BUSINESS MODEL INNOVATION: WHY? HOW? HOW MUCH?

Mary Kay Plantes, Ph.D. and Bill Welter

ABSTRACT: The discussion of business model innovation has gone from being essentially non-existent a decade or so ago, to being a “required” leadership skill in today’s economy. This article discusses why leaders must constantly evolve their business models and the kinds of business model innovation to select from. The article also addresses one of the most important questions you face as a leader: “How much innovation in my business models is enough?” That question should frame *every* annual strategic planning process at both the business unit and corporate levels.

A DECADE OF DANGER AND EXCITMENT

The years since the 2008 recession have been a roller coaster so far:

- Kodak tried to sell its old avenue to riches. It even put its film division up for sale. What was once a money machine became an anchor.

- Groupon tried to upend a basic “coupon cutting” model by declaring itself a technology company. Many investors initially fell for the aura of “technology” and neglected to look at the real business.

- HaperCollins's chief executive states: 'We can't think of ourselves as book publishers any more” and, she says, that's not the only way the world is changing.

- Solar-anything, the darling of the early 21st century has turned into an ugly commodity business.

- Uber and LYFT upended the taxi market, as Airbnb did the same for lodging industry.

- Craft brewers are killing traditional brews market share as the consumer seeks quality and authenticity. The trend is so strong, Whole Foods is forced to sell on price as copy cat competition spreads across grocery store chains.

As it turns out, every business story is really a business model story. What’s your story and how will it play out?

THE NEED FOR BUSINESS MODEL INNOVATION

These and many other data points provide emerging evidence that the traditional strategies for preserving margins – new products, line extensions, cost reductions, branding and enhanced marketing – have lost their impact, leaving leadership teams with seemingly fewer weapons in their arsenals.

None of these strategies work the way they did in the past because they do *little to nothing* to offset the multiple forces accelerating market commoditization and therefore price-competition, forces that were underway before the 2008 recession but accelerated by the downturn and slow recovery. Consider how any or all of these forces are impacting your business:

- COPYCAT COMPETITION: A plethora of business services organizations are enabling almost any company to easily copy any other company's offerings or capabilities, turning even high-end offerings and new-to-market technologies into commodities
- GLOBALIZATION: Growing supply relative to demand coupled with fewer barriers to entry, thanks to the internet, is giving businesses more new competitors from across the globe
- HERCULEAN BUYER POWER: Industry consolidation, national big box stores displacing local retailers, and B2B buying groups are concentrating buying power in fewer purchasers
- TRANSPARENCY: It's easier than ever for customers to compare prices thanks to the internet and mobile technology; internet-enabled auctions and group-buying are also increasing price pressures
- LOSS OF MESSAGING CONTROL: Customers have more control over if, when, and how they are exposed to a company's messages, and are more likely to form their impressions based on sources a company cannot control (via social media)

Consider for example that P&G, left with weakened weapons of "new and improved" for its cleaning products is took the risky step of starting Mr. Clean Carwash and Tide Dry Cleaning franchises.

Other leaders turn to industry-consolidating acquisitions offering one-time cost reductions that keep them meeting shareholder growth expectations, at least for a few years. Banking and pharmaceutical companies are classic examples from our recent past.

Will price then become the primary basis of competition, absent some type of monopoly or oligopoly pricing power? Not yet, thankfully. Though every industry will have its Walmart—the company with the lowest cost structure—there are options other than being the low-price competitor.

The secret to preserving and growing gross margin and revenue rests in **business model innovation**, changing the basis on which you compete and the markets in which you compete.

Business models are constantly being challenged as competitors catch up with others' innovations. Apple's movement from computers to music devices to cell phones and finally to tablets can be viewed as more than a company in search of innovative new products. From a strategy perspective, the moves reflect a company evolving its business models so as to continue to be the best company in "eliminating frustration and saving you time in working with electronic data while expanding its usefulness."

