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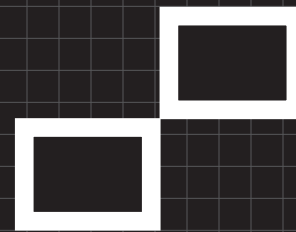
Tool

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.



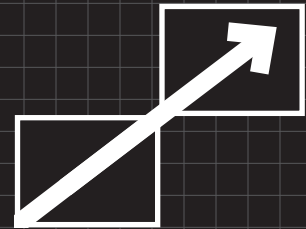
VISUALIZE

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

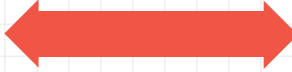


Exploit

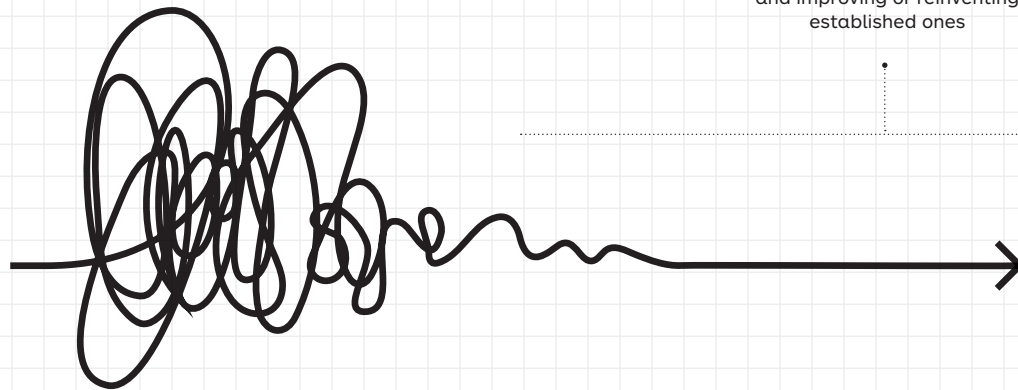
The Explore/ Exploit Continuum

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.

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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

Explore
High uncertainty



GROW

Scaling new businesses
and improving or reinventing
established ones

SEARCH

Turning business ideas
into value propositions
that matter to customers,
embedded in scalable
and profitable
business models

Exploit
Low uncertainty

DEFINITION

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.



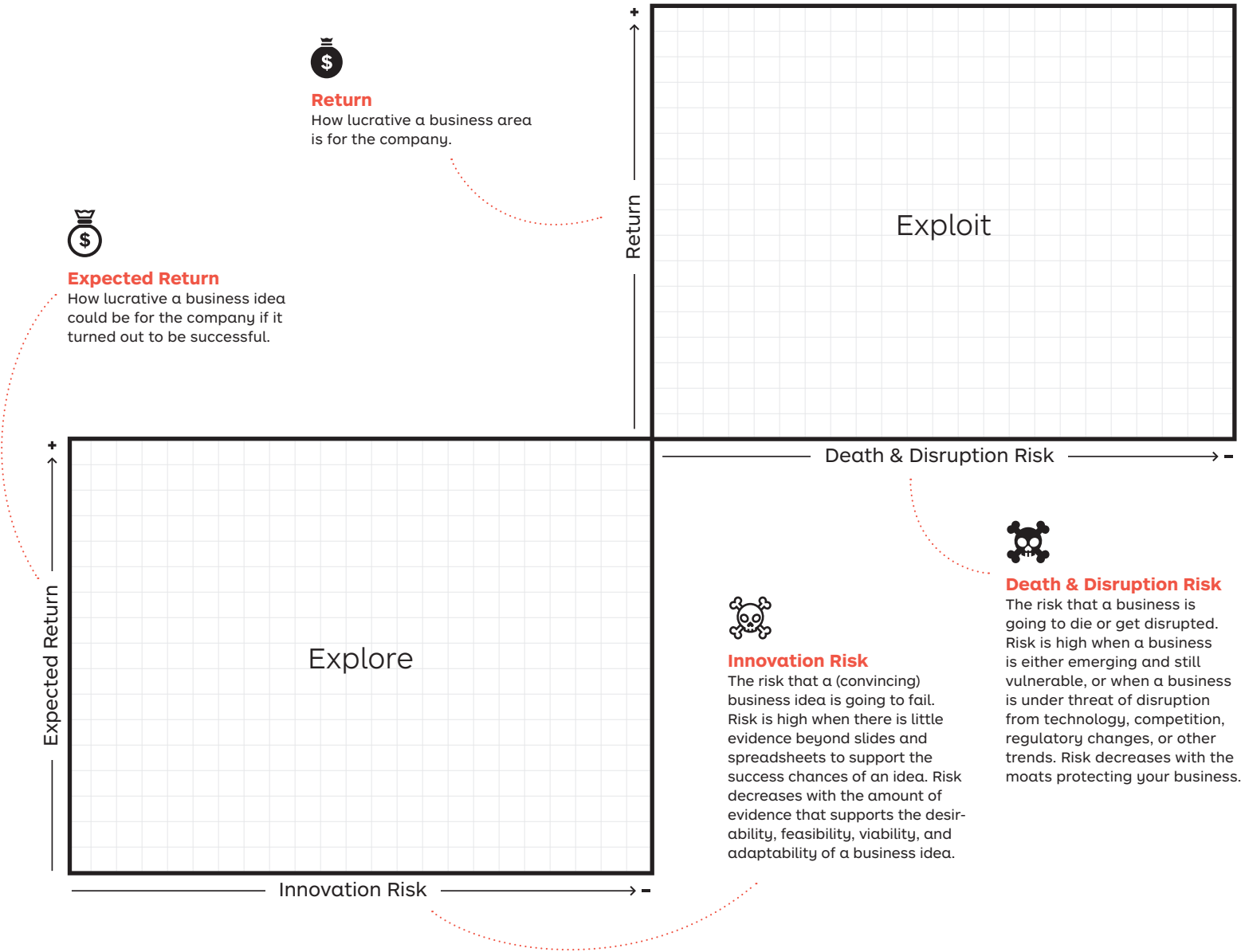
Explore Portfolio

Your portfolio of innovation projects, new business models, new value propositions, and 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**.



