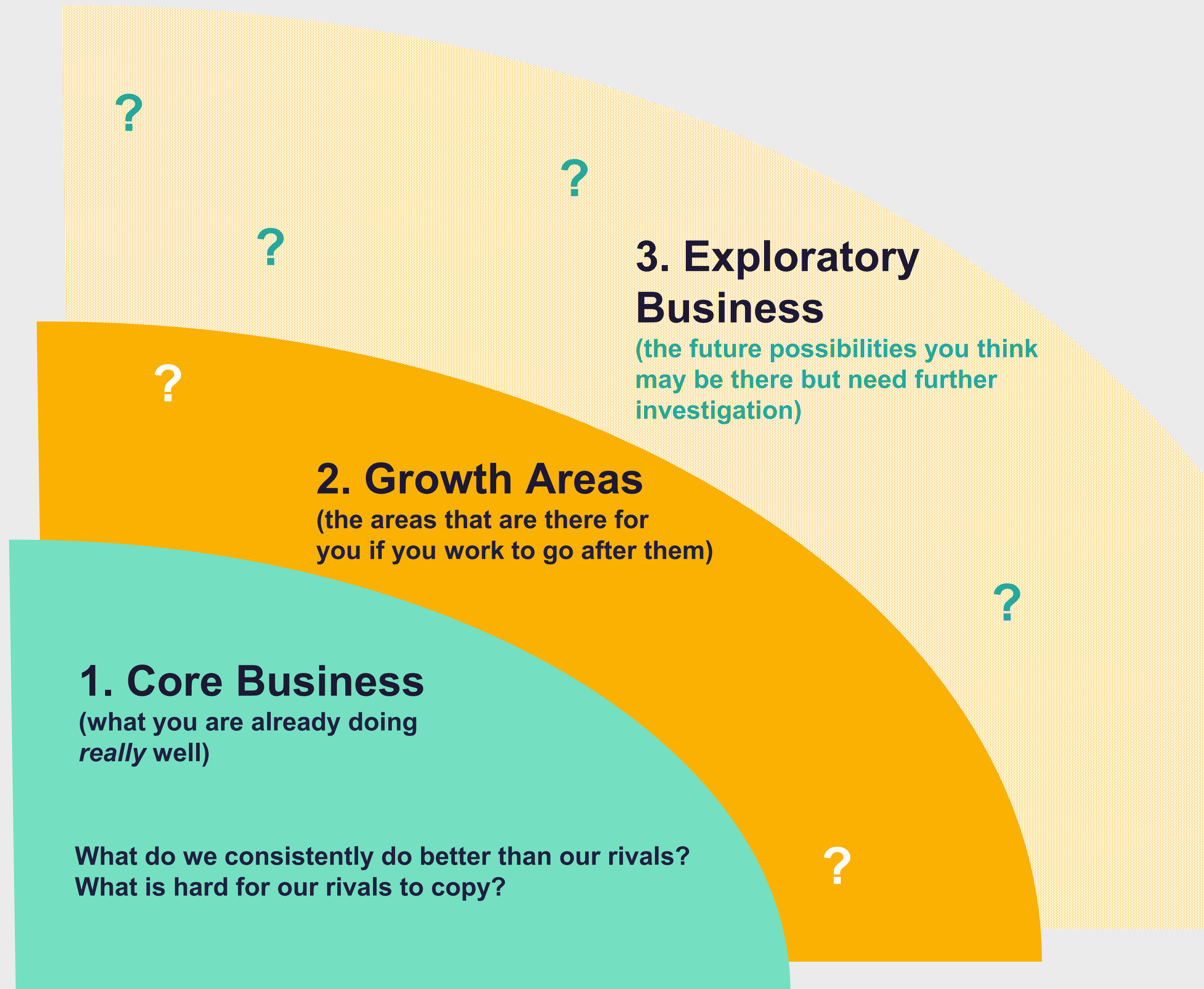
## Introducing Strategy

### Internal strengths and weaknesses

In strategy we think carefully about:

- why we are in business – *our purpose*
- who our customers are and what they get from us – *our value proposition*
- what our values are
- where we see our organisation going in the future.

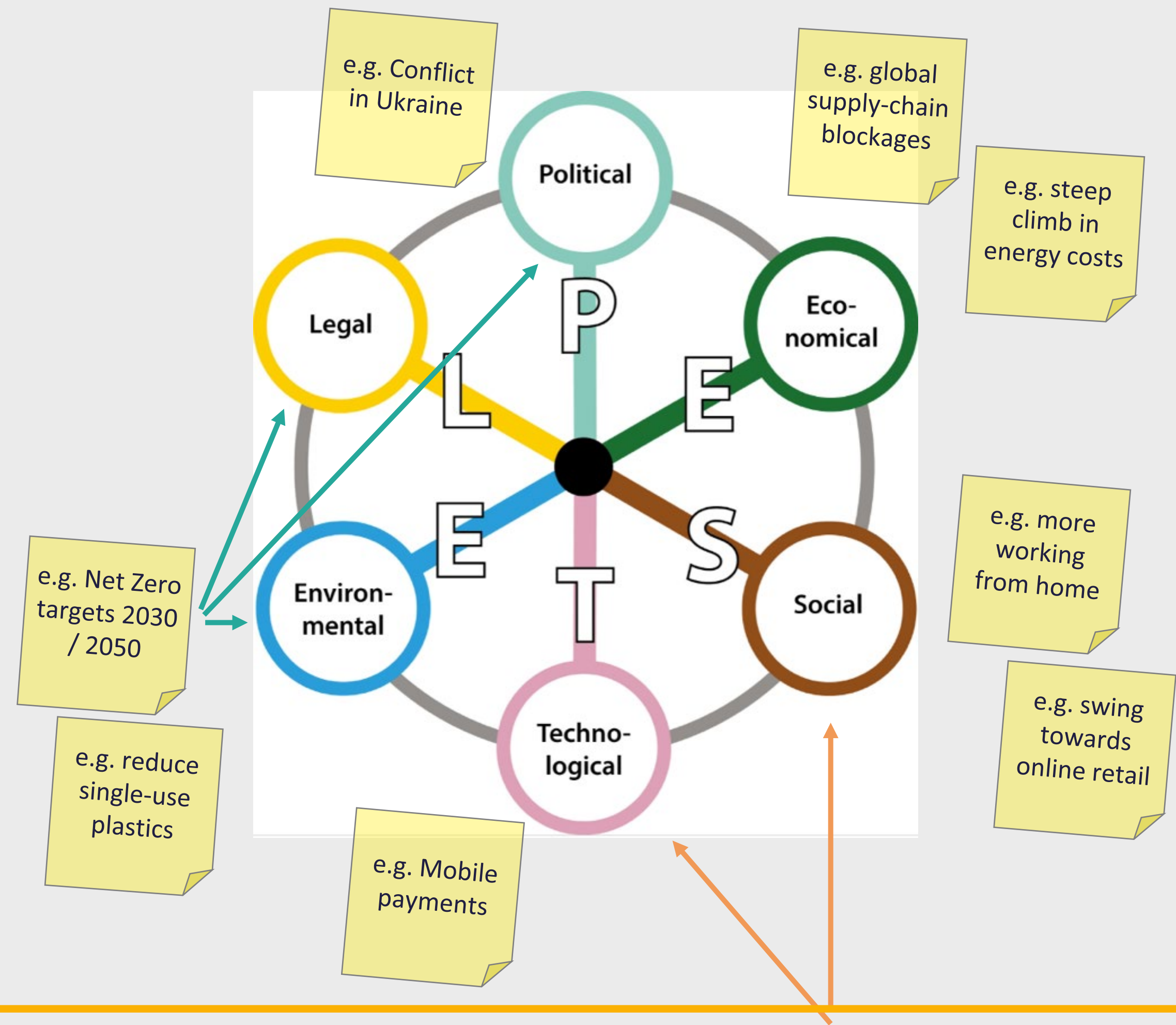
We can't follow all possible paths, so we first need to be clear about our own strengths, our 'core competencies' – what we consistently do better than our rivals.



## Introducing Strategy

### Analysing the External Environment

Once we understand our own strengths, we then look outwards to consider where new market opportunities may be emerging. We think about which ones fit best with our strengths, our values, and our reputation. External trends are commonly analysed using the PESTEL framework.



The UN's Sustainable Development Goals, are also driving changes to the business environment globally.





## STRATEGIC OPTIONS How Can We Compare Opportunities and the Associated Risks?

Risk is an inevitable part of innovation.

The Ansoff Matrix shown here helps us map possible areas of growth for our organisation – it helps structure our thinking and plan for the risks involved in new opportunities.