By way of contrast, Dell engaged merely in catch-up business model evolution, following a break-through company-creating innovation of uniquely designed computers sold directly to business. Is it any wonder that Apple's cash on hand has exceeded Dell's valuation in recent years? And once seemingly invincible Wal-Mart's low-cost business model is now being challenged in some areas. For example, Tesco and Aldi both have store-brands only business models that let them offer groceries at even lower prices than Wal-Mart.

Look at any two competitors in the marketplace and you'll likely see that one has a business model anchored in hard-to-copy advantages that are creating superior financial performance. For example, IBM, once a "computer company," sold off its commodity hardware to compete as a services company that helps clients make smarter decisions and build better functioning systems (health care, transportation, etc.). With services commoditizing, it's now an "insights" company. Meanwhile, HP rapidly became a commoditized company that lacks any unique advantages, following Dell's lead of merely reacting to competitor moves. Forced to split itself into two, it's hoping the enterprise business will regain lost momentum.

As a result of business model successes, the idea of business model innovation has gone from being essentially non-existent a decade or so ago, to being a "required" leadership skill in current business literature.

This article discusses the importance of paying attention to your company's business models and what kinds of business model innovation to select from; the article also addresses one of the most important questions you face as a leader: "How much innovation in each of my business models is enough? And what is the right portfolio of business model innovations for achieving the company's long term growth goals?" These two questions should *always* frame your strategic planning process.

ABOUT BUSINESS MODELS

What do we mean by a business model? Let's start with a common framework. We know that there are many definitions for a business model and that the term has morphed from a buzz-word during the dot-com boom and bust to the current hot topic in the strategy press.

Consider a company or business unit serving a single target market. One way to define a business model is how value is created for customers and profits for the company. Behind the "how" rest core strategy decisions that serve as the blue print for how the company will achieve its overall goals.

These decisions are triggered by answers to five core strategy questions related to where the firm competes, how it wants to win and retain its customers and why these exchanges will be profitable. (See Figure 1).

1. WHO ARE WE FOR? Which target market is strategic and how do we reach customers in these markets? Related questions include which channels are used and the nature of the relationship with customers.

2. WHAT BUSINESS ARE WE IN? What is inside and outside the scope our business and who is our competitive set?

3. WHY DO WE WIN? What is the value promise behind our offering that leads customers to select us? (value = the customer's total perceived benefits from our offering less costs of acquiring those benefits)

4. WHY WILL COMPETITORS FAIL? What advantages/capabilities and other resources (e.g., partnerships, knowledge, assets, culture) in our value chain enable us to deliver on our value promise in ways that competitors cannot easily copy?

5. HOW DO WE PROFIT? How have we designed our value chain and revenue model to ensure our profitability?

A marketing product manager would recognize the five core strategy questions from exercises they've followed with ad agencies to "position" a product or service. In essence, the business model is analogous to the positioning of the entire company's offering in the target market's mind. Does it carve out a unique market space where the company can win consistently and profitably, either beyond price or by playing at commodity warfare?

In reality, even small companies often have more than one target market and larger companies have business units as well as divisions embracing multiple business models serving a wide array of target markets. When target markets and business scope are highly aligned as they are at Apple, there is a company-wide business model that answers the core strategy decisions as well as embedded business models for Apple's different businesses. At a company with a highly diversified a set of markets, offerings, businesses and industries (3M comes to mind), the company business model is a network of individual business models, with company-wide, division-wide or business unit-wide resources, processes and solutions that are leveraged across the company's, division's and business unit's business models respectively, enhancing advantages, the value promise and profitability. [1]