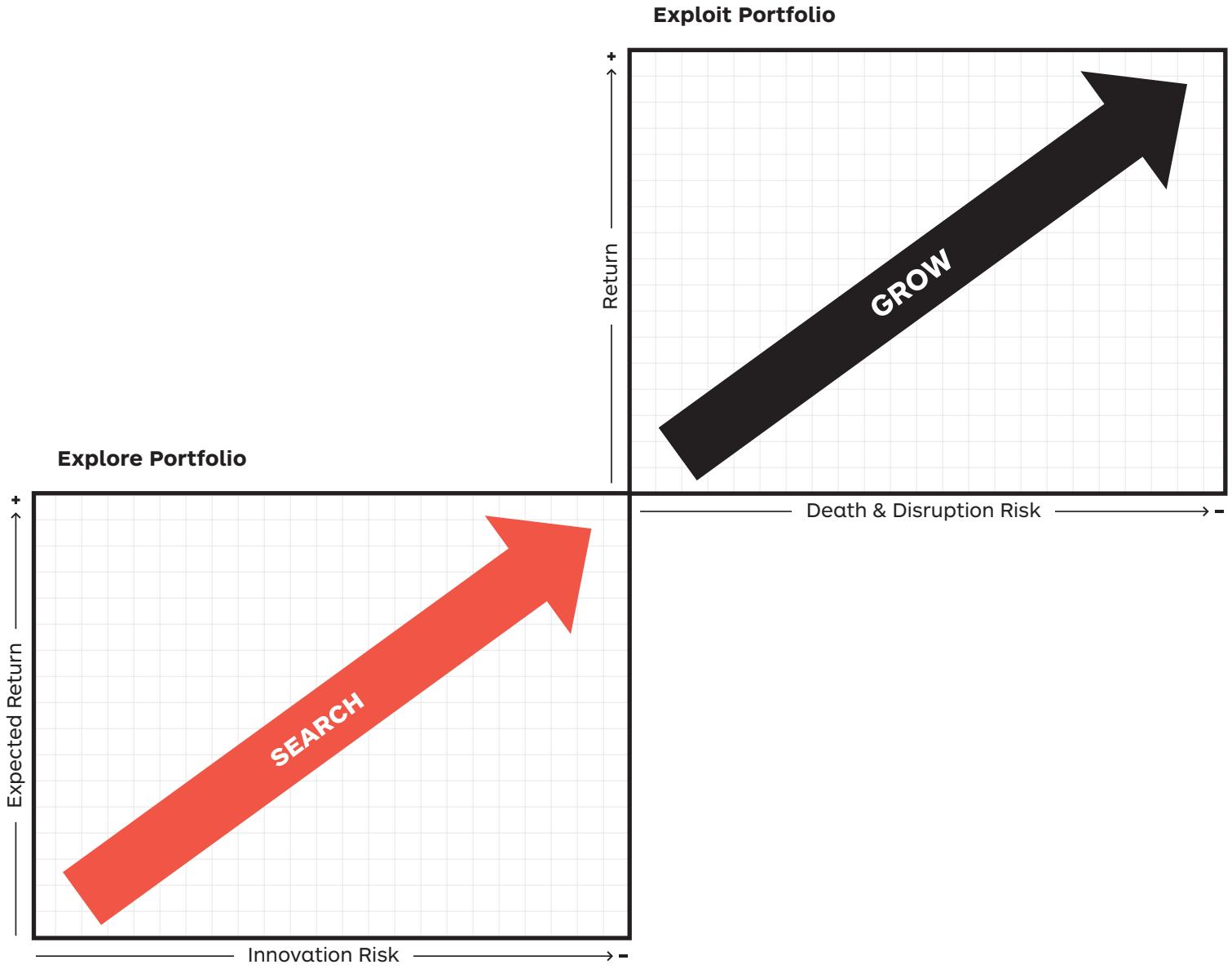
Portfolio Management

Explore: search

The Explore portfolio is all about the search for new ideas, value propositions, and business models to ensure the future of your company. Search involves maximizing expected returns and minimizing innovation risk. You improve the expected return by working on your business model design. You decrease the risk of working on an idea that might fail by testing and adapting it.

Exploit: grow

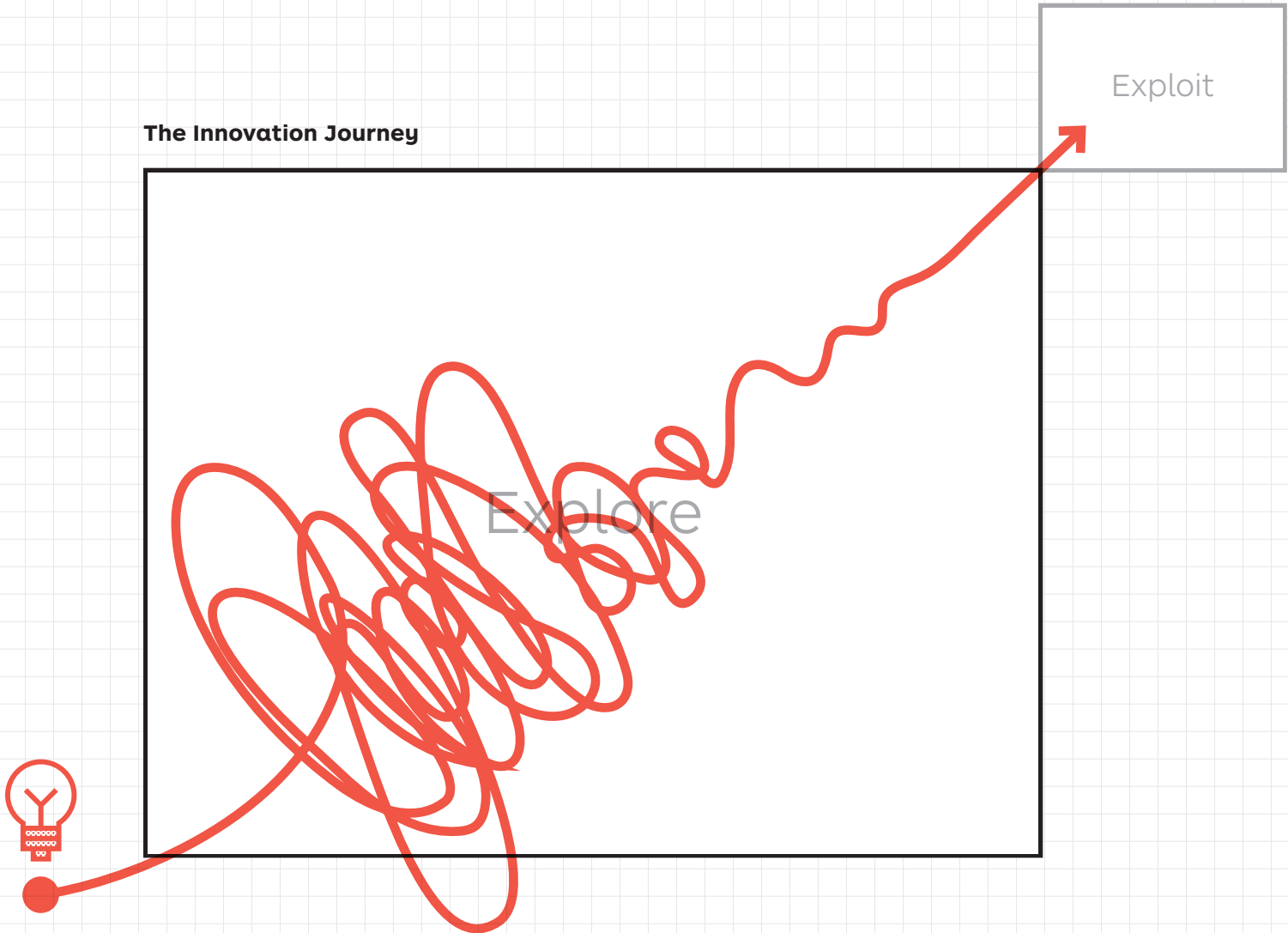
The Exploit portfolio is all about keeping your existing business models on a growth trajectory. This includes scaling emerging business models, renovating declining ones, and protecting successful ones. You ensure growth by improving returns and minimizing disruption risk. This is best achieved by shifting all of your business models from outdated ones to stronger ones.





Explore

The Innovation Journey



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.

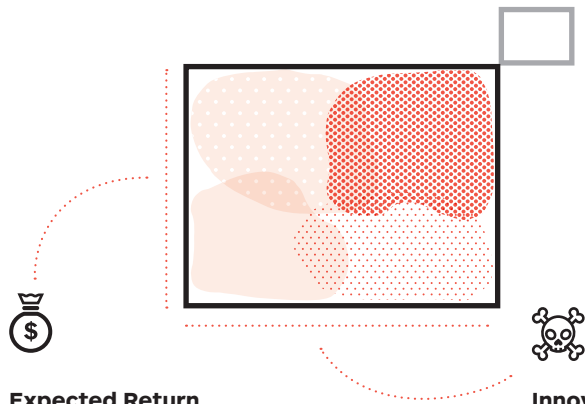
Myth #5: Innovation teams are renegades or pirates that are out to disrupt the old business. They need to operate in stealth mode to survive inside a company.

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, Viability Risk, Feasibility Risk, and Adaptability Risk.



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.

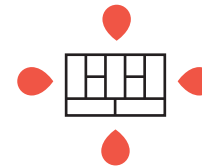
The risk that a business can't generate successful revenue streams, that customers are unwilling to pay (enough), or that the costs are too high to make a sustainable profit.



