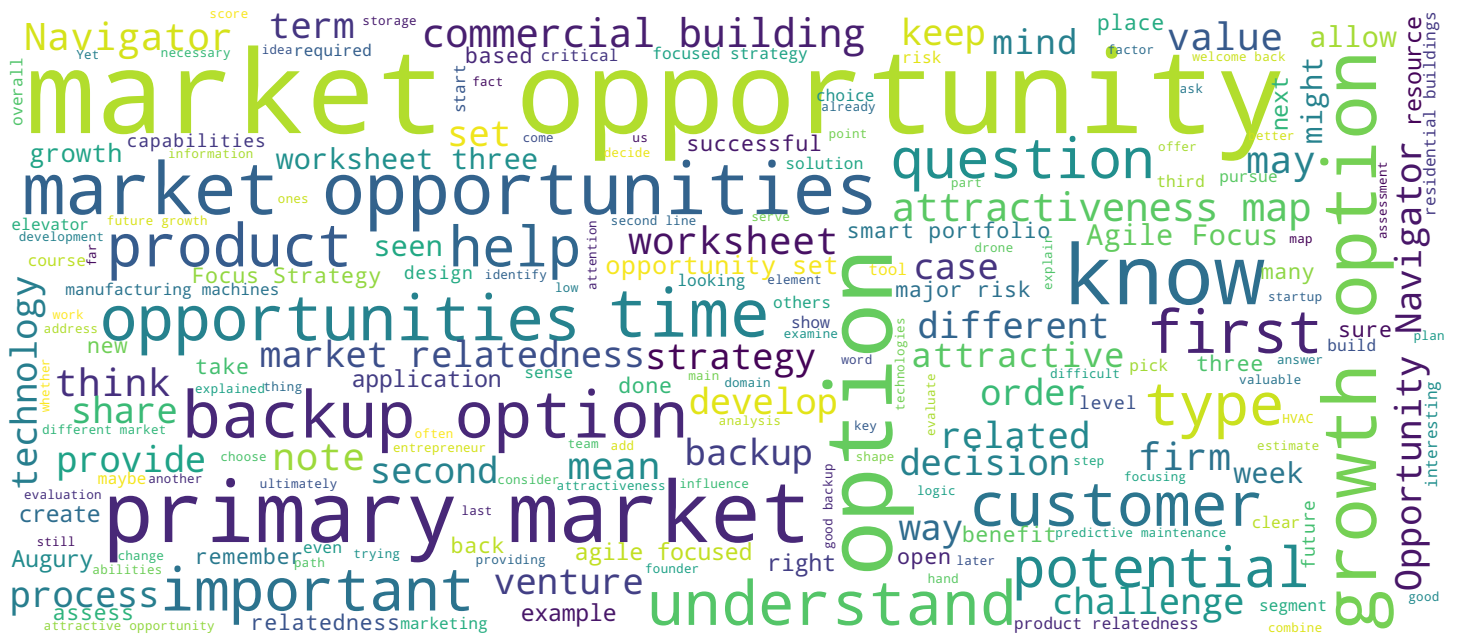


4.3 Designing a smart portfolio

Candidates for Backup and Growth Options



Re-cap: Backup and Growth Options

Backup Option

An attractive market opportunity that does not share the same major risks of your Primary Market Opportunity. It allows you to change direction over time, if necessary.



It answers the question:

If we are *not* successful - what shall we do next?

Growth Option

An attractive market opportunity that allows you to create additional value over time.



It answers the question:

If we are successful - what shall we do next?

Which markets to play in?

In order to design a truly smart portfolio of backup and growth options that provides you with superior agility in the startup or innovation process, it's critical to understand what are really good backup or and growth options for your venture. So just to recap a backup option is one that does not share the same major risks of your primary market opportunity why is this the case? Because; if you're primary market opportunity should not allow you to succeed you want to have an option that is not sharing the major risks with this opportunity, because otherwise the backup option would go up in dust as well with the primary market opportunity. So, you want to have one that has a backup option that does not share the major risks with the primary market opportunity. So, it answers the question if we are not successful what shall we do next? The growth optional contrary is an option that is an attractive growth option for your future, it'll answers the question if we are successful what shall we do next, or where shall we diversify into which market should we diversify next? Where are other growth options that allow you to reap even more benefits from our technological resources?

