

# Building and Leading Business Ecosystems – a Conversation with Roland Deiser

Transcript of Suzie Lewis' "Let's Talk" Podcast Episode

To listen to the podcast [click here](#)

August 23, 2020

---

## Suzie Lewis

Hello, and welcome to the let's talk podcasts. This is your host Susie Lewis speaking from Toulouse. In this episode of Let's talk, we will be discussing building business ecosystems and how to lead them effectively. Today, I'm delighted to welcome Roland Deiser, Executive Chairman at the Center for the Future of Organization, Drucker School of Management. Roland, welcome to the show.

## Roland Deiser

Thank you, Suzie. I'm glad to be here.

## Suzie Lewis

Thank you. Roland, you are interested in designing and fostering transformational capabilities, exploring boundaries and learning innovation in complex organizations. You founded the Center for the Future of Organization at the Drucker School of Management in 2015. You've authored several books, of which Transformers and Designing the Smart Organization. You also served as founding dean of Daimler's Corporate University and created the Executive Corporate Learning Forum, ECLF, where we first met - a network of senior executives from global corporations to co-create and develop strategic thinking and organizational capabilities. I would like to come back to complex organizations, networks and interdependent leadership, our favorite topics. And more particularly to the latest project in the Center for the Future of Organization, the project on business ecosystem leadership. So, Roland, can you tell us a bit more about this project? Why this subject, and more importantly, why now?

## Roland Deiser

Well, thanks, Susie, for the very nice introduction. Well, you know, we, we did a project maybe a couple of years ago, in which were looking deeper at digital transformation challenges. Back then, Digital Transformation as a buzzword has come a little bit of age but still was very prominent, and I believe it still is, of course, but it lost a little bit its buzzword character. But if you look at digital transformation challenges that organizations face and that leaders face, a big one is driven, of course, through the

digitalization of industries that suddenly become technology industries when they used to be maybe manufacturers of some tools or whatever, but the digital enhancement of products and services makes them technology industry suddenly. Which means, in order to live their digital transformation successfully, they have to engage in ecosystems much more than they had before, because, you know, their product/service portfolio is never coverable through that, what they would have in their own capabilities. So, that kind of imperative to engage in ecosystems is something which has been driven through digital transformation and digitalization. And that brought us then, as one key driver, to look at ecosystem leadership in a more focused way. So that was the history how we got to that kind of thing.

### **Suzie Lewis**

Okay. And you define a business ecosystem as an interdependent value creation network of an organization that reaches beyond its boundaries. So how do you see organizations trying to put this in place? And what does it mean for their current ways of working?

### **Roland Deiser**

So maybe backing up a little bit - I think that, you know, we always have been living in ecosystems, of course, also before the age of digital, more conscious or not. The main management model of the 20th century, though, has been a transactional one and a linear one, and in many cases it still is. Which means, it's driven from the inside out. You develop certain kinds of products and ideas and you throw them over the fence and hope that works in the market, or you throw them out and try to push them into the market. And your supply chain and your relationship to the customers is rather a linear one. Whereas in an ecosystem thinking those are interconnected clusters that jointly, as a network, create that value with players who are not in one-sided dependencies. They are inter-dependent, which means there is a much more collaborative and co-creative nature of the way they do business together.

And so, the capabilities in order to perform well and effective in such a mindset or in such an ecosystem kind of environment are very different. Because in the traditional organizational model, you will be able to command and control more or less your processes and the products and services you develop, and then you throw them out. Whereas, if you go into co-creation and a networked way of production, you lose control in the traditional way. You've got to negotiate a lot, you need different contractual agreements and so on. So the mindset is a mindset that requires a systems thinking rather than just your own organization or your own function being the center of the universe.

### **Suzie Lewis**

Mm hmm. I'm hearing a big shift in paradigms in terms of mindset, but also in terms of business processes, and business models, and the way systems interact today. In your research paper, you underline 12 leadership challenges to succeed in these business ecosystems. Can you tell us a little bit more about those challenges, and which are the most important for you?

