BUSINESS DESIGN

How To Map Ecosystems

A Guide To Designing an Ecosystem Business Model Using Design Thinking, AI and Data-Driven Methods

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Designing Business Models

Background Information

Uncover the strengths and limitations of popular business model tools like the Business Model Canvas and e3 modelling when applied to modern, interconnected markets. This section critically examines these frameworks, revealing where they fall short in capturing ecosystem dynamics. It also introduces a more powerful approach—ecosystem business model mapping—setting the stage for a deeper exploration of this innovative concept later in the book.

1.1 How To Use This Guide

This guide is designed to be flexible, allowing you to select its sections based on your needs and expertise. You don't need to follow it sequentially – feel free to jump in wherever it's most relevant for you.

If you're familiar with concepts like Jobs To Be Done and Problem/Solution mapping, skip to the Ecosystem Business Model Mapping section. However, if these concepts are new to you, this guide will provide an initial introduction to some methods to help you develop an innovation customers want.

The sections of the guide cover the following:

Jobs To Be Done: Understand customer needs to identify unmet needs
Problem/Solution Mapping: Visualize the challenges your customers face and summarise a solution
Value Proposition Design: Craft a value
Ecosystem Mapping: identify who is needed to create the ecosystem
Ecosystem Business Model Mapping: Create a system-level view of a business model – an ecosystem

1.1 How To Use This Guide

At the end of each chapter, you'll find tools and tips that frame how to use AI and data-driven methods to enhance your innovation processes. Creativity and design thinking are also crucial, highlighting the importance of collaborative, multidisciplinary teams that harness diverse skills effectively. By combining AI and data-driven decisions with creative approaches, you can exponentially improve innovation outcomes.

The guide also covers the following:

- **AI-Driven Innovation**: Explore how artificial intelligence is transforming innovation processes, enabling faster and more efficient identification of new opportunities.
- **Data-Driven Decision Making**: Learn how to harness the power of data to drive decisions and validate innovations, ensuring they meet market demands.
- **Design Thinking Approaches**: Utilize structured ways to be creative, helping you move from ideas to prototypes and then testing them effectively.
- **Collaborative Innovation**: Understand the need to involve multidisciplinary teams, both external and internal, and increasingly innovate with partners, forming the basis for creating innovation ecosystems.

Note: This guide is only an introduction and provides a starting point for exploring the next-generation playbook of innovation. For more in-depth insights and personalised guidance, I invite you to contact me to learn more about how we can collaborate to achieve your innovation goals.

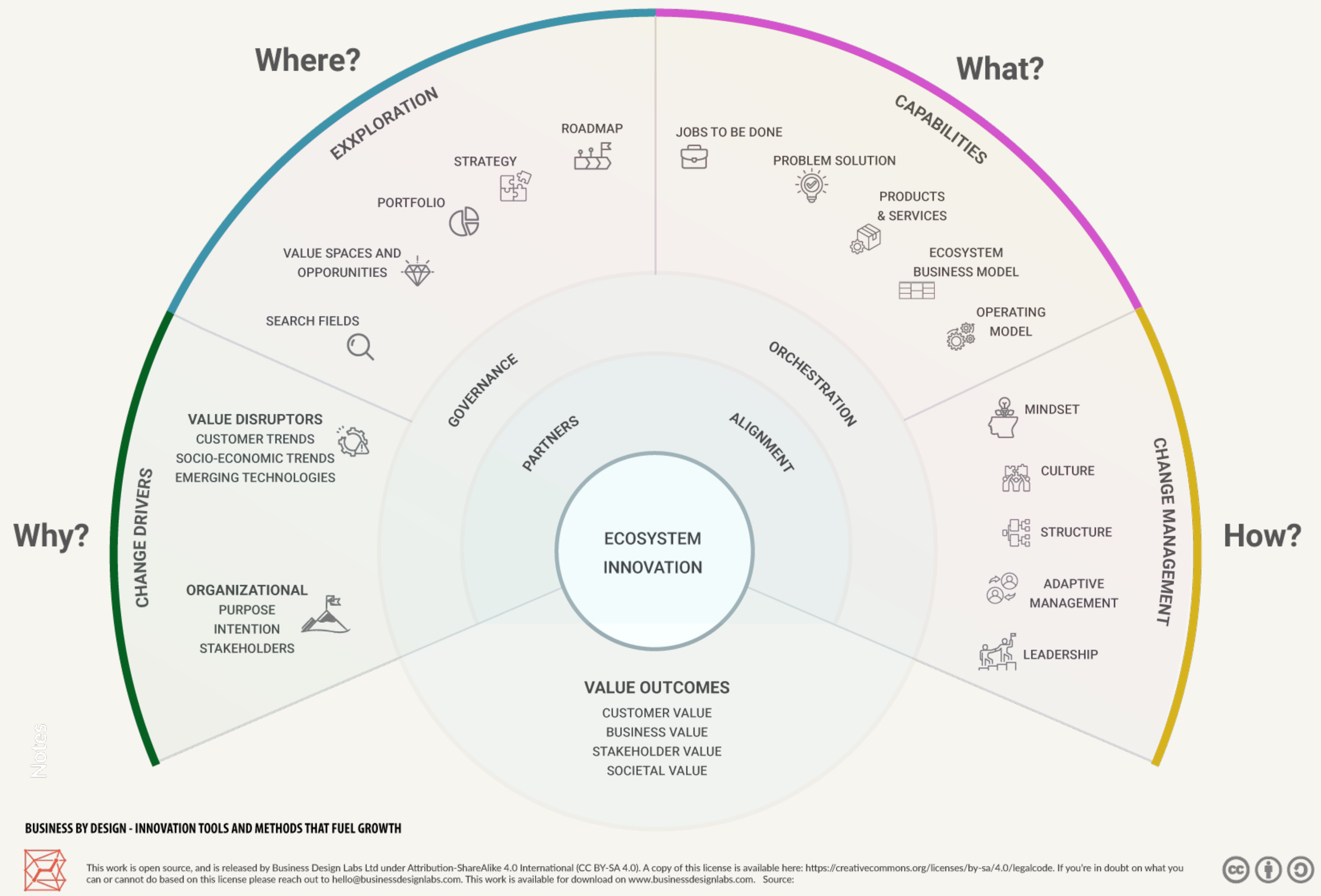
1.1 Innovation

Innovation is challenging. Moving from idea to implementation involves developing the value proposition, testing and validating assumptions, iterating and adjusting the initial idea, developing the value proposition, and much more.

Unlike a startup that principally works as a team, larger organisations need to bring together multidisciplinary teams. Visual tools help to create a common mindset and for people to collaborate, share ideas and make decisions.

Through my practice and research, I have often found companies think narrowly about how they create value and innovate, rarely looking beyond their immediate partners in the supply chain. However, during workshops and training, mindsets shift, and teams recognize the possibilities of creating value through a broader set of players. They begin to grasp systems thinking and see the potential in collaborating more widely. This new outlook considers partnerships outside their usual market or industry – and sometimes even with competitors! It opens up innovation possibilities that hadn't previously been imagined, including collaborating with competitors to solve critical bottlenecks that hamper progress in their market or industry.

BUSINESS DESIGN LABS - INNOVATION CYCLE



While many companies have an innovation process, it is often disjointed. The Innovation Cycle framework is designed to help identify gaps and where there may be some problems. The framework forms a systematic and structured process for teams to follow.

In simple terms, it helps to identify what needs to be done to deliver a new product or service that delivers a competitive advantage.

BUSINESS DESIGN LABS - INNOVATION CYCLE

BUSINESS BY DESIGN - INNOVATION TOOLS AND METHODS THAT FUEL GROWTH

1.2 Introduction

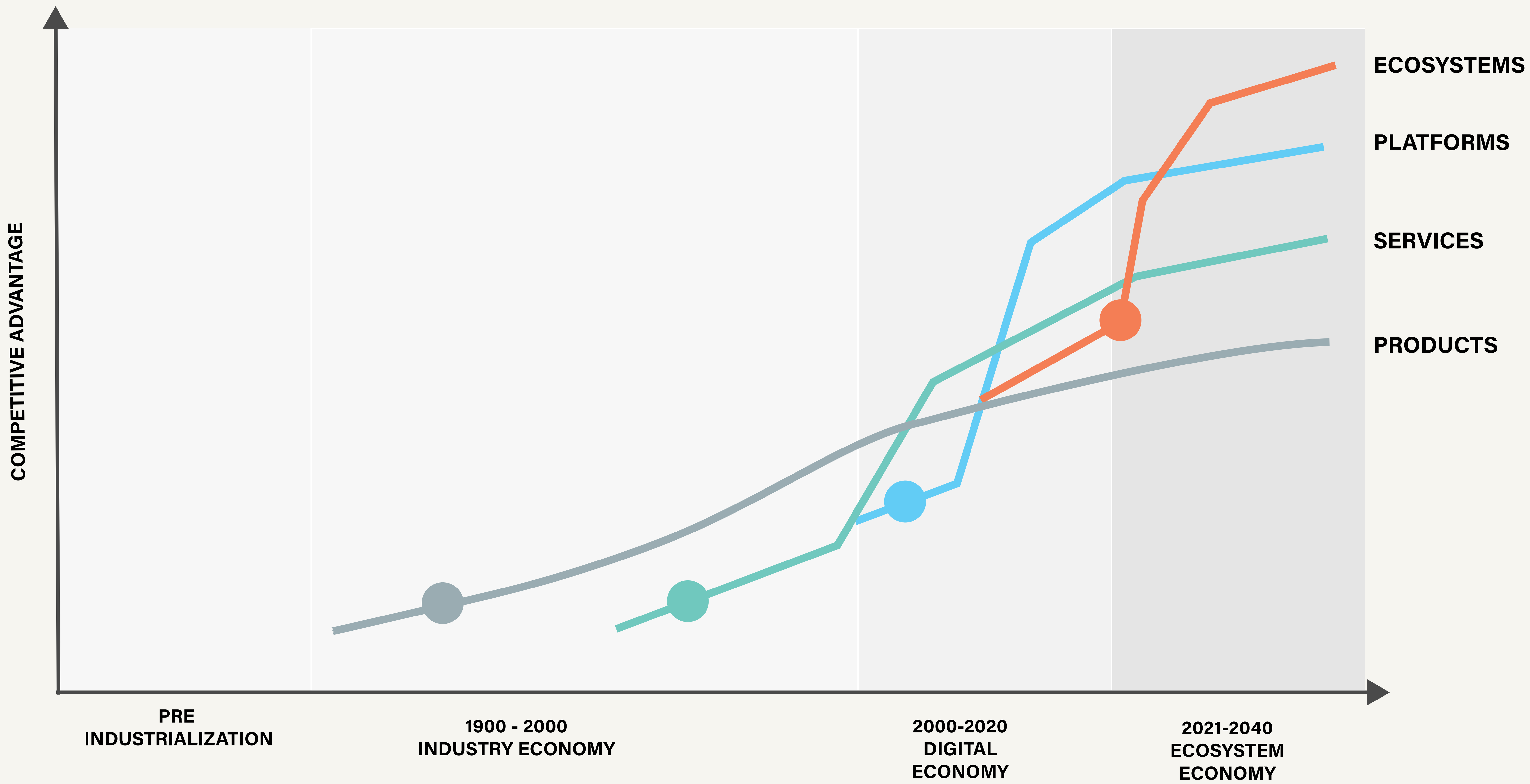
Context of Ecosystems

Why Ecosystems?

Ecosystems are reshaping traditional business models, offering new paths to success in the digital age. Organizations must embrace this collaborative approach to stay competitive and fuel innovation. By joining ecosystems, companies tap into a broader network of strengths and resources beyond their own limits. This collective power enables the development of cutting-edge solutions and delivers greater value to customers.

- **Ecosystems Enable Co-Creation of Value**: In an ecosystem, value is created through the interactions and collaborations among the participants rather than by individual firms working in isolation.
- **Access to Diverse Resources**: Ecosystems provide access to a wide range of resources and capabilities that may not be available within a single organisation.
- **Accelerated Innovation**: Collaboration within ecosystems accelerates innovation and reduces time-to-market for new products and services.
- Improved Customer Experience: Ecosystems enable the delivery of holistic, end-to-end solutions that improve the overall customer experience.
- **Ecosystems Drive Competitive Advantage**: Participating in ecosystems allows organizations to gain a competitive edge by tapping into new markets, technologies, and customer segments. In an ecosystem, companies can create value that they could not create on their own, and they can access markets that would otherwise be out of reach.
- **Expansion into New Markets**: Ecosystems facilitate entry into new markets and geographies, enabling growth and diversification.
- **Access to Cutting-Edge Technologies**: Collaborating with ecosystem partners provides access to the latest technologies and innovations.

The journey from products to ecosystems reflects a fundamental shift in how businesses create and deliver value. Companies once focused solely on developing and selling tangible goods. However, as customer needs grew more complex, businesses expanded into services, offering ongoing support and solutions. This evolution didn't stop there. The digital revolution gave rise to platforms, connecting buyers and sellers in new ways. Now, we see the emergence of ecosystems, where multiple companies collaborate to provide comprehensive solutions that no single entity could offer alone. This progression showcases how businesses continually adapt to meet changing market demands and technological possibilities.



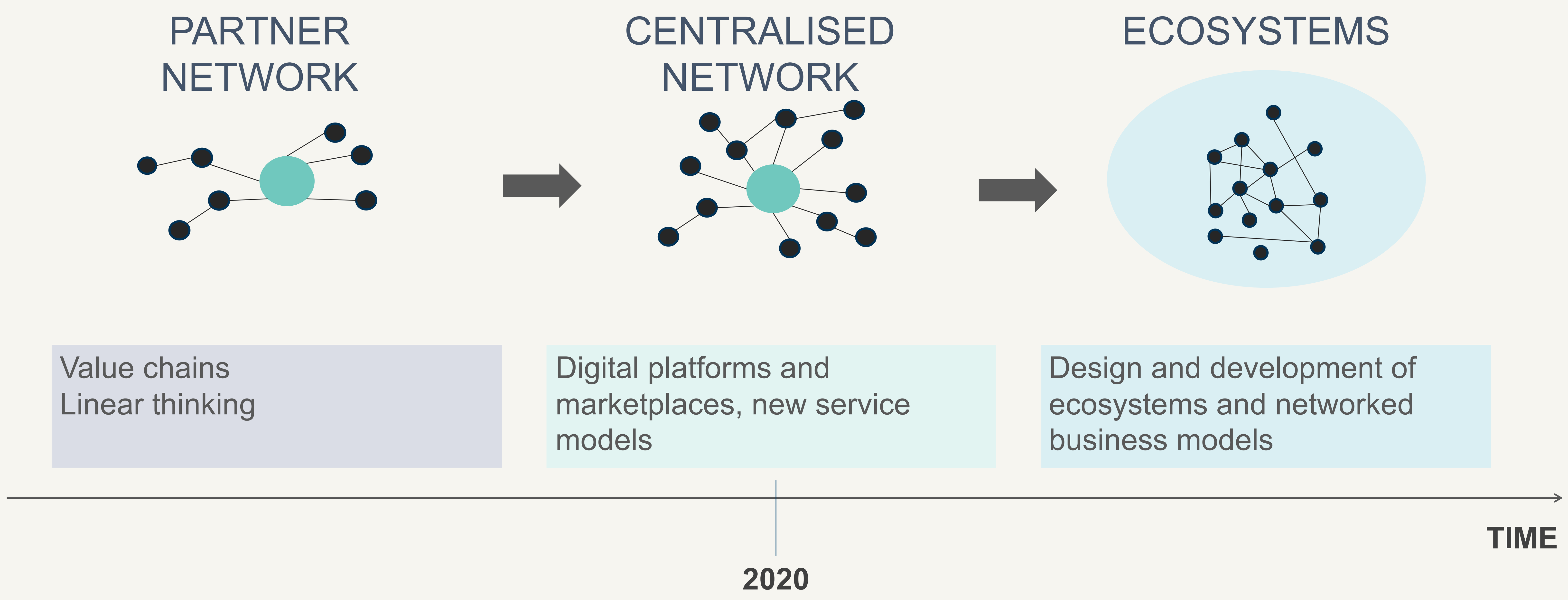
Ecosystems represent a new frontier in business strategy, offering both opportunities and challenges. By participating in an ecosystem, companies can access new markets, tap into complementary skills, and create more compelling offerings for customers. For instance, a car manufacturer might join forces with tech companies, insurance providers, and maintenance services to offer a complete mobility solution. This collaborative approach allows businesses to punch above their weight, delivering value that exceeds their individual capabilities. However, operating in an ecosystem requires a delicate balance. Companies must learn to cooperate with potential competitors, share data judiciously, and align their goals with those of the broader network.

The rise of ecosystems is reshaping industries and redefining competition. Traditional industry boundaries are blurring as ecosystems span multiple sectors. A health ecosystem, for example, might include hospitals, pharmaceutical companies, fitness device manufacturers, and nutrition apps. This convergence creates new competitive dynamics. Success is no longer just about having the best product or service; it's about creating the most valuable network of partners and offerings. Companies must now think beyond their immediate business and consider how they fit into larger ecosystems. Those who master this new paradigm stand to gain significant advantages, while those who cling to outdated models risk obsolescence in an increasingly interconnected business world.

