

Do you understand your company's external ecosystem?

What is the purpose of this article?

Help founders, the C-Suite, board of directors, investors, and others understand your company's external ecosystem.

What are the critical learnings in this article?

- 1) Not understanding your company's external ecosystem can doom your company.
- 2) An ecosystem is broader and more complex than your company's stakeholders.

What is an ecosystem?

A business ecosystem is the network of organizations—including suppliers, distributors, customers, competitors, government agencies, board of directors, C-Suite, employees, and so on—involved in the delivery of a specific product or service through both competition and cooperation. The idea is that each entity in the ecosystem affects and is affected by the others, creating a constantly evolving relationship in which each entity must be flexible and adaptable in order to survive as in a biological ecosystem.¹

A stakeholder is a party that has an interest in a company and can either directly affect or be affected by the business.²

An ecosystem is broader than your company's stakeholders, interact with each other, and may indirectly affect or be affected by your company. Ecosystem members may be competing, may emerge in the future, or disappear in the future. The members may not even be aware of your company.

Who are some of the potential members of your company's external ecosystem?

Cash paying customers, users, suppliers, distributors, established companies, competitors, legislators, regulators, NGO (non-governmental organizations), not-for-profits, technology researchers and academic institutions, communities ranging from local to global, industry consortia, governments at national and local level (including legislators and regulators), entrepreneurs or startups, etc.

Why do you need to understand your external ecosystem?

Imagine if you don't understand:

- 1) Why your customers buy from you rather than other companies? How your customers perceive your competitive value proposition?
- 2) How potential employees perceive the value of joining your company?
- 3) How current and potential investors perceive your company, relative to other investment opportunities?
- 4) And so on.

Lack of understanding can doom your company.

What are the three types of interaction with your company?

- 1) One-on-one people interaction e.g. individual email, phone or video call, in person face-to-face.
- 2) One-on-one software interactions e.g. chat bot, using the software components of your solution, browsing your website.
- 3) Indirect interaction e.g. mass emails, reading about your company on social media.

Ecosystem members can impact your company, even if there is no interaction.

- 1) Some members may have no interaction with your company? E.g. NGOs (Non-Governmental Organization) which drive changes to laws and regulations impacting your industry and your company.
- 2) Another example is researchers developing and rolling out new technology. E.g. ChatGBT signed up over 1 million users in five days. Netflix took 3.5 years, Twitter took 2 years, Facebook took 10 months, Spotify took 5 months, and Instagram took 2.5 months.

What do you need to understand about your external ecosystem?

All these questions need to be customized for your specific situation.

The following are questions regarding members who interact with your company

- 1) Who are the members of your external ecosystem?
- 2) How many members are there, of each type?
- 3) Which members interact one-on-one with people in your company?
- 4) Which members have one-on-one software interactions?
- 5) Which members have interactions?
- 6) What are the members' problems, needs, and issues?

- 7) What are the members perceptions regarding your company, its leadership, employees, and the specific points of interaction?

To complete your picture of your external ecosystem, you also need to identify and understand:

- 1) Who are the members who can impact your company but don't interact with your company?
- 2) How do all these external members interact with each other?

What is the current challenge most large companies face regarding their external ecosystem?

PWC's 26th annual global CEO survey showed that few companies were collaborating with ecosystem members to generate business value or address social issues.¹

- 1) With established companies or competitors: 26% to create business value, 13% to impact social issues
- 2) With industry consortia: 20% to create business value, 16% to impact social issues
- 3) With entrepreneurs or start-ups: 20% to create business value, 10% to impact social issues.
- 4) With governments at the national or local level: 19% to create business value; 18% to impact social issues
- 5) With academic institutions: 16% to create business value, 12% to impact social issues
- 6) With non-governmental organizations: 10% to create business value, 14% to impact social issues.

What are your next steps?

Recognize that understanding your external ecosystem members will be an iterative, evolving, and ongoing process. This understanding is part of what drives your company's short and long-term plans and execution. The first few steps include:

- 1) List your current external ecosystem members.
- 2) For each one, customize the questions above and answer them. If you don't have fact based answers, then document your assumptions.
- 3) Identify the potential short-term impacts on your company.
- 4) Look 5-10 years into the future and create scenario of ecosystem members and answers or assumptions to the questions above.
- 5) Identify the potential long-term impacts on your company.

Footnotes

¹ Adapted from Investopedia 2021 Jan 20

² Adapted from Investopedia 2023 Jan 09

³ PWC's 26th annual Global CEO Survey, Page 18

<https://www.pwc.com/gx/en/issues/c-suite-insights/ceo-survey-2023.html>

What further reading should you do?

Do you understand your customers? V2

<http://koorandassociates.org/understanding-customers/do-you-understand-your-customers/>