Organizing for Business Ecosystem Leadership

Insights from Expert Conversations and a Global Survey

by Roland Deiser

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"Everybody wants to be the central business partner. The challenge is to find our right spot in those ecosystems. Trying to lead doesn't always make sense... You need to be indispensable in a way. You need to find your spot where nobody is going to be better than you, where you can't be made redundant."

Sylvie Ouziel, CEO Allianz Assistance, a division of Allianz Group

Introduction

Over the last two or three years, the concept of business ecosystems has gained significant prominence, almost to the point that it is about to replace "digital transformation" as the buzzword du jour. Books and articles related to the subject proliferate, and the world's most prominent management conference – the Global Drucker Forum – chose it as the topic of its 2019 edition.

The buzz is not surprising. Leading and managing the complex networks that constitute a company's business ecosystem has become a critical capability to compete successfully in the context of digital transformation dynamics, which are disrupting industries and redefining the way business works in the 21st century. Effective business ecosystem engagement requires a different type of strategic and organizational acumen; one that is based on a dynamic system view that overcomes traditional linear thinking and transcends the egocentric perspectives most companies tend to harbour.

To gain insights into how large organizations deal with this leadership challenge, we conducted a global survey among senior executives that focused on understanding the strategic and organizational capabilities it takes to act successfully within ecosystem networks. In addition, we wanted to identify existing capability gaps and learn what could be done and what is currently being done to close such gaps[1].

The survey results which are reported in this paper are complemented by twelve statements that map the agenda for business ecosystem leadership. They serve as qualitative context for the quantitative data.

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[1] To get input for the design of the survey, we compiled an executive advisory board and engaged in a series of in-depth conversations with academic thought leaders, business leaders, and consultants. We also conducted a cross-functional mini-think tank to discuss our findings and start to map an agenda for future work. A list of advisory board members, experts, and think tank participants is included at the end of this report.

Executive Summary of Survey Results

For a quick executive overview, here are the highlights of the survey results :

— **Sample** – We received 153 fully completed responses. 82% are in top or senior management positions, 76% from companies with more than 1000 employees, 22% have "high", 23% have "low" digital maturity (self-assessed).

— **Overall Skill Rating** - Business Ecosystem Management (BEM) skills are mediocre – only about 1/3 of respondents give themselves high or very high marks in this domain.

— **Organizational Focus** – There is little structural response to the challenge - only 16% have a dedicated unit that focuses on BEM.

— **Inhibiting Factors**. - Existing mindsets and cognitive maps are leading factors that keep organizations from being more successful in BEM - 72% report a *lack of understanding of network dynamics* as "very important" and "important"; 69% a *mindset of introversion/self-centricity*; equally 69% an *inability to think beyond traditional ways to do business.*

— **Required Capabilities** – Having a *Culture of Learning and Change* tops the list - more than 96% see it as a "very important" or "important" capability, followed by *Flexible Resource Allocation* (92%), the *Ability to Orchestrate Multiple Operating Models/Business Models* (90%), and *Clear (Corporate) Strategic Governance* (88%).

— **Existing Capabilities** – Less than 10% of companies report to be "very strong" in the required capability domains. Those who report strength are companies with high digital maturity.

— **Effective Interventions** - 81% of respondents believe *Making BEM a topic in leadership programs and retreats* will have a "very high" or "high impact" on BEM sophistication. Other top choices are: *Highlighting Cases and Success Stories based on the Company's Business Ecosystem Strategy* (77%); *Having Conversations with Key Influencers on the Importance of the Topic* (75%); and *Institutionalizing Collaborative Processes with External Stakeholders* (75%).

— **What organizations really do** – Not much is systematically done to address the challenges. The most applied measures are the *Organization of Cross-Organizational Communities* (22% do this "regularly"), *Conversations with Key Influencers* (18%), and the *Highlighting of Success Stories* (17%).

— **Support by L&D/OD** – Significant L&D and OD support to build capabilities happens only in 5% of the surveyed companies – 35% provide no support at all.

— **Current initiatives** –Half of the surveyed organizations (51%) report concrete current initiatives in this domain, covering a wide spectrum of interventions (see detailed report).

— **Sustained Interest** - 80% of all respondents would like to join a dialogue platform that allows an ongoing in-depth conversation and collaborative learning about these issues.

Preamble: A Working Definition of Business Ecosystems

As it often happens with fads, a term tends to get picked up and used in a variety of contexts, without a clear definition or shared understanding. The notion of ecosystems reaches from ecological metaphors (i.e., balanced systems of natural equilibriums) to a synonym for complex interdependent value-creation relationships, and from platform business models to collaborative architectures at large. "How would you define an ecosystem?" was a question raised by each and every executive we interviewed.

We decided to use a very simple definition, which is based on a dynamic, systemic understanding of what constitutes the "extended enterprise" of an organization, and which we used to frame the subject in the introduction to our survey questionnaire:

> *"We define a business ecosystem as an interdependent **value-creation network of an organization**, that reaches beyond its boundaries. It includes customers, suppliers, distributors, technology partners, Joint Ventures, alliances, government agencies, industry associations and others, who play a role in the overall creation and delivery of a company's products and services. The degree to which a company can actively shape and leverage the dynamics of its business ecosystem is a critical element of competitive advantage. Digital Transformation has moved this challenge to the front of the strategic and organizational agenda."*

This definition implies:

- Interdependence and horizontal network structures are key features of ecosystems, which distinguishes them from traditional linear value chain models.

- Platform businesses are just one form of ecosystems. Ecosystems may include platform elements or not.

- Subsystems of an organization (such as functional areas, business units, projects, etc.) may act within ecosystems and/or create their own sub-ecosystems.

- Ecosystem analysis is complex and a matter of perspective; it reaches from understanding micro-relationships within and between ecosystem stakeholders to the recognition of global inter-industry dynamics. All levels of analysis are of strategic importance.

- Ecosystems are moving targets. They are fluid and dynamic. New entrants with new technologies may significantly change power equations.

We do not claim that this definition is better or more appropriate than others. However, as issues related to business ecosystem management continue to attract both scholarly research and practitioners' attention it is important to establish a shared understanding of the subject.

Part I: An Agenda for Business Ecosystem Leadership

In an effort to structure the largely uncharted arena of business ecosystem leadership challenges, and to provide some context to the quantitative section of this paper, we identified twelve key issues executives need to be aware of. They represent, in no particular order, the essence of the numerous inputs we received from expert conversations, our mini think-tank, and the results of the survey. Together, they constitute key elements of a topical agenda for leaders who want to build the capabilities it takes to navigate the complexity of this challenging new ball game.

1   Understanding Network Dynamics

Organizations – like every social entity – are always in interdependent relationships with stakeholders of their relevant environment. As such, they are part of an informal ecosystem that they co-constitute, no matter if they are aware of it or not. Without a strategic and organizational ecosystem perspective, companies tend to see themselves as the center of the universe, which does not allow them to see the bigger interconnected picture. They focus on the rationale of their own (sub)system only, usually via bilateral transactions structured in linear value chains, disregarding the opportunities that come with an active management of the interdependencies among the actors that constitute a business ecosystem.

To thrive in the complex world of networked value creation, leaders need a new type of strategic-organizational thinking that is based on a decentered perspective[2]; i.e. an in-depth understanding of their interconnected position within the larger ecosystem that informs their actions. They need to make sure that their organizations develop and nurture mechanisms that allow them to (1) actively sense the larger context that they act in and (2) respond accordingly to the shifting dynamics of the system. This requires operating models that formalize these dynamics *for the benefit of the entire ecosystem.* To achieve this, Such models must be structured as collaborative horizontal networks of carefully selected value co-creators, with institutionalized interorganizational support mechanisms (such as rules, policies, incentives, etc.) to make their workings transparent, "manageable" and "developable" for all involved stakeholders.

It is more art than a science to shape network dynamics without suffocating them through too much formalization or unilateral power. Especially challenged are large and complex organizations that have a hard time to let go of a command-and-control paradigm, and who are suffering from a bureaucratic culture that slows them down and makes them unattractive for nimble, more agile players who thrive on flexibility and speed. Research on the formalization of ecosystem support infrastructure and its productive/destructive dynamic is in its infancy. It's an area of inquiry that deserves further attention.

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[2]   For a more detailed discussion of the concept of "decentration competence" see Deiser, R: Postconventional Strategic Management - Criteria for the Postmodern Organization. In: THOMAS, H. (Ed.): Building the Strategically Responsive Organization. Wiley & Sons Ltd (1993)

2   Ecosystem Governance

When it comes to leading within the logic of ecosystems, companies face two concurrent and interdependent governance tasks: the governance of their own organization, and the governance of the ecosystem. Both come with their distinctive challenges.

Internal governance is usually designed for linear, transactional business processes that conflict with the agility requirements of active networked ecosystem management. To succeed in an ecosystem context, the typically central and vertical control must give way to an empowered periphery of micro-organizations that are allowed to situationally adopt various operating models as needed. The centrifugal forces released by peripheral semi-autonomy must be countered by a strong framework of values, strategic orientation, and purpose.

Organizations that lack internal structures, mechanisms, and policies that govern their ecosystem involvement become victims of ecosystem dynamics. Their engagement – if any – will be uncoordinated; it will lack a shared strategic rationale, leading to opportunity costs and structural disadvantages related to their overall position within the system. As the results of our survey show, companies who have established a dedicated unit that focuses on business ecosystem management outperform the rest in each and every capability dimension we investigated.

Governance of and within ecosystems is a very different challenge as ecosystems typically lack the formal legal structure that provides a constitutional framework that traditional organizations possess. Without such a "constitution", however, the members of the system tend to engage in an ever-changing and often unpredictable dynamic, which is determined by blind market forces and the relative power of each player. In ecosystems with an undisputed orchestrator, contributors may (have to) reluctantly accept a certain degree of external governance; governing ecosystem relationships that are determined by co-creation among equals requires negotiation based on a mutual understanding of value contribution. Depending on the nature and the number of partners and deal types, the resulting contractual architecture can become overwhelming[3].

3   Ecosystem Strategy

Ecosystem strategies require a thorough understanding of the value contribution of each major stakeholder and their synergetic interplay. This understanding is a key requisite for leveraging the tangible and intangible assets within the system and developing a role that truly contributes and captures value. A sound strategy does not necessarily have to be limited to achieving an orchestrating role; more often than not, players are left with contributing roles – roles that may be critical for the value creation of the system but do not come with coordinating powers.

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[3] The prominent role of Hollywood lawyers and agents, and the insane amount of legal paperwork that is required to align key stakeholders of a motion picture is a great example for addressing ecosystem governance issues.

Sylvie Ouziel, CEO of Allianz Assistance – part of the world's largest insurance company - eloquently pointed out: *"Everybody wants to dominate the ecosystem, everybody wants to be the spider in the net. Every Uber, every Daimler - and Google, of course, and Amazon, who are everything to everybody - want to be the central business partner. The challenge is to find our right spot in those ecosystems. Trying to lead doesn't always make sense. Even economically it often doesn't make sense. You need to be indispensable in a way. You need to find your spot where nobody is going to be better than you, and you can't be made redundant"*.