1.2 Introduction

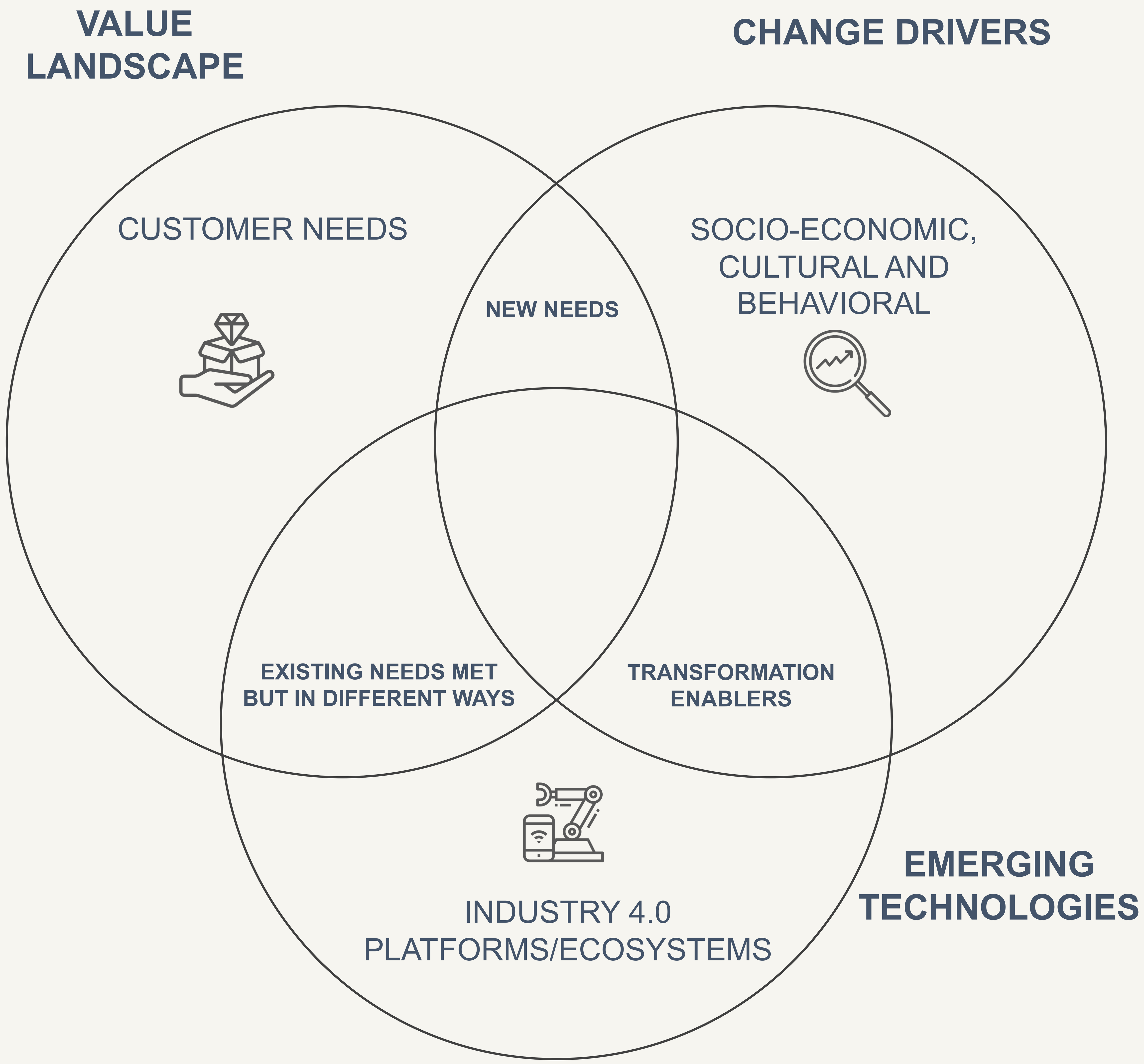
Ecosystem Thinking

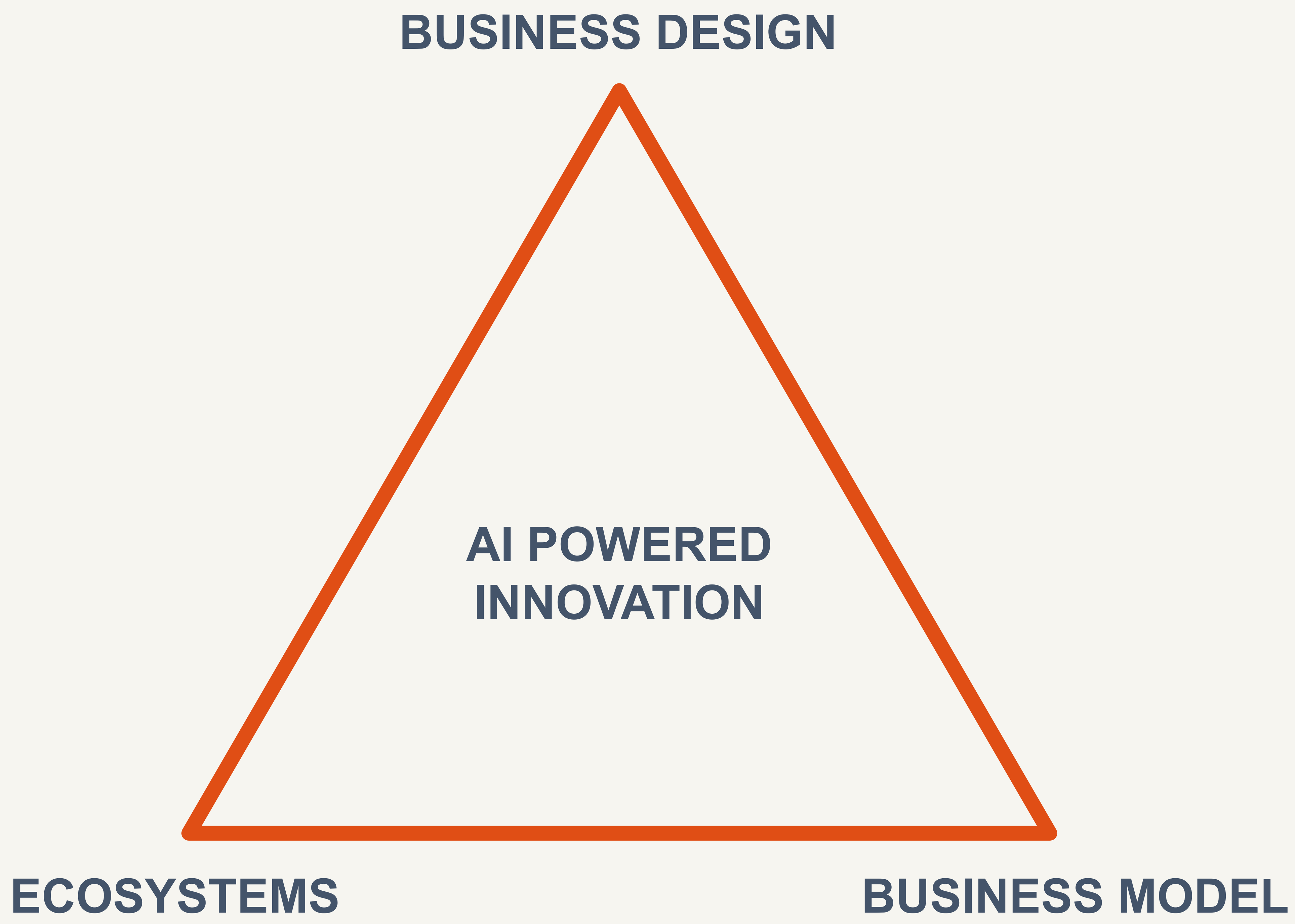
From	To
Internal focus	External focus
Linear value creation	Network-oriented value creation
Long-term rigid planning	Iterative procedure and agile adjustment
Traditional view of business models	Multi-dimensional view of business models
Direct value and financial streams	Indirect monetization and financial streams
Complete control and ownership	Shared control and membership
Product centred	Complementary products and services
Static view	Dynamic/coevolutionary
Protecting data and customer relationships	Transparent and open - shared data and customer relationships
Thinking in ready-made platforms, functions	Thinking in minimum viable products/ecosystems



1.2 Introduction

Ecosystem Thinking





Business models have evolved from product-centric approaches to ecosystems, driven by technological advancements and changing customer expectations. Ecosystems allow companies to collaborate, leverage diverse expertise, and create integrated customer experiences that address complex needs. AI-powered innovation is revolutionizing the entire innovation process, from ideation to implementation. This transformation enables teams to rapidly enhance key tasks and make more informed, data-driven decisions. By leveraging AI, organizations can accelerate their innovation cycles, improve outcomes, and gain a competitive edge.

1.2 Introduction

Ecosystem Thinking

The ecosystem approach addresses two parts of the traditional business model view but uses a different organisational logic. Strategically this requires firms to rethink their capabilities in the face of coordinating networks of actors who together and have a value multiplier effects.

Focuses on value creation – new products/services or technologies

Focuses on expanding the value proposition through complements – 'growing the pie'.

INNOVATION ECOSYSTEM

The innovation ecosystem focuses on bringing together diverse stakeholders, including businesses, academic institutions, government agencies, and non-profit organisations, to foster collaboration and drive transformative change. By uniting these varied actors, the ecosystem creates a platform for exchanging ideas, resources, and expertise, which enhances the potential for innovation and growth. This environment encourages cross-sector partnerships and leverages the unique strengths of each participant to co-create solutions for complex challenges. As a result, the innovation ecosystem not only supports individual and organisational goals but also contributes to broader societal impacts by driving sustainable development and creating shared value.

PRODUCT/SERVICE ECOSYSTEM

The product or service ecosystem enhances the value of the core offer by integrating complementary products and engaging prosumers. Complementary products address additional customer needs and create a more complete experience. For example, a smartphone ecosystem might include apps, accessories, and cloud services that enhance its functionality. Prosumers, who are highly engaged customers, play a crucial role in this ecosystem by helping to educate others about the product, offering valuable feedback, and building a community around it. They share their experiences and insights, helping other users get the most out of the product and fostering a sense of belonging among customers.

1.4 Ecosystem Modelling

Why use ecosystem business model mapping?

Business Models Now

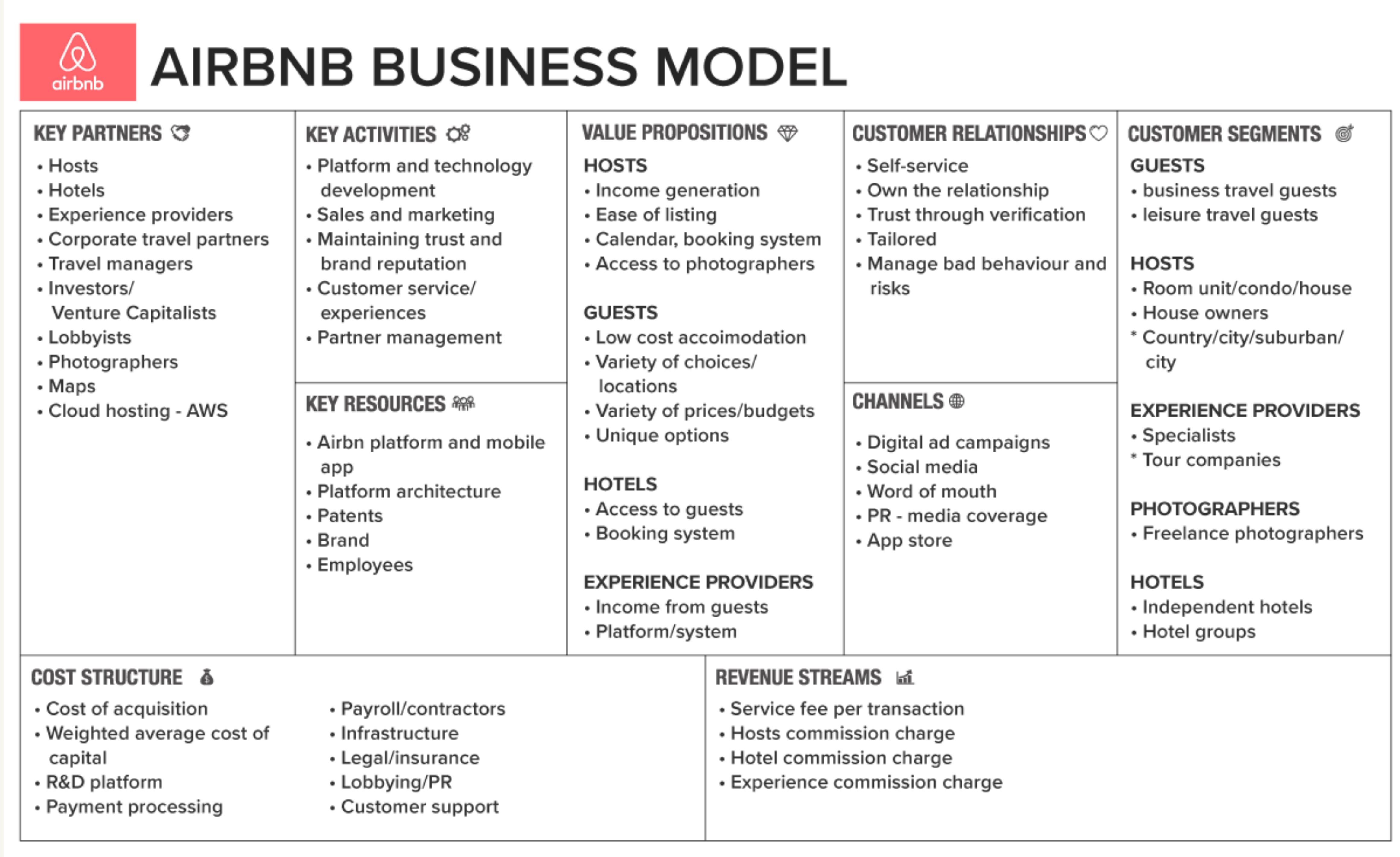
Osterwalder's Business Model Canvas revolutionised how businesses approach strategy and innovation. The benefits of the Business Model Canvas are:

- ❖ It's simple to use - anyone can sketch out their business idea quickly.
- ❖ It helps to think through all parts of a business in an organized way.
- ❖ Teams can collaboratively work together, to see the whole business model and its parts quickly.

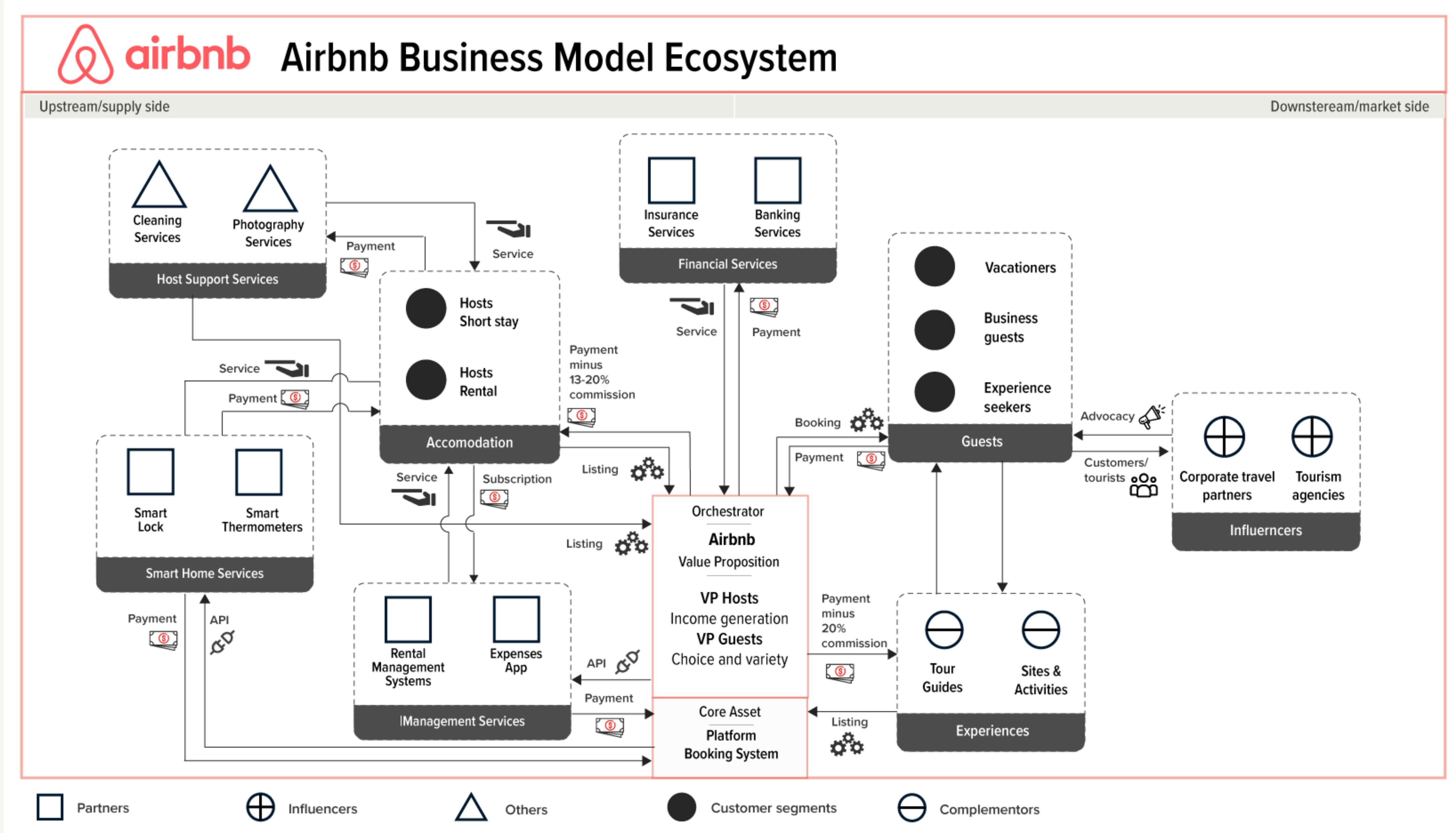
Why Use Ecosystem Business Model Mapping

Ecosystem Business Model Mapping details how the overall ecosystem model works. In that sense, they don't compete but are complementary. Benefits are:

- ❖ It shows how different people and companies work together to create customer value.
- ❖ It gives a clear picture of how an ecosystem makes money.
- ❖ It reveals the wider network of partners and other players (an ecosystem view).



Airbnb Business Model Canvas



Airbnb Business Model Map – The Ecosystem airbnb

Airbnb Business Model Canvas

Key Partners

- Hosts
- Hotels
- Experience providers
- Corporate travel partners
- Travel managers
- Investors/
- Venture Capitalists
- Lobbyists
- Photographers
- Maps
- Cloud hosting – AWS
- Host service providers

Key Activities

- Platform and technology development
- Sales and marketing
- Maintaining trust and brand reputation
- Customer service/experiences
- Partner management

Key Resources

- Airbnb platform and mobile app
- Platform architecture
- Patents
- Brand
- Employees
- Customer database

Value Propositions

HOSTS

- Income generation
- Ease of listing
- Calendar, booking system
- Access to photographers

GUESTS

- Low-cost accommodation
- Variety of choices/locations
- Variety of prices/budgets
- Unique options
- HOTELS
- Access to guests
- Booking system

EXPERIENCE PROVIDERS

- • Income from guests
- • Platform/system

Customer Relationships

- Self-service
- Own the relationship
- Trust through verification
- Tailored
- Manage bad behaviour and risks

Channels

- Digital ad campaigns
- Social media
- Word of mouth
- PR - media coverage
- App stores
- Website

Customer Segments

GUESTS

- business travel guests
- leisure travel guests

HOSTS

- Room unit/condo/house
- House owners
- Country/city/suburban/city

EXPERIENCE PROVIDERS

- Specialists
- Tour companies

PHOTOGRAPHERS

- Freelance photographers

HOTELS

- Independent hotels
- Hotel groups

Cost Structure

- Cost of acquisition
- Weighted average cost of capital
- R&D platform
- Payment processing
- Payroll/contractors
- Infrastructure
- Legal/insurance
- Lobbying/PR
- Customer support

Revenue Streams

- Service fee per transaction
- Hosts commission charge
- Hotel commission charge
- Experience commission charge

Example: The Airbnb Business Model Canvas

1.4 The Business Model

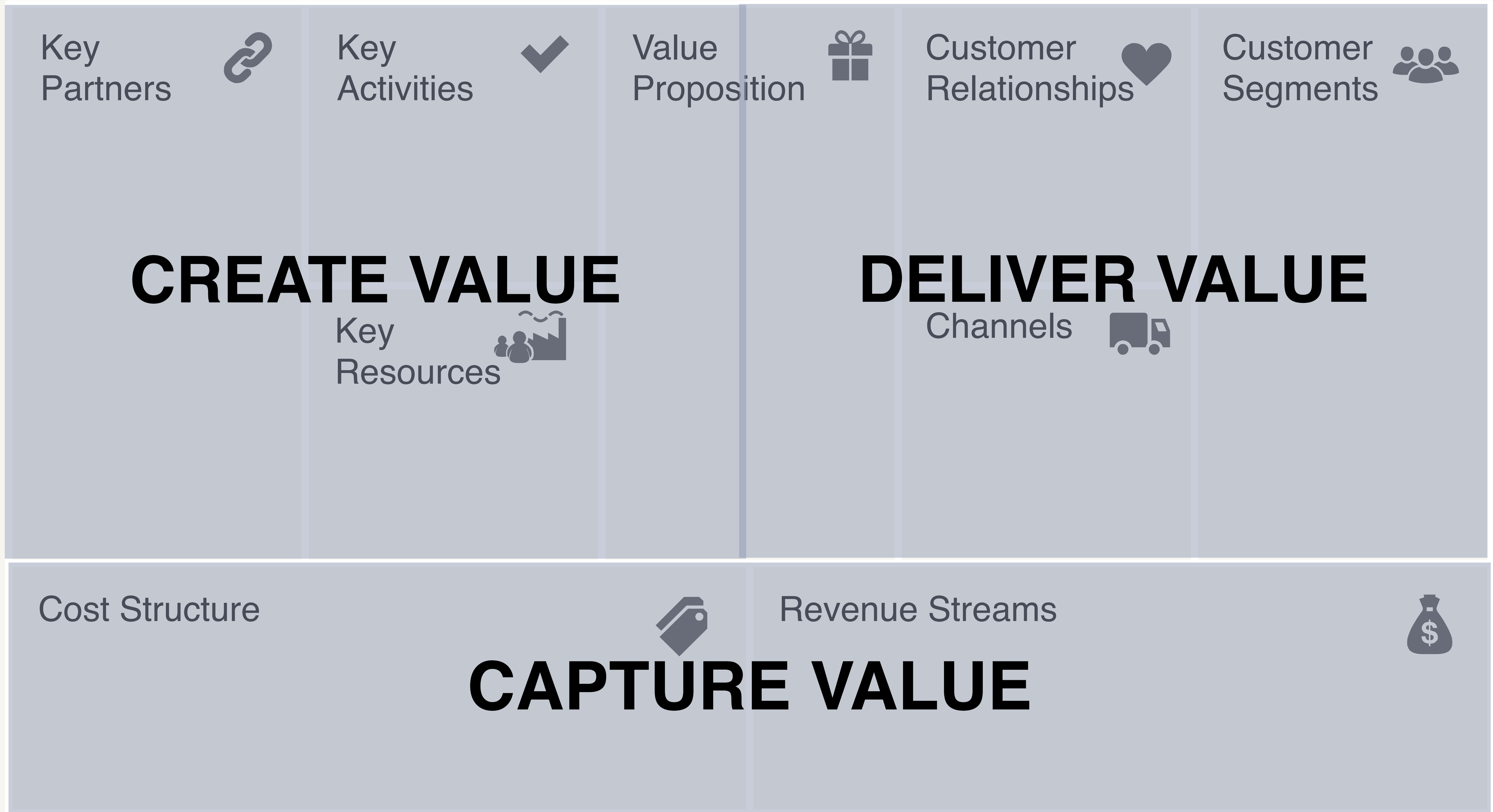
Challenges and opportunities in the age of ecosystems

A business model is a description of how an organization:

- **Creates value** – makes products, services and creates experiences.
- **Delivers value** – sales, marketing and customer relationships.
- **Captures value** – revenue/profits.