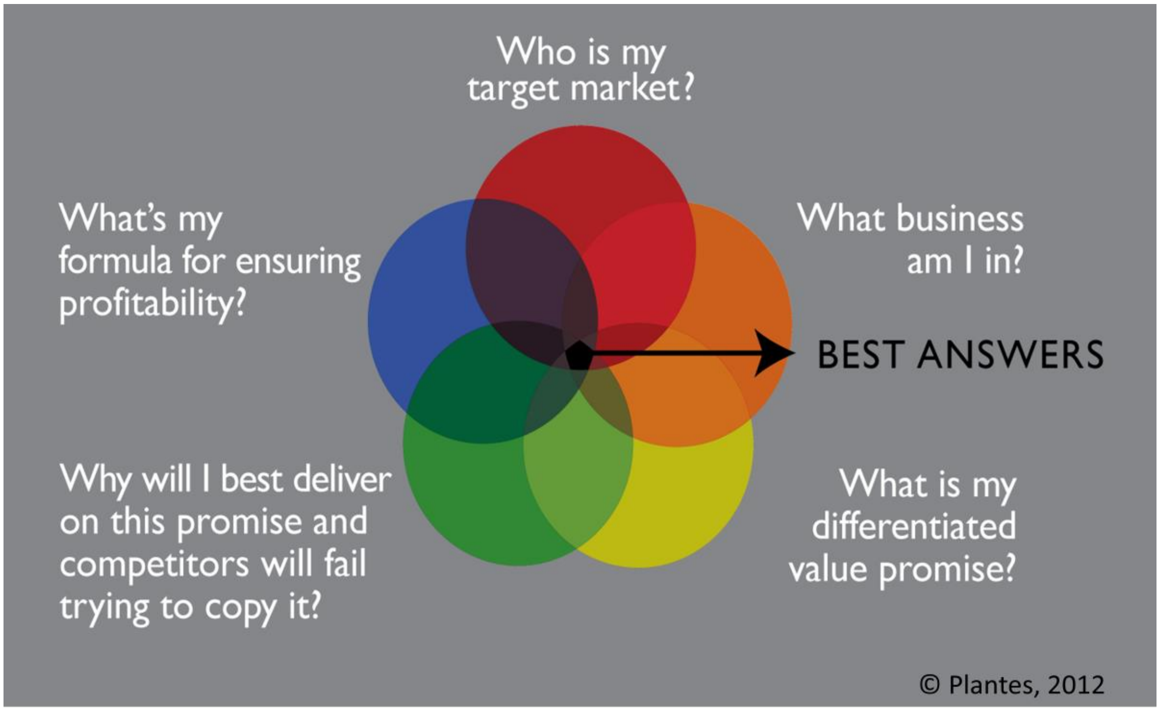

Figure 1: Core Strategy Questions

The core strategy questions are interdependent in that a change in one often requires changes in others to build a strong business model. For example, a construction company with an innovative structural building solution decided to sell directly to owners rather than continue to operate as subcontractors as owners would most value the benefits of their offerings – reduced construction time without the added schedule risk. To make that switch, the company had to develop expertise in general contracting, because owners generally deal only with companies that take responsibility for an entire job.

The core strategy questions and their answers may have been clear to your company in the past, but we are willing to bet that you would not get a consistent set of answers about your business model if you polled your current team of managers and their staff. Too many companies answers to these questions based on their history, prior industry practices,

[1] Thanks to Doug Quam of 3M and Michael Lurie of Blue Mine Group for a discussion of business models on a company-wide level. Read about Lurie's "Agile Strategy" framework at http://www.blueminegroup.com/

opportunity, or serendipity. As a result, resources are not aligned in ways that create hard-to-copy value promises that are attractive to a sizable target markets, leading to failed innovation efforts, high non-value-added costs, and unrealized growth opportunities.

Many Strategy Innovations are Business Model Changes

The business press in recent years has offered a rich history of strategy innovations that are essentially changes in business models:

- The entire reengineering[i] literature is about maximizing value and profitability through innovations in the value chain (changing your operations to establish new cost structures, speed capabilities, etc.).

- *The Innovator's Dilemma*[ii] can be explained by looking at new, competing business models for underserved or overserved target markets.

- Treacy and Wiersma's "Value Disciples" (customer intimacy, product leadership, and operational excellence)[iii] are simply ways of describing ways you can frame your value promises (the underpinning of any business model).

