

Laurence Lehmann-Ortega
Hélène Musikas
Jean-Marc Schoettl

2nd edition

(RE)INVENT
your **BUSINESS
MODEL**

WITH THE ODYSSEY 3.14 APPROACH

DUNOD



Cover design by Studio Dunod
Cover illustration by Céline Puff Ardichvili
Editorial team: Innocentia Agbe and Margaux Lidon
Production manager: Pauline Riou
Layout : Yves Tremblay

© Dunod, 2024, 2021 for the French publication.

11 rue Paul Bert, 92240 Malakoff
www.dunod.com

ISBN 978-2-10-086638-0

Foreword

Michelin, like any other company, must develop new areas of growth to ensure its sustainability. We are constantly striving to create value for our people, our planet, and our company. This is the true sustainable strategy of the next decade.

Continuous improvement, through our investments and organizational efforts, is no longer enough. We need to move further and faster. This is why we are revamping our business models, for example by developing services, solutions, and new high value-added activities around and beyond tires. Michelin intends to remain a benchmark, capitalizing in particular on the differentiation of its products and services, while investing in new growth territories beyond our core tire business .

(Re)invent your business model - Odyssey 3.14 draws on examples like Michelin's to show that, beyond improving products and processes, companies can and should experiment with new business models if they are to survive. Even more importantly, (Re)invent your business model - Odyssey 3.14 gives you the tools you need to reinvent your model.

Through a highly practical approach, this book will guide you in building the sustainable business models for the future. It will also help you create the adequate environment for innovation within your company, by engaging all your employees.

This book goes further than simply listing examples of successful companies. Based on case studies - some of which deserve to be better known - It encapsulates the fundamental essence of transforming a business model and conveys it in a tangible manner, allowing you to implement it directly within your company.

The Odyssey 3.14 approach is the result of years of experience and teaching in Europe's top business schools: its methodology is proven, and I'm convinced that a sustainable future is possible through innovation. So go ahead, reinvent yourself!

Florent Menegaux, CEO of Michelin

Introduction





What is Odyssey 3.14?

"Innovate to grow!" That has been the imperative in all businesses, small or large, regardless of the industry. However, the myth of 'infinite growth' on a 'finite planet' has lived its course. Today, innovation must take place within the context of sustainable development. So, how to proceed?

(Re)invent Your Business Model – Odyssey 3.14 offers a novel answer, inviting you to undertake a challenging journey that combines innovation and strategy. Based on the **3 pillars** of a business model (value proposition, value architecture and contributions), this approach proposes to explore **14 directions** to invent or reinvent your business model in order to meet the needs of the present without compromising the ability of future generations to meet their own."

IV

Odyssey 3.14 is the result of over twenty years of research, consulting and teaching in innovation, strategy and sustainable development by the three authors, particularly at the HEC Paris business school. We believe that innovation is an adventure, and like any other, is exciting. However, it comes with a multitude of challenges – that we seek to meet through an accessible and innovative approach.

This book is divided into four parts to help you grasp the Odyssey 3.14 approach and implement it in your business. The first two parts   present the main concepts by combining **theory** with **concrete examples**. The practical **implementation** of the approach, articulated around different stages, is developed in the third part . Finally, the fourth part  presents **50 cases of invention or reinvention** of a business model, in B2B (Business-to-Business), B2B2C (Business-to-Business-to- Consumer) and B2C (Business-to-Consumer) sectors. Their aim is to stimulate your desire to make it happen.

By the time you finish reading this book, we hope you will want to embark on this fascinating journey to the land of innovation and strategy! Bon voyage!

Laurence Lehmann-Ortega, H el ene Musikas, Jean-Marc Schoettl

Table of contents



3 pillars of a business model

Strategic innovation is based on a unique combination of the 3 pillars characterizing a business model

2



14 directions to explore

Innovation starts with the search for new ideas:
14 directions are proposed, each illustrated with an example

34

V



On the path towards becoming a more innovative company

Reinventing a business model is a challenging adventure with several stages, from ideation to deployment

70



50 inspiring 3.14 innovation cases

50 case studies of business model innovation across multiple industries to fuel your desire to invent or reinvent your business model

108



The 3 pillars of a business model



14 directions
to explore



On the path towards
becoming a more
innovative company



50 inspiring
3.14 innovation cases

Innovation : an imperative for companies to adapt to the 21st century

The idea that business should primarily serve the short-term financial interests of shareholders has become the **dominant paradigm** since the middle of the 20th century. The perpetual pursuit of growth, at the possible expense of other stakeholders such as employees, consumers, and society as a whole, as well as the failure to take into account negative externalities (pollution, impact on health, unemployment...) have become the accepted norm.