The structure of the business model canvas

The canvas strategically arranges nine components, placing the customer-facing elements (Customer Segments, Value Propositions, Channels, and Customer Relationships) on the right side, and the infrastructure and financial aspects (Key Resources, Key Activities, Key Partnerships, and Cost Structure) on the left. This layout helps users understand the interplay between the different components and how they contribute to the overall business model.



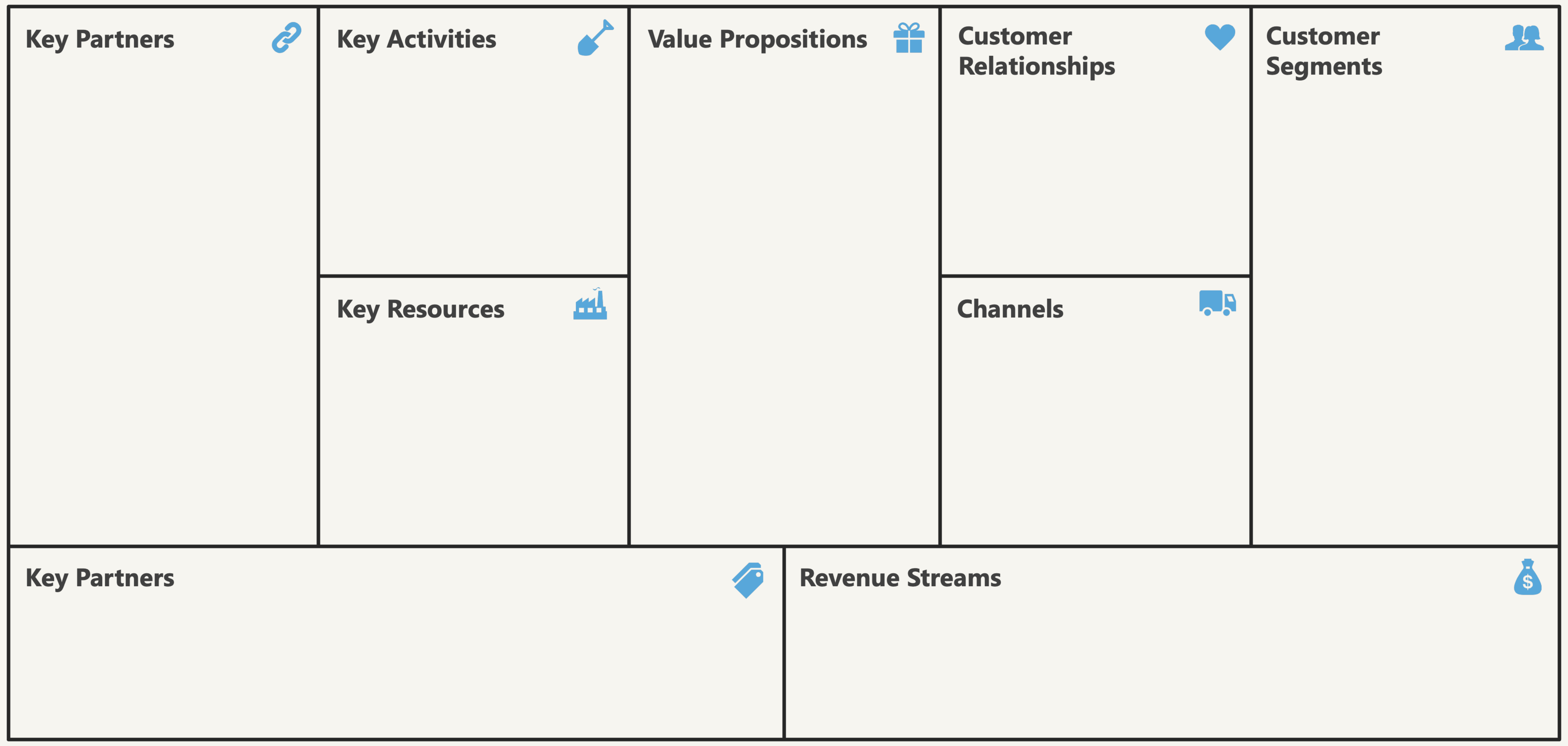
How value creation, delivery, and capture align with the Business Model Canvas

1.4 The Business Model

Core principles of the business model canvas

Background

Osterwalder's Business Model Canvas revolutionised how businesses approach strategy and innovation. The Business Model Canvas (BMC) is a powerful tool that empowers entrepreneurs and managers to visualize, design, and iterate their business models in a structured and comprehensive manner.



The Business Model Canvas

What is a business model?

A business model is a framework to understand, design, and test your business idea. It provides a systematic way to identify how you can profitably generate revenue while creating value for your customers.

It has a formal structure that consists of four basic components:

- **Customers** – Who are the customers you want to target
- **Capabilities** – How value is created – the resources, activities, partners and capabilities
- **The value proposition** – what is offered to the customer
- **A financial model** – the revenue streams and costs that ultimately create a strong and profitable business

1.4 Business Model

Limitations of the business model canvas

Strengths and limitations of the business model canvas

The Business Model Canvas provides a clear framework for strategy but has limitations in today's digital world. Created in the early days of e-commerce, it doesn't fully capture modern ecosystem complexity. As digital technologies advance, business models are now more interconnected. The canvas struggles to represent platform businesses and multi-sided markets. While useful for basic analysis, it may not reflect today's ecosystem-driven economy adequately and the broad set of actors who are needed to create customer value.

- **Emphasizes single-firm value creation**: Focuses on how one company creates value rather than considering a network of value-creating partners.
- **Underrepresents partner roles**: Fails to fully capture the importance of various collaborators in value creation and delivery.
- **Narrows value capture view**: Prioritizes the focal firm's revenue streams, overlooking how value distributes across multiple actors.
- **Simplifies relationships**: Fails to depict the complex, multi-directional relationships between different actors in the value network.
- **Depicts static partnerships**: Presents key partnerships as fixed entities rather than dynamic, evolving relationships.
- **Underemphasizes complementors**: Inadequately represents how complementary products or services enhance the overall value proposition.
- **Limits customer role**: Views customers primarily as value recipients rather than potential co-creators or active network participants.
- **Biases towards closed innovation**: May not fully capture the potential for open innovation and collaborative value creation with external entities.
- **Narrows competitive scope**: Focuses on direct competitors, potentially missing the broader competitive landscape and potential disruptors.
- **Simplifies value flows**: Inadequately represents the complex flows of resources, information, and value across multiple actors.

Airbnb Business Model Ecosystem

1.4 E³ Business Model Mapping

The origins of business model mapping

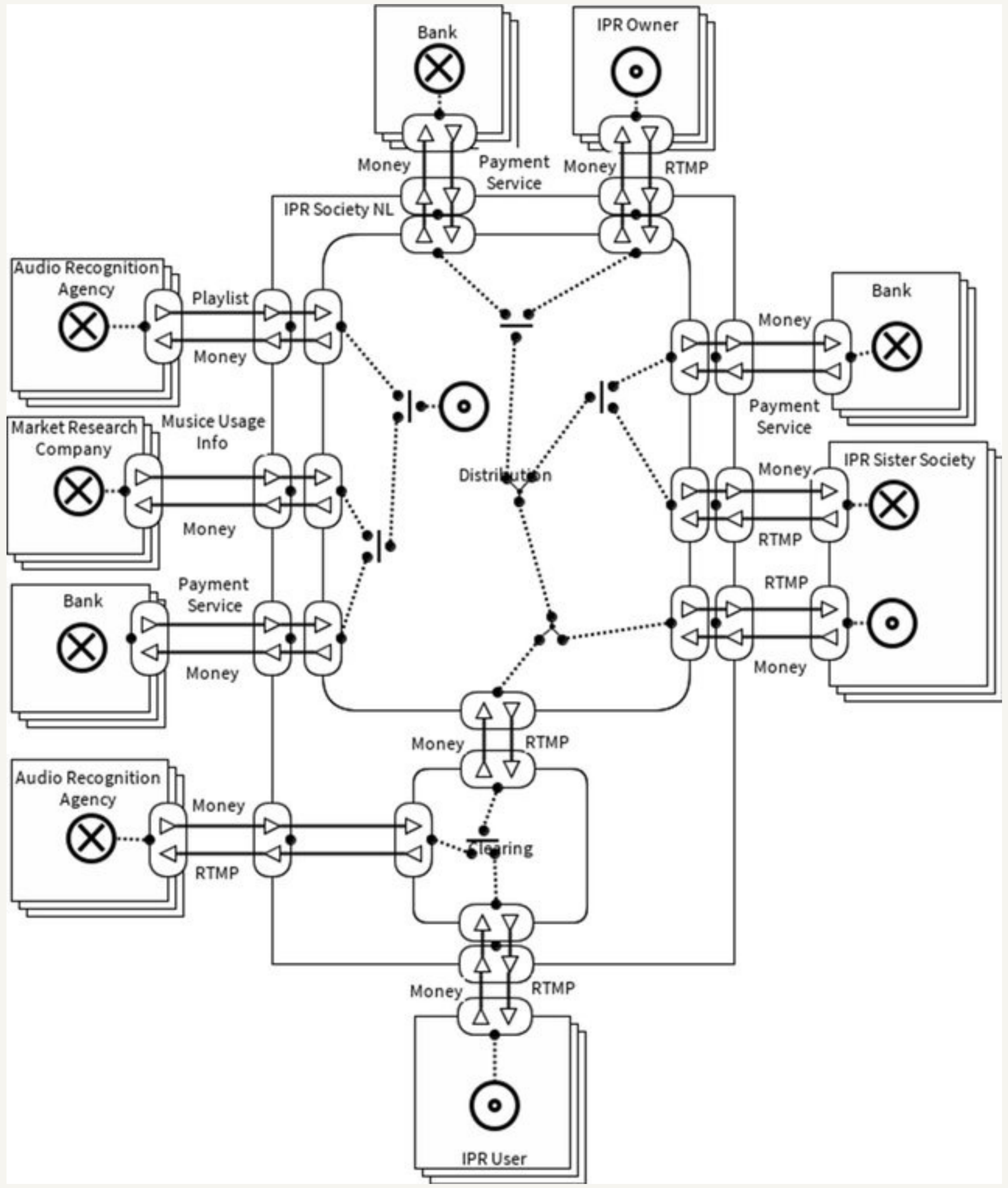
Introduction to e3 Modeling

e3 Modeling provides a thorough way to map out business ecosystems and value networks. Created by Jaap Gordijn and Hans Akkermans, it offers a more structured approach than the Business Model Canvas. This method helps analyze and design business models in detail, giving a clearer picture of how value flows between different parts of a business ecosystem. Osterwalder even wrote an academic paper comparing the two approaches which you can read here if you're interested.

- e3 Modeling consists of three main sub-models: e3 value, e3 process, and e3 strategy.
- These sub-models work together to provide a holistic view of the business ecosystem and its components.

The goal of e3 modelling

e3 Modeling focuses on analyzing business models through a value lens. It looks at how economic value is created, exchanged, and captured among ecosystem players. This approach sets it apart from methods like the Business Model Canvas, which take a broader view. e3 Modeling's strength lies in its detailed examination of financial and economic aspects, providing deeper insights into value for a business model.



Example of an e3 map

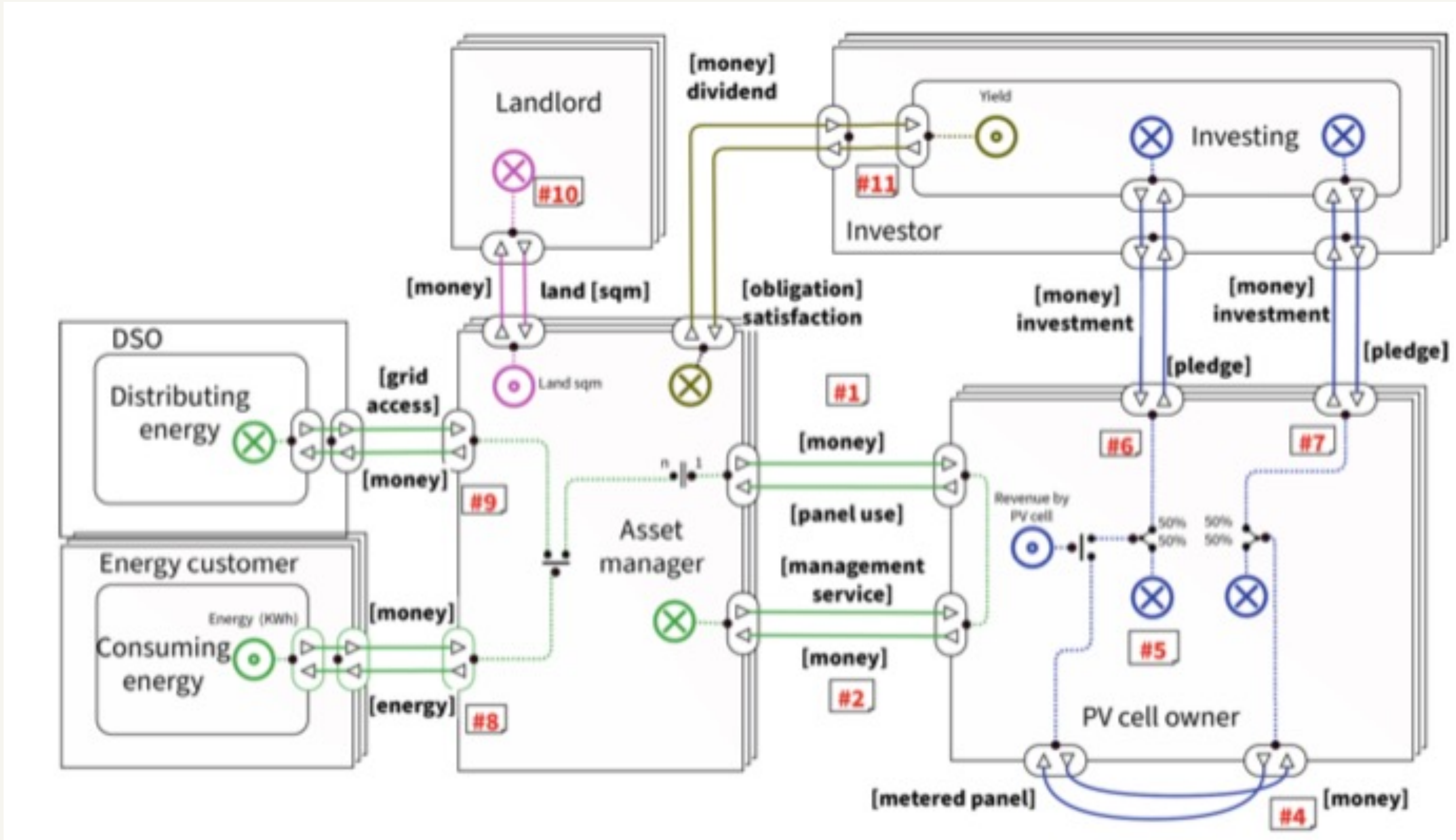
1.4 E³ Business Model Mapping

Understanding e³ modelling

Key Concepts and Components of e3 Modeling

e3 Modeling introduces several key concepts and components that enable a detailed representation of the business ecosystem:

- **Actors**: The entities involved in the ecosystem, such as businesses, customers, or partners.
- **Value Objects**: The goods, services, or experiences that actors exchange, creating value for one another.
- **Value Ports**: The interfaces through which actors offer or request value objects.
- **Value Interfaces**: The grouping of value ports that defines the value exchanges between actors.
- **Value Activities**: The actions performed by actors to create, distribute, or consume value objects.
- **Value Transfers**: The actual exchange of value objects between actors.



e3 value model for photo-voltaic panels

1.4 E^3 Business Model Mapping

Limitations of e3 modelling

Strengths and limitations of e3 modelling

e3 Modeling offers a thorough framework for analyzing business ecosystems, but its complexity can limit practical use. A simpler system mapping approach could balance the BMC's ease with e3 Modeling's depth. While e3 Modeling has advantages, it faces challenges in implementation due to its intricate nature and learning curve.

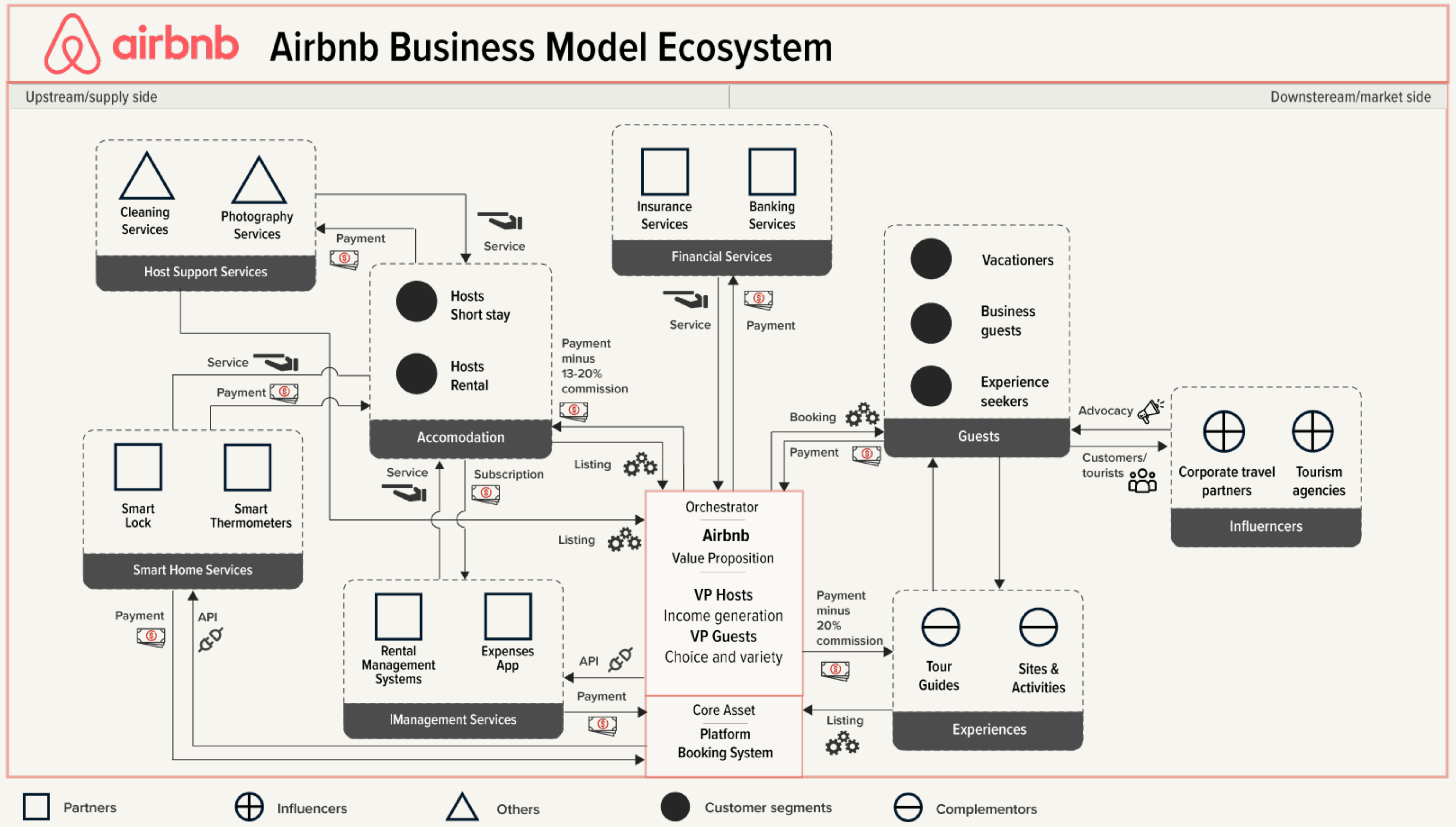
- **Complexity**: e3 Modelling can be complex and time-consuming to implement, requiring significant effort and expertise.
- **Steep learning curve**: the concepts and tools used in e3 Modeling can be difficult to grasp, especially for those unfamiliar with modelling techniques.
- **Resource-intensive data gathering**: collecting the necessary data and information to populate the e3 models can be resource-intensive and time-consuming.
- **Challenging communication**: the detailed nature of e3 Modelling may make it difficult to communicate the business model to non-technical stakeholders effectively.
- **Limited focus on non-financial aspects**: while e3 Modelling considers operational processes and strategic goals, its primary emphasis is on the financial and economic dimensions, potentially overlooking other important factors.
- **Insufficient guidance for implementation**: e3 Modeling provides a comprehensive framework for analysis but may lack clear guidance on how to translate insights into actionable strategies and implementation plans.
- **Visual complexity**: the rigorous and detailed approach of e3 Modeling may lead to overly complex models that are difficult to maintain and update as the business ecosystem evolves.