To use the matrix we ask two questions:

*Is this opportunity aimed at a market which is new (to us) or at our existing market?*

*Does a new product/service need to be developed, or will our existing offer work?*



## Let's Hear from a Business in Birmingham - The Whisky Club - on How They Responded to Covid-19

The Whisky Club – Bricks and mortar

- Bar Lounge & Tasting Room, Birmingham
- Lost 95% of revenues when the 2020 lockdown was imposed.
- Created direct-customer channel and own bottling capability.
- The Whisky Club venue has been rebranded as Grain & Glass recently

Founder Amy Seton explains:



Play audio clip



Image source: <https://counteract.co/wp-content/uploads/2018/08/The-Birmingham-Whisky-Club-Jewellery-Quarter-e1533282298607.jpg>

## Where Would This Opportunity Sit on the Matrix?

To use the matrix we ask these two questions:

*Is this opportunity aimed at a market which is new (to this business) or at their existing market?*

*Does a new product/service need to be developed, or will their existing offer work?*



The Whisky Club

?

## The Whisky Club Example Demonstrates a Very Important Strategic Lesson

Each time a company goes outside of its existing product/market strategy new capabilities will be required

*What new or different capabilities do you think that the Whisky Club developed?*



## How Might You Assess Market Opportunities?

Large firms typically involve diverse and multidisciplinary teams in their product/service development processes, leading to more successful outcomes. Try using a wide-range of expertise when judging new opportunities.

Prioritising your opportunities involves:

- *Clearly describing the value you intend to provide to the customer (the Value Proposition)*
- *Sizing the market (Customer Segments)*
- *Considering competitors and how they may respond if you enter that market*
- *Considering the growth potential of the whole market (not just your share of it)*

### EXHIBIT 1 | Companies with More Diverse Leadership Teams Report Higher Innovation Revenue

Companies with  
**below-average** diversity scores



Companies with  
**above-average** diversity scores



Source: BCG diversity and innovation survey, 2017 (n=1,681).

Note: Average diversity score calculated using the Blau index, a statistical means of combining individual indices into an overall aggregate index.

From: 'How Diverse Leadership Teams Boost Innovation', 2018. Boston Consulting Group surveyed employees at more than 1,700 companies in eight countries across a variety of industries and company sizes.

*"the most significant gains came from changing the makeup of the leadership team in terms of the national origin of executives, range of industry backgrounds, gender balance, and career paths"*

## GROUP DISCUSSION

1. What do you consistently do better than your rivals?  
(i.e. your business's core capabilities/strengths)

## KEY TAKEAWAYS ON STRATEGY

- *As well as knowing their own core capabilities, businesses need processes to regularly review external opportunities.*
- *If there are gaps in your approach to strategy – consider how to remedy those and you could add new approaches as part of your Growth Action Planning.*

**SECTION TWO**

**Innovation and  
Differentiation**

## Introducing Innovation

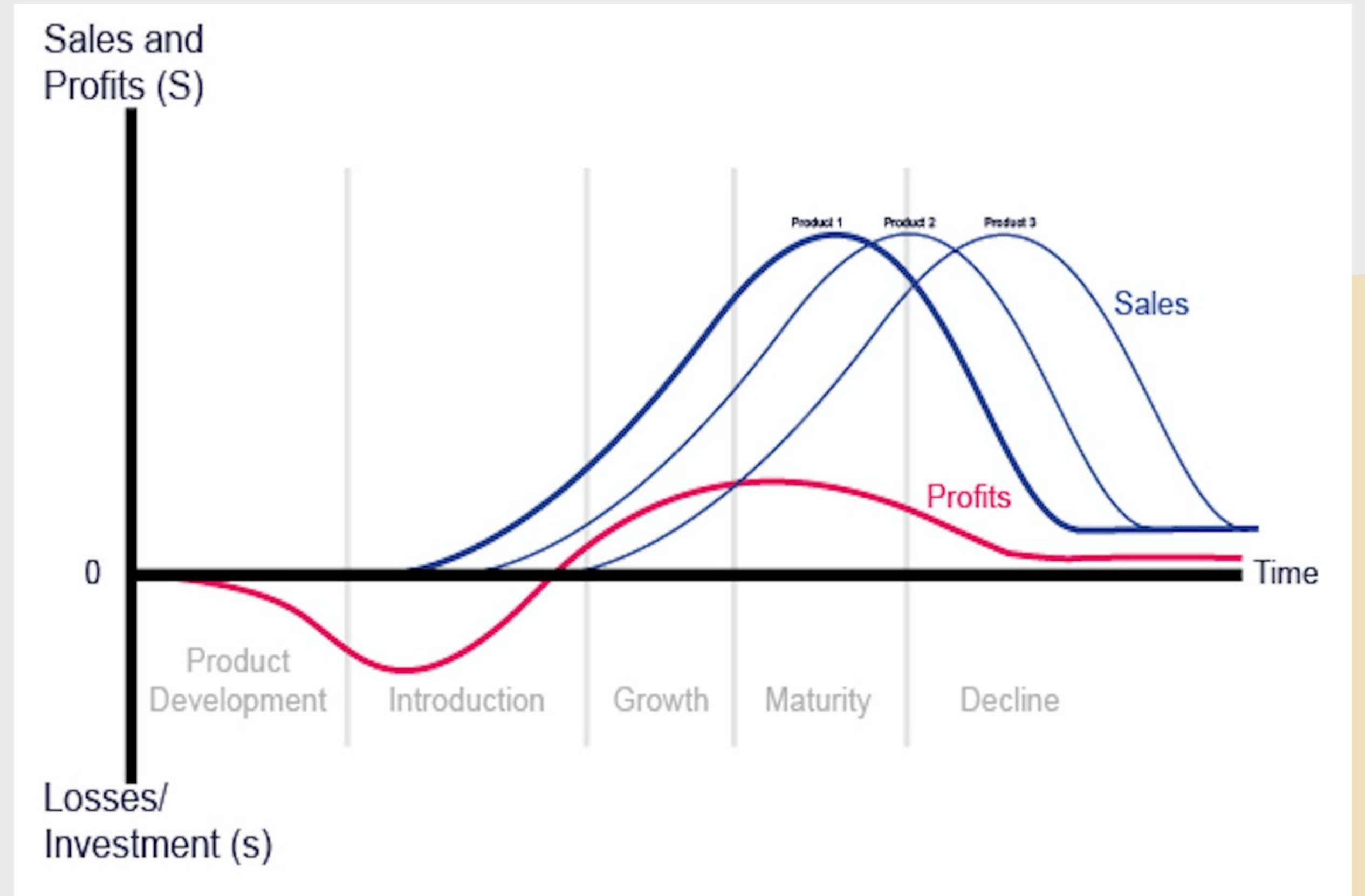
- Innovation in existing firms can both increase their efficiency (reducing costs of production) and improve the goods and services they offer, thus increasing demand. Both can improve margins and productivity.
- The UK Government defines innovation as: the successful exploitation of new ideas.
- Innovation may involve an organisation's:
  1. products and services
  2. processes (e.g. exploiting new technologies)
  3. position in the market
  4. business model (e.g. new sources of income, better integrated supply chain)
- You'll see evidence of all four in our examples today, but we'll look most closely at 1 and 4, sharing useful tools to explore innovation decisions within your own organisation.



## Innovation Should Make You Distinctive (and Hard-to-Copy)

- The sequential S-curves represent the regular cycles of innovation and improvement seen in most companies.
- Investment in R&D is recognised as a key part of staying competitive.
- Design, with its focus on understanding customer-needs, is increasingly used at the front-end of innovation in businesses.
- Intellectual Property (IP) can protect your advantage

(See Intellectual Property Office resources on the VLE)



## Example – Rachel's Organic Yoghurt

Rachel's Organic Yoghurt was founded in a farm in Wales. When it landed in supermarkets in the late 90s it was clad almost completely in black – a daring decision, defying convention.