## **Roland Deiser**

Yes. So you know, it's kind of hard to structure that, and we struggled for a long time. Yeah, we struggled for a long time to get this into a kind of categorization, and even in our research report, we currently just list them in an order that doesn't really have a deeper structure. But what we try to do is to distill some key elements that are necessary to compete successfully in business ecosystems. And we actually just kicked off a follow-on project of getting these capabilities into an even more structured framework. So without any kind of preference what is more important or less important, I can certainly allude to a few of them.

## **Roland Deiser**

We already talked about the understanding of network dynamics, which is very different from just understanding your own organization. There has been a lot of work done on understanding network dynamics within an organization. This has been on the list for quite a while, and people understand - yeah, inside we've got to collaborate in agile teams and so on. But very often this remains within the organization. And if it goes outside - let's say you involve customers, suppliers, or other stakeholders to create products and services in an agile, co-creating way - you still do it from the perspective of maximizing your own performance, maximizing your own value as an organization. In an ecosystem mindset, you would maximize the performance and success of the ecosystem, the success of the larger system. Let's say, you are a big major player, and you contribute only a marginal element to an ecosystem. You might be frustrated, because you may say "oh, we could do so much more." But if you throw this all in, you destroy the business model of the ecosystem, it wouldn't work that way.

Understanding these dynamics is a very hard thing to do, because it means you have to take your own interest back in the interest of the larger system. And if you think about it, this of course is something which is also applicable on a much, much larger scale. We have to take back our interest even as humanity in order to survive in a larger ecosystem, which is the planet. If we take our own interest as the ultimate goal, we might destroy that planet. So this notion of understanding that if you maximize your own interest, you're destroying the conditions of your existence is something we're not very much used to. I did some writing way, way back, more than 20 years ago, saying that we evolved as humans from a very centric perspective, towards an increasingly de-centered perspective. Think about it: we were, the earth was, the middle of the universe, right? And then it was the sun - we thought helio-centric, then our solar system, and eventually now we know we are just specks in multiple galaxies. Understanding that we're just a speck in multiple galaxies is very different from "we are the center." The same thing goes for organizations. They have a hard time to let go of that.

## **Suzie Lewis**

I was just gonna say - that's the journey they're on, isn't it? And I think particularly post-pandemic, the necessity to do that in a more determined, proactive way, has become more and more apparent. So the shift from individual to collective, it needs to happen, I'm hearing, inside the organization, but more

particularly outside of the organization, so that they can start forming a collective system with which society can work.

### **Roland Deiser**

It's nice you say that, Suzie - individual and collective. It's really that kind of contradiction, which you cannot solve really. It's not an either or, it's really an AND. You cannot give up the individual just in favor of the collective, because you will destroy it in a way. It's important to keep a balance in order that the system works, right? It's kind of a structural tension, a dialectic tension, that needs to stay alive. It's like Yin and Yang, you need the collective you need the individual, you need both. Very often we have an either-or thinking along these lines.

### **Suzie Lewis**

Yes - it's very much like managing polarities. So where's the middle ground? Where's the middle? And I think that hybrid model -- and it is hybrid, because organizations are particularly individual today - they need to get more collective. But as you say, at the other end of the scale, we don't want them without individuals in them, clearly. So that brings me to the idea of managing boundaries.

### **Roland Deiser**

That's one of the challenges, of course - boundary management. I personally have always been extremely fascinated by boundaries, because the individual and the collective realize themselves through boundary management, You can think about this even on very small levels. I don't know if you're married, but, you know, if you're in a relationship, there are individual interests of the partner, and there is the interest of the relationship, the marriage. If you maximize each of those, you destroy them, right? If you maximize the interest of the couple, individuality gets lost, and if you maximize the individual, then you threaten the relationship. This is, on a larger scale, true for organizations as well. It's important to understand what happens at these boundaries and design them and leverage them in a way that it's an ongoing learning process. You change, learn, and evolve by discussing these boundaries and make them sometimes more open, sometimes less open.

