

You're holding a guide to the world's best business models.
Use it to inspire your own portfolio of new ideas and reinventions.
Design a culture of innovation and transformation to become...

The Invincible Company

strategyzer.com/invincible

Written by

Alex Osterwalder
Yves Pigneur
Fred Etienne
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Designed by

Chris White
Trish Papadakis

WILEY



Strategyzer
Series

This book integrates with
Business Model Generation,
Value Proposition Design,
& Testing Business Ideas
International Bestsellers
40+ Languages

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Thanks,
Alex, Alan, Yves, Fred, Lucy, Chris & Trish

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The Invincible Company

An organization that constantly reinvents itself before it becomes obsolete. The Invincible Company explores the future, while excelling at exploiting the present. It cultivates an innovation and execution culture that live in harmony under the same roof. It competes on superior business models and transcends traditional industry boundaries.



**How to become
an Invincible Company...**



Constantly Reinvent Yourself

To stay ahead of everybody else and beat disruption you need to constantly reinvent yourself. Business Models expire faster than ever before and you don't want to become obsolete alongside their decline. Competition increasingly comes from unexpected places like insurgent startups in addition to traditional incumbent rivals. Invincible Companies constantly reinvent who they are and where and how they compete in order to stay relevant and ahead.

Discover how to manage and improve what you have and simultaneously explore the future with business model portfolios.

Design, implement, and manage an innovation culture to constantly feed your innovation funnel and stay relevant.

Compete on Superior Business Models

It is increasingly a rat race to compete on new products, services, price and technologies alone. Leave competitors behind and maximize market opportunities, new customer needs and emerging technologies by embedding them in superior business models. Design, test, and build superior business models that disrupt others and are hard to disrupt.

Discover how to design, test, and manage superior business models.

Apply business model patterns to make the best out of market opportunities, new technologies, and product and service innovations.

Transcend Industry Boundaries

The most successful organizations aren't confined by industry boundaries or industry forces. In fact, they often crush industry boundaries and disrupt others. Their business model or portfolio of businesses is not the result of the area they work in, it comes from an organization that constantly explores new ways to create value around market opportunities.

Discover how to create and manage an ambidextrous organization that is capable of improving your core business and exploring completely new opportunities beyond traditional industry boundaries.

Learn how Chinese Ping An evolved from a traditional banking and insurance conglomerate to a technology group that competes in five distinct arenas and became one of the world's largest companies.

A dramatic sky with a bright yellow sun in the upper right corner. The sky is filled with large, billowing clouds in shades of orange, red, and purple, suggesting a sunset or sunrise. The overall tone is warm and intense.

...and create more value



For Society

Small and large companies that constantly reinvent themselves have an enormously positive impact on society. They provide economic growth and potentially game-changing innovations. The best of them put environmental and societal impact at the center of their endeavors to change the world for the better. On the other hand, the decline or death of companies can be devastating for cities and entire regions that will suffer from economic decline.

For Customers

Companies that constantly innovate and explore new business models, constantly create new and better value propositions at more attractive prices. Some innovations may be banal and just lead to more consumption. Yet, many will create substantial value for customers in the form of convenience, entertainment, wellbeing, and fulfillment.

For the Team

Invincible companies thrive over centuries and provide long term job security, while others that fail to reinvent themselves have to let go of thousands of employees. Invincible companies provide a home for execution and innovation talent alike and they feature world class organizational structures and processes that are fit for the challenges of the 21st century.

For Owners

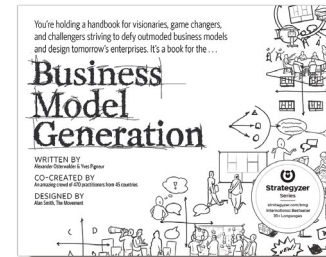
Owners of Invincible Companies benefit from long term growth, reduced disruption risk, and the attraction of world class execution and innovation talent. Invincible Companies thrive over the long term, because they harvest the fruits of managing the present, while already sowing the seeds for tomorrow's business. Their ability to exploit and explore simultaneously substantially reduces the risk of disruption and obsolescence and attract the best talent.

From Business Model Generation to Invincible Company

The Invincible Company is the fourth in the series of Strategyzer books. It complements the previous books and addresses a number of jobs-to-be-done for innovation teams, entrepreneurs, and senior leaders who manage entire organizations.

The new content is based on what we've learned from working with leading organizations around the world and from studying the world's few Invincible Companies.

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	Job-to-be-Done	Key question	Key Tool and Process	Books
Innovate and Design <i>Invent and Improve</i>	Map your business, idea, or innovation	how do you create sustainable profits and value for your organization?	Business Model Canvas (BMC) or Mission Model Canvas (MMC)	Business Model Generation (2009)
	Map your product and service	how do you create value for your customers?	Value Proposition Canvas (VPC)	Value Proposition Design (2014)
	Maximize opportunities and compete on business models	How do I maximize opportunities and improve my business with the best business model design?	Business Model Patterns (invent patterns and shift patterns)	The Invincible Company (2020), Business Model Generation (2009)
Test and De-Risk	Test and de-risk your idea	How do you reduce the risk of pursuing a business idea that won't work?	Customer Development (Steve Blank) and Agile Engineering / Lean Startup (Eric Ries), Test Card, Learning Card	The Startup Owner's Manual (Steve Blank, 2012), Lean Startup (Eric Ries, 2011), Value Proposition Design (2014)
	Pick the right experiments to test your idea	What are the most appropriate experiments to test and de-risk your ideas?	Experiment Library	Testing Business Ideas (2019)
	Measure the reduction of risk and uncertainty	Am I making progress from idea to realistic business model?	Strategyzer Innovation Metrics	The Invincible Company (2020)
Design Innovation Culture and Manage Portfolio	Stay ahead of competition and become invincible	How do you prevent disruption and constantly reinvent yourself?	Portfolio Map, Portfolio Actions	The Invincible Company (2020)
	Create an (innovation) culture	How do you design, test, and manage an innovation culture?	Culture Map (CM), Innovation Culture Assessment	The Invincible Company (2020)
	Invest in the best ideas	Which ideas and teams should I invest in?	Strategyzer Growth Funnel (SGF), Innovation Project Scorecard (IPS)	The Invincible Company (2020)
	Align (innovation) teams	How do you pull through execution and keep teams aligned?	Team Alignment Map (TAM)	The Team Alignment Map (2020)

How to Read this Book



Senior Leader



**Innovation Leader
and Teams**



Entrepreneurs

As a business leader you establish the conditions to keep your organization humming and growing. You need transparency to understand which parts of your business have further potential to grow, which parts need renovation, and which parts are at substantial risk of disruption. You need to understand which initiatives have the potential to define tomorrow's business. You aim to make sound investments in the future, while consciously managing risk.



Use the **PORTFOLIO MAP** (p.10), to design, test, and **MANAGE** (p.49) your business portfolio. Create **GUIDANCE** to lead your teams in the right direction and transparency for everybody to manage the present and invest in the future.



Create the conditions for success to establish an **INNOVATION CULTURE** (p.306). Complement your core execution culture with a world class innovation culture.



Ask the right **QUESTIONS FOR LEADERS** (p.212) to help your teams explore new opportunities and compete on superior business models.

As an innovation leader and team you help your organization de-risk ideas that keep it growing and improving. You put the tools, processes, and metrics in place that help manage innovation. You understand how to enhance innovation opportunities by embedding them in sound business models in order to disrupt entire arenas or renovate your company's declining business models.



Use the **PATTERN LIBRARY** (p.120) to enhance market opportunities, new technologies, and other innovations. Apply Business Model Patterns to design superior business models.



Use the **PORTFOLIO MAP** (p.42) to create the transparency your senior leaders need to make sound investment decisions. Show where the opportunities are. Learn how to **MANAGE** (p.49) your business portfolio.



Help your senior leaders implement an **INNOVATION CULTURE** (p.296). Understand the key enablers that foster innovation and blockers that prevent innovation.

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As an entrepreneur your only goal is to de-risk your idea and turn it into a real business. You understand that the hard part of entrepreneurship is to constantly test, and adapt your idea based on input from the real world. You know that superior business models - rather than technology or product innovation alone - will allow you to disrupt entire industries and build a more sustainable business.



Use the **EXPLORE MAP** (p.18) to visualize which one of your ideas has the most potential and is least risky. Use **TESTING** and **INNOVATION METRICS** (p.88) to measure your progress from idea to business.



Use the **PATTERN LIBRARY** (p.130) to enhance market opportunities, new technologies, and other innovations. Apply Business Model Patterns to design superior business models.



Establish the kind of **ENTREPRENEURIAL LEADERSHIP & TEAM** (p.310) that will help you succeed. Understand the key characteristics of winning teams.

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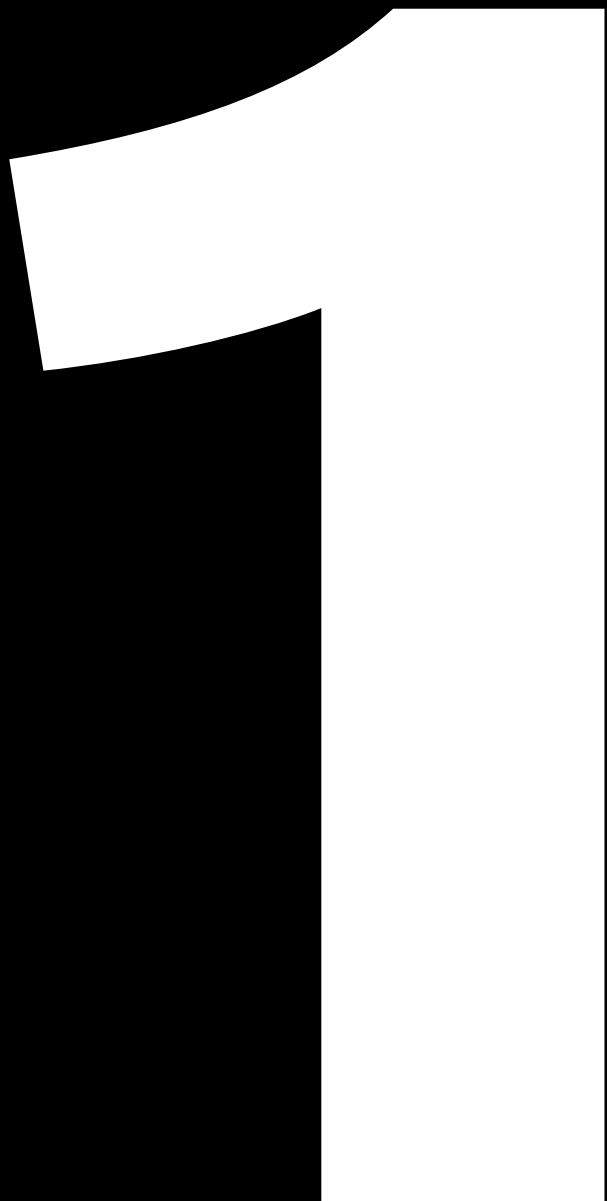
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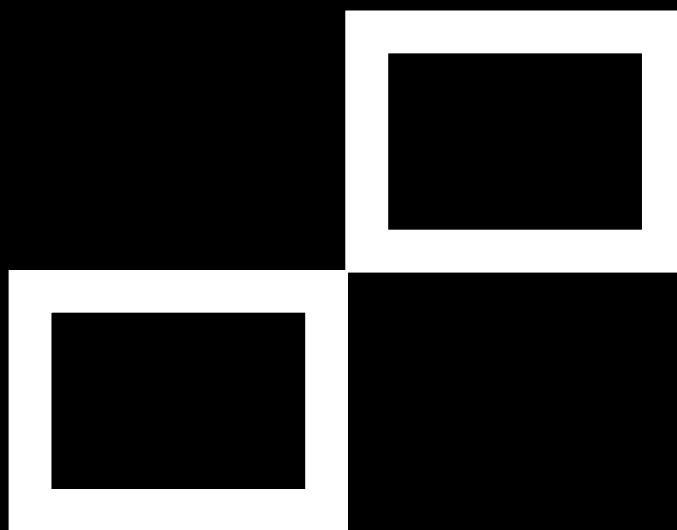
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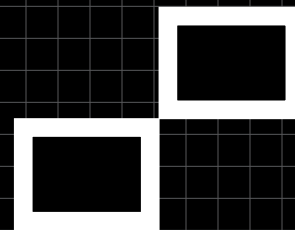
Tool

Business Model Portfolio

The collection of existing business models a company exploits and the new business models it explores in order to avoid disruption and ensure longevity.

Chasing Invincibility

No company is invincible. Those that come closest are the ones that constantly reinvent themselves in the face of disruption. These companies manage a portfolio of existing business models that they exploit and continuously improve. Simultaneously, they manage a portfolio of new business models that they explore to systematically produce new growth engines.



PORTFOLIO MAP

A strategic management tool to simultaneously visualize, analyze, and manage the business models you are improving and growing and the future business models you are searching for and testing.



PORTFOLIO DICHOTOMY

We believe great business model portfolios are actually composed of two distinct portfolios with a completely different logic: the EXPLOIT portfolio and the EXPLORE portfolio. The former includes existing businesses, value propositions, products, and services that you are managing and growing. The latter includes all your innovation projects, new business models, new value propositions, new products, and services that you are testing.

Portfolio Management

Designing and maintaining a strong business model portfolio requires three main activities: visualize, analyze, manage.



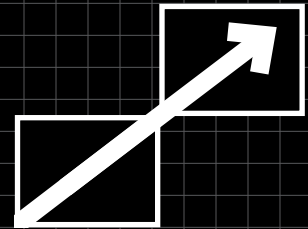
VISUALIZE

The starting point for any good discussion, meeting, or workshop about your business model portfolio is a shared language to visualize it. You need a shared understanding of which business models you have and which ones you are exploring.



ANALYZE

A shared understanding of your business model portfolio allows you to identify if you are at risk of disruption and if you are doing enough against it. This includes analyzing which of your business models are most profitable, which ones are most at risk, and which ones you are exploring to ensure your future growth.



MANAGE

Good portfolio management includes taking action to design and maintain a balanced portfolio that protects you from disruption. This includes continuously growing and improving existing business models by shifting outdated ones to new business models and protecting those that are established. It also includes exploring completely new business models of which many will fail, but some will produce outsized returns and ensure your future.



EXPLORE



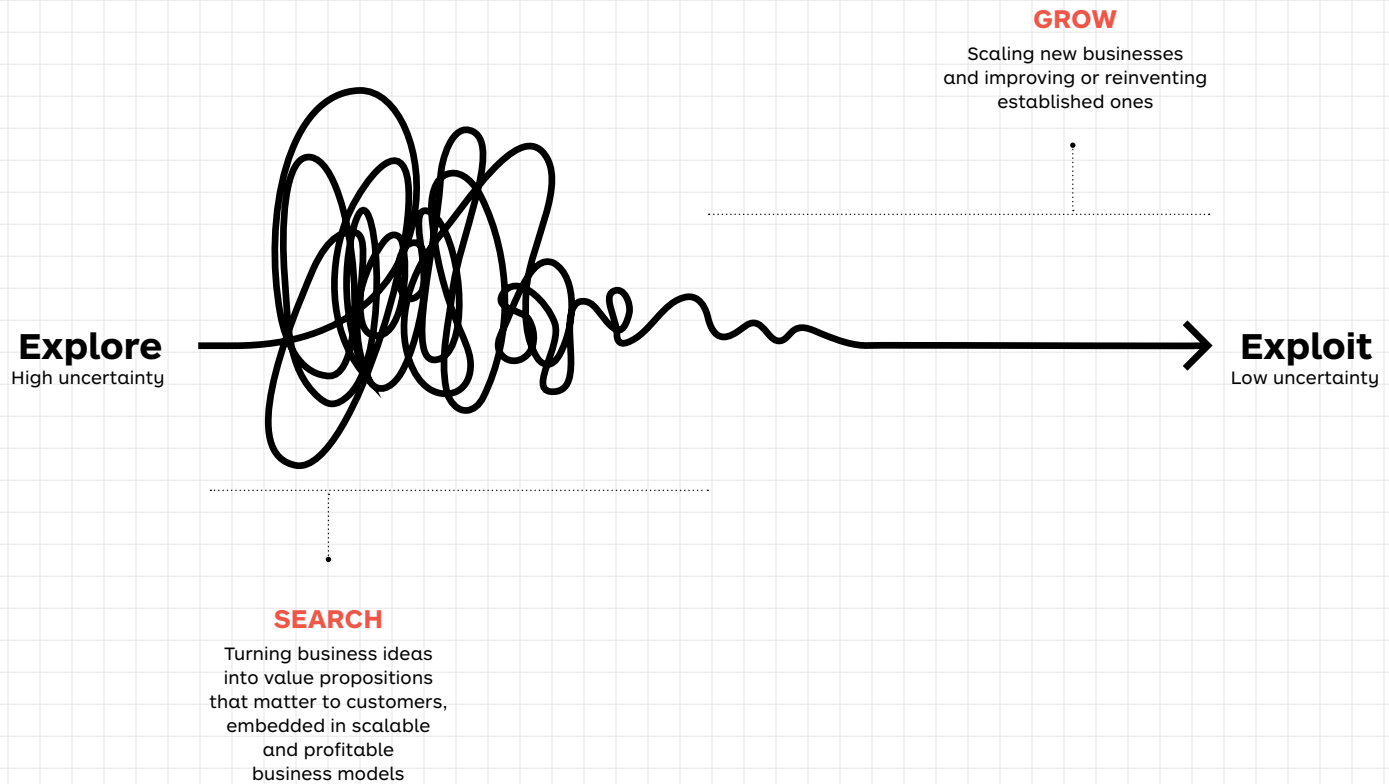
+

EXPLOIT

The Explore/ Exploit Continuum

Invincible companies do *not* prioritize exploitation over exploration. They are world-class at simultaneously managing the entire continuum from exploring new businesses to exploiting existing ones. They keep a culture of “day one,” maintaining a start-up spirit, while managing thousands or even hundreds of thousands of people and multibillion-dollar businesses. Increasingly, this ability to manage exploration and exploitation is not just limited to large established companies. It is also a matter of survival for SMEs and start-ups with the shortening lifespan of business models across industries.

Explore		Exploit
Search and breakthrough	Focus	Efficiency and growth
High	Uncertainty	Low
Venture-capital style risk taking; expecting few outsized winners	Financial Philosophy	Safe haven with steady returns and dividends
Iterative experimentation, embracing speed, failure, learning, and rapid adaptation	Culture & Processes	Linear execution, embracing planning, predictability, and minimal failure
Explorers who excel in uncertainty, are strong at pattern recognition, and can navigate between big picture and details	People & skills	Managers who are strong at organizing and planning and can design efficient processes to deliver on time and budget



The Portfolio Map

A strategic management tool to simultaneously visualize, analyze, and manage the business models you are improving and growing and the future business models you are searching for and testing.