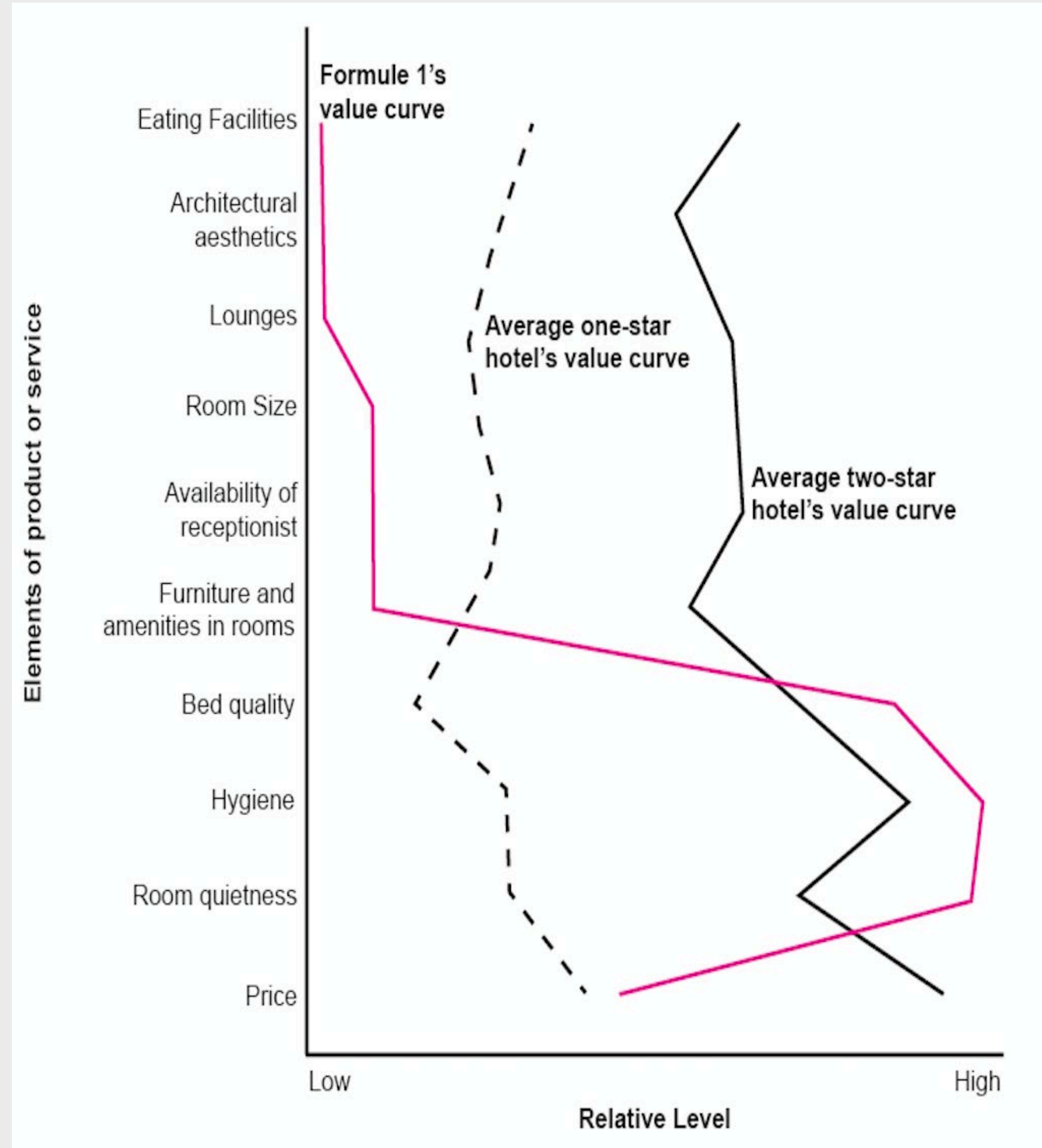
## Rachel's Organic Yoghurt Takeaways

- Rachel's Organics had observed that yoghurt meant something more to customers than simply a dessert or a snack consumable. It was fulfilling other needs: fulfilling **healthy and natural lifestyle choices** (a reflection of *how those customers saw themselves*)
- **The company's values were based on its founder's passion for sustainable, organic, close-to-nature, dairy produce**, something customers couldn't easily believe about established yoghurt manufacturers like Muller or Nestle.  
When Rachel's told their story through their brand, it resonated with the customer's search for a healthier lifestyle and caring about where food comes from.
- **Satisfying needs: This example illustrates that people don't just buy the product to satisfy a functional need, they also buy 'meaning' where their needs (emotion, identity, purpose) are satisfied through experience.** (We'll explore that in our activity later on)

## Differentiating a Service Offer

ACCOR F1 asked itself four key questions:

- Which of the factors that our industry takes for granted should be eliminated?
- Which factors should be reduced well below the industry's standard?
- Which factors should be raised well above the industry's standard?
- Which factors should be created that the industry has never offered?



## Strategies for Innovation

Booz and Company in the US conduct the biggest global studies of how businesses innovate. They look at over 1000 organisations who are amongst the biggest spenders on R&D. They have found that nearly every company followed one of three fundamental innovation strategies:

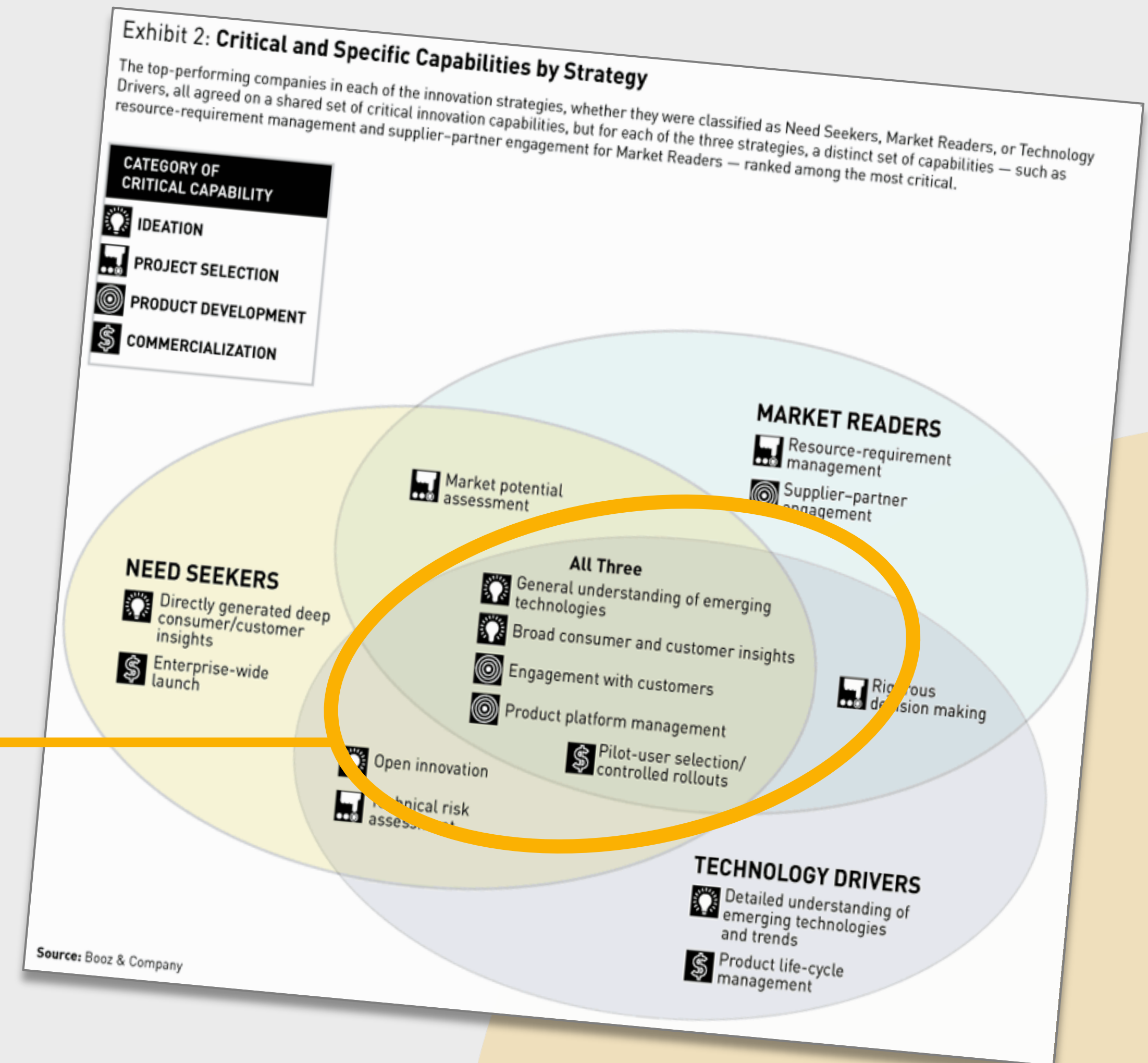
- **Need Seekers** actively and directly engage current and potential customers to shape new products and services based on superior end-user understanding, and strive to be the first to market with those new offerings.
- **Market Readers** watch their customers and competitors carefully, focusing largely on creating value through incremental change and by capitalizing on proven market trends.
- **Technology Drivers** follow the direction suggested by their technological capabilities, leveraging their investment in research and development to drive both breakthrough innovation and incremental change, often seeking to solve the unarticulated needs of their customers via new technology.



## Capabilities for Innovation

“No matter which innovation strategy, all the successful companies depended on a common set of critical innovation capabilities.”

1. The ability to gain insights into customer needs and to understand the potential relevance of emerging technologies at the ideation stage.
2. To engage actively with customers to prove the validity of concepts during product [or service] development.
3. To work with pilot users to roll out products/ services carefully during commercialization.



