



Design a Prototype of Digitally Enabled Ecosystem Organization Design

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Michael Leckie (Bloomberg); and Sue Mohrman (USC)

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High Level Framing of the Ecosystem Design Challenge

The primary focus of business models and organization design has been on the enterprise or business unit. Organizations were defined as systems of activity or work that were deliberately structured and coordinated, *boundary maintaining*, and goal oriented. Boundaries were an important element of that definition, defining what was “in” the organization and what was “outside” the organization, and allowing managers to control work activities that created value. In particular, intellectual property, property rights, production processes, and employees were sources of competitive advantage and profits.

Technology has the potential to obliterate boundaries, giving all stakeholders the opportunity to know what is happening anywhere in the value stream. How do we structure and govern an Ecosystem of organizations with different objectives, capabilities, resources, and histories so that they can partner to produce outcomes that are of shared value? Imagine that in the future, instead of gaining capability through mergers and acquisitions that bring resources inside, many different approaches to combining resources to increase value occurs through dynamic, open, agile partnerships. What will it take to form, maintain, and shift Ecosystem configurations as conditions change?

The Design Task:

Develop a high-level, generic picture of an organization in an Ecosystem of organizations working together to create value.

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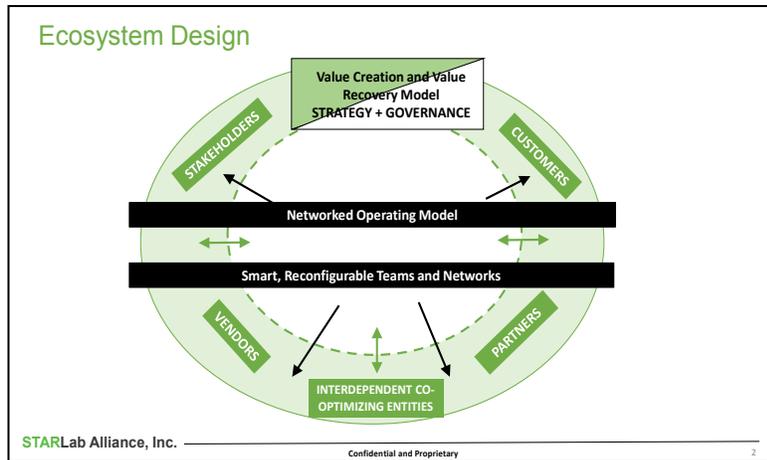
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- 1) What organizational features of the elements of Galbraith's Star Model™ will enable the Ecosystem to perform effectively and continuously change itself to deliver increased value? (e.g., structures, management and work processes and how digitization will be incorporated into them, changes in leadership roles, capability development, rewards/recognition)?
- 2) What high-level governance and management processes (e.g., goal setting, review, decision making) will be required to align the single organization and the network?
- 3) How does the single organization's hierarchy connect to the network of organizations?

Take into account:

- 1) The attributes, capabilities and potential afforded by digital technologies.
- 2) The changes in assumptions that accompany a transition to digitally enabled organization.
- 3) Organizational polarities/tensions that are inherent in designing the Ecosystem organization for both social and technical outcomes.
- 4) The link to organizational strategy and business models.
- 5) The systems nature of organization, as exemplified by Galbraith's Star Model™.

Input: Themes from Previous Research about Multi-Organizational Collaborations



Ecosystem designs can learn much from previous work looking at partnerships and complex trans-organizational collaborations. Today’s powerful digital platform capabilities enable the shift to Ecosystem level organizational forms that deliver greater value to the Ecosystem as a whole.

Key Ecosystem Design Considerations

- Relationships and mutual purposes
- Interests of different agents in the Ecosystem
- Resource protection and exchange
- Cross boundary governance approaches
- The work system: Network capabilities and protocols for working across boundaries
- Transaction and innovation platform for the business Ecosystem
- Leadership framework and accountabilities for Ecosystem level performance—cross-organizational and within organization

Research shows that core characteristics of collaborative Ecosystem designs will include:

- Connection/coordination by shared platforms
- “Governed” by mutual input
- Co-designed and coordinated
- Key management processes create alignment of operating organization around performance, growth and innovation of Ecosystem business model
- Transparency

Human Capabilities for Working at the Ecosystem Level

- The new logic: Working at two Levels for value-adding collaboration:
 - What does my organization need to thrive?
 - How can I make sure it is part of a thriving Ecosystem?
- Operating effectively in expanded networks of influence and interdependence
- *Always learning over all knowing*: Co-learning and mutual shaping of the Ecosystem to deliver value
- Capabilities and mindsets are honed in context—through experience
- Behavioral change precedes changes in core beliefs and assumptions

Each organization will have to align internally to support this new way of operating. Ecosystem collaboration is not a bolt-on. Fundamentally new capabilities and mindsets will be required.

