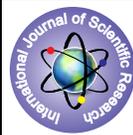


Business Ecosystems- to Dominate in the Modern Business



Management

KEYWORDS : Business Ecosystem, Modern business, Ecosystem strategy

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ABSTRACT

Business Ecosystems have turned out to be the success mantras for many corporate of late. As a biological ecosystem which consists of interdependent organisms, the business ecosystems do consist of interdependent organizations. Staying in an interdependent climate helps each member of an ecosystem flourish. The current paper tends to focus on the role of each member of the organization has to play and the strategy it can adopt to sustain in the ecosystem. It also tries to focus on the companies that have been dominant due to their business ecosystem.

I. INTRODUCTION & DEFINITION:

The term business ecosystem came into existence after its first use by James.F.Moore in early 1990s in his book, "The death of Competition: Leadership and Strategy in the age of business ecosystems." "Ecosystem" conveys the idea that all the pieces of an economy come together in particular places, and that their strength and interactions determine prosperity and economic growth. Business ecosystems may well be defined as groups of firms which together provide complex products and related services to meet end-to- end requirements of users across the value chain.

Being a dynamic structure by itself, business ecosystem holds with it an interconnected population of organizations. These organizations can be small firms, large corporations, universities, research centers, public sector organizations, and other parties which influence the system. In a business ecosystem there is both competition and cooperation present simultaneously.

II. CONCEPT OF BUSINESS ECOSYSTEMS

Ecosystem literally means a link of elements interdependent on one another for their survival. When it comes to business ecosystem, the elements can be organizations, suppliers, producers and all others who form a part of the business. Like an individual species in a biological ecosystem, each member of a business ecosystem ultimately shares the fate of the network as a whole, irrespective of that member's apparent strength.

Business ecosystems are always quite complex with high flexibility. New organizations come in, move out and take on various roles very often.

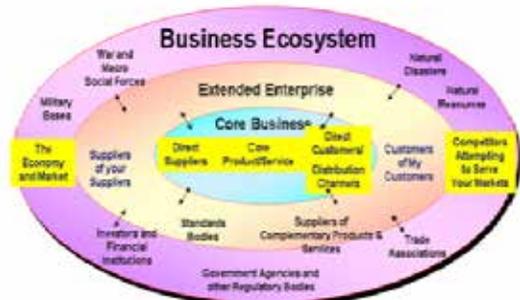


Figure 1: CONCEPT OF BUSINESS ECOSYSTEMS

Hence the business ecosystem of an organization is never constant. On the flip side, for a leader to come up with smarter strategic decisions, it is necessary to be sure at least of their impor-

tant ecosystem entities. To identify the entities in the business ecosystem, the company must be looking into what the company depends on to operate and on whom the company depends to operate.

To cite an example, Pharmaceutical companies require patent attorneys, researchers, and clinical trial participants in order to be successful. These groups are not part of a standard supply chain, but they provide critical resources, services, and ideas to these companies. The other organizations which succeed if our products go well are also basic entities of the business ecosystem. For an example, Michelin cannot sell tires unless people buy cars.

III. DIFFERENT COMPONENTS OF THE BUSINESS ECOSYSTEMS:

Once the critical entities of the business ecosystem are listed, they are grouped based on the role each entity plays in the ecosystem. These form the major components of business ecosystem which are listed below:

1.Keystones:

Keystone organizations are the core part of the ecosystem, generating metaphorical food for others. They accept a broad view of success by inviting partners to expand, grow, or innovate on their core products. Microsoft is a good example of a keystone organization. It creates products, such as Windows and Microsoft Office, which provide sustenance and livelihood to the many organizations that have emerged to support them. For example, software companies develop specialized packages to run on the Windows operating system. Trainers, resellers, developers, and system integrators all benefit from their association with Microsoft.

