How can we facilitate considerations whether it is the right time to reconfigure existing portfolios? Business Model Branching works with visual mapping models to create strategies for when to reconfigure existing business branches, and when to ramp up new ones.

Figure 9.1: Business Model Branching game board with eight branches indicating the current lines of business and potential future ones.
The innovation game *Business Model Branching* (BMB) deals with the difficult and complex challenge of balancing exploitation and exploration, that is, of ongoing operations with new innovation-oriented activities (Figure 9.1). According to the influential business thinker and researcher Rita McGrath, companies can no longer expect sustainable competitive advantages and are forced to regularly seek out temporary advantages in order to be competitive. Here, Rita McGrath asks the question: ‘How do you reconfigure the organization to simultaneously disengage from the original advantage while moving resources into the next one?’\(^1\) It is vital for all companies to constantly find this balance through resource allocation, competence development, and generally understanding the need for both parts of the dilemma to be present in everyday business situations. Therefore, it is crucial for organizations – private and public – to build up a portfolio of business opportunities so they can avoid significant losses in profit when markets are disrupted by continually seeking out new business opportunities.\(^2\)

**Challenge**

It has been investigated and widely discussed in business and the innovation research community that finding the balance between ongoing operations and new initiatives is key to successful operations on a leadership level.\(^3\) For instance, Govindarajan and colleagues describe this as an inevitable paradox for businesses: Ongoing operations are characterized by short-term thinking, repeatability and predictability, whereas innovation is based on long-term thinking, chaos, serendipity and unpredictability. Govindarajan and Trimble argue that: ‘Organizations are not designed for innovation. Quite the contrary, they are designed for ongoing operations.’\(^4\)

On a further note, Rita McGrath unfolds principles in moving from one business model branch to another – from an existing advantage to a new one when the time is right. And timing is everything in this transition flow. McGrath’s principles are framed in the two themes assets and competence allocation, especially when to use competencies. According to research from McGrath, a transition from ‘access to assets, not ownership of assets’ can be observed as key success parameter in 21st-century business markets.\(^5\)

With temporary rather than sustainable advantages being the new norm, the existing value model in companies will always come under pressure, suggesting the need for reconfiguration and renewal of advantages at a more rapid pace. Here it is important to prepare new business advantages ahead of time, rather than wait till economic decline sets in. In a more recent book called *Seeing Around Corners* Rita McGrath argues for the importance of organizations being able to see around
corners, detect inflection points, and work systematically with portfolios of possible new branches.  

Reconfiguration and exit decisions – that is, closing one business to launch a new one – are vital. Moving from one advantage to another is essential for continual profitability, which means that organizations need to master the transition of assets and competencies.

**Purpose**

Consequently, leaders and innovation managers need to know how to:

– align organizational structure and culture with ambidextrous developments, balancing resource allocation between ongoing operations and innovation.
– develop future business model scenarios and possible new branches and consider what types of declines in existing branches are visible and what reconfiguration could look like if these trends continued.

**Methodology**

The *Business Model Branching* game gives participants practice in allocating resources to launch and ramp-up concrete new business branches while also exploiting, reconfiguring and disengaging from old business model branches. It rests on different foundational business theories related to vital 21st-century challenges, and the game incorporates them into a combined business game world with systematic approaches: Rita McGrath’s business value cycles, and Govindarajan and Trimble’s strategy concept on balancing ongoing operations and innovation.

Based on Rita McGrath’s extensive work on how to compete with temporary business advantages, *BMB* is about how to deploy the right resources in the five stages of a business branch, also called upstream flow in the game, which goes as follows: (1) Launch, (2) Ramp up, (3) Exploit, (4) Reconfigure and (5) Disengage. As one can imagine, each stage comes with its own challenges. Launching requires an entirely different set of competencies and resources than Ramping up or Exploiting. Here, the game offers several insights to the participants on how the current business branches are doing and how they can be managed. Many companies and leaders are competent in certain stages of the cycle but fall short when faced with challenges in other stages. Several companies have been exploiting for so long that when faced with the need to reconfigure, they do not know how to launch new initiatives. Conversely, several companies are good at launching but fall short in their
ramping-up efforts. Through tasks related to each upstream movement, the participants create concrete initiatives to advance upstream movement and learn when to use which types of competencies.