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.

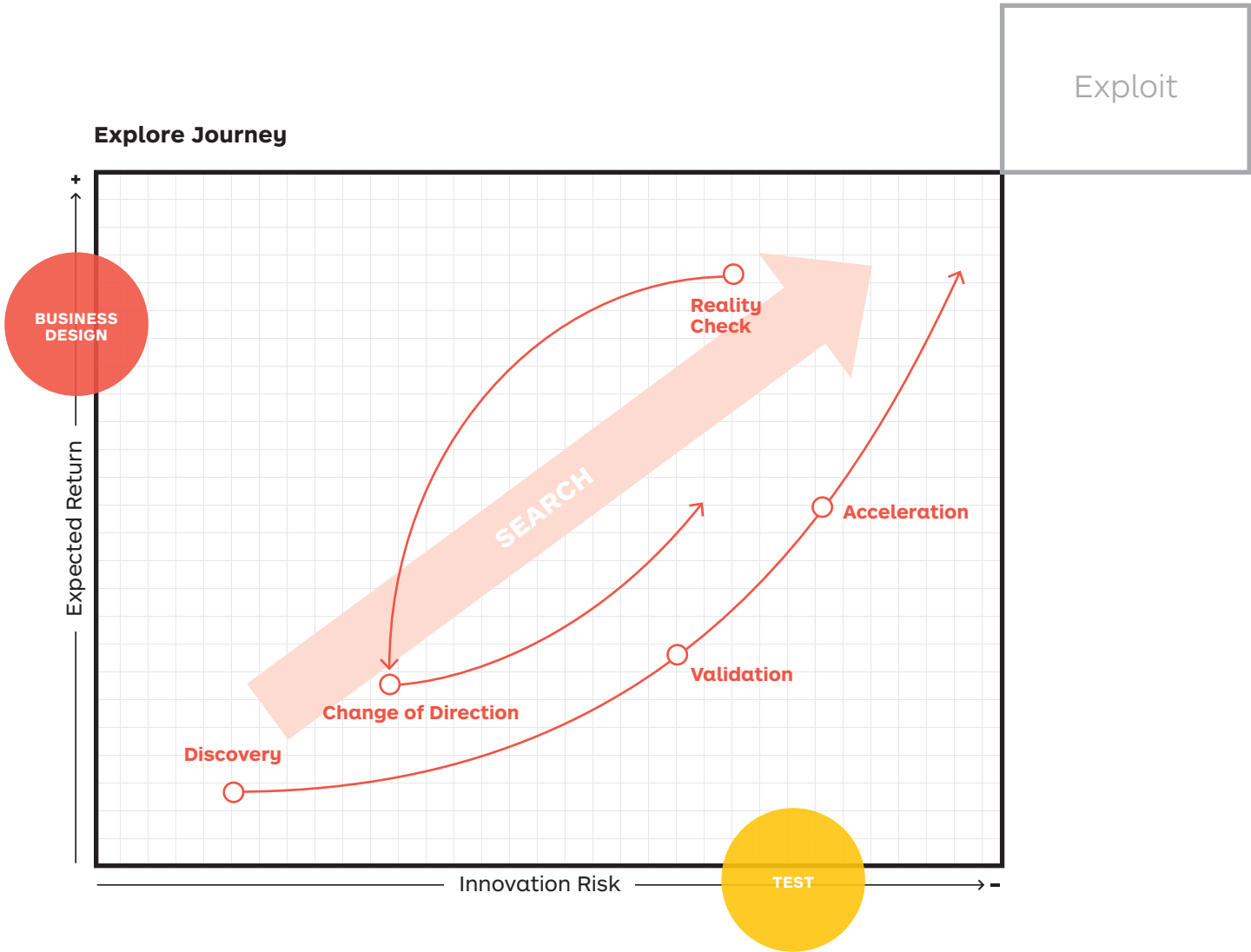


Adaptability Risk

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. 78 for an introduction.

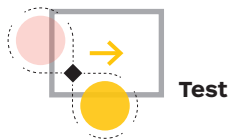


Search and Pivot

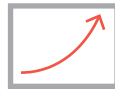
The journey in the Explore portfolio is one of search and pivot until you have enough evidence that a new business idea will work. The search for ideas, value propositions, and business models that will work consists of two main activities that continuously nourish each other:



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.



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.

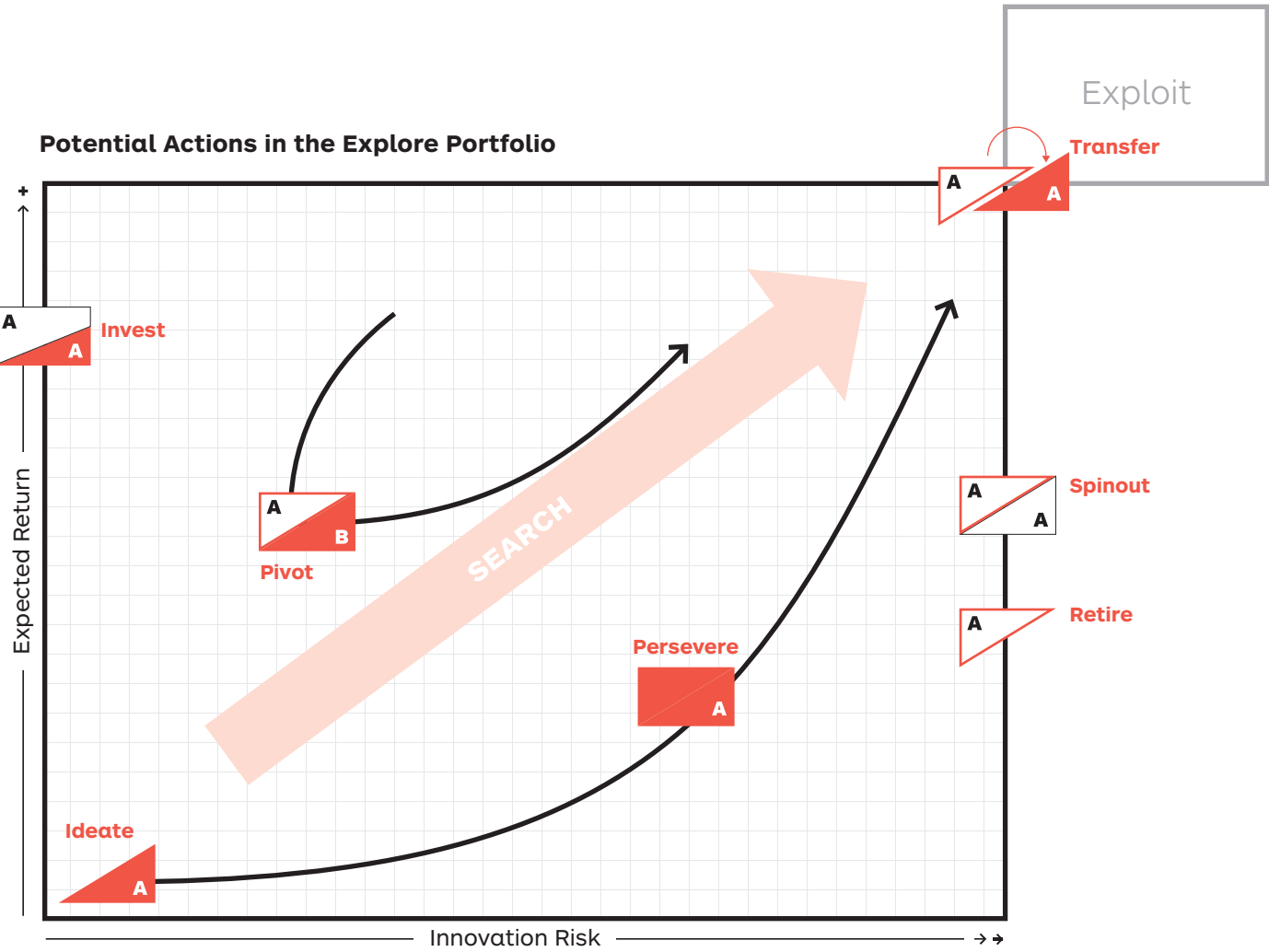
Change of Direction

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. 76 in Manage for more on the design-test loop.