- Kim and Mauborgne's Blue Ocean[iv] thinking, an ongoing strategy hot topic, is really about aligning target markets and new total offerings for an industry entrant or realigning target markets with a new total offering for an industry incumbent.

Business model innovation is vitally important because in the absence of change, your offerings and even your business models eventually becomes commoditized as the forces of competition whittle away differentiation. Differences in benefits decline, making relative prices the driver of value. The speed with which this is happening across products and categories within most industries is growing significantly.

Business models are harder to copy because they are anchored in company-wide advantages and often reliant on culture, which is the hardest aspect of a company to copy. For example, Apple spends less on R&D per dollar of revenue than its competitors, an advantage largely created by its highly collaborative and design-driven culture.

TYPES OF BUSINESS MODEL INNOVATIONS

In assessing your alternatives, consider a continuum consisting of four overlapping alternatives, starting with low risk, low reward moves in incremental change to high risk and (potentially) high reward business transformation. (See Figure 2, Degrees of Innovation, below.) The continuum is defined from an objective, external perspective, and is not meant to capture how it might feel to individuals within an organization affected by a business model change.

Incremental Change: These are improvements within the existing business model. The category includes changes in the offering, advantages and resources that enhance the profit performance or strengthen an *existing* value promise but do not require significant additions to advantages, capabilities and resources. Line extensions, geographic expansion, and process redesigns and improvements are examples.

Boundary Changes: These are ***widening, narrowing, deepening and specializing*** changes in the business scope, channels, target markets, or locations that require significant *additions to or refocusing of* advantages, capabilities and resources and enhance the value promise. A direct-selling organization that elects to build an on-line business—much as LL Bean and Lands End did when they were among the first "old line" retailers to embrace the net—needs to add new capabilities to succeed in reaching customers who want to engage with the company solely on-line. Walgreens and CVS's current moves into in-store health clinics are another example. Smuckers deepened its business as a consumer packaged goods company with its acquisition of Jif, Crisco and Folgers.

A narrowing of target markets, offering or value promise elements can succeed when the wider business model spread resources too thinly or pulled the organization in separate directions. A commercial sewer exited the medical equipment market to concentrate on the power sports equipment market, then added additional services, becoming far more valuable to OEMs. The move also enabled the company to offer its own after-market line of motorcycle accessories. Trader Joe's success as a grocery store only came when it narrowed its offering to largely private-label products, becoming the Target of the specialty foods category.

Renovation: These are redefinition of the business model that change the basis on which the organization competes for customers, while remaining within the same broadly defined industry. Business model renovations demand *a complete overhaul* of the company's definition of its advantages, capabilities and resources. Changes in the revenue model—for example, from selling to renting equipment—fall into this category. Shifts from selling products through dealers to working collaboratively with end-user customers to create customized solutions are an example of the size of change renovations require. It would be hard to argue that Dell needs anything but a renovation in its business models because lately it has been arriving late to every change that HP, IBM, Cisco or Oracle initiate. Sometimes a company moves in time, like the "hip" restaurant chain that is always at the leading edge of taste. But sometimes it takes bankruptcy to force the issue. Ask GM.

Transformation: This is creation of an entirely new business model, oftentimes into a new industry, that may or may not leverage existing advantages, capabilities and resources. Years ago Boise Cascade transformed itself from "timber, pulp and paper" to Office Max. Earlier, Kimberly Clark changed itself from an integrated supplier of paper-based products, many OEM, to a branded packaged goods company.