Finding this spot can be difficult, particularly in traditionally structured businesses, who tend to perceive themselves as the center of the universe in most of their relationships. To move from an "ego-system" to an "eco-system" state of mind, as Otto Scharmer nicely framed it[4], is not easy. As noted, traditional operating models are based on bilateral, linear, primarily vertical relationships; an ecosystem, on the other hand, is a mainly horizontally networked meta-organization that requires a different, humbler lens.

The challenge of ecosystem strategizing gets exacerbated by the fuzziness and dynamic reconfiguration of industry boundaries that comes with the digitalization of products and services. Answers to the key strategic question *"which industry am I in?"* become more difficult, as lenses can shift quickly depending on which ecosystem I join. For example, membership in the complex "mobility" ecosystem means significant shifts of identity for the traditional automotive industry. As a senior executive from a major global manufacturer bluntly put it: *"We may soon find ourselves on the fringe as 'dumb hardware provider' instead of calling the shots as orchestrator of a complex supplier universe."*

4   Ecosystem Design

As our definition implies, organizations have always been parts of business ecosystems, whether they are aware of it or not. Over the last decade digital technology has become a powerful catalyst of business models that are based on network and platform economics. Leveraging these opportunities, ecosystems can now be much more easily designed by players who have the influence and ability to aggregate and orchestrate the necessary stakeholders.

Case in point: Understanding the significance of predictive maintenance for their business, airplane manufacturer Airbus created *Skywise*, an open data platform to prevent maintenance issues, achieve better fuel efficiency, and optimize customers' time spent on these issues [5]. Organizations that are relevant in this space, contribute their various distinctive capabilities via a carefully designed collaborative infrastructure. Airbus used clearly defined criteria to select their

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[4] Scharmer, O.: From Ego-System to Eco-System Economies 2013)
    https://www.opendemocracy.net/en/transformation/from-ego-system-to-eco-system-economies/

[5] https://skywise.airbus.com/. The case was presented by Fabrice Villaumé, Head of Growth and Innovation at Airbus, at the mini-think tank we conducted in London.

key partners and developed explicit policies and collaboration mechanisms, such as community platforms and customer feedback systems, to optimize the performance of the ecosystem.

Skywise is a great case of a major industry player being able to initiate, design, and orchestrate an ecosystem from scratch. Apart from enabling technology, there are many factors that help Airbus to play that role, among them the oligopolistic structure of the industry, a great existing relationship network, and the empowerment of a dedicated internal unit (Growth and Innovation) to develop and implement the project.

Smart inter-organizational design that is based on a deep understanding of the dynamic interplay of contributing capabilities, and which provides a formalized framework to support the overall system in terms of value creation and capture, is an important differentiator when it comes to the ability to leverage an ecosystem's potential. Conducting a comparative analysis of the genesis as well as the resulting organizational architecture and dynamic of cases like *Skywise* could provide significant contributions to practice and theory alike.

5   Ecosystem Quality

A key element that contributes to the quality of a business ecosystem – which eventually determines its competitive success - is the quality of participating partners. Brand equity, market presence, sound finances, and strategic fit within the overall mosaic of required roles, backed-up by respective technological capabilities are important criteria when it comes to selecting partners or being selected by others. But these qualities, which are also considered in traditional M&A transactions, are only one part of the equation.

Equally - maybe even more - important is a *partner's agility*, as it is the key for successful interorganizational collaboration. Especially when it comes to teaming up with large organizations, the above criteria may all be there, but they may be hampered by a toxic culture and stifling bureaucracy. Scouting the right people within such organizations and assuring that these people are also the ones who engage in the everyday interaction within the ecosystem is a major challenge and often a case of serendipity.

Daniel Deparis, who is in charge of the Urban Mobility Team at Daimler, experiences this challenge first hand when it comes to selecting partners for the ecosystem that evolves around mobility solutions for large cities: *"People say that when you want to invest in a start-up, have a look at the team. I think this golden rule applies also for other partners. It's just more complex to find the right people in a big company. Because if you want to work with a big tech company that has 200,000 people, how can you find out who will be able and willing to collaborate with you on the topic and go the extra mile?"*

Building and leading within a successful ecosystem requires not only strategic and organizational acumen, but also *cultural due diligence*.

6   Dealing with Multiple Business Ecosystems

The complexity of ecosystem management grows with the complexity of an organization. Larger companies are typically part of multiple formal and/or informal ecosystems that are structured and/or emerge along their various business spaces. Add to this the various functional domains which each come with their specific stakeholder universe - such as a company's ecosystem of start-ups and innovation hubs; customer engagement and co-creation platforms; supplier platforms; the network that relates to technology partnerships; and so on.

In large and complex organizations, the corporate center can only provide an *overall strategic-organizational framework* that defines and designs the cornerstones of a company's ecosystem engagement. This may include the creation of a dedicated unit that supports businesses and functions in their ecosystem activities, helps them to develop related capabilities, and serves as a roadblock buster against counterproductive structures and processes. It enables a more agile *operational* engagement that actively shapes and leverages the various ecosystems – an activity that naturally happens at the business level, i.e. at the external boundary of the organization.

Creating a framework/categorization/typology of ecosystems and gaining a better understanding of their interplay and potential synergies is another worthy domain for further research.

7   Boundary Management

Business ecosystem leadership requires emphatic cross-boundary collaboration; after all, joint value creation lies at the heart of the ecosystem concept - especially when it comes to leveraging technology partnerships and customer relations. The former has become indispensable in light of the ubiquitous digitalization of products and services; the latter is not only the *raison d'etre* of any business but also the ultimate source of market insights that inform innovation.

As we discussed in one of our recent research papers[6], effective boundary management is a key success factor for networked organizations; on a very fundamental level, boundaries are the places where differences meet, creating the productive friction that fuels innovation and change. To be successful, boundary management must strike a delicate balance between protecting the identity and integrity of the participating parties and transcending existing identities in the interest of the larger collaborative system.

Assessing the degree of openness which is appropriate in the various external relationship contexts is one of the most daunting strategic challenges of business ecosystem leadership. What IP should be shared, what needs to be protected? Who "owns" the product if it was

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[6] Deiser, R.: Digital Transformation Challenges in Large and Complex Organizations. Research Paper by the Center for the Future of Organization, CFFO Press (December 2018).

developed in a co-creation process? Too much openness threatens the identity, security, and/or profitability of the individual players, too little openness inhibits the realization of synergies and the harvesting of the ecosystem's potential.

There is no easy solution for this inherent conflict that happens at every boundary. Cross-boundary collaboration is a learning and development process, both in terms of getting to know the partners' technical and organizational capabilities as well as developing trust and a joint history of success and failure.

8   Relationship Portfolio Management

The boundary management challenge gets exacerbated by the multiplicity of relationship types that constitute an ecosystem, such as joint ventures, licensing agreements, technology partnerships, open innovation platforms, and more. Recent research from the Boston Consulting Group found that a typical ecosystem architecture includes 6-7 different deal types from 5-6 industries[7]. Each relationship comes with its own strategic importance and distinctive power dynamic that determines the degree of boundary permeability.

An effective ecosystem policy framework requires a deep understanding of the idiosyncrasies of each operating model and relationship type, and a high degree of flexibility to accommodate the multiple rationales that come with each collaboration. Companies who lack this understanding and flexibility are likely to be relegated to a limited set of relationships they feel "comfortable" with. They will miss out not only on opportunities that "uncomfortable" partners may offer; they also limit their influence in the overall ecosystem.

9   Orchestrating Multiple Operating Models

Adding to the complexity of managing multiple deal types, ecosystem participants tend to differ substantially in their size, their business model, and their operating model. An ecosystem may include digital platform players, such as Google or Amazon; large incumbents from the "old economy" who are in different stages of digital maturity; smaller niche players that are highly specialized; university labs and start-ups that hold critical IP; various customer segments; and more. They may act within different regulatory environments, and they may come with different ownership structures.

Large organizations, who tend to fight complexity by creating standard operating procedures and complex legal frameworks, have a hard time dealing with this kind of massive diversity –

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[7] Lang, N, Szczepanski, K., Wurzer, Ch.: The Emerging Art of Ecosystem Management. BCG Henderson Institute, January 2019.

especially when it comes to working with partners beyond traditional contractual arrangements. What's more, they tend to think and act within the mental framework of "their" industry, which results in an unconscious business/operational model bias and a limited strategic-operational horizon.

Industries with long and stable product life cycles are particularly challenged. *"Our existing partnerships, our joint ventures, our licenses - they go 30-40 years"* says Tim Holt, COO of Siemens Power & Gas, the world's largest energy corporation: *"We now see a massive shift to much shorter durations and less bilateralism. How do you do a partnership in this context? For traditional businesses, this will be a big challenge - not just on the digital front, but in a broader sense to get into this new flexible partnership and alliance mindset"*[8]

10   Organizational Effectiveness

Speed, transparency, and flexibility are important elements of capabilities that are required for cross-organizational collaboration. If one player in an ecosystem is hampered by bureaucratic processes that slow down its decisions and execution speed, the entire network suffers. Those who can decide and execute fast are not only more active drivers of the overall system dynamics; they are also more attractive partners for orchestrators and other contributors.

Unfortunately, the complexity of decision-making and the time consumed by related micropolitics grow exponentially with the size of an organization. Multiple decision layers, vertical silos that do not talk to each other, powerful internal stakeholder interests, and an abundance of policies and rules that try to cope with the resulting dynamics are putting severe brakes on decision and execution speed.

The only way for large companies to mitigate this structural disadvantage and foster speed, transparency, and flexibility is to let go of tight central control and empower the peripheral units that engage with the ecosystem partners on a daily basis. *Trust* becomes a critical success factor in this context.

11   Talent Management

The interdependent character of ecosystems changes the traditional approach to talent management, as talent outside the boundaries of an organization gains mission critical importance. The overwhelming majority of talent management systems in today's corporations is only able to deal with people that are inside the organization, within the "control" of an employment contract. They are not suited to deal with the multiple value creation relationships that may happen in a dynamic business ecosystem.

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[8]   Author interview with Tim Holt, conducted on October 25, 2019

The traditional talent questions remain, but the context is dramatically different, and many do not have an established professional tool kit to address them properly:

- How to identify and engage great and "strong" talent within partners of the ecosystem – talent that has also the ability to serve as a change agent in its own organization?

- How to attract and retain the best talent - if it can't be "hired"?

- How to shape and develop talent for positions and tasks in the ecosystem I do not control?

- How to measure and incentivize performance – if performance is dependent on interorganizational collaboration, and solely internal metrics cannot be applied?

The Hollywood ecosystem with its existential dependence on the interplay of hard-to-control talent provides a fascinating magnifying glass on talent management challenges of this kind. It is no coincidence that the big talent agencies and lawyers are the most powerful players in a system dominated by power play. They know who is who, who works well with whom, and they are able to "package" and negotiate multi-stakeholder deals. An in-depth analysis of the largely informal systems and mechanisms of this industry space could provide valuable perspectives in that context.

