

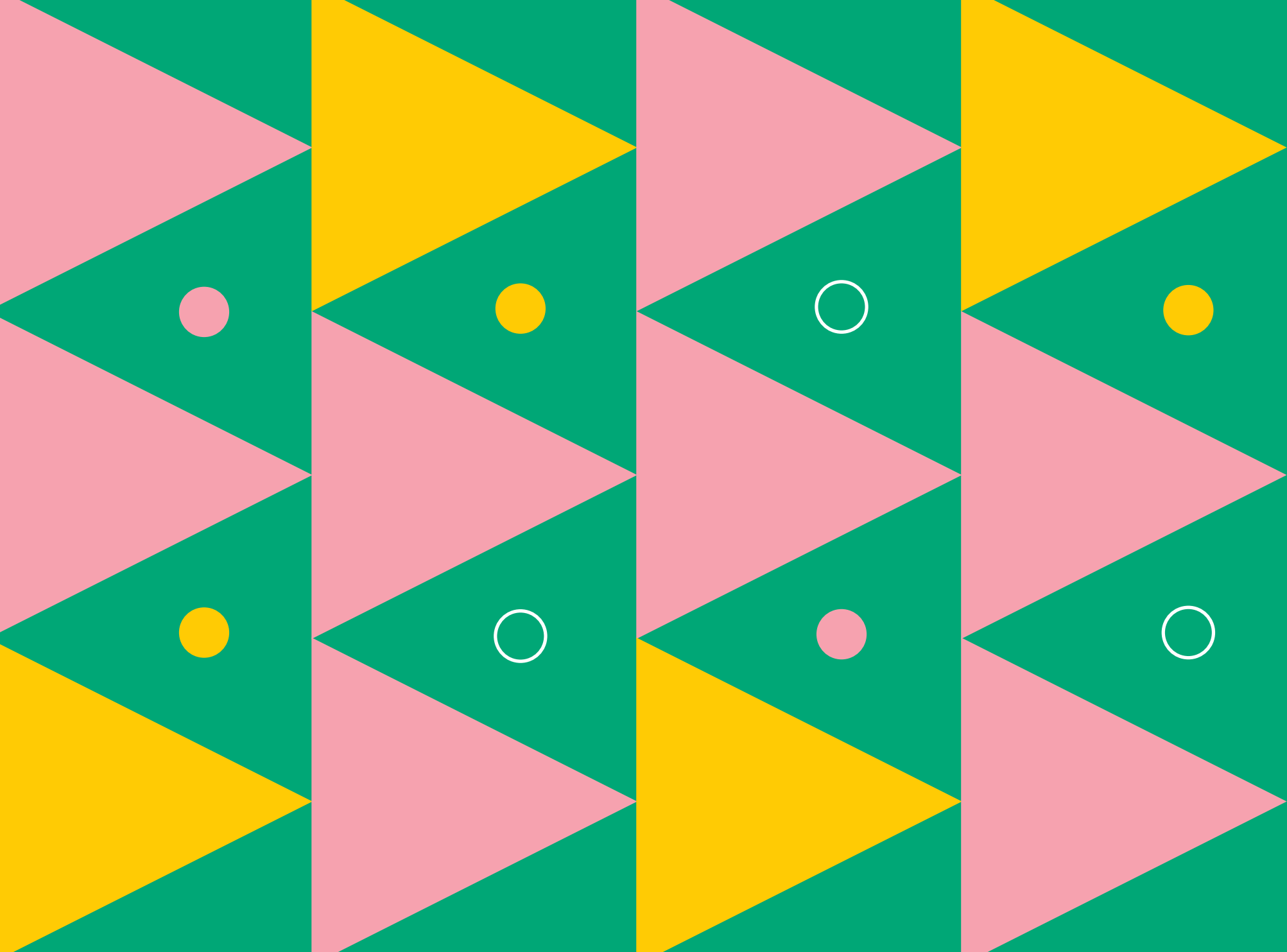
ECOSYSTEM HANDBOOK

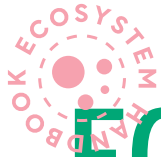
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FOREWORD

The journey and collaboration leading to the Ecosystem Handbook started in 2002 when Sari came to meet me in Nokia, where I was heading corporate strategy at the time. That meeting marked a start of a series of discussions about strategic management of technology and innovation. They have evolved to cover leadership and management – and lately organizational culture and leadership. All very relevant topics in today's rapidly changing business environment.