## Poll– Knowing Your Customers

When you are thinking about new or improved products or services – how likely are you to show/test those early ideas with your customers?  
(score yourself out of 10)

Share in the chat: Can you share some examples of how you have done this in your business?

**SECTION THREE**

**Your Value  
Proposition and  
Business Model**

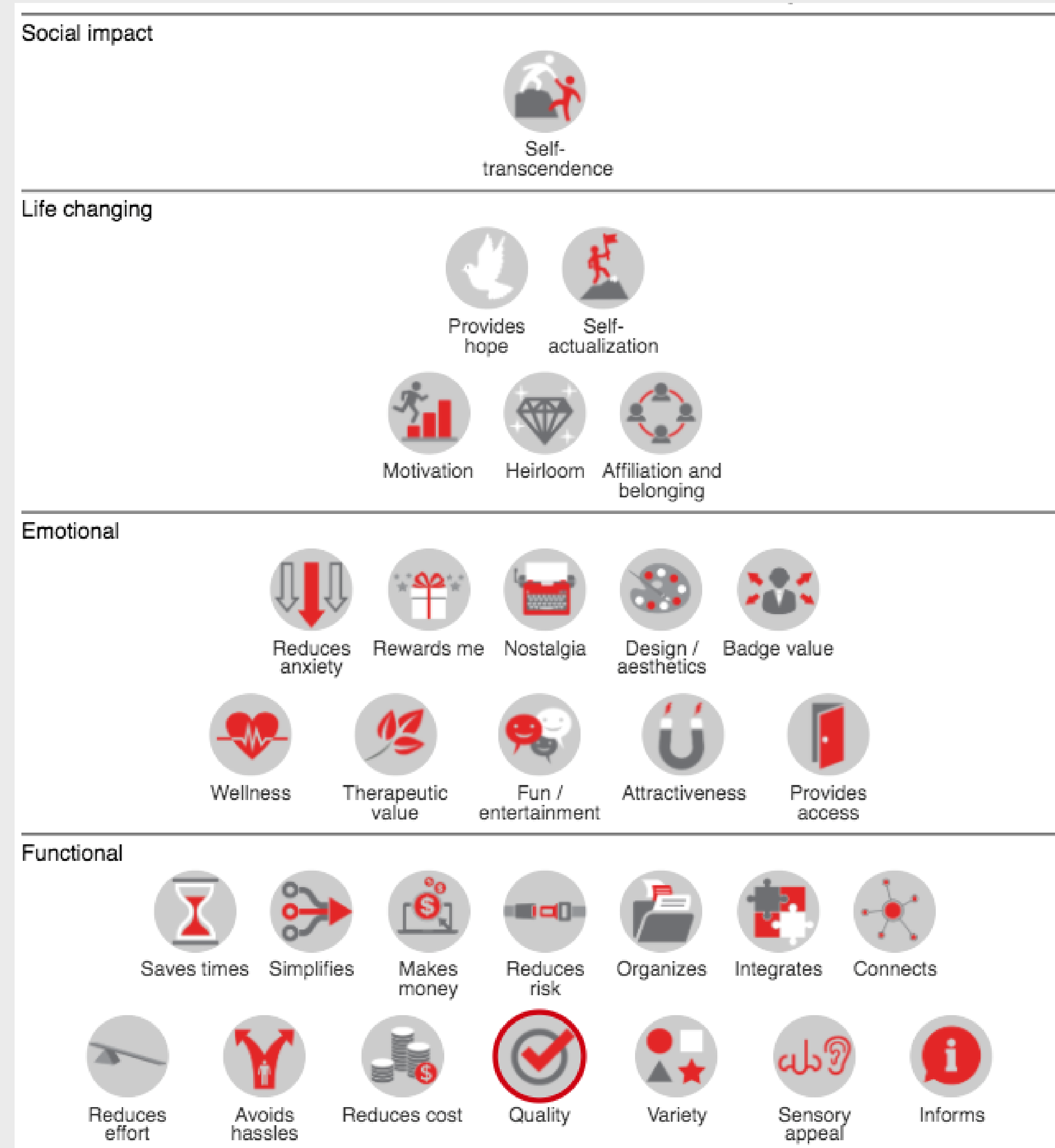


## There Are Structured Ways of Thinking about What People Value (Bain Pyramid)

- Next, we're going to do some work together in today's group, where we think about areas of untapped value in our own businesses, and for that I'm going to encourage you to use the visual prompt in today's workbook.
- The source for this research is Bain and Co, which also provides an online interactive version of the chart.
- There is also a B2B version available online, which you may wish to explore further after today's session – find links below and also in Workbook 1

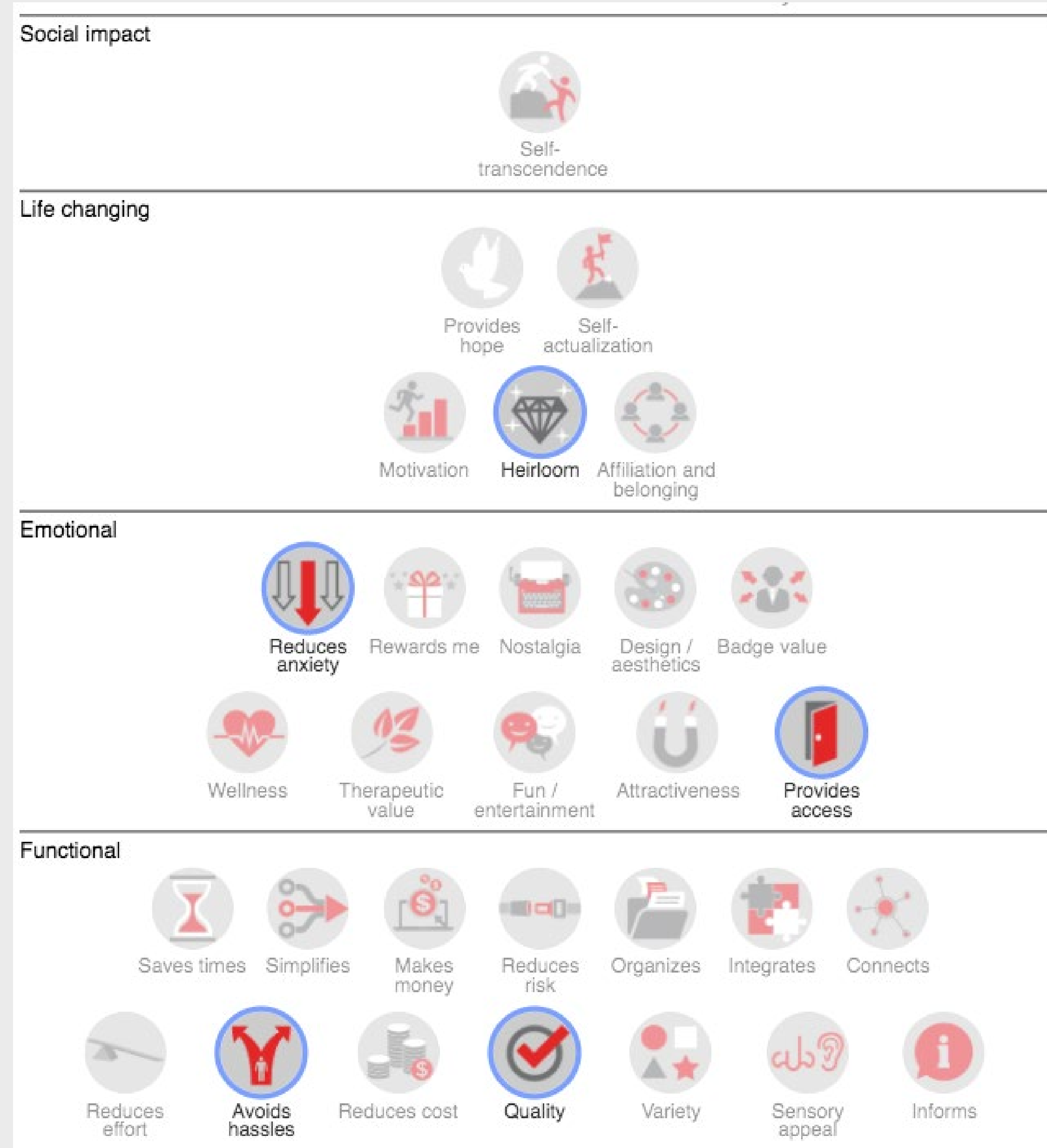
[B2C]: <https://media.bain.com/elements-of-value/>