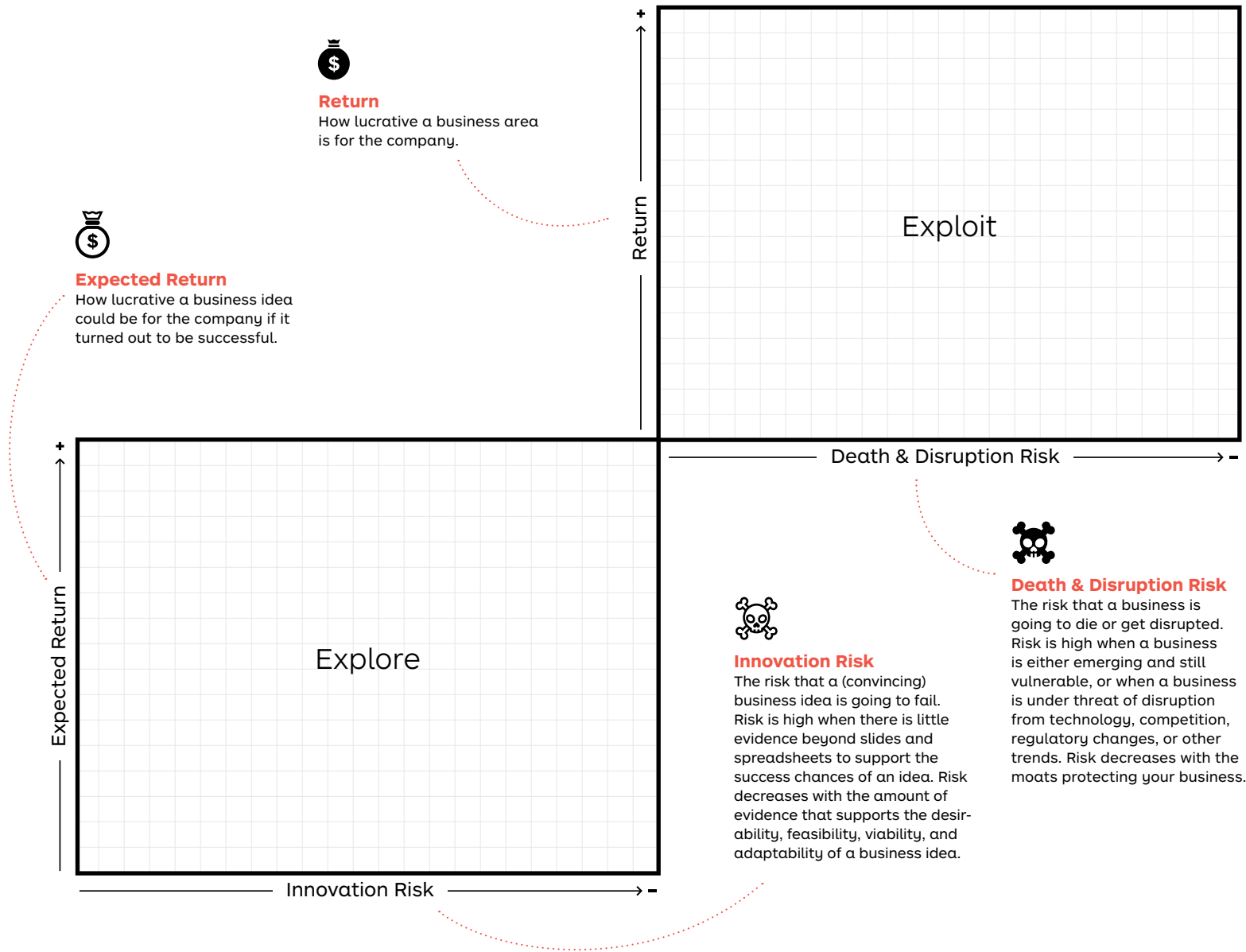
Explore Portfolio

Your portfolio of innovation projects, new business models, new value propositions, new products and services, all mapped out in terms of **Expected Return** and **Innovation Risk**.



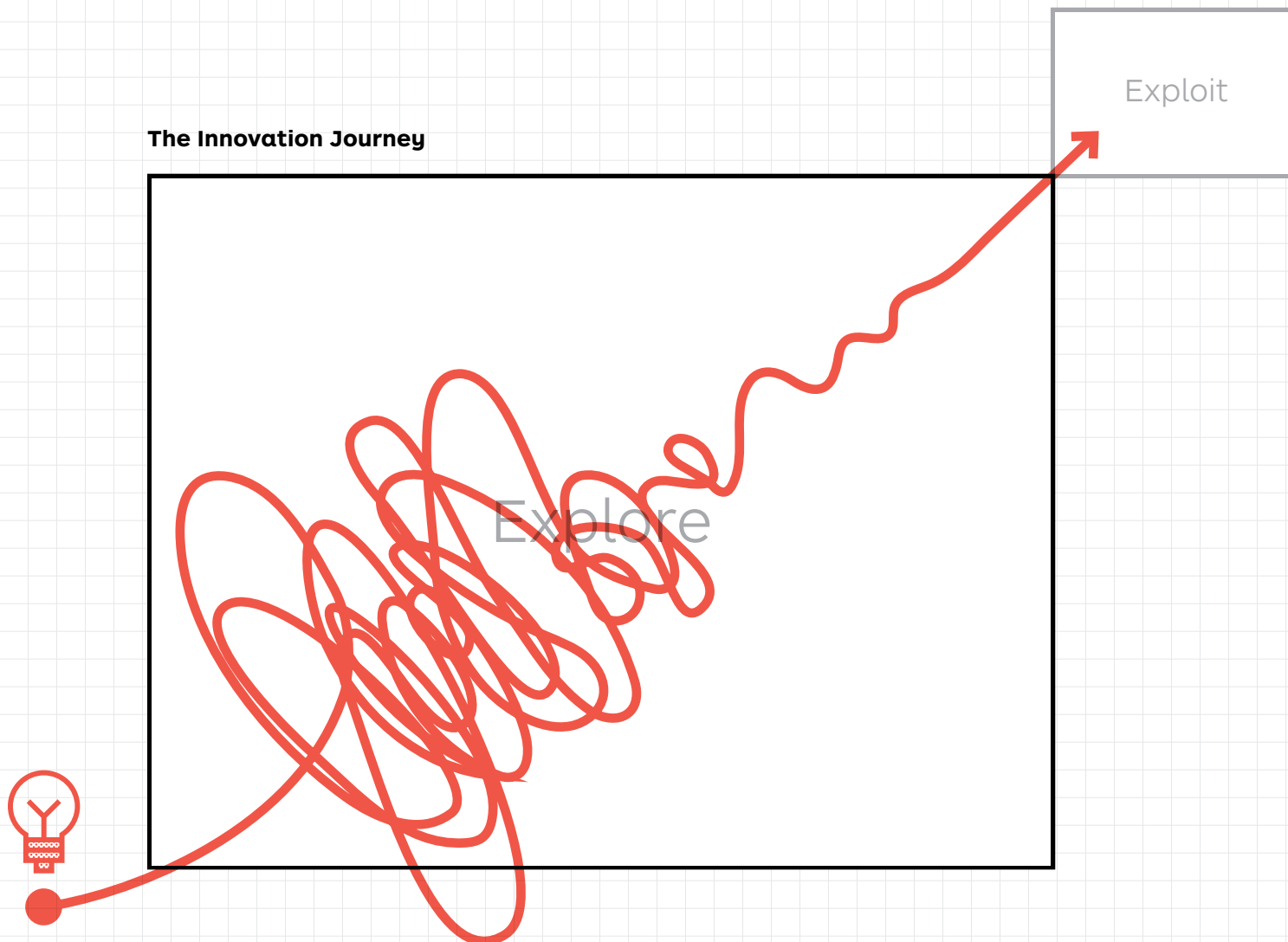
Exploit Portfolio

Your portfolio of existing businesses, value propositions, products and services, all mapped out in terms of **Return** and **Death and Disruption Risk**.





Explore



Five Innovation Journey Myths

The journey of exploring new business ideas is not a linear one and differs radically from managing an existing business. We outline five myths regarding the innovation and entrepreneurship journey that may prevent you from turning an idea into a real business.

Myth #1: The most important part of the innovation and entrepreneurship journey is to find and execute the perfect idea.

Reality: The innovation and entrepreneurship journey is about turning ideas into value propositions that customers care about and business models that can scale.

Ideas are easy but they are just a starting point. The hard part is to constantly test and adapt ideas that look great in theory until you have sufficient evidence that they will work in reality. The exploration journey is all about adapting ideas iteratively until you find a value proposition that customers really want and a business model that can scale profitably.

Myth #2: The evidence will show you a clear path forward when you systematically test ideas. The solution will magically emerge if you just test and adapt your idea often enough.

Reality: Innovation and entrepreneurship is about making informed decisions based on incomplete and potentially contradictory evidence. And sometimes killing an idea is the healthy thing to do.

Turning an idea into a real business will always remain an art, even with the most rigorous testing process. It is rare that the evidence shows you an obvious path forward. Evidence allows you to detect patterns and make informed decisions that are less risky than opinion-based bets. Also, make sure you don't get stuck in testing or evidence analysis. Decide to persevere, pivot, or abandon an idea based on the evidence at hand.

Myth #3: A small number of big bets will lead to a large return.

Reality: Exploration requires making a large number of small bets that you gradually reduce over time, based on evidence.

In the early stages of innovation, it's impossible to know which ideas will work and which ones won't. Start out by investing small amounts of money and time in a large number of ideas and projects. Give ideas and projects that can provide real evidence follow-up investments. The best ideas and teams with the most promising returns will emerge if you do this systematically over several rounds.

Myth #4: The skills required to explore a new business and to manage an existing one are pretty similar. Business is business.

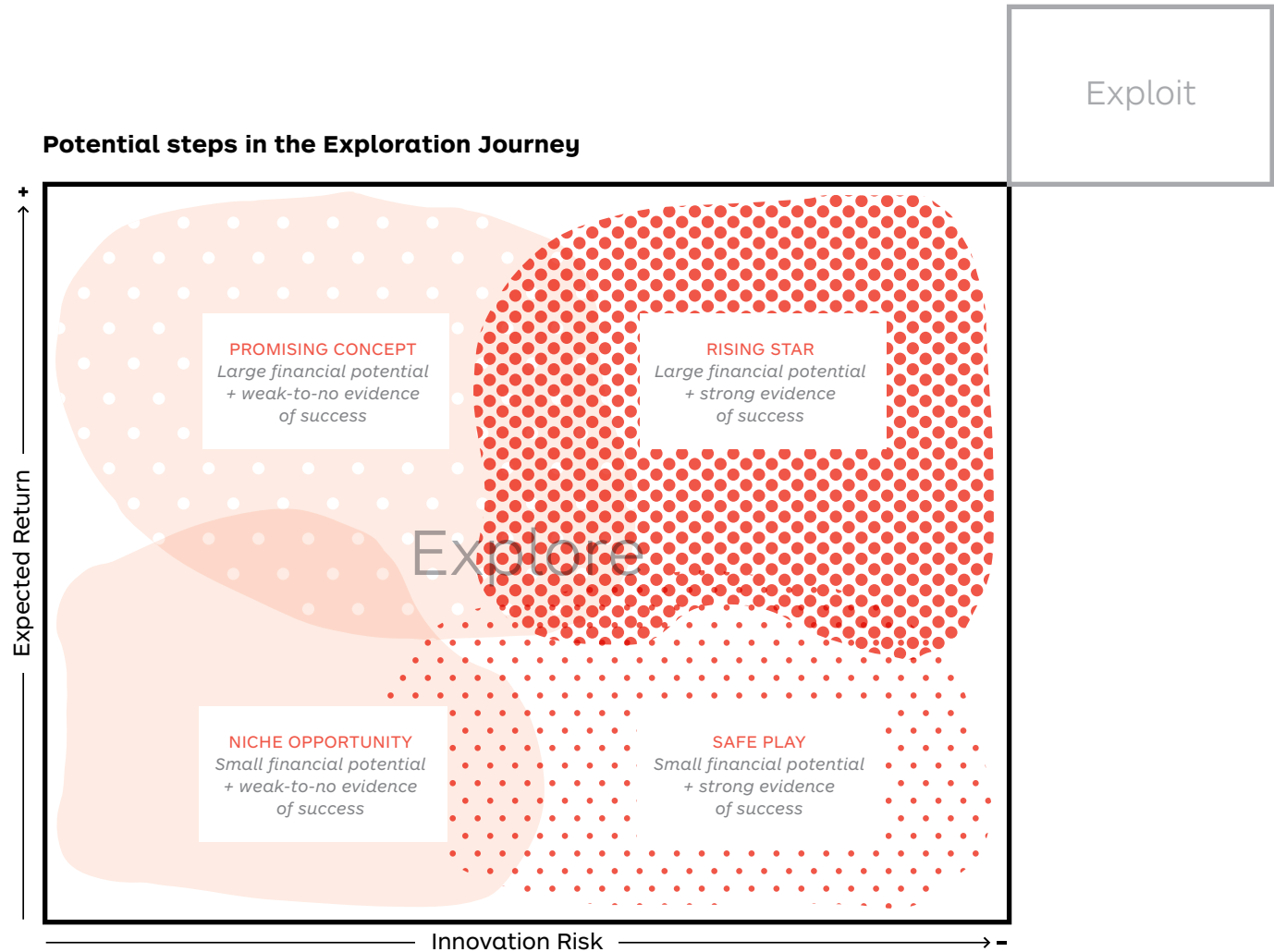
Reality: Exploration and exploitation are two radically different professions that require a different skill set and different experience.

Testing and adapting a business idea until it works requires a radically different skill set than managing a business. In innovation and entrepreneurship you deal with high uncertainty. You need to detect patterns in the data you gather from testing and transform that into something that can scale profitably. You get better at exploration the more experience you have, just like you get better at management over time.

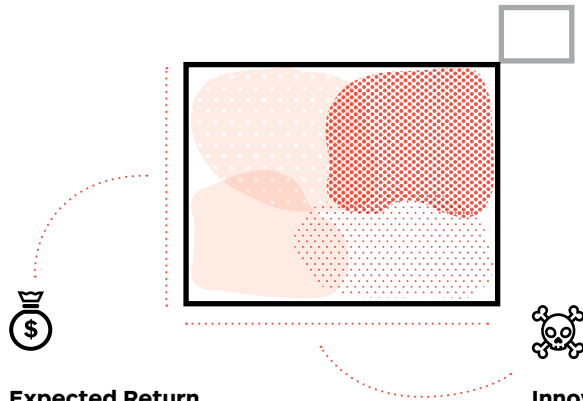
Myth #5: Innovation teams are renegades or pirates that are out to disrupt the old business. They need to operate in stealth mode to survive inside a company.

Reality: Innovators need to be seen as partners who are essential for the future of the company. Otherwise, any meaningful innovation is unlikely to emerge on a large scale.

Innovation teams that are seen as renegades have a hard time accessing company resources like access to clients, brand, prototyping, and so on. They need to be seen as partners who have the mandate to create a company's future in order to operate successfully.



Expected Return and Innovation Risk



Expected Return

The financial potential (or impact) of a business idea if it is successful. You can pick how you define expected return according to your preferences. This may be profitability, revenue potential, growth potential, margins, or any other financial metric that allows you to evaluate the financial potential of an idea. Alternatively, you may focus on the social or environmental return, rather than the financial return.



Innovation Risk

There are four types of innovation risks that might kill a business idea:



Desirability Risk

Customers aren't interested.

The risk that the market a business is targeting is too small, that too few customers want the value proposition, or that the company can't reach, acquire, and retain targeted customers.



Viability Risk

We can't earn enough money.

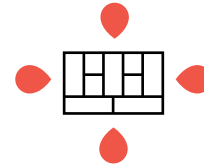
The risk that a business can't generate successful revenue streams, that customers are unwilling to pay (enough), or that the costs are too high to make a sustainable profit.



Feasibility Risk

We can't build and deliver.

The risk that a business can't manage, scale, or get access to key resources (technology, IP, brand, etc.), key activities, or key partners.

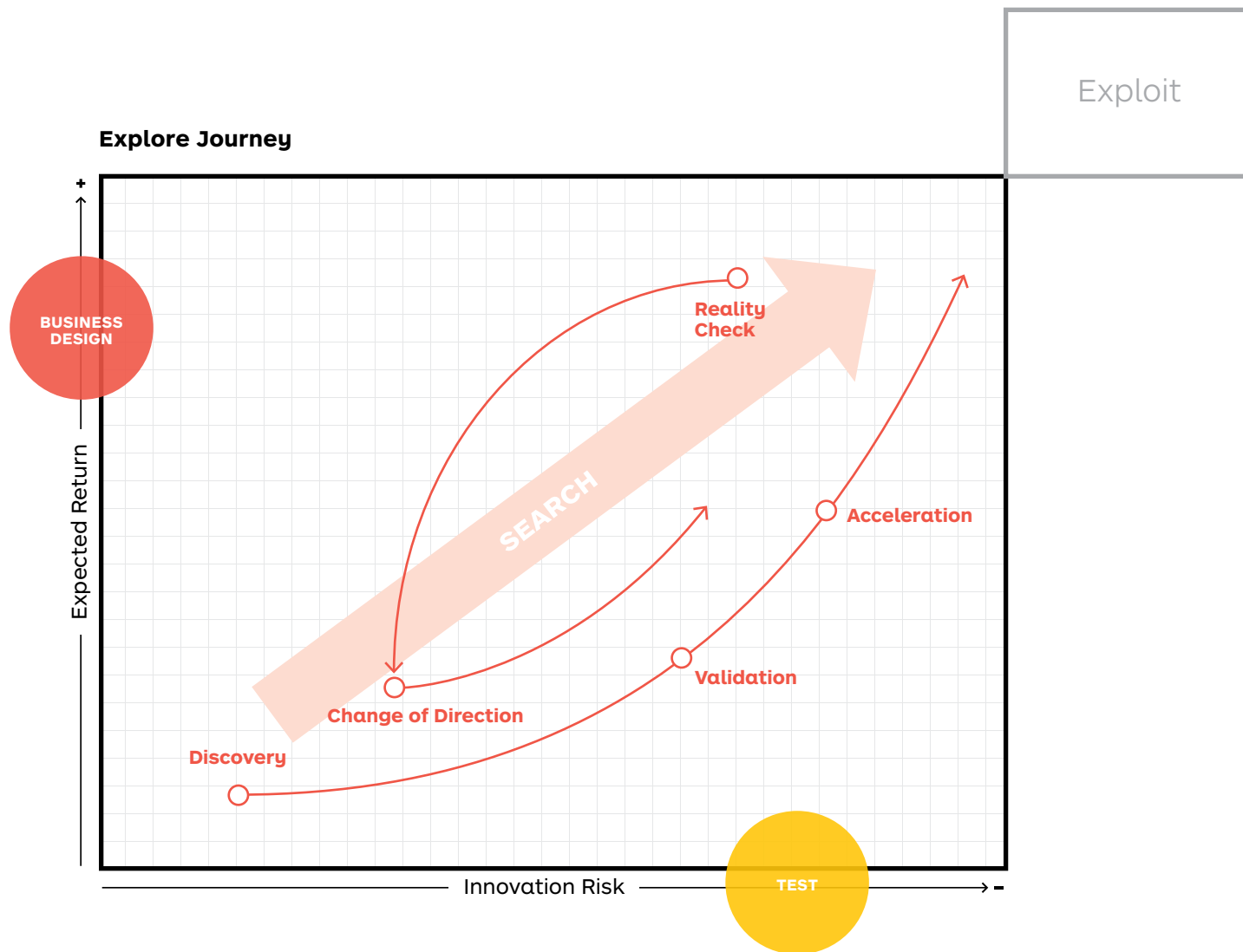


Adaptability Risk

External factors are unfavorable.

