

# GROWING IN THE ECOSYSTEM



The digital transformation presents companies with the challenge of revolutionizing their existing business models while at the same time developing entirely new, radical value propositions. *Ecosystem innovation offers them an opportunity to realize far-reaching developments in collaboration with strategic partners.* This benefits customers, as well as all stakeholders involved in the process.

**A**chieving success with innovations requires forethought, decision-making, and networking. First and foremost, looking to the future is an essential step for innovative companies, as they can only establish the areas in which they will discover innovation by first getting a feel for the challenges and opportunities ahead. This forms the framework for identifying new products, services, and business models, wherein exemplary innovation can be achieved through the use of a clear profile. "Managers have to make conscious decisions both for and against specific areas in which to seek innovation and generate ideas," notes Jörg Schönhärl, partner at Horváth & Partners. "This is the only way for them to pool their strengths, achieve synergetic effects, and avoid the risk of overburdening their organization during the process of achieving innovation." Companies would be well advised to invest resources only in those search areas that promise the greatest success for their future scenario.

### SEEKING NEW BUSINESS MODELS

Normally, innovation management has two focal points: new products and services that enable the generation of additional sales through top-line effects, and better and more efficient internal processes that enable greater earnings to be achieved

through bottom-line effects. However, in times of transformation, modern work to achieve innovation must go beyond the standard repertoire and be far more strategic. Today, a whole range of pioneering technologies are driving the transformation of the business world forward. One example of this can be seen in the trend towards decentrality, as well as the process of physical resources being replaced with digital resources. The type of work is also changing, moving towards "New Work," which is characterized by agile, temporary, and objective-oriented organizational setups. These changes also bring new competitors into play. For this reason, companies seeking to safeguard their success must transform their existing business model and develop new value propositions.

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### INNOVATING IN THE ECOSYSTEM

Ecosystem innovation offers the opportunity to realize improvements in collaboration with strategic partners. Just as happens in natural ecosystems, participants benefit from joining with their counterparts in the business world to congregate around a leading company. Based on a platform that this company makes available and manages, the stakeholders gather together their specific skills and resources to form an integrated offering, with the objective of improving the value added and market service provided by the leading company. HUK-Coburg, Germany's

largest car insurance company, uses this approach, and – with the aid of ecosystem partners in areas such as purchasing, financing, and repair – is continuing to expand its offering in the automotive sector.

The following key questions in innovation management need to be answered when developing an ecosystem: How robust is the current business model? Where do we want to position ourselves? How will we achieve this? How will we generate a sustainable “lock-in effect”? How do we want to earn money in the ecosystem? Who are the appropriate business partners for our target customers? What form could the MVP (Minimum Viable Product) for the planned ecosystem take?

### A WIDE-RANGING OFFER AND GREATER DEPTH OF ADDED VALUE

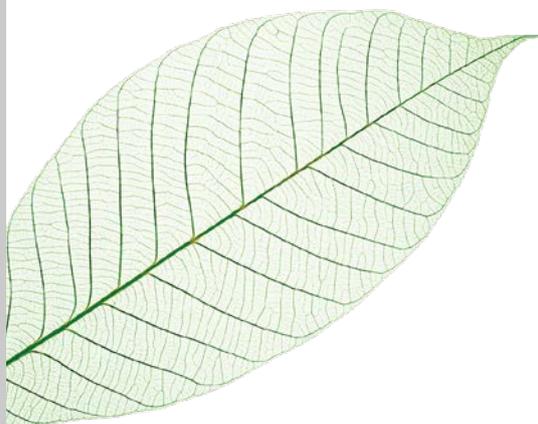
There are two principal strategies for successful ecosystem innovation: The first is geared towards customer-oriented innovations that expand added value horizontally. Ecosystems within the realm of the customer journey therefore integrate market services from third parties with the aim of improving the customer experience. The second strategy is focused on skills-driven innovations that expand added value vertically. With ecosystems in the area of the value chain, companies take a targeted approach to including partners with the aim of optimizing

the customer experience by way of expanded capabilities and a greater depth of vertical added value. Combining these two strategies creates hybrid ecosystems which incorporate external resources both for a wider-ranging market service and deeper value creation. The Horváth & Partners Ecosystem Canvas identifies key components in order to support the development of the appropriate business model system.

It's clear that today's work to achieve tomorrow's innovation involves multiple networks. This can be seen in many examples, including the “Universal Home” initiative, in which companies such as Dornbracht, Medion, Poggenpohl, Schott and WMF have joined forces to jointly shape the future of life and living. “In the age of plug-and-play business models, companies can often achieve more in concert than when working alone,” says Jörg Schönhärl. “This is a major stimulus for ecosystem innovation.” ■

*Overview of ecosystem components at:  
[www.horvath-partners.com/ecosystem](http://www.horvath-partners.com/ecosystem)*

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*Ecosystem innovations can improve both a company's market service offering and its value chain.*