

Playful Business Models

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Abstract

The term business model can be defined as a business concept that has been put into practice. The increase in dynamics in markets, technology, economies etc. challenge the requirements to make consistent and synchronized decisions on which business models to develop and implement. Complexity seems to be the crucial phenomenon that challenges most organizations. In order to deal with these challenges it seems to be relevant to include elements of games, simulations, and more open workshops. However, in order to deliver relevant clarifications such combined methods have to be facilitated efficiently. This paper describes initial experiences of facilitating business model mapping or business model innovation by game-like setups.

Keywords

Business Model, Serious Play, Business Model Innovation

Introduction

During the late nineties many new business models emerged. Phenomena like e-business, e-commerce and the so-called new economy were blooming and booming. Some people both in academia and business believed that the existing business rules or even the existing economic theories and laws were becoming obsolete (Wood, 2000). However, during year 2000 the so-called dotcom bubble burst and technology stocks were in a dramatic decline. The burst led many and in particular the more popular press to abandon the idea about new business models. This has proven to be a misleading conclusion. Though the dotcom hype negatively impacted the expression business model it has proven that the focus on business models has provided a new and different conceptual instrument in various areas of business management and business innovation. In this paper the focus will be on the process of revealing and innovating business models. This process proves to be efficiently and effectively facilitated by play-like setups.

Business Models

According to Magretta (2002), the term business model is among the most sloppily used terms in business but, nonetheless, of enormous practical value. Many authors have attempted to define the business model concept. Some authors took a narrow technological or financial focus (e.g. Chesbrough 2006), while others adopted a more general perspective (e.g. Osterwalder et. al. 2004). Some have incorporated corporate strategy in their business model concept (e.g. Hamel 2000).

However, it seems that most authors agree that a business model is simply defined by the combination of the two terms 'business' and 'model', i.e. "*...a business model serves simply as a business concept that has been put into practice*" (Hamel 2000).

Following this understanding the business model emerges as a complex mix of multiple choices: How to define the value proposition, How to configure the value network, How to choose partners, How to differentiate customers, How to design the critical business processes, etc.

This complex mix of choices and decisions is not a new one. However, due to increasing dynamics the pressure to make consistent and synchronized decisions increases.

Business Models and Complexity

Traditionally, challenges in regards to configuration of business models have been seen as complicated challenges that should be solved through breaking them down into smaller and smaller chunks. We postulate that most modern problems are complex rather than complicated. Complex problems are messier and more ambiguous in nature; they are more connected to other and often very different problems; more likely to react in unpredictable non-linear ways; and more likely to produce unintended consequences.

Most organizations are designed to deal with a complicated rather than a complex world. Hierarchical and silo structures are perfectly designed to break problems down into more manageable fragments. They are not, however, effective in handling high levels of complexity. Consequently, many institutions and companies are struggling to adapt to a more complex world.

Leaders are required to both understand and accept that the world is often irrational and unpredictable. In most cases this requires radical changes in organizations and mindset. Unfortunately, most approaches to organizational change have limitations which make them unsuitable for tackling the predominant issues.

The perception and response to complex issues are dependent on the nature of the sense-making process. The sense-making process, on the other hand, is dependent on the perceived nature of the problem.

The Cynefin framework proposes an association between the nature of context of problems and appropriate responses (Snowdon et.al. 2007). The framework consists of five domains (see figure 1):

- **Simple**, in which the relationship between cause and effect is obvious and the appropriate approach is *Sense – Categorize – Respond*
- **Complicated**, in which the relationship between cause and effect requires analysis or some other form of investigation and/or the application of expert knowledge, and the appropriate approach is *Sense – Analyze – Respond*

- **Complex**, in which the relationship between cause and effect can only be perceived in retrospect, but not in advance, and the appropriate approach is *Probe – Sense – Respond*
- **Chaotic**, in which there is no relationship between cause and effect at systems level, and the appropriate approach is *Act – Sense – Respond*
- **Disorder** – in which it is unclear what type of causality exists. Disorder is in the centre of the graphical model. Here people will revert to their own comfort zone and choose the approach related hereto.

Each domain of the Cynefin framework represents different levels of expected achieved practice. In the simple domain, we can expect “Best Practice”. In the complicated domain, we can expect “Good Practice”. In the complex domain, we can expect “Emergent Practice”, and in the chaotic domain, we can expect “Novel Practice”.

These expectations relate to the nature of the problems. Heavily process-oriented situations, e.g., as loan payment processing, are often simple contexts. Directives are straightforward, decisions can be easily delegated, and functions can be automated. As problems become complicated, they tend to require assistance from specialists: A car owner may know that something is wrong with his car because the engine is knocking, but he has to take it to a mechanic to diagnose the problem.