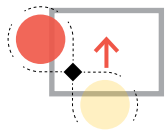
The risk that a business won't be able to adapt to the competitive environment, technology, regulatory, social, or market trends, or that the macro environment is not favorable (lacking infrastructure, recession, etc.).

This icon is the Business Model Canvas, see p.XXX for an introduction.



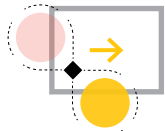
Search and Pivot

The journey in the EXPLORE portfolio is one of search and pivot until you have enough evidence that a new business idea will work. The search for ideas, value propositions, and business models that will work consists of two main activities that continuously nourish each other:



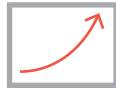
Business Design

Design is the activity of turning vague ideas, market insights, and evidence from testing into concrete value propositions and solid business models. Good design involves the use of strong business model patterns to maximize returns and compete beyond product, price, and technology.



Test

Testing is the activity of reducing the risk of pursuing ideas that look good in theory, but won't work in reality. You test ideas by defining critical hypotheses, conducting rapid experiments, and learning from the evidence. The evidence may support or refute the value propositions and business models you are exploring.



Search Trajectory

Discovery

Customer understanding, context, and willingness to pay

This is where you begin to reduce risk through testing. Initial evidence indicates that customers care about what you intend to address (desirability). Further evidence typically indicates customer willingness to pay (viability). Discovery prototypes at this stage do not need technical skills. Examples are storyboards, videos, and mock brochures.

Validation

Proven interest and indications of profitability

At this stage you search for more solid evidence that shows interest for your products and services (desirability). First mock sales or letters of intent signal how much customers will pay (viability). First evidence of the required cost structure indicates expected profitability (viability). Technical prototypes suggest that you can manage activities and resources (feasibility).

Acceleration

Proven model at limited scale

At this stage you aim for a working prototype or first products and services to test your value proposition in a limited market. You search for evidence that shows that you can create and deliver customer value at a limited scale and with a profit. You search for evidence to justify larger investments to scale customer acquisition and retention, and test profitability at scale.



Pivot Trajectory

Reality Check

Failure of initial trajectory

A reality check is needed when new evidence indicates that the idea you've been testing is unlikely to work despite earlier promising evidence. It might lead you to question your entire business model or certain aspects of it. It requires rethinking which parts of your initial idea and business model you will keep and which ones you will abandon.

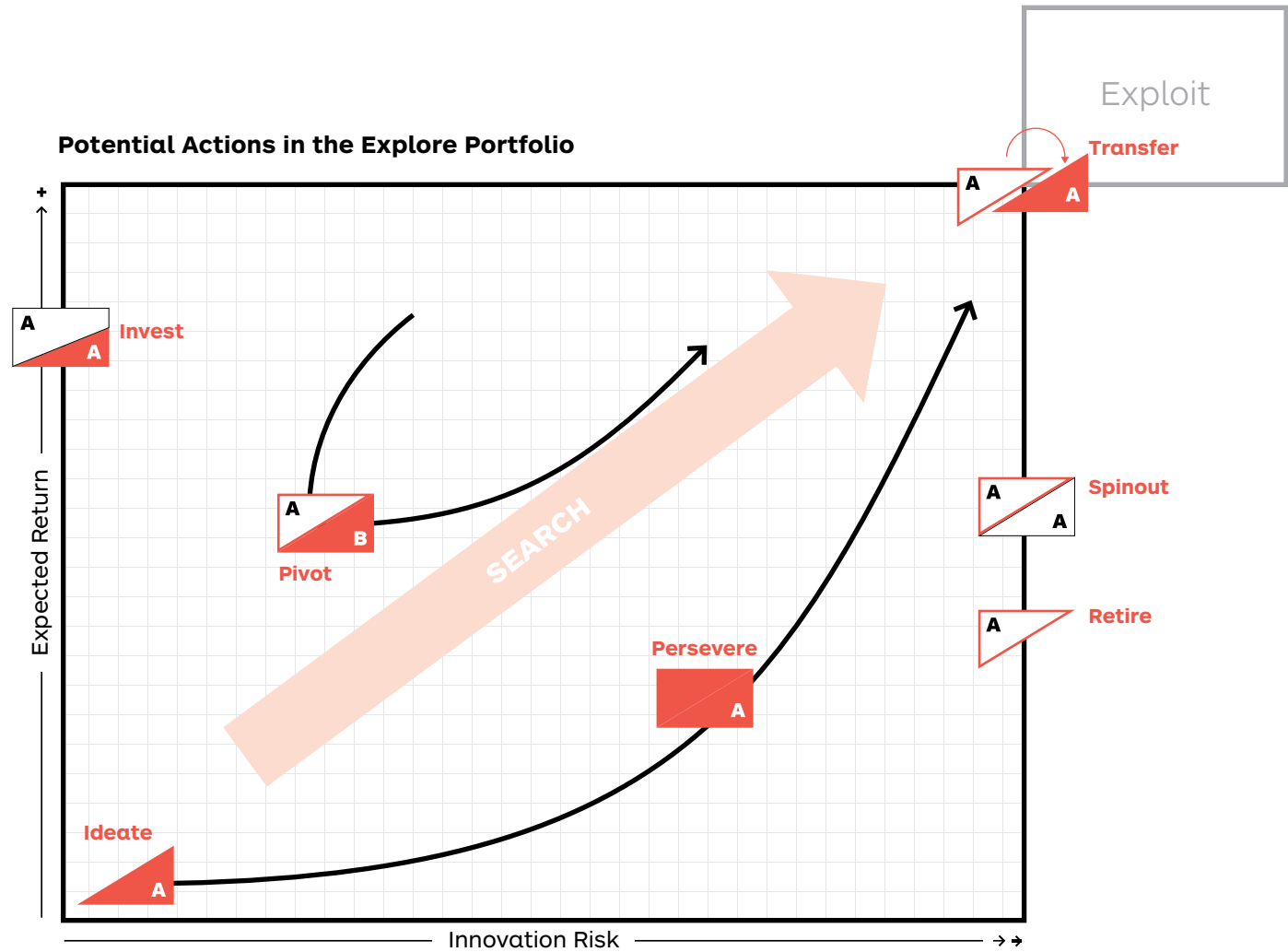
Change of Direction

Testing a new direction

At this stage you've pivoted from an initial trajectory to a new one. You have made significant changes to one or more elements of your business model. This means you need to reconsider the hypotheses underlying your new direction. You need to analyze which evidence is still relevant and which evidence isn't. A change of direction usually requires re-testing elements of your business model that you've already tested.

See p.XXX in MANAGE for more on the design-test loop.

See p.XXX in INVENT PATTERNS for more on designing powerful business models.



Explore Actions

There are seven actions you perform in your EXPLORE portfolio. All of them are related to shaping and testing new business ideas in order to improve their return and reduce their innovation risk. The exploration of new ideas may include everything from radically new business models all the way to testing incremental improvements of existing business models in the EXPLOIT portfolio.

The idea to visualize actions with a triangle emerged after a discussion with Luis Felipe Cisneros. See p.XXX in MANAGE for more on Explore Portfolio Actions.



Ideate

A still exists but outside the portfolio

↓

A belongs to the portfolio

The activity of turning market opportunities, technologies, products, or services into first business model and value proposition prototypes. This typically happens in a workshop setting. At this stage, there is no real evidence that significantly reduces innovation risk, only assumptions that you plan to test. You capture results in slides and spreadsheets.



Invest

A exists, outside the portfolio

↓

A partly belongs to the portfolio

The decision to invest fully or partially in an outside start-up or exploration project to bolster your portfolio of internal projects.



Persevere

A belongs to the portfolio

↓

A is unchanged, inside the portfolio

The decision to continue testing an idea based on evidence. This typically happens after gaining insights you feel confident about from the analysis of the evidence. You persevere by further testing the same hypothesis with a stronger experiment, or by moving on to your next important hypothesis.



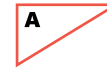
Pivot

A belongs to the portfolio

↓

A is changed into **B**, inside the portfolio

The decision to make a significant change to one or more elements of your business model. This typically happens after learning that the idea you've been testing won't work in reality without major modifications. A pivot often means that some of your earlier evidence may be irrelevant to your new trajectory. It usually requires re-testing elements of your business model that you've already tested.



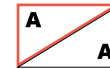
Retire

A belongs to the portfolio

↓

A is killed

The decision to kill a search project based on evidence or lack of strategic fit. The evidence might show that an idea won't work in reality or that the profit potential is insufficient.



Spinout

A belongs to the portfolio

↓

A still exists but outside the portfolio

The decision to spin out rather than to kill a promising idea. This can either be in the form of selling it to another company, to investors, or to the team that explored the idea. The company might invest in the spinout, or buy it back at a later less-risky stage.



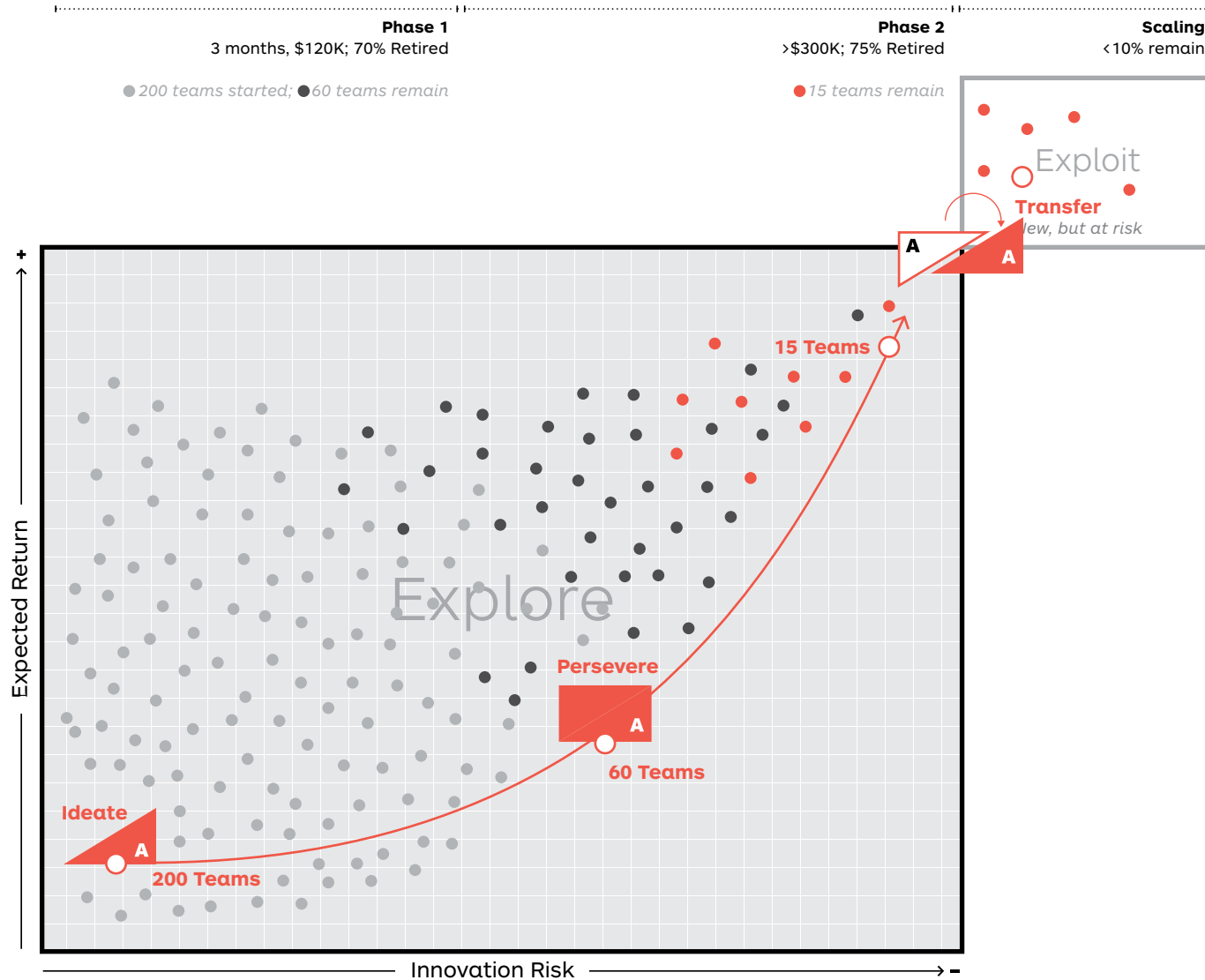
Transfer

A belongs to the Explore portfolio

↓

A is transferred to the Exploit portfolio

The decision to move a business model idea from exploration to exploitation based on strong evidence. This typically happens once you've produced strong evidence of desirability, feasibility, viability, and adaptability. Transferring requires finding a good home in the exploit portfolio. This may be as part of an existing business or as a new stand-alone business.



Bosch

To illustrate the Explore portfolio we use Bosch, the German multinational engineering and technology company founded in 1886. This illustration is based on anonymized data from the Bosch Accelerator Program between 2017 and 2019.

The Bosch Group employs 410,000 associates worldwide with annual sales of €78.5 billion (2018).¹

Bosch has four core business sectors: Mobility Solutions (hardware and software), Consumer Goods (household appliances and power tools), Industrial Technology (including drive and control), and Energy and Building Technology.

From Products and Technology to Business Models

Since its beginnings, Bosch has been a driving force in technological innovation. Its R&D led to successes such as the diesel injection pump and the antilock brake system (ABS).

In 2014, Bosch's CEO, Volkmar Denner, sent out a communication to spur business model innovation. Bosch needed to maintain its technology and product focus but simultaneously turn more of its attention to new types of business models.

In 2015, Bosch created the Business Model Innovation Department to complement its innovation process with business model development capabilities. Bosch saw a need to create an ecosystem dedicated to exploring, nurturing and facilitating growth innovation, moving beyond product innovation.

Bosch Accelerator Program

As part of their service portfolio Bosch's Business Model Innovation Department has created the Accelerator Program.

Teams going through the program explore either a new idea or explore a concept originating in an existing business. The program teams perform a business model deep dive and refine, test, and adapt ideas systematically over the course of two phases.

The program management selects an initial cohort of 20–25 teams from all over the world that work together for 2–10 months. Teams receive an initial funding of €120,000 and get two months to test whether their business-model ideas can scale. Depending on the results, teams can obtain an additional €300,000 or more during Phase 2 of the program. With this additional funding, teams can test minimum viable products (MVPs) with customers and demonstrate the ability of the business model idea to scale profitably.

After the successful completion of the Bosch Accelerator Program, only the teams with the best evidence move on to the incubation phase.

Since 2017, Bosch has invested in more than 200 teams. From these teams, 70% retired their projects after the first investment round and 75% of the remaining teams stopped after the second. With this process, 15 teams have successfully transferred their projects to scale with follow-on funding.

The Bosch Accelerator Program has become Bosch's global standard for validating new business ideas with batches in Europe, Asia, North America, and South America.

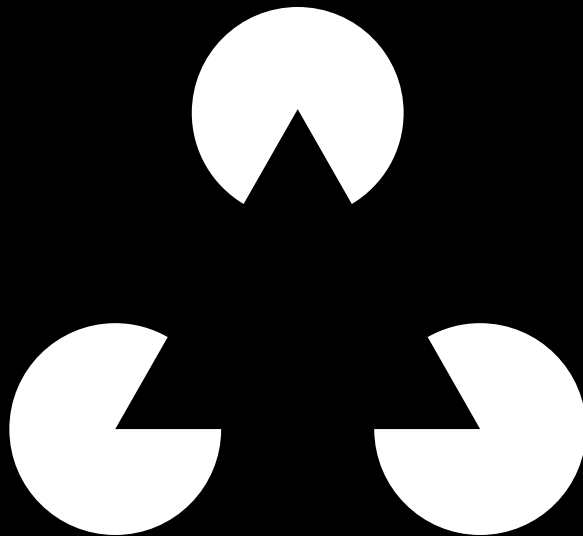
"The Bosch Accelerator Program has allowed Bosch to implement a fast, structured, and capital-efficient process for validating business models at scale and has led to the establishment of a Bosch-wide innovation portfolio."

DR. UWE KIRSCHNER

VP Business Model Innovation,
Bosch Management Consulting



2

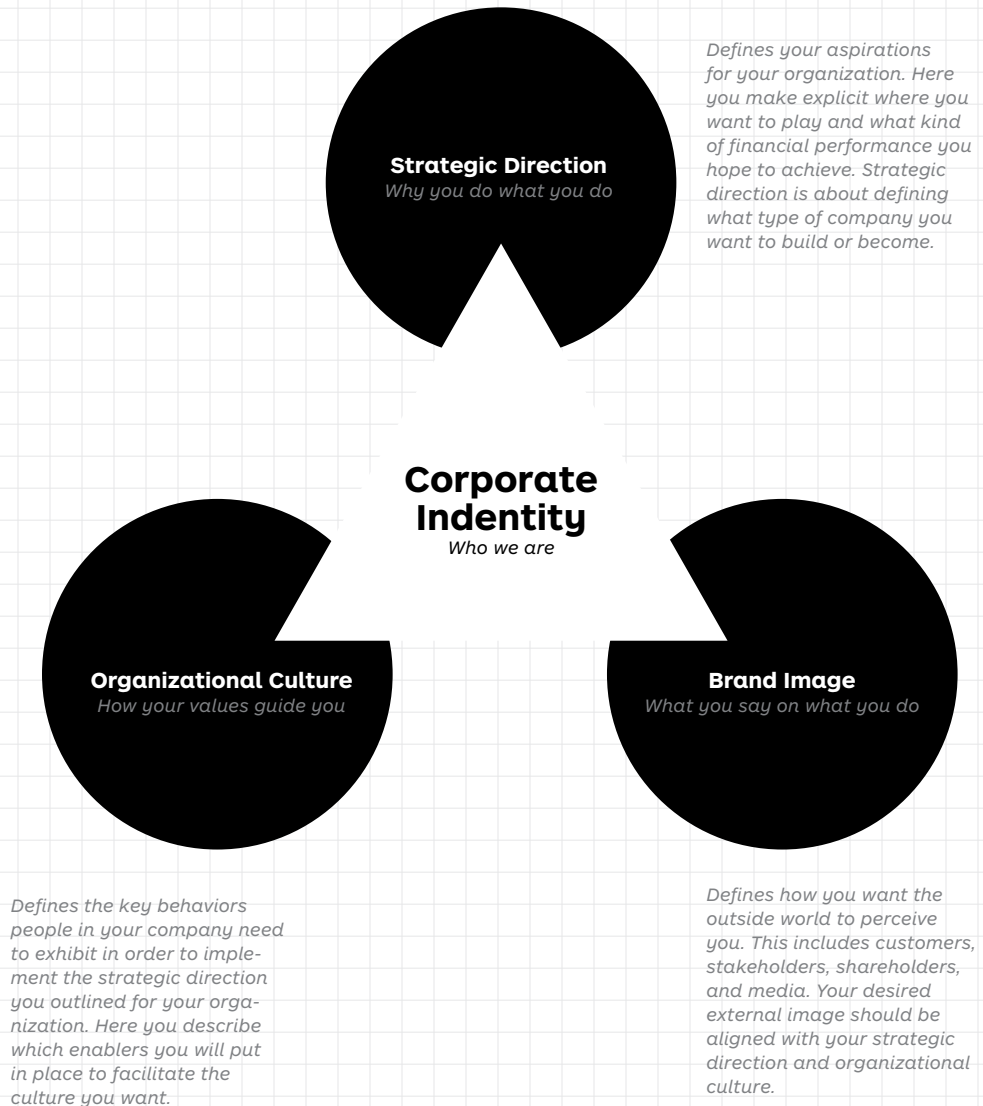


Manage

Guidance

You need to provide a clear direction in order to design and maintain a strong portfolio. We call this strategic guidance and it consists of outlining your strategic direction, the required organizational culture, and the corporate image you would like to project to the outside world. Once you have defined this strategic portfolio guidance, you have all you need to determine your portfolio actions.

