

4.3 Designing a smart portfolio

Allocating your resources among options



EPFL

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Video



Finalizing your Agile Focus Strategy



After you have chosen your Primary Market Opportunity, and have assessed several backup and growth options, it is time to finalize your **Agile Focus Strategy**.

Two decisions are still required:



Which of the assessed market opportunities will eventually serve as your Backup option and as your Growth option?



How much effort are you planning to invest in these options in the near future?

Which markets to play in?

We are almost done with designing a job focused strategy. So there are two more questions that you still want to address. First you need to ask yourself which of the assess market opportunities will eventually serve as a your backup option, or as your growth option know so it's a question of backup versus growth, and the other one is how much effort are you planning to invest in these options in the near future? So, it's more of a timing and resource intensity question you know?

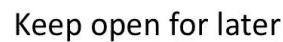
Notes

Summary



0m 05s

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- Notes

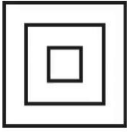
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Summary





Finalizing your Agile Focus Strategy



Combining all of these important considerations will enable you to do exactly what the Agile Focus Strategy is all about: focus on the most attractive market opportunity while maintaining your agility!



Which markets to play in?

When you combine these important elements put them all together, this will enable you to do what the agile focused area strategy is designed to do. It will keep you focused on the most attractive market, while also remaining agile because; you have these other options in play so to decide a compelling market opportunity strategy and agile focus strategy.

Notes

Summary



1m 18s

Choosing your Backup and Growth Options



Backup Option:

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

Growth Option

If we are successful - what shall we do next?

To design a compelling strategy, pick at least one backup option and one growth option.

It will help you to prepare for an uncertain future!

Which markets to play in?

You should at least pick one backup option and one growth option, one backup option why because if your preferred plan the primary market opportunity should not work out, you want to have a plan "B" in place. But you also want to see and show others to others that you are not a one-trick pony, but you have these other growth options in the future so and having at least one additional growth option is a good recommendation as well. So, keep in mind you want to have one primary market opportunity, and at least one growth option and one backup option in play as well in your agile focused strategy.

Notes

Summary



1m 41s

Choosing your Backup and Growth Options



If you have several candidates, choosing your Backup and your Growth options may not be straightforward due to two widespread trade-offs:

Attractiveness vs. relatedness

Relatedness vs. risk balancing

Which markets to play in?

If you have several candidates as backup and growth options the decision what is the growth, and what is a good backup option is maybe not so straightforward, there are two recurring trade-off that we have been seeing when working with entrepreneurs and innovators one is an attractiveness versus relatedness trade-off. Meaning that some options have high attractiveness by themselves but they are unrelated to your, or largely unrelated to your primary market opportunity. So, that is not a good situation to start off as well. There's a second trade-off that we see often times which is a trade-off that is between relatedness and risk balancing options. That are closely related highly attractive to your primary market opportunity are often options that are also sharing, a lot of risk with your parameter more primary market opportunity. So they are not good candidates for risk balancing either you know so you want when you're assessing your options for growth, and for backup you want to keep these two considerations in mind. Look closely at the risks at the attractiveness and the relatedness, try to understand how these options in the portfolio are scoring on each of these dimensions, that's ultimately the value of having a portfolio view of options are not only having one option in your purview.

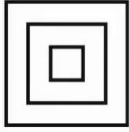
Notes

Summary



2m 21s

Investing in your Backup and Growth Options



The Agile Focus Strategy, which is built on real options reasoning, suggests that you keep your backup and growth options open.

You will be better prepared to pursue them later on.



Which markets to play in?



So, the agile focused strategy as you remember it's built on the logic of real options reasoning, that means you keep some backup options and some growth options open you know? As I said at least one growth option and one backup option, when you do this you will be better prepared for pursuing them later on.

Notes

Summary



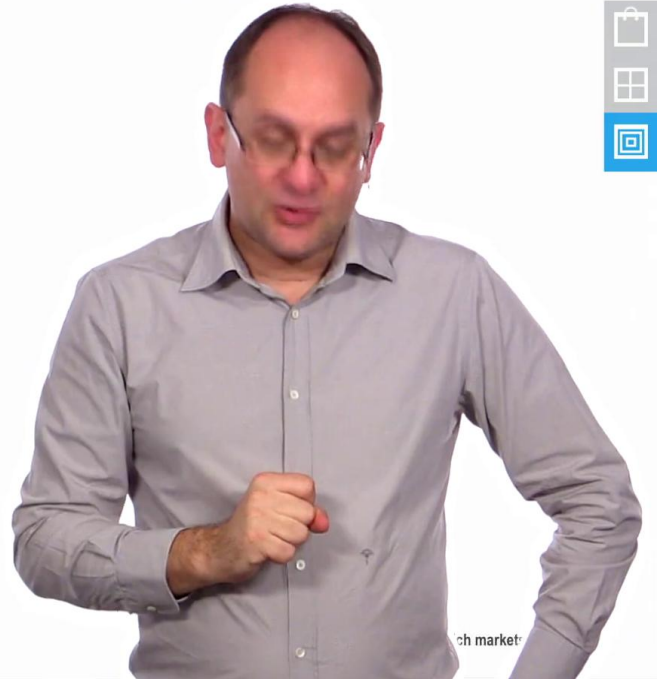
3m 47s

Keeping options open

Allocate little resources and attention to keep this opportunity 'breathing', and not to lock yourself out of it:

- ✓ Stay informed
- ✓ Build flexible resources and capabilities
- ✓ Develop an appropriate identity

These relatively low investments will make your firm more robust to change, without compromising the pursuit of your Primary Market Opportunity.