Input: New Assumptions and Polarities Developed by STARLab Participants

Developing business models and organizational approaches to achieve the capability to deliver value at the Ecosystem level requires changes in core assumptions and resolving some key polarities/tensions in a way that supports fundamental change in how the organization operates:

Go Forward Assumptions

- Continuous learning for adaptation drives long-term value
- Organizational structure is less about hierarchy and more about the work that needs to be done
- Digitalization can drive higher impact business outcomes with lower risk
- Collective insights that can be executed will drive value
- Organizational models cannot be a one size fits all, but needs to flex across business units/teams.
- Vision and purpose are the new long term planning

Incorporating digital capabilities into the way organizations operate requires changes in fundamental assumptions that fit with old ways of operating and hold these old ways in place. STARLab participants identified six critical “Go-Forward Assumptions” that will be required to inform new designs and will be required to unleash new capabilities and behaviors.

Critical Polarities

- | | | |
|---|----|--|
| ▪ Responsiveness | ←→ | Efficiency |
| ▪ Replacing Talent | ←→ | Augmenting Talent |
| ▪ Value Creation
(Change/Impact on
Global Outcomes) | ←→ | Value Extraction
(Benefits to my
Organization) |
| ▪ Personal
Orientation | ←→ | Collective
Orientation |
| ▪ Intuitive
Decision-Making | ←→ | Measured
Decision-Making |
| ▪ Not Either/Or | → | Requires Being
Adaptable/Dynamic |

All organizations have to create the right balance of some key polarities/tensions (such as between short and long term performance focuses) in order to perform effectively. STARLab participants identified six polarities that are strong tensions that have to be addressed to design to incorporate of digital capabilities into their business models and organizational logics.

Digitalization and Ecosystem Design Principles Generated by the Group

Digitalization is necessary to and enables effective Ecosystem designs. These key principles illustrate this tight connection:

Ecosystem Design Takes Different Shapes and Approaches. One Size Does Not Fit All.

In the companies represented in this group alone there were three models:

- Moving away from a siloed operating model to overlay networks including multiple business units, cross company digital road maps, and Ecosystem service models with customers
- Developing (from scratch) a new business and Ecosystem organization that will eventually cannibalize the core business
- Developing and enhancing a company centric platform-based business model through many intertwined partnerships with customers, technical partners, and multiple stakeholders

First and foremost: all Ecosystems business models are not the same. We drew on examples of these three different kinds of Ecosystem organization transformation that were represented in the team.

Key Principles: Digitalization and Ecosystem Design

- The nature of the Ecosystem drives the need for a digital strategy to ensure its success
- Digitalization changes the players in the Ecosystem and their relative power
- Ecosystems will be evolutionary and will consist of many different kinds of dynamic relationships and partnerships
- Work processes cut across the Ecosystem and need to be digitally enabled to support the Ecosystem
- Good digital measurement processes are required to sustain the Ecosystem
- Digitalization enables data-driven, multi-stakeholder governance
- Digitalization makes Ecosystem partnerships and design necessary and viable in today's world

Yet, there are many common principles about the relationship between digital technology and organizational design that apply to all these organizations making the transition to an Ecosystem business and operating model.

The Ecosystem Design Prototype: The System Elements

The figure on the next page identifies features that will be needed in the Ecosystem organizational system. Galbraith's Star Model™ organizational system framework was used to ensure that the organizational elements of the full Ecosystem were identified.

As you look through the prototype design elements, watch for the following recurring themes that are manifest in many of the elements of the digitally enabled Ecosystem organization of the future.

Recurring Design Themes across the Elements of the Ecosystem Organization:

- Requires Organization and Management at two levels:
 - The Ecosystem Network as a whole.
 - Each organization's internal relationship to, interests in, and interface/hooks with the Ecosystem Network
- Ecosystem Networks defined by full value stream and value is based on collective outputs and delivered to each agent and to the Ecosystem as a whole.
- Dynamicism and Evolution are essential - as technology advances and organizations learn how to incorporate it into Ecosystem organizations that are able to deliver increasingly greater and different value to the full Ecosystem
- Organizational Logic is articulated with concepts such as "Co", "Mutual", "Multi-Stakeholder", "Cross Organizational"
- Integral relationship of Organization and Technology: digital platforms and digitally enabled processes are foundation for effective Ecosystem design.
- The Ecosystem Organization is a Dynamic Network composed of many shifting sub-networks that are enabled by multiple platforms.
- Balancing intentionality and emergence is critical to the evolution of the Ecosystem organization.
- Effective governance enables alignment and effectiveness in both achieving the foundation for effective performance, and evolving capabilities and value through time.
- Collective management processes are different, but just as critical, in an Ecosystem organization as they are in a single organization.



Star Model™ adapted from: J. Galbraith

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The STARLab Alliance is a non-profit learning consortium focused on creating next generation organization design and leadership models

The **Digital Organization Design STARLab** is a year-long learning experience that allows participants and subject matter experts to collectively explore and prototype practical and innovative responses to digitalization. STARLab Participants include 3-6 senior leaders from 10 companies, well-into the digital transition of their business models, who will partner with leadership and organization experts. The STARLab accelerates learning and creates organization design solutions that optimize the application of advanced technologies and human capital approaches to achieve agility and sustainable effectiveness.

STARLab Alliance Sponsoring Partners & Leadership

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