However, these ideas have outlived their time, as **planetary boundaries**, and the aspiration to meet **basic human needs** take over. It is now widely accepted that the planetary ecosystems that have enabled humanity to prosper constitute finite, fragile, and interdependent systems. This is what Bruno Latour, the contemporary philosopher, refers to with a simple yet powerful

expression: we need to 'land' and to rethink the world within planetary boundaries. While companies are definitely part of today's problems, they can also contribute to the solutions by questioning their role and their actions: this is what leads them to reflect and (re)define their '*raison d'être*' or **purpose** of existence.

In the coming years, this new paradigm is likely to become dominant and force all companies, and beyond, all organizations, to undertake a profound reinvention in order to adapt, survive and thrive.

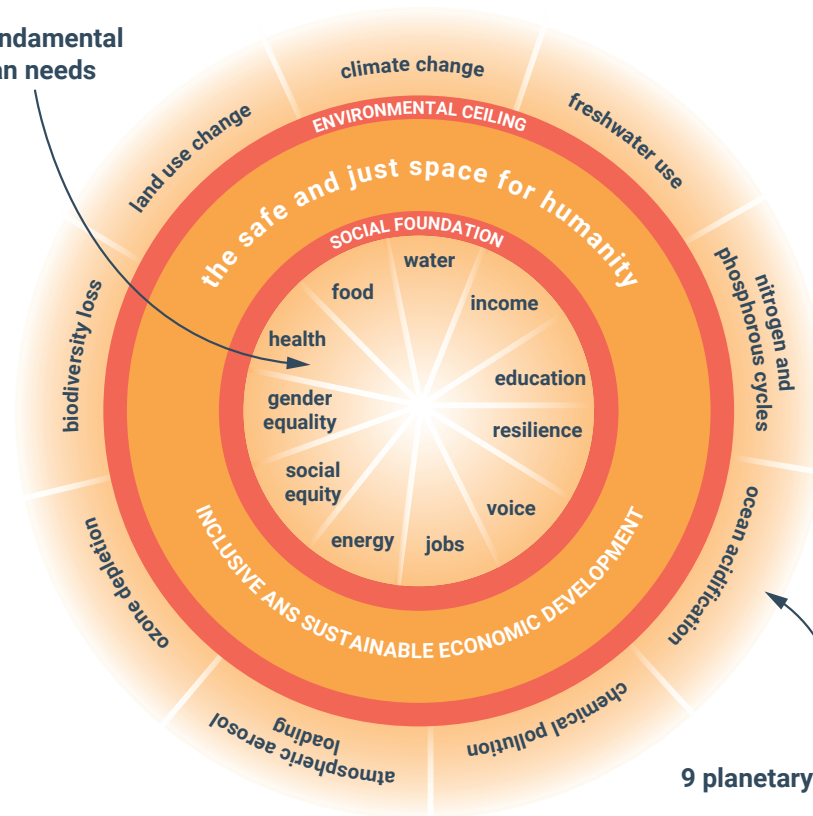
This is why **innovation** in all its forms is the imperative of the 21st century.



Doughnut Economics framework : between planetary boundaries and basic human needs

The Doughnut theory presents nine planetary boundaries (making up the environmental “ceiling”) that should not be exceeded to ensure our future. However, this future can only be secured by also respecting at least eleven fundamental human needs: this is the “foundation” of social justice.

11 fundamental human needs



9 planetary boundaries

Environmental and societal challenges must be taken into account to ensure the future of humankind on the planet. Companies are redefining their purpose and reinventing themselves to fit into this safe and just space.

Innovation is not necessarily technology-driven

Tesla is the quintessential innovative company, and its controversial CEO, Elon Musk, is often celebrated as an 'innovation guru'. Yet Tesla's research and development (R&D) spending remains relatively limited compared to other companies.


