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Execute a Winning Digital Business Ecosystem Strategy — No Matter Your Industry

5 Best Practices to Build, Manage, and Scale Your Ecosystem

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Move Further, Faster With a Digital Business Ecosystem

Traditionally, leaders in search of ways to deepen and extend their digital relationships with customers would either go it alone by building the technology capabilities in-house or acquire the intellectual property and resources from the market. While there are merits to these growth strategies, the complexity involved in quickly delivering the kind of experiences customers demand today requires a new way of thinking and a different model.

More companies are recognizing the advantages of placing their organizations at the center of a network of products and services called a digital business ecosystem. Companies not yet considering an ecosystem likely need to be.

The Digital Business Ecosystem Model

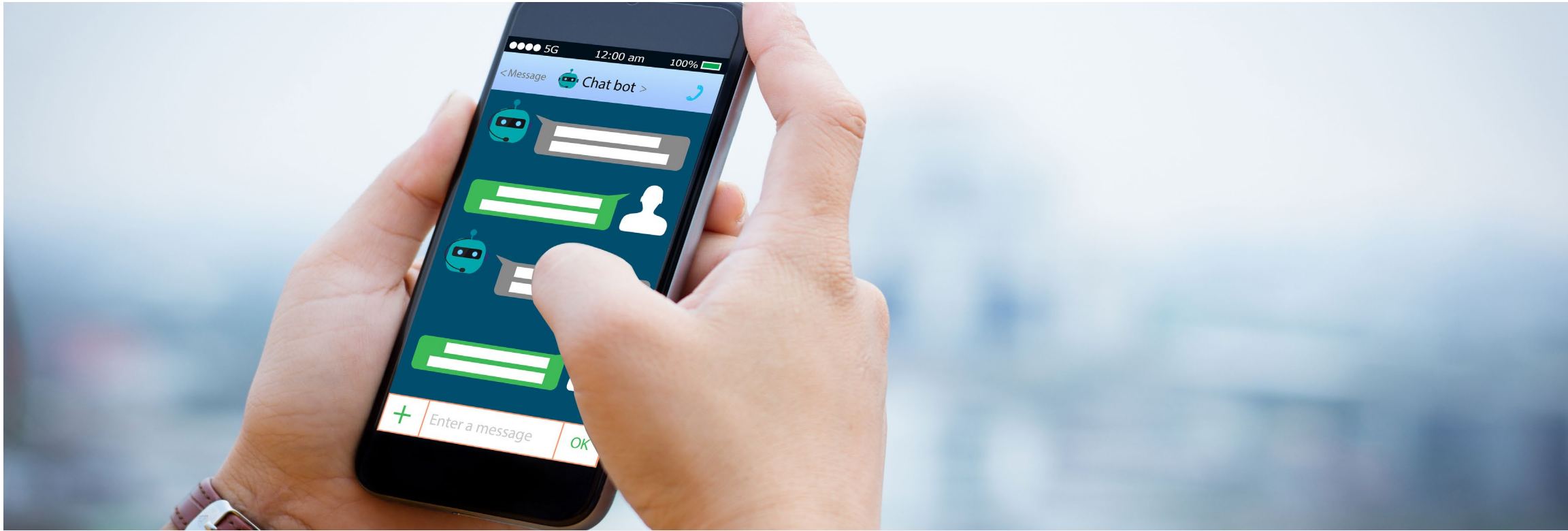
This new model leverages strategic partnerships to expand the number of customers your business can reach, while providing differentiated services that meet your customers where they are. A digital ecosystem exists and operates to deliver a specific product or service (or collection) to the customer in a seamless way by leveraging the connected network of partners. The establishment of an ecosystem can accelerate digital modernization without sacrificing on speed or quality or needing to take on debt and dealing with a lengthy M&A process.



“As technologies like IoT, machine learning, and AI continue to proliferate in the coming years, companies must be prepared to explore new paths of innovation — not just their “digital transformation” to solve real business challenges, but to put all that digital horsepower to work on huge problems that no one company can solve.

- Forbes, *The Power of Digital Ecosystems is Greater Than Their Parts*, 2020

Companies not yet considering an ecosystem likely need to be.