This is also in ecosystems a big problem. How much IP do I share? How close do I collaborate? How strong do I keep things way from you? And the complexity adding to the boundary management is that in ecosystems, we typically will have very different stakeholders with different operating models, different size, very often different industries, very often different deal types. You might have a licensing deal versus a joint venture, you might have an ongoing cooperation, and so on, even up to M&A. The boundaries you have with the different stakeholders will be very different. So you have this whole portfolio of stakeholders, you have a portfolio of operating systems in a portfolio of boundary management strategies, which makes this thing very complex.

## **Suzie Lewis**

Yeah, and I think it's about relationship system intelligence, isn't it? There isn't one leader as such. It's around creating. It reminds me actually of an internal level of empowered teams or agile teams. So, creating communities or teams that can then become ecosystems and work on some of the biggest challenges either inside or outside the organization, which is my definition of a platform.

## **Roland Deiser**

Yeah, that leads us to the governance challenge, which is another one of the twelve. In an organization you have a legal framework, a constitution, you have a governance, that's more or less accepted. It's usually hierarchical, and even as we are trying to become maybe holographic and self-organized, it still will happen under the under the governance of a entity that has the ability to shape and design a certain kind of - hopefully enabling - structures, systems, and processes.

If you're in an ecosystem, you might have 10, 20, sometimes hundreds of players who may claim some kind of governance power. But there is no constitution that would give anybody legitimate power. So you may be powerful because, let's say, in a platform you're an orchestrator. Let's say you provide extremely mission critical services - you're an Amazon and you provide the cloud, and without cloud, the whole thing wouldn't work. Yes, definitely, you would have a very powerful position in that ecosystem. But it is not the same power as a codified governance that is within the legal framework of an organization. In ecosystems, it's a contractual, it's a multi-contractual arrangement that shifts and is fluid all the time, as new players enter and other players may exit. Here, leadership means then very much the ability to act in these horizontal relationships which are not supported through a legitimate legal framework. So, that is the big, big difference.

## **Suzie Lewis**

I think distributed leadership is about more horizontal, what I call interdependent leadership. But it's also about managing a shift in the balance of power, isn't it? What role does organizational politics play in that for you?

## **Roland Deiser**

Interesting you mention that. I think that we totally underestimate role of organizational politics. generally. If you look inside organizations, you have the politics as well, of course. And it's very interesting - I think that social media and all that kind of stuff that makes people hear their voice - with all the negative thing that comes with it as well - has enabled us to see informal power dynamics much more than we were able to see them before. Yes, you have the formal organization chart. There is the CEO, the Senior Vice President, all the way down to the staff or the frontline people. You would believe, well, the powerful person is the CEO. Because, you know, it's the CEO. And you always look into hierarchical, formal power attributes. But if you do social network analysis, and you look at the way people engage and influence each other, things may look different.

I recently saw a chart of such an organizational network analysis, which had somebody in the middle who was Heidi, the person in the mailroom. And she was the most influential person because she spoke to everybody. In her mailroom executives met and talked about things - she knew more than most people. And as we know, there is the formal decision making, yes. But the real thing usually happens when people meet in the hallways or in restrooms where serendipity happens in terms of "Oh, I've got an idea, let's do this". It finds its way then into the formal process, of course, but it's generated very often informally. And so if I talk about power, we need to differentiate between formal and informal power systems, with the informal ones being in my book more important than formal ones.

And now, let's extend this to understanding power dynamics in ecosystems. Then you see how complex the whole thing becomes. Because ecosystems are less codified than organizations. They don't have clear org charts. They are much more anarchic, and dynamics are less visible. It's hard - at least right now - to apply organizational networks analytics to an ecosystem setting. You can't command people to complete a survey as easily as you can do this within an organization. You don't have easily applicable tools for data generation and data analysis, because these tools are sitting inside individual organizations. So that becomes a very interesting challenge.

### **Suzie Lewis**

And how do you see organizations navigating those formal and informal power systems today? Are there any trends coming up?