[B2B]: <https://bain.com/insights/eov-b2b-infographic/>



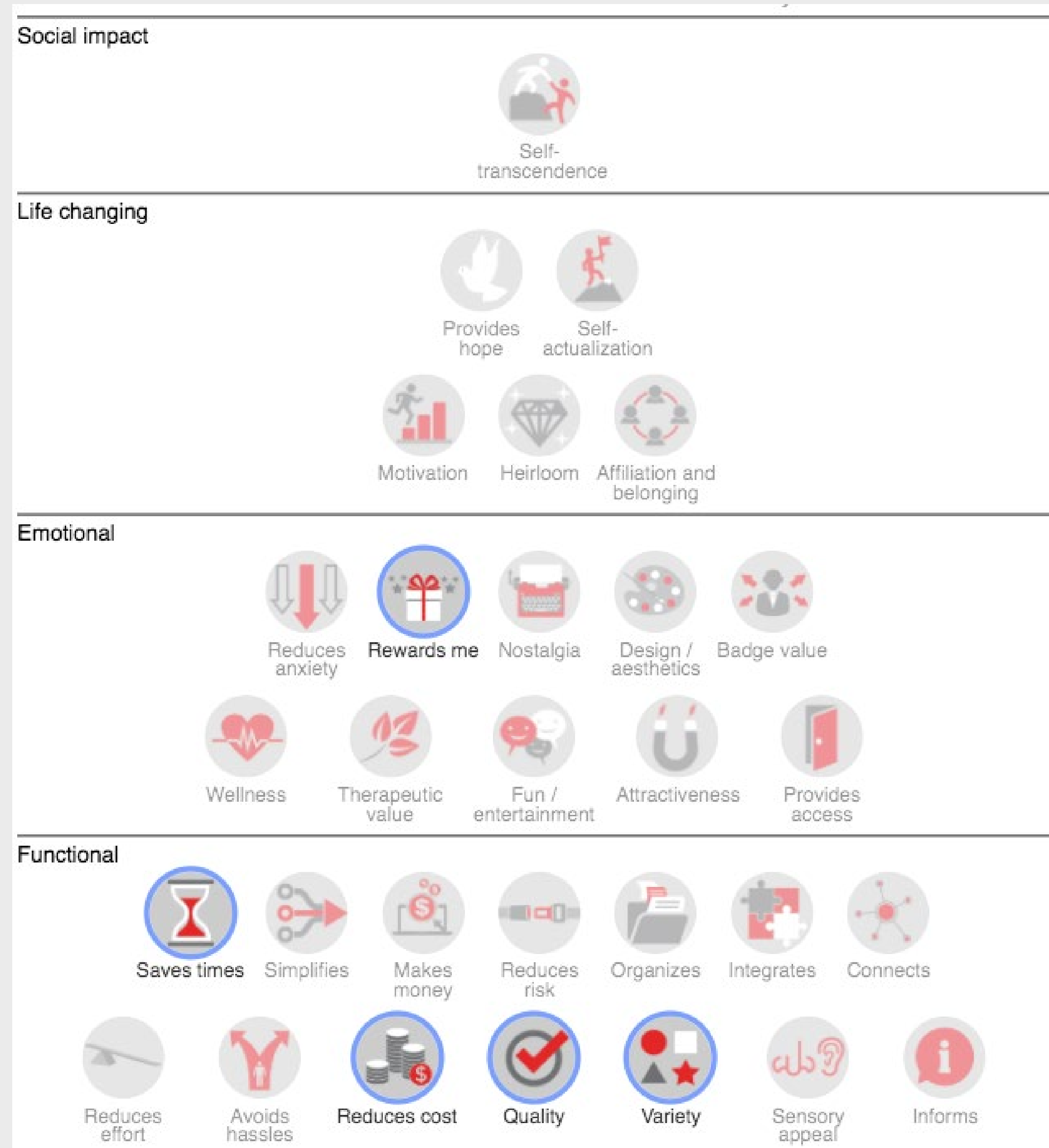
## What Elements Are Most Important to Consumers in Different Industries?

### Example 1 – Consumer Bank



## What Elements Are Most Important to Consumers in Different Industries?

### Example 2 – Discount Retail



## GROUP ACTIVITY

### What might your customers value?

- Thinking about your own organisation, for this activity we'd like you to focus on one product or service you offer.
- Use the Bain 'Elements of Value' Pyramid provided to prompt your ideas/thinking about what a trusted customer of yours *really* values. Which needs in the pyramid does your product or service meet?
- Next, think about where there might be opportunities to add value – significant value – to your current offer.
- You can make your notes on the workbook sheets provided.
- **In 5-minutes' time, you will be asked to share/discuss one or two of the ideas you've identified with your peer-group.**



## Thinking about Value (for the Customer) Instead of Products and Services.

Here are two organisations competing to meet similar customer needs, but with very different business models. Echelon can take advantage of economies of scale for example, and fill every class.



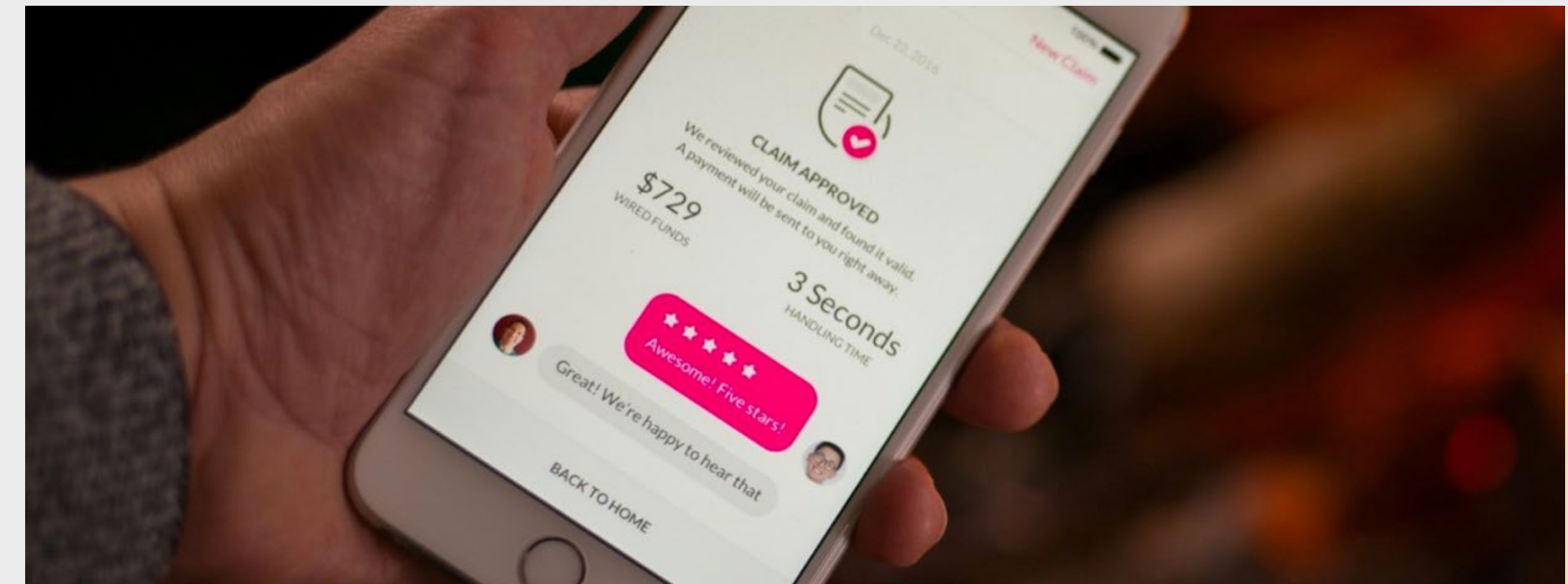
## Innovative Business Models - Examples

### 'Lemonade' - Disruptive Digital Innovation

- Customers are prompted to choose a Giveback cause to support with their leftover premium. This creates a shared purpose to counter the temptation of fraudulent claims.
- An online-only start-up – founded 2015
- Doubled revenue in qtr1 2020 despite Covid-19
- Grew from 800,000 to 1.5M customers 2020-22

Top Google searches re Lemonade Insurance [July 2022]

People also ask	
Is Lemonade a legit insurance company?	▼
What kind of insurance is Lemonade?	▼

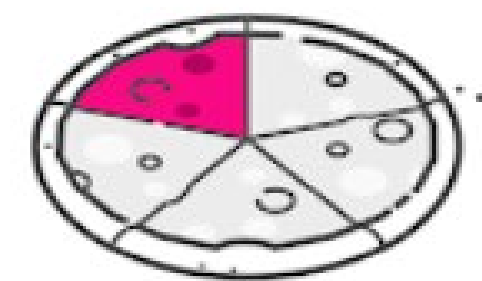


#### Lemonade Sets New World Record

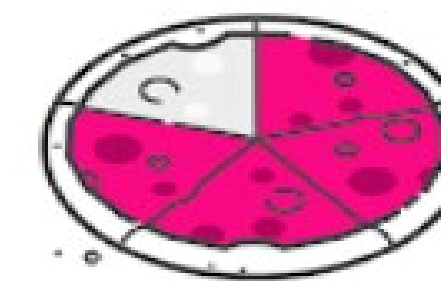
Published on January 5, 2017 | Featured in: [Banking & Finance](#), [Customer Experience](#), [Entrepreneurship](#), [Insurance](#), [Technology](#)

 Daniel Schreiber | Follow  
CEO & Co-Founder at Lemonade Inc.