Why You Should Seek Out an Ecosystem Strategy

As more and more of our lives are spent interacting online, ways of engaging customers need to keep pace. While it's easier than ever to reach a global audience, customer expectations are high. One poor online experience can cause customers to leave for competitors. That alone is a key driver for building a partner ecosystem. There are a host of compelling reasons why digital ecosystems are experiencing momentum right now across industries:

- New entrants across every industry are desegregating the value chain and taking market share
- Disruptive technologies like cloud computing and Artificial Intelligence (AI) present new business opportunities
- It's difficult to attract and retain talent with the digital competencies to grow and scale the business
- The power of data in a distributive business environment means companies can no longer compete on their intellectual property alone, but instead generate value more through the data products and networks that are facilitated by digital ecosystems
- Fast moving markets require nimble partnerships to generate test-and-learn scenarios for connected products and services, create channel expansion and parity, and maximize revenue opportunities

Digital Ecosystem Advantages

A mature digital business ecosystem is defined by its ability to engage partners that both complement your brand and future proof your digital presence — without excluding competition.

Advantages of a digital ecosystem include:

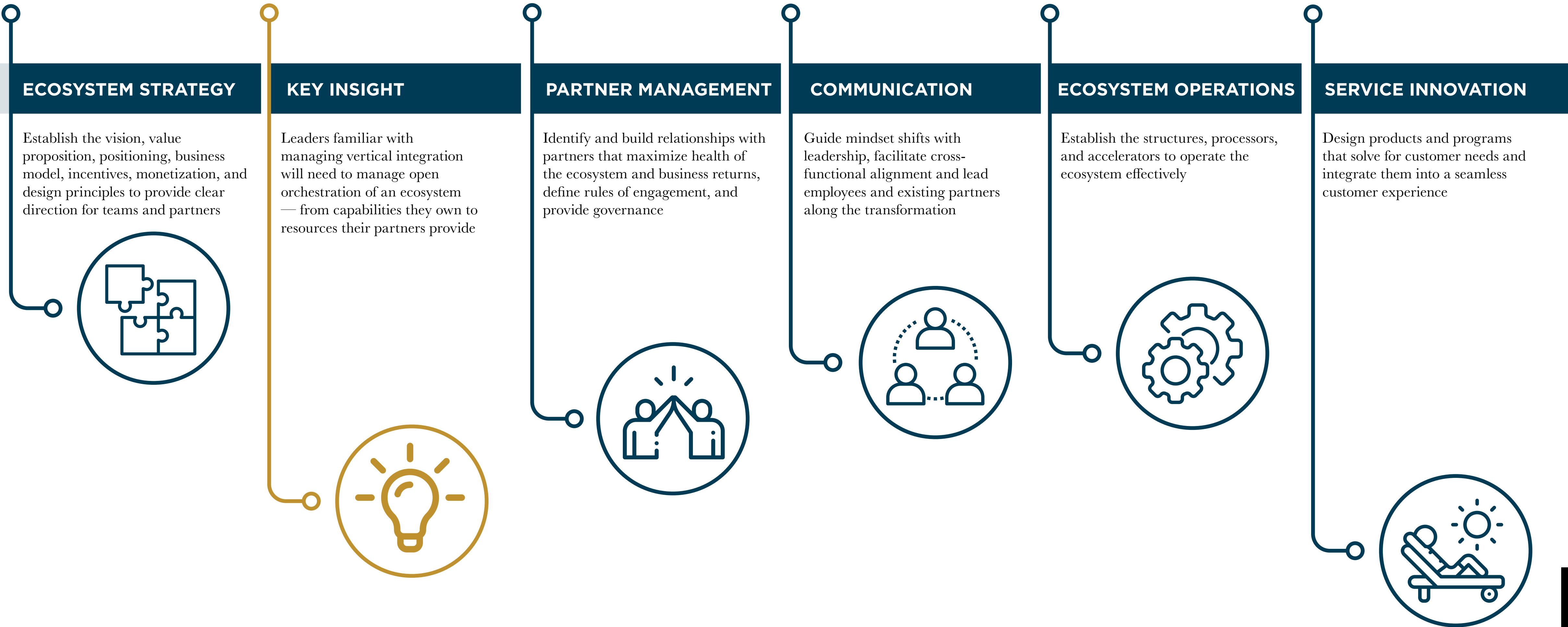
- › Helps you execute experience improvement strategies faster across the customer journey
- › Reduces the need to go it alone, sourcing every skillset, or predicting the next big innovation to boost your customer experience initiatives and outcomes
- › Partnerships with domain experts for features such as chatbots and payment extensions mitigates risks to vulnerabilities like cybersecurity and compliance issues since each expert is focused on providing best-in-class security in their domain
- › Onboarding ecosystem core capabilities such as data and analytics can help you activate experiential mobile and personalization capabilities, supply chain advantages, and solutions like chatbots that can help remove friction in your services
- › Encourages you to consider alliances with vendors that are industry innovators, digitally-native players who already know how to deliver an intuitive and seamless customer experience

The advantages speak volumes — yet creating a successful, results-producing digital business ecosystem is a complex undertaking.