50



Portfolio Guidance

Your strategic guidance provides a clear context for portfolio management. It helps you define the portfolio guidance for resource allocation and portfolio actions. Portfolio guidance provides explicit boundaries to understand what to focus on and what not to, where to invest and where to divest, or what to explore and what not to explore.

OVERALL GUIDANCE

Define...

- ☐ financial performance philosophy (e.g., safe dividends, growth performance, etc.)
- ☐ arenas to play in the long term (e.g., markets, geographies, technologies, etc.)
- ☐ strategic key resources and capabilities to develop (e.g., tech resources, business model foundations, etc.)

Return

EXPLOIT GUIDANCE

- ☐ short term financial performance targets
- ☐ business model improvement targets (e.g., technology investments, business model shifts)
- ☐ how to develop or improve value propositions for the existing portfolio

Expected Return

EXPLORE GUIDANCE

- ☐ performance guidelines to prioritize explore projects (e.g., size of opportunity, size of markets, size cost savings, etc.)
- ☐ exploration boundaries and strategic fit (e.g., new arenas or not, new business models or not, new technologies or not, etc.)
- ☐ key resources and capabilities to prioritize (e.g., tech resources, business model foundations, etc.)

Innovation Risk

Death & Disruption Risk

TRANSFER GUIDANCE

Define...

- ☐ governance of how explore projects will be integrated into existing profit and loss divisions or how new ones will be set up
- ☐ governance of how explore projects will be protected from being swallowed up by dominant established business models

You Can't Pick the Winner

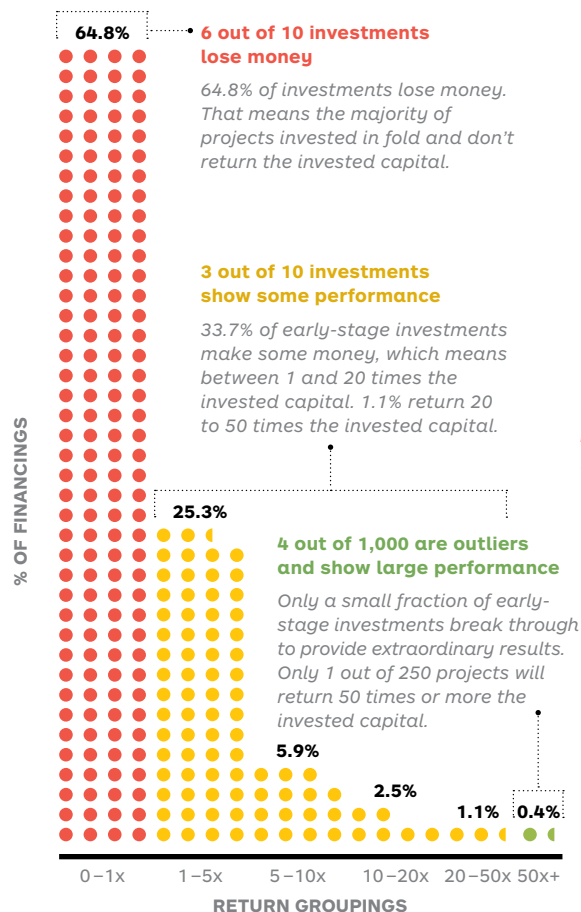
The statistics on this page stem from early stage venture capital investments into start-ups. This data provides a very good proxy to estimate the order of magnitude regarding success/failure ratio in established organizations. The ratio might be even more extreme if we assume that established companies are often less innovative and more risk-averse than start-ups.



Return Distribution in U.S. Venture Capital

2004 – 2013

Statistics from early-stage venture capital investment show that the majority of early-stage investments won't return capital or will only provide small returns.



Lessons Learned

You can't pick the winner without investing in projects that will fail. The larger the return you expect, the more projects you need to invest small sums in.

If we invest into 250 projects of \$100K each, **A** 162 will fail, **B** 87 will find some success, and **C** 1 will become a new growth engine.









Metered Funding

The traditional investment process of established corporations equips teams with a large budget upfront to implement a full project. This leads to large risky bets with unproven ideas. In innovation you can't know what will work.

In the start-up and venture world risk and uncertainty are acknowledged and investments are spread over a portfolio of projects. This is combined with metered funding that equips teams with capital over a series of rounds. Only ideas with traction are retained and get follow-up funding to continue. In other words, a large number of ideas get small amounts of money to get started. Of all those ideas only those with sufficient traction and evidence get follow-up funding. Ideas that don't work or project teams that don't have it in them get weeded out.

Project Scorecard




Strategic Fit		Alignment				
	CORPORATE IDENTITY Our idea/project is aligned with our corporate identity (strategic direction, organizational culture, brand image).	none 0	little ○	limited 5	strong ○	very strong 10
	INNOVATION GUIDANCE Our idea/project is aligned with our company's innovation guidance.	0	○	5	○	10
	LEADERSHIP SUPPORT Our idea/project has support from at least one key sponsor who can help it become reality.	0	○	5	○	10
Opportunity		Value				
	We understand the financial potential of our idea.	none 0	little ○	limited 5	strong ○	very strong 10
Risk Reduction • Desirability		Evidence & Confidence				
	CUSTOMER SEGMENT Our critical customer segments have the jobs, pains, and gains relevant for selling our value proposition.	0	○	5	○	10
	VALUE PROPOSITION Our value proposition resonates with our critical customer segments.	0	○	5	○	10
	CHANNELS We have found the best channel(s) to reach and acquire our critical customer segments.	0	○	5	○	10
	CUSTOMER RELATIONSHIP We have developed the right relationships to retain customers and repeatedly earn from them.	0	○	5	○	10

Some companies sort opportunity by the geographical reach of the value created:



- little opportunity would be an opportunity that impact a local team only
- very strong opportunity would be an opportunity with global impact

Other companies sort opportunity by \$ value:





- little opportunity would be < \$100 thousands
- very strong opportunity would be > \$100 millions

Risk Reduction • Feasibility		Evidence & Confidence				
		none	little	limited	strong	very strong
	KEY RESOURCES We have the right technologies and resources to create our value proposition.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	KEY ACTIVITIES We have the right capabilities to handle the most critical activities for creating our value proposition.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	KEY PARTNERS We have found the right key partners who are willing to work with us to create and deliver our value proposition.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10

e.g. limited would be evidence from only one experiment

Risk Reduction • Viability		Evidence & Confidence				
		none	little	limited	strong	very strong
	REVENUES We know how much our customers are willing to pay us and how they will pay.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	COSTS We know our costs for creating and delivering the value proposition.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10

e.g. strong would be evidence from one experiment with very strong confidence

Risk Reduction • Adaptability		Evidence & Confidence				
		none	little	limited	strong	very strong
	INDUSTRY FORCES Our idea/project is well positioned to succeed against established competitors and new emerging players.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	MARKET FORCES Our idea/project takes known and emerging market shifts into account.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	KEY TRENDS Our idea/project is well positioned to benefit from key technology, regulatory, cultural, and societal trends.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10
	MACROECONOMIC FORCES Our idea/project is adapted to known and emerging macroeconomic and infrastructure trends.	<input type="radio"/> 0	<input type="radio"/>	<input type="radio"/> 5	<input type="radio"/>	<input checked="" type="radio"/> 10

e.g. evidence from several experiments

Pattt

erns

Pattern Library

In the following pages we outline a pattern library that is split into two categories of patterns: invent patterns to enhance new ventures and shift patterns to substantially improve an established, but deteriorating business model to make it more competitive.



Invent Patterns

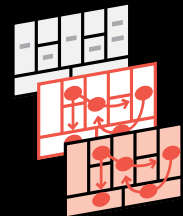
Codify aspects of a superior business model. Each pattern helps you think through how to compete on a superior business model, beyond the traditional means of competition based on technology, product, service, or price. The best business models incorporate several patterns to outcompete others.

Exploit

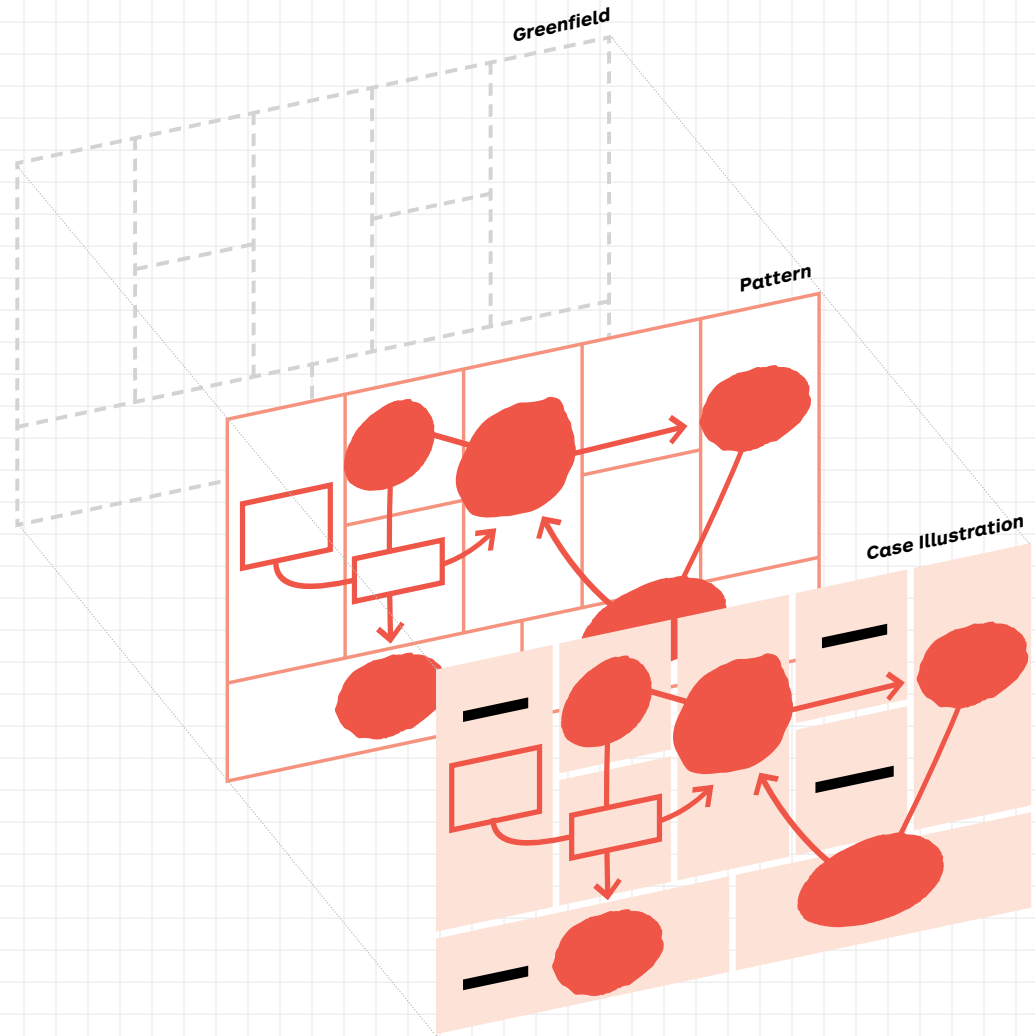
Explore

Shift Patterns

Codify the shift from one type of business model to another. Each pattern helps you think through how you could substantially improve your current business model by shifting it from a less competitive one to a more competitive one.



Invent Patterns



Greenfield

The companies we portray in this section all started from a blank sheet. They built business models from scratch around a technology, market opportunity, or trend. They all disrupted an industry by applying powerful business model patterns unheard of in that industry.

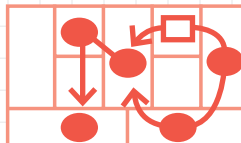
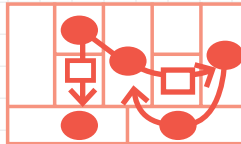
Pattern

We highlight nine different invent patterns with 27 flavors that new ventures and established companies can apply to build better, more competitive business models. We describe each pattern so that you can make use of it as a reference library.

Case Illustration

Each case serves to highlight a pattern in action. We don't outline the company's entire business model—just show how it applied a particular pattern to build a more competitive business model. In reality, an entire business model might combine several patterns.

- **Flavor**
Each pattern has two or more different flavors. These are variations of a particular pattern to help you understand different ways to apply the pattern in question.



Legend

- Greenfield



- Business Model Pattern



- Case Illustration



- Pattern Building Blocks



- Optional Pattern Building Blocks

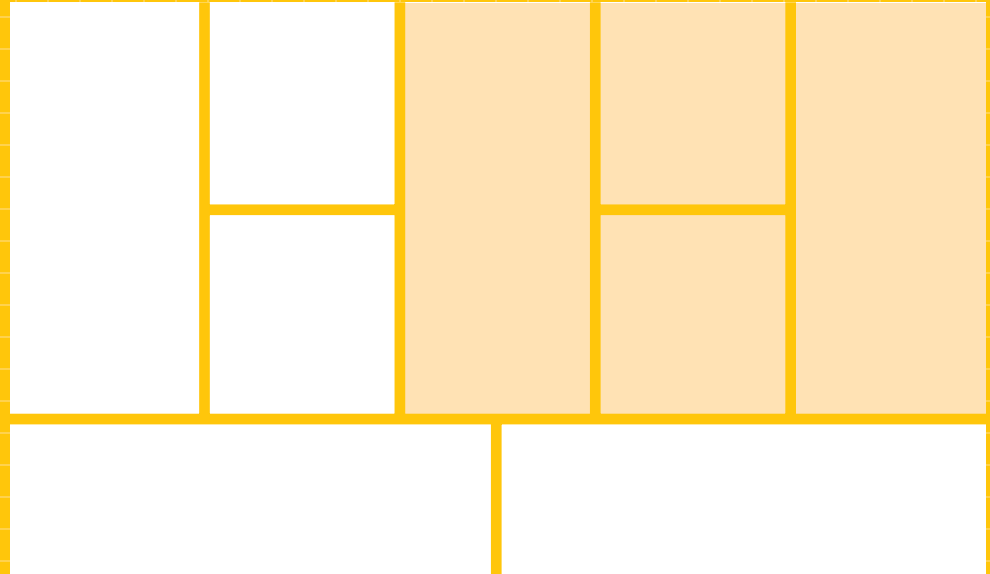


- Original Business Model blocks



- Other Business Model blocks





Frontstage Disruption

Market Explorers

p.XXX **Visionaries**
p.XXX **Repurposers**
p.XXX **Democratizers**



Tesla Motors
M-Pesa
Sears, Roebuck
and Co.

Channel Kings

p.XXX **Disintermediators**
p.XXX **Opportunity Builders**



Dollar Shave Club
Tupperware

Gravity Creators

p.XXX **Stickiness Scaler**
p.XXX **Superglue Makers**



Microsoft Windows
Microsoft XBOX

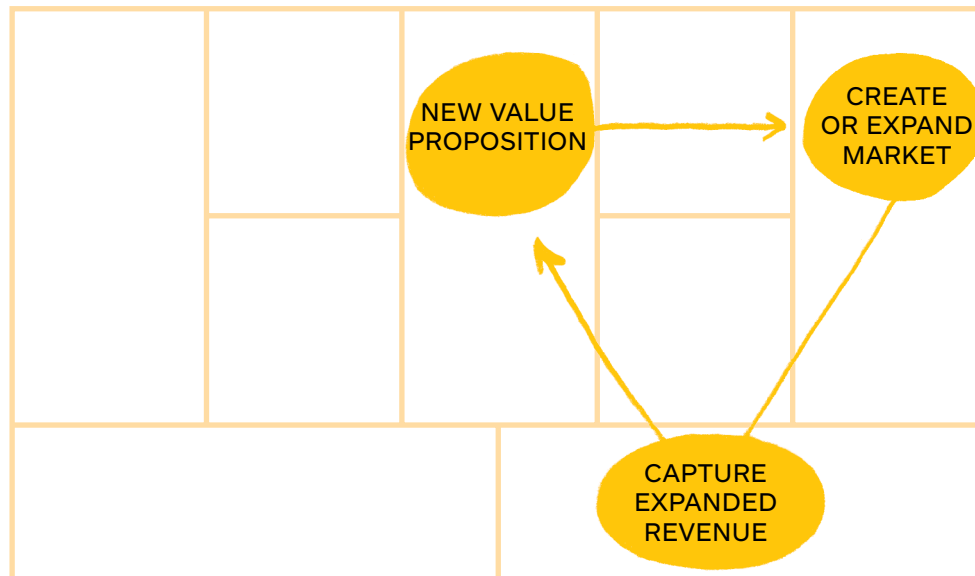
*A radical change of who is targeted
and how value is delivered.*



Market Explorers

Unlock Markets

Develop innovative value propositions that create, unleash, or unlock completely new, untapped, or underserved markets with large potential. Be a pioneer and unearth new revenue potential through market exploration.