12   Ongoing Learning and Change

Organizations get continuously challenged by the diversity of operating models and different relationship types that constitute a business ecosystem. The collaborative value creation process of an ecosystem produces an ongoing innovation dynamic, which challenges leaders and their organizations to continuously evolve rather than settle into internal routines. The good news is that the friction happening at the boundaries of the various players is a great source for collaborative learning that is critical for realizing the potential of an ecosystem.

Similar to what we noted in our remarks on governance, a learning culture in the context of ecosystems must address both sides of the coin: The shifting dynamics and ongoing innovation within an ecosystem requires agility from people *and* organizations – which is nothing else than the ability and readiness to continuously learn, on an individual and organizational level.

Most importantly, ecosystem learning means to extend the learning universe beyond one's own organization and include the relevant members/partners in an ongoing journey of joint transformation. A well designed *interorganizational learning architecture* can be incredibly powerful – and other than "hard" governance, such frameworks are typically based on "soft power", making them great opportunities to exert influence that benefits all.

Part II: The Survey

The data presented in this report are based on a global online survey which was conducted between June and September 2019. The goal was to gain a better understanding of the capabilities required for effective business ecosystem management, identify current capability gaps, and learn about appropriate interventions to close such gaps.

We received 153 fully completed responses from business executives which served as basis for the following analysis. To eliminate bias, we did not include incomplete responses as well as responses from academics and consultants.

The scope of the sample is global, with the majority of respondents based in Europe and North America. More than three quarters of our respondents work in companies with more than 1000 employees; many of them in global players with more than 40,000 people. About 80% occupy top or senior management positions, primarily in General Management, Digital Transformation, and Human Resources[9] (exhibit 1).
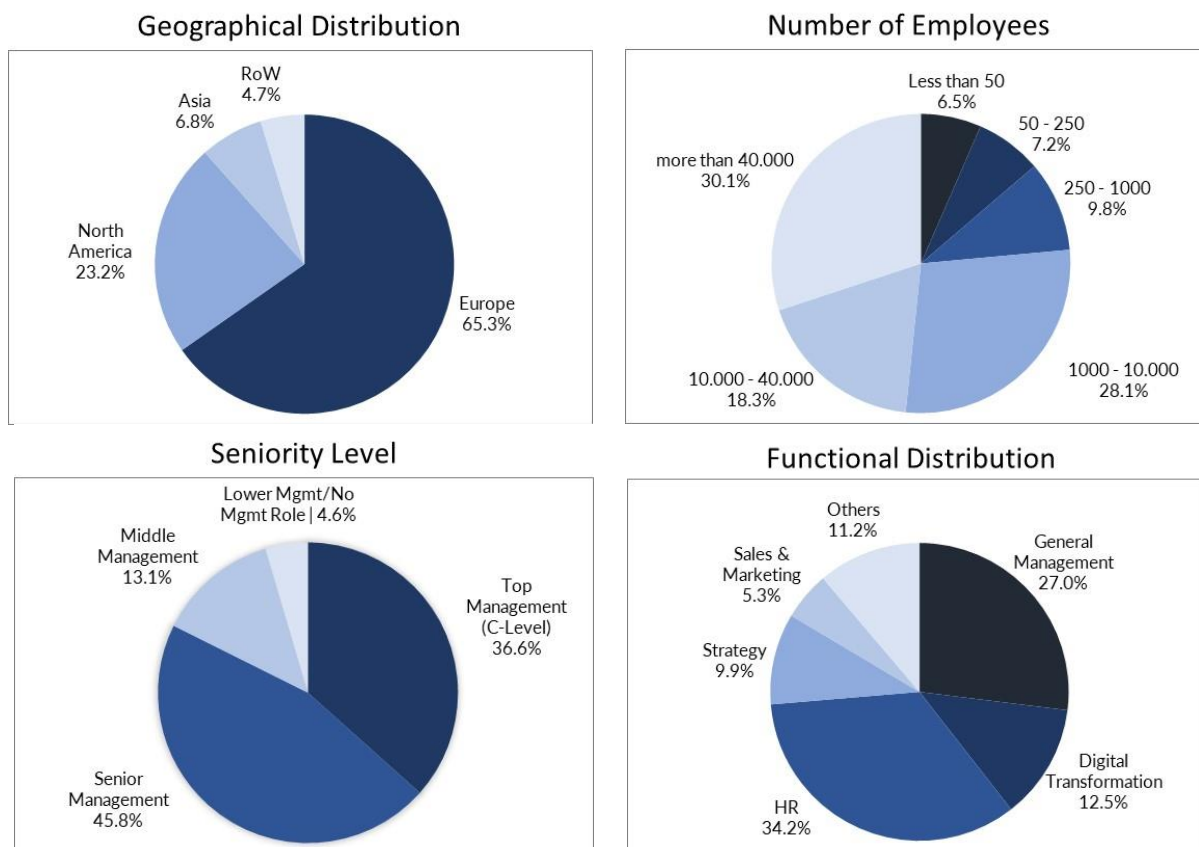
Exhibit 1: Survey demographics

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[9] The disproportionate share of HR respondents results from the relationship network of the author and our supporting sponsor IRC4HR. A test of the HR population against the overall sample showed no significant bias.

1 Considering Digital Maturity as Demographic Differentiator

Responses to our direct question about the perceived level of digital maturity show an almost perfect bell curve, with more than half indicating a "medium" level, committing neither to strength nor weakness in that domain. 22% see their maturity on a "high" or "very high level"; 23% perceive it as "low" or "very low" (exhibit 2).

How would you intuitively assess the current digital maturity of your corporation?

Subsample "low maturity"   Subsample "high maturity"

54%

20%

14%

3%   8%

very low   low   medium   high   very high
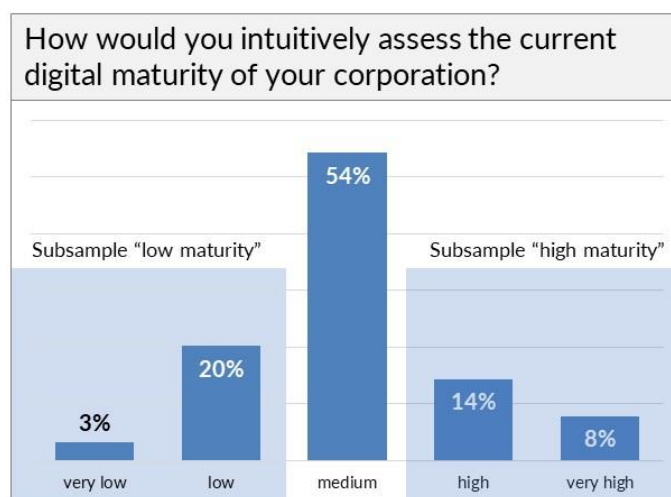
Exhibit 2: Digital Maturity | self-assessment

To get a more differentiated picture, we added this self-reported level of digital maturity as a demographic variable by isolating respondent segments with a low/very low ("low") and high/very high ("high") self-assessment.

To compare the total sample with the two subsamples, most of the charts in this report are set next to each other. As the remainder of this report will show, high maturity clearly correlates with stronger ecosystem leadership capabilities.

2 Overall Ecosystem Management Capability

Before getting into the details of ecosystem management challenges, we asked for an intuitive overall assessment of the companies' ecosystem management capability. 34% of all respondents gave themselves a "high/very high" rating; it seems they feel better about this than about their digital maturity.

The picture is very different, however, when we compare subsamples with different levels of digital maturity. Digitally mature companies feel very confident: 70% believe they have high or very high capabilities – twice as much as the average – and only 3% think they lack ecosystem management skills. Digital laggards show the exact opposite picture – 10 times as many (30%) say their skills are low or very low, and only 14% feel confident in this domain.

The gap is significant; it demonstrates the tight connection between digital maturity and ecosystem leadership in an impressive way (exhibit 3).
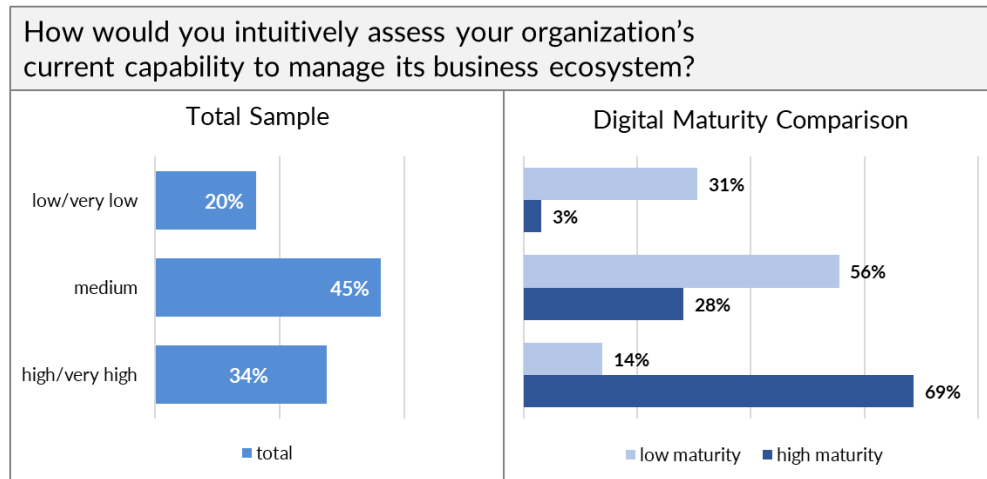
Exhibit 3: Assessment of General Business ecosystem management capability

3   Organizing for Business Ecosystem Management

Only 16% of the surveyed companies have a dedicated unit that focuses on issues related to business ecosystem management. A significant majority of 65% engage in scattered activities that happen without coordination at various places in the organization, dependent on the initiative of local executives, without a clear strategic framework; for 14% the question does not even come up as they don't consciously engage with ecosystems (exhibit 2).