See p. 128 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. 96 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.

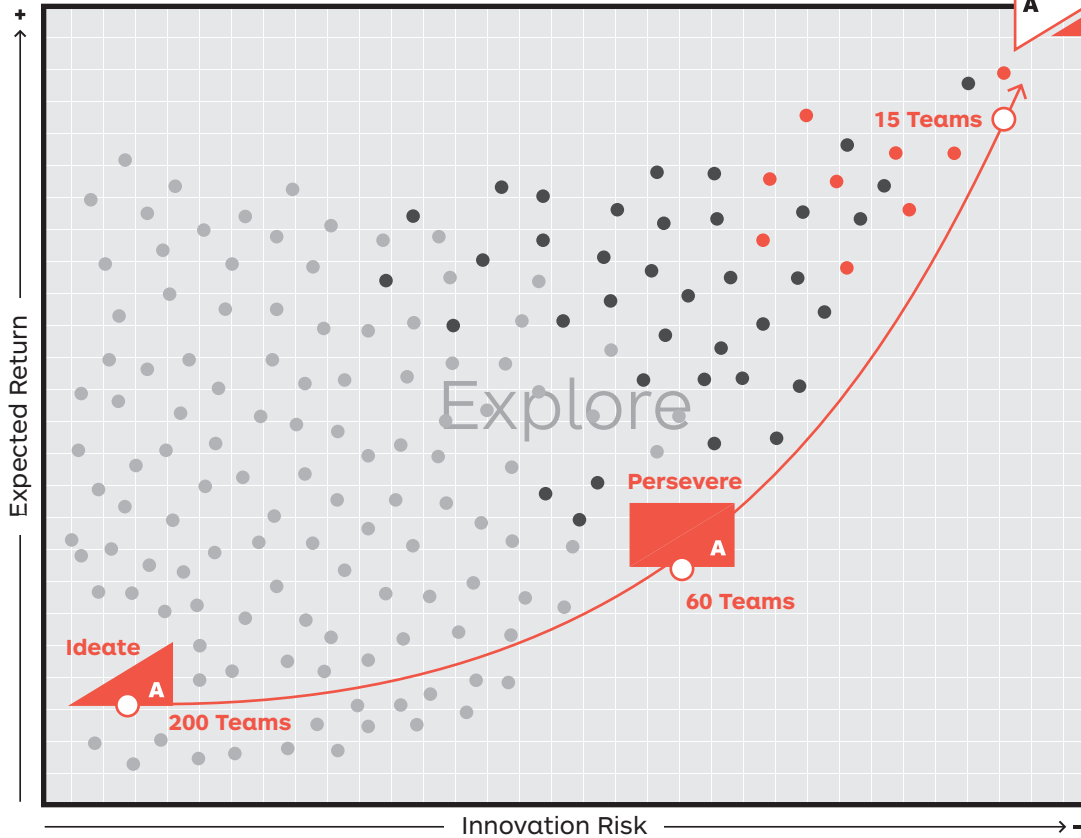
Phase 1
3 months, \$120K; 70% Retired

● 200 teams started; ● 60 teams remain

Phase 2
>\$300K; 75% Retired

● 15 teams remain

Scaling
< 10% remain



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 to 25 teams from all over the world that work together for 2 to 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.”

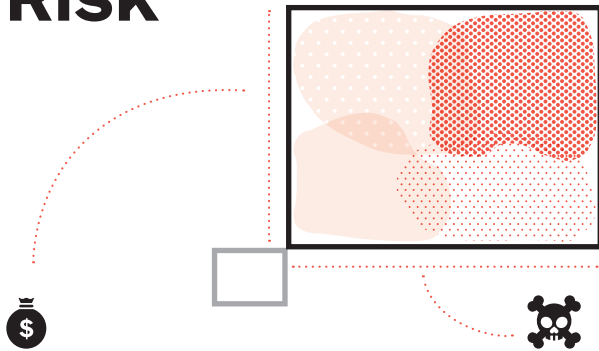


DR. UWE KIRSCHNER
VP Business Model
Innovation, Bosch
Management Consulting



Exploit

Return and Death and Disruption Risk

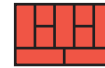


Return

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

Death & Disruption Risk

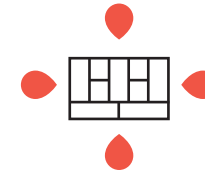
There are two types of death and disruption risks that might kill a business:



Internal Business Model Design Risk

Weaknesses

A business model can be more or less vulnerable to disruption based on its design. For example, a company that competes mainly on products, services, or price is easier to disrupt than a company that is protected by strong business model moats. The Invent and Improve sections of this book outline how you can compete with better business models.

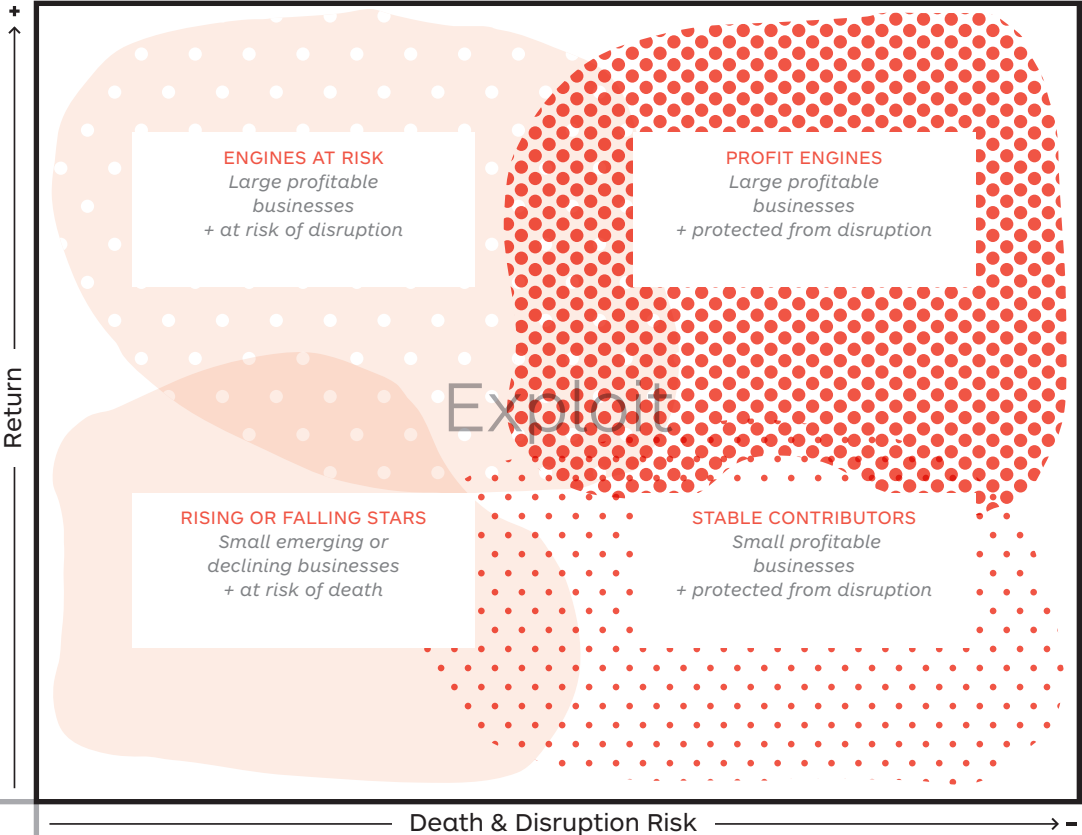


External Business Model Disruption Risk

Threats

Even the most powerful business models may be disrupted by external forces. Disruption can come from four different areas: shifting markets, disruptive trends (technological, social, environmental, regulatory), changing supply chains and competition, and changing macroeconomic circumstances.