What does it actually mean to keep your options open? It means you invest a little you know to understand whether this market opportunity that you have identified, is actually one that maintains or maybe even improves or deteriorates over time you know so it's about staying informed, reading the news, reading the internet, trying to understand competitive moved in this market domain, trying to see really how it progresses over time. That's the little investment terms of attention you also can build today resources that are more flexible, so that ultimately you it's easier for you to enter this market domains and this is also quite an interesting dimension, because there's a lot of activities well that with some foresight you can do today that will enable you to be much more agile in the future, and third you can develop also an appropriate identity we talked about this, about choosing a brand name, choosing an organizational identity, developing an organization identity that actually matches not only this one market but could match multiple markets over time as well. So, ultimately what this leads to is a more robust firm in case change is needed there are little investments that you do that will create a more robust firm, without compromising the pursuit of your primary market opportunities.

Notes

Summary



4m 08s

Keeping options open

Allocate little resources and attention to keep this opportunity 'breathing', and not to lock yourself out of it:

- ✓ Stay informed
- ✓ Build flexible resources and capabilities
- ✓ Develop an appropriate identity

These relatively low investments will make your firm more robust to change, without compromising the pursuit of your Primary Market Opportunity.



Which markets to play in?

So, in a way it's everything gained, hardly anything lost or nothing lost by developing an agile focused strategy compared to a laser sharp focus strategy, and that's why it's so superior to having laser sharp focus strategy.

Notes

Summary



5m 32s

Pursue options now, in parallel

Allocate your resources and attention to pursue both markets simultaneously and to develop the required skills and expertise for succeeding in both.

Two major considerations should guide your decision:

- ✓ How critical is this option to your venture's performance?
- ✓ How related is this option to your Primary Market Opportunity?



Which markets to play in?

So far, we have talked about keeping your options open but there's another decision that you could take, that you are actually exploring one market domain in parallel with your primary market domain. Also you're picking for instance the growth option and pursue this growth option in parallel to your primary market domain, as I also mentioned previously this is a tricky type of decision and very delicate one, because; once you pursue two markets in parallel what does this mean? It means that you potentially spread your resources very thinly you know? So, one element that you need to consider is of course relatedness of these markets you know, how many resources capabilities network can be shared across these markets? If the relatedness is high parallel entry is much much easier and, then if of course resources capabilities and networks are not related or hardly related, because; you have to develop them and new in that case, and second what you want to consider as well what is listed here is whether you want to have whether you need this market opportunity as an additional growth option.

Notes

Summary



5m 47s

Pursue options in parallel- Example



Which markets to play in?

You have one market opportunity by itself might not be sufficient; you need to have a second one in place to reach a certain performance level. So, both considerations should play a role but I want to have a warning signal, that you should not take this decision too easily, too lightly make sure that these markets are related, because; otherwise you are just run the risk of spreading yourself too thinly across market opportunities. As an interesting example of such a parallel strategy consider Camaro, Camaro is a world-leading provider and a pioneer of through-wall imaging solutions, yes you heard it right through wall imaging solutions that kind of a cool technology. Specific Camaros products provide real-time observation of stationary and moving objects conceived behind walls or barriers, this revolutionary solution is suitable for intelligence and technical applications you know you might guess already the market opportunities that arise here.

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Summary



6m 57s

Pursue options in parallel- Example



Which markets to play in?

It's both with the military and the police markets while both of these markets have large potential, the main challenge for Camaro lays accessing these customers, and bearing the very long and complex sales processes you know? So, in order to balance this risk and address, it Camaros managers decided to pursue these two markets simultaneously and as you remember from our discussion that we just had, this simultaneous pursuit only makes sense if there's strong relatedness between these two markets, between this option and the primary market opportunity, and this is actually the case with the military and the police markets. The products, these markets required and these customers in the markets required were quite similar the markets were tightly rated as they were both drawing on government budgets, sharing the same values and also benefiting from word-of-mouth. So, this tight relatedness actually enabled camero, to pursue this parallel strategy and reap even greater benefit from their technological invention.

Notes

Summary



8m 01s

A middle-aged man with glasses and a light blue button-down shirt is speaking. He is gesturing with his right hand. The background is white. In the bottom right corner, there is a small text overlay: "markets to play".

markets to play in?