1.5 Ecosystem Business Model Mapping

The way forward a simpler approach

Ecosystem business model mapping is a visually engaging method that reveals how broader sets of players beyond partners play a vital role in creating value for customers. By clearly showing how other players can enhance the value of a product or service, it offers new ways to reimagine existing business models and create innovative new ones.

- **Value creation opportunities**: A simpler method can help companies identify and explore new value creation opportunities by highlighting the key actors, value exchanges, and revenue streams.
- **Better resource allocation**: By clearly understanding the ecosystem business model as a system, activities and interactions are more clearly understood
- **Stakeholder engagement**: A visual representation of the business model serves as a powerful tool for engaging external stakeholders, such as investors, partners, and customers
- **Continuous improvement**: By regularly reviewing and updating the visual representation of their business model, companies can foster a culture of continuous improvement, ensuring that their operations remain aligned with their strategic goals and responsive to market changes.

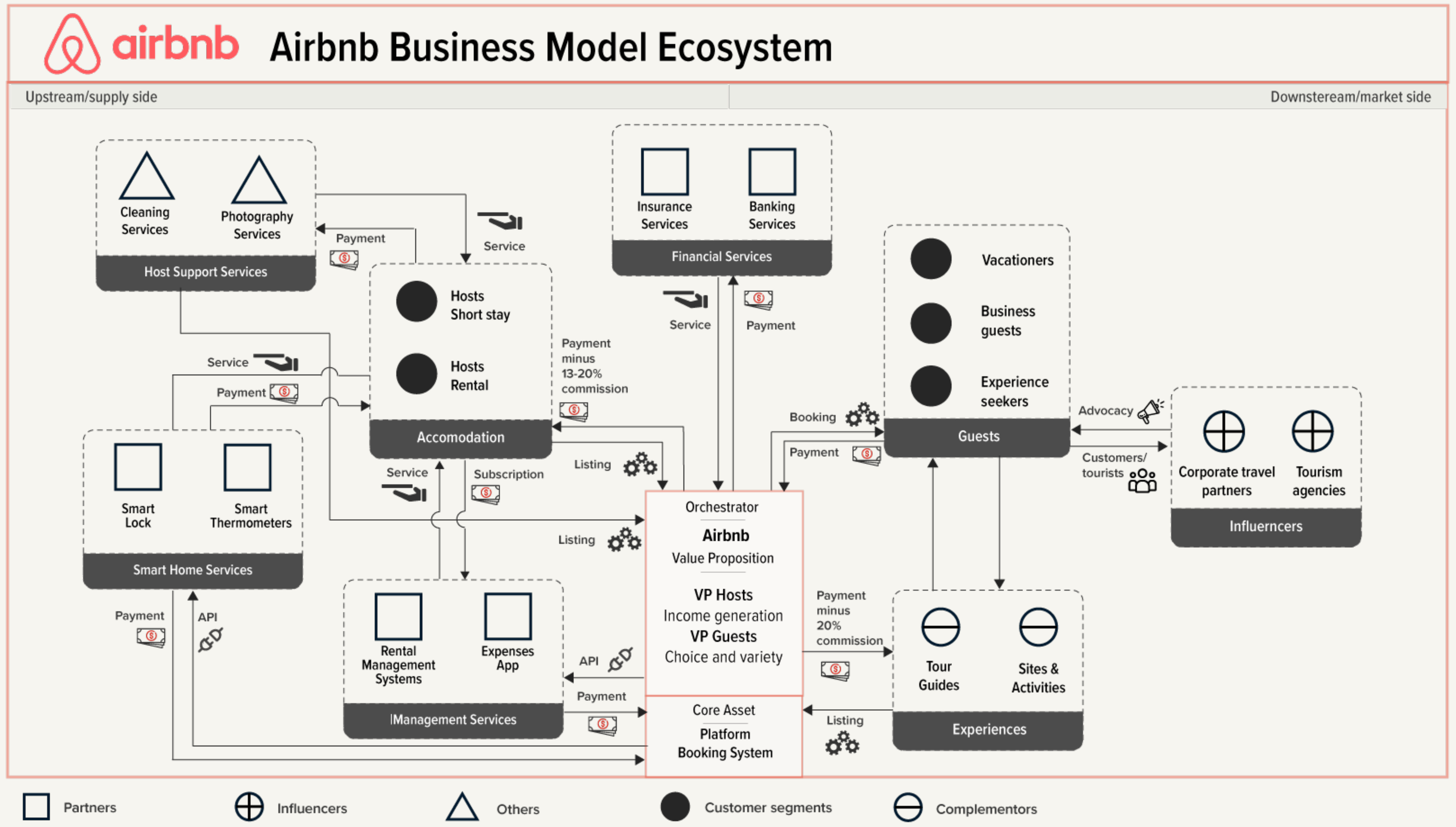


1.5 Ecosystem Business Model Mapping

The way forward a simpler approach

A simpler, more intuitive approach to system mapping is needed to bridge the gap between the simplicity of the BMC and the rigor of e3 Modeling. This simplified approach brings numerous benefits that can help organisations navigate the complexities of today's business landscape and drive sustainable growth. By following the steps in this guide, you can easily learn the approach and how to create your own.

- **Increased accessibility**: A simpler version of e3 Modeling would be more accessible to a wider range of stakeholders, enabling them to understand and contribute to the business model design process.
- **Faster iteration**: With a more streamlined approach, companies can quickly iterate and refine their business models, adapting to changing market conditions and customer needs.
- **Improved communication**: A visual representation of the business model as a system facilitates better communication and collaboration among team members, ensuring everyone is aligned on the key components and their interrelationships.
- **Holistic view**: By presenting the business model as a system, companies can gain a holistic view of how they identify potential synergies, bottlenecks, and areas for improvement.



2

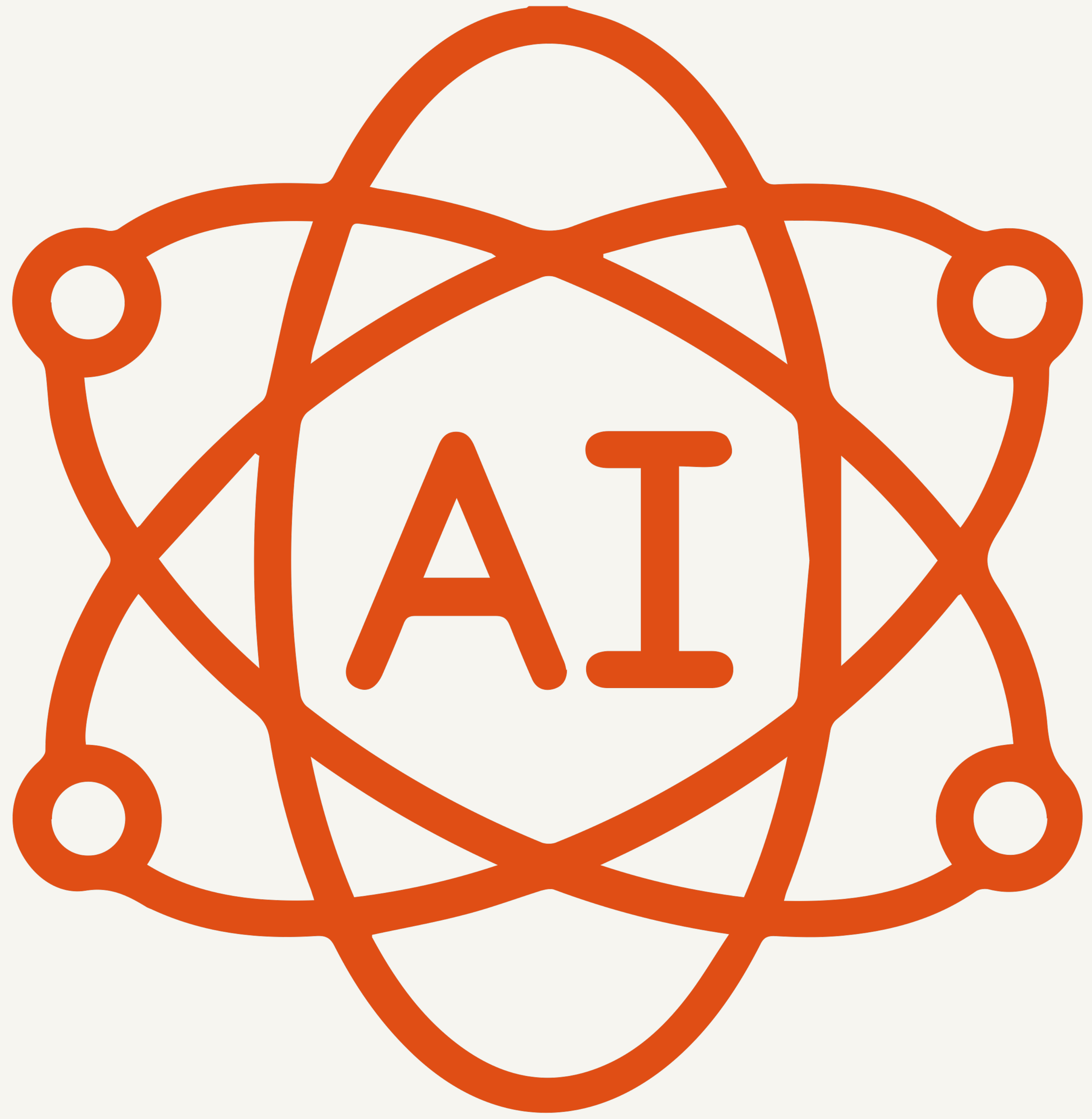
AI and Data-Driven Innovation

AI and Data-Driven Methods and Hacks

Explore the transformative power of AI in driving innovation across industries. This chapter examines how AI technologies enhance creativity, improve efficiency, and enable new business models. By integrating AI into innovation strategies, organisations can unlock unprecedented opportunities, reshape their competitive landscape, and set the stage for future advancements in an increasingly digital world..

2.1 AI Powered Innovation

Artificial Intelligence (AI) is revolutionising the innovation process by introducing new methods for data analysis, insight generation, and customer interaction. Initially, AI made its mark in marketing through chatbots, automation, and customer insights, enhancing communication and operational efficiency. Today, AI's influence extends far beyond these functions, acting as a catalyst for deeper innovation. By leveraging AI's capabilities, businesses can explore uncharted territories of creativity and functionality, allowing for the seamless integration of AI into mobile and web applications, dynamically enhancing user experiences and engagement.



The transformative power of AI lies in its ability to process vast amounts of data and extract valuable insights at unprecedented speeds. This capability enables companies to identify patterns, predict trends, and respond to market demands more effectively. AI not only streamlines traditional innovation processes but also introduces novel ways to ideate, design, and execute strategies. By harnessing AI, organisations can create more personalised and efficient products and services that meet customer needs. This section delves into how AI is reshaping innovation and presents a curated list of AI tools to support each stage of the innovation journey, from ideation to implementation.

2.1 Introduction

AI Powered Innovation

Artificial Intelligence (AI) is transforming how businesses operate, much like the industrial revolutions of the past. AI refers to systems or machines that mimic human intelligence to perform tasks and continuously improve through data collection. According to McKinsey, AI could potentially automate 45% of current work activities, leading to significant changes in the workforce. AI systems are capable of learning, reasoning, and self-correction, allowing them to handle tasks ranging from simple automation to complex decision-making. This shift is not just about technology but about redefining roles and responsibilities, enabling businesses to become more efficient and innovative. AI adoption is growing rapidly, with Gartner predicting that 75% of enterprises will move from pilot to operational AI by 2024, demonstrating its rising importance across industries.

AI's transformative power is evident across various sectors, fundamentally altering business strategies and competitive dynamics. According to the World Economic Forum, AI is expected to displace 85 million jobs by 2025 while simultaneously creating 97 million new roles, highlighting its dual impact on employment. AI's ability to analyse vast amounts of data provides businesses with unprecedented insights into customer behaviours, optimises supply chains, and enhances product offerings. For example, in healthcare, AI-driven diagnostics and personalised medicine are revolutionising patient care, while in finance, AI algorithms improve risk management and fraud detection. Deloitte's research indicates that businesses leveraging AI in their operations report a 30% increase in operational efficiency. These advancements illustrate how AI not only enhances productivity but also fosters innovation by opening new avenues for growth and development.

Beyond operational improvements, AI significantly enhances the innovation process by accelerating ideation, design, and development. AI tools provide data-driven insights and facilitate rapid prototyping, enabling quicker time-to-market for new products. For instance, AI platforms like IBM Watson are used to streamline research and development efforts, allowing companies to innovate more efficiently. According to PwC, 54% of executives say that implementing AI solutions has increased their organisation's ability to innovate. However, integrating AI into innovation processes is not without challenges. Issues such as data privacy, algorithmic bias, and the need for upskilling the workforce are significant hurdles that businesses must address. As organisations explore AI's potential, they must also navigate these challenges to fully realise AI's capacity to drive sustainable and impactful innovation.

2.1 Introduction

LLM's and AI Innovation

Integrating AI into innovation processes is vital for accelerating ideation, improving decision-making, and fostering breakthrough innovations that drive business success and future-proof strategies.

Large Language Models (LLMs)

Large Language Models, like GPT-4, are advanced AI systems designed to understand and generate human language. They are trained on vast datasets, enabling them to perform tasks such as text generation, summarization, and translation with remarkable fluency. LLMs excel at automating routine language-based tasks, providing initial content drafts, and facilitating communication across various industries. However, their general nature means they may lack the domain-specific expertise needed for more specialized or strategic tasks, often requiring human oversight to ensure accuracy and relevance.

AI Powered Innovation

AI powered innovation are specialized AI systems developed to enhance specific aspects of the innovation process, such as product design, strategic planning, and process optimization. These tools integrate into existing workflows and are tailored to meet the unique needs of an organization, offering capabilities like generative design, predictive analytics and intelligent automation. Unlike LLMs, these tools are designed with specific business contexts in mind, incorporating domain-specific data and expertise to provide actionable insights that drive innovation. They offer deeper integration and more precise applications, enabling businesses to leverage AI for strategic growth and transformation.

LLMs vs AI Powered Innovation

The key distinction between LLMs and AI powered innovation lies in their scope and application. LLMs are general-purpose models focused on language tasks, providing scalability and efficiency for routine language processing. In contrast, AI powered innovation focuses on specialized solutions designed to address specific parts of the innovation process. While LLMs excel in language-related tasks, AI innovation systems provide deeper, domain-specific capabilities that enhance strategic innovation processes. Understanding these differences is important for for developing the AI innovation capabilities to achieve organisational goals.

2.1 Introduction

LLM's and AI Innovation

Tasks

Definition:
Tasks are discrete, specific activities or pieces of work that are usually smaller in scope and complexity. They are individual steps or actions taken to accomplish functions within a larger process.

Characteristics:

- **Specificity**: Tasks are clearly defined and have a specific objective or output.
- **Repetitive Nature**: Many tasks are routine and can be automated or streamlined.
- **Limited Scope**: Tasks focus on specific actions rather than broad outcomes.
- **Time-Bound**: Tasks often have a set time frame for completion.

Example:

- Analyzing data to identify patterns and insights relevant to innovation.

Processes

Definition:
Processes are structured sequences of tasks designed to achieve a specific, often more complex, outcome. They involve coordination and integration of various tasks to accomplish higher-level goals within an organization. Processes exist at two levels: organizing –such as for team communication and the innovation stages and processes within it.

Characteristics:

- **Language-Centric**: LLMs excel in automating processes that require language understanding, generation, and synthesis.
- **Sequential Structure**: Processes involve a series of steps that need to be completed in a particular order.
- **Integration**: Processes integrate multiple tasks and functions across different areas of an organization.
- **Goal-Oriented**: Processes aim to achieve specific outcomes that align with organizational objectives.
- **Cross-functional**: Processes often involve multiple departments or stakeholders working together.

Example

- Developing a prototype through iterative design, testing, and refinement.

Goals

Definition:
Goals are high-level objectives that define desired outcomes and guide strategic direction. They provide a target for innovation efforts and align activities with organizational vision and mission.

Characteristics:

- **Predictive Insights**: LLMs use large datasets to identify patterns and forecast trends, helping organizations anticipate changes and align their innovation efforts accordingly.
- **Data Synthesis**: They process vast amounts of text data to extract relevant information, supporting informed decision-making and strategic planning.
- **Goal Evaluation**: LLMs assist in evaluating progress towards goals by analyzing qualitative and quantitative data.

Example:

- Achieving a percentage reduction in product development costs.
- Increasing the rate of successful product launches within a set time period.

2.1 Introduction

LLM's and AI Innovation

LLM's and Tasks

What is it?
LLMs automate discrete, specific tasks within the innovation process, such as data analysis, idea generation, and solution refinement.

Implications:
LLMs enhance efficiency by performing repetitive language-based tasks, allowing innovation teams to focus on strategic decision-making and creative problem-solving.

Examples of Tasks:

- **Automated Research**: LLMs like GPT-4 can parse through research papers, articles, and patents to extract relevant information and summarize findings, enabling faster and more informed decision-making during the problem identification and ideation stages.
- **Content Generation**: In the ideation phase, LLMs generate varied content ideas, concepts, or feature suggestions based on input prompts, helping teams explore different creative angles.
- **Survey Analysis**: LLMs analyze survey responses, summarizing user feedback to provide insights into consumer preferences and pain points, aiding in concept development and refinement.

LLM's and Processes

What is it?
LLMs (Large Language Models) facilitate innovation processes by automating sequences of language-based tasks and enhancing workflows. These processes often involve integrating various tasks to achieve broader innovation outcomes.

Implications:
LLMs streamline processes by ensuring efficient communication, consistent documentation, and rapid iteration, accelerating progress through the innovation stages.

Examples of Processes:

- Solution Evaluation: LLMs assist in evaluating and comparing potential solutions by automating data analysis and reporting.
- Prototyping Iteration: LLMs help iterate on prototypes by synthesizing feedback and suggesting improvements, enabling rapid refinement.
- Testing and Validation: LLMs automate the generation of test scenarios and analyze feedback from user testing, expediting validation.

LLM's and Goals

What is it?
LLMs support goal alignment by providing predictive insights, trend analyses, and strategic recommendations to guide innovation efforts.

Implications:
LLMs inform strategic decision-making, ensuring innovation activities align with business objectives, such as reducing time-to-market or increasing innovation success rates.

Examples of Goals:

- **Time-to-Market Reduction**: LLMs provide insights to optimize development timelines, aiming to reduce the time-to-market for new products.
- **Innovation Success Rates**: LLMs analyze historical data to identify success factors, helping set and achieve innovation goals.

2.1 Introduction

AI Powered Innovation

AI Innovation and Tasks

What is it?
AI-powered innovation tools automate complex tasks, offering strategic insights and advanced problem-solving capabilities.

Implications:
These tools enhance ideation and concept development, allowing teams to tackle challenging problems and refine solutions with data-driven insights. They assist in solving complex problems by simulating scenarios and offering data-driven recommendations, allowing for more informed and innovative solutions.

Examples of Tasks:

- **Strategic Insight Generation**: AI tools analyze market trends and competitive landscapes to guide ideation and strategy development.
- **Advanced Problem Solving**: AI tools simulate scenarios and generate innovative solutions, enhancing the creative problem-solving process.

AI Innovation and Processes

What is it?
AI tools optimize innovation processes by providing adaptive analytics, real-time feedback, and enhanced workflow integration.

Implications:
AI innovation tools improve process efficiency by automating complex workflows and providing insights that enable teams to iterate quickly and effectively. They support agile methodologies and ensure that innovation efforts are aligned with customer expectations and market trends.

Examples of Processes:

- Rapid Prototyping: AI tools facilitate rapid prototyping by providing real-time feedback on design and performance, allowing teams to iterate quickly and effectively.
- Feedback Integration: AI tools automatically analyze and integrate user feedback into the development process, ensuring that prototypes align with user needs and expectations.
- Process Optimization: AI tools identify inefficiencies in workflows, suggest improvements, and automate repetitive tasks, streamlining innovation processes and improving productivity..

AI Innovation and Goals

What is it?
AI innovation tools align innovation efforts with strategic goals by providing precise analytics, forecasting, and guidance.

Implications:
AI tools ensure that innovation activities align with long-term business objectives by offering data-driven insights and recommendations. They provide the strategic foresight needed to make informed decisions, optimize resource allocation, and achieve desired outcomes.