Notes

Summary

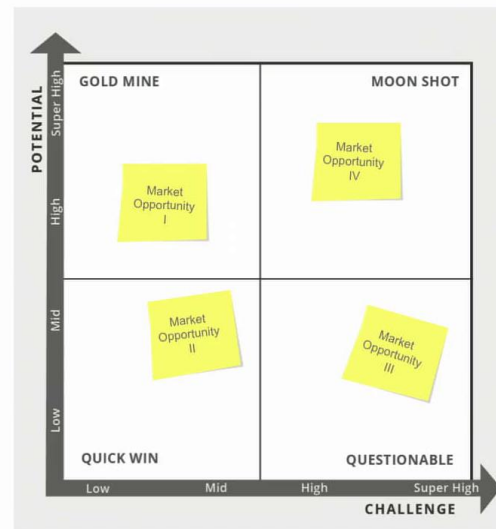


0m 05s

Examining Possible Backup and Growth Options

To identify possible candidates for your smart portfolio, go back to the Attractiveness Map and the evaluations you have done in Worksheet 2.

Pick other attractive market opportunities that you would like to consider in more detail as your candidates.



Which markets to play in?

To identify possible candidates for your smart portfolio i.e. the growth options and your backup options, you can go back to the attractiveness map and start from there this is providing you the attractiveness map is providing you with a very powerful tool, to see which options are available in store for you to pick as market opportunities for growth or for backup.

Notes

Summary



1m 25s

Examining Possible Backup and Growth Options

You can also consider additional market opportunities that originally were not placed in your set of options, but that now – after you have chosen your Primary Market Opportunity – appear to be interesting options as they are related to your main market.



Which markets to play in?

What is interesting is that you can also consider now other options that were not in your option set previously why? Because once you anchor this primary market opportunities other opportunist might become interesting candidates for backup of growth options, because they are related in terms of product market relatedness as I will explain in a minute. So, in a way by anchoring your primary market opportunity, you may look at the world with a different set of glasses and you say hey this type of market opportunity is now looking more attractive films could be a good option for backup, could be a good option for growth.

Notes

Summary



1m 50s

List your candidates in Worksheet 3

3

WORKSHEET 3

DESIGN YOUR AGILE FOCUS STRATEGY

NAME

DATE

Build an agile portfolio around your Primary Market Opportunity to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

Relatedness to your Primary Market Opportunity:

PRODUCT RELATEDNESS

To what extent do the products share: technological competences, required resources, necessary networks

MARKET RELATEDNESS

To what extent do the customers share: values and benefits, sales channels, word-of-mouth

Suitable as:

BACKUP OPTION

Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction

Backup

Backup

Backup

GROWTH OPTION

Attractive market opportunities that allow your business to create additional value

Growth

Growth

Growth

III. Keep at least one Backup Option and one Growth Option open.

You can decide to pursue some options now. Place the rest in storage

Pursue now

Keep open

Place in storage

Pursue now

Keep open

Place in storage

Pursue now

Keep open

Place in storage

Mark your strategy on the Agile Focus Dashboard.

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Which markets to play in?

You would then take the opportunities that you deem to be potential candidates for growth and backup options and note them in your worksheet three, in the second line, in a pretty straightforward manner. We've provided you with space for three of these options you can easily add a fourth and a fifth column, just do this in a very pragmatic way the worksheet should really serve you so do with it whatever you want, add a fourth column, add a fifth column. You might also do only make do with two options whatever you prefer you know? Three is a good number judging from our experience. Next, you would assess and that's the vital step in this worksheet you will assess product and market relatedness you know? How related are these options to your primary market opportunities.

Notes

Summary

2m 32s

4.3 - Building a smart portfolio

5 of 21

Assessing Relatedness to your Primary Opportunity



Relatedness of two market opportunities means that you can effectively leverage the resources, capabilities and relationships that you are developing for one opportunity for succeeding in the other.

The more related your options are to your Primary Market Opportunity, the less effort will be required to keep them open.

Which markets to play in?

So, why is it so important to have related market opportunities? Related less means that you can effectively leverage your resources, your capabilities, your networks, your relationship across the market opportunities... So, the ones that you develop for one opportunity can help you in succeeding with the others you know? So, an ultimately the more related your market opportunities are the less effort will be required to keep them open.

Notes

Summary



3m 25s

Assessing Relatedness to your Primary Opportunity



Two types of relatedness need to be examined:

Product Relatedness is the extent to which the *development* of the two products requires similar resources and capabilities.

Market Relatedness is the extent to which the *marketing and distribution* of the two products requires similar resources and capabilities.

Which markets to play in?

