



# SPINVERSE



## **The secrets in leading successful open innovation ecosystems**

**Spinverse White Paper 1/2018**



## The secrets in leading successful innovation ecosystems

**Innovation ecosystem is an effective way to cooperate and create something new. But what makes other innovation ecosystems successful while others fail? We wanted to explore the leadership of innovation ecosystems to find out how they are led effectively. This whitepaper outlines our findings to the leadership of open innovation ecosystems. Leading an innovation ecosystem is more demanding than that of business and knowledge ecosystems. To be successful, there are six key elements to pay attention to when building and running innovation ecosystems.**

## Introduction

In May 2016, at Spinverse we started a research project on open innovation ecosystems leadership. The main question that we set for our study was:

- *How are innovation ecosystems lead effectively?*

Our research group did literature and benchmark studies, visited conferences and interviewed key customers, our academic partners at Aalto University and experienced industrial practitioners. We also utilized the deep experience of our own experts on building and managing innovation ecosystems over the years. As a result of this study, we want to share the key findings and outcomes in this report.



## Innovation ecosystem leads to business ecosystem

An ecosystem by its definition is an organized group of actors – companies, organisations and individuals – that together bring new value to the customer. To exist, unlike in a natural ecosystem, a man-made ecosystem requires leadership, alignments with a vision for the future, and the creation of benefits for customers. Creating value for customers is at the center of an ecosystem. An ecosystem is a community comprised of actors that interact to deliver products and services that their target customers value.

When speaking about an innovation ecosystem, it is important to state how it relates to two other ecosystems: business ecosystem and knowledge ecosystem. In this context, we see that innovation ecosystem is an integrating mechanism between the exploration of new knowledge (created in a knowledge ecosystem) and its exploitation for value co-creation in business ecosystems. Therefore, innovation ecosystem focuses on creating business growth on novel ideas and it is future oriented. It usually preludes and gives birth to a new business ecosystem where the value for the customer is co-created and captured, Fig 1.

The actors in innovation ecosystem are more heterogeneous compared to actors in the other two ecosystem types. Typical actors may vary from researchers to company business developers or sales people. Also, research organisations and universities have inherently different strategic baseline directions than commercially focused companies. Thus, because of this diversity, the leadership of innovation ecosystem is more demanding compared to the other two ecosystems.

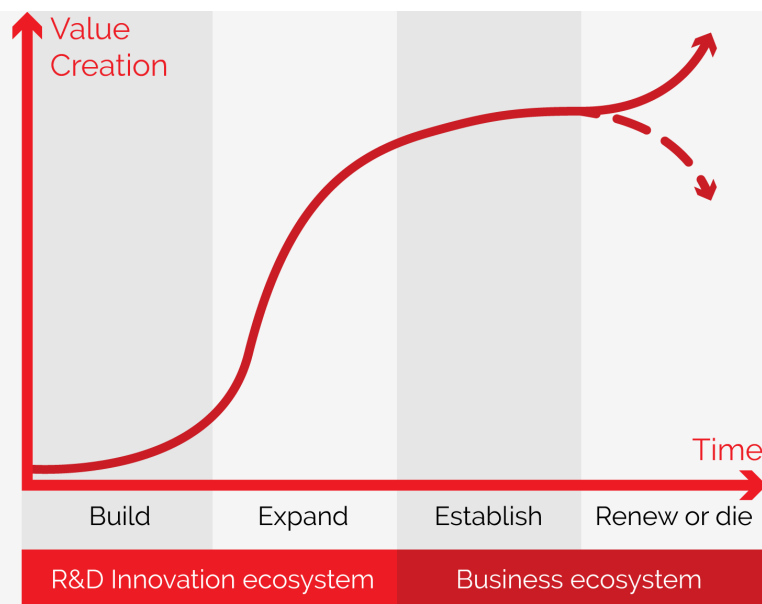
### Life-cycle of an Open Innovation Ecosystem