### **Roland Deiser**

If we talk about the organization as a unit and not an ecosystem, there is definitely change happening through the technology we have today that allows us to understand the designs and the workings and dynamics of networks through the tool of Organizational Network Analysis. A colleague of mine, Rob Cross, at Babson, has developed a lot of tools to understand that better. And the tools and the thinking that there is more behind the organization than hierarchy and org chart has entered executive suites. People start to understand that.

If you go beyond the boundaries of the organization, I don't think that we have currently much available. This is really a Greenfield; this is where we're doing our research right now. How do you engage as an organization -- no matter if you're a startup, or if you are an 800 pound gorilla, like a Siemens or an Airbus -- how do you engage successfully to make an ecosystem not only perform well, but also be efficient, have an output that works very well, and still keep your own balance between individual and collective interests? There is not much out there yet.

### **Suzie Lewis**

No. Which is exciting, I think, that there's not much out there yet. But it's an interesting journey, to look at the barriers to successful ecosystem management. Because, as you say, today we don't know.

**Roland Deiser**

Yeah. I mean, we did a survey, which is also part of the research paper you have in your hands, and we found quite a few elements that are barriers. One of the main things obviously is eco-system versus ego-system.

**Suzie Lewis**

Yes, yes!

**Roland Deiser**

Do you look at the collective or just at your Ego? And this tendency to get inward oriented, which you see especially in larger organizations. Because their complexity leads to bureaucracy, bureaucracy leads to the phenomenon that you're busy with yourselves - and this is something that creates invisible, stronger boundaries to the outside. That is something that really holds you back to engage successfully, because you don't even have the mind to look outside.

**Suzie Lewis**

Yeah.

**Roland Deiser**

I just got off a conversation before we got online, with an old friend of mine from Switzerland. We talked about the future of leadership. We've been talking about this since years and years - and not much has changed since. Leaders need that very basic quality that you need in the 21st century organization, which is: be curious, look outside, care for what's going on in other systems, co-create, communicate in different ways. This kind of horizontal leadership capabilities have been discussed at length. I think they become an even more important element if it comes to engagement in ecosystems.

**Suzie Lewis**

And I think for me, they're all facets of learning agility, whether it's the learning agility of a person, or an organization, or a system. How do you think we can help ecosystems to develop that learning agility? Does it need to start with individual?

**Roland Deiser**

Well, I think it needs both. When it comes to leadership capabilities for business ecosystems, we look both at people capabilities and organizational capabilities. On the people side, I think those are these generic traits that you would ask from a 21st century leader. Which is: be humble; be one who rather

asks questions that has the answers; have this kind of openness to know that you don't know; yet still have some kind of major purpose that you can rest in, so that you're not just the leaf in the wind. And so on and so forth. We could talk about those qualities at length. I think one of them – curiosity - is especially important. It's very important to go outside your traditional ways of thinking, go beyond the cognitive frames that you have. If you are a marketing person, start to think also in the mindset of finance, of HR, of strategy and of other functions, remain not just in your silo. If you are in an industry, for instance automotive - don't think only cars, because ecosystems are much, much bigger than that. Be curious about things that are going on outside your typical domain in which you feel safe. Just being an expert in a domain is not good enough in ecosystems. So that would be stuff on the leadership side.

On the organizational side -- if you need to engage in this portfolio of different relationships, in this portfolio of different operating systems, in a place where there is no established legally codified governance, then you need to change as an organization the way you govern yourself. Because in order to successfully engage outside you need to be agile. You cannot be a rigid traditional player inside and have the flexibility that you need outside. And so I think, all the discussion we have about agile organization, about iterating stuff, having cross functional teams - all these things are important in order to be able to be a successful participant in ecosystems.

### **Suzie Lewis**

Yes. We're back to the discussion that introversion and self-centricity was one of the most important barriers, and the inability to think beyond the current way of doing business. If I take the fact that digital has massively enabled end-to-end collaboration and communication - is there a link for you between the digital maturity of an ecosystem and the way people or organizations in the ecosystem manage it?