The Ecosystem Handbook continues to focus on these themes. It brings forward the need for strategic agility, the topic that Yves Doz and I have been studying and writing about. (95) It highlights the need for three key capabilities: Firstly, strategic sensitivity, awareness of the trends and converging forces with intense real time and real-life sense-making in strategic situations as they emerge and evolve. Secondly, leadership unity, which is about the ability to make bold decisions fast. And thirdly, resource fluidity that involves the capability to reconfigure business systems and redeploy resources, based on business processes for operations and resource allocation, people management approaches, as well as mechanisms and incentives.

If strategic agility is hard on the organizational level, it multiplies in ecosystems. It challenges organizations and individuals to build joint management and leadership capabilities and capability to reconfigure business systems and people management approaches that ensure win-win-win.

When asked to be a sparring partner in the Ecosystem Handbook team I did not hesitate. The topic is relevant: Collaboration in ecosystems is essential to solve complex problems and grand challenges that call for public-private partnerships. Furthermore, collaboration is useful for building more resilient and adaptable businesses. During the six months that it took to write this book, it has been a pleasure to see how the thinking has evolved. The writers have brought their experience together in a way that helps the reader to understand ecosystems, the motivations of different players and learn about the leadership capabilities needed to manage yourself and others in diverse contexts. Rational thinking is needed. But above all, we as leaders need the emotional intelligence and leadership capabilities to deal with the inherent collaboration challenges related to diverse people coming from different national, func-

tional and organizational backgrounds working together to solve complex problems.

The Ecosystem Handbook is a heavy-weight information package that takes the reader to explore the rational strategic and financial side of ecosystems. But it also covers the soft side, behavior and leadership qualities needed to manage collaboration. As a combination, both are needed: The rational track supports long term commitment by setting targets and demonstrating impact and the emotional track provides tools for motivating people in the individual level.

This book is a must-read for anyone who has something to do with ecosystems. It can help organizations to work better together and solve more complex and wicked problems. Above all, it can help build new business and create value for the ecosystem, the partner organizations and individuals, as well as the broader society.