2. Niche players:

Niche players grow in relation to the keystone organization and profit from their proximity to it. Each niche player develops a specialized place within the ecosystem, developing unique products or services that fulfill a particular need. For example, Priceline.com carved out a specialized niche by offering online bidding for low-cost airline fares. Dependent on airlines like Southwest, Continental, and American, Priceline couldn't exist without their cooperation. With their support, Priceline developed a sweet spot for itself within the travel ecosystem by offering a unique service.

3. Recyclers:

Recyclers follow larger companies and transform the remnants of their work into a viable business. A suitable example is the growing green clothing industry that transforms used soda bottles into attractive fleece jackets. However, recyclers are not always so obvious in the business systems.

For many years, independent consultants were the recyclers of the management consulting ecosystem

IV. CHOICE OF A PARTICULAR ECOSYSTEM STRATEGY.

A company has the option of choosing among three different ecosystem strategies viz., keystone strategy, physical dominator strategy, niche strategy. When a business is at the center of a complex network of asset sharing relationships and operates in a turbulent environment, a keystone strategy is the most effective. In case the business relies on a complex network of external assets and functions in a mature industry, it can opt for a physical dominator strategy. If the business depends on the keystone organization of an ecosystem and produces unique products, then it can choose a niche strategy.

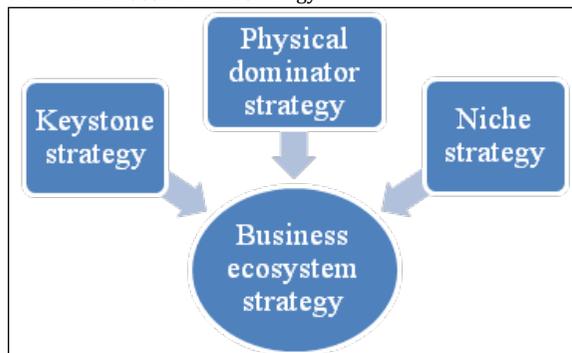


Figure 2: Choice of ecosystem strategy

V. EXAMPLES OF SUCCESSFUL BUSINESS ECOSYSTEMS:

Wal-Mart and Microsoft are well known brands in the field of business. Many attribute the reasons for their dominance to be their vision and aggressive competitive practices. Looking beyond these, the reasons for their success are obviously their respective business ecosystems. These networks of suppliers, distributors, outsourcing firms, makers of related products or services, technology providers, and a host of other organizations affect, and are affected by the creation and delivery of the company's own offerings..

A good example of a keystone company that effectively creates and shares value with its ecosystem is eBay. It creates value in a number of ways. It has developed state-of-the-art tools that increase the productivity of network members and encourage potential members to join the ecosystem. These tools include eBay's Seller's Assistant, which helps new sellers prepare professional-looking online listings, and its Turbo Lister service, which tracks and manages thousands of bulk listings on home computers. The company has also established and maintained performance standards that enhance the stability of the system. Buyers and sellers rate one another, providing rankings that bolster users' confidence in the system. Sellers with consistently good evaluations attain PowerSeller status; those with bad evaluations are excluded from future transactions.

Additionally, eBay shares the value that it creates with members of its ecosystem. It charges users only a moderate fee to coordinate their trading activities. Features such as the PowerSeller label reinforce standards for sellers that benefit the entire ecosystem. These performance standards also delegate much of the control of the network to users, diminishing the need for eBay to maintain expensive centralized monitoring and feedback systems. The company can charge commissions that are no higher than 7 percent of a given transaction and well below the typical 30 percent to 70 percent margins most retailers would charge. It is important to stress that eBay does this because it is a good business. By sharing the value, it continues to expand its own healthy ecosystem. Its ecosystem has a base of more than 70 million buyers and sellers now and thrives in a sustainable way.

VI. CONCLUSION:

After having understood the concept of ecosystem, four major issues are to be focused as the driving forces for the effective functioning of an ecosystem. These include turning ideas into enterprises; linking small and large businesses; better connecting education to jobs; and encouraging cross-sector collaboration. In a nutshell, as in a garden, we need fertile soil, seeds and other ingredients to make things grow, so do we need a network of people who feel they have lives and opportunity ahead with our business.

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