

## **Ecosystems – Transforming the Rules of Business**

The idea about this article on ecosystems came about while discussing with an old friend of mine about how Bangalore which was a sleepy town about four decades ago has today metamorphosed into the tech hub and startup capital that we know today and what were the key enablers that could have assisted or ignited this change to come about.

Among the many things that we discussed included the presence of some of the premier institutions like IISC, ISRO, BHEL, BEL etc. in Bangalore and about how the decision of the Karnataka government to open up a large number of Engineering colleges created the required engineering talent and we concluded that while it was very difficult to pinpoint one particular factor it was probably the ecosystem that had brought about this dramatic change

### **So what is an ecosystem?**

From a normal perspective an ecosystem is **a geographic area where plants, animals, and other organisms, as well as weather and landscapes, work together to form a bubble of life** which sustains and develops itself.

From a business perspective the first definition which was suggested by Moore in 1993 was as below:

An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders.

Over time, they evolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles.

Was fortunate to see live an example of a Business Ecosystem shaping up in the case of Sadand in Gujarat during my stay in Ahmedabad. The auto ecosystem in Sadand started evolving after Tata decided to set up their Nano factory there. While the project Nano didn't really take off it led to the creation of the auto ecosystem in Sadand.

### **What are the factors to be considered while deciding to create or be part of an ecosystem?**

- 1. They can help other partners in the systems add value or see value in the ecosystem that is being pioneered by you**

The earlier example of Tata Nano and sanand would be a good example of how one organization can bring in a lot of value into the ecosystem.

- 2. They can adapt to an ecosystem or create an ecosystem using your knowledge and learnings in a different field?**

This is particularly interesting in today's scenario where organizations create and build ecosystems in totally unrelated fields...One of the best examples that come to mind in how mobile handset players created a totally new ecosystem for photography and altered the photography industry which we had known till then.

It also shows how ecosystems evolve as they go through technological upgradations. So, while the photography ecosystem initially consisted of the camera producing company, the company which

used to produce the film which was run in the camera, the vendors and suppliers to each of these manufacturers, the retailers who specialized in photographic products, the stores which specialized in film washing and printing what we called as photo studios and the various vendors which supplied the allied products required for the photo studios

The moment the cameras shifted to digital many of the participants in the first ecosystem went out of business. As cameras became a part of mobile phones and the cameras used in these mobile phones improved in quality and performance many of the parts of the digital photography ecosystem also went out of the new ecosystem. So mobile handset manufacturers who had no previous experience in the photography ecosystem were able to create a new ecosystem using their knowledge of the various other features in the smart phones.

### **3. Ecosystem control**

In traditional ecosystems which operate in the pipeline method of operation the key manufacturer was the person who exercised all the control in the system. So, continuing with the earlier example of a car manufacturer the car manufacturer was the key person in that ecosystem who provided specifications of things to be made, when they should be supplied and so on and hence the key player had complete control over the ecosystem

This situation was changed drastically in the digital economy. The best example that comes to mind is that of Nokia in the smart phone category. Nokia had created its own operating system called Symbian for its smart phones and Nokia was the market leader in mobile phones at that point in time. But Nokia remained focused only on its own goals and objectives and never thought about creating a platform for developers which could have taken Symbian to greater strengths and helped retain Nokia's market leadership. Apple also initially followed the Symbian strategy but quickly realized its mistake and created the I phone store where developers could create and put in their own products. While Apple also did retain some control android created by google went one more step ahead and opened the google play store more for the developers. The results are there for everyone to see. While Symbian has been wiped out from the market Android is the clear market leader today way ahead of apple.

### **4. Start small and evolve as it goes forward**

It's not that every ecosystem that we think about must start big from day one. This thought gets reinforced in our minds when we see the huge success of big shopping malls which pull in a huge crowd every day. These are ecosystems in their own way having all kinds of options from big retailers like Reliance and Chroma to premium shops and movie theaters and eateries which all together create an ecosystem where a consumer has every need of his met once he enters these huge malls...

But consider the case of Google thermostat. It was first introduced as NXT thermostat and could only read temperatures initially. But as the product evolved it became part of other ecosystems which were used to control building temperatures. With the addition of sensors it started getting used in cars and with IOT became a huge data gathering device which could then be used to personalize products for everyone.

### **5. Modular**

Parts of the Ecosystems can also be modular and hence be part of several ecosystems and can be used for the same purpose or for different purposes in each of these ecosystems. So the windshield

maker which is part of a car ecosystem in India could also be a supplier of the same product to a different ecosystem in the U.S or any other place in this world..

A glass manufacturer could also make different kinds of products and hence be part of different ecosystems. So while some of the glass would be used to make the windshields of the car manufacturer quoted in my earlier example it could also be used to make electronic display systems which are used in several of our day to day items.

There are also the coffee making machines which are used by several coffee chains. So while Cafe Coffee Day would use the coffee making machine made by a particular manufacturer the same manufacturer could be supplying to Star bucks and Nestle also..

## **6.Key players**

There will always be some key players in any kind of ecosystem which would be the driving force of that ecosystem

## **7.Regulations**

Sometimes ecosystems are created due to government regulations like the export processing zones etc.

## **8.Positions in the ecosystems can change**

The position of each participant in the ecosystem can change particularly in a very fast manner in a digital ecosystem. So while a person might be using an Uber as consumer in one city he might be someone who acts as a Uber driver himself in his native city.

Ecosystems are evolving continuously due to changes in technology, government regulations and the changing consumer needs. We have seen during the corona induced lockdown how several retailers and small restaurants were affected drastically resulting in the total change in the ecosystem that they were part of.

This has also been leading to the growth of hubs and integrators. But ecosystem as a concept is something which has been in force in different ways from the time life has evolved and has continuously evolved to meet the changing requirements.

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