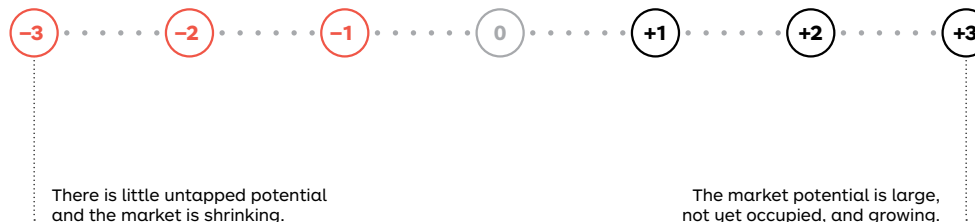


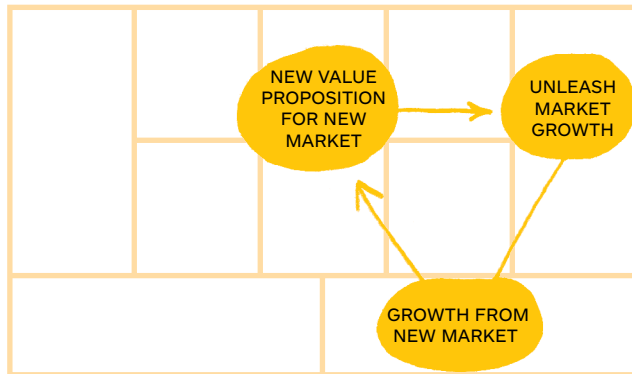
TRIGGER QUESTION

How could we tap into new, untapped, or underserved markets with large potential?

Assessment Question

How large and attractive is the untapped market potential we are going after?





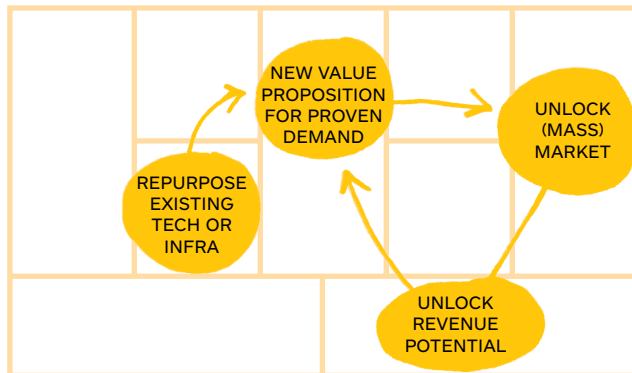
Visionaries – Use imagination to see a large market potential where others don't. Unleash growth by *exploring unproven needs* that you satisfy with a new value proposition.

EXAMPLES

Tesla, iPhone, Nintendo Wii

TRIGGER QUESTION

Which unproven needs of a large market might be worth exploring?



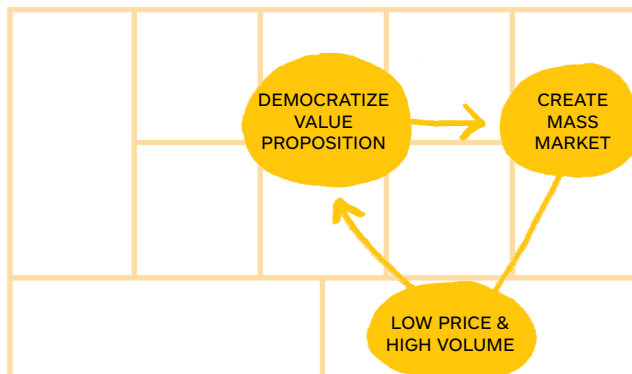
Repurposers – Find innovative ways to tap into proven market demand by *repurposing existing technology and infrastructure* that previously served other ends.

EXAMPLES

M-Pesa, AWS

TRIGGER QUESTION

How could we repurpose an existing technology or infrastructure to unlock proven, but so far inaccessible, customer needs?



Democratizers – Find innovative ways to *democratize access to products, services, and technologies* that were previously only accessible to a small number of high-end customers.

EXAMPLES

Sears, Azuri, M-Pesa, AWS

TRIGGER QUESTION

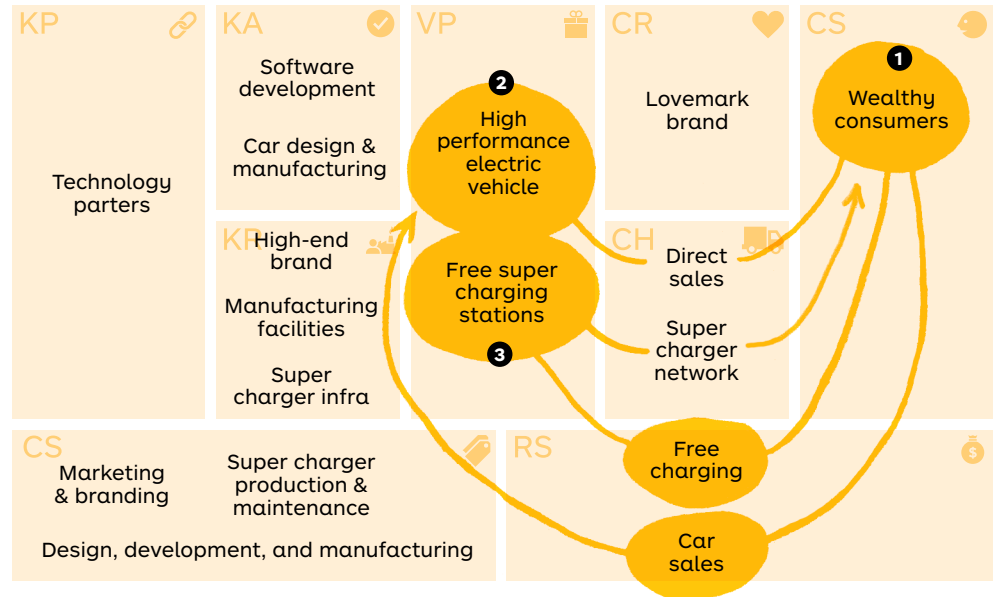
How could we unlock products, services, and technologies that are limited to a niche market and make them more widely available for a mass market?

Tesla Motors

In 2012 Tesla envisions a large untapped market (high-end electric vehicles) where nobody else sees one. With the Model S they create the right value proposition to unlock the opportunity.

Tesla was founded in 2003 with the goal of commercializing electric vehicles, starting with luxury sports cars and then moving on to affordable, mass market vehicles. In 2008, Tesla began selling its Roadster. Its first breakthrough was in 2012 when it launched the Model S. Tesla's first "affordable" car, the Model 3, was announced in 2015 and produced in 2017.

Prior to Tesla, the market for electric vehicles was relatively insignificant and was served by utilitarian and unremarkable models. Tesla was the first car manufacturer to view the market for electric vehicles differently: Tesla saw a significant opportunity by focusing on performance and the high end of the market.



1 Envision a Large, Untapped Market, Where Nobody Sees One

Tesla identifies a potential market of environmentally conscious, wealthy consumers who are interested in electric vehicles, but not at the expense of comfort, performance, and design.

2 Create Customer Gains in New Ways

With the Model S, Tesla taps into the aspirations of its initial customer segment. In 2013, it is called the "best car ever tested", and becomes the best selling car in eight of America's 25 wealthiest zip codes.¹

3 Relieve Customer Pains in New Ways

Tesla recognizes its customers' fears over battery range. It substantially improves the speed of charging and creates its own network of free superchargers in high traffic areas.

+ Lovemark Brand

Tesla built up a lovemark brand in record time. It inspired significant brand loyalty because of its dedication to saving the planet, high-quality vehicles, and personal customer service. In 2014, the Tesla Model S was voted the "most loved car in America."

+ Direct Distribution

From the start Tesla sold its cars directly (through the Internet, gallery-like stores in urban malls, and its owner loyalty program) to educate customers on the cars' features.

+ From Hardware to Software and Data

Tesla is not just a car manufacturer, it is truly a software company. Its cars run on sophisticated software that updates wirelessly. Self-driving software which constantly learns from the data of its community of drivers is introduced in 2014. Software drives the entire user experience of owning a Tesla.

+ Building the Backstage for Disruption

To enable its vision of unleashing the electric vehicle market, Tesla bolsters its portfolio of key resources and key activities with technology partners like Toyota, Mercedes, and Panasonic. It also manages to overcome substantial manufacturing challenges for Tesla's first "affordable" car, the Model 3.



14,000
Superchargers

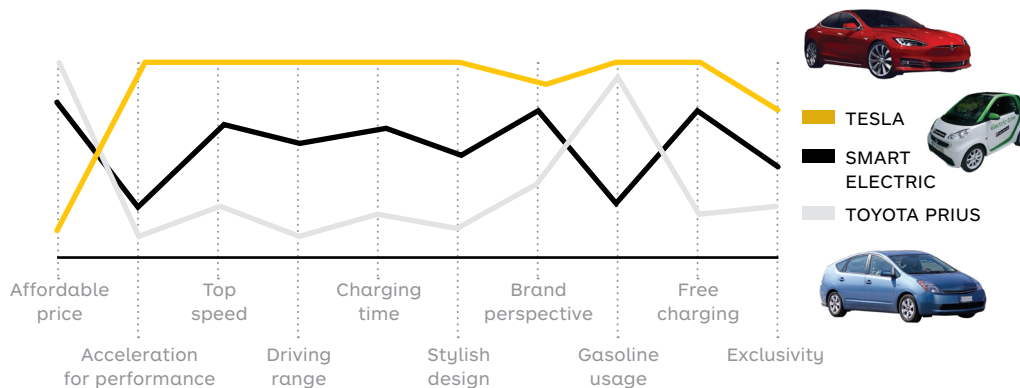
were deployed globally at 1,261 stations, as of September 2019.³

276
Thousand

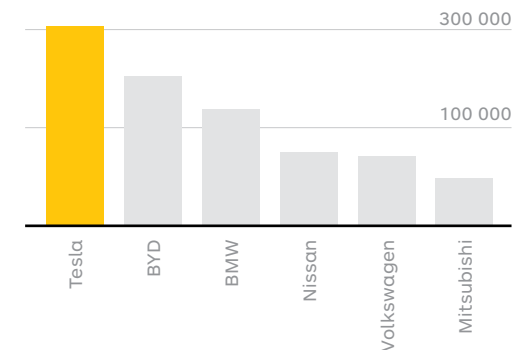
Model 3 preorders in its first two days, worth more than \$10 billion for Tesla as of April 2, 2016.⁴

Tesla Strategy Canvas²

Comparing electric cars

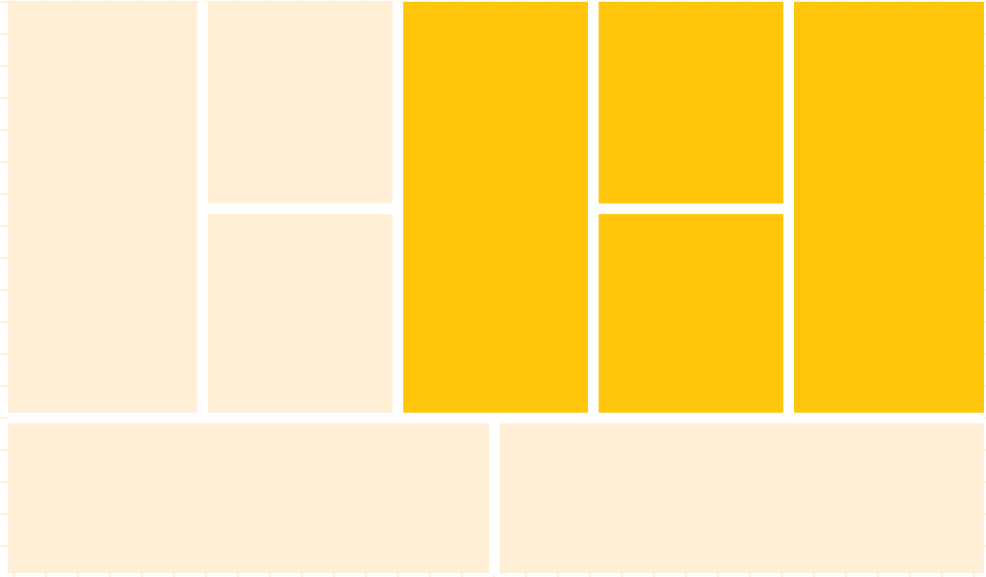


Global Electric Vehicle Sales in 2019⁵



FRONTSTAGE DISRUPTION

Questions for leaders



Market Explorers

TRIGGER QUESTION

How could we tap into new, untapped, or underserved markets with large potential?

Assessment Question

How large and attractive is the untapped market potential we are going after?



Channel Kings

TRIGGER QUESTION

How could we increase market access and build strong and direct channels to our end customers?

Assessment Question

Do we have large-scale and, ideally, direct access to our end-customer?



Gravity Creators

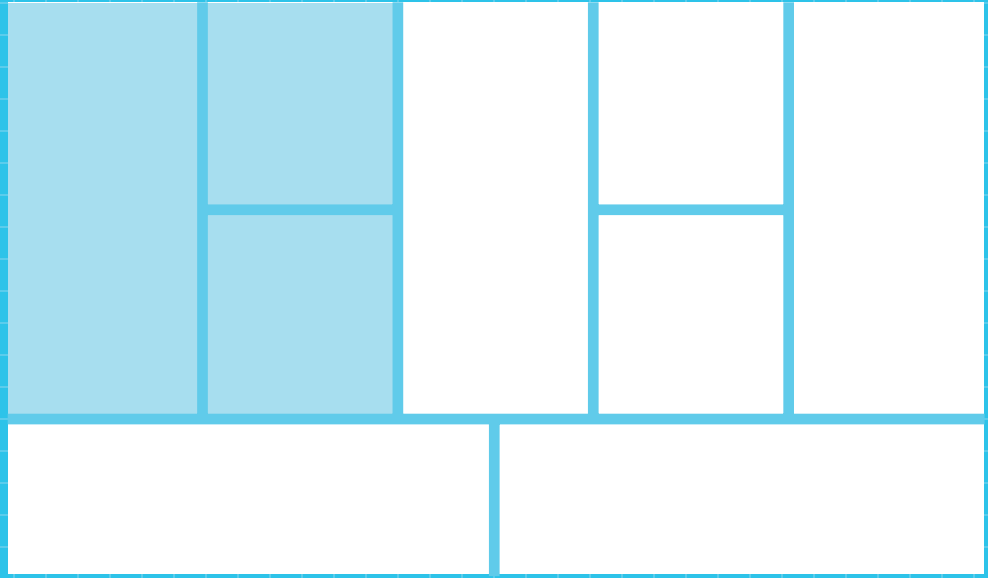
TRIGGER QUESTION

How could we make it difficult for customers to leave and increase switching costs in a positive way?

Assessment Question

How easy or difficult is it for our customers to leave or switch to another company?





Backstage Disruption

*A radical change in
how value is created.*

Resource Castles



p.XXX **User Base Castles**

Waze

p.XXX **Platform Castles**

DiDi

p.XXX **IP Castles**

Dyson

p.XXX **Brand Castles**

Wedgwood

Activity Differentiators



p.XXX **Efficiency Disruptors**

Ford Model T

p.XXX **Speed Masters**

Zara

p.XXX **Sustainability Masters**

Patagonia

p.XXX **Build-to-Order**

Dell Computers

Scalers



p.XXX **Delegators**

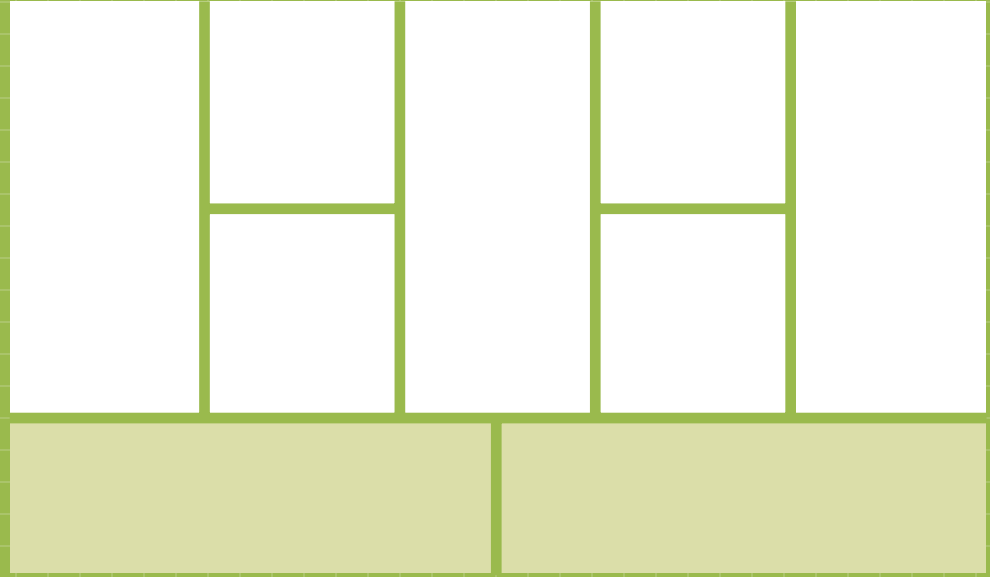
IKEA

p.XXX **Licensors**

ARM

p.XXX **Franchisors**

Harper



Profit Formula Disruption

Revenue Differentiators

p. XXX **Recurring Revenue**
p. XXX **Bait & Hook**
p. XXX **Freemium Providers**
p. XXX **Subsidizers**



Xerox
Kodak
Spotify
Fortnite

Cost Differentiators

p. XXX **Resource Dodgers**
p. XXX **Technologists**
p. XXX **Low Cost**



Airbnb
WhatsApp
easyJet

Margin Masters

p. XXX **Contrarians**
p. XXX **High Enders**



CitizenM
iPhone

*A radical change in how
profits are made in terms
of revenues and costs.*

Business Model Shifts

A business model shift describes an organization's transformation from a declining business model to a more competitive one. For example, the shift from product to service. However, in some contexts, the reverse shift, from service to product, might make just as much sense.