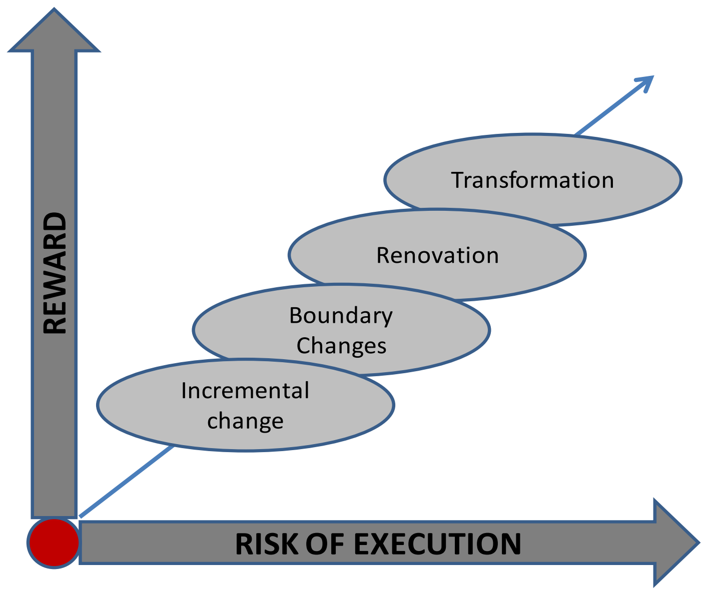

Figure 2: Degrees of Innovation

WHY "HOW MUCH?" IS A VITAL STRATEGIC QUESTION

Give these four levels of innovation the first strategic question is "Which ones are right for your different businesses, today?" As important, "What mix of business model innovations across your company is needed to achieve your short-range goals and build for the future?"

The answer is not simple. At the individual business level, insufficient business model innovation will leave you behind the revenue growth curve needed to maintain the business' value. Too much innovation may leave you in a high-cost situation with a tiny target market, depleting resources from an existing business model that still had legs. From a portfolio perspective at the company level, a mix of changes tilted too much towards incremental change may not deliver needed growth, especially if you are a large company where growth must come in hundred-million dollar chunks. But a mix titled towards renovation may be too costly in the short term or too risky overall. The mix question is not unlike the questions asked about the new product pipeline, where the mix of R&D efforts across incremental, new to company and new-to-market new products is chosen based on the company's desired risk-return profile for R&D investments.

So how much business model innovation is enough? Not enough? Too much? Consider the stakes of answering this question correctly through the lens of the following examples.

Kodak holds some of the earliest patents for charged couple devices, the guts of digital cameras. However, rather than upset their high margin, solidly profitable film and chemical business, they tried to milk their assets for a years after their target market had de-valued film and chemicals. Kodak went from being "the" film company to being a distant player in digital cameras, with back-to-back years of red ink. Shifting from film and chemicals to cameras would have forced them to renovate what was then a successful business model. *Not* innovating a business model *is* a decision – and proved to be a fatal one for Kodak.

Boeing and Airbus are locked in an interesting battle for large-aircraft-long-range supremacy that really comes down to a battle of business models. Although the A380 is a huge airplane, Airbus has had to make incremental changes to its business model but the A380 is "simply" a much larger version of a standard product. Boeing, on the other hand, has simultaneously changed its product (the Dreamliner is a composite airframe), it's value promise (the Dreamliner *promises* to provide fuel efficiency), and the resources it uses to produce the airframe. Boeing is attempting to renovate the way airframes are manufactured and, consequently, it is adding and eliminating partners. Time will tell how much business model innovation is right for Boeing; and it's a multi-billion dollar bet they are placing.

Newspapers, magazines, advertising, and music distribution are obvious examples of industries under severe pressure to revise their business models. However, the pressure they are feeling is "simple" (change or die) compared to the huge number of social media business popping up. Although Google is the current darling, challenges loom on the horizon. Google tracks *content* while Facebook tracks *people* and their preferences. The multi-billion dollar question is which of these—knowledge of content or knowledge about people—will be the more valuable asset in 2020. Both companies are currently swimming in "blue oceans" without serious direct competition, but those oceans may be too small or increasingly turn red in the coming years. Both companies will likely need to evolve their business models to hold onto their market leadership. Why? Because savvy media companies are also learning enough about individual customers to emerge as ad-kings once again. In an era of transparency, customers will increasingly look to information resources and connection tools that they trust and that help them the most. Facebook and Google? They created new market spaces, but that does not mean they will win against organizations better designed to meet unique target market needs.