Possible Risk Areas in Exploit Portfolio

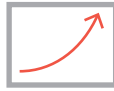


Explore

Growth and Decline Trajectories

The journey in the Exploit portfolio is one of growth and decline of a business. The aim is to continuously prevent existing business models from declining by protecting, improving, and reinventing them.

See p. 124 in *Manage for more on testing business model shifts*. See p. 228–229 in *Improve for more on shifting old business models to new ones*.



Growth Trajectory

Scale

Get the business off the ground

This is the first growth phase, when you turn a proven and promising opportunity into a real business. Main activities consist of scaling customer acquisition, retention, and product/service delivery. The entire team is focused on expansion on all fronts, including infrastructure and human resources.

Boost

Bolster the performance of an established business

In this phase you boost and maintain the growth of your proven business model with sustaining innovation. You bolster your business model with new product innovations, new channels, and the exploration of adjacent markets.

Protect

Make a business more efficient and protect it from disruption

In this phase you focus on maintaining the strong position of your business by protecting it from competition and by increasing its efficiency. Efficiency innovation usually dominates this phase. At this stage your business is large and profitable, but growth tends to stagnate.



Decline Trajectory

Disruption

Emergence of external forces that threaten your business

In this phase changes in the external environment make your business vulnerable and threaten it. Disruption may come from shifting markets; technological, social, environmental, or regulatory trends; shifting supply chains; competition; new entrants; or a changing macroeconomic environment. At this stage your business is still large and profitable, but at risk.

Crisis

External forces disrupt your business and trigger decline

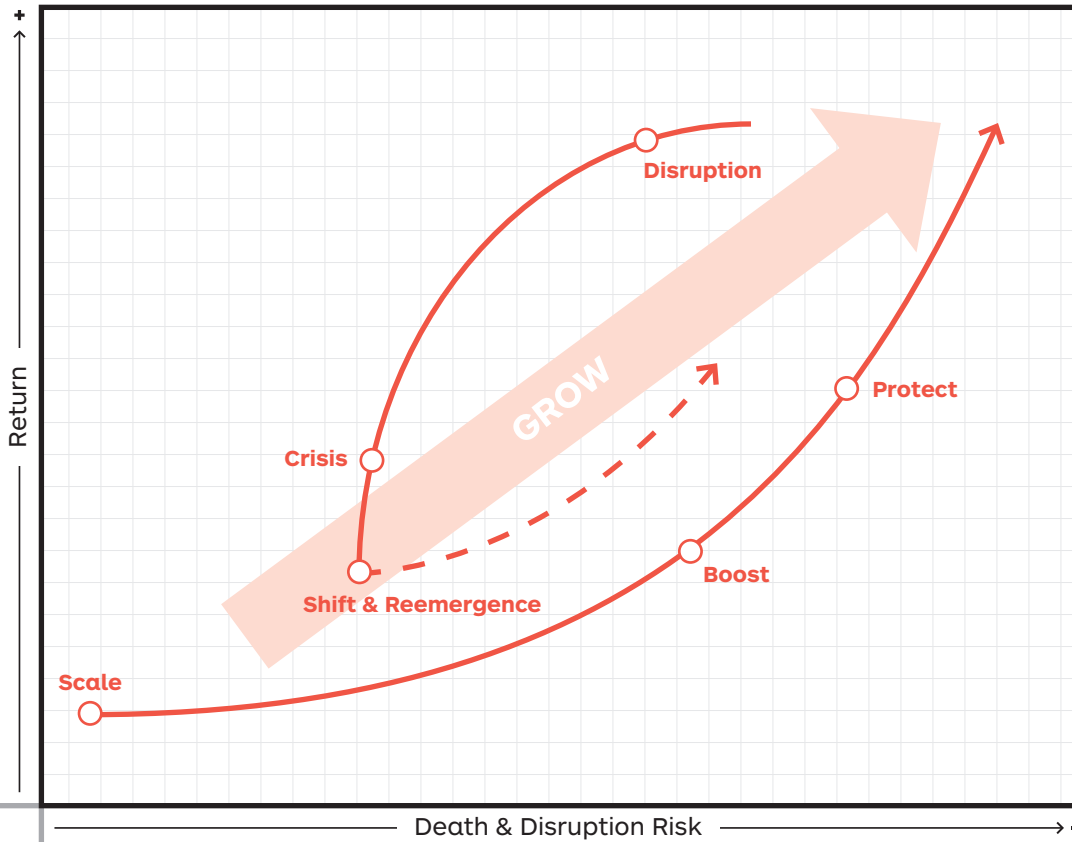
Your business is disrupted by external forces and is in rapid decline. At this stage you are still heavily invested in the old business model, yet your outdated business model needs major changes to avoid obsolescence.

Shift & Reemergence

Substantial business model shift and renewed growth

You succeed in the shift from an outdated disrupted business model to a renewed one. The new business model initiates a new era of growth.

Exploit Portfolio Journey



Explore

Exploit Actions

There are seven actions you can perform in your Exploit portfolio. All of them are related to managing your existing business models and aligning it with your corporate identity. This may include everything from adding new businesses all the way to getting rid of some that don't fit anymore. It also includes improving existing business models incrementally or radically, which you will indicate in your Exploit portfolio in order to reduce disruption risk. However, you will test this improvement in your Explore portfolio, in order to reduce the innovation risk.

See p. 110 in *Manage* for more on Exploit portfolio actions.



Acquire

A exists, outside the portfolio
 ↓
 A belongs to the portfolio

The activity of buying an outside business to either create a new stand-alone business or to merge it with one of your existing businesses.



Partner

A belongs to the portfolio,
 B exists outside the portfolio
 ↓
 A still belongs to the portfolio,
 reinforced by B,
 B exists outside the portfolio

The activity of partnering with an outside business to strengthen one or more of your business models.



Invest

A exists, outside the portfolio
 ↓
 A partly belongs to the portfolio

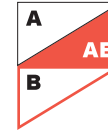
The decision to invest fully or partially in an outside business to bolster your portfolio.



Improve

A belongs to the portfolio
 ↓
 A is transformed into B,
 inside the portfolio

The activity of renovating an outdated business model to shift it toward a new, more competitive business model.



Merge

A exists, outside the portfolio,
 B exists inside the portfolio
 ↓
 A is acquired and merged with B,
 inside the portfolio

The activity of merging an acquired outside or owned inside business with one or several owned businesses.



Divest

A belongs to the portfolio
 ↓
 A still exists but outside the portfolio

The activity of disengaging from one of your business models. This can either be in the form of selling it to another company, to investors, or to the current management (management buyout).