Building on Govindarajan and Trimble’s strategy concept on balancing ongoing operations and innovation, the game framework uses the insight that it is not enough to depict a single value cycle if the purpose is to visualize the complete picture and move resources to new business branches. To do this and develop the needed competencies, the participants need to move between reconfiguring and closing down existing advantages while launching and ramping up new ones to create a perfectly timed sidestep movement. The first step of the game is to map the complete set of the company’s business branches and mark which stage participants believe each branch is in – is it currently launching, ramping up, exploiting, reconfiguring or disengaging? Participants also mark how the company’s resources are currently allocated to the business branches.

Once participants have mapped their current business branches and resource allocation, they go straight to the base of the branches – the reason why the company exists, the big Why. Here, participants examine the ‘tree trunk’ that holds different business branches together. It begins with the question Simon Sinek is famous for asking: ‘Why does your organization exist?’ Here, participants can explore potential business branches and examine their fit with the company’s reason to exist, thereby either transforming the why or advancing new understandings and interpretations. Since business advantages are shorter-lived, the WHY of a company becomes more flexible. Even though fundamental elements are intact – for instance, values and core beliefs – new interpretations of the Why are often inevitable.

**Participants**

Groups of 4–5 participants play the game. The innovation game is analogue and meant to provide a visual overview, tactile experiences and dynamic conversations using the materials at hand. Typically, participants are innovation managers and leaders, but as the game deals with the paradox of ongoing operations and innovation, the best results and impact are achieved with both operational leaders of existing branches and those looking into new ones, so that they can develop the flow together. Scaled-up versions developed by product developers, project managers and others can be used in large room set-ups to compare outcomes and assess quality. By the end, participants can secure alignment and achieve a better common understanding of the need for being able to continuously move from ongoing operations to innovations, namely, develop an ambidextrous mindset. The game also functions well in groups of business
professionals where participants do not come from the same organization but have the chance to communicate with their ‘peers’ in other companies and organizations.

**Gameplay**

The game consists of a centerboard and up to eight possible branches. The centerboard includes the Why in Simon Sinek’s golden circle, variations on this Why can be based on how new branches provoke new aspects of the Why. Different interpretations of the Why of a company are always emerging, either proactively or as a reaction to market changes. The branches illustrate value proposition cycles on a scale: (1) Launch, (2) Ramp-up, (3) Exploit, (4) Reconfigure, and (5) Disengage. Participants are challenged to move both upstream and sideways. Challenges in moving upstream are related to each stage in the value cycle. A variety of competencies, examples and strategies are needed for each stage. Participants have basic tasks to fulfil and bonus tasks that provide extra resources and movements in subsequent rounds.

Sideways movement marks the transition from one branch to another. Here, the participants have to devise resources and place people either in the red zone (in need of competence development) or in the green zone (ready to fulfil tasks). As McGrath mentions, ‘another factor in play in companies that can move from one set of advantages to another is that they consciously set out to educate and upskill their people.’

The game lets groups of participants work with the basic tasks for minutes to hours based on the time available and then return to the board to discuss changes related to both the Why of the company and the specific balance between ongoing operations and innovation. Based on McGrath’s theory, BMB has a scoring algorithm that pressures participants to launch new branches before old branches die out, or else face the same fate as companies in the real market – going bankrupt. This helps participants look further into their future than their current business branches while also letting them see that they should not be launching new initiatives all the time. It strikes a balance between being so enamoured with existing value propositions that they fail to launch something new and, conversely, launching too many new value propositions without having the necessary resources and the right competencies in place.

The value of the game lies in the concrete actions in upstream flows and sidestep moves, alongside learning about how to master this balance. The timing in the movement of resources and competence development is the key to the game and regularly creating temporary competitive advantages. Participants gain new insights into how to act by making moves right after completing an activity based on the concrete situation they are in, and thus learning how to manage this crucial
balance. Since the game moves between concrete co-created actions and advancement in overall understanding and learning, the game has the following outcomes:

**Co-creation outcomes**

- Concrete ideas on moving upstream (advancing existing business advantages) and also when to leave them behind, including when to use which types of competencies and available resources.
- Concrete ideas on creating strong sidestep moves, including moving resources and building up competencies to support potential new advantages in a careful and optimal transition.
- Keeping the Why flexible and advancing new interpretations continuously in the struggle to stay afloat and update business relevance.