ASSESSING THE MAGNITUDE OF NEEDED INNOVATION

The question of how much change is needed in your business models is vital for leaders to keep front-and-center in order to avoid the pitfall of letting your strategic planning degrade into nothing more than operational planning. When leaders do not assess their business models as an initial step in strategic planning, they generally end up with only incremental changes in their business models. While this approach may meet near-term financial objectives, in no way does it generate a plan that builds the long-term value of the firm. We have found that asking, "How much business model innovation is needed?" as a first step in strategic planning moves management into a far more strategic mindset.

Answering that question depends on your evaluation of your current situation, your understanding of your the best assets and skills to leverage into the future, and your determination of the speed of change required to be successful in the likely future. You essentially have to resolve two questions:

1. What is changing, either through our actions or because of outside forces?

2. What are we willing to change in our business model in response to or in anticipation of these changes?

Here is an overview of four steps that will help you get answers to those questions; details follow below:

1. ***Assess Today***: Assess the performance of your current business model against five criteria noted below. This frames whether change is forced or opportunistic, and reveals options related to the amount of change in your business model and their timing.

2. ***Forecast the Winds of Creative Destruction***: Consider the forces driving commoditization and whether or not they are accelerating. This frames the magnitude of needed change and its timing.

3. ***Assess Tomorrow***: Estimate the expected rate of change in your performance against the criteria and how soon your performance will be untenable. This frames the type of options available to you for business model change.

4. ***Decide on the Degree and Timing of Business Model Change*** needed in the near term and longer term. This decision then frames how you approach your strategic planning

Step One: Assess Today

Take the time to ask yourself and your management team the following question: “Are we satisfied with our present performance?” To use the words of Jim Collins from his book *Good to Great*, it’s time to “face the brutal facts.”

Our suggestion is that you evaluate your company based on the five criteria shown in Figure 3. Get independent answers from each functional area of your business, from external observers of your business (such as customers and suppliers), and then bring the leaders together to vet the varying points of view.

Figure 3: Business Model Assessment	
Criteria	**Assess Today (+, /, -)** better than competition, on par with competition, worse than competition
Differentiated: Our value promise is unique and relevant to our target market.	
Profitable: We are making acceptable returns and expect to do so given current business conditions.	
Growing: We have a known and agreed-upon growth platform.	
Sustainable Advantage: Our competitive advantages are hard-to-copy and we can continue to enhance our advantage.	
Risk Appropriate: We take appropriate risk for the returns that our business earns.	

Step Two: Forecast the "Winds of Creative Destruction"

The late Peter Drucker wrote and spoke about "the futurity of present decisions." His message was that the decisions we make (or fail to make) today play out in a future that is likely to be different from today's conditions. For example, we are not sure how the world of social media will evolve, but we can be sure that customers, suppliers, workers, and industries will be more connected than ever before, that the concept of "communication" is rapidly evolving, and that the cost of falling behind in communications will only grow.

We also know from viewing past innovation that industries evolve in an amoral sense —

neither good nor bad — and evolution provides and destroys opportunities. Sears should have seen what was happening to retailing, but they were locked into a "department store" business model, the way Blockbuster was dangerously and exclusively invested in a retail video store model. Sears ignored the Winds of Creative Destruction blowing across the retailing landscape. Walmart, which disrupted Sears, is now facing its own disruption challenges from Amazon (on-line retail), TESCO (offering only store-brands) and Dollar Stores (more convenient locations).

In addition to writing about the Winds of Creative Destruction, Schumpeter also argued that corporations are built on the assumption of continuity while capital markets are based on the assumptions of creation and destruction. The natural evolution of industries competes with technology transformations; and elimination of industry boundaries argues that you should always include renovation and transformation in your mix of options.