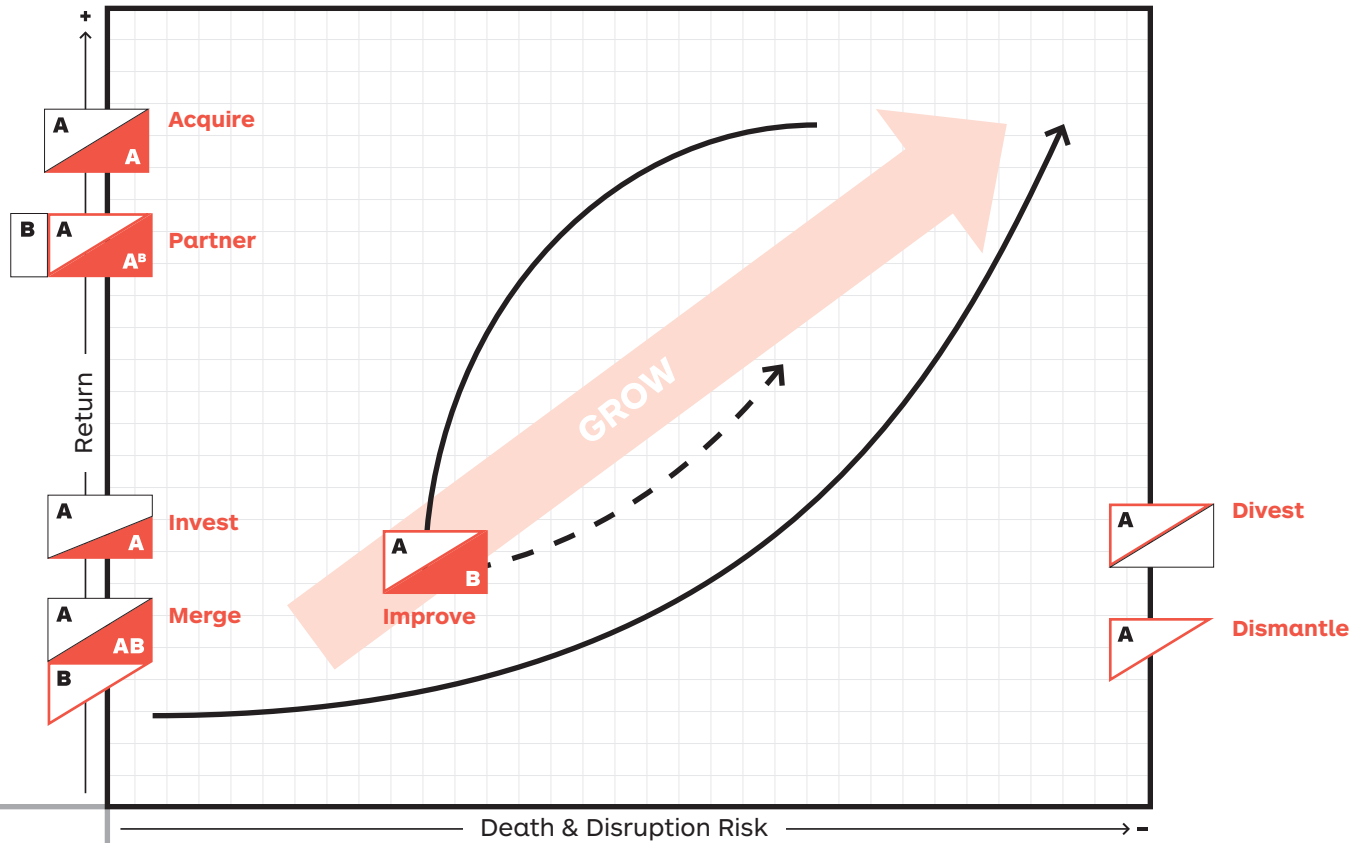


Dismantle

A belongs to the portfolio
 ↓
 A is killed

The activity of ending and disintegrating a business.

Potential Actions in the Exploit Portfolio



Explore

Nestlé

To illustrate the use of the Exploit portfolio, we outline how Swiss food company Nestlé managed its portfolio of existing businesses over the course of 2017 and 2018. This illustration is based on CEO Ulf Mark Schneider’s annual investor day presentation on February 14, 2019. Schneider had joined Nestlé in January 2017 as the first outside CEO at Nestlé since 1922.

We positioned Nestlé’s main business categories vertically, based on size of total revenues of each category. Alternatively you could choose to organize the information by profitability, margins, or any other financial indicator your company uses to assess financial returns.

In the absence of clear information on death and disruption risk, we did not position Nestlé’s main business categories based on risk. In his investor day presentation CEO Ulf Mark Schneider did mention, however, individual businesses and brands that were being fixed or which were under strategic review. We positioned those brands in the improve area of the portfolio map.



Acquire, Invest, Partner

Nestlé expanded its portfolio across categories by acquiring, investing in, or partnering with outside companies.

In beverages, Nestlé acquired a perpetual global license from Starbucks to market Starbucks products to consumers through retail. Previously, Nestlé acquired a majority stake in the San Francisco-based coffee-chain start-up Blue Bottle Coffee.

In health science, Nestlé expanded with the acquisition of Atrium Innovations.

In petcare, Nestlé Purina acquired a majority stake in tails.com.

In prepared dishes, Nestlé acquired Sweet Earth, a plant-based foods manufacturer in California.²



Improve

Over the course of 2017 and 2018 Nestlé improved its Gerber baby food brand, Chinese food brand Yinlu, and Nestlé Skin Health. It placed Nestlé Skin Health and the food brand Herta under strategic review to potentially sell them.



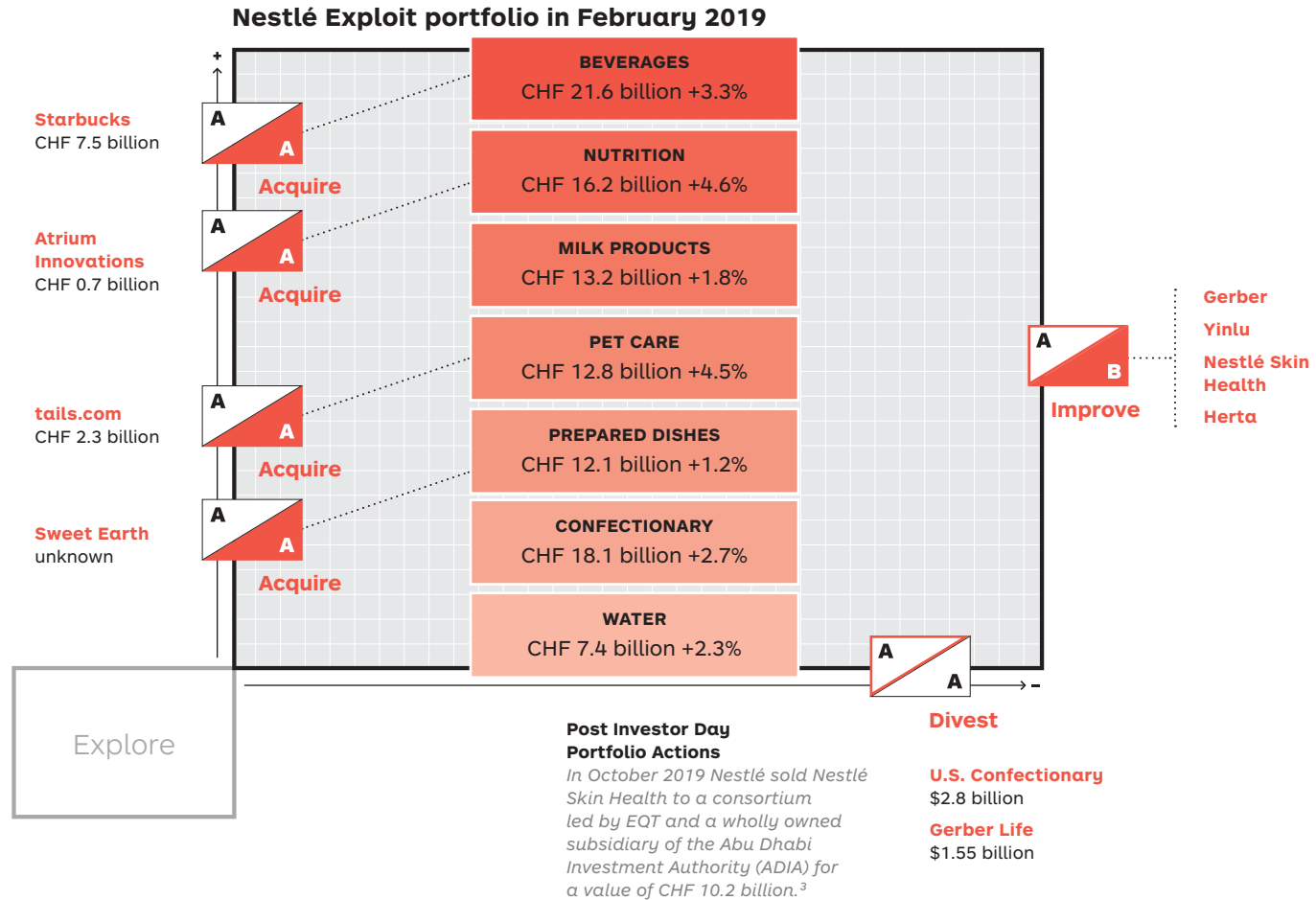
Divest

Nestlé adapted its portfolio with several divestitures. It sold its U.S. confectionery business to Ferrero for \$2.8 billion in cash in 2018.