Indeed, innovation is very often associated with technology, and therefore with R&D spending. However, numerous studies show that a company's capacity for innovation is not necessarily correlated with its R&D spending.

In fact, the term 'innovation' covers various realities: R&D expenditure is not always a good way of measuring it, particularly as invention (the good idea) must be distinguished from innovation (bringing that good idea to market).

Hydrogen and CO₂ capture, storage and recovery technologies, for example, look promising, but have yet to be industrialized.

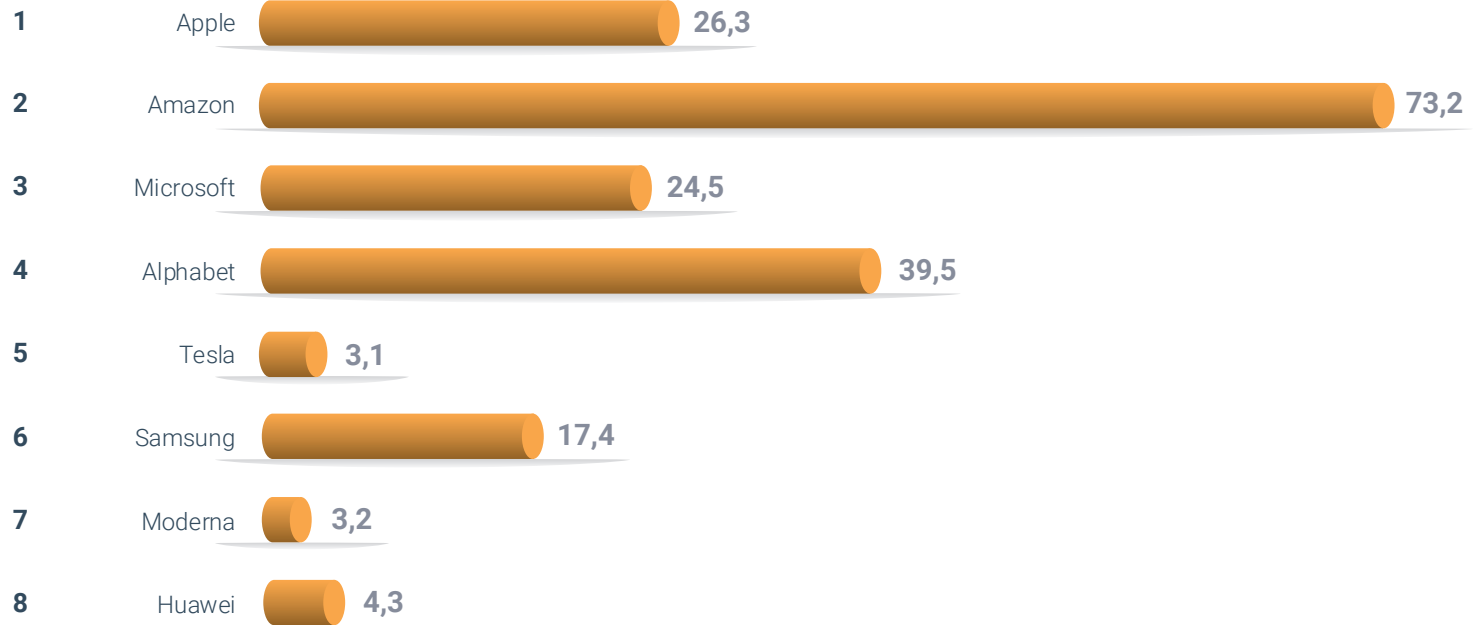
These technologies alone will not solve the problem of climate change. The innovation needed to respect planetary limits and meet minimal social foundations is as much about **challenging conventional thinking** as it is about R&D expenditure for new materials or renewable energies.

Innovation can be defined as "the introduction of some novelty into government, habits, a science, etc.; and its **result**".

It is therefore simultaneously a process and its outcome, its concretization. The **process** will be analyzed in greater detail in Part Three ; in this chapter, we focus on the result.

> R&D spending and innovation capacity (in billion dollars)

Rank*



* BCG 2022 ranking of the most innovative companies (based on several factors, including the opinions of senior executives).
Source: 2022 annual reports.

What is innovation?