Examples of Goals:

- **Strategic Alignment**: AI tools ensure innovation projects contribute to business strategies, maximizing their impact.
- **Outcome Optimization**: AI tools analyze potential outcomes and guide strategic adjustments to maximize innovation success.
- **Innovation Roadmapping**: AI tools develop strategic roadmaps that align innovation efforts with business objectives, guiding teams in achieving desired outcomes and ensuring that projects contribute to overall success.

2.2 The Roadmap for AI Powered Innovation

AI Powered Innovation

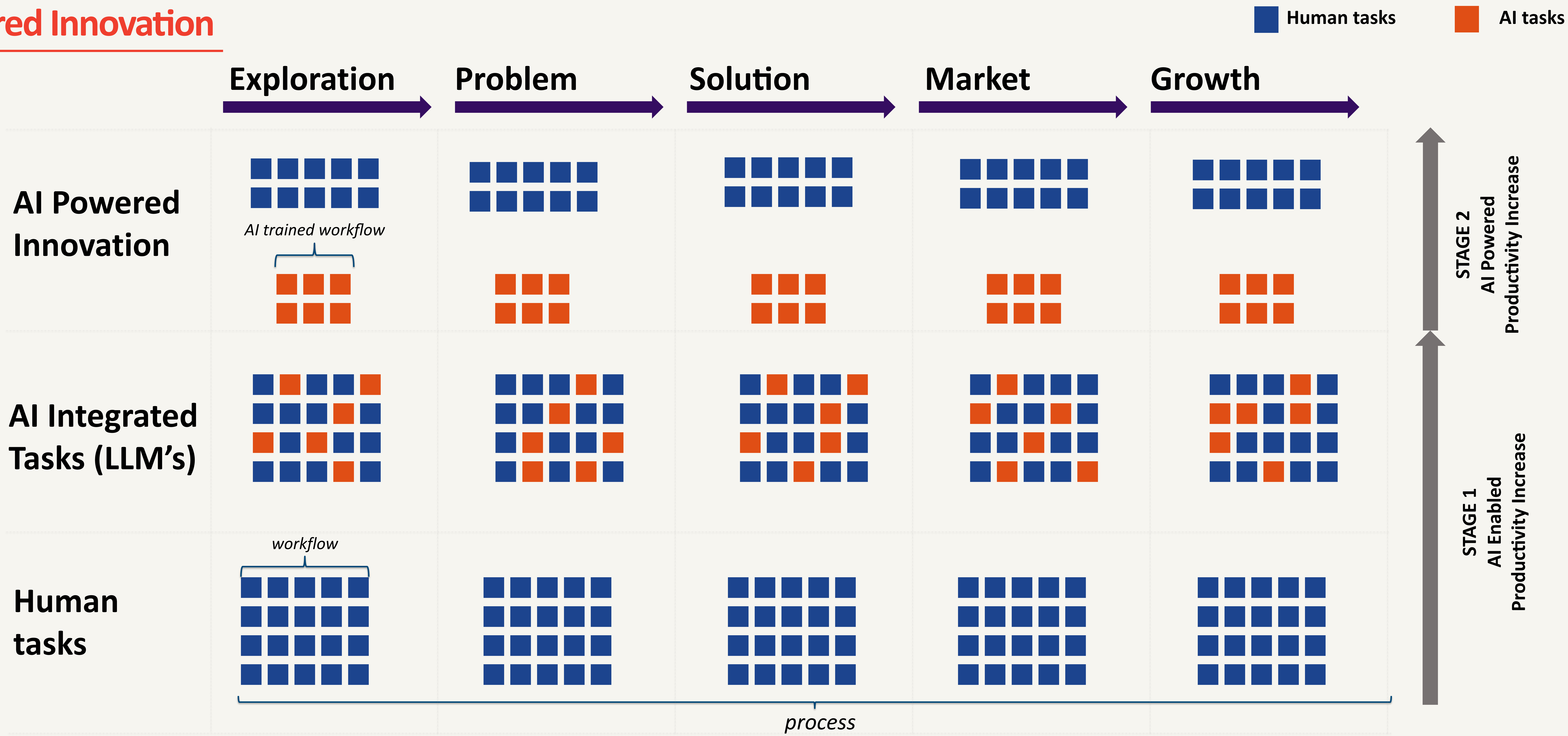
	Tasks	Processes	Goals
AI Innovation	• AI-powered innovation tools automate complex tasks, offering strategic insights and advanced problem-solving capabilities throughout the innovation process. • AI tools enhance creativity and strategic planning, providing deep insights and enabling teams to tackle complex problems and refine solutions.	• AI tools optimize processes by integrating adaptive analytics, real-time feedback, and agile methodologies, supporting rapid prototyping and testing. • AI tools improve process agility and responsiveness, ensuring innovation efforts align with evolving market demands and user needs.	• AI innovation tools align efforts with strategic goals through precise analytics, forecasting, and strategic guidance, optimizing outcomes. • AI tools provide data-driven insights, ensuring innovation activities align with long-term objectives and strategic foresight to achieve desired outcomes.
Large Language Models (LLM's)	• Large Language Models automate specific tasks like data analysis and idea generation, enhancing efficiency and freeing teams to focus on strategic innovation efforts. • LLMs streamline early innovation tasks by quickly processing language-based data, allowing for rapid ideation and concept refinement, supporting creative problem-solving.	• LLMs facilitate processes by automating sequences of language-centric tasks, ensuring efficient communication, documentation, and workflow management throughout innovation stages. • They integrate and coordinate tasks, enabling rapid iteration and refinement from ideation to prototype development.	• LLMs provide predictive insights and trend analyses, supporting the alignment of innovation goals with strategic business objectives. • LLMs guide strategic decision-making, ensuring innovation efforts align with organizational objectives and optimize time-to-market and success rates.

complexity

The matrix depicted above provides a strategic framework for evaluating the complexity and value of various projects or initiatives. By mapping these two dimensions, organisations can effectively prioritise their efforts and allocate resources efficiently. High-value projects that are less complex should be targeted first to quickly generate impactful results, while more complex, high-value projects might require careful planning and additional resources. Conversely, low-value projects, regardless of complexity, should be deprioritised or reconsidered, ensuring that resources are dedicated to initiatives that maximise strategic impact and return on investment. This approach allows businesses to balance quick wins with long-term strategic initiatives effectively. Read more here.

1.3 Introduction

AI Powered Innovation



AI Can Boost Productivity by Up To 50%

When tasks are bundled together to form workflows, they create discrete packages of work designed to achieve specific goals, and sets of these workflow packages make up larger processes. Bundling human tasks in this way helps streamline and improve productivity by providing clear and manageable units of work. While AI can assist in various aspects of these workflows, it is often used in an ad hoc manner, meaning it is not fully integrated into the process. However, when tasks are grouped and integrated, and trained for specific purposes they become significantly faster and more accurate. This integration leads to AI-powered innovation that dramatically improves efficiency and effectiveness, delivering more impactful innovation outcomes.

Sources: Experimental Evidence on the Productivity Effects of Generative Artificial Intelligence
https://mitsloan.mit.edu/ideas-made-to-matter/how-generative-ai-can-boost-highly-skilled-workers-productivity
https://www.nvidia.com/en-gb/

1.3 Introduction

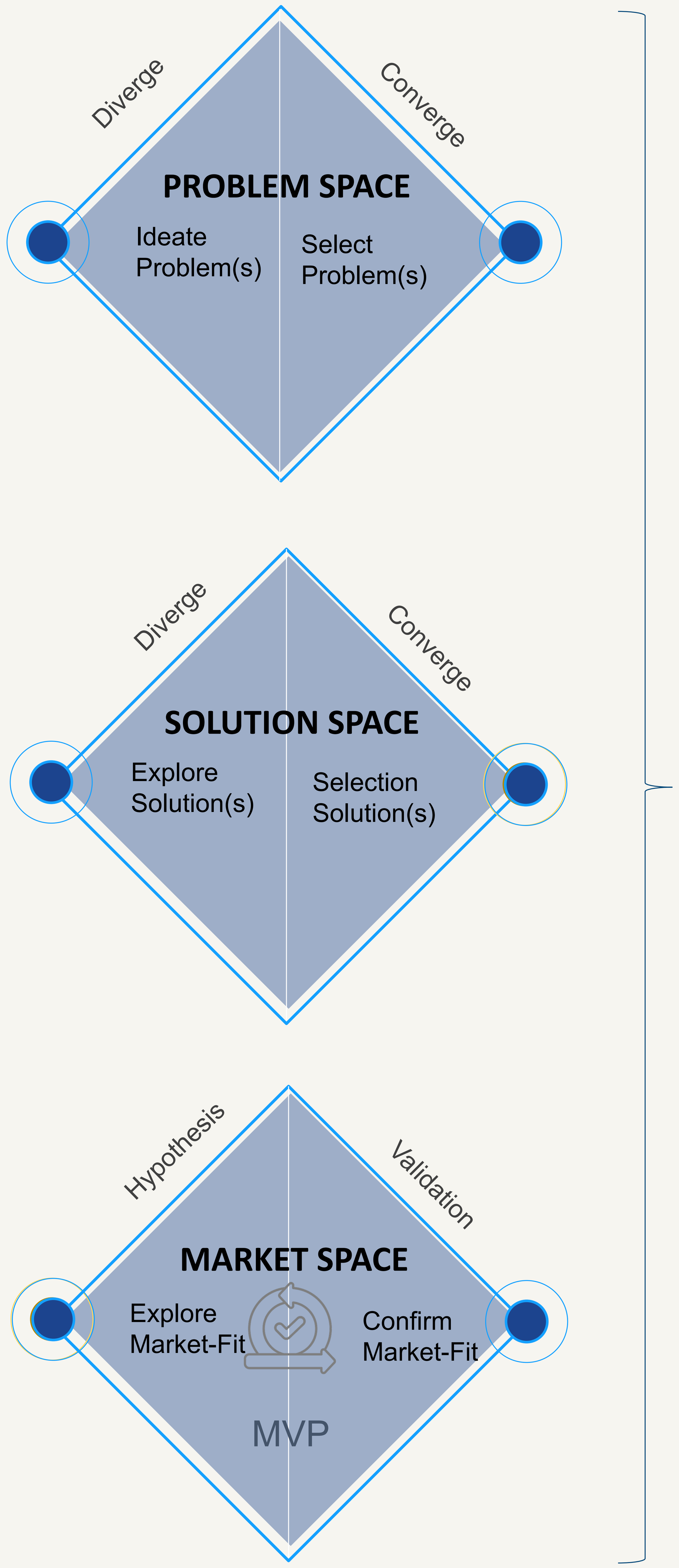
AI and Data-Driven Innovation

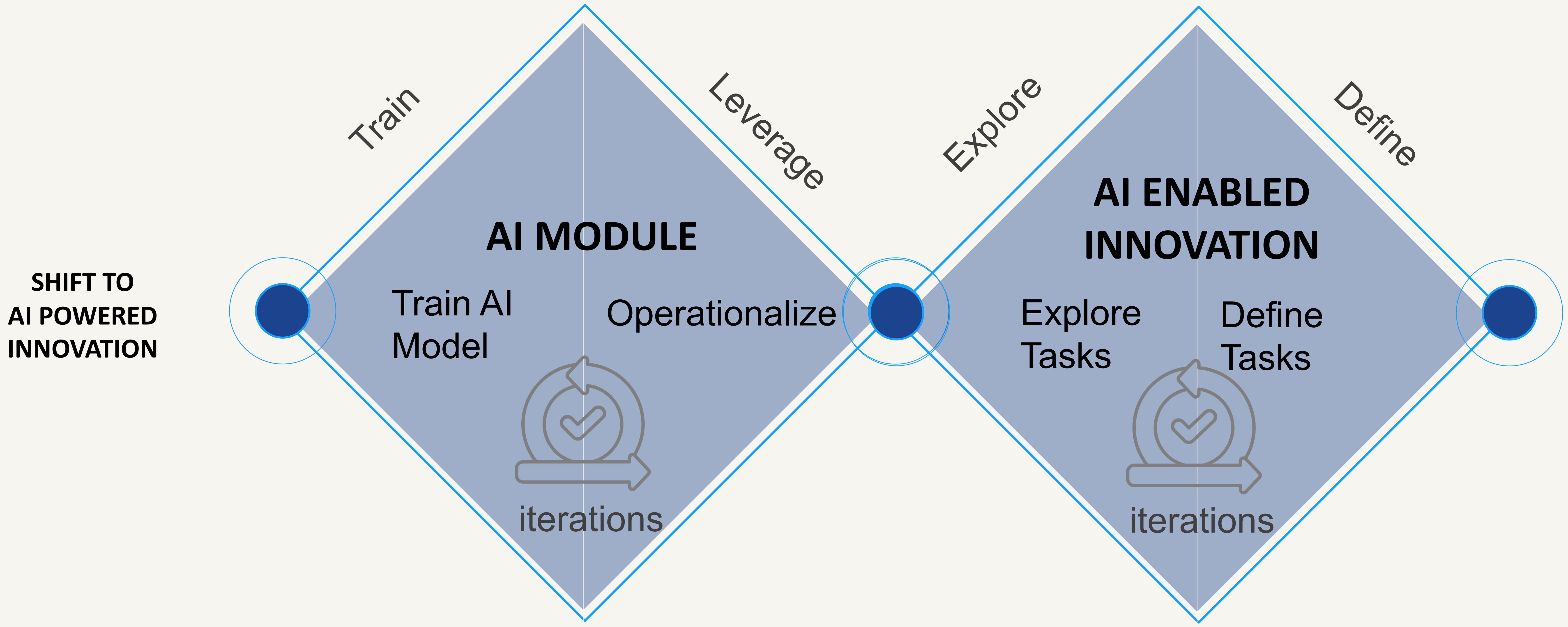
The image illustrates a series of diamonds representing the key stages in the innovation and design thinking process, leveraging divergent and convergent thinking to progress from problem identification to solution implementation. The process begins with the Problem Space, where teams ideate on various problems and select the most impactful ones to address. This is followed by the Solution Space, where potential solutions are explored and narrowed down to the most viable options through rigorous evaluation and selection. Finally, the Market Space involves developing ideas and hypotheses and testing them to confirm market fit. This phase is critical for validating that the chosen solutions meet customer needs and can succeed in the market.

1.3 Introduction

AI and Data-Driven Innovation

AI can transform creativity and innovation by offering more than data analysis. AI supports and augments human creativity in several ways by expanding on ideas, generating new concepts, and providing unique insights. In the ideation phase, AI assists by generating novel ideas and expanding on existing concepts. For instance, AI-driven platforms like OpenAI's GPT-4 can analyse vast amounts of information and suggest new approaches to problems, offering fresh perspectives that might not be immediately apparent to human teams. This capability helps teams break free from conventional thinking patterns and explore a wider range of possibilities.





1.3 Introduction

AI and Data-Driven Innovation

1. Generative AI tools for ideation

- Brainstorming: Tools that facilitate idea generation, such as AI-powered mind mapping and brainstorming platforms.
- Trend Analysis: AI tools that analyse market trends and consumer preferences to inspire new ideas.

2. Generative AI tools for user experience and design

- UX Design: AI-driven software that suggests design improvements and optimises user interfaces.
- User Research: Tools that automate data collection and analysis to generate user insights.

3. Generative AI tools for product and business strategy

- Product Design: AI tools that assist in product conceptualisation, design, and simulation.
- Business Modelling: Platforms that help in creating and evaluating business models using AI-driven simulations.

4. Generative AI tools for marketing and sales

- Campaign Optimisation: AI tools that analyse campaign performance and suggest improvements.
- Personalisation: AI-driven solutions for creating personalised marketing messages and offers.

5. Generative AI tools for data analysis and insights

- Predictive Analytics: Tools that forecast trends and behaviours using AI models.
- Data Visualisation: AI platforms that create intuitive and interactive visualisations from complex datasets.

6. Generative AI tools for content creation

- Text Generation: AI tools for writing articles, social media posts, and marketing copy.
- Visual Content: Platforms that generate images, videos, and graphics based on input parameters.

7. Generative AI tools for process automation

- Workflow Automation: AI solutions that streamline business processes and automate repetitive tasks.
- Robotic Process Automation (RPA): AI-driven bots that perform routine digital tasks efficiently.

8. Generative AI tools for collaboration and communication

- Virtual Meeting Assistants: AI tools that transcribe meetings, summarise discussions, and schedule follow-ups.
- Team Collaboration Platforms: AI-enhanced tools that improve communication and coordination among team members.

9. Generative AI tools for learning and development

- Personalised Learning Paths: AI tools that tailor learning experiences to individual needs and preferences.

Skill Assessment: Platforms that use AI to assess and develop employee skills.

10. Generative AI tools for prototyping and testing

- Rapid Prototyping: AI tools that enable quick creation and testing of product prototypes.
- Usability Testing: AI-driven platforms that simulate user interactions and test product usability.

1.3 Introduction

AI Tools for Innovation

1. Generative AI Tools for Ideation

Brainstorming:

- GPT-4: Utilised for generating diverse and high-quality ideas, especially effective when starting with strong prompts or existing ideas.
- Seenapse: Helps generate divergent ideas quickly, useful for creative brainstorming sessions.
- Stormz.ai: Combines collaboration with idea enhancement, allowing teams to visualise and expand on ideas collaboratively.

Trend Analysis:

- TasteGPT: Leverages consumer insights to generate and visualise new concepts in food and beverages, showing trends and preferences.
- Dimeadozen: Provides feedback on business ideas based on market trends, viability, and growth potential, helping identify emerging trends and opportunities.

2. Generative AI Tools for User Experience and Design

UX Design:

- Fermat: Converts sketches into multiple visualisations, assisting in ideation and refinement of product designs.
- Diagram: Integrates AI tools directly into Figma to suggest design improvements and optimise user interfaces.

User Research:

- Synthetic Users: Allows for user research with AI-generated participants, simulating real-world interactions.
- Notably: An AI-powered platform for collecting and analysing user research data to derive insights.
- Userdoc AI: Creates AI-driven user personas, journeys, and requirements to inform design decisions.
- Ask Viable: Automates qualitative data analysis.
- Komo.ai: Monitors online discussions to understand user sentiments on various subjects.
- Akkio: Runs machine learning on your own dataset to find unseen patterns.
- Kraftful: Provides automated summaries of user reviews.
- Claude 2: Builds your own LLM with no code, handling up to 100k tokens per prompt.

1.3 Introduction

AI Tools for Innovation

3. Generative AI Tools for Digital Design:

- Durable: Builds websites rapidly with AI assistance.
- Tabnine: AI assistant for software developers.
- GitHub Copilot: AI pair programming tool for coding assistance.

4. Generative AI Tools for Product Design:

- DALL-E: Creates product images from textual descriptions.Stable
- Diffusion: Develops detailed product concepts.
- Vizcom: Transforms sketches into life-like product designs.
- Booth: Automates professional-grade product photography.
- Midjourney: Generates product concepts using text prompts.

5. Generative AI Tools for Business Modelling:

- Rationale: Assists in AI-driven decision-making by evaluating business ideas through simulations of market scenarios.
- Olli: Offers custom business dashboards powered by enterprise AI, helping visualise business models and strategies.
- Sheet AI: Integrates AI into Google Sheets for enhanced data analysis and decision-making.

6. Generative AI Tools for Data Analysis and Insights:

Predictive Analytics:

- Akkio: Applies machine learning to personal datasets for pattern discovery
- .Neurons: Provides insights into customer behaviours using predictive analytics.
- DataRobot: An automated machine learning platform that helps build, deploy, and manage predictive models quickly, suitable for businesses seeking insights into customer behavior, sales forecasting, and more.
- H2O.ai: Offers open-source and enterprise-ready AI tools for predictive modeling, supporting industries like finance, healthcare, and telecommunications in making data-driven decisions.
- RapidMiner: Provides a comprehensive data science platform for predictive analytics, enabling users to prepare data, build models, and validate results using a visual workflow designer.
- Alteryx: A platform that unifies analytics, data science, and process automation, enabling predictive analytics and insights through its user-friendly interface.
- SAS Visual Analytics: Provides powerful analytics and AI capabilities for predictive insights, enabling organizations to make data-driven decisions with interactive reports and dashboards.
- BigML: Offers an easy-to-use interface for machine learning and predictive analytics, allowing users to create models and predictions with minimal coding.