Digital maturity is a major differentiator here: Mature companies are three times more likely to have a dedicated unit than digital laggards do, and they are three times less likely not to engage at all.
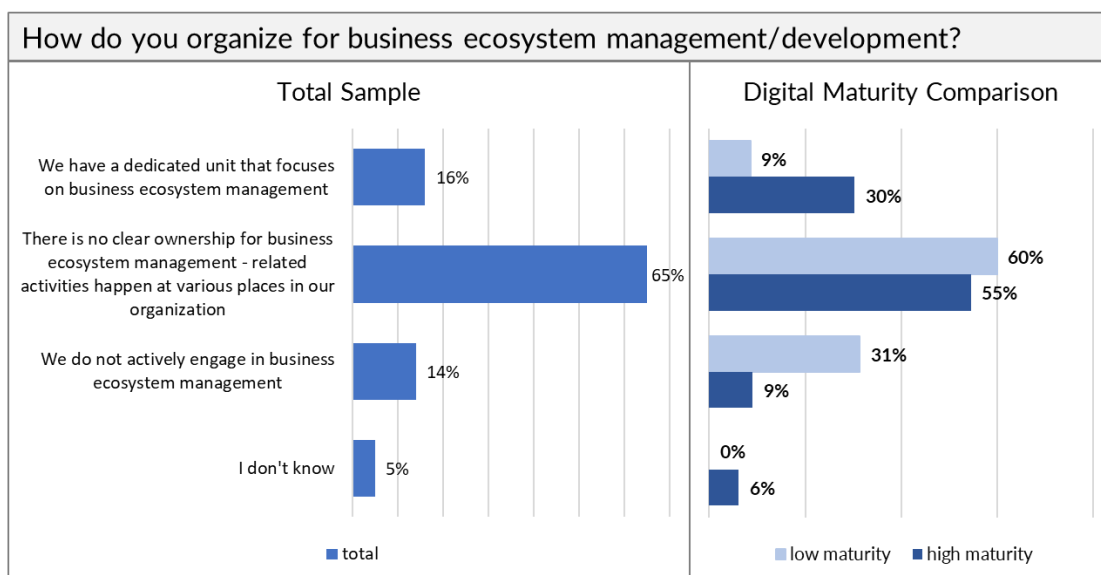
Exhibit 2: Governance of Business Ecosystem Management.

Positioning of a dedicated unit

Of those who have a dedicated unit, 25% place it within the strategy function; 21% have it as part of the CEO office's portfolio, and another 17% within a function that deals with change and dedicated, such as a Chief Digital Officer's team. One respondent mentioned marketing, another IT, and 29% chose the category "other. The lack of clear organizational allocation of business ecosystem management is an indicator for the infancy of the managerial challenge.

According to our data, installing a dedicated unit to address the ecosystem challenge makes a huge difference. Like those with high digital maturity, companies with a unit engaged to a higher degree and more openly with external partners, show stronger capabilities along all dimensions we investigated, and they are more active in deploying interventions that help them to master the strategic and organizational challenges of successful ecosystem management.

Considering the above, governance issues deserve to be on top of the agenda when addressing issues of business ecosystem leadership – both for practitioners and further research.

4 Current Practices Related to Business Ecosystem Engagement

We confronted our respondents with a series of statements that relate to practices that impact business ecosystem management. The 14 statements were presented in random order; for the purpose of this report we have grouped them in "strengths" and "weaknesses" (exhibit 4 and 5).
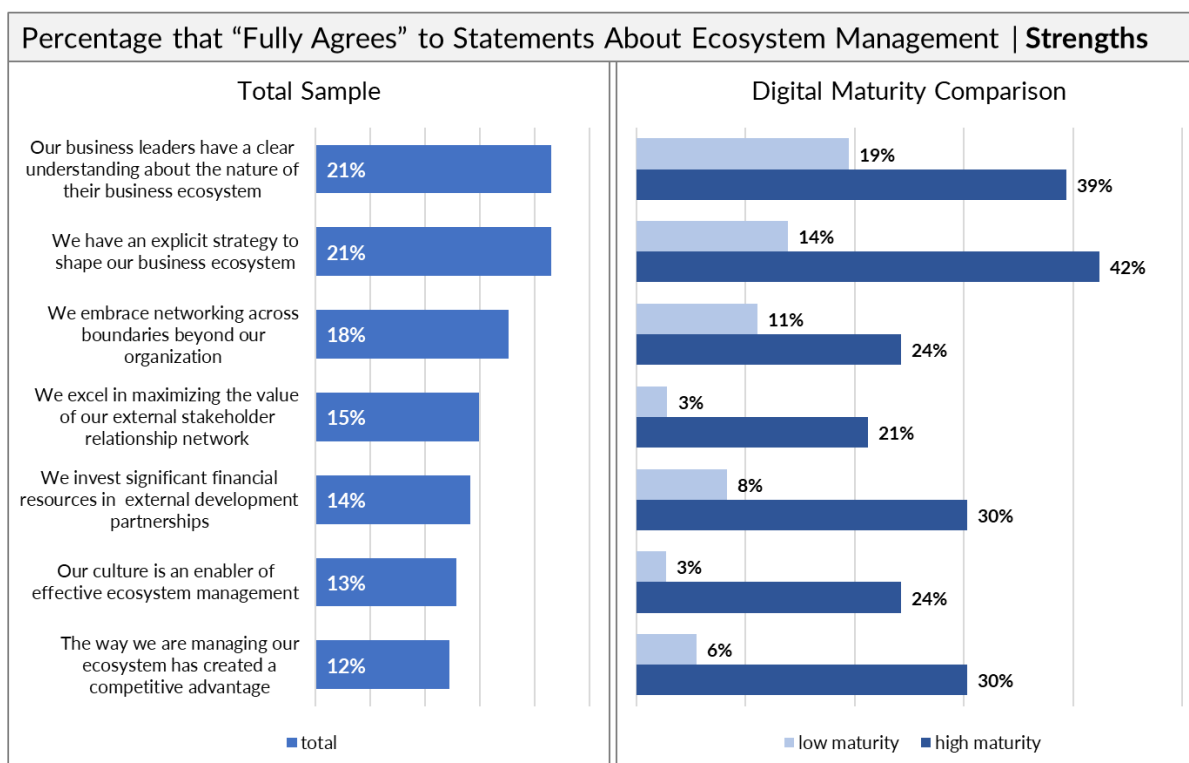
Exhibit 4

Strengths

Only 21% of all surveyed companies *understand clearly how business ecosystems work*. In other words, almost 80% lack a clear understanding. The numbers are significantly better for those with high digital maturity, but even in this segment of elevated sophistication the majority of companies still needs to work on improving their mindset.

Generally, the percentage of companies who report strengths is relatively low – virtually no statement gets more than 20% full agreement. Again, we see significant differences between the two maturity levels, especially when it comes to *having a business ecosystem strategy* (42% vs 14%), *maximizing the value of their stakeholder relationships* (21% vs 3%), and *having a culture that enables effective ecosystem management* (24% vs 3%).

Weaknesses

Looking at the responses to statements relating to weaknesses in business ecosystem management, the biggest challenges appear to be mental and operational blinders that leave companies self-centered and with a limited strategic lens. This is particularly visible among companies with low digital maturity, where 51% of respondents lament that their *organization is too inward focused*, and 44% say that they *tend to stay within the traditional boundaries of their industry*. Digitally mature organizations fare significantly better here.
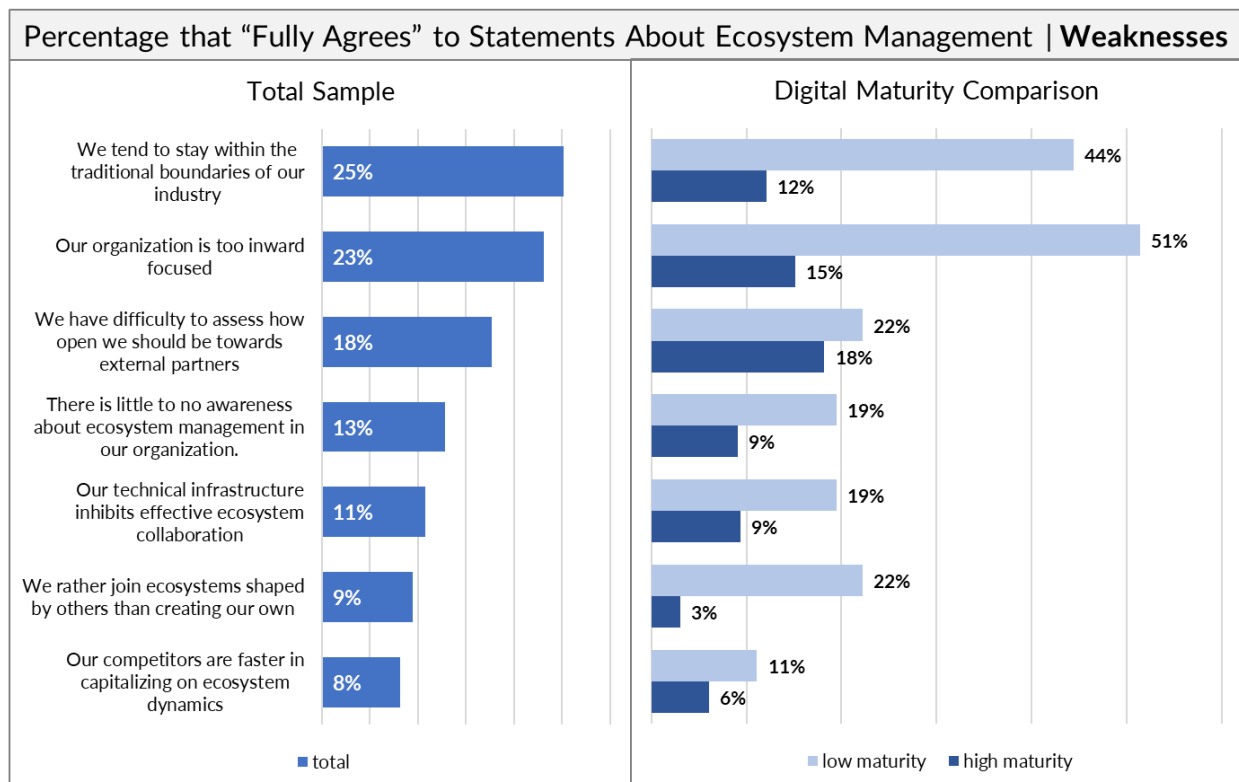
Exhibit 5

We believe that this egocentric/industry-centric attitude is one of the most important barriers for successful business ecosystem engagement; after all, it is interorganizational collaboration that constitutes ecosystems, and these are typically happening across industries. We will see a similar picture when we discuss current barriers and current capabilities.

5 Collaboration with External Players

Ecosystems are multilateral arrangements; they connect a range of different stakeholders in a way that creates value that cannot be achieved otherwise. To learn about the intensity and quality of the relationships, we asked to which degree companies collaborate with various players for joint value creation, and how openly they engage with them.

Intensity

Customer collaboration obviously makes the top of the list; after all, customers are not only the raison d'etre for every business; they have also become an indispensable source for big data that inform product/service development and innovation. 38% of all respondents say they collaborate with them "to a high degree for joint value creation"; the number catapults to 66% for our digitally mature subset and shrinks to 25% for digital laggards.

Collaboration with *technology partners* ranks second in intensity – not a big surprise given their central role in ecosystems, especially in platform architectures. Here, the differences between our 2 subsamples are even more stunning: 66% of digitally mature companies report intense collaboration, compared with only 14% of those with low maturity. It is safe to assume a virtuous circle here: collaborative engagement with technology partners creates a mutual learning effect that leads to increased digital maturity. It also provides institutionalized antennae for techological advances that may be early adopted and lead to a first mover advantage. The same circle is *vicious* for digital laggards: their lack of engagement deprives them from such learning, keeping them less sophisticated and with less opportunities for growth and innovation.

Collaboration with *start-ups, innovation hubs*, and *Venture Capitalists* ranks surprisingly low, despite their undisputed role in most companies' digital transformation efforts. Even the digitally mature subset is more temperate here, with only 25% reporting intense collaboration with start-ups and VCs, and only 19% with innovation hubs. As expected, companies with low digital maturity rank - with 9% - even lower.