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Shift Pattern Library

Value Proposition Shifts



- p. 231 From Product to Recurring Service
- p. 234 From Low-Tech to High-Tech
- p. 235 From Sales to Platform

Backstage Driven Shifts



- p. 255 From Dedicated Resources to Multi-Usage Resources
- p. 258 From Asset Heavy to Asset Light
- p. 259 From Closed to Open (Innovation)

Profit Formula Driven Shifts



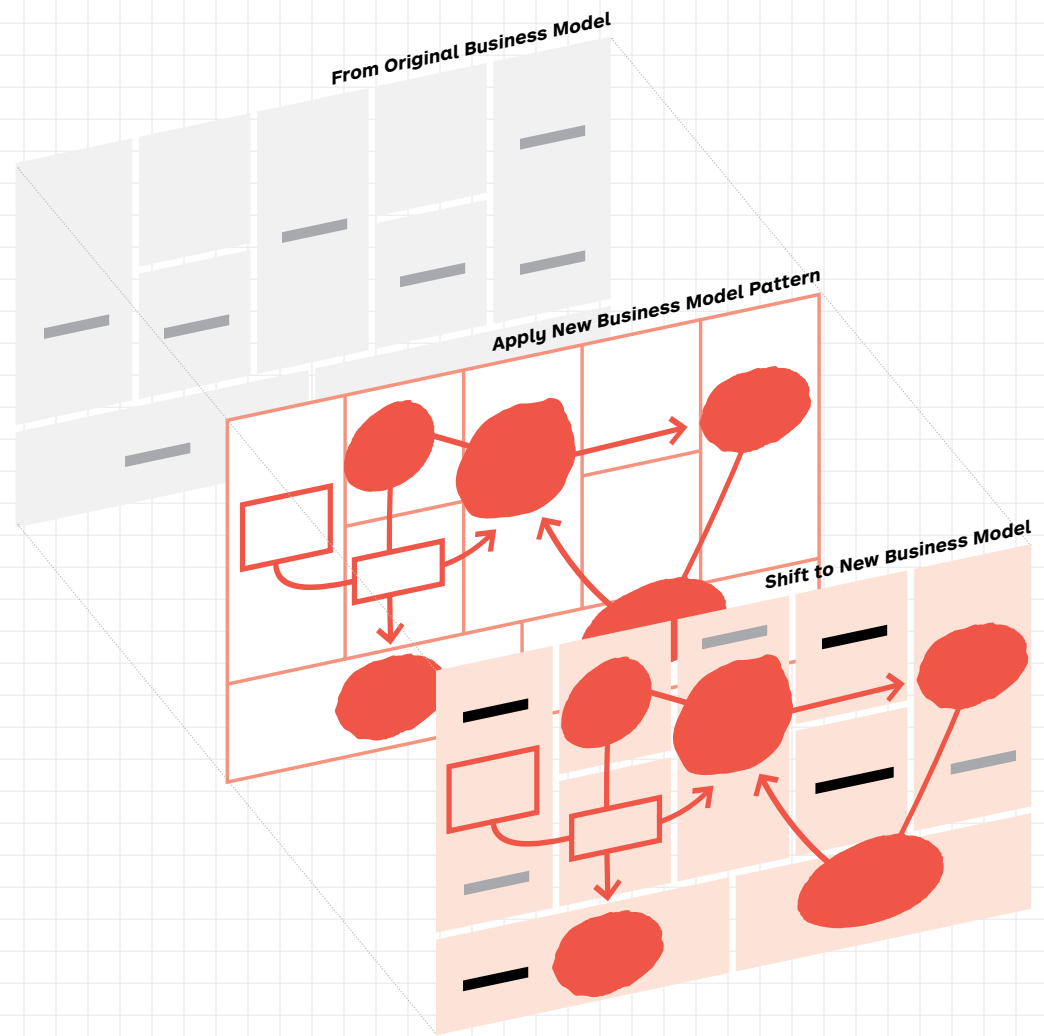
- p. 267 From High Cost to Low Cost
- p. 270 From Transactional to Recurring Revenue
- p. 271 From Conventional to Contrarian

Frontstage Driven Shifts



- p. 243 From Niche Market to Mass Market
- p. 246 From B2B to B2(B2)C
- p. 247 From Low Touch to High Touch

Shift Patterns



From Original Business Model...

The companies we portrayed in this section all started from an existing business model. This existing business model is often outdated and in decline and requires an overhaul.








Apply New Business Model Pattern

Twelve different shift patterns that established companies can apply to substantially improve and boost an existing business model are highlighted. We describe each pattern so that you can make use of it as a reference library.

...Shift to New Business Model

Each case serves to highlight a pattern in action. The company's entire business model isn't outlined, we just show how it applied a particular pattern to shift from an old business model to a new, more competitive business model. In reality, an entire business model has many more building blocks that we omit to focus on the shift.

Legend

- From Original Business Model 
- Apply New Business Model Pattern 
- Shift to New Business Model 
- Pattern Building Blocks 
- Optional Pattern Building Blocks 
- Original Business Model blocks 
- Other Business Model blocks 

From Product to Recurring Service

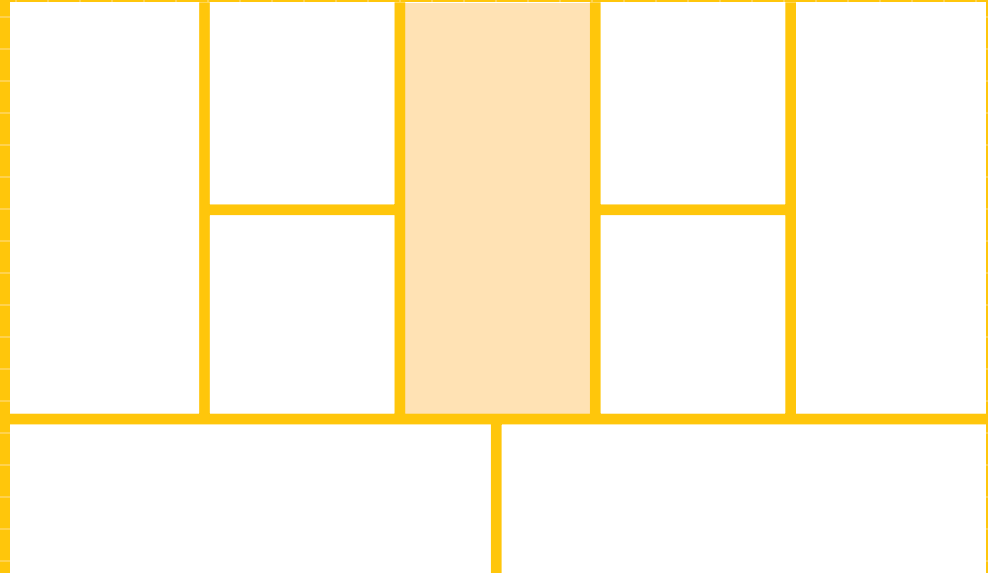
p.232 Hilti

From Low to High Tech

p.236 Netflix

From Sales to Platform

p.238 The App Store



230

Value Proposition Shifts

A radical shift of the value created for customers

From Product to Recurring Service

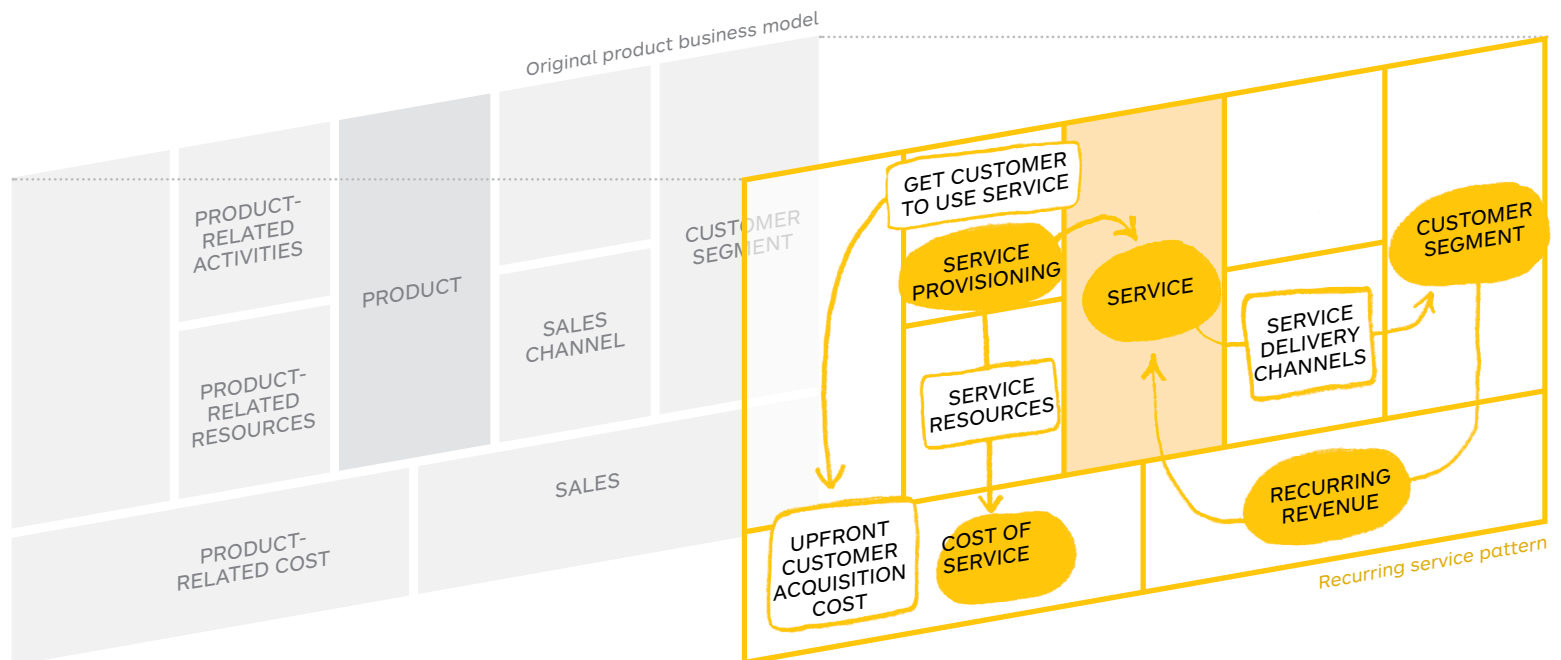
is the shift from manufacturing (and/or buying) and selling products toward providing a recurring service. Selling products on a transactional basis requires a continuous effort for every sale and it is often unpredictable. Recurring services require upfront customer acquisition costs that lead to recurring revenues. Revenues become more predictable and grow exponentially, because you build on top of a continuously growing base of customers.

STRATEGIC REFLECTION

How might we grow recurring and predictable revenues by providing a recurring service, rather than selling a product?

Upfront acquisition costs per customer might be higher, but revenues become more predictable and the lifetime value of customers often increases. Product and/or technology innovation can often provide the foundation for new services.

EXAMPLE
HILTI





From Product to Recurring Service

2000 ~ 2003

Hilti

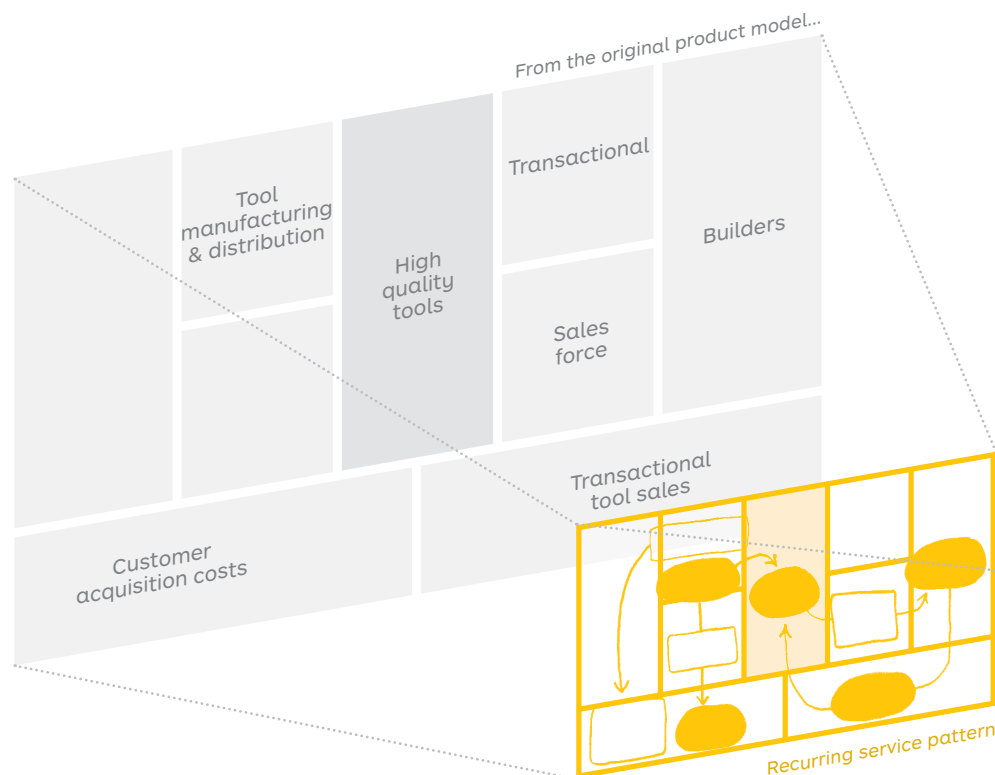
Hilti shifts from selling high quality tools to selling tool fleet management services to construction companies, after a key customer requests a holistic tool management system to increase productivity.

In 2000, one of Hilti's customers asked for a holistic tool management solution. That made Hilti realize that customers didn't want to own tools, but always wanted their workers to work productively. Hilti began an initial pilot program for tool fleet management in Switzerland and eventually rolled out the service worldwide in 2003.

With tool fleet management, Hilti became more relevant to construction companies by reducing nonproductive time for workers and adding a gain of taking on more customer jobs (e.g., tool repair).

Hilti also discovered that customers were willing to lease more tools than they had ever purchased. Some even asked Hilti to include non-Hilti tools in the service to completely prevent nonproductive time due to broken tools.

When the 2008 financial crisis hit the construction sector, many stopped purchasing new equipment. Yet Hilti's business model shift from a product to a recurring service allowed it to overcome the crisis and it has continued to grow since.



1 From Product to Recurring Service and Revenues

Managers of building companies have a lot more to worry about than just buying tools. Hilti recognizes that in 2000 and starts offering to track, repair, replace and upgrade the whole tool fleet for their clients. This increases their productivity by ensuring they always have the right tools, properly maintained and reliable at all times. Hilti allows customers to lease the tools through a monthly subscription rather than paying for them upfront – enabling predictability of costs for building company managers and recurring revenues for Hilti.

2 From Product-Related Activities to Service Provisioning

Hilti evolves its key activities from its core of manufacturing and sales to fleet management activities that enable tool tracking, repairing, replacement and upgrading.

3 From Sales Channel to Service Delivery Channels

Hilti retrains its sales force to speak to executives rather than project managers, and about logistics and efficiency rather than tools. It adds new online service channels to the traditional sales channel, raising awareness about the service, helping fleet customers access their inventory online, enabling them to access Hilti easily in case of a problem with their tools.

4 From a Product to a Service Cost Structure

Hilti's cost structure adapts to this new service orientation with new fleet management costs. To date, this shift has added over CHF1 billion worth of receivable volume to Hilti's balance sheet. Even customer acquisition costs (CAC) increase, due to the longer sales and contracting process with building company managers. The CAC, however, is now a one-time cost, leading to recurring revenues and opportunities for additional revenues with the long-term relationship.

1.5

Million tools

Hilti had 1.5 million tools under fleet management in 2015.¹

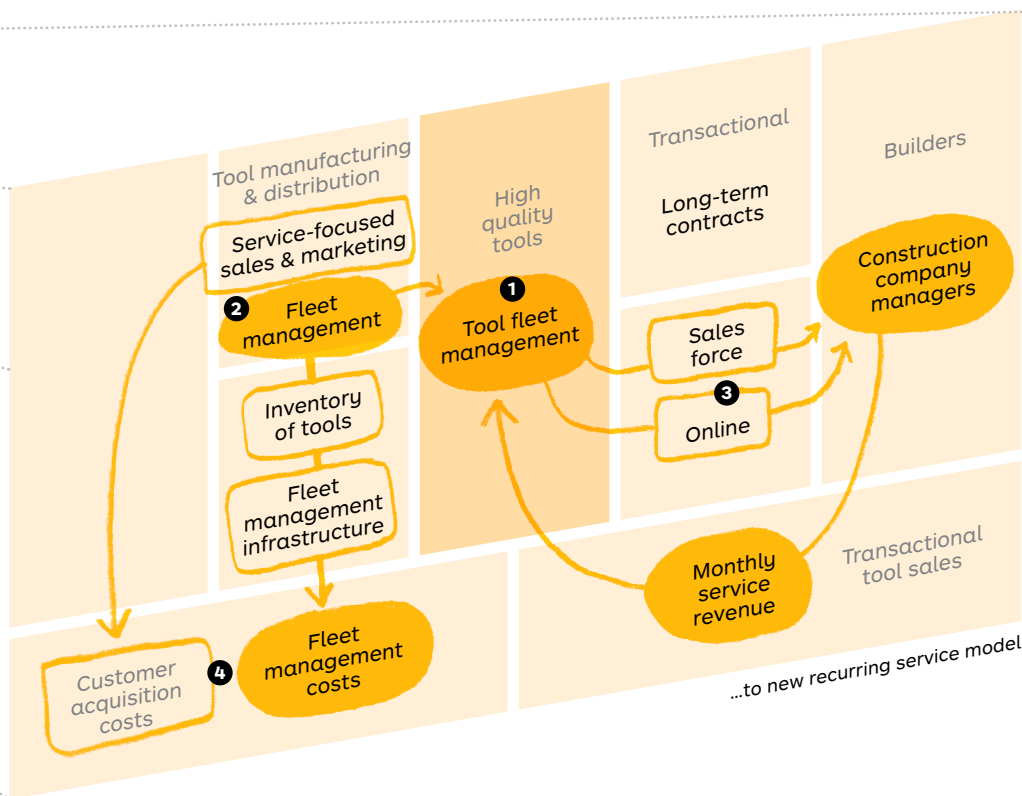
2

Billion CHF

Total contract value of all tools under fleet management in 2018.²

"The big benefit of recurring service revenues helped us to stabilize our business during the (global financial) crisis—a time when most contractors wouldn't purchase new equipment"