1.3 Introduction

AI Tools for Innovation

6. Generative AI Tools for Data Analysis and Insights:

Data Visualization:

- Exploratory: A data science tool that emphasizes visual analytics and data exploration with built-in machine learning capabilities. It allows users to perform data wrangling, visualization, and predictive analytics without extensive coding.
- Kibana: An open-source analytics and visualization platform designed for real-time data exploration. It integrates well with Elasticsearch and can leverage AI models for data analysis and visualizations.
- Charticulator: Developed by Microsoft Research, Charticulator is an open-source tool that allows users to create bespoke, complex visualizations without writing code, often used for AI model output visualization.
- Datawrapper: Focused on creating simple yet effective visualizations from datasets, Datawrapper allows for quick creation of charts and maps, often used by journalists and small businesses for clear data communication.
- Flourish: Offers interactive data visualization capabilities that allow users to create engaging charts and stories from data, supporting various AI-driven insights and narratives.
- Orange: An open-source data visualization and analysis tool with machine learning capabilities, allowing users to visualize complex data workflows and model outputs interactively.

Data Visualization (continued):

- Qlik Sense: An AI-powered analytics platform that offers data visualization and exploration, helping users uncover insights and drive data-informed decisions.
- Plotly: Known for creating high-quality graphs and interactive charts, Plotly offers a platform for visualizing AI model results and exploring data in an intuitive manner. It supports Python, R, and JavaScript integrations.

3

Ecosystem Thinking

A beginner's guide to ecosystems

Discover how businesses thrive in interconnected networks rather than as lone players. This section highlights the power of business ecosystems, showing you how they function, why they're reshaping industries, and what it means for your business strategy. You'll learn to see the market through a new lens, understanding the opportunities and challenges of this collaborative yet competitive landscape.

1.1 How To Use This Guide

This guide is designed to be flexible, allowing you to select its sections based on your needs and expertise. You don't need to follow it sequentially – feel free to jump in wherever it's most relevant for you.

If you're familiar with concepts like Jobs To Be Done and Problem/Solution mapping, skip to the Ecosystem Business Model Mapping section. However, if these concepts are new to you, this guide will provide an initial introduction to some methods to help you develop an innovation customers want.

The sections of the guide cover the following:

Jobs To Be Done: Understand customer needs to identify unmet needs
Problem/Solution Mapping: Visualize the challenges your customers face and summarise a solution
Value Proposition Design: Craft a value
Ecosystem Mapping: identify who is needed to create the ecosystem
Ecosystem Business Model Mapping: Create a system-level view of a business model – an ecosystem

2.1 Introduction To Ecosystems

The digital context of today's business environment

The digital revolution has fundamentally altered the business landscape. This transformation is characterized by three key aspects: increased dynamism, heightened complexity, and greater uncertainty. The rapid advancement of technologies like cloud computing, big data analytics, AI, IoT, and blockchain has driven these changes. These innovations have converged to create new opportunities for value creation and innovation across industries. However, they have also introduced significant challenges, requiring organizations to adapt quickly. Understanding this digital shift is now essential for businesses to navigate the modern economic environment effectively.

The digital revolution demands a new approach to business strategy and operations. Three key factors drive this need: technological change accelerates exponentially, competitive landscapes evolve continuously, and business environments grow increasingly complex. New technologies and platforms emerge at an unprecedented rate, constantly reshaping industry dynamics and enabling disruptive innovations from unexpected sources. To thrive in this volatile, uncertain, complex, and ambiguous (VUCA) environment, businesses must actively embrace these technological, economic, social, and regulatory forces. Companies that leverage these changes can create competitive advantages and lead in the ongoing digital transformation.

Digital technologies have transformed business structures and relationships, leading to new organizational models with three key features: extensive networks, ecosystem-based value creation, and enhanced adaptability. Companies now operate within vast webs of suppliers, partners, customers, and stakeholders that cross industry and geographical lines. Platform-based businesses and ecosystems have emerged as powerful new models, orchestrating complex interactions to generate value. These structures leverage collective resources and knowledge from multiple actors, enabling faster innovation and more agile responses to market changes.

2.1 Introduction To Ecosystems

Challenges and opportunities in the age of ecosystems

Leaders need to master the art of ecosystems to compete, create new growth opportunities, and build resilient organizations in today's dynamic business environment

The digital age demands a new approach to value creation. Organizations can no longer thrive in isolation due to the complex, interdependent nature of the digital landscape. Developing and deploying cutting-edge technologies requires a diverse set of skills, resources, and capabilities that often exceed what a single company can offer. To address this challenge, businesses increasingly engage in ecosystems and partnerships, providing access to essential knowledge, assets, and networks.

Ecosystems and platforms are revolutionizing value creation and capture. In these new models, value emerges from the interactions and exchanges between multiple participants, each contributing unique resources and capabilities. This shift demands new managerial competencies. Leaders must cultivate skills in collaboration, agility, and adaptability, while developing a deep understanding of the complex dynamics that drive ecosystem performance.

Today's business environment presents both challenges and opportunities that require a fresh strategic approach. Leaders must reimagine organizational structures, emphasizing collaboration and agility. They need to grasp the intricate dynamics that shape ecosystem performance and leverage these insights to their advantage. By embracing ecosystem strategies, leaders can unlock new growth opportunities and build organizations that are resilient in the face of rapid change.

2.2 The Basics Of Ecosystems

Understanding ecosystems

Introduction to Ecosystems

The concept of ecosystems has become a powerful framework for understanding and navigating the complex web of relationships and interactions among various actors. An ecosystem, in this context, refers to a dynamic network of organizations, individuals, and other stakeholders that collaborate, compete, and co-evolve to create and capture value. These ecosystems can take many forms, such as business ecosystems, innovation ecosystems, or platform ecosystems, each with its unique characteristics and dynamics. By adopting an ecosystem perspective, companies can better understand their role within the larger system, identify opportunities for growth and innovation, and develop strategies to effectively collaborate with partners while competing in the market.

Ecosystems differ from traditional forms of organizing, such as markets, in several key aspects. While markets are characterized by arm's length transactions and price-based competition, ecosystems are built on a foundation of collaboration, shared goals, and mutual value creation. In an ecosystem, the success of each participant is closely tied to the success of the overall system, leading to a more cooperative and interdependent environment. Additionally, ecosystems often involve a more diverse set of actors, including companies from different industries, academic institutions, government agencies, and even individual contributors, working together to create value in ways that would be difficult or impossible in a traditional market setting.

3.2 The Basics Of Ecosystems

Characteristics of Ecosystems

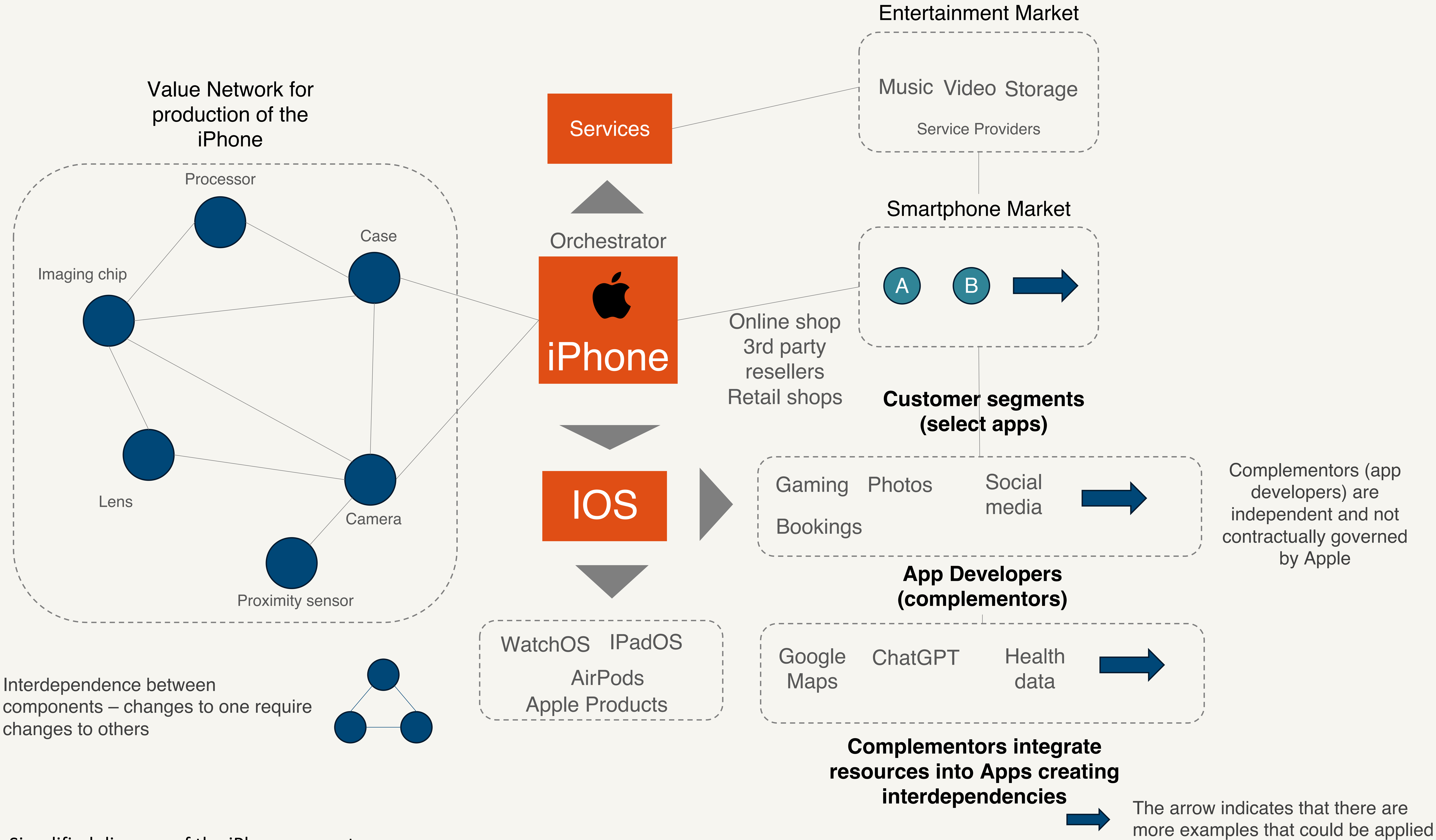
Introduction to Ecosystems

An ecosystem is a network of interconnected players who collaborate and compete to create value. It's a way of understanding how different organisations, technologies, and individuals interact and depend on each other in complex business environments. Characteristics of ecosystems include:

- **Actors and roles**: A diverse set of participants make up ecosystems, with each actor playing specific roles, such as suppliers, producers, distributors, customers, and complementors, which collectively contribute to the overall functioning and value creation within the system.
- **Core assets and complementors**: In ecosystems, a focal firm often creates a core asset, such as a platform, technology, or product, which serves as the foundation for complementary value generation. Other participants in the ecosystem then build upon this core asset, offering complementary products, services, or solutions that enhance the overall value proposition and create additional benefits for end-users.
- **Orchestration and governance**: A central orchestrator or governing body often coordinates activities, establishes rules and standards, and facilitates collaboration among participants to ensure the smooth functioning and growth of the system.
- **Value creation**: Ecosystems primarily aim to create value for their participants and end-users by leveraging the combined strengths, resources, and capabilities of their members, resulting in innovative products, services, or solutions.
- **Value capture**: While ecosystems focus on collective value creation, individual actors also seek to capture a portion of that value for themselves through various monetization strategies, such as licensing, revenue-sharing agreements, or direct sales.

3.2 The Basics of Ecosystems

The Apple Ecosystem



Example: Simplified diagram of the iPhone ecosystem

2.2 The Basics of Ecosystems

The Apple Ecosystem Explained

Apple's Role (orchestrator)

Apple acts as the orchestrator of its ecosystem by setting the rules and standards for participation. It designs the core hardware and software platforms, like the iPhone and iOS, which form the foundation of the ecosystem. Apple then manages relationships with app developers, accessory makers, and other partners, ensuring their offerings work seamlessly within the ecosystem while maintaining quality control.

Partners

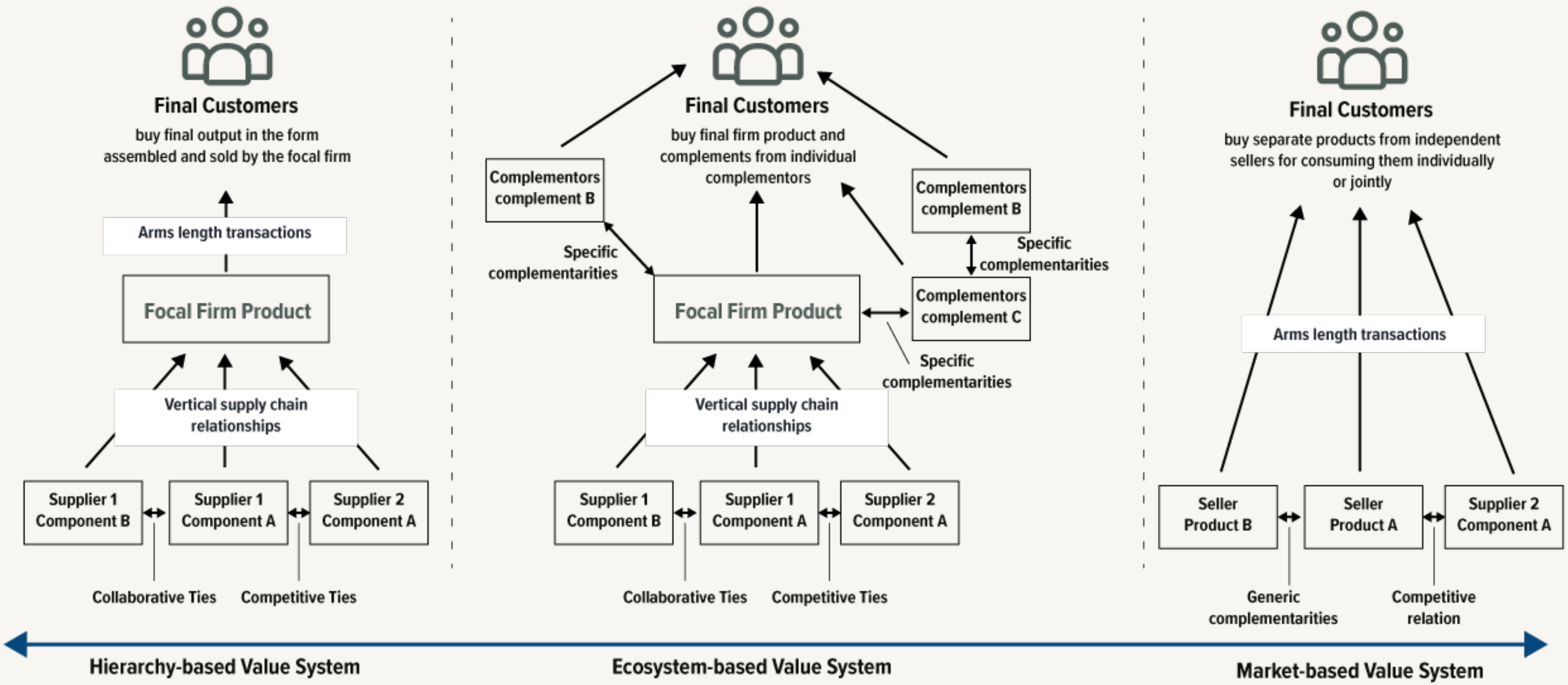
Apple orchestrates its ecosystem by coordinating closely with key manufacturing partners like Foxconn and Pegatron, who assemble iPhones and other devices. It also works with component suppliers such as Samsung and TSMC for crucial parts like displays and processors. Additionally, Apple collaborates with logistics partners to manage its global supply chain and distribution network.

Developers (complementors)

App developers are complementors in the ecosystem. They create a diverse range of specialised applications that enhance the functionality and value of Apple's devices. These independent developers (not contractually employed by Apple) produce niche products across various categories, such as gaming, productivity, fitness, and entertainment, significantly expanding the capabilities of iPhones and iPads beyond their basic features.

2.3 Ecosystem Principles

How ecosystems differ



Ecosystems have a different way of organizing value creation and delivery compared to markets. Complements and interdependence among complements are some of the key principles of ecosystems. The Business model canvas doesn't account for these or visually represent these relationships, hence business model mapping provides a richer context.

2.3 Ecosystem Principles

How ecosystems differ

01 Hierarchy-based value system

In a hierarchy-based system, one company controls the whole process of making and selling a product. They handle everything from getting raw materials to manufacturing to sales. The company makes all the decisions and keeps tight control over each step. This allows for careful coordination but can be slow to change.

02 Ecosystem-based value system:

Here, different companies work together to create value, each specialising in one part of the process. They coordinate their efforts but remain independent. For example, a smartphone ecosystem might include the phone maker, app developers, and accessory manufacturers. This allows for more innovation and flexibility but requires high levels of coordination outside of the firm and good communication between partners.

03 Market-based value system:

In this system, companies buy and sell freely in an open market. There's no central control or coordination. Each company makes its own decisions about what to produce and who to work with. Prices are set by supply and demand. This creates high levels of competition and choice, but can lead to inefficiencies or conflicts between different parts of the value chain.

2.4 The Ecosystem Paradigm Shift

Developing and Managing An Ecosystem

01 Ecosystem Strategy Exploration

Developing an ecosystem strategy represents a paradigm shift in business thinking, moving beyond traditional industry boundaries to embrace interconnected networks of companies, customers, and complementors. This approach recognizes that value creation and capture increasingly occurs within complex systems rather than through a firm's isolated activities.

- **Strategic Relevance:** Critically evaluate the significance of ecosystems for your business model. Assess potential opportunities for market expansion, innovation acceleration, and risk mitigation. Conversely, consider the threats emerging ecosystems pose that could disrupt your current value chains or customer relationships.
- **Engagement Model:** Determine whether to participate in an existing ecosystem or orchestrate your own. Joining an established ecosystem can provide rapid access to new capabilities and markets but may limit strategic control. Conversely, building your ecosystem offers greater influence over value creation and capture but requires substantial investment and leadership capabilities.
- **Ecosystem Architecture:** If opting to create an ecosystem, meticulously design its structure, governance mechanisms, and value propositions. These foundational elements will profoundly influence the ecosystem's attractiveness to potential partners, its ability to generate and distribute value, and its long-term sustainability.
- **Competitive Dynamics:** Develop strategies for competing within the ecosystem context. This involves carefully balancing collaborative efforts to grow the overall ecosystem value with competitive actions to secure your firm's position and profitability. Navigate the complex landscape of "coopetition" where partners in one domain may be rivals in another.
- **Strategic Agility:** Cultivate the capability to continuously evolve your ecosystem strategy. As the ecosystem matures, technological landscapes shift, and competitive pressures change, your strategic approach must adapt. This requires ongoing monitoring of ecosystem health, reassessment of your role and contributions, and agile decision-making to reposition as needed.

2.4 The Ecosystem Paradigm Shift

Developing and Managing An Ecosystem

02 Ecosystem Dynamics

Ecosystems are inherently dynamic, shaped by both internal and external forces. Internally, dynamics result from individual actors evolving their capabilities, orchestrators strategically guiding the system, and participants competing for larger shares of ecosystem value. Externally, technological advancements, shifting customer preferences, and inter-ecosystem competition continually influence how the system adapts and responds. Understanding these complex dynamics is crucial for effective ecosystem strategy.

Coopetition and Strategic Alliances:

- Navigate the complex landscape of simultaneous cooperation and competition within ecosystems. Develop strategies to collaborate on shared goals while protecting core competitive advantages.
- Form strategic alliances with ecosystem partners to enhance collective capabilities and address market opportunities that no single firm could pursue alone.
- Manage the inherent tensions in coopetitive relationships by establishing clear boundaries, shared objectives, and dispute resolution mechanisms.

Multi-sided Market Orchestration:

- Coordinate the interests and activities of diverse ecosystem participants, including suppliers, complementors, and customers. Recognize that value creation often occurs at the intersections of these groups.
- Develop pricing and incentive structures that balance the needs of different ecosystem sides, ensuring sustainable value creation and capture for all key participants.
- Continuously monitor and adjust the ecosystem's value propositions to maintain alignment with evolving market demands and participant expectations.

Network Effects and Value Creation:

- Leverage network effects to accelerate ecosystem growth and value creation. As more participants join, the ecosystem becomes increasingly attractive, creating a virtuous cycle of expansion and innovation.
- Recognize that network effects can lead to winner-takes-all scenarios, potentially resulting in market dominance for successful ecosystems. Strategically position your firm to benefit from or defend against these powerful dynamics.
- Balance the pursuit of scale with the need for quality and relevance in ecosystem offerings. Rapid growth can dilute value if not managed carefully.