Less surprising, collaboration with *competitors* comes in last, but all the same, 19% of digitally mature companies say they collaborate "to a high degree". Examples like the - until recently unthinkable - collaboration in the mobility sector between arch-competitors Daimler and BMW show that previously insurmountable intra-industry boundaries are becoming fuzzier and more permeable as new ecosystems are redefining the rules of the game.

Collaborate to a "high degree" with external players of their business ecosystem for joint value creation (e.g., product innovation, process optimization, IP development, etc.)

	Total Sample	Digital Maturity Comparison (low maturity / high maturity)
Customers	38%	26% / 66%
(Technology) Partners	35%	14% / 65%
Suppliers	27%	17% / 41%
Universities/Research Labs	27%	26% / 38%
Regulators	19%	14% / 25%
Industry Associations	18%	12% / 29%
Start-ups	16%	9% / 25%
Innovation hubs	15%	9% / 19%
Unions	10%	9% / 16%
VC community	9%	9% / 25%
Competitors	7%	9% / 19%
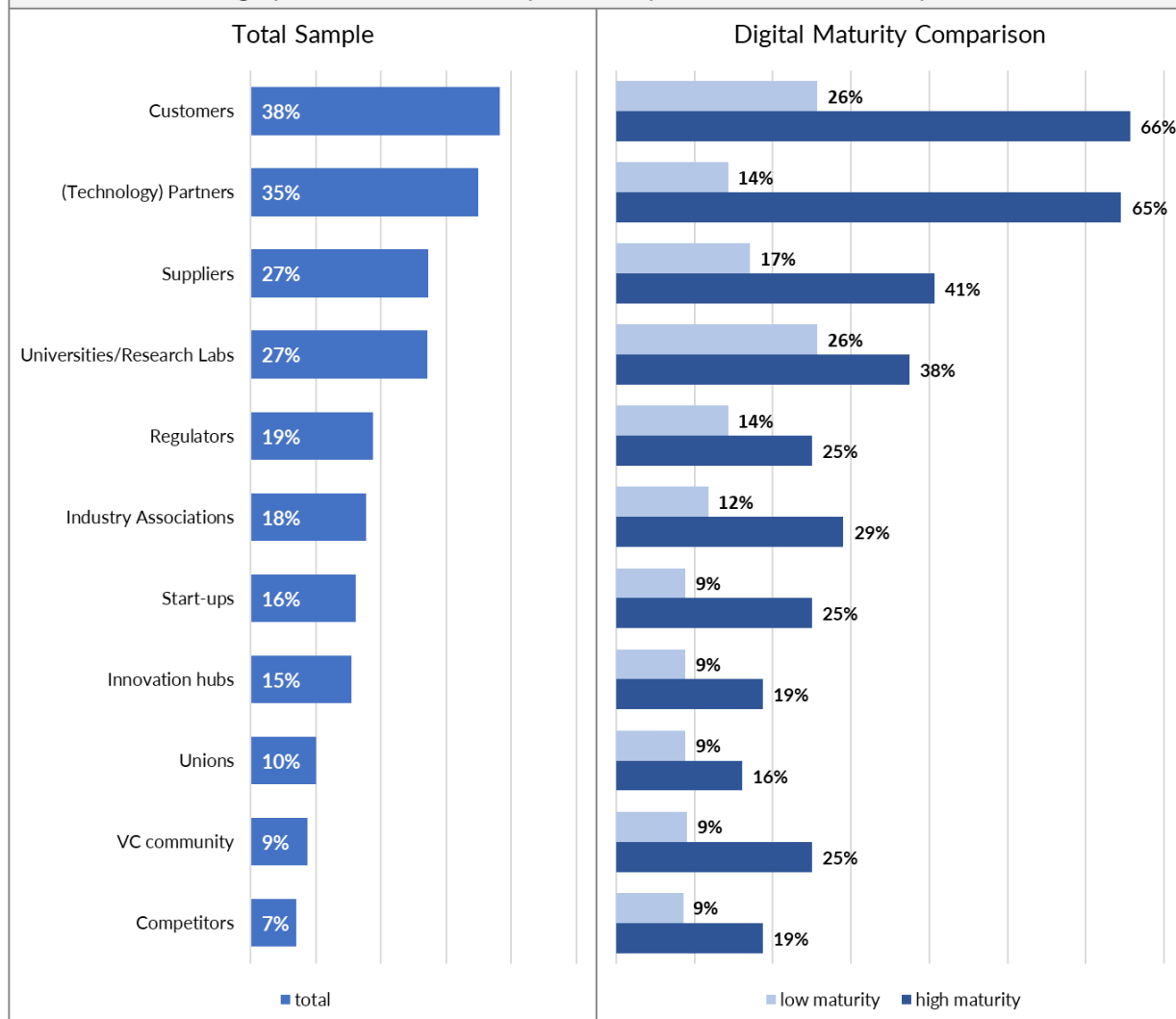
Exhibit 6: Intensity of ecosystem collaboration with external partners

Openness

A look at how open companies collaborate with their various stakeholders reveals a similar picture. 44% of all respondents say their collaboration with their customers is "*very open, in a spirit of sharing and co-creation*", (the other two response options were "*somewhat open/opportunistic*" and "*not open/transactional*"). Digitally mature companies show much more openness (71%), but with almost 40% even digital laggards seem to understand the importance of open customer engagement.

Collaborate "Very Open | in a Spirit of Sharing and Co-Creation"

Total Sample

Stakeholder	total
Customers	44%
(Technology) Partners	34%
Universities/Research Labs	29%
Suppliers	28%
Regulators	21%
Start-ups	20%
Industry Associations	18%
Innovation hubs	17%
VC community	9%
Competitors	8%
Unions	7%

Digital Maturity Comparison

Stakeholder	low maturity	high maturity
Customers	39%	71%
(Technology) Partners	17%	69%
Universities/Research Labs	29%	40%
Suppliers	25%	48%
Regulators	9%	32%
Start-ups	17%	35%
Industry Associations	9%	43%
Innovation hubs	11%	30%
VC community	6%	23%
Competitors	6%	19%
Unions	6%	7%

Exhibit 7: Openness towards external stakeholders

The picture is different with the second most important stakeholder relationship – the openness with technology partners. While digitally mature companies work with them as closely as they do with customers (69%), the low maturity subset has a more cautionary relationship. Only 17% collaborate very openly, possibly indicating a lack of trust towards the unfamiliar.

With the exception of unions, digitally mature companies collaborate with all stakeholders in a more open way – an impressive 19% even with *competitors*. Particularly remarkable is the high level of openness within the context of *industry associations* (43% vs 9%), where engagement in a spirit of sharing and co-creation will likely result in an informal leadership role among peers, which in turn will make such companies more influential when it comes to co-shaping the (new) rules of the game.

6   Barriers to Successful Business Ecosystem Engagement

The responses to our question on what holds organizations back from being more successful in business ecosystem management confirm the results we have already seen when we discussed current practices. The top ranked perceived impediments relate to a lack of open-mindedness - 42% of all respondents rate a *mindset of introversion and self-centricity* as a "very important" barrier; the *inability to think beyond the current way to do business* (37%) and a *lack of understanding of network dynamics* (33%) rank #2 and #4.

What keeps your organization from being more successful in ecosystem management?
(percentage that perceives various barriers as "very important"

	Total	Digital Maturity Comparison	
		low maturity	high maturity
A mindset of introversion/self centricity	42%	58%	32%
Inability to think beyond traditional ways to do business	37%	47%	21%
Organizational design	36%	50%	29%
Lack of understanding of network dynamics of the business ecosystem	33%	44%	31%
The topic is not part of the senior leadership agenda	28%	28%	31%
Lack of mechanisms that help bridge boundaries	21%	28%	17%
Insecurity about the degree of appropriate openness towards external partners	20%	25%	17%
Lack of financial resources	18%	28%	15%
Technical infrastructure	18%	14%	14%
No dedicated role that is accountable for the topic	18%	28%	24%
Rivalry	17%	17%	21%

■ total   ■ low maturity   ■ high maturity

Exhibit 8

With 36% perceiving it as "very important", *organizational design* is also seen as a top barrier – we assume that respondents think here about bureaucratic structures and mechanisms that slow them down and inhibit the agility which is necessary to compete in ecosystem contexts.

We think that inward orientation, restricted mindsets, and organizational design are closely related and reinforce themselves. It is against the nature of self-centered systems to think beyond their confines, and as they engage less with their environment, they have few opportunities to experience and understand network dynamics. This leaves them in a weaker position when it comes to collaboration architectures that require openness and flexibility. Traditional linear organizational design, which is not suited for engaging in horizontal network dynamics, supports and cements this conundrum. Not surprisingly, digital laggards feel even stronger about this situation.

7   Business Ecosystem Leadership Capabilities

One of the main goals of our study was to identify the capabilities that companies regard as critical to play a leading role in business ecosystems. *We define ecosystem leadership as a company's ability to co-shape and leverage the dynamics of an ecosystem for their own and the overall system's benefit.* This task is obviously easier when a company can play an orchestrating role. However, most stakeholders won't enjoy this privilege, which does not mean they are helpless when it comes to influencing and leveraging system dynamics. On the contrary: We are specifically interested in the art of leading without having formal power.

Required Capabilities

In our survey, we presented respondents with 17 capabilities, which we believe are critical for successful business ecosystem engagement. We compiled this list utilizing input from the project's advisory board as well as from expert interviews.

The responses validated our choices in an impressive way: not a single one of the suggested 17 items was regarded as unimportant, with most items receiving more than 75% agreement that they are "very important" or "important" (exhibit 9).

Having a *Culture of Learning and Change* tops the list, with more than 96%, followed by *Flexible Resource Allocation* (92%), the *Ability to Orchestrate Multiple Operating Models/Business Models (90%)*, and *Clear (Corporate) Strategic Governance* (88%).

Given the high degree of overall agreement to the proposed capability dimensions, it is no surprise that our two subsets - digitally mature companies and digital laggards - showed no significant differences in their opinion of what it takes to succeed in business ecosystem contexts.