It sold its Gerber Life Insurance Company (“Gerber Life”), to Western & Southern Financial Group for \$1.55 billion in cash.²

Main Business Categories

Nestlé breaks out its results in seven main business categories. Each of those business categories holds several brands and may cover several different business models. Nestlé does not break out its results in terms of individual business models, which may differ substantially (e.g., Nespresso and Dolce Gusto both sell portioned coffee, but with radically different business models and under different brands).



**Exploit
Portfolio**

**Explore
Portfolio**

DEFINITION

Types of Innovation

Not all innovations are equal. Different types of innovations require different skills, resources, experience levels, and support from the organization. Ideally, they also live in different parts of the organization and have different degrees of autonomy in order to succeed. We distinguish between three different types of innovation heavily borrowed from Harvard professor Clayton Christensen: efficiency, sustaining, and transformative innovation.



Transformative

Transformative innovation is the most difficult innovation. It's about exploring opportunities outside of the traditional field of a company. This type of innovation usually requires a radical change or expansion of a company's business model(s). It includes opportunities that help a company expand and create new growth, but also covers opportunities that disrupt the existing business(es). Transformative innovation helps position a company for the long term.

Advantage

Positions the company for the long-term; offers protection from disruption.

Disadvantage

High risk and uncertainty; rarely quick returns.

Home

Dedicated and autonomous innovation teams outside of business units, with access to skills and resources from operating businesses.

Sustaining

Sustaining innovation is about exploring opportunities that build on top of a company's existing business model(s) to strengthen it/them and keep it/them alive. Typical examples of sustaining innovation are new products and services, new distribution channels, new support and production technologies, or geographical expansions.

Advantage

Low risk and uncertainty, immediate impact, predictability; covers the entire range from small to large financial impact, depending on innovation.

Disadvantage

No protection from disruption; doesn't help position the company for the future.

Home

Across the organization and at every level, ideally with the support of professional innovators.

Efficiency

Efficiency innovation is about exploring opportunities that improve operational aspects of a company's existing business model(s). They don't change the business model in a substantial way. Typical examples include technologies that improve operations, distribution, or support, and process innovations that make an organization more effective.

Advantage

Low risk and uncertainty, immediate impact, predictability; covers the entire range from small to large financial impact, depending on innovation.

Disadvantage

No protection from disruption; doesn't help position the company for the future.

Home

Across the organization and at every level, ideally with the support of professional innovators.

Gore

We use W. L. Gore & Associates to illustrate a balanced Explore and Exploit portfolio. Gore is an American multinational engineering and technology company founded in 1958 by husband and wife team Bill and Vieve Gore.

Gore specializes in material science and is known for creating innovative, technology-driven solutions that range from medical devices that treat aneurysms to high-performance GORE-TEX® Fabrics found in casual and professional clothing.

Gore's three main areas of focus are industrial and electronics, performance fabrics, and implantable medical devices. It has an annual revenue of \$3.7 billion and is one of the 200 largest privately held companies in the United States. The company employs 10,500-plus associates in 50 facilities around the world.⁴

Trigger

Traditionally, Gore's revenue growth relied heavily on adding new divisions. It started out with insulated wire and cables, then added electronics in 1970, medical devices in 1975, and wearable fabrics in 1976. In the last decade, however, the markets for Gore's most successful products have matured. This, along with competitive, cheap

alternatives, triggered Gore to be more ambitious with their innovation strategy. The organization decided to launch innovation initiatives for their core businesses, but also to explore potential future businesses.

Innovation Funnel

In 2015, Gore launched an initiative to grow its innovation funnel to explore, test, and adapt new ideas. The goal was to build a process-driven ecosystem that allowed for continuous generation and testing of potential new growth engines, while also looking for ways to constantly improve the existing businesses.

In fall of that year, the first cohort of six teams of internal entrepreneurs started their innovation journey. By the end of 2019, 12 cohorts of 103 teams in total will have been through the innovation funnel.

The process is made up of two major phases. During the first phase, called Concept Development, the teams are expected to provide evidenced based recommendations for each component of the Business Model Canvas. In the second phase, called Product Development, teams tackle the main technical and market uncertainties to reduce risk and uncertainty.

Teams are made up of engineers and other associates who dedicate 100% of their time to their internal start-up for each phase. Gore wants to build a pool of internal entrepreneurs that the organization can draw on for future exploration.

For Gore, innovation is an ongoing activity with an end-to-end process and a continuous pipeline of exploration.

"We innovate by fostering genuine curiosity, deep imagination, and courage to take risks. Our innovative culture and advanced materials expertise enables us to find the possibilities where none presently exist."