Mikko Kosonen, August 2020

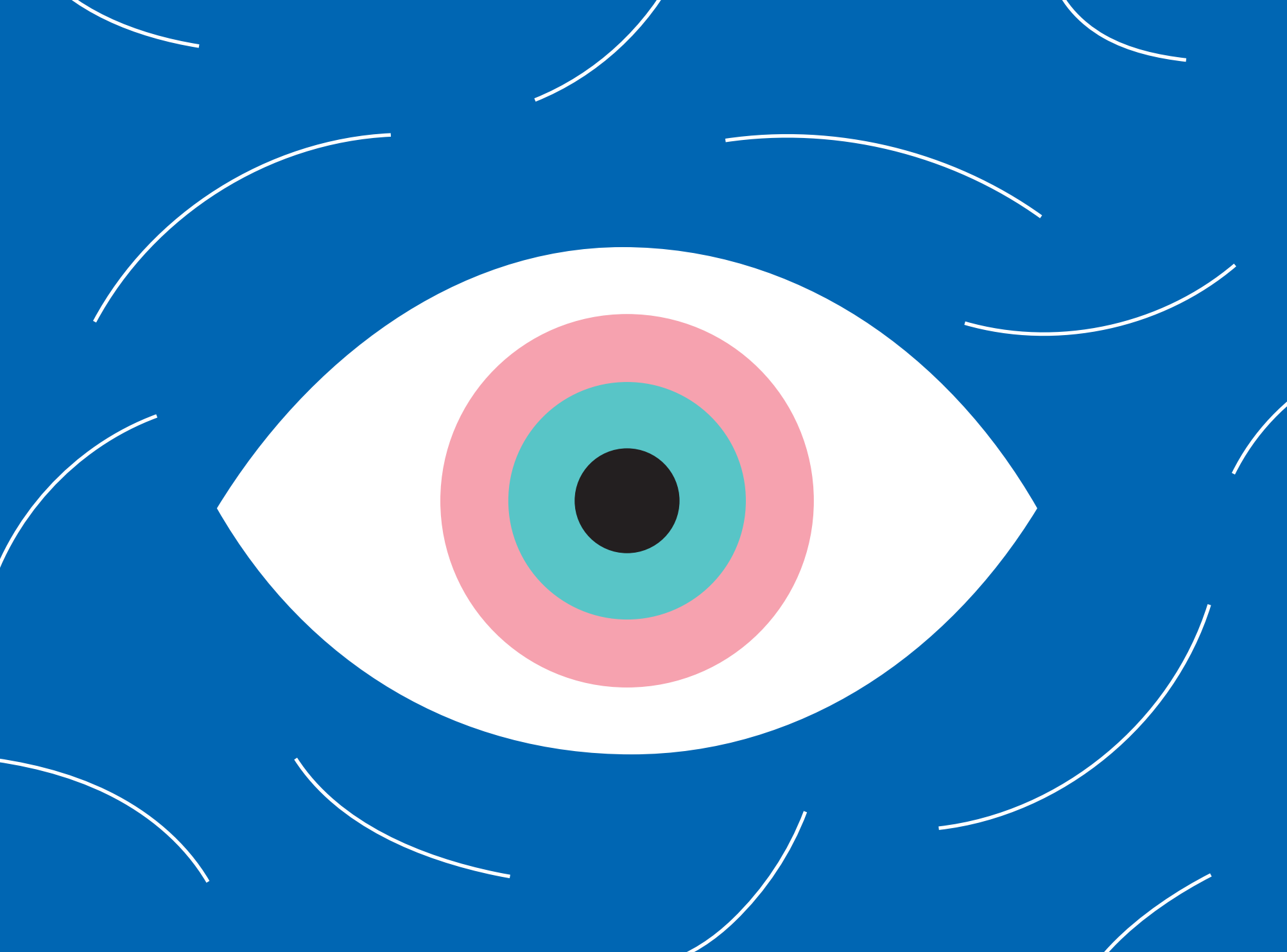


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INTRO- DUCTION

Congratulations. You are most likely holding this Ecosystem Handbook, because you have realized that in today's rapidly changing world very few companies or people can make it alone. You are probably interested in ecosystems and keen to create impact by working together and by understanding other people and organizations. Preferably, while having fun and achieving amazing things.

This Handbook describes the ART of leading and creating impact in ecosystems.

In this context the "art" is in the spirit of Sun Tsu's the Art of War. It is about solving problems that a single company or organization cannot solve alone. It is about becoming faster, stronger, more resilient and innovative. And by doing that creating value for all ecosystem partners and broader society and economy. But above all, it is about developing organizational empathy - the ability to understand other organizations and people. That is the essence of art.

Depending on who you are and what type of organization you come from, you may expect different things from this book. We wrote it with a few reader "archetypes" in mind:



START-UPPER: If you are a start-upper you are most likely passionate about your own thing – the grand vision that made you start your company in the first place. While you realize that collaboration with other organizations can bring along new customers, markets and business, it may feel hard. Because they are most likely slower in their decision making and more rigid in their ways of working. Reading this book may help you understand them and their ways. It may make you feel more comfortable and help you manage your expectations.



SME LEADER: If you are a leader in an SME, you most likely have an established business model and customers. You typically develop your business in small steps and may look into ecosystem collaboration as a contractor. For you, ecosystems can be a way to speed up international growth – especially if you understand the motivations and capabilities of other parties and dare to act. We hope that this Handbook will support you to think bigger and bolder and grow more rapidly.



LEADER OR EMPLOYEE WORKING IN A LARGE CORPORATION: Large corporations are used to developing things in house. You have your ways of working and processes to support it. In fact, your existing business may be your biggest threat. Anything new will be small in the beginning – and therefore easy to kill. For you, this Handbook helps focus on the open innovation challenge, and build support within your organization. You will also get tools associated to the challenges and opportunities related to working with others.



PUBLIC PLAYERS: can be great ecosystem catalysts. Cities and municipalities have an important role to play as innovation platforms. Government funding agencies' support can be a powerful catalyst for ecosystems focusing on solving socioeconomic and environmental problems. For you, this Handbook is about helping to identify where you can add value. And of course, supporting your collaboration with others.