Our warning here is pure and simple: how much you change your business model is a judgment call -- *you have NO data from the future!* However, that does not absolve leaders of the responsibility to think about what the future might have in store for them, their employees, and their companies.

There is no universal list of the elements the Winds of Creative Destruction, but we think Figure 4 is a reasonable starting point. Take your management team off to a quiet site and evaluate each factor, then decide which of these forces you need to consider as you set your strategic direction.

Figure 4: Winds of Creative Destruction				
Winds of Creative Destruction	**What's changing now or likely to change?**	**How fast is the change?**	**What might happen because of this change?**	**Implications for strength of our current business model**
Customers				
Suppliers				
Competitors				
Technology				
Demographics				
Natural environment				
Laws and regulations				
Social environment				
Politics				
Pricing				
Costs				
Other				

The point of this exercise is to build a sense of how the future might play out, both in magnitude and in timing of change. Kodak was well aware of the potential for decline in their film business – however, it happened about three years sooner than they expected. Pay attention to both the speed and severity of the winds affecting your business model.

Step Three: Assess Tomorrow

Revisit your ratings of your business model criteria from Step 1. Evaluate if and how your ratings might change given your evaluation of likely changes on your horizon (from Step 2). How might your ratings relative to your competition change in the future?

Create three or four scenarios of the future, from mild to wild, and consider the degree of "ruggedness" of your current business model in light of the winds of change you envision. You are not predicting the future, but you should consider the ability of your business model to survive varying conditions.

One of the authors was a new member of a hospital board engaged in purchasing the multi-specialty physician practice and the physician's insurance company, both responsible for the vast majority of the hospital's admissions. After asking, "What if the doctors go with the University medical group and hospital rather than us? What is our back-up plan?" she was chided for not understanding the lay of the land, so to speak. When the physician group elected to merge with the competing offer, the hospital lost considerable competitive position. It not only lacked a response, but the executives had not been emotionally prepared for scenarios other than the one that they all hoped would come about. As a result, finding a response took considerable time.

Step Four: Decide on the Degree and Timing of Business Model Change

Deciding on the degree and timing of business model change means confronting the challenge of creating a new vision and strategy for your business and thinking proactively. Shift your emphasis from describing business model innovation that you "could do" to answering the question "What do we want to do with our business in light of our assessment of the future?" If this question makes your leaders uncomfortable, you are engaged in the right level of innovative thinking.

If the Winds of Change are mild, incremental change and opportunistic boundary changes are oftentimes pursued. Organizations with a vision to transform a product category or industry will often engage in Rennovations, as Apple did with its move into the IPod, IPhone and IPad. While the boundary of Apple's business is significantly changed, all these moves leveraged an existing collaborative design process that enables Apple products to save users time, avoid frustrations and provide first-to-market functionality that translates into temporary competitive advantage for Apple.

If the Winds of Change are strong, renovations and transformations are called for. Phillip Morris, reading the writing on the wall about cigarettes and health smartly broke its company into two parts. As Ford's new CEO, Alan Mulally recognized that fundamental changes in Ford's scope (e.g., out went Volvo and Jaguar, a boundary change) and its whole approach to design with a common brand across the globe (a renovation) were required to keep Ford in business.

In addition to the Winds of Change, another driver of the level of change required is what is happening to your position vis-a-vis competitors.

- Is the change needed to compete in today's business? Are you reacting to industry changes that are already in-place, as GM is doing with hybrid engines. If so, you are in the ***Reaction Zone***. This is in sharp contrast to Toyota starting its R&D work on hybrid engines in 1993 before the gas crisis became visible to all. When you are in the Reaction Zone, the degree of change you engage in is set by your competitors, not your leadership team.