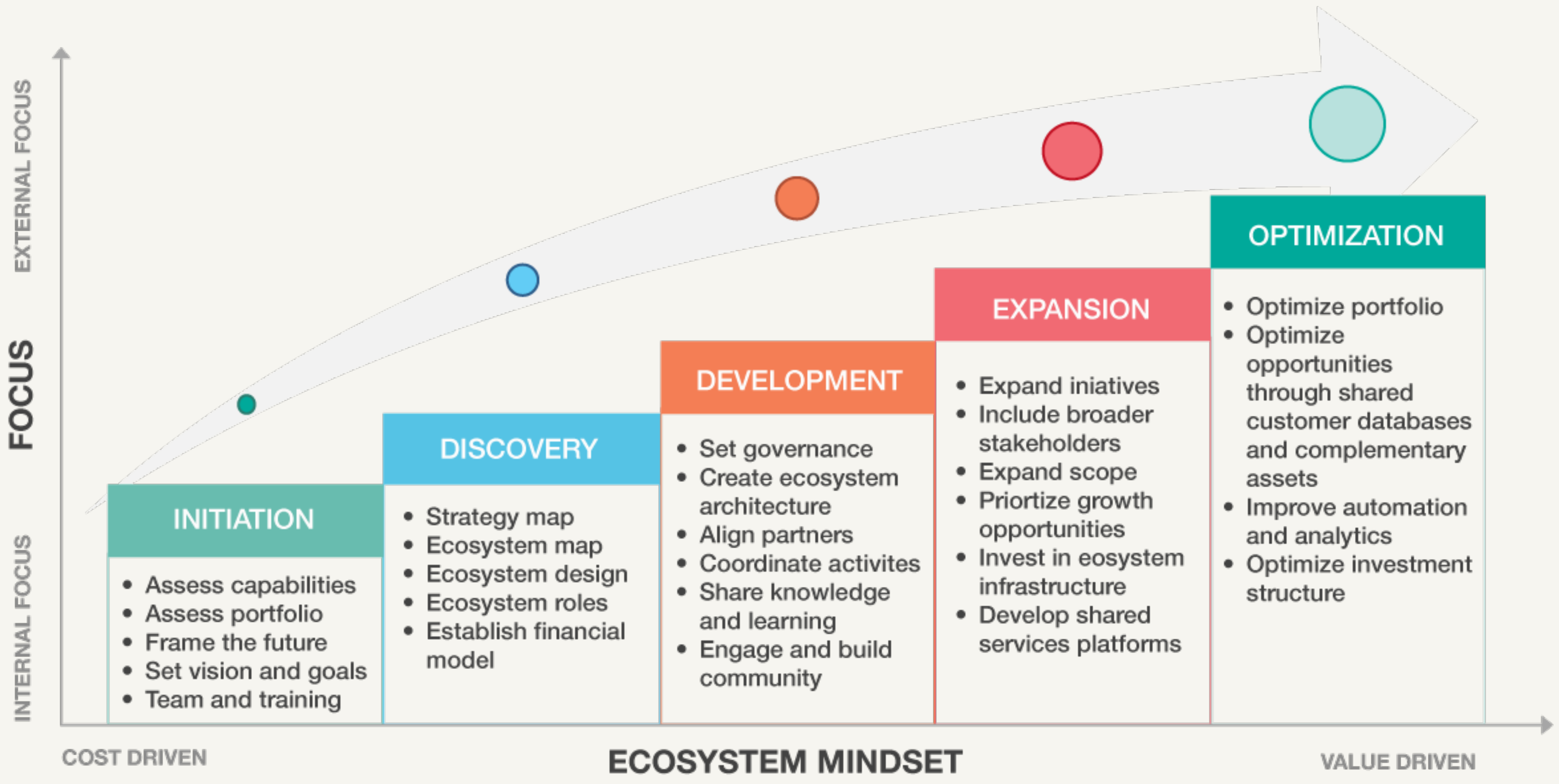
- **Innovation and Value Capture Dynamics:**
- Foster an environment of continuous innovation within the ecosystem, encouraging participants to contribute new ideas and capabilities.
- Manage the tension between ecosystem-wide value creation and individual firm value capture. Ensure your firm can appropriate sufficient returns on its ecosystem investments and contributions.
- Anticipate and respond to potential disruptive innovations that could reshape ecosystem dynamics or render existing value propositions obsolete.

2.4 The Ecosystem Paradigm Shift

Developing and Managing An Ecosystem

To effectively develop an ecosystem, organisations can use this guide that outlines the evolutionary stages necessary for growth and success. This structured approach enables organisations to navigate complexities and maximise the value of their ecosystems. The guide comprises five key stages: Initiation, Discovery, Development, Expansion, and Optimisation, each contributing to the ecosystem's overall maturity and effectiveness.

1. **Initiation Stage**: Assess Capabilities and Portfolio: Evaluate existing strengths and weaknesses to set clear visions and goals for the ecosystem.
2. **Discovery Stage**: Design the Ecosystem: Develop a strategy map and ecosystem design that aligns internal capabilities with external opportunities.
3. **Development Stage**: Build and Collaborate: Establish governance, align partners, and build community to create a cohesive ecosystem architecture.
4. **Expansion Stage**: Scale the Ecosystem: Engage broader stakeholders and expand the scope to prioritise growth opportunities and drive sustained development.
5. **Optimisation Stage**: Enhance Value and Efficiency: Optimise portfolios, improve automation, and leverage shared resources to maximise ecosystem value and sustainability.



3.4 The Ecosystem Paradigm Shift

Developing An Ecosystem

03 Developing an Ecosystem

Building a robust ecosystem begins with establishing a solid foundation. This entails identifying key partners, forming initial relationships, and defining a compelling value proposition. A strategic and well-planned development phase ensures the ecosystem is scalable and sustainable.

Identify Potential Partners:

- Pinpoint partners whose goals align with your strategic objectives.
- Evaluate partners based on their capabilities and potential contributions to the ecosystem.
- Focus on creating a diverse network that enhances overall ecosystem strength.

Establish A Clear Value Proposition:

- Define compelling value propositions that attract and retain partners.
- Communicate the benefits of participation clearly to all stakeholders.
- Ensure the value propositions are aligned with the needs and goals of the ecosystem.

Define Roles and Responsibilities:

- Develop a governance framework to manage interactions and resolve conflicts.
- Establish rules and processes that ensure transparency and accountability.
- Implement mechanisms to monitor and enforce compliance with ecosystem guidelines.

Create a Governance Structure:

- Develop a governance framework to manage interactions and resolve conflicts.
- Establish rules and processes that ensure transparency and accountability.
- Implement mechanisms to monitor and enforce compliance with ecosystem guidelines.

Develop a Roadmap for Growth:

- Create a strategic roadmap that outlines the development and expansion phases.
- Set clear milestones and objectives to guide ecosystem growth.
- Regularly review and adjust the roadmap based on ecosystem performance and external changes.

2.3 The Ecosystem Paradigm Shift

Developing An Ecosystem

04 Stakeholder Engagement

Effective stakeholder engagement and alignment are crucial for the success of an ecosystem. Building strong relationships with key partners, customers, and other stakeholders ensures goal alignment and fosters collaboration. However, tensions and trade-offs often arise which require careful management.

Building Trust-Based Relationships:

- Establish trust with a wide range of ecosystem stakeholders, including suppliers, partners, and customers.
- Manage engagement levels based on each actor's value-providing potential and strategic relevance.
- Recognise the risk of imbalanced relationships and work to maintain mutual benefit.

Develop Value Propositions:

- Develop value propositions collaboratively with key ecosystem actors.
- Engage in extensive communication to align value goals and improve coordination.
- Be aware of the tension between immediate gains and long-term mutual benefits.

Incorporate Feedback from Ecosystem Participants:

- Engage with ecosystem participants to gather feedback on strategies and initiatives.
- Use this feedback to refine and improve strategic plans.
- Ensure that strategies reflect the needs and priorities of the ecosystem.

Prioritise Long-Term Ecosystem Health:

- Focus on strategies that promote the long-term health and sustainability of the ecosystem.
- Balance short-term gains with long-term ecosystem viability.
- Invest in initiatives that support ecosystem growth and stability.

Leverage Ecosystem Resources and Capabilities:

- Identify and utilise the resources and capabilities available within the ecosystem.
- Collaborate with partners to maximise resource utilisation and value creation.
- Continuously explore new opportunities for leveraging ecosystem strengths.

4

Jobs To Be Done

Discovering Customers Unmet Needs

By uncovering customers' core needs, Jobs to Be Done drives the creation of products people actually want. Discover how to dramatically increase your chances of startup success by uncovering what customers truly want. This section delves into the powerful Jobs to Be Done framework, demonstrating how it can reveal hidden customer needs and shape winning value propositions, while equipping you with practical tools and frameworks to put these insights into action and minimise the risk of failure.

4.1 Build Products/Services That Customer Want

Jobs to Be Done: Understanding Customer Motivations

What are Jobs to Be Done? They're the underlying reasons why customers make purchases. Jobs to Be Done theory focuses on the progress people are trying to make in their lives, rather than on product features or customer characteristics. It's a way of understanding what truly motivates customers to "hire" a product or service.

Use and Importance:

Jobs to Be Done acts as a powerful lens for innovation and marketing. It guides product development by revealing unmet needs, sharpens marketing messages by focusing on real customer motivations, and aligns team efforts around genuine customer progress. In a world of endless product choices, it helps businesses understand the true competition - which isn't always other similar products but could be completely different solutions or even non-consumption. It's not just a useful tool; it's a fundamental shift in perspective. Without it, businesses risk creating solutions that don't address real customer needs.

Move from pushing ideas into a market that run the risk of failure to identifying market gaps and unmet customer's needs. In other words, create products/services customers want and address their needs.

Jobs To Be Done

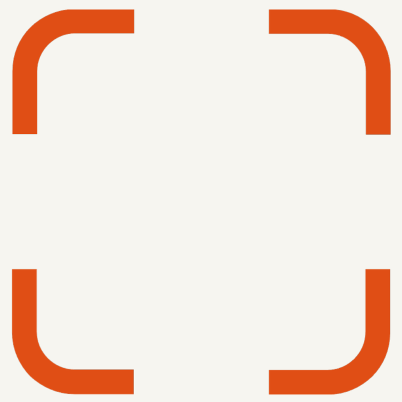
The "Jobs to Be Done" (JTBD) framework, introduced by Clayton Christensen and Tony Ulwick, helps us understand how people move from their current state to a desired state by completing specific tasks. This journey often involves overcoming various problems and frustrations. The current state is where users experience inefficiencies or unmet needs. The desired state is where these needs are satisfied, and frustrations are resolved. Recognising and addressing these pain points is essential. By focusing on the tasks users need to accomplish, rather than just product features, we can create solutions that better meet their needs. This approach, illustrated in the diagram, highlights the importance of understanding the user's journey and the challenges they face in achieving their goals.

3.1 Jobs To Be Done

Uncovering Unmet Customer Needs

Customer needs need to be understood to develop products that don’t miss the mark. This helps to avoid the 90% failure rate of new products and services. The Jobs To Be Done framework focuses on customers' unmet needs and firmly places the customer at the centre of your innovation process. Use the Jobs to be Done framework to identify these needs. The following tools and process will help you articulate the customer's main job and the smaller tasks they need to accomplish it.

1



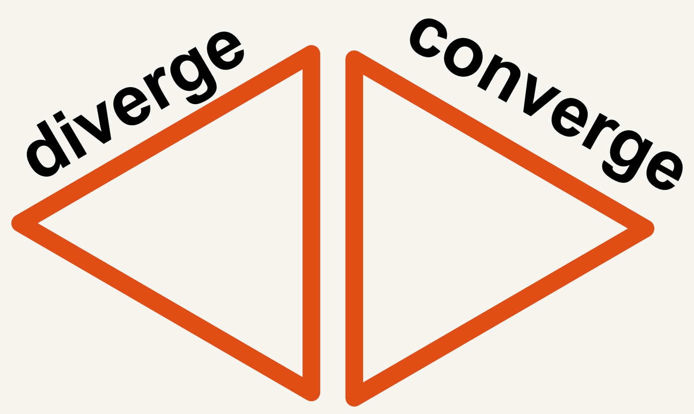
Frame the Job

Explore

Validate

Analyse

2



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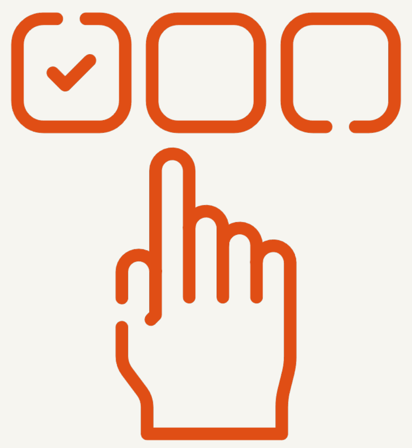

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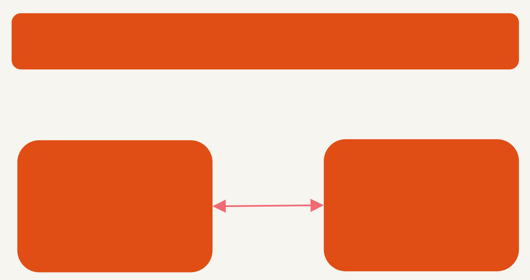
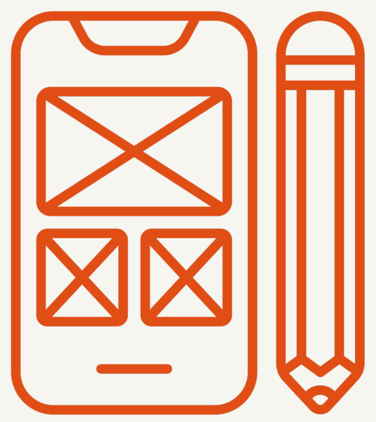
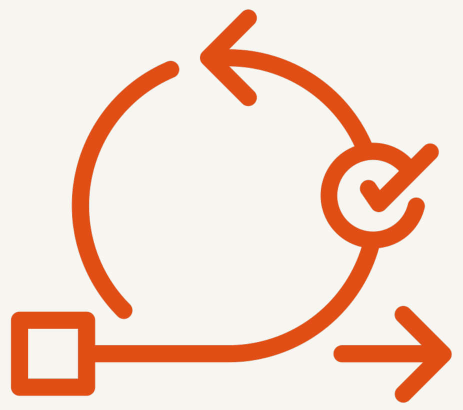


Problem-Solution Map

3



Prototype



Test and Validate

3.1 Jobs To Be Done

3 Steps To Uncovering Unmet Customer Needs

01 Understand the Customer's World

Begin by framing the problem from the customer's perspective. Explore the various jobs customers are trying to accomplish, including functional, emotional, and social aspects. Conduct in-depth interviews and observational research to uncover hidden motivations and frustrations. Validate these findings through quantitative surveys and market analysis. This step reveals the true reasons behind customer choices and identifies unmet needs.

02 Generate and Align Solutions

With a clear understanding of customer jobs, brainstorm potential solutions that address these needs more effectively than current alternatives. Select the most promising ideas based on their potential impact and feasibility. Map each solution to specific customer jobs, ensuring a strong problem-solution fit. This alignment process helps prioritise features and guides product development efforts towards innovations that truly matter to customers.

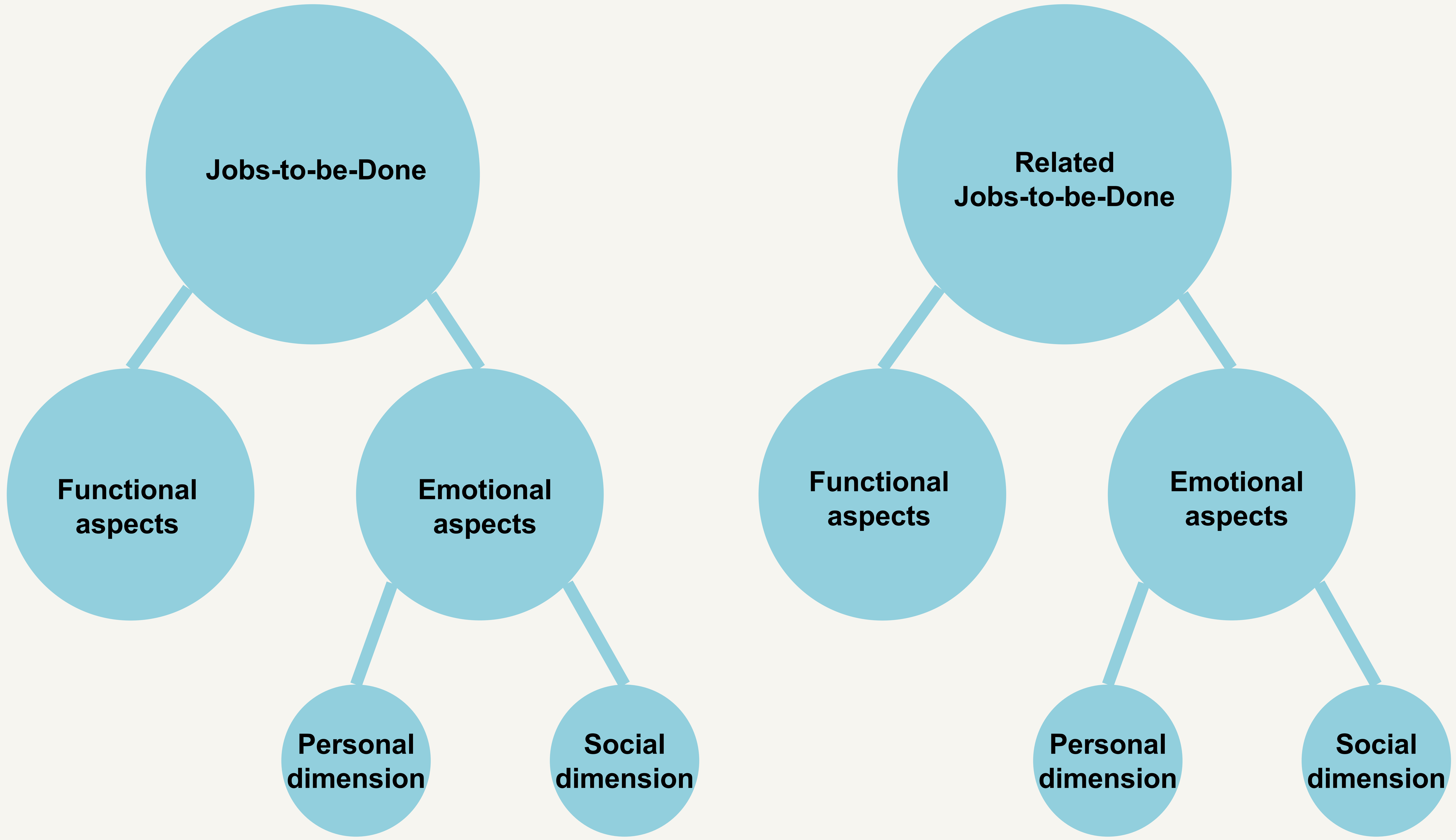
03 Bring Ideas to Life and Validate

Rapidly prototype selected solutions to make abstract ideas tangible. Create minimum viable products (MVPs) that embody the core value proposition. Test these prototypes with real customers in realistic scenarios. Gather feedback on how well the solution performs the intended job and identify areas for improvement. This iterative process of prototyping and testing validates assumptions and refines the innovation before significant resources are invested in full-scale development.

Jobs To Be Done Customer Criteria

Customer Criteria: We want to identify and validate the unmet needs of customers – the jobs they are trying to achieve and how we can improve them:

1. **Functional Criteria**
    1. Quantifiable improvements (e.g., faster, simpler, cheaper)
2. **Emotional Criteria**
    1. Psychological needs (e.g., reduced stress, increased safety, personal accomplishment)
3. **Social Criteria**
    1. Interpersonal factors (e.g., trust, openness, connection)



JOBS TO BE DONE CUSTOMER STATEMENT

Identifier	Action	Focus	Object	Context
the person or group with the need or desire	the desired direction of change (increase, reduce, maintain	the specific aspect that the customer wants to change/affect	the item, process, or outcome being acted upon	the situation or circumstances in which the job occurs
As a busy professional, I want to...	...reduce...	...the time spent...	...preparing healthy meals...	...during the workweek.

Customer Job Statement

The Job Statement captures your customer's core need or desire in their own words. It uses a simple structure to describe the outcome they hope to achieve or the struggle they want to overcome, providing a clear focus for innovation efforts.

The Job Statement

Frame the Job to be Done:

Create a one-sentence Job Statement that captures the customer's need in their own words.

Define the Job Statement:

A Customer's Job Statement concisely describes a customer's desired outcome in a specific situation. It captures the core motivation behind customer behavior, focusing on what they want to achieve rather than how they might do it. The Job Statement provides a clear, actionable target for innovation efforts, ensuring product development addresses genuine customer desires rather than assumed solutions.

- Express the outcome, not the method
- Use everyday language, avoiding technical terms
- Include the context or situation

Structure the Statement:

An effective Job Statement follows a specific three-part structure to ensure clarity and actionability. This structure begins with an action verb, followed by the object of that action, and concludes with a contextual clarifier. This format creates consistent, comparable statements that clearly communicate customer needs.