RESEARCHER: While ecosystems bring great opportunities for research, collaboration with more practice-oriented partners may sometimes be challenging. You may feel that they push you to conclusions when you would still prefer to take time to study the topic at hand. For you, we hope to help with the balancing act of research and practice.

Life used to be a lot simpler. Today, when the world is complex and dynamic, collaboration is the norm. It is virtually impossible to possess resources and capabilities needed to address grand challenges such as environmental issues, aging population, and respond to changing customer needs and market conditions alone. As a result, research and development is evolving from doing everything in-house to value-chain based outsourcing and more complex innovation and value networks and ecosystems. They emerge when companies engage with a broader set of partners. They start working together with their customers and customers' customers, suppliers, public players and research institutions to find together better solutions to identified challenges.

Innovation and business ecosystems are all unique. They can be industry verticals solving customer challenges together. They can involve companies developing new technologies and solutions for long term competitiveness. They can consist of cities and municipalities engaging with companies and research institutions to solve grand challenges. Their structures and governance models vary depending on the purpose and partners involved. They take different shapes and forms. They can be value-chain type and focus on solving a specific problem. Or they can be more fluid and focus on generation of new knowledge or simply learning together as an attempt to solve a part of a complex problem. To help organizations and people to lead and act in real life situations we describe different types of ecosystems by examples – the four cases introduced in this Handbook.

Business ecosystems are about co-operation and competition. (32) They involve co-developing capabilities to support new products, satisfy customer needs, and

eventually incorporate the next round of innovations into their products and solutions. Innovation ecosystems are more explorative and long term. They are about combining individual offerings into a coherent, customer-facing solutions or creating completely new solutions solving complex problems.

Benefits of collaboration in business and innovation ecosystems include faster time to market, learning and creation of new capabilities. Furthermore, collaboration may increase creativity and enable solving grand challenges. (22) Business ecosystems can also help with resilience and support continuous renewal. (46) Especially, if they consist of businesses that represent a wide variety of revenue streams and business models, and if they fulfill a number of customer needs, with opportunities to cross sell and attract new clients from one business to another. When they work, they create value that no single organizations could create alone. (67)

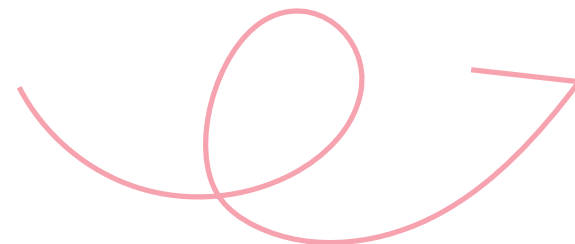
Life is messy, and so are ecosystems. Rather than fixed definition, we focused our attention to groups of people and organizations solving problems together and by doing so developing their business and creating broader value for society and economy – both in short and long term.