Focus Areas for Building an Ecosystem

Building a thoughtful ecosystem strategy to get the greatest return on your investment in customer experience, one that is uniquely tailored to your customers, requires a focus on 5 key building blocks. For each of these 5 best practices, we’ve outlined questions for you to think through and prompts for you to act on.

At the end of the day, your end-to-end approach requires flexible partnership arrangements that can quickly respond to changing customer preferences, new technologies, emerging competitive threats, and regulatory changes.





#1

Ecosystem Strategy: Define the Network Strategy and Align Incentives for Participation

Taking the time to thoroughly define your overarching ecosystem strategy pays big dividends as you execute your plan. Start by answering the reflection questions below in as much detail as you can; they will provide a solid foundation for the actions you take and the success of those actions.

REFLECT

Understand your competitive landscape and evaluate your internal capabilities:

- What are your customers looking for and expecting from both you and your competitors?
- What is your skillset and strength when it comes to serving your customers?
- Where do you see gaps and where does it make sense to engage partners?
- Where do you see ongoing investment in owning, maintaining, and maturing your digital tools and capabilities (e.g., content management, payment, analytics)?

ACT

Establish the vision, value proposition, positioning business model, incentives, monetization, and design principles to provide clear direction for ecosystem teams and partners.

- Set your vision, with a clear view of your market differentiation, to guide short-term objectives as well as long-term innovation and capability development.
- Establish an aligned view of your value proposition; you'll leverage this view to ensure that your partners maintain a shared sense of ownership.
- Curate a set of design principles to help accelerate decision-making and paint a clear picture of what your ecosystem is working towards.
- Develop a model that offers an incentive structure in which your organization, partners, and customers experience the rewards of a successful network.

#2 Partner Management: Build Purpose Into Your Partnerships and Manage Them Effectively

Taking an intentional approach to creating great partnerships versus reaching for the quick fix, helps you execute more expansive customer service solutions that go beyond simply technology-driven customer initiatives.

REFLECT

Consider the internal capabilities you just evaluated and where partnerships make sense:

- Who are your customers, and which added products and services will enhance the value proposition to them the most?
- What are the digital capabilities you need to elevate, automate, scale, or evolve? Does that capability require a partnership that is purely transactional or one that also fills the role of innovation or strategic thought partner?
- Do you see the partnership as short-term while you prioritize other elements of your ecosystem, or do you see a longer-term commitment?
- Consider where industry-specific solutions are needed versus those capabilities that translate across industries.

ACT

Identify and build relationships with partners that maximize the health of the ecosystem and business returns, define the rules of engagement, and provide governance.

- Clearly define solution expectations not just with your external partner but with internal stakeholders.
- Build a strong cross-functional oversight structure to govern prioritization, facilitate decision-making, and manage risks.
- Prepare your business by thinking through how to best facilitate partnerships.
- Ensure your organization is ready to engage effectively, from procurement to deployment, in order to optimize the relationship.



#3

Communication: Guide Your Organization Toward an Open Integration of Distributed Services

Companies with entrenched legacy systems and ways of interacting with customers, or ones that might be constrained by regulatory requirements, often have more maladapted patterns when it comes to customer innovation. In this scenario, consistent communications with leadership are vital to shifting the mindset toward delivering what your customers need today.

REFLECT

Consider your business imperative and how your organization's willingness to change may affect the viability and success of an ecosystem approach.

- Examine your organizational history of partnerships; what worked, what didn't, and where will mindsets need to shift?
- How prepared are leaders and employees to identify and move past the status quo?
- How will you roll out this strategy to external stakeholders and investors?

ACT

Guide mindset shifts with leadership, facilitate cross-functional alignment, and lead employees and existing partners along the transformation.

- Lead with the why, not only sharing your strategic vision but the business imperative that makes the work necessary.
- Communicate with both a top-down and bottom-up understanding of why and how partnerships will impact the bottom-line and positively shape the customer experience.
- Break status quo thinking by engaging cross-functional partners not only to maintain alignment but also to invite new points of view.





#4

Ecosystem Operations: Align Operating Models to Execute on the Strategy Effectively

It's important for senior leaders to see the benefits of joining multiple segments of their organization behind the common goal of a digital business ecosystem, or the strategy really can't work.

REFLECT

Take a realistic view of your existing organization structure to find those key near, mid-, and long-term opportunities to implement partnerships.

- Consider where structures and processes prevent cross-functional collaboration.
- Define your approach to both sequencing and scaling partnerships; know where you need to start and where you want to grow.

ACT

Establish the structure, processes, and accelerators to operate the ecosystem effectively.

- Position the customer at the core of your business and product structure.
- Infuse agile and lean practices to promote a culture that embraces a test-and-learn approach.
- Find small opportunities to engage with partners to both reinforce and inform your organizational shifts.



