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# Business model evolution using the Portfolio Map

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 2 min read

TOPICS

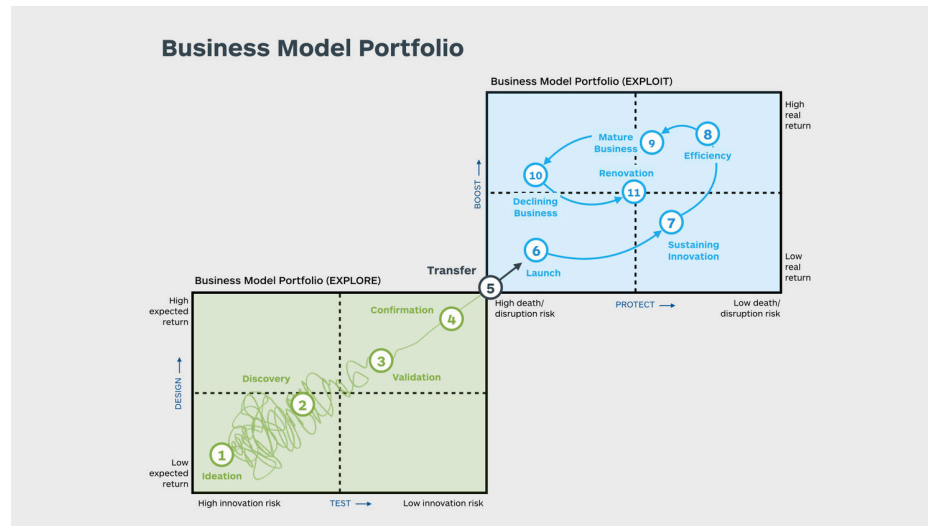
We have been developing our Business Model [Portfolio Map](#) for our new book, [The Invincible Company](#). Like all of our tools, we have found that

EXPLORE VS EXPLOIT

INNOVATION MANAGEMENT

INVINCIBLE COMPANY

the Portfolio Map is a great storytelling tool. It can be used to show the evolution of a company's business model over its lifecycle by measuring risk vs return.



In the image above, we outline a company's journey from start-up to established company by combining Clay Christensen's explanations of the lifecycle of a Business Model with our Portfolio Map.

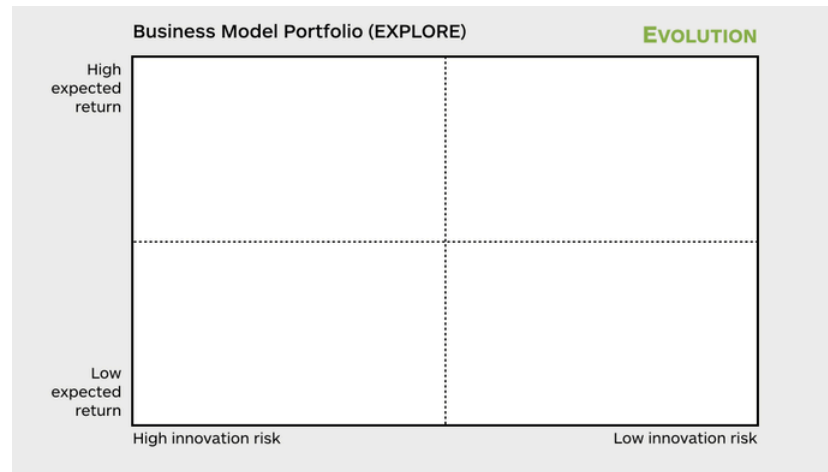
In the Explore portfolio, even if it's a search (iterative) process, we see the following four stages:

1. **Ideation** - New ideas for value propositions and business models around a market opportunity, technology, product or service.
2. **Discovery** - First evidence of desirability and viability; information about the market and your potential customers by

testing your new idea out in the marketplace; using light sprints to determine: is there something here?

3. **Validation** - Confirmation of desirability and viability with strong evidence and first evidence of feasibility; using a sprint to build a technical MVPs (minimum viable product); determine: can we build this?

4. **Confirmation** - Proceed with your business idea or pivot; investing in customer acquisition costs, marketing and more robust MVPs; determine: can we do this at scale?



The shift from innovation to implementation, from the explore portfolio to the exploit portfolio is the Transfer stage.

In the Exploit portfolio, or the map of an existing business, we see the following six steps:

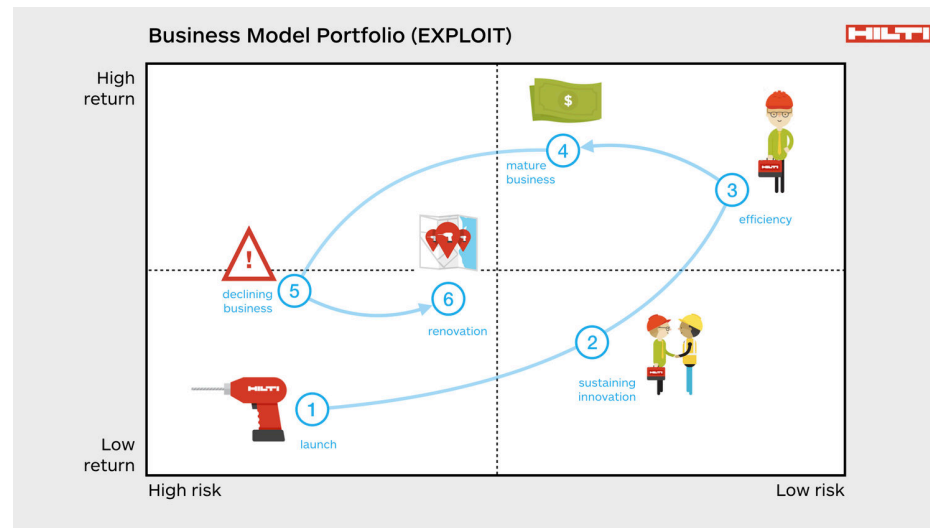
1. **Transfer / Launch:** The launch of a compelling value proposition and business model (customer focus).
2. **Sustaining Innovation:** A product or service has been developed to address an unmet customer job, and the

company must scale to meet demand (market/scale focus).

3. **Efficiency:** Generate additional profitability by focusing on reducing costs, increasing productivity or redesigning a product/service (shareholder focus).
4. **Mature Business:** Well-established, with a loyal customer base, a competitive field and stable growth.
5. **Declining Business:** Characterized by declining profitability, obsolescence, reduced customer base and may no longer make sense to produce or distribute the value proposition.
6. **Renovation:** Before the business dies, can we shift our company model and focus on a new product, service or business model to survive and grow.

One interesting example of this business model journey is Hilti - a manufacturer that builds and sells machine tools for builders.

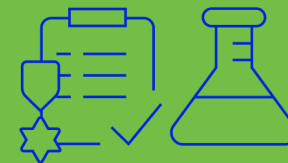
1. Hilti was founded as a family-owned business in 1941
2. Hilti expands to be a global power-tool manufacturer
3. Hilti revamps its corporate culture and quality control
4. 2010 net sales hit CHF 4BN
5. Financial Crisis hits in 2013 and low cost competition arrives from international tool manufacturers
6. Hilti reframes its business model from a product manufacturer to become a service provider ("tools as a service") - 2018 net sales hit CHF 5.7BN



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