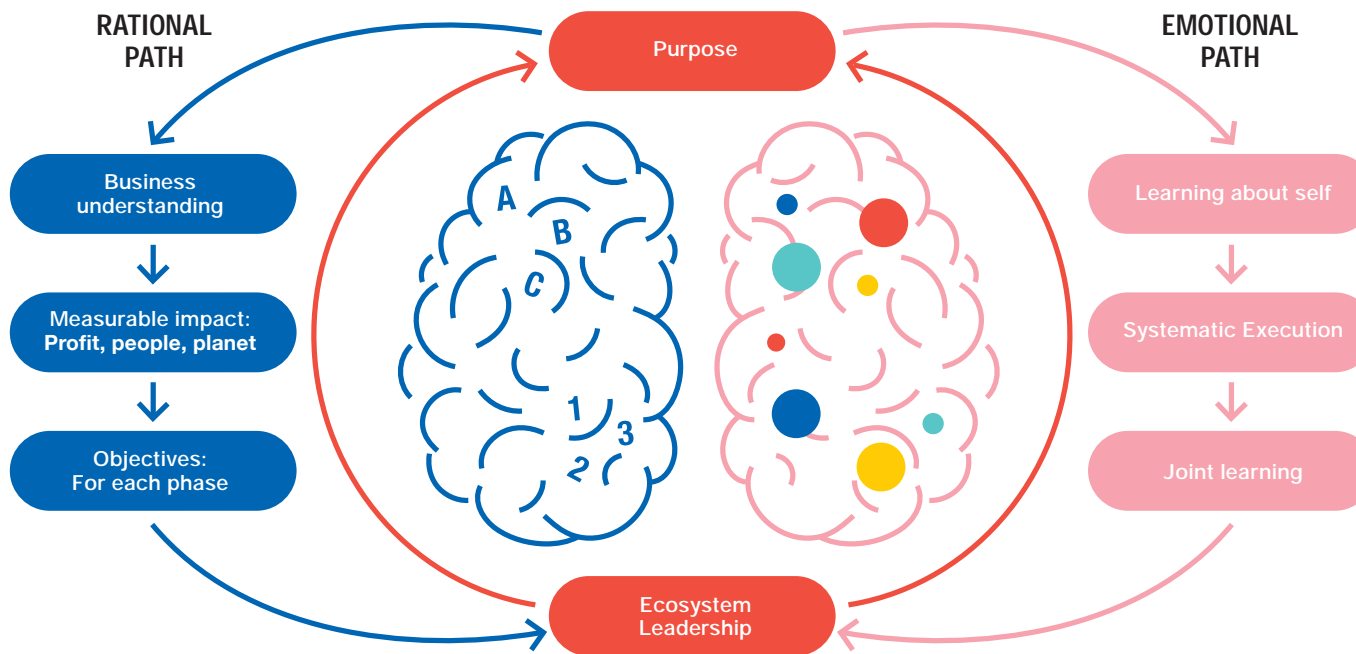
Working in an ecosystem can be an exciting journey or a bumpy ride. This Handbook helps you to stop and reflect. It describes the key issues to consider in different phases of development and provides simple tools that support decision making. In essence, it is about collaboration between different organizations and people. It is rooted in the assumption that business development and innovation are rarely working in vacuum. It suggests that more often than not, working and innovating to-

gether towards common goals motivates people and organizations and gives more muscles to develop new solutions needed in the fast-moving world.

This Handbook describes an ecosystem as a journey, where each step involves decisions that are based on rational understanding of the problem that is being solved, and organizations that are needed to solve it. It builds on rational decisions related to defining the purpose, setting objectives and measuring impact. It supports collaboration by including emotional considerations essential for understanding different people and situations. We believe that considering the “rational” and “emotional” paths will help organizations to understand the nature of ecosystems, and people to interpret behavior – including self and others.

While we characterize the different phases of the ecosystem as a journey, in real life ecosystems rarely proceed from one phase to another step by step. They may need to take a step back to iterate and then reiterate. Partners may come in and leave. People may change. Therefore, we suggest building ecosystem leadership capabilities by focusing on purpose, rational and emotional elements of the journey as illustrated in *Picture 1*.





Picture 1: Ecosystems form around jointly articulated purpose. They involve different organizations and people. Ecosystem leadership is based on understanding both the rational and emotional drivers of different actors.

- **PURPOSE** is about defining the boundaries of the ecosystem. It roots into the problem that the ecosystem is solving and describes why it exists.
- **RATIONAL PATH** describes the business logic of the ecosystem and each participating organization, the desired impact and related objectives for each phase.
- **EMOTIONAL PATH** considers the diverse group of people working together and provides tools for learning about self and others needed to ensure systematic execution.

Throughout the ecosystem journey, we will analyze and reflect on the leadership challenges from rational and emotional points of view and support the ecosystem leadership with three types of tools:

- 1 **Conceptual frameworks that support understanding ecosystems both rationally and emotionally.**
- 2 **Case studies about real life ecosystems that help relate to challenges and share best practices.**
- 3 **Set of canvases introduced in the chapter “Canvases” can be helpful in supporting ecosystem leadership and visualizing the challenges at hand and co-creating solutions.**

This Handbook is not written to be the “ultimate guide to ecosystems”. It is more of a description of the learning journey of the authors’ experiences in being part of, leading and co-creating in different ecosystems. By bringing unique insight of the rational and emotional factors present in different situations, it hopefully provides a thought-provoking reading experience which can catalyze reflection and learning by doing.

While reading this Handbook have courage and be kind. Approach it with an open mind, stop to reflect at times and most importantly, enjoy the ride.