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Ecosystem Collaboration:
New Engines for Growth
and Competitiveness in the
Digital Age

by Matthew Robinson and Peter Lacy

Ecosystem

[ek-oh-sis-tuh m, ee-koh-]

noun

1. A company's competitiveness network: an increasingly global, multi-industry nexus of partners (suppliers, institutions, customers) and stakeholders through which business problems are solved and outcomes are shaped.

Not too long ago, playing fields used to be neat. Bordered. Companies stayed within prescribed industry lines, rarely venturing outside of them. But digital technology has changed all that, lowering entry and exit barriers to digitally contestable markets, such as paying (think of Apple Pay) or getting around a city (like BMW's DriveNow). The increased complexity and potential of markets like these is requiring companies to make and execute corporate strategy differently.

Instead of becoming a conglomerate or trying to be expert at everything, companies need to partner more intensively and effectively with other organizations, including customers, suppliers, hobbyists, startups, and even apparent competitors. Highly effective ecosystem collaboration cannot be mediated solely at the edge—rather it needs to flow from the company's core. All of an organization's people, processes, technology and culture must be ecosystem-ready, oriented towards orchestrating capabilities and talents outside the boundaries of the firm, as well as within it.

Seventy-eight percent of executives plan to pursue growth in new areas by using flexible organizational forms of collaboration, such as strategic alliances (63 percent) and joint ventures (46 percent). A smaller share (39 percent) plan to use M&A. ¹

From strict industry lines to digitally contestable markets

Ecosystems are essential competitive tools to capture new opportunities within the blurred landscape of industry convergence. Although industries in their traditional sense are likely to reshape rather than disappear, digital technology is creating hybrid forms—digitally contestable markets—that include:

- **Learning:** The massive personalization and democratization of education.
- **Paying:** The use of digital technologies to enhance payment and financial service options for customers.
- **Producing:** The reinvention of industry value chains through new manufacturing technologies.
- **Wellbeing:** The increase in availability and cost effectiveness of healthcare provision from using big data and open-source technology.
- **Shopping:** The tailoring of retail experiences built upon a wealth of data on individual preferences, delivered by players from a diverse set of industries.
- **Traveling:** The use of data and machine-to-machine communications to create smart, connected systems across the spectrum of modes of transportation.

Reaching outside

In an increasingly complex competitive landscape, businesses must develop a strong ecosystem of partners stretching across the customer value chain. As strategy and management expert Gary Hamel told us, "Companies that win are going to be the ones that are the most creative in harnessing and leveraging the skills and talents of interested outsiders."²

Among those capabilities are "hard" tech skills like data analytics and social media listening, but also "soft" ones: relationship development and cross-cultural empathy. To build expertise, some companies are setting up dedicated teams. So a retailer that wants to get into payments, for instance, may create a group specifically to connect with and understand the perspectives of banks. But being able to execute a play that revs the engine of growth through an ecosystem requires a much more fundamental organizational change—isolated efforts simply won't be enough.

Analog connections

Given the nature of today's shifting industry lines, sources of innovation come from unexpected places. Businesses need to be—by default—open to receiving new ideas and exploring new connection points that could create value through growth and innovation. Discrete teams set up at the edge to connect through ecosystems are unlikely to be enough. Instead, companies need to reinvigorate their entire culture and enable every employee to be a potential steward for collaboration and innovation. The key? Not the creation of additional tasks separate from people's core job, but integrating or "mainstreaming" responsibility for ecosystem considerations into existing functions and roles.

Two-thirds of companies that out-performed peers over the last three years say they encourage employees to be proactive in building relations with external stakeholders, compared with just over one-third of under-performers.³

Beyond the usual suspects: The power of ecosystems

When talk turns to digitally contestable markets and ecosystems, a small number of internet companies invariably spring to mind. But it's not just companies in technology-based sectors that stand to benefit from ecosystems. Consider RWE npower, a UK electricity and gas supplier.⁴ RWE npower teamed with Google to sell their Nest Learning Thermostat (which can be controlled remotely through different devices and can shrink energy consumption). The net result: potential for new sources and patterns of revenue—and more satisfied customers.

Making way for ecosystems

Laying the foundation for competitive advantage through ecosystems requires significant transformation across every area of an organization, from people to infrastructure and beyond. So where to start? Companies need to upgrade capabilities in three areas:

Strategy: Like most major transformations, change has to come from the top. The board and upper management need to set the tone by signalling a shift away from products and services alone, toward the role the company can play in helping customers achieve better outcomes. For example, when Samsung partnered with Independa (a care provider for the elderly) to develop a platform integrated

on Samsung tablets, it was acknowledging that through ecosystem collaboration it could play a vital role in helping the elderly keep in touch more easily with caregivers and family members.⁵ Setting the right course here requires business leaders to answer several fundamental questions:

- What do our customers want that we don't deliver? Why don't we? What are the gaps in capability that are holding us back?
- Do we really understand the competitor landscape—from other industries and sectors? Is our stakeholder mapping broad enough? Are we tracking venture capital flows as a leading indicator of ecosystem opportunities?
- How well do we manage relationships with multiple organizations from different parts of the economy simultaneously, even if they sit outside our immediate value chain (e.g. startups, incubators)?

People: Executives score personal relationships and networks as the most important enabler of their ecosystem growth aspirations, trumping data analytics and digital communication.⁶ Rather than viewing personal relationships as a tool to be wielded exclusively by senior executives, organizations should recognize that employees at all levels have connections that could serve the company's ecosystem strategy. One key to letting employees act on their own connections: Ease company policies relating to engaging with people in other organizations. Questions to ask to get there include:

- What incentives, if any, do our employees have to nurture their outside contacts?
- Do we take all our employees into account when we map our stakeholder landscape?
- How are we bringing new people into the organization and enabling them to draw on their contacts inside and outside the company or industry?

Technology: Companies that want to gain bench strength in building ecosystems need to integrate collaborative technology into work. Tools like Lync or Yammer can help employees connect with each other, but they can also help people develop networks of collaboration with outside organizations. And they can enable employees on the front line to engage with and learn from customers. For example, a large retailer introduced a handheld-technology system to encourage employees to share customer feedback in real time, capturing thousands of customer insights on a weekly basis. To get started, ask the following:

- Have we integrated collaborative technology into the design and structure of work tasks?
- What are the technology barriers inhibiting collaboration and how can they be broken down without risking corporate security?
- How are customer insights harvested and shared within the organization to ensure rapid action? Are we listening to social media—corporately and individually?

All ecosystems "go"

As a business growth engine, disruption is the new globalization. And just as companies had to build deep capabilities—from strategy down to processes—to capture growth opportunities throughout the globe, now they need to prepare for ecosystem collaboration. They will have to create organizations that are much more open, more flexible and inherently more collaborative. Companies that succeed will gain the agility and adaptability needed to power future growth.



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¹ Remaking Customer Markets – Unlocking Growth with Digital, Accenture Study, 2014

² Institute Conversations, Accenture Institute for High Performance, Interview with Gary Hamel, 2014

³ Accenture Global Business Leader Survey, 2013

⁴ "German Utility Teams with Google's Nest Labs for Smart Thermostats", Jan Hromadko, Wall Street Journal, April 16, 2014, blogs.wsj.com

⁵ "Independa Offers Technology-Enabled Independent-Living Solution on Dedicated Samsung Mobile Tablets", PR Newswire, January 9, 2013, www.prnewswire.com

⁶ Remaking Customer Markets – Unlocking Growth with Digital, Accenture Study, 2014

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