Various types of innovation can be distinguished based on their nature and degree:

▷ Nature of the innovation

Innovation can either reduce costs (process innovation) or improve revenue (new products, portfolio expansion), or both simultaneously.

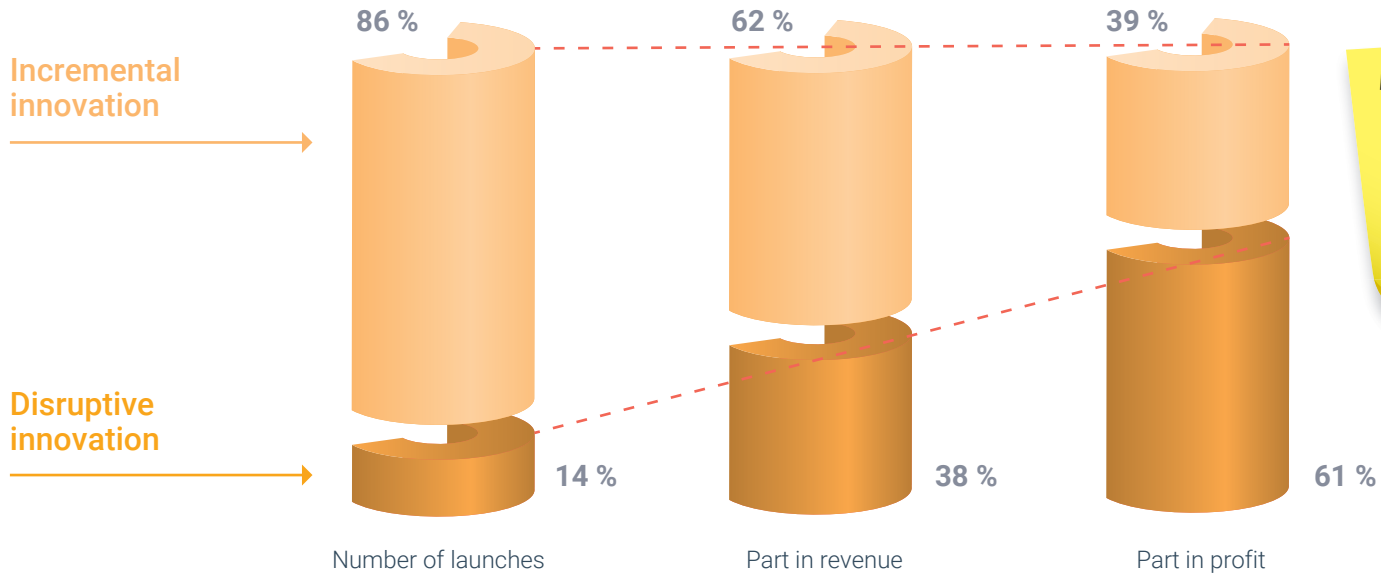
▷ Degree of the innovation

The first level, called '**incremental innovation**', or occasionally 'improvement innovation', 'continuous innovation', 'exploitation innovation', results in a limited change compared to the existing situation, and does not require new capabilities. At the other end of the spectrum is **radical innovation**, also known as disruptive

or exploration innovation. This type of innovation profoundly alters the standard perceived value and cost of a product or service.

The automobile sector offers an excellent illustration of different degrees of innovation. Hybrid vehicles are incremental innovations compared to the traditional combustion engine vehicles. Electric cars have more impact, as they reduce drastically greenhouse gas emissions and require a deep transformation in the sector, especially in building roadside charging infrastructure. Finally, forthcoming mobility services offered by companies such as China's Baidu based on electric autonomous taxis represents a profound shift in the automotive industry.

> Incremental and radical innovation



Disruptive innovations are less frequent than incremental innovations but generate more profit.

Business model innovation

10

According to a study by BCG in 2022, 65 % of companies cite innovation and/or sustainability as two of their three principal business priorities. The same study highlighted that few companies have developed innovative products, processes, or business models which would help them achieve their ambitions.

Innovation focusing on the **business model** thus appears as a **specific form of innovation**, distinct from other types of innovation. To better understand it, let's focus on the concept of the business model.

The definition of the term 'business model' is not universally agreed upon, despite the spectacular growth in its usage in recent years.