Figure 1. The Cynefin Framework (Snowdon et.al., 2007)

For a long historical period, most of our problems have been categorised and treated as simple or complicated. Consequently, we have improved our ability to categorize and analyze – the two dominant cognitive activities of the industrial age.

When it comes to complex problems, our understanding is much less matured. We need a deeper understanding of the character of the domain, and we need to combine this with current advances of the cognitive sciences.

Given that most serious problems in modern management when first confronted appear to be of either a *complex* or a *disorder* nature, we face major challenges. An important reason for the feeling of disorder is that the simple, complicated, complex, and even chaotic problems co-exist. To move on from the feeling of disorder to an acceptable perception of the problems, one needs to differentiate between the natures of the different problems that co-exist. Preferably, this requires an open-minded sense-making process and efficient communication between engaged participants.

We see an opportunity for using various play set-ups as a method to explore the four quadrants of the Cynefin framework. We are further encouraged in this pursuit by research which indicates that play has:

1. The cognitive benefit of drawing on the imagination to develop new insight (Papert, 1996).
2. The social benefit of developing new frames for interaction (Vygotski, 1978).
3. The emotional benefits of providing positive affective associations as well as a safe context in which to take risks, to try on new roles, and to explore new potential forms of practice (Bateson, 1972).
4. The cognitive benefit of deep concentration by losing sense of time resulting in an increased involvement (Csikszentmihályi, 1990).

Papert argues that learning happens especially when engaging in creation of physical objects. Papert's theories are often referred to as: "thinking with your hands" or "learning by making" (Papert, 1996).

The contributions listed above offer valuable insights into the combined problem of dealing with complex challenges and play. In the following, we shall incorporate this in a more comprehensive framework involving serious play.

Serious Play in Context

In "Got Game", a book published in 2004 by Harvard Business School Press, John Beck and Mitchell Wade argue that gaming provides excellent

training for professionals in business (Beck & Wade, 2004). Gamers, they write, are skilled at multi-tasking, good at making decisions and evaluating risks, flexible in face of change, and inclined to treat setbacks as chances to try again. We acknowledge these results which point to the fact that younger gamers seem to be able to cope with higher complexity due to their gaming experiences.

However, we have found it difficult to convert this insight directly to professional settings. This has led us to propose a framework that incorporates play and gaming into a company specific context. The frame is illustrated in figure 2.

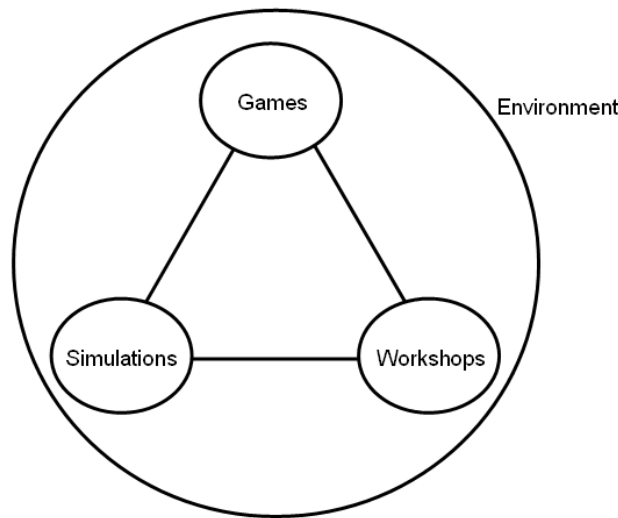


Figure 2. The SWING Framework

Our framework includes four different types of mechanisms: Workshops, Simulations, Interactive Environments, and Games. These four mechanisms have different characteristics and when applied in various combinations, they can stimulate the various elements of the process. In figure 2, the conceptual model of the SWING framework illustrates the relationship between the four mechanisms (Simulation, Workshops, Interactive eNvironments, and Gaming).

The act of **simulating** a phenomenon generally entails representing certain key characteristics or behaviors of a selected physical or abstract system. Simulation is used in many contexts, including the modeling of natural systems or human systems in order to gain insight into their functioning. Simulation can be used to show the eventual real effects of alternative conditions and courses of action.

A **workshop** is defined as: “An educational seminar or series of meetings emphasizing interaction and exchange of information among a usually small number of participants”.

The workshop mechanism is the social engagement element of our model, which necessitates workshops as a part of an exploration process. Relatively simple problems can normally be handled by a workshop alone; e.g., when a small group of people gather to solve or to communicate a problem they currently face. As problems become more complex the effectiveness of workshops as a stand-alone learning mechanism decreases.

With **interactive environments**, we refer to the social, physical, and informational environments in which we live and work. To survive, an organization must continuously monitor its environment and respond to it. Socially, the environment consists of various relationships an organization has developed with suppliers, lead-users, and retailers as well as within its business units. Physically, the infrastructure of an organization has a strong influence on habitual behavior of its members.

