

Business Schools + Ecosystems = ?

By

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Managing New Business School Ecosystems: Do's and don'ts



Business schools should be at the forefront of supporting businesses in finding their way into the future. Therefore, when business realities change, so too do the realities for business schools and swift adaptation is required.

To meet a host of challenges ranging from the acceleration of digital transformation, strategic sustainability initiatives and evolving social needs, businesses continue to respond in innovative ways. One such response is to leverage resources from outside of their own company walls. Ecosystems of partners have thus emerged as a way for businesses to organise themselves for the future. From tech giants, such as Alibaba and Amazon, to traditional businesses in healthcare (Bayer), automotive (BMW), and manufacturing (Caterpillar), the list of business ecosystems is multiplying at a high pace. But how does the rise of ecosystems impact global business schools? In this article, we outline what ecosystems are, how they are changing business realities, and what business schools should do to respond to stay relevant.

Business ecosystems?

Business ecosystems are boundary-less organisations of interdependent businesses with customer-centric offerings that can range across industries. As with a biological ecosystem, each entity in a business ecosystem affects and is affected by the others. This creates a perpetually evolving relationship in which each entity must be flexible and adaptive enough to survive the changes. Organisations are also moving away from rigid pyramids of organisational hierarchies towards hybrid approaches that confer more autonomy and resilience. Rather than following strict, top-down, strategic directives, business ecosystems are managed by guiding principles and data-driven insights that make the sum of their parts greater than the whole. In business terms, the offerings of a business ecosystem can better meet customer needs than individual offerings.

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Challenging leadership and strategy in businesses in ecosystems

Although some claim these organisations will capture a (very) large portion of the value added to the economy, for many executives the question remains as to what extent business ecosystems are relevant to them. Whether a company orchestrates, contributes to, or remains relatively distant from a business ecosystem, it is important to note that the way strategy is developed and executed to create a competitive advantage in this new reality is changing in three ways:

- The source of competitive advantage has shifted, from cost and differentiation to network effects and complementarities, from sustainable to temporary advantages.
- Strategy is changing, from top-down prescriptive strategy to balancing deliberate and emergent strategy processes in real time. AI-supported decision making is significantly changing functional areas such as human resources, marketing and operations.
- Business ecosystems pose a leadership challenge: leading in a digital-enabled ecosystem requires a balancing act to coordinate your own strategy with that of your partners. The leader's role is to manage tensions and bring purpose to a boundary-less organisation.

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An effective ecosystem leader must master a simple contradiction: pushing teams out of their comfort zones in order to learn vital new digital skills, while simultaneously creating environments that are as comfortable and supportive as possible in order to foster innovation and creative risk-taking



Fundamentally, future leaders need to challenge traditional leadership and strategy roles. Digital technology is the cornerstone of these ecosystems and significantly impacts not only how strategy is designed and executed, but also how organisations are to be led. An effective ecosystem leader must master a simple contradiction: pushing teams out of their comfort zones in order to learn vital new digital skills, while simultaneously creating environments that are as comfortable and supportive as possible in order to foster innovation and creative risk-taking.

What business schools should do to respond

At the end of the seventies, Tom Peters announced that we should move beyond the matrix organisation to match accelerating business environments. The same holds true for business schools of the future.

We see two ways forward:

1. Expanding the content and format of business education
2. Changing the way we organise business education

While the former builds on what business schools already have – excellent faculty, content, pedagogical experience – the risk lies in making incremental improvements to an outdated model of business education. The second approach is more promising: adapting to the changing needs of businesses by building ecosystems.

A number of business schools are already taking advantage of their proximity to other colleges within the same university to develop ecosystem relationships (e.g., MIT Sloan School of Management, Stanford, and Harvard Business Schools in the USA, but also Saïd Business School at the University of Oxford and the Judge Business School at the University of Cambridge in the UK).

There are two main motivations for business schools to embed themselves in ecosystems of capabilities. First, to meet the changing needs of digital leadership and strategy requires competences that are traditionally not within the business school domain, such as artificial intelligence for decision making. In contrast to changes in tools – such as the laptop, mobile phone and internet – these represent step changes in technology-driven business environments.

Secondly, curriculum needs are changing. Where there used to be a stable and predictable curriculum to educate future leaders – ranging from specialisations such as finance, to general management skills – we now find a constantly evolving set of topics. As a result, more business schools are looking outside their organisational boundaries for differentiation, for example, in the fields of technology, sociology or arts. Operating alone, business schools will not be able to keep up with, let alone lead these trends.





How is IMD responding?

As a global business school that focuses almost exclusively on executive education, IMD is most affected by changing market needs. Further, as an independent business school, it has no access to the pre-existing, broad-ranging ecosystem of a traditional university. This vacuum has impelled IMD to explore deep partnerships that enable it to offer both flexibility and expertise to its clients.

Over the past 20 years, various experiments have been launched, with mixed results. More recently, however, a couple of projects have found great success. One example is a special relationship with EPFL (école polytechnique fédérale de Lausanne). EPFL has been at the forefront of several state-of-the-art innovations, including Apple's Siri technology, the development of Solar Impulse – the first plane to fly around the world on solar energy – and the "Blue Brain" project, considered by many as the world-leading research project on AI.