The term business model describes the **mechanisms that explain the origin of the company's performance** (in relation

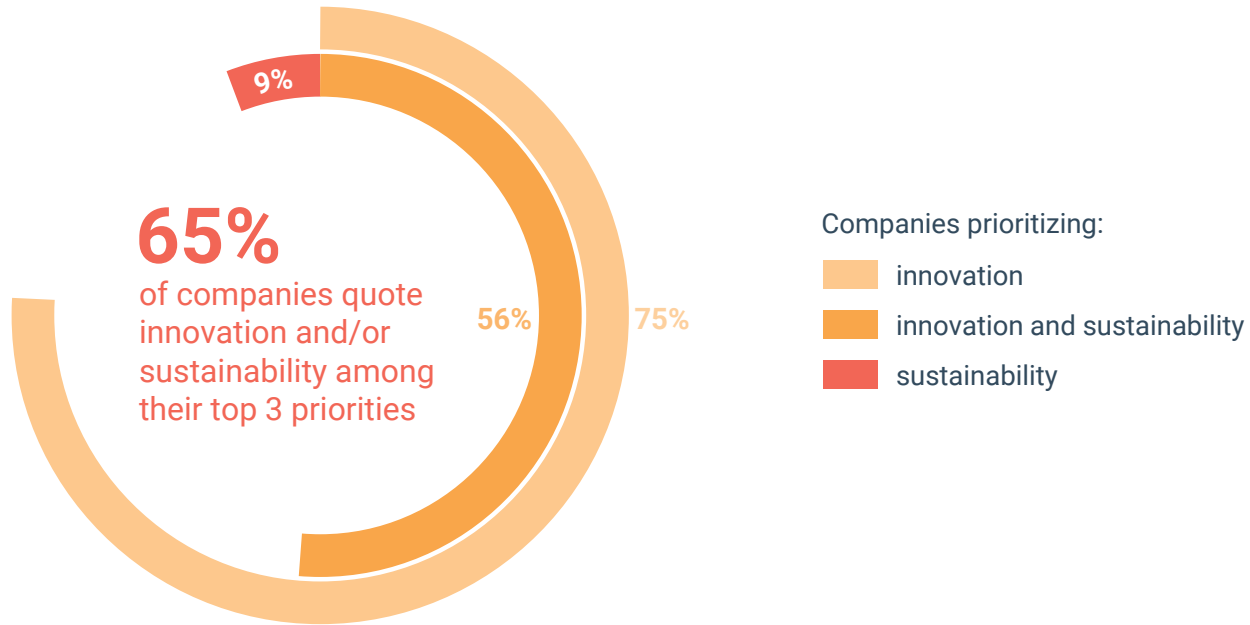
to the company's purpose). In this book, the business model is articulated around three pillars (explained in the forthcoming pages): the value proposition, the value architecture and the contributions.

A company may exploit a single or multiple business models simultaneously. For example, the tire company Michelin has developed a new business model called 'Effitires' that consists in billing customers per kilometer of tire usage, rather than selling tires which is their traditional business (see page 162).

In fact, the business model proves to be a valuable **strategic thinking tool** for innovation and reinvention.



Percentage of companies prioritizing innovation and/or sustainability



The 3 pillars of a business model

▷ The value proposition

This first pillar describes the offer provided to the customer through:

- the ‘what’: the products or services, and their benefits, offered by the company to customers;
- the ‘who’: the target customers – in a broad sense – to whom the company is addressing its products or services;
- the price and the way the product or the service is invoiced.

▷ The value architecture

This second pillar focuses on the ‘how’, which means how the company develops and delivers its value proposition to its customers. It describes both the value chain (the main steps carried out by the company), the connections with suppliers and partners, the strategic resources (tangible and intangible) and the key competencies used to craft and deliver the value proposition to the customer.

▷ The contributions

This third pillar decodes the performance of the business model stemming from the unique combination of the value proposition and the value architecture. To fully grasp this performance, it is essential to consider, beyond the financial contribution, the environmental and societal contributions (i.e., externalities). Regulation increasingly encourages companies to broaden the concept of performance in this direction. To gauge this performance and facilitate easy comparison between business models, it is advisable to choose a limited number of indicators (often specific to a particular sector).

> Urban car sharing business model