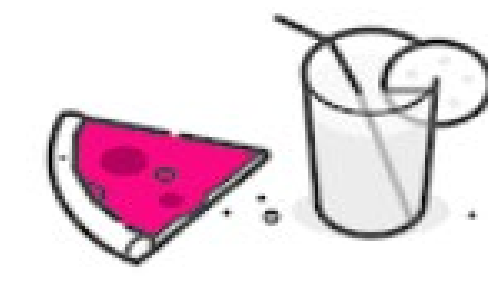
 5,038  271  1,146



A flat fee to run everything



We pay claims super fast



If there's money leftover, we give it back to causes

## Innovative Business Models - Examples

### FILL, Northamptonshire

- FILL makes environmentally responsible, household products shipped B2C in reusable and washable glass bottles.
- Refilling is available at a network of zero-waste stores and farm shops.
- FILL also offers national closed loop delivery via doorstep delivery and doorstep collection of empties - fulfilled by Milk & More.



## Innovative Business Models - Examples

### Parker Hannifin – Reducing Complexity

*“Customer feedback highlighted unnecessary complexity - too many choices making it difficult to select the right product.”*

*“By adopting a customer centric approach, we developed a greatly simplified product range with a much enhanced customer experience – this ultimately led to double-digit sales growth”*

Neil McPherson, Division Marketing Manager,  
Parker Hannifin, Tyne and Wear



**Complexity (264 variants to 32)**  
**Sales (+30% across range)**  
**Protected Aftermarket (4 Patents)**

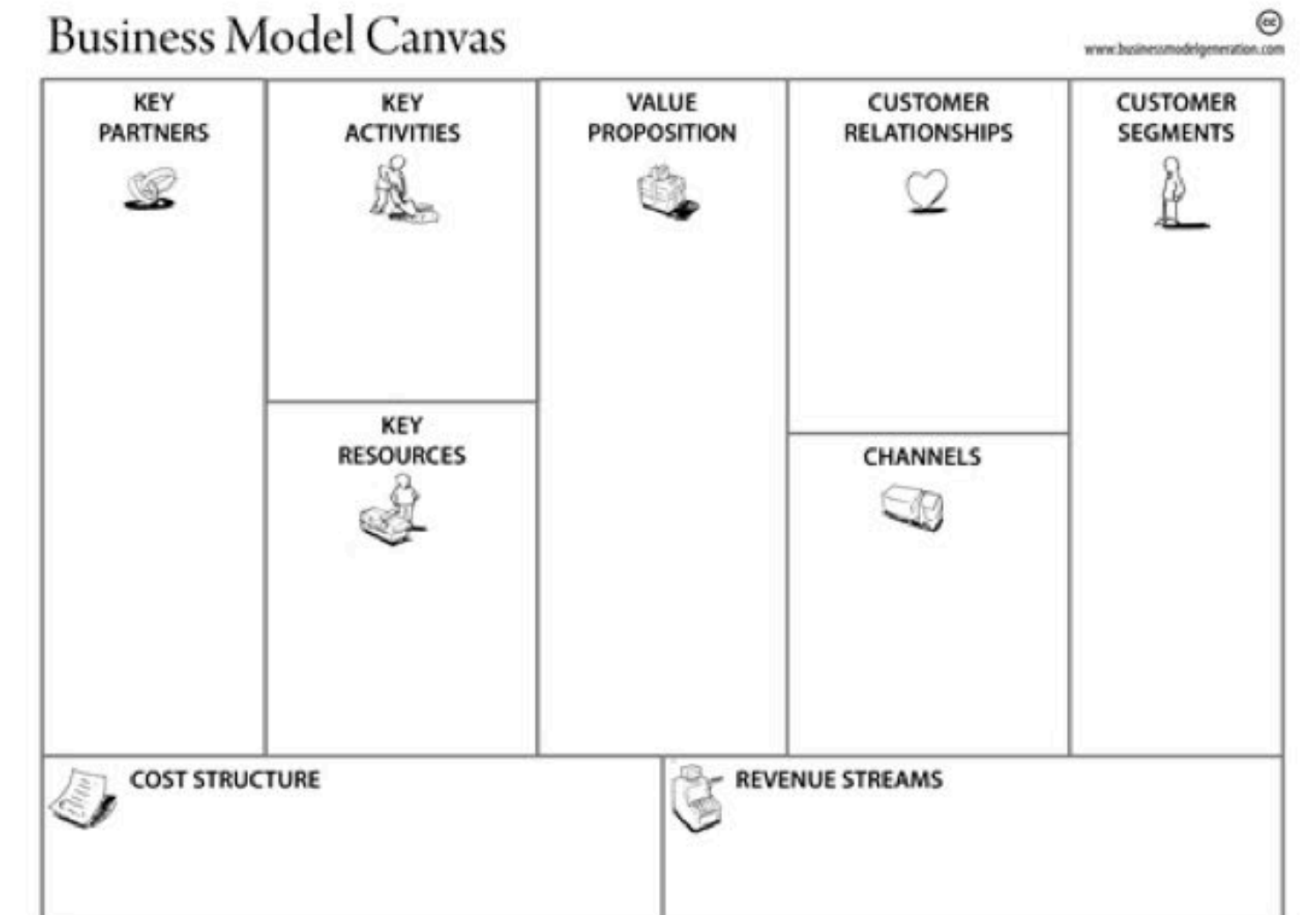




## Looking at Alternative Business Models with the Business Model Canvas.

The Business Model Canvas is a popular tool for thinking-through and mapping-out the important ingredients of a business proposition in a more visual format. The book explains how to use it. You'll also find many examples online.

Using the canvas provides a way for you to work with colleagues as a team and explore new ways to deliver value to different customer groups. Choose a diverse team of colleagues to participate.