#5

Service Innovation: Continue Developing Services That Differentiate Your Brand and Push Your Network Partners

Keep collecting and acting on customer feedback so your digital innovations stay fresh, targeted, and squarely focused on the needs of your customers—now and in the future. This will help you stay competitive and inspire the ecosystem partnership.

REFLECT

Determine your approach for prioritizing customer experience capabilities.

- Where and how do you want to deliver your products, services, or content in the future?
- How are you delivering on core consumer expectations such as personalization, self-service, and omnichannel?
- What are the innovations on mid- and long-term time horizons that require foundational work today?

ACT

Design products and programs that solve for customer needs—then integrate them into a seamless customer experience.

- Demonstrate the value in outside-in thinking by celebrating design thinking and highlighting shared wins with your partners.
- Reinforce opportunities to rethink the status quo and adopt a “how might we” mindset, instead of “we can’t,” for solution development.
- Test and learn through iterative prototypes.

CASE STUDY

Industry-Leading Customer Experience Ecosystem Design for a Regional Utility Company

Propeller recently partnered with one of the Pacific Northwest’s oldest utility and sustainable energy regional leaders to help them do this—and do it well.



THE PROBLEM

Through research, the utility learned they were at risk of losing customers if a competitor beat them on price —by even a few dollars. To protect their industry position, they quickly piloted several new customer experience programs but ran into integration issues due to siloed departments and technology limitations. They needed to consider whether creating a digital business ecosystem could produce needed CX goals.

Traditional frameworks overemphasize speed and disruption. For companies to successfully innovative — they must first address capability gaps. The Propeller approach provided a north star for innovation— the strategy and the road map — for how to move fast without breaking things.

THE APPROACH

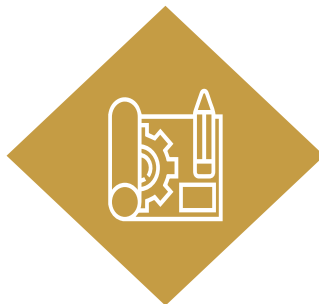
Propeller conducted more than 50 subject matter expert interviews to assess the current state of the customer experience and data processes. This research clarified ecosystem design requirements, strategy, and best practices for driving personalization and connecting service offerings with customers. By leveraging a series of workshops, stakeholder teams designed an ecosystem strategy by connecting their current and future state — producing a roadmap capable of guiding strategy success.

THE VALUE DELIVERED

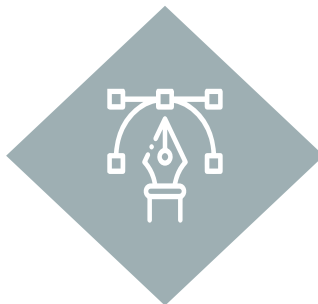
Propeller’s analysis revealed gaps that needed addressing before they could establish a strong ecosystem foundation. Propeller identified the utility’s competitive advantage and opportunities to optimize a tailored end-to-end customer experience and enhance their brand reputation to increase customer retention and build trust. Propeller socialized alignment around the ecosystem strategy and set in motion a best practice action plan with success metrics to grow market share and ancillary services, setting the foundation for the utility to evolve, and pivot if needed, over the next decade.



ECOSYSTEM
STRATEGY +
ROADMAP



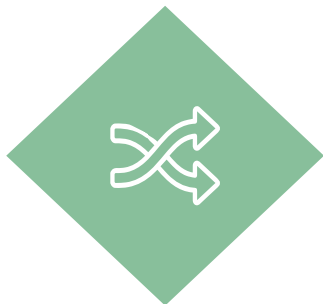
SOLUTION
PROTOTYPING
+ SERVICE
BLUEPRINTING



DESIGN
WORKSHOPS



DATA
ASSESSMENTS +
STRATEGY



CHANGE
MANAGEMENT +
COMMUNICATION
PLAN

Conclusion

These 5 best practices, combined with your willingness to establish a high-functioning digital business ecosystem, will help you create the transformational, next-level customer experiences to keep you healthy, competitive, and in a sustained growth mode.



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Practice Director



Annie Lyons
Principal
Consultant

Trace Wallace is Propeller's Experience Design Practice Director and Annie Lyons a Principal Consultant. Their teams help companies create and execute customized, next-level customer experience solutions to grow their businesses. Propeller provides the vital translation between experience design and technology integration, acting as a critical bridge between solution providers and clients. Contact Propeller today to learn more about how we interact with our clients in true partnership spirit to help you meet and exceed your goals.

Reach out to Propeller for assistance with any phase of your ecosystem build.

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