For clarity, let us imagine the main events in a birth and evolution of an illustrative industry driven innovation ecosystem. There is usually an initiating company, so called focal com-



pany, which has the first idea or a seed for a breakthrough or disruptive innovation. They need partners to co-create the idea further. First, they engage with one or two potential partners and share their thinking. In the beginning, the number of core partners is limited, while the initial idea is developed further. If the partners do not spend enough time on clarifying the common vision and strategy for the ecosystem, they end up having different understanding of the objectives. This happens because they are biased and guided by their own company or organization strategy. At this point, the focal company may contract an intermediary organisation to help in building the ecosystem: to find the needed partners and to facilitate in creating a strategy and "rules of the game" for the ecosystem. As the needed partners are found and selected, the first ecosystem project is planned, financed and launched and the co-creation work begins. After a while,

Figure 1:  
Evolution from an  
Innovation ecosystem to  
a Business ecosystem



new projects supporting the ecosystem strategic roadmap are launched.

Over time, partners co-evolve their capabilities and roles, and tend to align themselves with the directions set by one or more focal companies. New partners may join, and some will leave. The role of the ecosystem leader is valued by the partners, because it enables members to move toward shared visions to align their investments and to find mutually supportive roles.

In the course of time, the innovation ecosystem projects start to produce results that will expand the ecosystem for commercial stage. Eventually, the innovation ecosystem evolves into a business ecosystem, Fig 1. In the end of the business ecosystem, it either dies or renews itself.

### Leading an innovation ecosystem is based on six key elements

Based on our study, we found six key elements that are pivotal for building and leading a successful innovation ecosystem. These six elements can help ecosystem partners run their innovation projects more successfully:

1. Joint visioning with the dream team partners
2. Co-create Win-win Business models

3. Set transparent and clear enough Roles & Responsibilities
4. Lead in complexity
5. Facilitate interactions and dialogue
6. Manage the balance between discipline and creativity

#### 1. Joint visioning with the dream team partners

*Spending enough time in articulating a shared vision and strategy for the ecosystem is crucial*

Organisations that are involved/part of the open innovation ecosystem need a common vision and strategy. This ecosystem strategy visualizes the shared focus, aim and – perhaps the most important – how each organization plans to do business as a result of the ecosystem. If the vision and strategy are not done, this will result that the organisations own strategies guide them in different directions. At some point this leads to discrepancies and tensions, first below the surface and finally to actual disagreements. The activity slows down and projects are prolonged.

Choosing the ecosystem partners should be based on pre-assessed criteria that are derived from the ecosystem strategy. An innovative ecosystem consists of different actors that complement and enrich value added to the



customer. In short, we want to set up a dream team for the ecosystem. Partners need to know why they are involved, to take their role and act accordingly. Partners are mainly corporations and SMEs, but also research organisations and universities can have a critical role in ecosystems adapting innovative technologies.

## 2. Co-create Win-win Business models

*Consider and define at the early stage the value co-creation and capture models for each actor*

By nature, innovation ecosystems aim to produce breakthrough or radical innovations. Hence, describing and agreeing upon how each partner is going to do business or benefits from the value co-creation is difficult at the early stage. However, all the partners should be engaged in tentative business model discussions – at least share their assumptions or preliminary plans on their business expectations. As the ecosystem projects evolve the value capture models for each actor can be iterated and refined. Spending time on these discussions and negotiations early enough will build trust among partners and help prevent unpleasant surprises.

## 3. Set transparent and clear enough Roles & Responsibilities

*Agreeing from the very beginning among actors who is doing what and when*

At the start of the ecosystem building, it is good to make a common operational model, where everyone formally agrees on the applicable operational processes and the roles and responsibilities. A common operational model clarifies and enforces what is done. It also includes the decision-making forums such as the steering group and the decisions to be made.

It is important to go through the roles and the responsibilities to avoid any surprises. In the worst case it can cause conflicts, overlapping work, ineffectiveness and outstanding tasks. In the best case, the varying roles of the actors complement each other and strengthen trust,

**“ If the partners do not spend enough time on clarifying the common vision and strategy for the ecosystem, they end up having different understanding of the objectives.**



which brings results faster. Since ecosystems are dynamically evolving through interactions between ecosystem actors, role descriptions should not be deterministic or linearly driven, but provide flexibility.