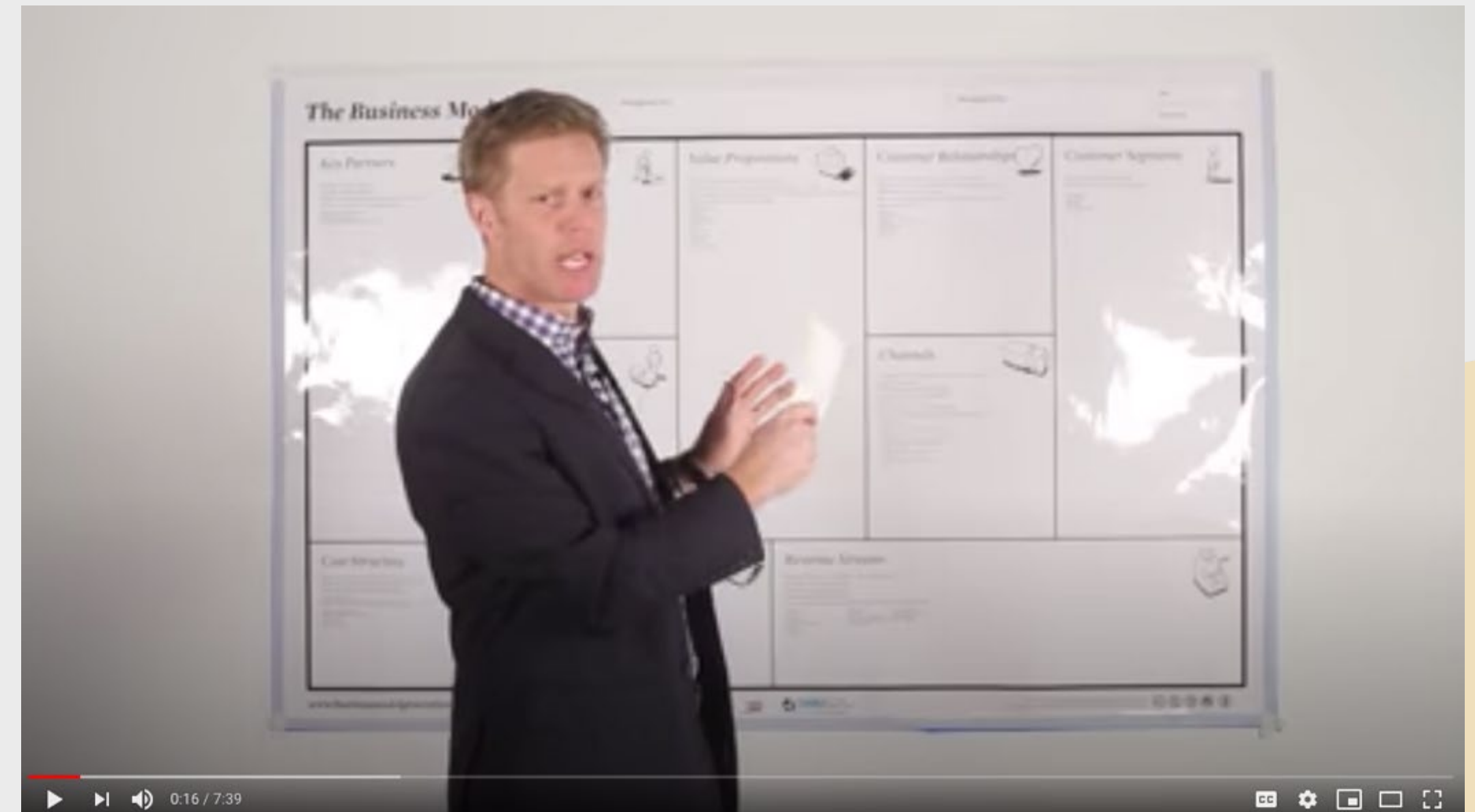


Business Model Generation by Alexander Osterwalder *et al*

## How to Use the Business Model Canvas.

### Example 1. [GORE FABRICS] 7-min film.

- Build different canvases for different customer-groups.
- Being specific about the customer group helps the process.
- Although this is a commercial example, the business model canvas is used with social enterprises, charities and organisations of all types.



<https://www.youtube.com/watch?v=G1IHCP3gTQc>

6-mins business model canvas worked example on Gore fabrics



## MODULE SUMMARY

- In Section 1 – we looked at taking a strategic view of your business, including looking at the Ansoff Matrix
- In Section 2 – we looked at innovation and differentiation, including differentiating a service or product to help it to stand out
- In Section 3 – we looked at your value proposition and business model, including looking at the Bain Elements of Value Pyramid to understand different consumer needs

## NEXT STEPS – APPLY THIS TO YOUR BUSINESS

### Complete this Module on the VLE

- **Workbooks**  
Workbook 1, use this to complete the exercise in the Workshop; Workbook 2, look at the steps to map your business model; Workbook 3, a tool to assess parts of your business which can support innovation
- **GAP Workbook**  
Answer the Module 1 questions
- **Module Resources**  
Weblinks on the module resources page will take you to additional information on the module topics

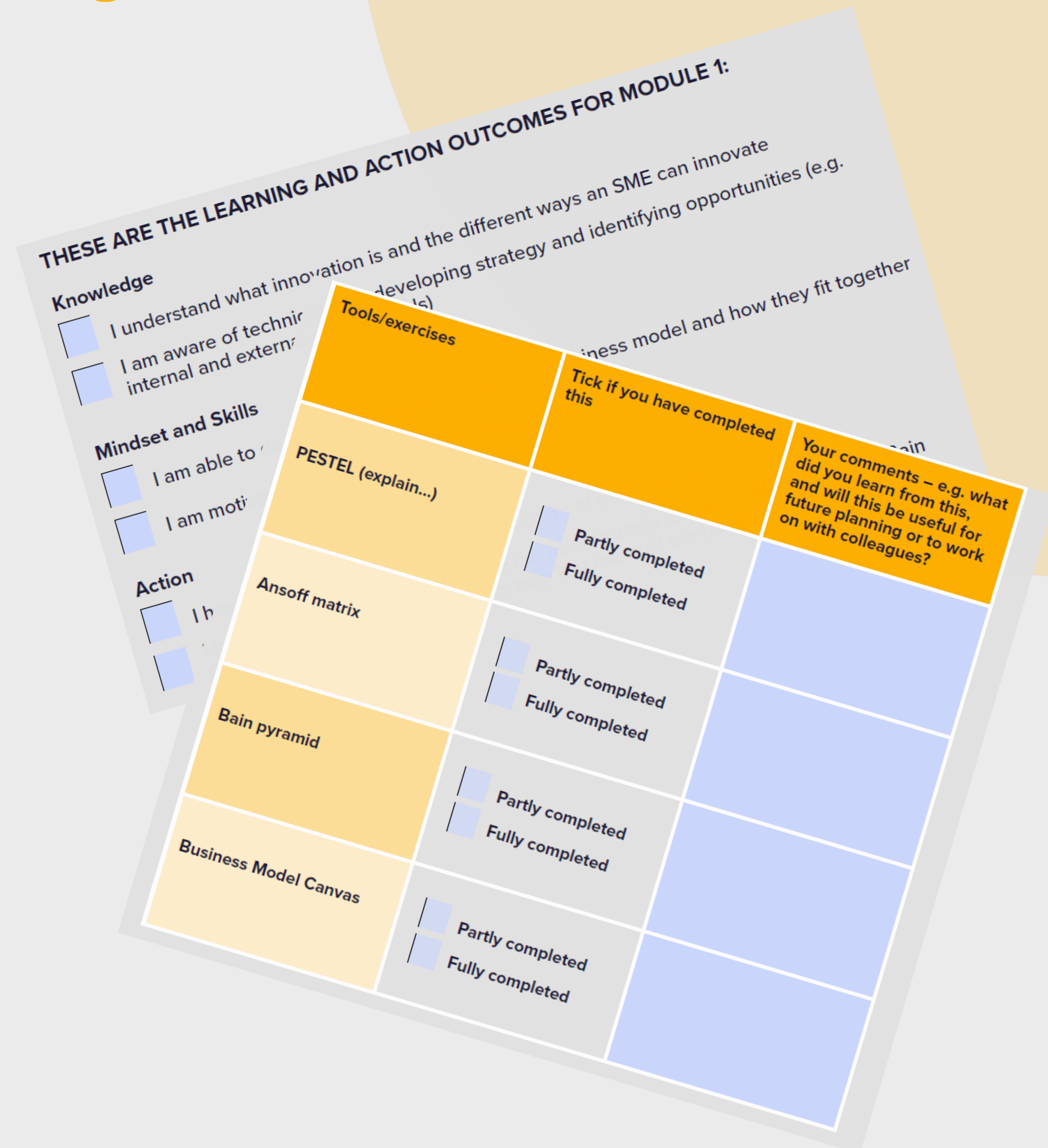
### Topics for our Peer Group Call

- In this week's call, you will discuss what you have learnt about business models and innovation strategies and share your own experience in these areas.
- Remember that you will be expected to have looked at the Elements of Value and Business Model Canvas exercises before the call.

- The GAP Workbook uses a module-by-module approach to recording your notes as you go through the programme, helping you identify priorities and turn your ambitions into reality through simple action planning.
- This is your principal GAP tool, and we ask you to start using it from the very first module. Make filling in your GAP Workbook a regular habit during the programme to ensure you capture your valuable learning and reflection in a format that is easy to return to and develop as you go along.

### To use the workbook, follow these simple steps:

- Do this now** – Download the template and save it in a handy place so you can easily return to it after every module
- After each module** – Each time you complete a module, open your GAP Workbook, click on the module link in the contents page to go to the relevant module questions and fill in your answers and notes. Then save your document.
- Throughout the programme** – Use your GAP Workbook as a reminder of your priorities when talking to colleagues about ideas from the programme, and to reflect on challenges and strategies you may want to discuss in your mentoring sessions.



# ACKNOWLEDGEMENTS AND CONFIDENTIALITY

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All materials have been produced for use in an education setting and participants are not permitted to reproduce the work for distribution to anyone beyond the cohort.

The models, exercises and ideas in this module are from a number of sources, which are identified on the individual slides or in the associated workbooks themselves.



# HELP TO GROW.

## MANAGEMENT COURSE

**Thank you for your attention and participation.**

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**These are additional examples to be used at the discretion of the facilitator**

## Differentiating an FMCG Offer

“Beautiful design and environmental responsibility are equally important when creating a product, and **we shouldn't have to trade functionality for sustainability**” says Tom Domen, Method's long term innovation manager.

“We are constantly evaluating and improving our products, which has resulted in **Cradle to Cradle GOLD certification of the majority of our cleaning portfolio**. We will continue to use these standards as part of our development process in offering a radically better product experience.”



Source: <https://www.naturalproductsonline.co.uk/news/company-news/method-range-gains-cradle-to-cradle-gold-mark/>

## Differentiating a Service Offer

**InkPact – B2B handwritten messaging and customer communications.**

Unusual business model where they have distributed ‘scribes’ working on a flexible gig-economy model.