What Capabilities are Required for Effective Business Ecosystem Management?
(total response distribution)
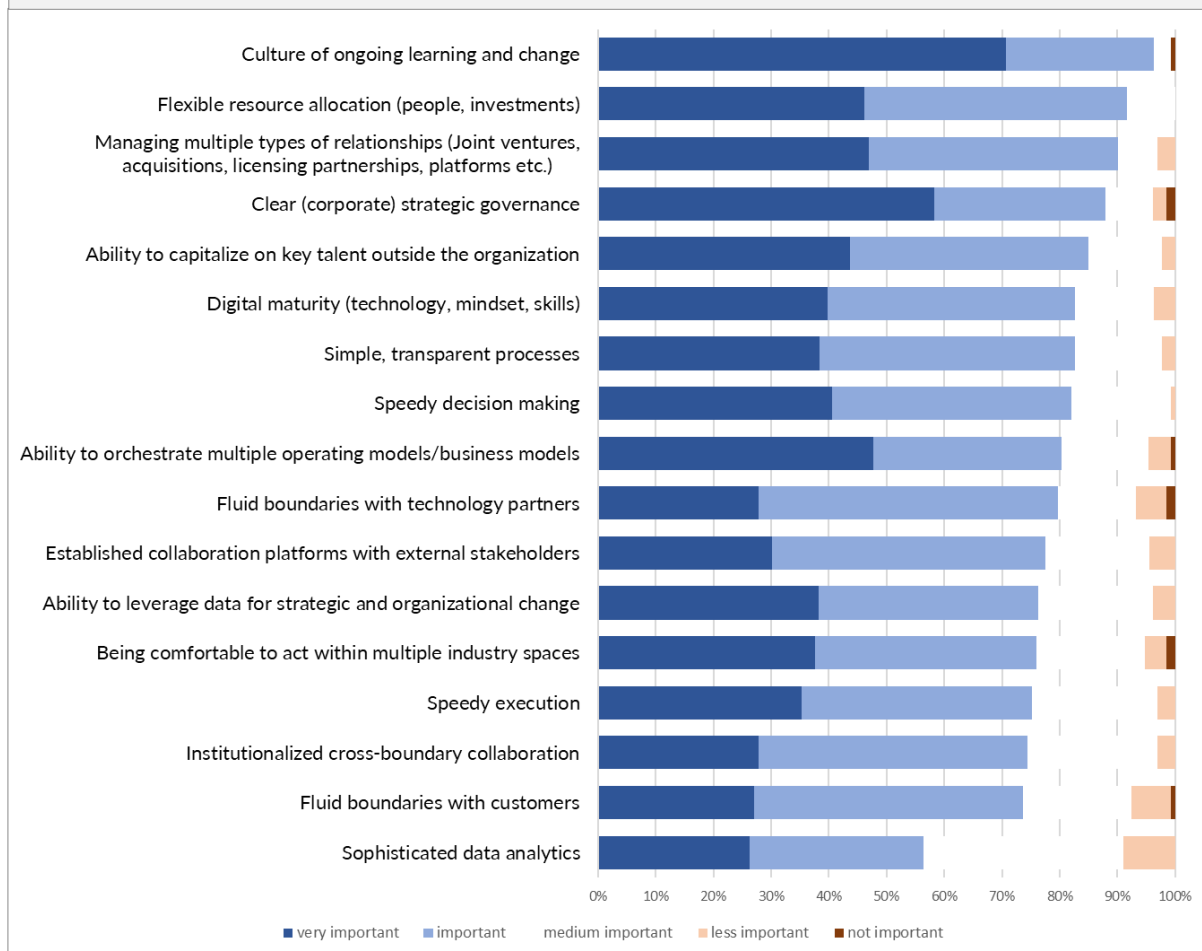
Exhibit 9

Currently Existing Capabilities

The picture is radically different when we look at how companies assess their current level of sophistication. We can see significant capability gaps in virtually every one of the 17 suggested items; a vanishingly small percentage of companies (10% or less) reports to be "very strong" in any of the domains. The ones who report to be "very strong" are overwhelmingly respondents with high digital maturity, while digital laggards seem to excel in none of the dimensions. The only exception is *speedy decision making* and *speedy execution*, where we see no significant difference.

The top three strengths of the digitally mature companies: 27% are *comfortable to act within multiple industry spaces* (only 3% of the laggards do); 27% report *sophistication in data analytics* (0% of laggards); and 24% have a "very strong" culture of ongoing learning and change (vs 3%). The consistent correlation between the level of digital maturity and reported strengths suggests that the 17 chosen capability categories are a useful basis for understanding what it takes to lead in business ecosystems (exhibit 10).

How do you Assess Your Organization's Capabilities in These Domains?
(Percentage that perceives Capabilities as "Very Strong")

	Total Sample	Digital Maturity Comparison

Domain	Total	low maturity	high maturity
Speedy decision making	10%	18%	19%
Culture of ongoing learning and change	9%	3%	24%
Being comfortable to act within multiple industry spaces	8%	3%	27%
Clear (corporate) strategic governance	8%	6%	15%
Simple, transparent processes	8%	3%	23%
Speedy execution	8%	12%	12%
Fluid boundaries with customers	8%	3%	19%
Sophisticated data analytics	8%	0%	27%
Digital maturity (technology, mindset, skills)	7%	0%	32%
Managing multiple types of relationships (Joint ventures, acquisitions, licensing partnerships,...	7%	3%	15%
Fluid boundaries with technology partners	7%	3%	23%
Ability to leverage data for strategic and organizational change	6%	3%	19%
Ability to orchestrate multiple operating models/business models	6%	3%	15%
Institutionalized cross-boundary collaboration	5%	3%	12%
Established collaboration platforms with external stakeholders	5%	6%	12%
Ability to Capitalize on key talent outside the organization	5%	3%	12%
Flexible resource allocation (people, investments)	3%	6%	8%

Exhibit 10

8 Interventions to Strengthen Business Ecosystem Leadership

Given the dire state of current capability levels, what can be done to enhance and foster an organization's ability to engage successfully in their ecosystem(s)? Supported by our corporate advisory board, which included a significant share of seasoned OD and L&D practitioners, we presented respondents with 11 interventions designed to improve the reported deficits (exhibit 11). Virtually all of them are taken from the repertoire of a system-theory-based organizational development and design approach, promoting dialogue architectures, exposure to different contexts, and boundary-spanning activities - applied to the overarching context of an ecosystem. In essence, they are designed to enable the understanding and engagement in horizontal networks; as such they are not very different to efforts that strive to increase organizational agility at large.
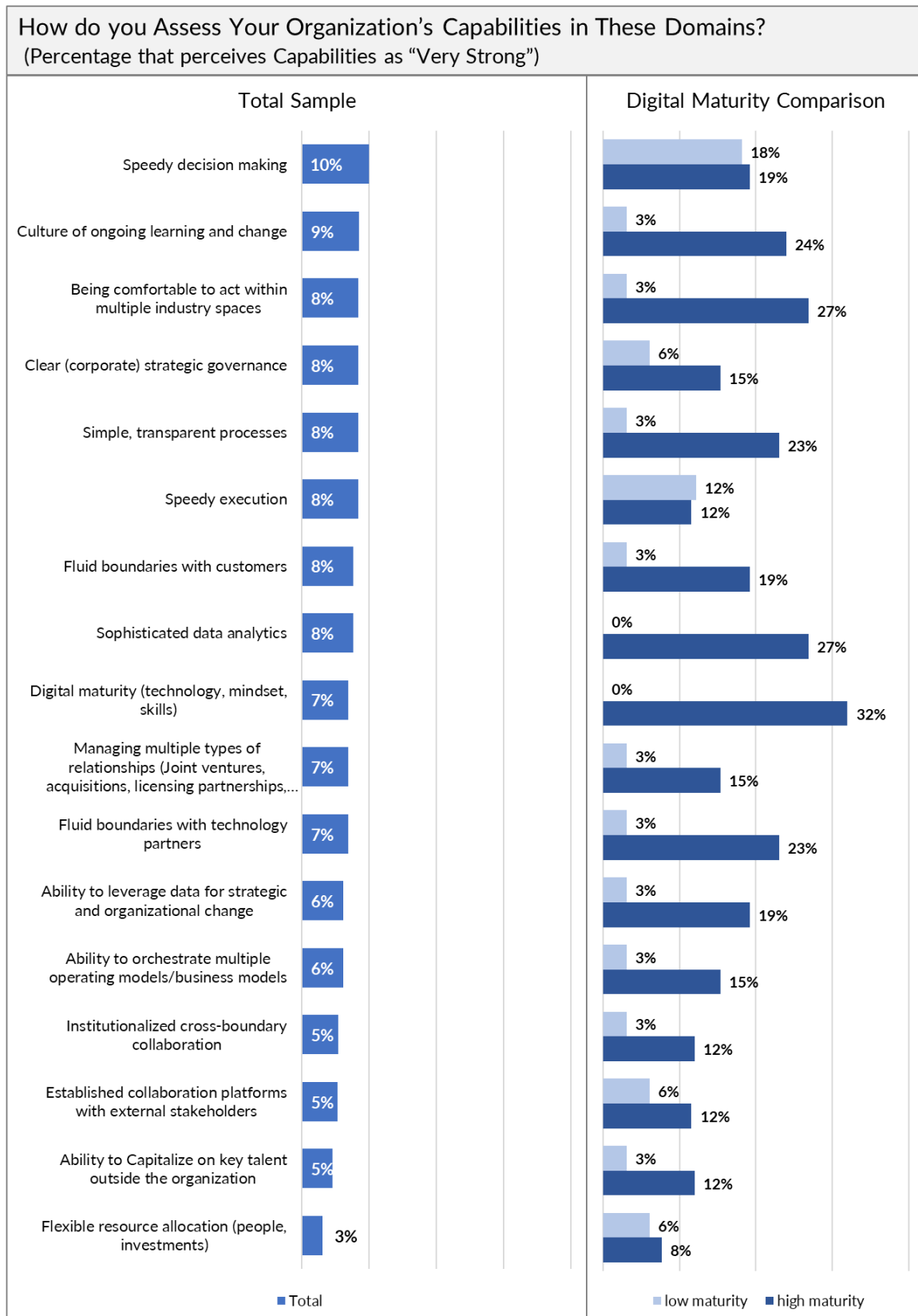
Assessed Effectiveness

Which interventions can best help to build the necessary capabilities for business ecosystem management?

Intervention	very high impact
Make business ecosystem management a topic in leadership programs and retreats	34%
Highlight success stories/cases based on your business ecosystem strategy	30%
Create dedicated roles that act as brokers between members of the business ecosystem	25%
Organize cross-organizational communities on issues of shared interest	24%
Organize learning expeditions with focus on ecosystem investigation	23%
Have corporate communication foster awareness of the issue	22%
Have conversations with key influencers about the importance of the issue	21%
Institutionalize collaborative processes with external stakeholders	18%
Design platforms that encourage stakeholder interaction	14%
Conduct diagnostic check-ups about your company's ecosystem management capabilities	11%
Anchor business ecosystem management in mission statements	7%

Legend: very high impact, high impact, medium impact, low impact, very low/no impact

Exhibit 11

Most of the suggested interventions are regarded by 70%-80% of respondents as having very high or high impact. Anchoring the subject as a *topic in leadership program and retreats* ranks first, but we see no significant preferences of one intervention over others – only *diagnostic check-ups* and *mission statement inclusion* rank somewhat lower. There is also no notable difference between the two subsamples of high and low digital maturity – they both show equal positive regard to the various instruments of capability enhancement.

Actual Deployment of Interventions

A look at the degree of actual deployment of such tools is sobering. A clear majority of respondents recognizes the importance of the topic; they know what capabilities would be required to successfully engage in ecosystems; they are aware of their deficits; and they know what could help – but its only a small minority that takes action. For example, we saw that 80% believe that *taking up the topic in leadership programs and retreats* has high impact – but only 16% do it (exhibit 12).