—DR. CHRISTOPH LOOS
CEO of Hilti



**From Dedicated Resources
to Multi-Usage Resources**

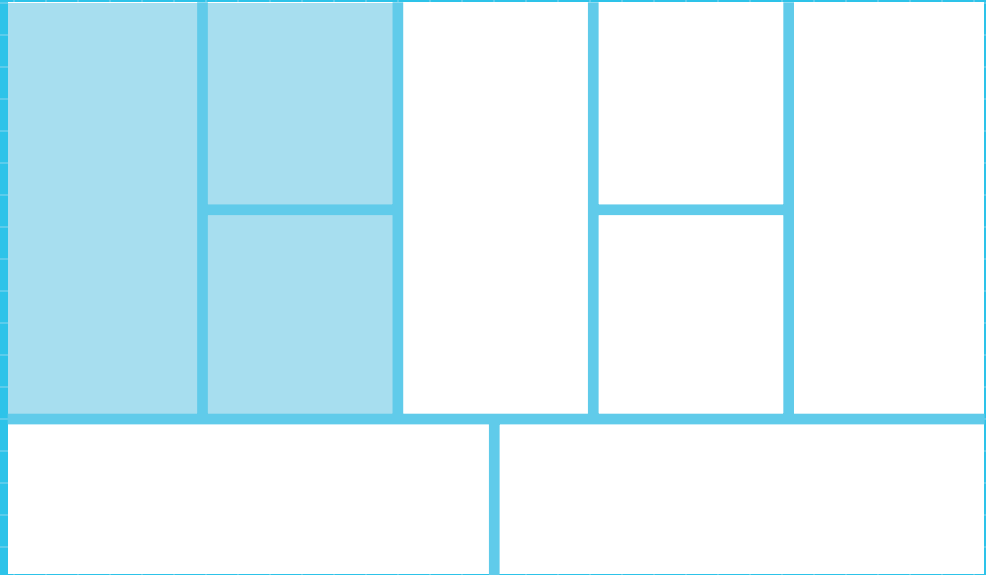
p.256 Fujifilm

From Asset Heavy to Asset Light

p.260 Bharti Airtel

From Closed to Open (Innovation)

p.262 Microsoft



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Backstage Driven Shifts

*A radical shift of
how value is created*

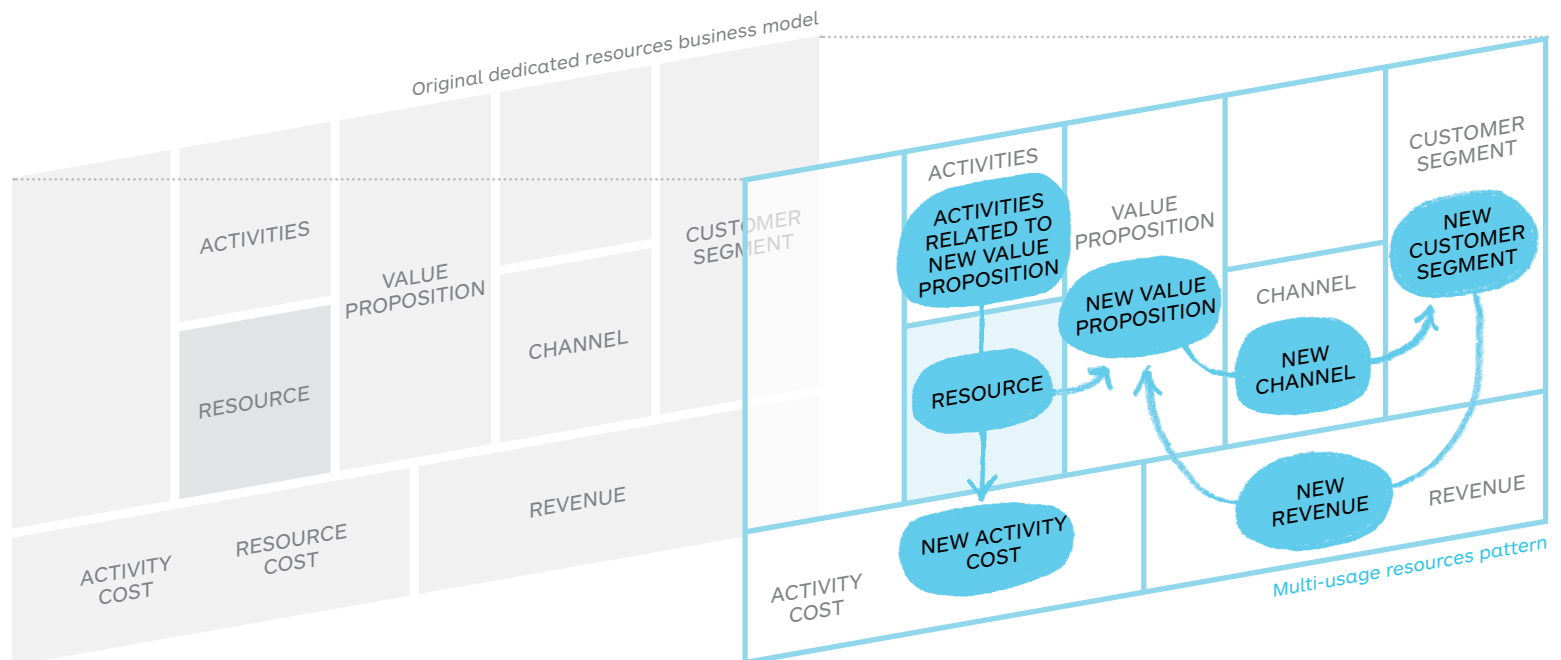
From Dedicated Resources to Multi-Usage Resources

is the shift from using a resource for one value proposition toward using the same resource for a completely different value proposition—which targets a new customer. This leads to substantial synergies, while opening up an entirely new revenue stream.

STRATEGIC REFLECTION

How might we monetize one of our most important key resources with a new value proposition for a new customer segment? How might the synergies with our existing business allow us to disrupt that new market we are targeting?

EXAMPLE
Fujifilm



From High Cost to Low Cost

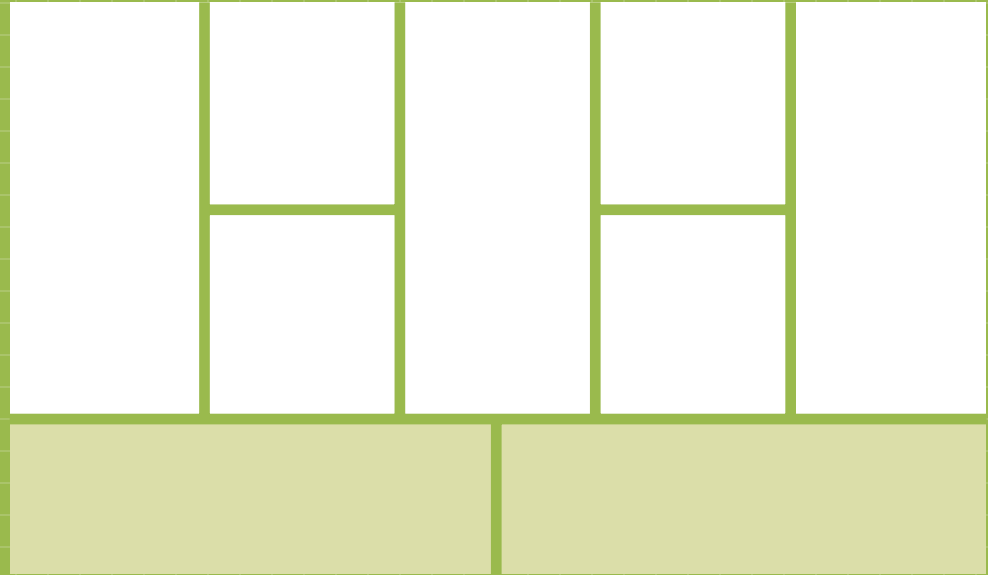
p.268 Dow Corning

**From Transactional
to Recurring Revenue**

p.272 Adobe

From Conventional to Contrarian

p.274 Apple iMac



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Profit Formula Driven Shifts

A radical change of how profits are made in terms of revenues and costs

From High Cost to Low Cost

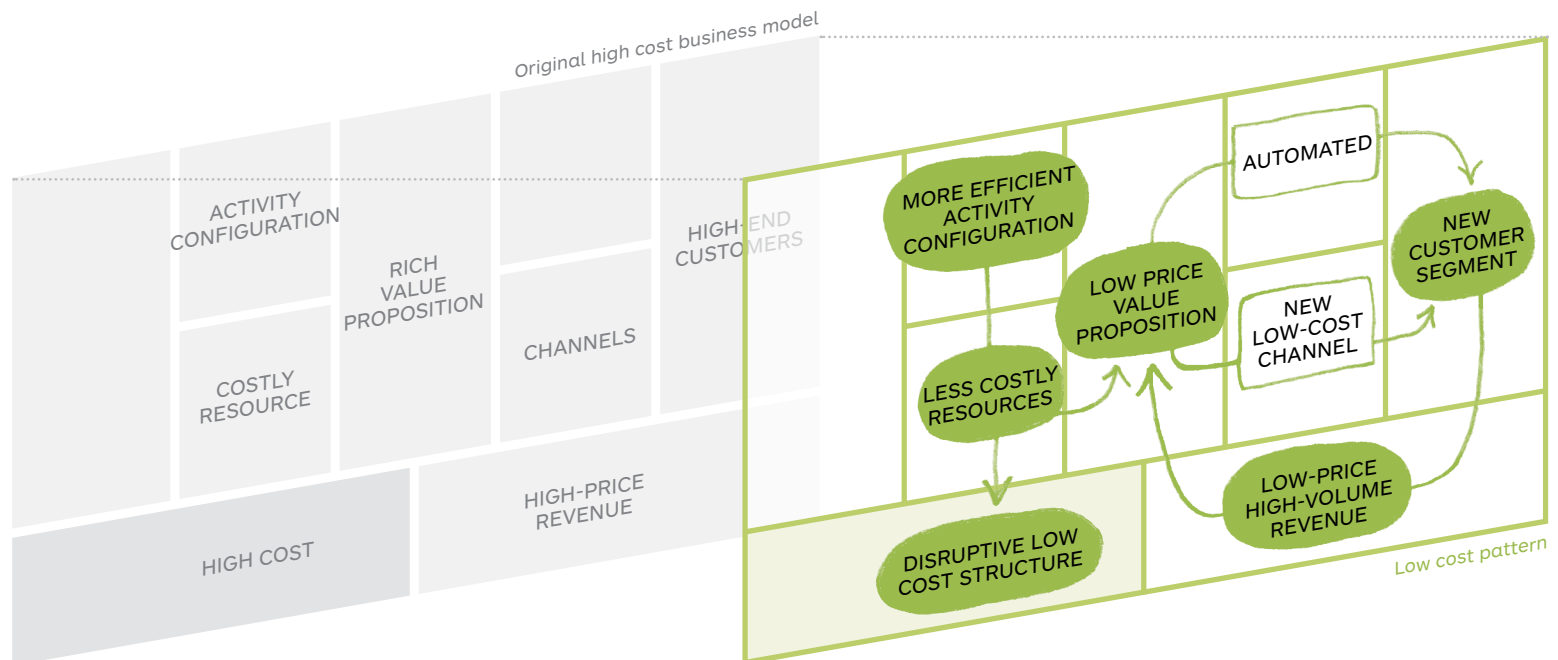
is the shift toward a more efficient activity and resource configuration in order to substantially decrease the cost structure and offer price-conscious customers a low-price value proposition. This shift allows for the conquering of new customer segments that might have not had access to such a value proposition previously.

STRATEGIC REFLECTION

Which new, price-conscious customer segment might we conquer with a low-price value proposition? How might we reconfigure activities and resources to disrupt our cost structure and make that low price possible?

EXAMPLE

Dow Corning



Questions for leaders

Value Proposition Shifts



Shift	How might we...
From To	...shift to a business business model built around a recurring service that provides predictable and recurring revenues?
Product Service	
To From	...add scalable products to our services to increase the share of wallet and lifetime value of each customer and boost overall revenues?
From To	...leverage technology activities or resources to transform our value proposition, radically modify our cost structure, or dramatically extend our reach?
Low Tech High Tech	
To From	...leverage low-tech activities or resources to provide value to customers that they really appreciate, but that doesn't cost much to provide or that technology can't offer?
From To	...turn a product or service into a valuable platform that connects users with third-party product and service providers and vice-versa?
Platform Sales	
To From	...add our own scalable products and services to our platform to increase the lifetime value of each customer and boost overall revenues?

Frontstage Driven Shifts



Shift	How might we...
From To	...modify our value proposition, adapt our marketing and branding, and extend our reach to shift from a niche market to a mass market?
Niche Market Mass Market	
To From	...create niche value propositions for a series of niche segments with specific needs? How would that affect our marketing and branding and distribution strategy?
From To	...become relevant and visible to our end customers, the consumers? How would we have to modify our value proposition to our direct customers (B2B) and consumers (B2C) to make that happen?
B2B B2C	
To From	...use our B2C customer experience and relationships, infrastructure, resources, activities, and expertise, to create value for B2B customers and even competitors?
From To	...create a high-touch experience, improve our value proposition, and increase price and revenues, while maintaining the advantages of standardization and scale?
High Touch Low Touch	
To From	...create or maintain customer value, while shifting from a high-touch to a low-touch experience? Which aspects of high-touch do customers not value as much as the price of providing them?

Backstage Driven Shifts



Shift	How might we...
From To	...monetize one of our key resources to create a new value proposition for a completely new customer segment? How might our key resources enable us to provide a better value proposition than competitors?
Dedicated Resources Multi-Usage Resources	
To From	...trim our business model by refocusing resources used to serve several value propositions and dedicate them to one only? How might that help us improve our profit formula?
From To	...free up capital and energy from building and maintaining assets toward focusing on client-related activities? How might we better put that available capital to use and improve our profit formula?
Asset Heavy Asset Light	
To From	...leverage our light assets like IP and brand to invest in heavy assets? How might that help us create a competitive advantage, make us difficult to copy, or create barriers to market entry?
From To	... leverage the strengths of our business model to use external R&D, IP, and resources (outside-in) or share internal R&D, IP, and resources with outside partners (inside-out)? How might that lead to a higher return on R&D or capital invested?
Closed Open	
To From	...create a competitive advantage by internalizing R&D, IP, resources, and activities? How might that create cost, knowledge, or profit efficiencies? How might we stop sharing R&D, IP, resources, and activities with outside partners?

Profit Formula Driven Shifts



Shift	How might we...
From To	...create value for price-conscious customer segments? How might we reconfigure activities and resources to disrupt our cost structure and make that low price possible?
High Cost Low Cost	
To From	...create value for price-insensitive customer segments? How might we leverage our resources and activities to create a high-value, high-price value proposition?
From To	...focus on recurring customer jobs-to-be-done in order to create a recurring value proposition with a long-term relationship and recurring revenues?
Transactional Revenue Recurring Revenue	
To From	...add transactional revenues to our recurring revenues in order to improve customer share of wallet and boost our overall revenues?
From To	...eliminate or reduce costly activities and resources, even if they create value for customers? How might we replace that lost value with less costly value creators that matter most to customers?
Conventional Contrarian	
To From	...add costly resources and activities to our business model to substantially increase value, price, and luxury feel? Or, conversely, how might we strip our business model to shift to a pure low-cost model?

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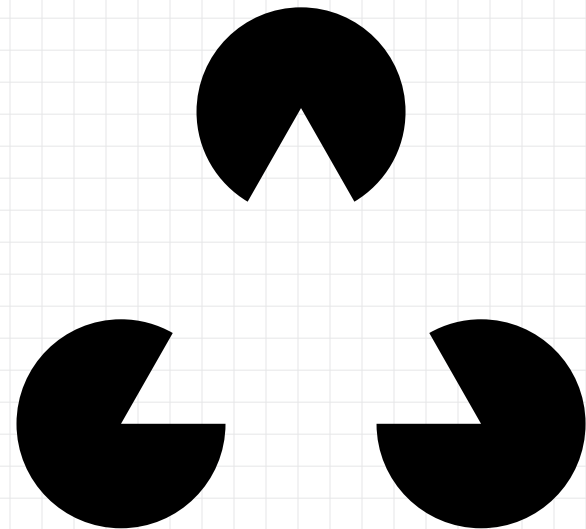


Culture

How It Fits Together

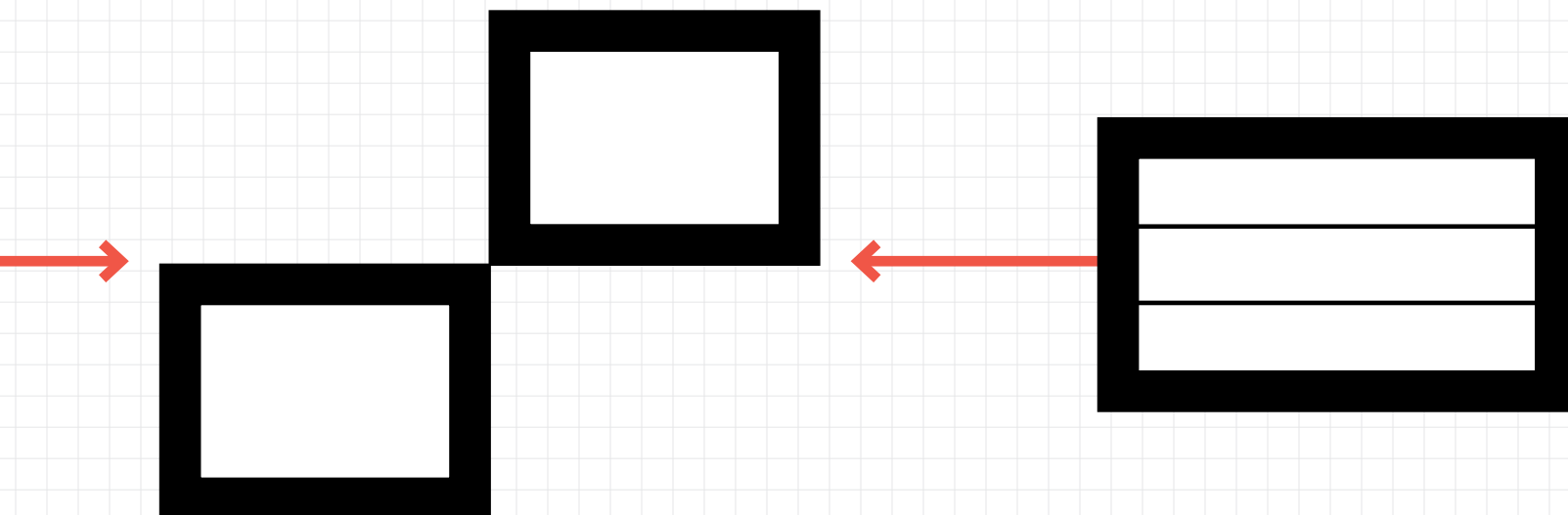
Your corporate identity defines who you want to be and sets the context for everything else. It allows you to specify the guidance that will shape your entire portfolio. Your portfolio is a reflection of who you are in terms of businesses you own (exploit), and who you are trying to become in terms of businesses you are exploring (explore).

In order to smoothly manage this type of dual portfolio you need to put in place a so-called ambidextrous culture that is world-class at both exploration and exploitation. This entire chapter describes how to achieve that by eliminating blockers and implementing enablers that will facilitate your cultural transformation.



Corporate Identity

WHO WE ARE



Portfolio Map

WHAT WE'RE DOING

Culture Map

HOW WE'LL DO IT

Every company has a corporate culture.

Yet, too many companies let culture just happen. Invincible companies actively understand, design, and manage culture. They create world-class innovation and execution cultures that live in harmony. In this section we outline how you can map corporate culture and what it takes to create a world-class innovation culture.

**What are our
desired **outcomes**?**

What **behaviors will
allow us to achieve
our desired outcomes?**

What **enables and blocks
us from our goals?**

The Culture Map

Together with Dave Gray, Strategyzer developed the Culture Map as a tool to design better-performing companies. The Culture Map is a practical, simple, and visual tool to understand, design, test, and manage the corporate culture you want to bring to fruition in your organization. In this book we use the Culture Map to map and design an innovation culture.



"If you want to understand culture, you need to map it."

DAVE GRAY

Author and entrepreneur

Outcomes

The concrete positive or negative consequences resulting from people's behavior.

Behaviors

How do individual and teams act or conduct themselves within the company? What do they do or say? How do they interact? What patterns do you notice?

Enablers/Blockers

The levers that lead to positive or negative behaviors inside your company. These could be formal policies, processes, and reward systems, or informal rituals and actions that influence people's behaviors and, ultimately, influence a company's outcomes.