- Is the change needed to compete for tomorrow's probable business—what will it take to seize profitable growth opportunities? Are you adapting to evolving customer needs and wants as McDonald's did with its move into breakfast? If so, you are in the ***Adaptation Zone***. Here the degree of change you elect is that which creates the business model your team determines is the one that will win in the desired future. There is choice in the Adaption Zone. Kodak made the wrong choice in delaying the renovation of its business as digital camera disrupted the photographic film business. Kodak new the change was coming and knew it would change; it started too late.

- Is the change needed to create a new future? Are you anticipating a situation that may or may not become reality, as Apple did in advance of the iPod, iPhone and iPad? If so, you are in the ***Anticipation Zone***. Here the degree of change is driven by an assessment of your organizational capabilities and how much risk you want to take for different levels of potential reward.

Understanding your organization's risk tolerance is vital as you make decisions about how much business model change is needed in an individual business and company-wide. Reaction Zone innovation is rather risk-free inasmuch as others have already set the course and you are acting as a follower. Not changing is often riskier in these cases than changing. On the other hand, business model innovation created in anticipation of future events carries more risk.

At the company level, leaders must balance business model innovation costs, returns and risks across its portfolio of businesses. The aim is to find the right mix of options across the entire portfolio that delivers today's revenue and profit goals as well as positions the company to achieve future goals. For example, although individual business units might suggest changes that are reasonable from their point of view, the portfolio of recommended changes might be deemed too risky or expensive from the company-wide perspective. Or, a company might not be changing its business models enough to propel the magnitude of revenue gains a company needs when trying to grow revenue from an already high level.

Additionally, senior leadership must understand the leadership implications for each type of change and whether their general managers and business unit leadership teams will be able to lead needed innovation. Do they have the willingness and ability to deploy resources away from the old model and towards the new model if market forces are placing them in the Reaction Zone? Do they have the right leaders for units in the Adaptation Zone or Anticipation Zone, where the degree of business model change is a risky decision, not a clear market dictate?

KEEPING YOUR COMPANY RELEVANT

The value of asking “How much business model change is enough?” is that the strategic thinking it induces provides a portfolio of options, even if you decide on only incremental innovation. Sensitizing leaders to potential changes and having a portfolio of options is vitally important for being more adaptive, an organizational strength as the external environment may change in ways you cannot or did not predict.

Senior leaders should rethink their strategic planning processes to get business unit leaders to make time to look out into the future and imagine where the forces of change are taking their business. They then need to consider how the business unit should change its business models to lead the industry in capitalizing on these forces of change.

Remember, as you go about improving the current business model, you must be building for the future, as all current business models will get commoditized the way today’s individual products and services get commoditized as competition wears down differences between the players. So the most important question is, “How rapidly do you create the new business model?” and not whether you will innovate your business model.

The ability to assess business models, make business model strategy decisions, and lead business model innovation is a new requirement in leader’s required competencies. Asking “How much business model innovation is enough?” in advance of your strategic planning will make you a far more effective leader in today’s increasingly turbulent and uncertain marketplaces.

Mary Kay Plantes, Ph.D. is an MIT-trained economist and strategy consultant and co-author of *Beyond Price: Differentiate Your Company in Ways that Really Matte*r (Greenleaf Book Group, 2009). She is a strategy consultant and blogs on business model innovation at http://www.plantescompany.com/blog.

Bill Welter is a consulting educator, a co-author of *The Prepared Mind of a Leader* (Jossey-Bass, 2006) and *Rethink, Reinvent, Reposition* (Adams Media, 2010) and the author of *MindLab: A Place to Think* (AuthorHouse, 2008) and *Rightsizing Your Business* (F+W Media, 2011)

[i] Michael Hammer and James Champy, *Reengineering the Corporation* (New York, Harper Business, 1993)

[ii] Clayton M. Christensen, *The Innovator's Dilemma* (Boston, HBS Press, 1997)

[iii] Michael Treacy and Fred Wiersema, *The Discipline of Market Leaders* (Reading, Addison Wesley, 1995)

[iv] W. Chan Kim and Renee Mauborgne, *Blue Ocean Strategy* (Boston, HBS Press, 2005)