The key programme developed together by IMD and EPFL is "TransformTECH"¹, which leverages

the best that each institution has to offer: deep tech and business expertise. The programme combines insights into AI and data analytics, intelligent robotics and the Internet of Things (IoT) with project-based strategic planning and innovation exercises. Its inception has allowed IMD to offer business executives hands-on interactive opportunities to explore how some of the latest technological developments will impact their businesses. Since it launched in 2018, it has experienced high rates of enrolment, positive feedback from executives, and it has helped re-position IMD as a school on the forefront of cross-sector partnerships, bridging the gap between business and cutting-edge technology.

TransformTECH's success seeded a second ecosystem partnership between IMD, EPFL, and a third partner, the University of Lausanne (UNIL). The three institutions joined together at the end of 2019 to create the ambitious Enterprise for Society Center (E4S), an academic centre dedicated to accelerating the transition toward a more resilient, environmentally responsible and inclusive economy.

¹ <https://www.imd.org/tt/technology-business-transformation/>

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Founded to leverage the distinct but interrelated expertise of each institution towards a single goal, E4S will launch a new master's program in sustainable management and technology in September 2021. The Centre's collective reach has already been established with the publication of several collaborative papers and research articles along with the organisation of well-attended Zoom forums on inclusive capitalism, the future of work, and the Swiss Responsible Business Initiative, a contentiously debated ballot initiative.

Another example of IMD's emerging ecosystem is illustrated by its relationship with ECAL² – one of the world's leading design academies – also based in Lausanne. The two institutions have co-created a multi-day executive education programme to be launched this year. The Leading by Design program is an extension of a long-standing collaboration between the two institutes through which ECAL master's students have participated in IMD programmes, cross-pollinating ideas between the worlds of industry and design aesthetics. Dr. Greeven, co-author of this article, will co-direct the new Leading by Design programme. The partnership offers mutual benefits: IMD executives will learn more about how to lead innovation and creativity, while ECAL designers and artists will better understand how executives think and how they can better monetise art and design.

While some of these collaborations have been successful, others continue to be finessed, and a few have offered crucial lessons. Here is what we have learnt so far:



1. Get commitment from the top

Getting a long-term commitment from top management is critical in order to ensure proper institutional support for the partnership. By aligning key leaders, the deployment of key resources and the buy-in from internal and external stakeholders enables a smoother roll-out. However, it's also important to get formal institutional commitment since we have seen cases where a change in leadership led to the slow death of a project.

2. Focus, focus, focus!

A clearly defined purpose for the project is another key factor in its potential success. Ambitious collaborations require two teams to work together to create something new. Distinct processes must, therefore, cohere and this is achieved through clear, simple outcomes that will ensure the proper mobilisation of resources and impact. As one experienced colleague observes: 'These projects often look like we're trying to marry a rabbit with a fish... Often, partners have different business models, institutional cultures, levels of commitments, financial expectations, paces of thinking and execution.' Therefore, the better defined and more focused the project is, the greater its chances of success.



² ECAL: Ecole Cantonale d'Art de Lausanne



60%

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3. Deploy 'champions' with open minds

We find a lot of independent minds in the academic world and it is not always easy to find alignment among smart colleagues. However, when two open-minded people are ready to commit the proper support and energy to designing and running a program, mobilise colleagues and fine-tune the details of the execution they can prove far more effective than larger teams with ill-defined commitment.

4. Define responsibilities

It is critical to define who does what and to balance responsibilities between the players. The consequences of not doing so can lead to failure. In one case it was unclear who was in charge of recruiting participants, leading to the entire project being disbanded.

5. Clarify what success will be

What gets measured gets done. Therefore, set out how successes will be measured in the short, medium and long term. Establishing milestones, regular reviews and follow-up sessions are vital.

6. Experiment, fail fast (if needed) and move on

Not every project is successful. Experience shows that when a project does not meet its objectives, it is better to accept this, learn from one's mistakes and move on rather than to drag the process out and get caught in an infinite blame game. According to McKinsey, about 60 percent of business joint ventures fail. Although we do not have the data yet, we suspect that managing business school ecosystems is probably just as risky.

³ Interview by Noel Tichy and Ram Charan; *Harvard Business Review* (March-April 1995)



In conclusion, many business schools have no choice but to get actively involved in new eco-ventures because business issues are increasingly interlinked to societal, technological and environmental challenges. Business schools must act in order to respond to market requests and differentiate their curriculum as well as their identity.

If crafting ecosystem strategies is a challenge, executing them is even more demanding. To paraphrase, Larry Bossidy, the former CEO of Honeywell: *'At the end of the day, you bet on people, not on strategies. Strategies are intellectually simple; their execution is not. Your strategies will not give you better results. Of course, you want to have a good idea of where you're going, but that's not enough. The question is: Can you execute? That's what differentiates one company from another.'*³

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About the authors

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