So, in order to assess the relatedness of your option to your primary market opportunity, you want to keep in mind two important dimensions the first one is product relatedness, which means the extent to which the development of the two products that you further to markets that you have in mind here, require similar resources and capabilities. The second dimension is market relatedness, which is the extent to which the marketing and the distribution of the two products requires similar resources and capability. So, big picture we look at relatedness in terms of the development of your product and in the distribution and marketing of your product but what does this mean in detail?

Notes

Summary

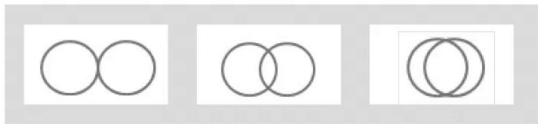


3m 52s

Assessing Market Relatedness

To what extent do the customers share...

- ✓ Values and benefits? (i.e., you can leverage your brand and reputation from one market to the other)
- ✓ Sales channels? (i.e., you can utilize the same distribution channels for both markets)
- ✓ Word of mouth? (i.e., satisfied customers in one market can promote your product in the other)



markets to play in?

Assessing product relatedness can be accomplished along a couple of dimensions questions that you might ask are do the products that we want to develop for the two different markets share technological competencies? The functions and the features of the products do they rely on similar types of technological developments? It's all about required resources that may or may not be shared, it's about your employees, manufacturing equipment and intellectual property etc, and it's about the level in which these two types of products share actually necessary networks of suppliers, partners other members of the value chain. You would then note the level of relatedness down here with these circles you know? To the left as it's obvious here they are pretty unrelated, some relatedness and strong relatedness to the right here. The same logic then applies to market relatedness as well you see market relations again depicted here with three circles, in order to understand how related your markets are, you can ask you know do the customers in these two different markets share values and benefits? Can you leverage your brand and reputation from one market to the other?

Notes

Summary

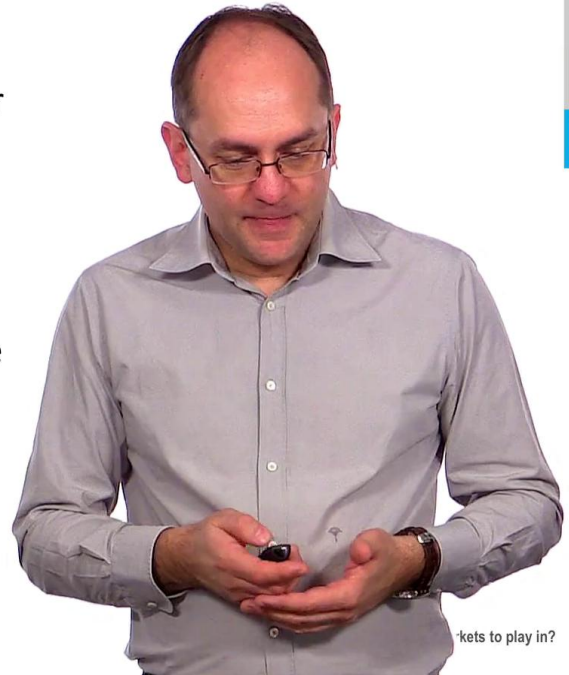
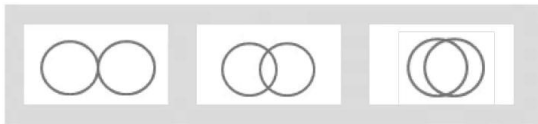


4m 37s

Assessing Market Relatedness

To what extent do the customers share...

- ✓ Values and benefits? (i.e., you can leverage your brand and reputation from one market to the other)
- ✓ Sales channels? (i.e., you can utilize the same distribution channels for both markets)
- ✓ Word of mouth? (i.e., satisfied customers in one market can promote your product in the other)



markets to play in?

Maybe they share sales channels maybe not know, the question you can ask is can you rule utilize the same distribution channels for both markets? Of course, it's easier if you have the same distribution channels for both markets, and thirdly do they share word-of-mouth? Because if these customer segments talk to each other, satisfied customers from one segment can actually have a good halo effect on customers in the other segment okay? So in that sense, one promotion activity cross fertilizes the other promotion activity and that saves resources evidently.