### **Roland Deiser**

We have not looked at the digital maturity of the ecosystem, but at the digital maturity of the organization. Of course, we could discuss what does it mean to be digitally mature, right?

### **Suzie Lewis**

A different podcast (laughs)

### **Roland Deiser**

Yes (laughs). But, you know, there is one thing, obviously -- which is an enabling technological infrastructure. If you don't have that, it's really hard. If we wouldn't have the right technology, we couldn't do that conversation right now. So, that is one thing. I think the other element of digital maturity is more the social or socio-technical infrastructure. What kind of leadership do you need? What kind of governance do you need? How can you have self-organizing, self-editing micro-organizations that work inside and also outside? So, if you add all this up into digital maturity, we found empirically a



very strong correlation between the ability to act successfully in ecosystems and digital maturity. The more you are digitally mature, the better a player you are in a business ecosystem - at least for most of the roles in an ecosystem. Because how do these participants connect? They need to connect through platforms. How do they develop products and services? Much of it is digital these days. How is it done? It's done through co-creation, it's done through open innovation. All things that actually constitute digital maturity. So yes, there is a clear correlation.

### **Suzie Lewis**

Okay, so I'm hearing technology platforms and the platform mindset. The shift in paradigm of co-creation and interdependent leadership. Thank you, Roland. Would you have any last tips or recommendations on successfully engaging in business ecosystems?

### **Roland Deiser**

Well, it's really an interesting question because we're also discussing the various stages of an ecosystem. You can go and say "Well, I have an idea, and I'd like to create an ecosystem." And you, Suzie, yourself - we just talked about that - you were engaged in creating Skywise, which is a great platform and ecosystem for predictive maintenance of airplane engines. Now, as Airbus did this, you had a vision; you saw that there could be a lot of synergies and interesting kind of cost savings and also performance improvements if you bring together the key players that contribute to predictive maintenance. So you designed an ecosystem, you had a strategy to select certain partners to create the infrastructure, they could collaborate there, and so on. Now, that's very different than from when you're invited, for instance, into an ecosystem.

### **Suzie Lewis**

Yes, clearly.

### **Roland Deiser**

If you're the one who gets invited to the table, the capabilities are very different. You don't need so much the strategic capabilities, but you need still to understand your contribution to the larger whole. And then there is a lifecycle of an ecosystem. When you create it, it's great - we have a lot of energy, we have a strategy. But then you start to try to scale that up, you start to fail on the way. There was a recent very interesting piece by BCG's Henderson Institute about the failure of ecosystems. Like so often, may it be with M&A, or with startups, with change initiatives, or with many, many other things - the famous 80 to 85% fail, and only 15 to 20% succeed. And what BCG found in their study was that the failures happen during scaling. Yes, it's easy to be excited at the beginning, but to sustain that whole thing becomes much more difficult. Because stuff goes wrong and collaboration doesn't work as expected, and so on, and so forth.

If I should give a tip, as you said, how to engage best - the first thing, as always, is business modeling and business ideas. You need a vision, you need a purpose. Why do you do that? You need an idea what this ecosystem can produce as a value if you engage in it. And as I said, these days, there's often not much choice. You better really start to understand that you need also to change your own organization in order to perform well in an ecosystem. You just cannot step out and think it works without having all these change imperatives applying to yourself as well

**Suzie Lewis**

Mhmm. And anticipating the move from exciting small project to something more scalable, if I understood correctly.

**Roland Deiser**

Yeah, right.

**Suzie Lewis**

Okay. Thank you so much for coming and sharing your thoughts with us, Roland,

**Roland Deiser**

It's fabulous. I always enjoy these conversations, also with you bringing so much yourself to the table. That is fabulous.

**Suzie Lewis**

Me too. Thank you very much. You can find out more about Roland and the Center for the Future of Organization on their website, at [www.futureorg.org](http://www.futureorg.org) or [www.eclf.org](http://www.eclf.org). We hope you enjoyed this episode, and if so, please head over to iTunes and give us your opinion and rating. So it's bye from me, and see you soon for the next episode of Let's Talk.