The new insight into how **games** can be used in professional setting has triggered a range of activities to develop games for this particular purpose. In professional settings, the notion of “serious gaming” has recently emerged.

In summary: games give us opportunities for emotional play; simulations provide opportunities for conceptual play especially to examine the evolutionary properties of systems; workshops provide opportunities for social play and being discursive; they allow us to clarify needs, to frame problems, and to build consensus.

The SWING framework is an explorative framework that opens for research into a broad variety of applications and configurations. In the context of this paper, we have limited ourselves to focus on the application of Serious Play aiming at facilitating the process of sense-making and probing (exploring) when organizations are facing complex problems. Furthermore, we have focused on the application of one particular tool, LEGO Serious Play, which involves the particular SWING-elements: Games, Workshops, and Interactive Environments.

LEGO Serious Play

The background for LEGO Serious Play (LSP) is that the president and owner of LEGO was dissatisfied with the results of his strategy-making sessions with his staff. He had the experience that while the business of LEGO was about imagination, the results from the strategy-making sessions were decidedly unimaginative.

LEGO created a separate subsidiary called Executive Discovery based on the seemingly simple idea to use building with LEGO bricks as a means of tapping into unconscious knowledge and to communicate this knowledge in narratives. Most effort has been devoted to developing applications to facilitate strategy-making.

In practice, LSP is a facilitated workshop, where participants are asked different questions in relation to an ongoing project, task or strategy. The participants answer these questions by building symbolic and metaphorical models of their insights in LEGO bricks and present these to each other. An essential part of the LSP workshop is the non-judgemental, free-thinking, and somehow playful interaction between the participants (Gauntlett, 2007).

Business Models and LEGO Serious Play

In the past four years we have conducted more than 50 variants of the SWING framework focusing on exploring or mapping specific company business models. In the following are reported elements of one of these sessions.

The session was conducted at a Danish company, TC Electronics, which develops and manufactures sound-equipment for professionals and musicians. The company has a large product range and special expertise in digital sound processing. The assignment of the session was to create a new or alternative understanding of the future business model. In order to make the effort more specific, the focus was narrowed down to consider digital products targeted at guitarists.

The participants in the session were from both inside and outside TC Electronics. The participants included three professional guitarists, a hardware engineer, a software engineer, a philosopher, a representative from product management and a part-time guitarist, who also worked as a professional sound-tester at TC.

The reported part of the session was to focus on the value proposition as a crucial element of the business model. It was decided to combine the workshop element and the game element of the SWING framework and to apply LEGO Serious Play.

The combined method facilitated an open discussion between the participants with very different backgrounds and very different ways of expressing themselves. The conclusion of the session was expressed in two

different models: “The Jimi Hendrix Guitarist” and “The Artistic Guitarist” (see figure 3). It was concluded that until now TC Electronic had targeting the market represented by the Jimi Hendrix Guitarist. However, the value proposition did not suit this market well. Basically, this market was fascinated by a very analogue sound and would only reluctantly accept a digital solution. The other type of market, The Artistic Guitarist, would be much more experimenting with the use of sounds.

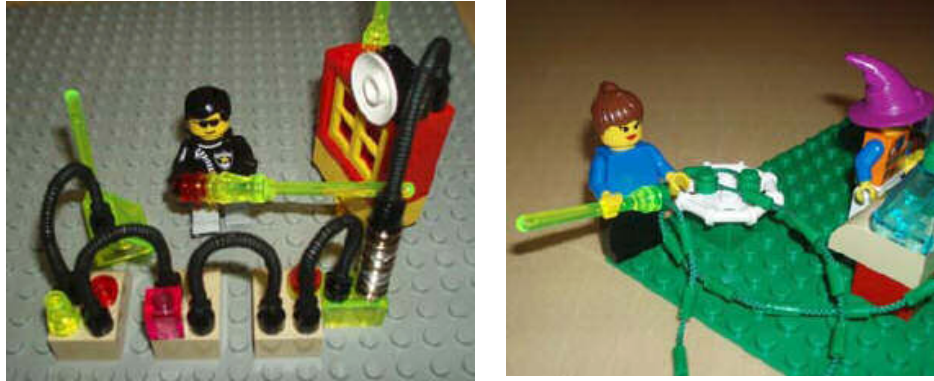


Figure 3. “The Jimi Hendrix Guitarist” and “The Artistic Guitarist”

The example is a very limited illustration of the process of mapping and innovating elements of business models. The chosen method facilitated efficiently the dialog between people with different backgrounds and references.

Conclusion

The main reason why there is a renewed focus on business models is the complexity associated with the increasing dynamics. The paper describes initial attempts to support the process of mapping or innovating business models by involvement of a mix of game, simulation and workshop approaches – the so-called SWING Framework. The methods are to be further tested and developed as a part of the EU Network of Excellence GaLA.

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