Notes

Summary



5m 57s

Mark the relatedness level on Worksheet 3

WORKSHEET 3 DESIGN YOUR AGILE FOCUS STRATEGY

NAME _____ DATE _____

Build an agile portfolio around your Primary Market Opportunity to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

Relatedness to your Primary Market Opportunity:			
PRODUCT RELATEDNESS To what extent do the products share: technological competences, required resources, necessary networks			
MARKET RELATEDNESS To what extent do the customers share: values and benefits, sales channels, word-of-mouth			
Suitable as: BACKUP OPTION Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction	☐ Backup	☐ Backup	☐ Backup
GROWTH OPTION Attractive market opportunities that allow your business to create additional value	☐ Growth	☐ Growth	☐ Growth

III. Keep at least one Backup Option and one Growth Option open.
You can decide to pursue some options now. Place the rest in storage

Pursue now	Keep open	Place in storage	Pursue now
Keep open	Place in storage	Pursue now	Keep open
Place in storage	Pursue now	Keep open	Place in storage

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Which markets to play in?

All these things considers you can then note the type of market relatedness that your observing in terms of the two markets that you're focusing on, and you note all of this information in again in worksheet three, and just to give you the overall logic, you had your primary market opportunity noted up there. Your second one on the second line, you note your potential growth and backup options and then in the third line that is highlight, and third and fourth line I should say that is highlighted here with the blue margin, you would note the type of product relatedness on the type of market relatedness you have been able to assess. Again, related between the primary market opportunity and the individual growth option that you are looking at here okay?

Notes

Summary



Back to Augury



MACHINES TALK, WE LISTEN.

So, this is actually a pretty straightforward step and actually one that is a lot of fun, let's look at what Augury, Sol and Gal have done in terms of assessing the product and the market relatedness, of their options relative to their primary market opportunity.

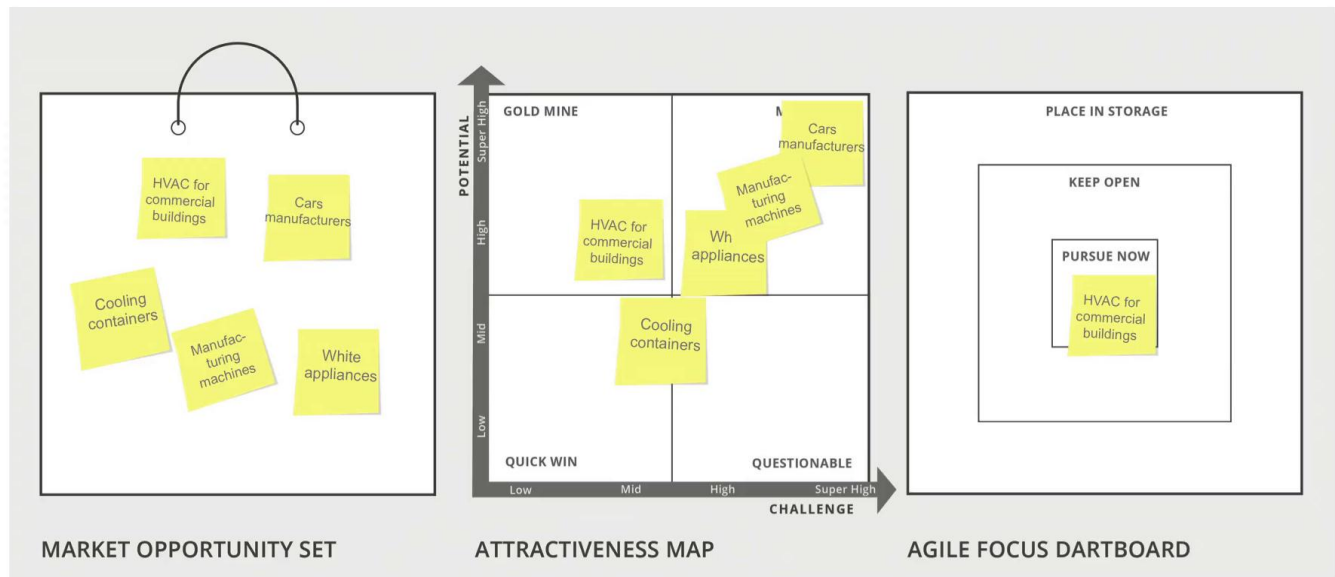
Notes

Summary



7m 26s

Augury's Primary Market Opportunity



Which markets to play in?

So, as you remember Augury chose the HVAC the heating ventilation air conditioning for commercial buildings as their primary market opportunity, the question now is what type of backup and growth options would create an interesting smart portfolio for Augury?