It's also possible to include competitors into selected parts of the ecosystem, when the rules of the game are clear.

Understanding the operational model and its coordination mechanism and how it evolves over time is important, both for steering and orchestration and for updating ecosystem roadmap.

#### 4. Lead in complexity

*Leading complex ecosystems require simple guiding principles that enable self-organising cooperation with fast execution*

Even though the responsibilities are good to document also in the contracts, the innovation ecosystem is generally a loose organization from a judicial point of view. The leader of the ecosystem does not have formal authority over the different actors. Often the leader makes use of an intermediary or coordinator specialized in building and leading ecosystems. In cases where a common operating model or rules of the game have not been agreed, the different actors can be too loosely committed to the joint tasks. As a result, leading the ecosystem is challenging and activities slow down. In addition, the motivation and morale of the ecosystem partners decrease due to poor leadership. In worst cases, actors critical to the ecosystem leave and activities come to a halt.

Therefore, describing interdependencies among partners in ecosystem projects are important. In general, the dependencies between the ecosystem participants are beneficial. They strengthen the engagement to common goals and motivate to cooperate.

#### 5. Facilitate interactions and dialogue

*The quality and the frequency of the interactions between partners make ecosystem productive*

The leadership contains also facilitating the interaction and dialogue between the partners. It enables the shared and collective understanding of complicated and challenging issues. Efficient and skilled way of interacting among partners assists in preventing unnecessary misunderstandings. If leading a single organisation is challenging, then leading a diverse multiparty temporal meta-organisation is even more challenging. Ecosystem leadership and orchestration requires proper competence, skills and tools.

#### 6. Manage the balance between discipline and creativity

*Orchestrating ecosystems to have a right balance between discipline and creativity*

The leadership mandate is often given to a specialized intermediary, orchestrator or coordinator that is an impartial actor in the ecosystem. In innovation ecosystems, intermedia-





tors play a significant role in bridging the actors together and thereby facilitating interaction and building dependencies between them.

An efficient way to lead an ecosystem is a balanced combination of well-structured project management and leadership of complex adaptive systems. This enables the development and commercialisation of innovations that are novel and profitable.

## Conclusions

This study provided an overview on the leadership of open innovation ecosystems and its challenges. In general, leading innovation ecosystem is more demanding than that of business and knowledge ecosystems.

Based on the study and Spinverse's experience, we recommend that innovation ecosystem participants pay careful attention on the six key elements, when building and running innovation ecosystems:

- 1. Joint visioning with the dream team partners**
- 2. Co-create Win-win Business models**
- 3. Set transparent and clear enough Roles & Responsibilities**
- 4. Lead in complexity**
- 5. Facilitate interactions and dialogue**
- 6. Manage the balance between discipline and creativity**

During this research, we developed and piloted an open innovation maturity assessment method with six key success factor areas. Next, we will expand the deployment to enrich our benchmark database.

In addition, because of this study, Spinverse will create and implement a suite of digital tools to provide an ecosystem platform with complementing coordination and facilitation services – Ecosystem as a Service EaaS platform.

We believe the afore mentioned success factors help innovative companies and organisations to renew their business and R&D&I work by being able to swiftly build, scale up and

lead their current and future innovation ecosystems.

## About Spinverse

Spinverse is the Nordic leader in innovation consulting, specialised in driving open innovation ecosystems, arranging funding and commercialising emerging technologies. Our customers are predominantly corporations and SMEs in the Nordic countries and other parts of Europe. We help our clients build new businesses by endorsing the best ideas and partners, building innovation projects, finding relevant funding, and creating related business plans. Where needed, we also assist in managing the projects.

Since the founding of Spinverse in 2004, the total size of our project portfolio has been over 1 billion euros. We believe that nobody is an expert alone, and innovative solutions can be achieved best by knowing the right partners. Spinverse has been developing long-lasting relationships in innovation ecosystem projects with more than 400 global industry leaders, innovative growth companies, start-ups, the world's leading universities and research organisations, venture capital firms and public funding organisations.

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*Author Timo Ropponen is Director at Spinverse. Acknowledgements to the Spinverse team for their contributions.*

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