Not surprisingly, it's again the digitally mature companies who are different: They also act to a much higher degree than the digital laggards. They implement helpful interventions two to three times as often compared to the others, in some instances up to 8 times as much.

To which degree do you apply these interventions within your organization?
(percentage that apply interventions "regularly"

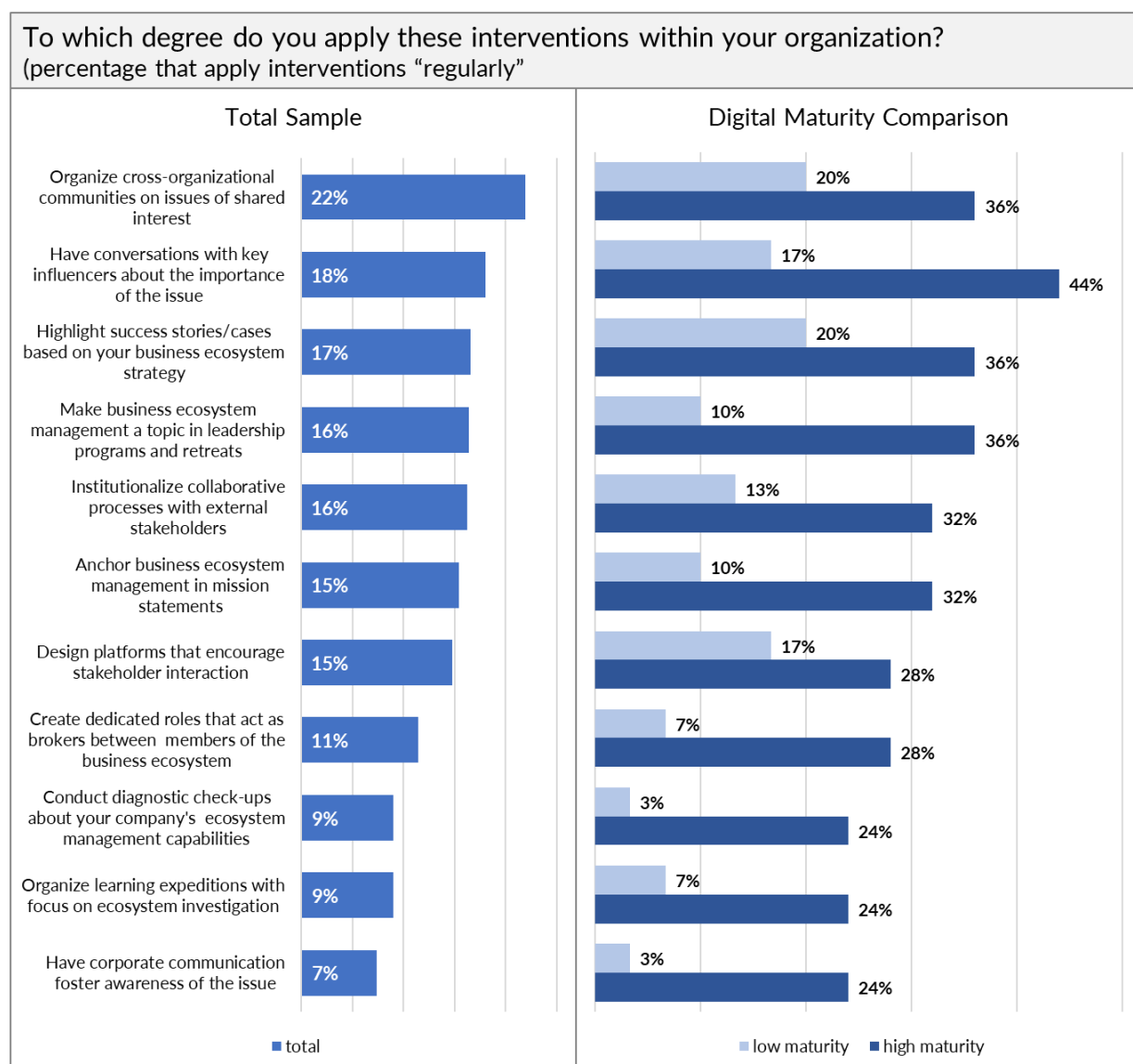|	Total Sample	Digital Maturity Comparison (low maturity / high maturity)
Organize cross-organizational communities on issues of shared interest	22%	20% / 36%
Have conversations with key influencers about the importance of the issue	18%	17% / 44%
Highlight success stories/cases based on your business ecosystem strategy	17%	20% / 36%
Make business ecosystem management a topic in leadership programs and retreats	16%	10% / 36%
Institutionalize collaborative processes with external stakeholders	16%	13% / 32%
Anchor business ecosystem management in mission statements	15%	10% / 32%
Design platforms that encourage stakeholder interaction	15%	17% / 28%
Create dedicated roles that act as brokers between members of the business ecosystem	11%	7% / 28%
Conduct diagnostic check-ups about your company's ecosystem management capabilities	9%	3% / 24%
Organize learning expeditions with focus on ecosystem investigation	9%	7% / 24%
Have corporate communication foster awareness of the issue	7%	3% / 24%

■ total   ■ low maturity   ■ high maturity

Exhibit 12

Exhibit 13 provides a comparison of interventions that are regarded as having "very high impact" and the degree to which companies with high and low digital maturity actually act on these.

Gap Between what Interventions are Regarded Having High Impact and what is Deployed in Organizations

Legend: perceived very high impact — applied (low maturity) — applied (high maturity)

Top chart x-axis categories:
- Make business ecosystem management a topic in leadership programs and retreats
- Highlight success stories/cases based on your business ecosystem strategy
- Create dedicated roles that act as brokers between members of the business ecosystem
- Organize cross-organizational communities on issues of shared interest
- Organize learning expeditions with focus on ecosystem investigation

Bottom chart x-axis categories:
- Have corporate communication foster awareness of the issue
- Have conversations with key influencers about the importance of the issue
- Institutionalize collaborative processes with external stakeholders
- Design platforms that encourage stakeholder interaction
- Conduct diagnostic check-ups about your company's ecosystem management capabilities
- Anchor business ecosystem management in mission statements
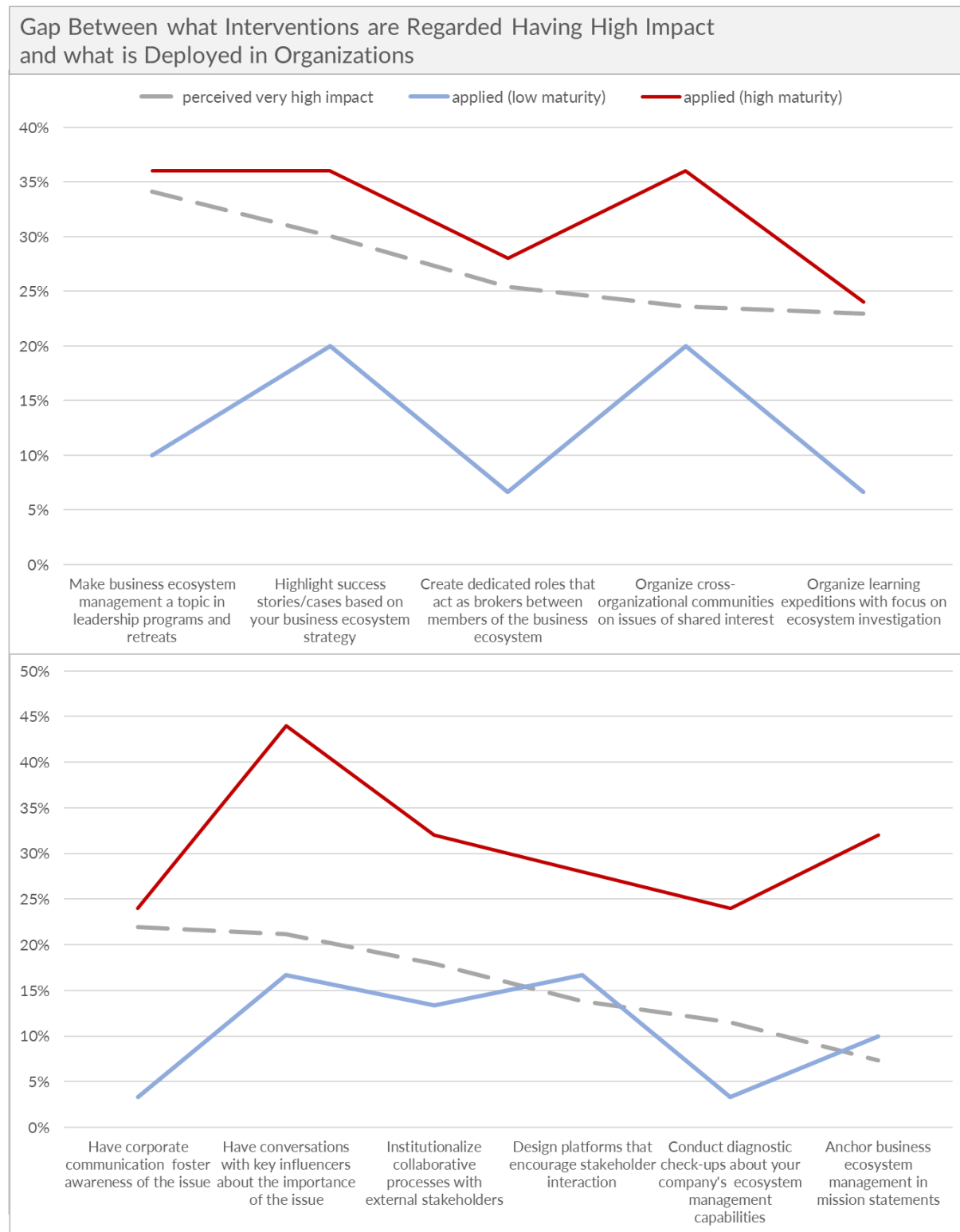
Exhibit 13

9 The Role of L&D and Organizational Development

The emerging strategic importance of business ecosystem management, and the significant capability gaps most companies currently face creates a burning platform for fostering appropriate leadership learning and organizational development. The space still appears to be wide open: significant L&D and OD support happens only in 5% of the surveyed companies – 35% don't deal with the issue at all. Digitally mature companies fare slightly better, with a total of 67% involved at least to a moderate degree (exhibit 14).

To what degree does your L&D/OD function support business ecosystem management activities?