Notes

Summary



7m 42s

ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE



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- Notes

[illegible]



Summary



Augury's candidates for Backup and Growth

WORKSHEET 3

DESIGN YOUR AGILE FOCUS STRATEGY

NAME

Augury

DATE

Build an agile portfolio around your Primary Market Opportunity to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

HVAC for commercial buildings

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

HVAC for residential buildings

Elevators for commercial buildings

Manufacturing machines

Relatedness to your Primary Market Opportunity: PRODUCT RELATEDNESS To what extent do the products share: technological competences, required resources, necessary networks MARKET RELATEDNESS To what extent do the customers share: values and benefits, sales channels, word-of-mouth Suitable as: BACKUP OPTION Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction GROWTH OPTION Attractive market opportunities that allow your business to create additional value	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ☐ Backup ☐ Growth	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ☐ Backup ☐ Growth	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ☐ Backup ☐ Growth
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III. Keep at least one Backup Option and one Growth Option open.

You can decide to pursue some options now. Place the rest in storage

Pursue now

Keep open

Place in storage

Pursue now

Keep open

Place in storage

Pursue now

Keep open

Place in storage

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Which markets to play in?

These opportunities in other words are clear related to the firm's primary focus which is by the way similar to what Jeffrey more have suggested with this bowling pill model a somewhat of you might remember, residential houses do not necessarily rely on the same service providers so word-of-mouth and marketing will definitely cry the additional effort. So, when we looked at the assessment of residential buildings for HVAC product relatedness was high HVAC for residential commercial buildings is fairly similar, but market relatedness was lower. When you look at elevators it's the opposite picture, the opposite pattern that emerges elevators for commercial buildings were just the opposite in the sense, that product shared some similarities but also required additional abilities, and had to comply with specific regulations. Yet the markets were tightly related because; it would be the same users who would use both types of products, and finally as for manufacturing machines these were only somewhat related on both aspects.

Notes

Summary



Which Opportunities are suitable as Backup Options?



Use the Attractiveness Map and the evaluations you have done in Worksheet 2 to think about the major risks and potential show stoppers associated with your Primary Market Opportunity, and compare them to those of your other options.

Which markets to play in?

Once this was understood it became more apparent which opportunities can be future growth and which can be future back up options for redirection or growth if necessary. So, let's recall what a backup option actually is; it's an attractive opportunity, it's one that is really very related to your primary market opportunity, but it's also one where we do not share major risks or major key assumptions with your primary market opportunity. You see the logic in there I've explained it before but you know the stuff that can be a showstopper for your primary market opportunity, should not be a showstopper automatically for your backup option, otherwise it doesn't make sense to have a backup option. So, when you look at your attractiveness map you can assess risks and potential source stoppers for your primary market opportunity, and then see which other options do not share this major risk of these potential showstoppers, in order to understand what a good backup option would be. Second in terms of the growth options you want to pick an option that is very attractive, that is highly related so that growth can be accomplished with as little effort as possible you know?

Notes

Summary



10m 11s

Growth and Backup Options?



Sometimes, an opportunity can serve as your backup option and also as your growth option.

This is the case if your Market Opportunity Set includes an attractive opportunity that is highly related to your primary market opportunity, but does not share the same major risks with it.

Which markets to play in?

And think about these growth options that can unfold, if there is high relatedness and that attractive opportunity. This is obviously a candidate that is almost ready for future growth for your firm there are also cases where you combine, where you have a backup option that is also a growth option that can be seen as both. This is the case when your market opportunity set includes an attractive opportunity that is highly related to your primary market opportunity, but does not share a lot of risk or does not share a showstopper with this primary market opportunity. In that case this can be either a backup or a growth option, which is a nice feature to have in your smart portfolio as well.

Notes

Summary



11m 29s

Mark your options as suitable for Backup or Growth

WORKSHEET 3
DESIGN YOUR AGILE FOCUS STRATEGY

NAME _____ DATE _____

Build an agile portfolio around your Primary Market Opportunity to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

Relatedness to your Primary Market Opportunity:			
PRODUCT RELATEDNESS To what extent do the products share: technological competences, required resources, necessary networks			
MARKET RELATEDNESS To what extent do the customers share: values and benefits, sales channels, word-of-mouth			
Suitable as: BACKUP OPTION Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction	☐ Backup	☐ Backup	☐ Backup
GROWTH OPTION Attractive market opportunities that allow your business to create additional value	☐ Growth	☐ Growth	☐ Growth

III. Keep at least one Backup Option and one Growth Option open.
You can decide to pursue some options now. Place the rest in storage

	Pursue now	Keep open	Place in storage

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Which markets to play in?