The Culture Map ^{Beta}

A Change Management Tool

Designed for:

Designed by:

Date:

Iteration:

Outcomes

Behaviors

Enablers/Blockers

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 **Strategyzer**
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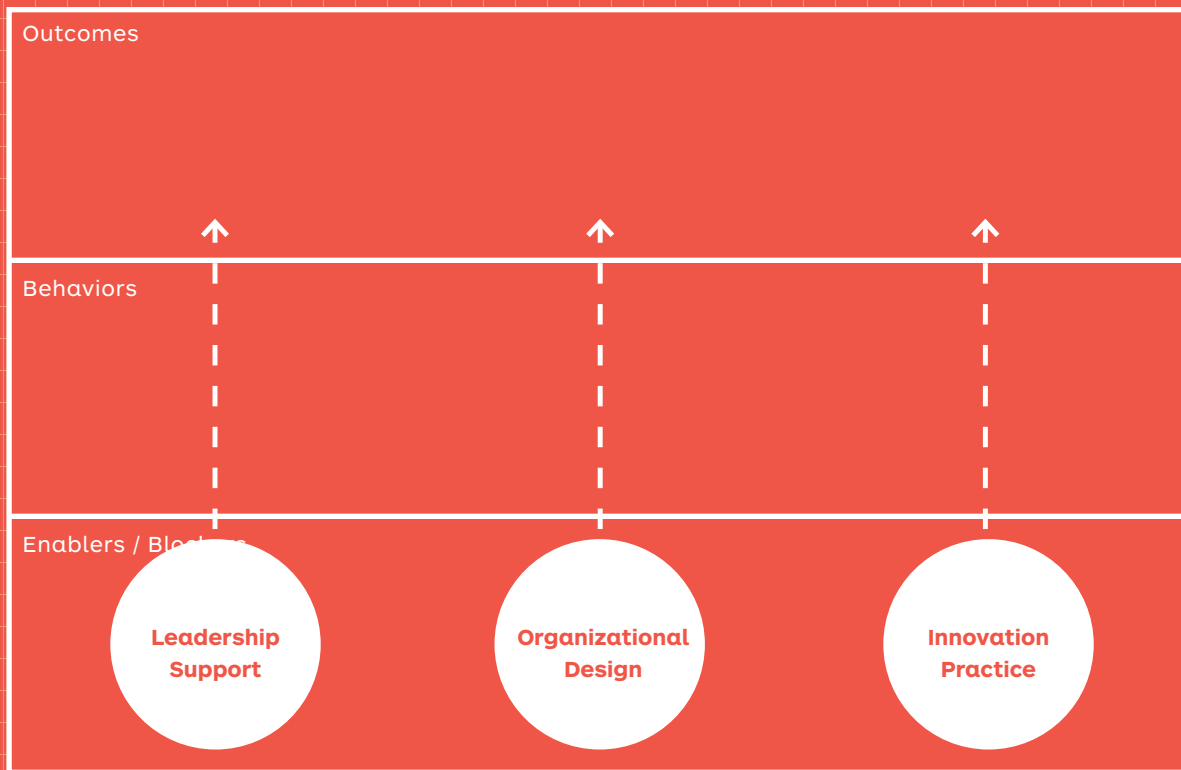


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CULTURE

Invincible companies build a strong exploration and exploitation culture under the same roof. In this book we mainly outline how to build a strong exploration culture, since most companies already have a pretty strong exploitation culture. We believe there are three main levers that you can work on to create an exploration culture.

Designing an Exploration Culture



Innovation Behaviors and Outcomes

Invincible companies design great enablers and eliminate the blockers in each one of these three areas: leadership support, organizational design, and innovation practice. This leads to the following innovation behaviors that you can observe:

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✓ Leadership Behavior

Leaders understand how innovation works and they invest a substantial amount of their time into innovation. They provide clear strategic guidance for innovation projects and they regularly review a company-wide exploit and explore portfolio. They are eager to explore new growth opportunities and they understand how the related risk is managed.

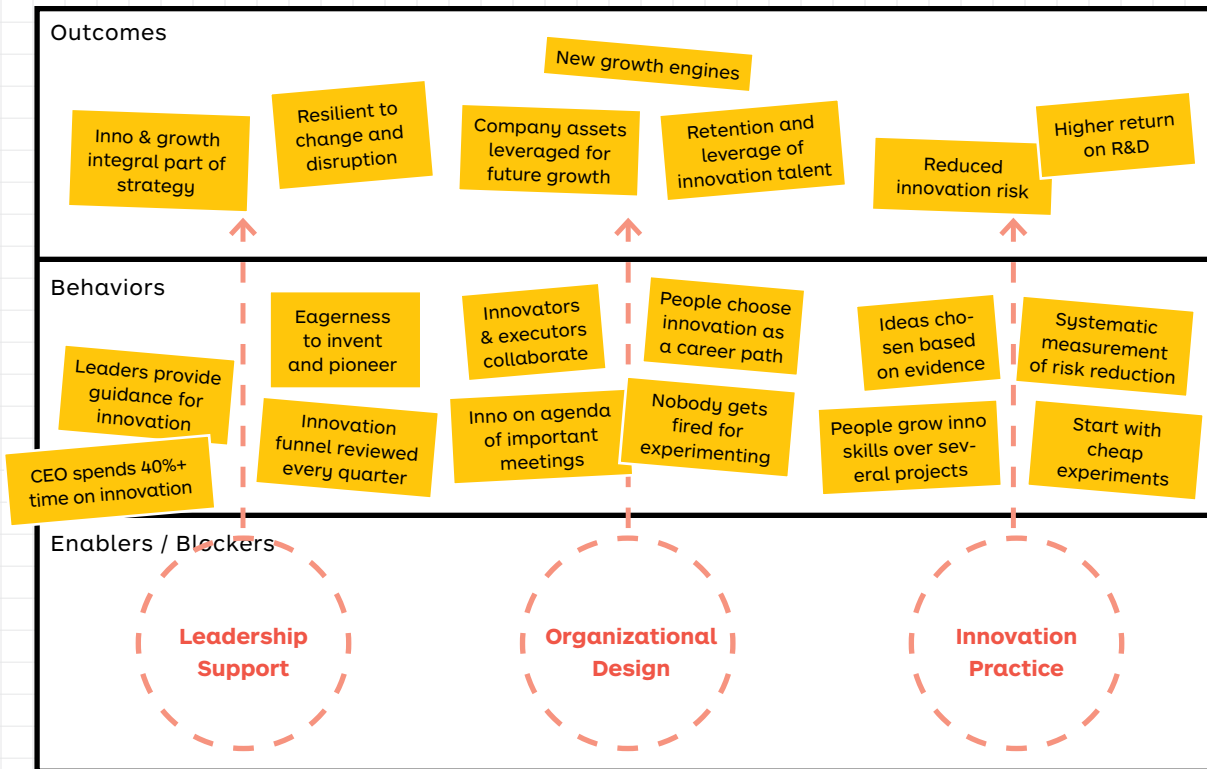
✓ Organizational Behavior

In organizations with an exploration culture, nobody gets fired for experimenting with new growth opportunities that fit the strategy. You find innovation on the agenda of the most important meetings and people choose innovation as a career path. Innovators understand the constraints of leaders and managers of the existing business and they, in return, do their best to help innovators. Exploration and execution form a true partnership to manage the present and explore the future.

✓ Innovation Team Behavior

Innovators pursue ideas based on evidence from experiments, not their opinions or their boss's opinions. Risk and uncertainty of ideas are systematically measured and projects start with cheap and quick experiments. Experiment time and costs increase with increasing evidence and decreasing uncertainty. People accumulate skills over years of practice and learn and grow from failures in any project.

Culture Map: Innovation Culture Blockers



Innovation Tools and Process

Mastering the tools of innovation radically facilitates the search for new growth engines. We suggest a toolbox of integrated tools to shape, test, and grow ideas in your organization.

Corporate Identity Triangle

A strategic management framework to make your corporate identity explicit in order to define your portfolio guidance.

Portfolio Guidance

The guidelines that define what types of innovations you want to pursue. They make explicit what is “in” and what is “out”.

Portfolio Map

An analytical strategy tool to simultaneously visualize, analyze, and manage the business models you are improving and growing and future business models you are searching for and testing.

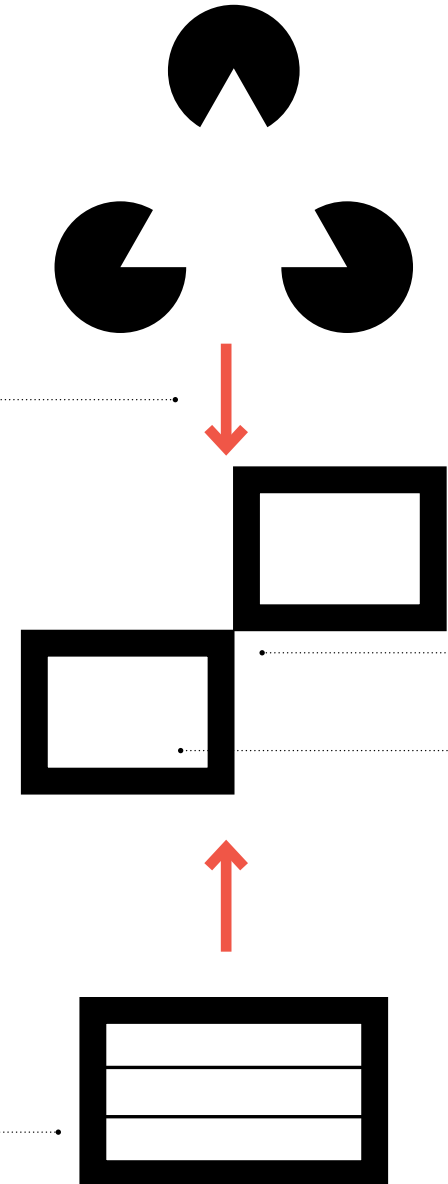
The Culture Map

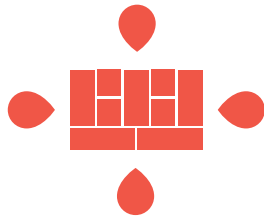
A strategic management tool to help assess, design, implement, and transform a company’s (innovation) culture.



The Team Alignment Map

A project management tool to keep teams aligned over the course of an (innovation) project journey.





Business Design

Business Environment Map

A foresight and scanning tool to map the environment in which you conduct business. It captures the trends that might disrupt your organization or represent new opportunities for growth and transformation.



Business Model Canvas

A strategic management tool to make explicit how you create, deliver, and capture value. Used to improve existing business models or invent new ones. Serves as the foundation to identify hypotheses to test new business ideas.



Value Proposition Canvas

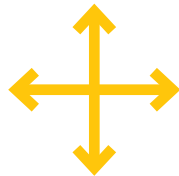
A product management tool to make explicit how you create value for customers. Used to assess and improve existing value propositions or to invent new ones. Serves as the foundation to identify customer and product/service hypotheses.



Testing

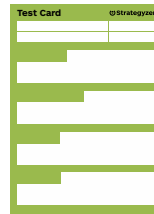
Strategyzer Innovation Metrics

A metrics system to measure the reduction of risk and uncertainty of new business ideas, visualize progress from idea to validated business case, and evaluate the disruption risk of a company's business portfolio.



Assumptions Map

A tactical tool to identify the hypotheses you need to test first.



Test Card

A tactical tool to design sound business experiments to test your business hypotheses.



Learning Card

A tactical tool to capture insights from your business experiments and define decisions and actions.

Innovation Culture Readiness

How ready are you to become an invincible company?



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CULTURE

- ☐ Give your company a score from 0 to 5 for each area.
- ☐ Define which area you'd like to improve over the next 12 and 36 months.
- ☐ Eliminate the blockers and implement the enablers that will help you achieve your improvement goals.

Leadership Support

Strategic Guidance

Resource Allocation

Portfolio Management

Organizational Design

Legitimacy and Power

Bridge to the Core

Rewards and Incentives

Innovation Practice

Innovation Tools

Process Management

Innovation Skills

BEGINNER <i>We have little to no experience with this topic</i>	<i>We have some experience</i>	INTERMEDIATE <i>We regularly work this way, but not systematically</i>	<i>We frequently work this way</i>	WORLD CLASS <i>Our practice is used as a case study for others to learn from</i>
1 Leadership does not provide explicit strategic guidance for innovation	2	3 There is some strategic guidance for innovation but not everybody in the company knows it	4	5 Leadership provides strategic innovation guidance at important meetings and everybody knows it
1 Resources for innovation are bootstrapped or on an ad-hoc project basis	2	3 Resources for innovation are available, but they are not substantial and not protected	4	5 Resources for innovation are institutionalized and leaders commit at least 50% of their time to innovation
1 Leadership is mainly focused on improving the core business	2	3 We make some investments to explore the future and new business models, but it's not systematic	4	5 Leadership is eager to pioneer and invests in a large innovation pipeline of small bets of which the best get follow-up investments
1 Innovation projects are skunk work and outside official channels	2	3 Innovation is officially in the org chart, but lacks power and influence	4	5 Innovation is at the very top of the org chart and has power and influence
1 Innovation teams have limited or no access to customers, resources, and skills of the core business	2	3 The core business and innovation teams collaborate, but there are conflicts	4	5 There are clear policies that help innovation teams and the core business collaborate as equal partners
1 Innovation does not have a dedicated incentive system that differs from the core business	2	3 We have some incentives in place to encourage innovation and reward it differently from execution	4	5 Innovation has a dedicated incentive system that rewards experimentation and new value creation
1 We do not use business model, lean startup, or design thinking tools for innovation	2	3 Business model, lean startup, or design thinking tools are used in pockets of the organization	4	5 Business model, lean startup, or design thinking tools are widely adopted and mastered
1 Our processes are linear and requiredetailed business plans with financial projections	2	3 We occasionally use iterative processes and systematic business experiments to test business ideas	4	5 Our processes are optimized for innovation and we systematically measure the reduction of risk in new ideas
1 We don't hire for innovation skills and experience and don't develop them	2	3 We occasionally hire experienced innovation talent and train some specialized staff in innovation	4	5 We hire and develop world class innovation talent with extensive experience across the organization



AUTHOR

Alex Osterwalder

Founder, Speaker, Business Thinker

Alex is a leading author, entrepreneur and in-demand speaker whose work has changed the way established companies do business and how new ventures get started. Ranked No. 4 of the top 50 management thinkers worldwide Alex also holds the Thinkers50 Strategy Award. Together with Yves Pigneur he invented the Business Model Canvas, Value Proposition Canvas, and Business Portfolio Map—practical tools that are trusted by millions of business practitioners.

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strategyzer.com/blog



COAUTHOR

Yves Pigneur

Professor, Business Thinker

Yves is a professor at the University of Lausanne since 1984, and has held visiting professorships at Georgia State University, University of British Columbia, National University of Singapore, and HEC Montreal. Together with Alex Osterwalder, he invented the Business Model Canvas and co-authored the international bestselling books, *Business Model Generation* and *Value Proposition Design*. Yves and Alex are ranked No. 4 among the Thinkers50's Most Influential Management Thinkers in the world and hold the Thinkers50 Strategy Award.



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Executive Advisor, Implementer

Fred is an executive advisor on strategy and innovation. He works with courageous leaders on how to develop an innovation culture, explore new growth engines, and transform their businesses. He has been working with or in large organizations for more than 20 years and knows their challenges from the inside. Fred co-creates tools and methodologies for strategy and innovation with other business thinkers and facilitates regular trainings on how to use them in Europe and Asia. Fred has been an Associate at Strategyzer since 2017.

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Founder, Explorer, Designer

Alan uses his curiosity and creativity to ask questions and turn the answers into simple, visual, practical tools. He believes that the right tools give people confidence to aim high and build big meaningful things.

He cofounded Strategyzer with Alex Osterwalder, where he works with an inspired team to build great products. Strategyzer's books, tools, and services are used by leading companies around the world.

strategyzer.com

DESIGNER

Chris White

Designer, Art Director

Chris is a multidisciplinary designer who lives in Toronto. He has spent his time working on a number of business publications in various roles, most recently as Assistant Art Director at *The Globe and Mail*, focusing on presentation design for both print and online stories.

This is the first book he has collaborated on with the Strategyzer team.

DESIGNER

Trish Papadakos

Designer, Photographer, Creator

Trish holds a Masters in Design from Central St. Martins in London and a Bachelor of Design from the York Sheridan Joint Program in Toronto.

She has taught design at her alma mater, worked with award-winning agencies, launched several businesses, and is collaborating for the fifth time with Strategyzer.

[@trishpapadakos](https://twitter.com/trishpapadakos)

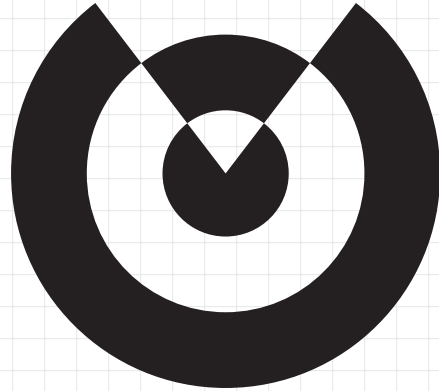
CONTENT LEAD

Lucy Luo

Advisor, Problem Solver

Lucy is an innovation advisor to organizations large and small, helping them ideate and launch new products to seek breakthrough growth. She enjoys working with multinationals to build out and implement their innovation strategies as well as early stage startups across Europe and Asia.

Lucy has a passion for addressing social and sustainability challenges, through the use of innovation toolkits and has worked with a number of not for profit and social enterprise organizations such as the United Nations, the Atlantic Council, and World Economic Forum Global Shapers.



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Mastering value propositions,
mastering business models,
mastering business testing,
mastering culture, and mastering
team alignment.

GROWTH

Create Growth

Systematize and scale your growth efforts, innovation culture, and business portfolio.

Innovation culture readiness
assessment, growth strategy, growth
funnel design and implementation,
innovation management, coaching,
and innovation metrics.

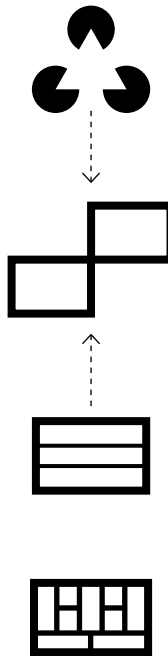
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This handbook features the leadership toolkit decision makers, innovators and entrepreneurs need in order to build The Invincible Company.



Integrates perfectly with the other books in the Strategyzer Series.



Strategic Guidance

Decide where to compete and what strategic decisions are required. Build a disruption-proof business.

Business Portfolio

Manage your portfolio of new ideas and business model improvements with the Portfolio Map. Build a solid innovation funnel to constantly reinvent your business(es), while measuring and reducing risk and uncertainty.

Innovation Culture

Assess your innovation readiness and build a world class innovation culture with the Culture Map.

Business Model Patterns

Compete with superior business models—not just product, service, technology, and price.



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