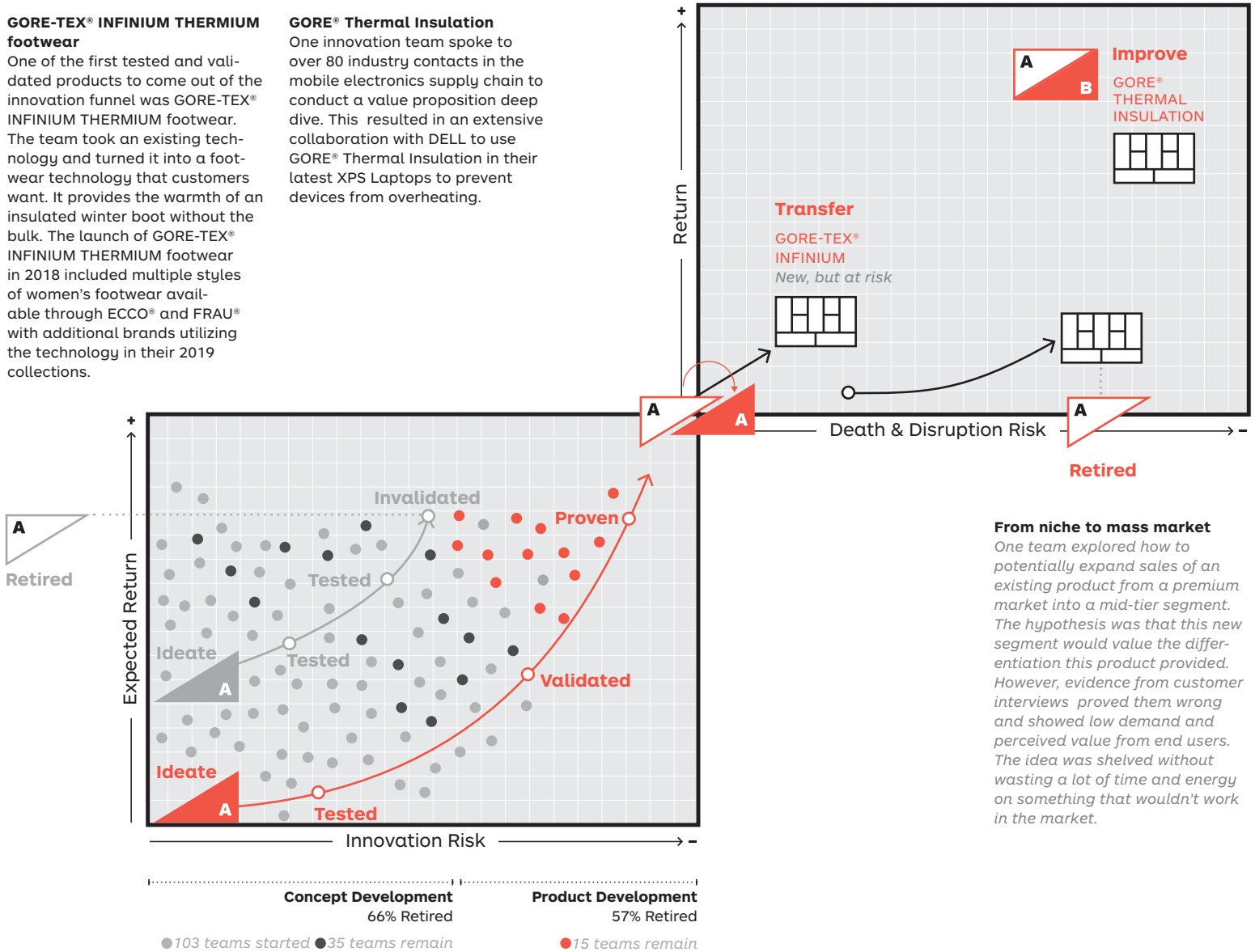
GREG HANNON
Chief Technology
Officer

GORE-TEX® INFINIUM THERMIUM footwear

One of the first tested and validated products to come out of the innovation funnel was GORE-TEX® INFINIUM THERMIUM footwear. The team took an existing technology and turned it into a footwear technology that customers want. It provides the warmth of an insulated winter boot without the bulk. The launch of GORE-TEX® INFINIUM THERMIUM footwear in 2018 included multiple styles of women's footwear available through ECCO® and FRAU® with additional brands utilizing the technology in their 2019 collections.

GORE® Thermal Insulation




One innovation team spoke to over 80 industry contacts in the mobile electronics supply chain to conduct a value proposition deep dive. This resulted in an extensive collaboration with DELL to use GORE® Thermal Insulation in their latest XPS Laptops to prevent devices from overheating.



From niche to mass market
 One team explored how to potentially expand sales of an existing product from a premium market into a mid-tier segment. The hypothesis was that this new segment would value the differentiation this product provided. However, evidence from customer interviews proved them wrong and showed low demand and perceived value from end users. The idea was shelved without wasting a lot of time and energy on something that wouldn't work in the market.

Using the Portfolio Map

Use the Portfolio Map to visualize, analyze, and manage your existing businesses and the new ideas you are exploring.

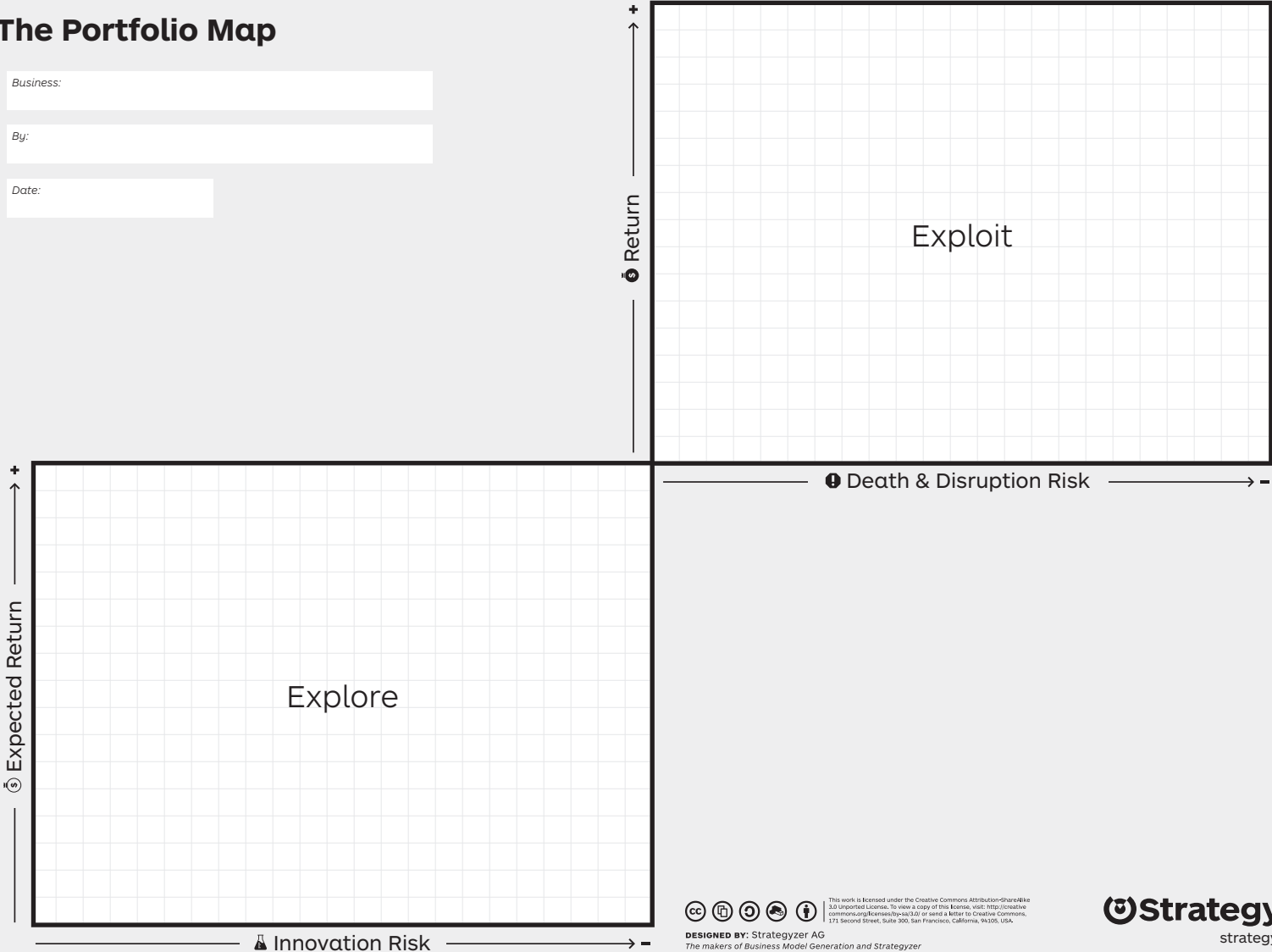
	Entrepreneurs	Corporate Innovation Teams	Senior Leaders
 VISUALIZE	Map all the ideas you are exploring according to expected return and innovation risk profile.	Gather all innovation leads in your organization and map the innovation projects according to expected return and innovation risk (based on evidence).	Gather your senior leadership team and map all your existing businesses (categories, units, business models, products, brands) according to return and death and disruption risk.
 ANALYZE	Evaluate all ideas and identify the most promising one based on your ambitions and risk appetite.	Evaluate whether your exploration portfolio is likely to generate the returns you expect. Ask if you're exploring enough ideas and if you are de-risking them sufficiently.	Evaluate both your explore and exploit portfolios. Determine if you are exploring a sufficiently large number of new innovation projects to compensate for established businesses at risk of disruption.
 MANAGE	Continue to test and de-risk your most promising idea and improve the business model to optimize the expected return.	Expand your exploration portfolio if you need to increase the expected return. Intensify testing if the majority of your projects haven't been able to reduce risk and uncertainty.	Invest more in exploration if you are at high risk of disruption. Expand or prune your exploit portfolio based on your vision and improve your businesses that are at risk.

The Portfolio Map

Business:


By:

Date:



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