



IBM Institute for Business Value

Seizing the advantage

When and how to innovate your business model

Overview

In today's increasingly complex and fast-changing environment, business model innovation is critical to success. Yet few understand when to make a change, or – more importantly – how to execute. Based on a follow-up to our IBM Global CEO Study 2008 and an analysis of 28 successful business model innovators, we gained insight into when and how to innovate the business model.^{1,2} Organizations can determine the right timing based on the economic environment, their own state of industry transformation and a set of internal factors that includes the degree of product and service innovation, and available financial resources. To execute, the Three A's represent required capabilities: organizations need to be *aligned* with customer value, *analytical* to gain insight from differentiated intelligence, and enabled by an *adaptable* operating model.

From the IBM Global CEO Study 2008, we learned that CEOs expected more turbulent change than ever before. But few probably anticipated the severity and depth of the economic downturn that started in the second half of 2008 and created a new economic environment. The CEO Study shows that financial outperformers are able to leverage change to their advantage. Indeed, they proactively seek to disrupt competitors, redefine industries and gain share.

So how do companies take advantage of change? CEOs told us that innovating their business model is one of the most prominent strategies. With unprecedented change upon us and business model innovation becoming pervasive, two questions can help companies develop their strategy and transformation approach for the new economic environment:

- Under what conditions should companies innovate their business model?
- What capabilities and characteristics support the design and execution of successful business model innovation?

When to innovate your business model

Most people think a recession is the time to hunker down and ride out the storm. But they may be wrong. Periods of economic turmoil and transition create significant opportunities to gain advantage.