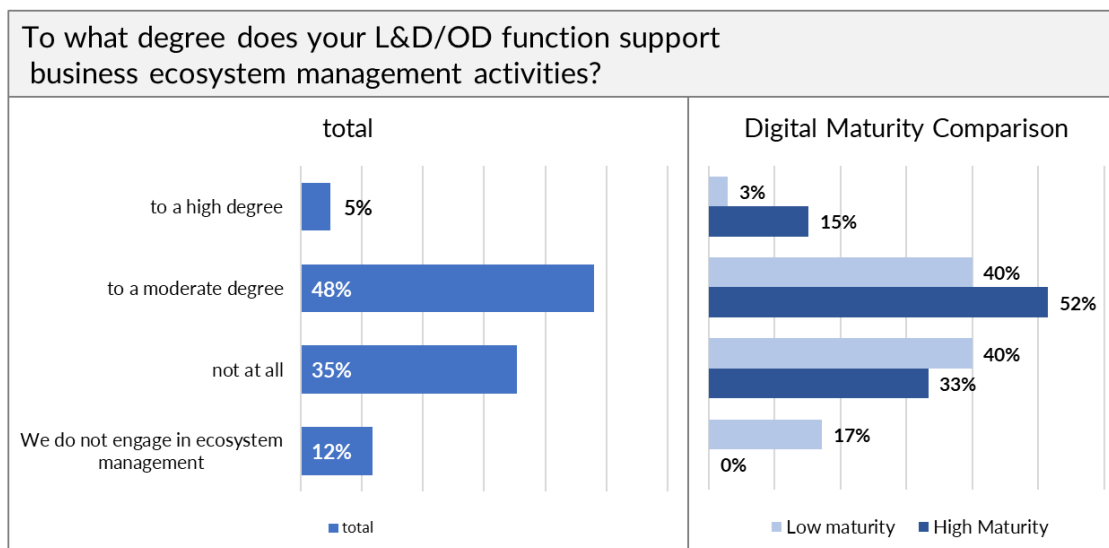| total	Digital Maturity Comparison
to a high degree — 5%	3% / 15%
to a moderate degree — 48%	40% / 52%
not at all — 35%	40% / 33%
We do not engage in ecosystem management — 12%	17% / 0%

■ total   ■ Low maturity ■ High Maturity

Exhibit 14

Some of the interventions that we alluded to in the previous section of this report (such as learning expeditions or including the topic in leadership programs and retreats) fall clearly into the domain of L&D. Others that are deemed effective (such as creating interorganizational dialogue platforms or creating structures and mechanisms to enable better business ecosystem engagement) may not be part of a traditional L&D portfolio.

As it is the case when it comes to supporting digital transformation efforts, an empowered transformational L&D/OD function could provide significant contributions here. After all, it is the function that should be best suited to influence and change cognitive maps as well as to understand, navigate, and shape organizational dynamics. Given the cross-functional nature of the challenges, which require strategic acumen and digital sophistication, the topic lends itself perfectly for a close collaboration of L&D with peers that are closer to customer engagement, business model innovation, and operating model design.

A more detailed investigation about the current and potential type of L&D/OD support and support activities, together with its implications for cross-functional and inter-organizational collaboration, would be a worthy area of further research.

10 Strategic Initiatives

Strategic initiatives that are dedicated to fostering an organization's business ecosystem management capabilities are a clear indicator of whether the issue is on the top management agenda. 56% of all respondents have such strategic initiatives in place, and the number increases to almost 70% for companies with high digital maturity. As expected, the number is slightly higher in digital mature companies.

The relatively high level of activity suggests high awareness of the importance of ecosystem involvement, and the level of attention leaders give to the topic.
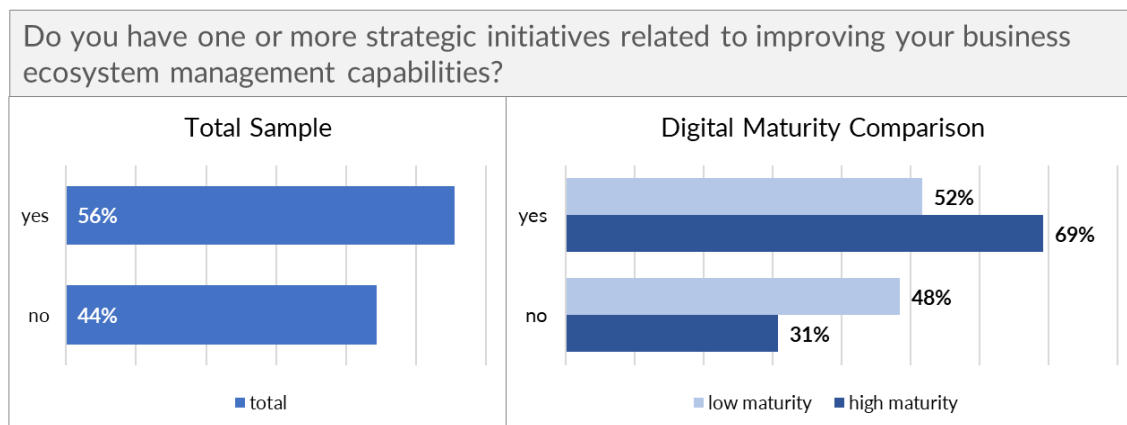

Do you have one or more strategic initiatives related to improving your business ecosystem management capabilities?

Total Sample

yes 56%
no 44%
■ total

Digital Maturity Comparison

yes 52% / 69%
no 48% / 31%
■ low maturity ■ high maturity

Exhibit 15

Some examples for such initiatives as described by respondents include (direct quotes):

— We have strong communities in both of our core businesses that are key extensions: communities which participate in co-creation, generating revenue and customer impact and partnerships (which include co-development of products/services and/or go to market arrangements).

— We have an ongoing due diligence to select partners in the start-up and technology partners space for select investment. In addition, we developed a Services model for Platform/Product managers to incorporate partners in Platform offerings and in Product and Service design.

— We established an industry group/consortium to collaborate on issues of shared interest.

— We have an open innovation model to reinforce our innovation efforts; in addition, we have a formal process of ongoing listening to all our stakeholders plus a formal analysis of the main listening insights that serves as input for our strategy.

— Our digitization department creates technical environments for exchange/collaboration with external parties.

— We established a dedicated digital/ecosystem development/transformation team that is outside day-to-day operations and reports directly to the executive leadership.

— We have a large business unit that focuses solely on this.

— We have a series of initiatives designed to build strong relationships with regulators, governments and competitor industries.

— A dedicated team looks for partnership opportunities and JVs with innovative research teams and start-ups. Their work is well-publicized internally, as are more general successes across the company with more formal customer collaborations, industry group presence and similar.

— After years of 'trade secret' emphasis, we are actively engaging all in seeing the value of closer interaction with customers and others (suppliers, industry members, etc.) as part of our brand renewal.

The examples show a large variety of activities, most of them focused on strategically reflected relationship building. Investigating these for impact in the form of mini case studies is an interesting perspective for future research.

11   Outlook

It is a testament to the relevance of the survey topic that a majority of respondents has expressed interest in attending a global conference to reflect on the results of this survey. An even stronger indication of executive interest in business ecosystem leadership is that *80% of all respondents would like to join a dialogue platform* – many of them together with colleagues from their organization - that allows an ongoing in-depth conversation and collaborative learning about these issues (exhibit 16).

Would you like to join a cross-functional dialogue platform that focuses on shaping and leveraging your business ecosystem

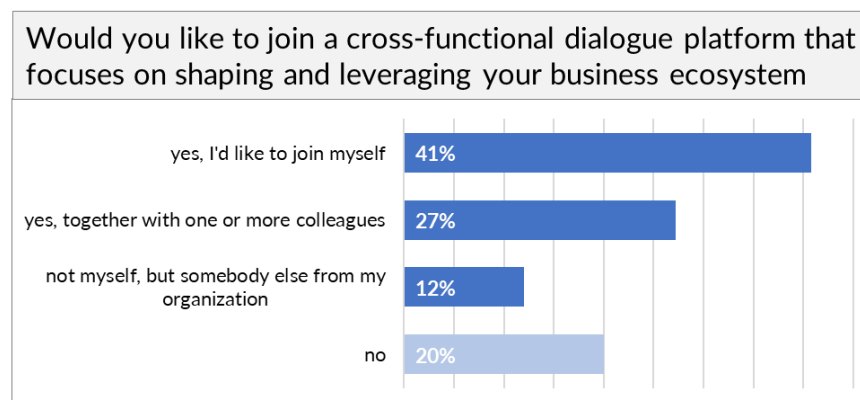|	
yes, I'd like to join myself	41%
yes, together with one or more colleagues	27%
not myself, but somebody else from my organization	12%
no	20%

Exhibit 16

We embrace this interest, as such a platform will provide an excellent environment to deepen the understanding of the subject and provide input for research that is tightly aligned with the practical challenges organizations face. Given the nature of the subject, cross-functional composition and a diligent curation of platform participants will be key.

In coordination with the project's corporate advisory board, the Center for the Future of Organization will reach out early in 2020 with a suggestion for a format to address this interest appropriately.

Thank You

While the responsibility for the content in this report lies solely with the author, the project would not have been possible without the kind support and input from thought and practice leaders who donated their time and brains. They were (in alphabetical order):

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    - Mani Gopalakrishnan | The Kraft Heinz Company
    - Mathew Jacob | Shell
    - Louise Kyhl-Triolo | Airbus
    - James Longwell | Google
    - Nandani Lynton | Siemens
    - Sylvain Newton | Allianz Group
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    - Kedar Vashi | Coca Cola

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    - Mani Gopalakrishnan | VP Digital Innovation | Evolve (Kraft Heinz Group)
    - Tim Holt | Chief Operating Officer | Siemens Power and Gas
    - Michael Jacobides | Professor of Entrepreneurship and Innovation | London Business School
    - Nikolaus Lang | Senior Partner | The Boston Consulting Group
    - Sylvie Ouziel | CEO | Allianz Assistance (Allianz Group)
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  - Joseph Pistrui | Professor for Innovation and Entrepreneurship | IE Business School
  - Prateek Sinha | Organization Development Advisor | Shell
  - Jodi Starkman | Executive Director | Innovation Resource Center for Human Resources
  - Fabrice Villaume | Head of Digital Growth and Innovation | Airbus Group

About the author

Roland Deiser is a Drucker Senior Fellow and the Founder and Director of the Center for the Future of Organization at the Drucker School of Management at Claremont Graduate University. He is the author of *Designing the Smart Organization – How Breakthrough Corporate Learning Initiatives Drive Strategic Change and Innovation* and *Transformers: Executive Conversations about Creating Agile Organizations.*

roland.deiser@futureorg.org

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The Center for the Future of Organization (CFFO) is an independent think tank at the Drucker School of Management at Claremont Graduate University. Its mission is to serve as a global hub for applied research and practical discourse on new paradigms of Leadership and Organization with special regards to the role of digital technologies as drivers of competitive advantage. In the tradition of Peter Drucker, the Center works across disciplines, combining conceptual depth with practical applicability and ethical responsibility.

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The Innovation Resource Center for Human Resources (IRC4HR) was founded in 1926 as IRC, a non-profit private foundation established to promote positive employment relationships and advances in human resources management through consulting, research, and education. More than ninety years later, the organization continues to bring together employers, academics, and other stakeholder communities to fund action research and share insights on a wide range of topics. This includes a current focus on the implications of technology and digital disruption on the future of work, organizations, leadership, and the workforce.

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This report is also available as a physical booklet at amazon.com.