**Training outcomes**

- Learning how to survey a company’s business branches and resource allocation so one can spot weaknesses and pitfalls and progressively handle them before an economic crisis arises.
- Learning how to plan well-timed resource allocation and competence development so one can diminish wasteful use of resources and resources held hostage and progressively build competitive advantages.

**Exemplary cases**

In a case clearly illustrating the dilemma between ongoing operations and innovation, we worked with a company with years of success with its existing value proposition based on promotion and marketing. They then experienced their first declines in business dynamism and signs that reconfiguration and disengagement were not that far away, but they also found that scaling up an existing business branch might lead to better times.

Based on this initial mapping of *Business Model Branching*, the team had identified existing value propositions and new potential business branches. Subsequently, the team was divided into two groups. One group focused on an existing business branch and scaling this up in fierce competition (upstream movement on an existing branch). The other group focused on a new value proposition of outdoor promotion events (sidestep movement to a new branch). The groups went through a series of idea generation activities to further unfold the potential of each branch and then returned to discuss what these potential moves would mean for status quo practices in the company.
Based on the game, the team concluded that they were currently using all their energy on a declining business branch without advancing new business branches. Resources were needed to experiment and test new business branches – and quickly, since they were currently falling behind competitors, such as in digital solution promotions. Additionally, employees quickly gained new competencies related to the new business branches while there were still resources available and time to gain them.

In many ways, this case illustrates the dilemma between ongoing operations (existing value propositions and practices) and innovation (identifying and launching new value propositions). It is not an either/or approach but rather a balancing activity for leaders and employees. For this reason, it is also of vital importance that this perspective is not geared only toward leaders but also employees so that everyone understands that moving from one competitive advantage to another is happening at a rapid pace.

**Customization**

*Business Model Branching* (BMB) can function as two game types. First, Business Branching can be a co-creation game with a focus on concretely mapping your company and figuring out how you can allocate resources in your company’s current situation and move forward. Here, the game offers practical insights to launching, ramping up, exploiting, reconfiguring and disengaging from your company’s business branches. You co-create possible strategies to allocate resources and optimize your company’s economic situation.

Second, BMB can be a training game with a focus on helping managers learn how to handle the various problems related to balancing innovation with ongoing operations. Here, the game is played with fictional but relatable cases using a selection of built-in tasks to focus on the timing of resource allocation.

The game has been played in both small and large companies. Based on these experiences, dealing with the problem of allocating resources to both ongoing operations and innovation appears to be a dilemma companies face regardless of their size. It is relevant for the entrepreneur, who has launched, ramped up and exploited one business branch, but is hesitant to launch another. It is relevant for large companies, where middle management is too closely tied to a particular business branch and therefore hangs on to it for too long, even when critical indicators tell them to launch something new. As McGrath states: ‘Preventing resources from being held hostage by the leaders of a particular advantage will become more standard as firms become aware of the dangers of a leader hanging on to an old advantage for too long.’

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The same also applies the other way around. Many leading managers and business developers with an extensive portfolio of strong ideas and potential new value propositions, however, do not have the nerve and an overview to launch and ramp-up the one with the most promise and then follow through.

Patterns

The Business Model Branching game addresses the overarching double challenge to allocate resources to launch and ramp-up concrete new business branches while also exploiting, reconfiguring and disengaging from the old business model branches. It utilizes the flow patterns of DILEMMA SOLVING and BUSINESS MODELLING. These are realized using component patterns such as BRANCHING CHOICES, CHALLENGES, RESOURCES, MAPPING and provoking SURPRISE (see Figure 9.2 for visual depiction).

Business Model Branching
Combining and interpreting patterns to address a challenge

Figure 9.2: A selection of flow and component patterns contributing to the Business Model Branching game and its innovation challenge.