So, once you're done with this assessment you mark your options as either backup or growth options in the respective fields on worksheet three.

Notes

Summary

12m 16s



Back to Augury



MACHINES TALK, WE LISTEN.

To give you a more intuitive understanding of what this means let's look again at our friends from Augury machines, talk we listen is the motto as you remember, and here is their worksheet as it is filled out so far.

Notes

Summary



12m 26s

Augury's candidates for Backup and Growth

WORKSHEET 3 DESIGN YOUR AGILE FOCUS STRATEGY NAME: Augury DATE: _____

Build an agile portfolio around your Primary Market Opportunity to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

Relatedness to your Primary Market Opportunity:

PRODUCT RELATEDNESS
To what extent do the products share: technological competences, required resources, necessary networks

MARKET RELATEDNESS
To what extent do the customers share: values and benefits, sales channels, word-of-mouth

Suitable as:

BACKUP OPTION
Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction

GROWTH OPTION
Attractive market opportunities that allow your business to create additional value

III. Keep at least one Backup Option and one Growth Option open.
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	HVAC for commercial buildings	HVAC for residential buildings	Elevators for commercial buildings	Manufacturing machines
Product Relatedness	○○○	○○○	○○○	○○○
Market Relatedness	○○○	○○○	○○○	○○○
Backup Option	☐ Backup	☐ Backup	☐ Backup	☐ Backup
Growth Option	☒ Growth	☒ Growth	☒ Growth	☐ Growth
Action	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage

Which markets to play in?

The next step will be to understand as its evident here what are good backup options and what are good growth options for Augury? Based on what they have seen here as potential backup and growth options. For Augury it became apparent that the residential HVAC option and the elevators for commercial building options can be good growth opportunities, once they were successful in pursuing primary market opportunities. So, the first ones to the left HVAC for residential buildings and elevators for commercial buildings they are great growth options once they are successful in the primary market opportunity okay? Yet the main risk that their primary market opportunity has facing is that; the value of the solution is not so clear enough to customers, as they will first have to be educated about the product and its performance benefits you know? Now, if this would eventually hinder success Augury needs to change directions offer predictive maintenance solutions for manufacturing machines, where their value is more critical you know? So, manufacturing machines can, therefore, serve as an important backup option for Augury.

Notes

Summary



12m 40s

Augury's candidates for Backup and Growth

WORKSHEET 3 DESIGN YOUR AGILE FOCUS STRATEGY NAME: Augury DATE: _____

Build an agile portfolio around your Primary Market Opportunity to to mitigate your risk and increase your value with minimum effort

I. Choose a Primary Market Opportunity to focus on (based on the Attractiveness Map)

II. Pick other attractive market opportunities from your set, to examine possible Backup and Growth Options

	HVAC for commercial buildings	HVAC for residential buildings	Elevators for commercial buildings	Manufacturing machines
Relatedness to your Primary Market Opportunity:				
PRODUCT RELATEDNESS To what extent do the products share: technological competences, required resources, necessary networks				
MARKET RELATEDNESS To what extent do the customers share: values and benefits, sales channels, word-of-mouth				
Suitable as:				
BACKUP OPTION Attractive market opportunities that do not share major risks with your Primary Market Opportunity to allow for a change in direction	☐ Backup	☐ Backup	☐ Backup	☒ Backup
GROWTH OPTION Attractive market opportunities that allow your business to create additional value	☒ Growth	☒ Growth	☒ Growth	☐ Growth
III. Keep at least one Backup Option and one Growth Option open. You can decide to pursue some options now. Place the rest in storage	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage	Pursue now Keep open Place in storage

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Which markets to play in?

So, we note this over here and when you look at this picture by itself it's already, providing you some interesting indication about the value that our smart and agile focused strategy has. It shows you what other opportunities out there for growing beyond your first market, but it also gives you this intuitive understanding of well what else could we do in case the primary market opportunity does not materialize, does not lead to a fruitful outcome? These are two very important contingency and growth plans that a good entrepreneur innovator should have in mind when designing their market entry strategy.

Notes

Summary





Next, we will show
you how to decide
which options
to pursue now,
keep open,
or place in
storage,
in order to design
a winning strategy

Which markets to play in?

So, as the final step in worksheet three we still have to decide when to execute on these options you know? Maybe you pursued them now, maybe you keep them open for later, or you place them in storage you know? So, this will be discussed and explained to you in the next segment.

Notes

Summary



14m 40s