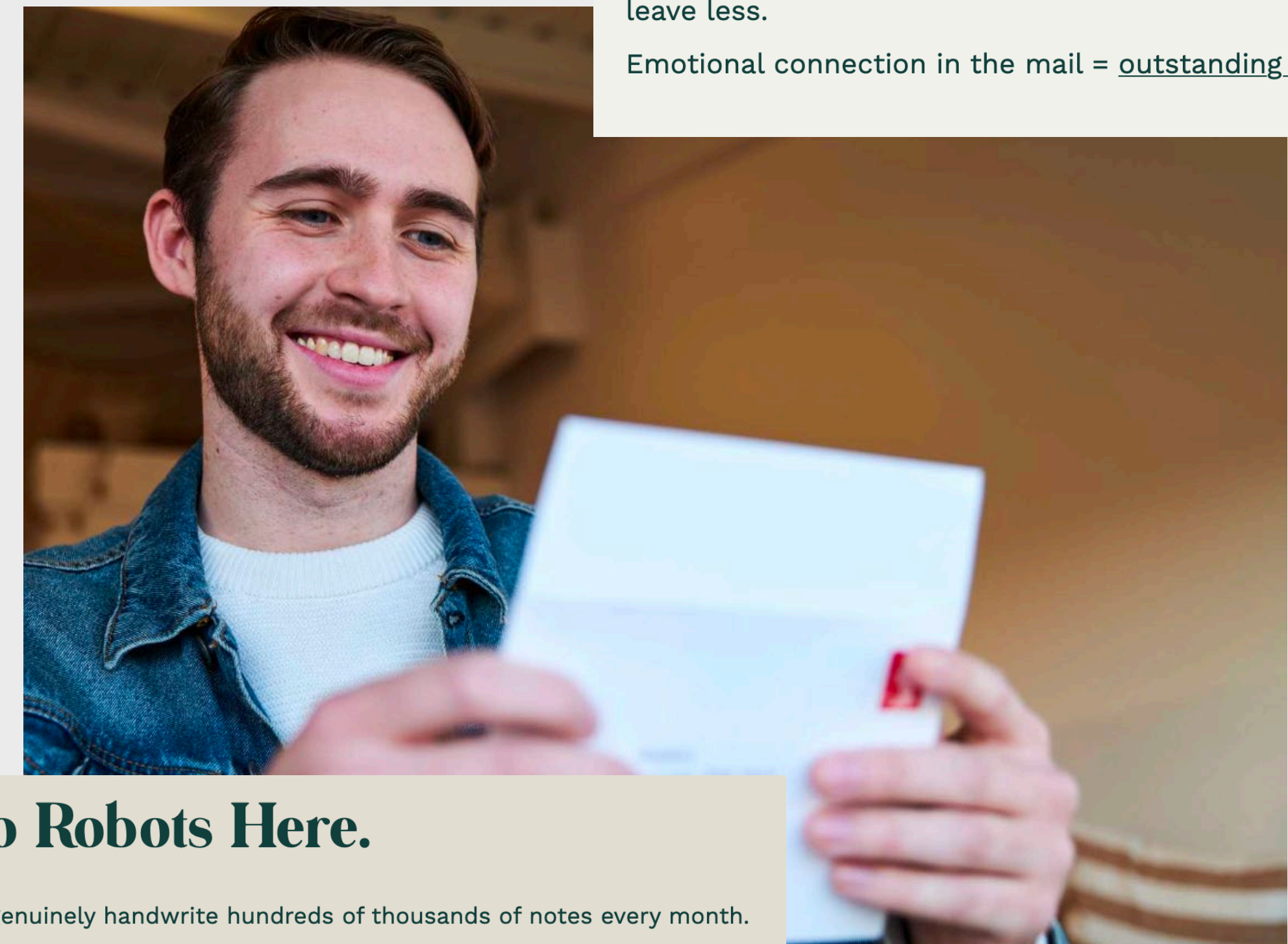
InkPact issues a job request to their network of scribes who can then offer to fulfil that brief – eg 120 x 75-word invitations and envelopes. Printed stationery is mailed to the scribe to write. InkPact quality-checks photos of the work before the scribe mails the copies directly to recipients

### Human Connection is the Future for Brand Loyalty.

We increase your first to second purchase rate by sending handwritten notes triggered across your customer journey.

Our clients have happy customers that spend more and leave less.

Emotional connection in the mail = outstanding results.



### No Robots Here.

We genuinely handwrite hundreds of thousands of notes every month.

700+ people in the UK/US form our Scribe Tribe. Single mothers, those recovering from cancer, affected by COVID, artists and teachers handwrite your cards, supporting their families and moving their lives forward.

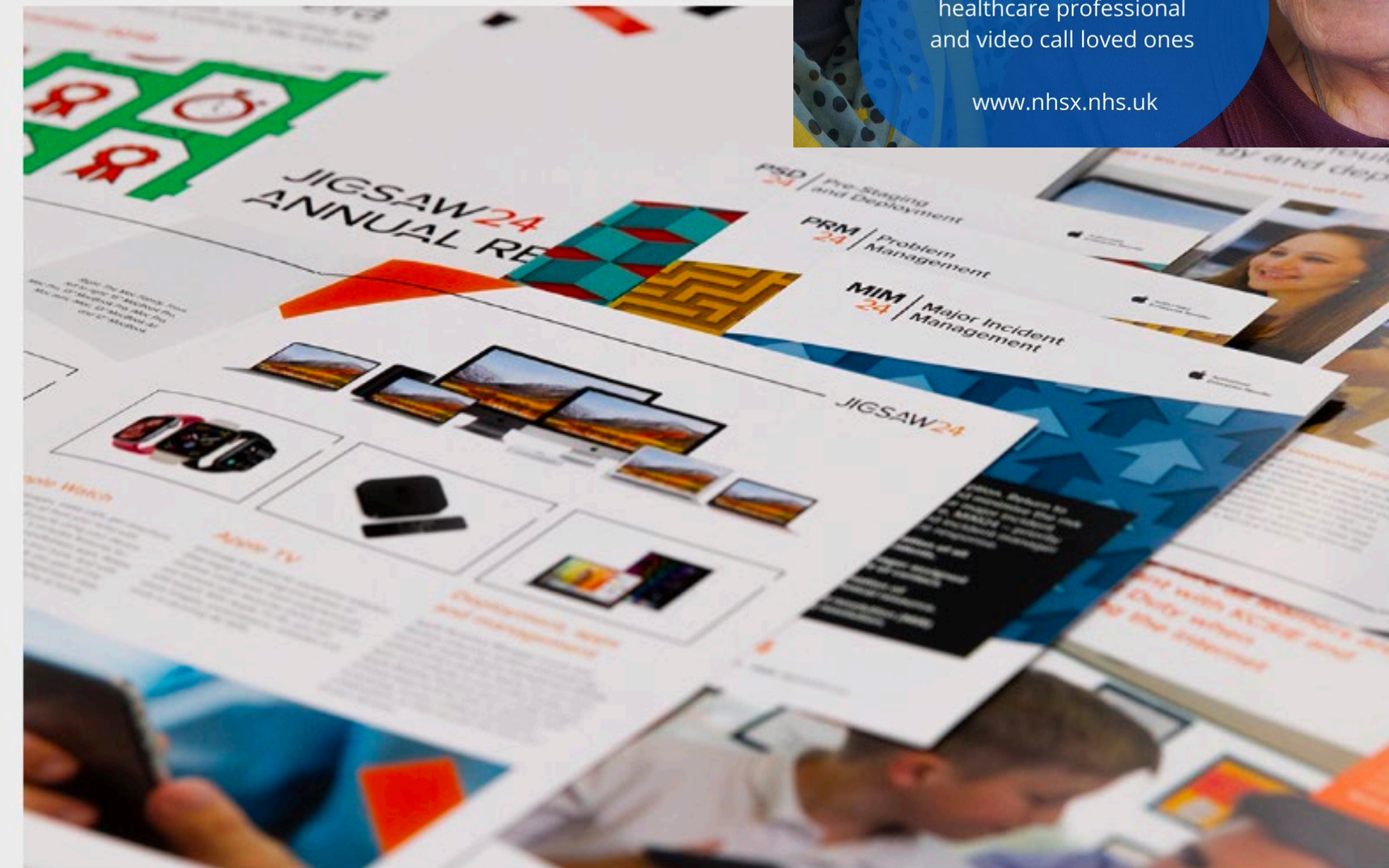
Image source: <https://www.inkpact.com>

## Differentiating a Service Offer

**Jigsaw24 and the NHS: B2B sale, but a clear focus on end-users (their customer's customer)**

- 24/7 technical support service wrapped around 11,000 ready-to-use iPads, provided in sanitised cases, to UK care-homes.
- Shipped each device with carefully made, step-by-step instruction packs, as well as pre-installed communication apps and remote administration capabilities.
- Enabled not just calls with family, but also remote GP and hospital consultations.

# JIGSAW24



Our solutions are built on a simple premise: end-user experiences should come first every time.

## Differentiating a Product Offer



Source: <https://www.festool.co.uk>