- Notes

Summary





Placing options in storage

Do nothing about them, for now, only keep them in the back of your mind:

- ✓ These options can become relevant someday, either for you to pursue, or for licensing to others
- ✓ Luckily, you do not need to pay storage rent, so market opportunities can be stored as long as you wish



1 markets to play in?

We would say, “No!” because; you can still place them in what we call in storage, placing and storage means that you keep these options alive, you don't invest any effort, you don't invest any resources in keeping them alive, but you just keep them in storage and you might want to revisit them further, because they could become valuable at some other point. The good thing is that you are not paying any storage rent, they just can be there you place them on your post-it note, put them on your agile focused dartboard, they are there as a reminder that you identified them once, but you don't have to do anything about them. In case at some point you want to revisit them and invest a little effort, mainly attention investigation into them feel free to do so, but at the moment put them in storage.

Notes

Summary



9m 26s

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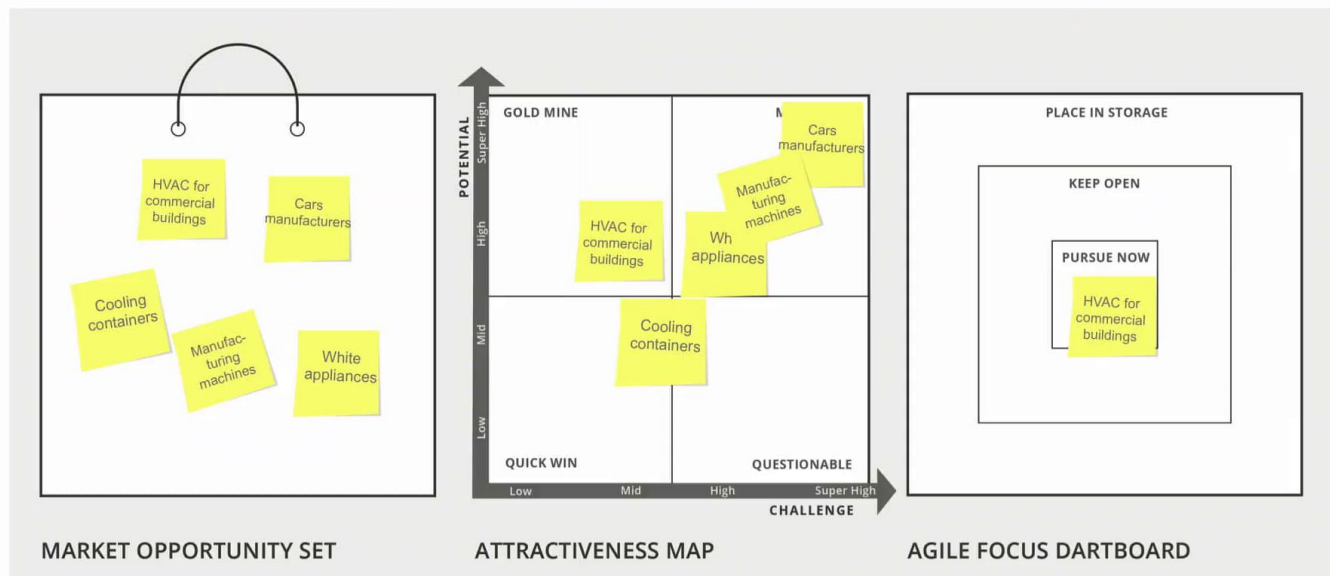
- Notes

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Summary



Augury's Primary Market Opportunity



Which markets to play in?

Let's turn to our friends and Augury to understand what they have done, their market opportunity navigator looks like that for now, we've discussed that the primary market opportunity that they want to focus on is HVAC for commercial buildings. You see that opportunity nail down here in the middle of the agile focused dartboard and we have gone up to almost the endpoint of their works at 3, where they have just now decided upon what growth options and what backup options they want to designate for their smart and agile focused strategy.

Notes

Summary



10m 47s

Augury's Backup and Growth options

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

Mark your strategy on the Agile Focus Dashboard.

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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
Strategy	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 last line needs still to be filled in you know which type of options do they want to pursue now? Which ones do they want to keep open? And which ones do they place in storage you know? So, when Augury were embarking on the very first steps in the market domain, they consciously decided actually to keep both of their growth options open as well as the backup option. So, what they did is to keep all three open because they figure that as they get more acquainted with commercial building managers, and service providers they will be able to better assess these options over time. So, when that time comes they would be ready for adaptation or change they also decided to place in storage all the other market opportunities, that they had in their set as they were currently too far out from their chosen direction.

Notes

Summary



Summary



Worksheet 3 guides you step-by-step on how to build a smart portfolio of Backup and Growth options around your primary Market Opportunity...in order to design a winning strategy.

You are now ready to depict your strategy on the Agile Focus Dartboard!

Which markets to play in?

And also they would put everything else they have seen into the outer part of the dark part, in some worksheet 3 really provides a simple and intuitive way to assess your market opportunities, your options and design and agile focused strategy, what I want to show you next is how you move from worksheet 3 to your dartboard to the agile dartboard in the market opportunity navigator.

Notes

Summary



12m 08s