

GETTING FIT FOR THE WORLD OF ECOSYSTEMS

BY PROF. DR. JULIAN KAWOHL

The digital transformation is upending traditional business models in all sectors. In digitized ecosystems, it is necessary for companies to position themselves, and to do so they need to develop their organization and portfolio. Only through change is future success possible.

Digitization changes everything: How we live, how we work, and how we think. That's not a new realization, but many companies in Germany are still taking too tentative an approach to their digital transformation; our research observed the same results regardless of which indicators were used to measure Digital Readiness. Whether in terms of the number and distribution of activities targeting innovation, digital projects in company reports, technological capabilities in job adverts, or IT skills among top management, we keep seeing the same pattern: Only a small group at the top is sufficiently prepared for the digital transformation. This clearly indicates a need to catch up, in order to align business models to new requirements.

One obvious route towards change is to review analogue business models for their potential in the digital age, and adapt them accordingly. However, it is not sufficient to simply expand traditional, hardware-based business models to include digital components such as data analysis services or remote maintenance. To achieve disruptive innovation, companies must set their focus beyond their core business. Special collaborations and innovation frameworks can help here.

INNOVATING WITH LABS AND START-UPS

In a recent study, we found that most top companies outsource their innovation activities to innovation labs or digital labs. These novel organizational units are empowered to research and experiment with new business models in a protected environment, far away from everyday operations, in a setup that attempts to bypass the "innovator's dilemma" of development being mostly incremental. These external entities, mostly located in hotspots such as Berlin and Silicon Valley, must be given sufficient time and resources. Furthermore, companies should ensure that their ideas are implemented in the core units after the development phase. During this integration phase, the core requirements are that product management and sales are appropriately incentivized, and project management resources made available.



In future, successful companies will have to be compatible with digital ecosystems.

Another way to do this is to collaborate with start-ups. Many companies rely on special start-up programs, such as accelerators and incubators, to attract young companies as early as possible. However, only a tiny proportion of start-ups become “unicorns” and attract a market valuation of billions. Finding the truly successful ones requires a great deal of staying power and broad investment in many start-ups. Companies can minimize risk and resource expenditure if they invest in young companies in later phases, or acquire 100% of their shares – though this of course also comes at a cost. Though it's not possible to make a general statement about which option is better, with sufficient financial resources, a combination of the two is the most useful approach.

THE SMART CATEGORICAL IMPERATIVE

However, companies must also achieve much more profound change. The internet giants Amazon, Apple,

Facebook, Microsoft, and Tencent, for example, are a clue to what business models of the future will look like. They view themselves as digitized ecosystems for which there are no sector-related limitations, and which also increasingly eliminate the traditional business separation into end customers and business customers. They address the needs of people in key areas of life, and offer them entirely new solutions on the basis of digital technologies. With immense capital reserves, enormous reach on the market, and investment in the best start-ups, these players function as creators of momentum in the new ecosystem economy. The upshot is that – in the medium term if not sooner – all companies will have to face up to these new assumptions and decide how they will become ecosystem-compatible. To achieve this, they must understand what role they and their business models play in the context of increasing collaboration across the ecosystem. That is the new categorical imperative of change. ■



PROF. DR. JULIAN KAWOHL

is the only one of Germany's professors of economics who is also a former head of strategy of a Euro Stoxx 50 company (AXA German national subsidiary). He has held the professorship in strategic management at the Berlin University of Applied Sciences since 2015. He is the author of wide-coverage studies and contributions, a keynote speaker and moderator of podium discussions, and senior adviser to companies in various industries. He specializes in digital management, digital transformation, and digital ecosystems.