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**Resident Bloggers**

Stephen Ibaraki

Technology Journalist I.S.P.,
DF/NPA, CNPBarnaby Jeans
IT Pro Advisor
Microsoft Canada**Interview with co-author Dr. Marco Iansiti; The Keystone Advantage: "This is an important book that should be read by anyone interested in the dynamics of modern business." -- Bill Gates**

In a prior blog, I indicated that IT is the enabler to both internal and external business ecosystems. This creates a demand for professionalism since IT is mission critical to enterprise effectiveness and business agility. In essence IT is a kind of Keystone and this ties into an interview I conducted with Marco. [Note: due to its length, I didn't include the entire discussion.]

I would like to hear your opinions in this forum or send me an e-mail at sibaraki@cips.ca.

Enjoy! ... From Stephen Ibaraki, I.S.P.

[Marco Iansiti](#), David Sarnoff Professor of Business Administration at Harvard Business School.



Q: Can you summarize the key theme(s) of your latest book, "The Keystone Advantage: What the New Dynamics of Business Ecosystems Mean for Strategy, Innovation, and Sustainability"?

A: My book, The Keystone Advantage, summarizes my findings after years of looking at various company's 'ecosystems' and understanding how they had been able to thrive and grow, or struggle and fade. Through my work with Fortune 500 companies, I came to recognize that biological ecosystems can be a powerful analogy for business networks. And that a company's success depends on the success of its ecosystem - its suppliers, customers and partners.

I found that traditional business models, which are prone to place emphasis on internal competencies, are no longer adequate in a world of massively interconnected business ecosystems. Today, successful companies use what I call the Keystone Advantage, utilizing the collective competencies of an entire network in order to achieve a competitive advantage.

Q: In "The Keystone Advantage" you describe two categories of clientele. Please describe these two categories and address their needs.

A: In my book, The Keystone Advantage, I sought to address the unique and rapidly changing needs of two audiences. The first audience, or Group A, is made up of key decision makers and executives in the IT industry who have a sense of their company or product's ecosystem, but seek a deeper understanding of how to effectively impact and manage it. Specifically, Group A is looking to be more structured and analytical on their business decisions in order to develop a systematic strategy to manage their ecosystem.

The second audience, Group B, also includes key decision makers and/or executives, only this time they are not solely from the IT industry, but other industries as well (e.g., operations and manufacturing). Group B understands its business processes and their reach outside of their own enterprise. This group is primarily interested in the dramatic impact IT tools and applications can have on its business in order to help them compete and collaborate more effectively with other organizations.

Q: How do companies go about understanding their dependencies and relationships, identifying critical assets internally and externally, and building strength throughout the business ecosystem?

A: Understanding your company's dependencies is critical to knowing and gauging the health and potential of the ecosystem in which your business lives. In my book I outline three steps that a company may apply to better understand its relationships, dependencies, strengths and, ultimately, its weaknesses.

The first step is to analyze and understand your ecosystem. This means an in-depth analysis of its structure, key players, the competition, and the overall health of its market. Through this process, key issues, strengths and weaknesses are identified and so too are potential partners. With the analysis complete, it's time to develop metrics aimed at tracking and analyzing the performance of the most critical domains and partners in the ecosystem. This is critical as 50% or more of the value added to most products and services are a function of external organizations through partnerships, collaborations and/or joint ventures. Yet, most companies do not measure these external metrics.

The second step is about developing a strategy based on this analysis. Through the collected insights, it's time to determine the company's 'role' in the ecosystem. As my book lays out, there are four (4) roles a company may take, including: an Enabler; a Keystone; a Dominator or a Niche player.

Third in the process is the building out the business around the company's new strategy. From a CIO's perspective, this is the time to ask a list of questions aimed at ensuring you can build the business out. Question such as "what technologies will I need to implement?", and "what are the processes I need in place?" are typical, and will get you to the next level. Competing in an ecosystem, managing a complex set of relationships requires new capabilities and is a new role for CIOs. With the increased reliance on outsourced services, even for key assets and capabilities, for example, the execution of an ecosystem strategy, and the CIO's role in that strategy becomes paramount to a company's competitiveness.

These three steps will lead your company to a better understanding of its relationships, dependencies and strengths and weaknesses.

Q: Do you have particular views on outsourcing, innovation and its implications?

A: More and more we see businesses - big and small - focused on outsourcing. Organizations are not only



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outsourcing non-core functions such as HR or IT infrastructure, but they are also starting to rely on partners for crucial business functions, such as innovation and critical strategic partnerships. From healthcare to financial services, the market for outsourcing has grown to nearly \$1 Trillion with no slow down in sight. The attraction is obvious -- companies continue to outsource not only for the inherent cost savings associated with low cost (and often times highly skilled) labor pools, but also to enhance their strategic capabilities and improve innovation by moving non-core strengths to a third-party vendor.

Take hospitals and hospital systems for example. With the care of patients, Research and Development and teaching considered 'core' strengths of many hospitals, it makes sense to move back office functions to a specialized operational firm. Leave the care of patients to the hospital and move operations to a highly skilled, technical vendor. The good news is that we're starting to see the market bear these kinds of specialized services and service providers. Of course, outsourcing is a lightning rod for issues surrounding privacy, so I think the issue will be played out in the media and through public policy.

On this topic, it's also worth mentioning that with any decision to outsource, a company must look at what it's giving up. Inherently, something is lost by outsourcing work, so it's key to decide what that is and then weigh the risks associated with your decision.

Q: Bill Gates has endorsed your work. Please comment on what he said.

A: In the early stages of Microsoft, Bill Gates understood the idea of being a Keystone Player and seems to have been keenly aware of the ecosystem his company was growing within. As a result, Microsoft is built on many of the foundations outlined in my book. One of the most obvious is its role as an 'Enabler' focused on facilitating the activity of other (software) developers. As you know, Microsoft was started with tools and not DOS/Windows, but the company's role as an Enabler in the community eventually led to Windows.

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