- Begin with an action verb (e.g., reduce, increase, minimize)
- Specify what's being affected (e.g., time, stress, cost)
- Add a contextual clarifier (e.g., when commuting, during meal preparation)

Refining and Validate:

Creating a Job Statement requires iteration and customer input. This process confirms that the statement accurately reflects customer needs and builds a solid foundation for innovation.

- Present draft statements to customers and observe their reactions
- Look for signs of recognition or agreement from customers
- Refine the statement based on customer feedback and insights

BUSINESS DESIGN LABS - JOBS TO BE DONE MAP

Job Map

Define Plan, select, determine	**Locate** Gather, access, retrieve	**Prepare** Setup, organize, examine	**Confirm** Validate, prioritize, decide
Execute Perform, transact, administer	**Monitor** Verify, track, check	**Modify** Modify, adjust, maintain	**Conclude** Plan, select, determine

Notes

Break down the customer's job using the Job Map's eight steps:

- Set up a collaborative space, either online or in person.
- Create eight columns, one for each step of the Job Map.
- With your team, brainstorm and list all possible tasks and activities the customer might undertake to complete their job.
- Place each task or activity in the appropriate column.

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Define the Job – The Job Map

The Job Map helps visualize the customer's journey, revealing potential pain points and opportunities for innovation at each stage.

The Job Map: Eight Steps of Customer Action

1.**Define and Plan**: Customer creates an initial approach to achieve their goal.

2.**Locate Input**: Customer identifies and gathers necessary information for decision-making.

3.**Prepare**: Customer organizes information, establishes theories, and decides on next steps.

4.**Confirm and Validate**: Customer makes and validates their decision to act.

5.**Execute**: Customer performs the chosen action or procedure.

6.**Monitor**: Customer observes the effects and outcomes of their action.

7.**Modify**: Based on new information, customer reassesses their decision and decides whether to continue, adjust, or start over.

8.**Conclude**: Customer determines if their goal is achieved, evaluates their satisfaction, and learns from the experience.

Important Considerations:

1. **Non-linear Process**: Customers may loop back, move forward, or perform steps in parallel, rather than following a rigid sequence.
2. **Varying Timeframes**: Steps can range from intuitive and quick to taking weeks or months to complete.
3. **Depth of Detail**: You may identify 50 or more activities across all steps, depending on the job complexity.
4. **Customer Diversity**: Mapping can reveal previously unrecognized niche segments as different customers approach the job in unique ways.
5. **Comprehensive Mapping**: Focus on capturing all possible approaches customers use to solve the job, not on identifying one optimal solution.

Remember, create a comprehensive map of customer behaviours and needs to provide a foundation for innovative solutions that address various customer approaches.

BUSINESS DESIGN LABS - JOBS TO BE DONE MAPPING CANVAS

Define	Locate	Prepare	Confirm
Execute	**Monitor**	**Modify**	**Conclude**

Job Mapping Canvas

BUSINESS BY DESIGN - INNOVATION TOOLS AND METHODS THAT FUEL GROWTH

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Validating Customer Jobs

The Process

The Jobs to be Done (JTBD) approach utilizes a powerful two-step process: in-depth interviews followed by a comprehensive survey. This methodical approach effectively identifies and validates customer needs, providing a robust foundation for innovation. Here's a detailed explanation of why this approach works and how it produces tangible, validated JTBD results:

- **Interviews** uncover rich, contextual insights: By engaging directly with customers, you delve deep into their motivations, behaviors, and unspoken needs. This qualitative approach reveals nuances that quantitative data alone might miss.
- **Surveys** quantify findings at scale: After identifying key needs through interviews, you can measure their importance and current satisfaction levels across a much larger sample. This quantification adds statistical validity to your insights.
- **Validation**: Interviews allow you to uncover unexpected needs or pain points. The survey then lets you confirm if these insights apply to a broader customer base, ensuring you're not acting on outlier information.
- **Prioritization**: By measuring both importance and satisfaction for each need, you can identify which areas present the greatest opportunities. This helps you focus your innovation efforts where they'll have the most impact.
- **Validated results improve decision-making**: With both qualitative depth and quantitative breadth, you create a solid evidence base for your innovation strategy. This reduces risk and increases the likelihood of developing products or services that truly resonate with customers.

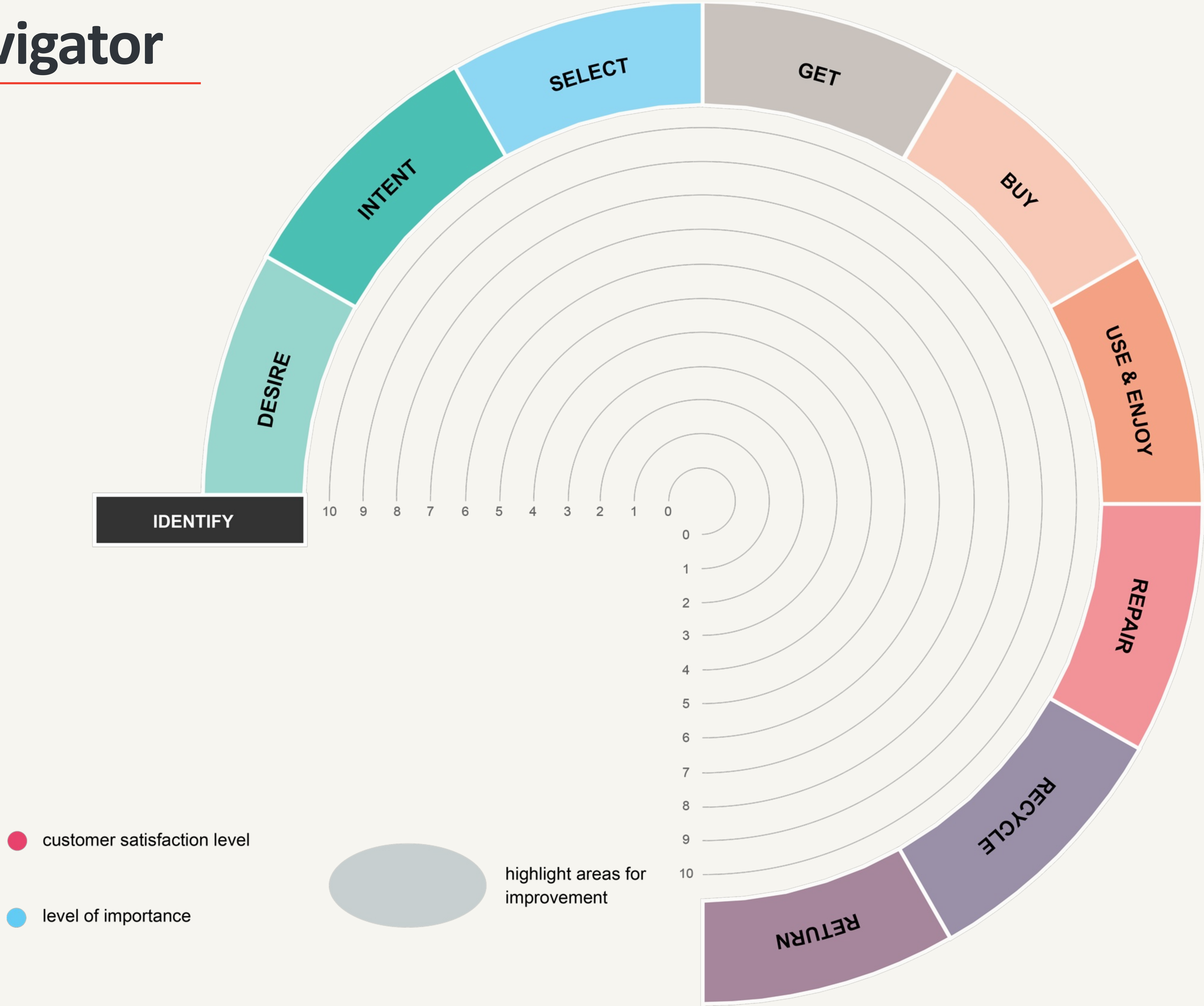
JBTD Interview Guidelines

Conducting effective interviews is crucial for discovering customer Jobs to be Done and the criteria customers use to evaluate success. Proper interviewing techniques help uncover valuable insights while avoiding common pitfalls and biases.

- Aim to conduct 20 – 30 interviews with representative customers
- Ensure a diverse sample of interviewees to capture a range of perspectives within your target market
- Use initial interviews to refine your Job Statement and Job Map
- In later interviews, focus on understanding customer mindsets and motivations
- Look for functional, emotional, and social criteria customers use to assess job success
- Collect customer criteria as simple statements describing desired improvements
- Aim to gather 5-15 criteria for each step in the Job Map
- Consolidate your final list and prioritize the most important customer criteria
- Be aware of potential biases and use rigorous interviewing techniques to get authentic insights
- Prepare an interview guide, but remain flexible to explore unexpected insights
- Record interviews (with permission) to allow for thorough analysis later
- Use open-ended questions to encourage detailed, unbiased responses

After conducting interviews, analyze the collected data to refine your Job Map and customer criteria. Review interview recordings or notes to identify patterns, recurring themes, and unique insights. Use this analysis to construct a comprehensive list of customer criteria for each step in the Job Map. These criteria then form the basis for a quantitative survey. Create survey questions that assess the importance and satisfaction levels for each identified criterion. This approach allows you to validate your qualitative findings with a larger sample size and identify the most significant opportunities for innovation by pinpointing important but underserved customer needs.

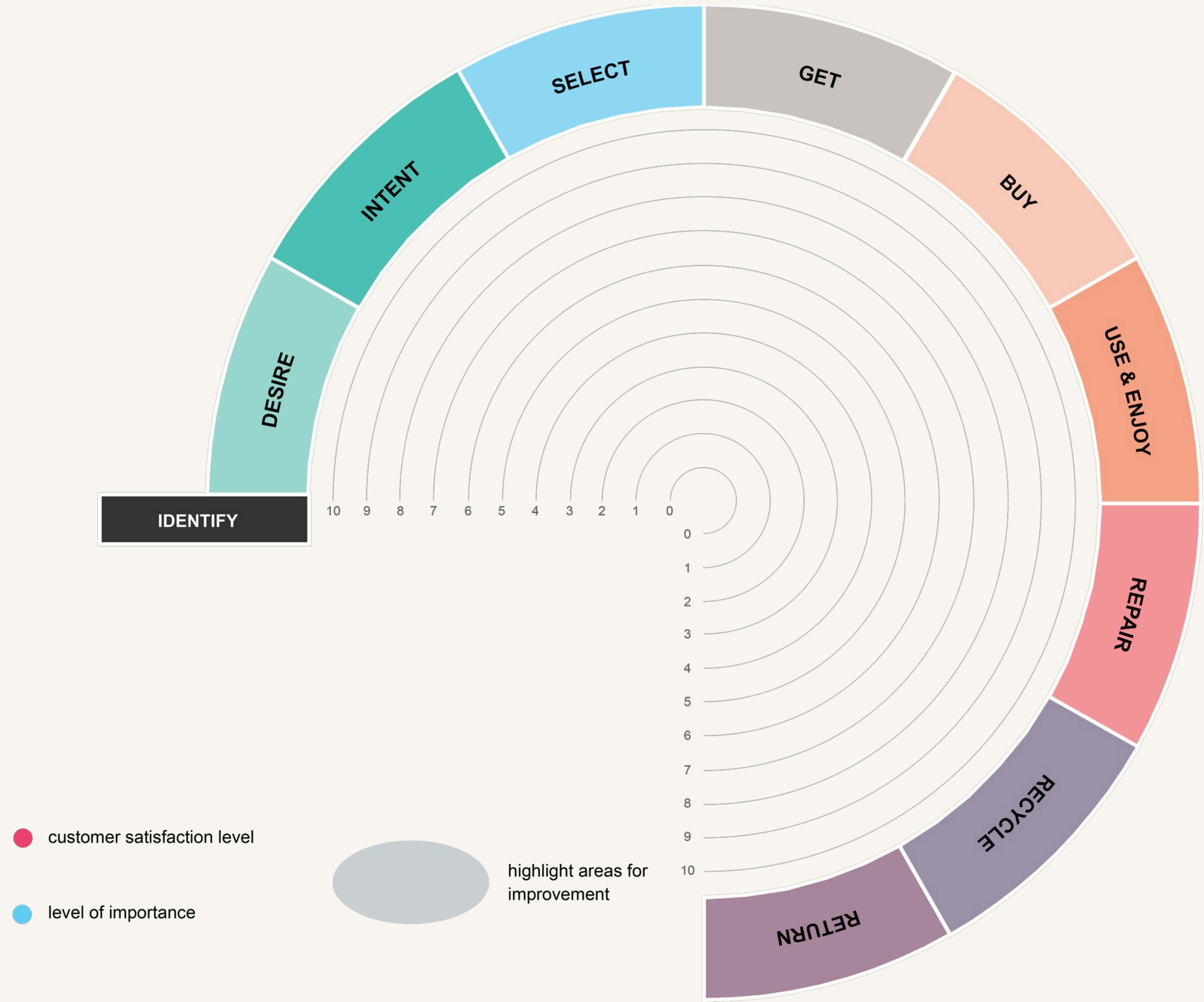
Job Navigator



Job Navigator

Mapping Customer Jobs

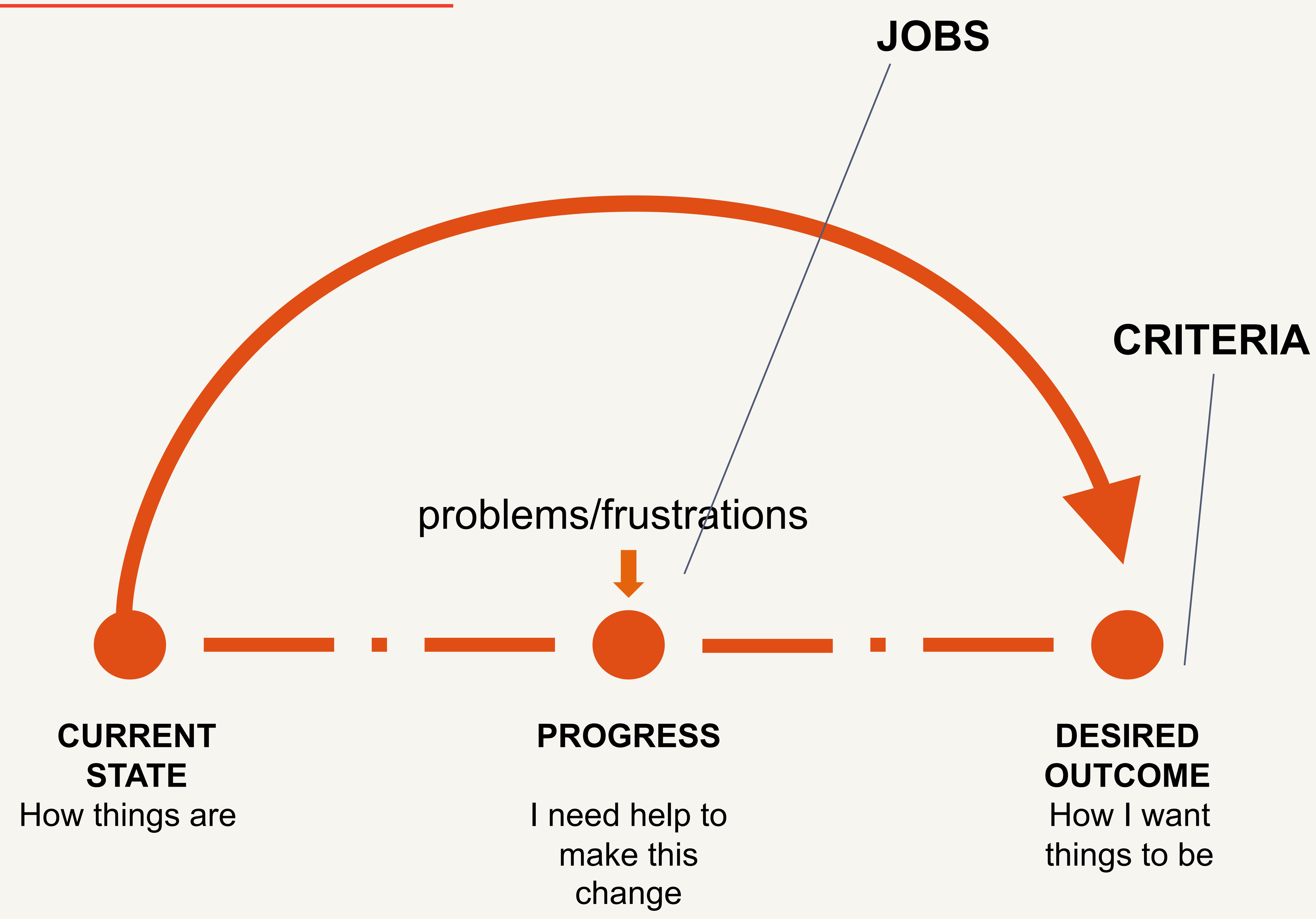
Identifying the most important opportunities is a crucial phase in the Jobs to be Done (JTBD) process, where qualitative insights are transformed into actionable visualisations. This step involves mapping customer criteria onto the Job Map, analysing survey data, and prioritising opportunities for innovation. By using tools like the Job Navigator, teams can effectively identify significant gaps between customer importance and satisfaction. These gaps represent areas for innovation. Group the opportunities into categories that make sense. This helps you organize your ideas and prepares you for the next steps. You can then explore these categories further and start developing solutions based on them.



Customer Criteria

Understanding customer jobs unlocks innovative product/service opportunities. This approach reveals desired progress and uncovers underlying motivations and frustrations. A job might involve "feeling confident when making financial decisions," which includes overcoming fears and information overload. Focusing on jobs helps spot overlooked opportunities and develop solutions that address core needs.

Customer criteria defines the success metrics for product development. These outcomes show how customers evaluate solutions. For financial decisions, criteria might include "reducing research time" or "improving risk understanding." Aligning development with these criteria creates products/services that meet customers' needs. This method shifts development from guesswork to targeted improvement, resulting in solutions that solve problems in ways customers truly value.



BUSINESS DESIGN LABS - JOBS TO BE DONE CUSTOMER CRITERIA

Type and theme	Expected/avoided result	Unit	Context
Consumer (Laundry Detergent) Functional Job	Remove tough stains	percentage of stain eliminated	on children's play clothes after first wash
Consumer (Grocery Delivery App) Emotional Job	Reduce stress	in minutes saved per week	when planning and shopping for family meals
B2B (Office Printer) Social Job	Minimize disruptions	in number of times per day	when multiple team members need to print simultaneously
B2B (IoT CNC Sensor) Functional Job	Minimize material waste due to tool wear	in percentage of parts within tolerancee	during high-volume precision milling operationss

Customer Criteria

By identifying gaps between customers' desired outcomes and existing solutions, you can uncover unmet needs for innovation.
By analyzing customer criteria to pinpoint areas where current offerings fall short or don't exist at all. Customers evaluate each Job Map step using various criteria. These include functional, emotional, and social criteria. Interviews and surveys provide evidence of customer criteria and enable prioritization of needs. Focusing on these unmet needs enables development of breakthrough products or services that address unexplored customer demands, potentially creating new markets or revolutionizing existing ones.

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Summary

The Outcome

The Jobs to Be Done (JTBD) process provides invaluable insights into customer needs and motivations, transforming how companies approach innovation and product development. By focusing on the fundamental progress customers are trying to make in their lives, JTBD delivers a range of powerful outputs that drive more effective and customer-centric business strategies.

- **Customer Job Map**: A comprehensive visual representation of the steps customers take to complete a job, highlighting pain points and opportunities for innovation.
- **Prioritized Job Statements**: A ranked list of the most important jobs customers are trying to accomplish, enabling focused resource allocation and development efforts.
- **Outcome Expectations (customer criteria)**: Detailed metrics that customers use to measure the successful execution of a job, providing clear targets for product performance and features.
- **Unmet Needs Analysis**: An assessment of where current solutions fall short, revealing gaps in the market and opportunities for differentiation.
- **Ideation Framework**: A structured approach that forms the basis for potential solution ideas based on identified jobs and unmet needs, stimulating creative problem-solving aligned with customer demands.

5

Value Proposition

Designing customer value

Craft compelling value propositions that resonate deeply with your target customers and set your business apart in the marketplace. This section guides you through the art and science of value proposition design, offering a step-by-step framework and practical canvas tools that will help you articulate, refine, and validate your unique offering, ensuring it addresses real customer needs and creates meaningful differentiation.

1.1 Creating The Value Proposition

Value Proposition: The Core Success Factor

What is a value proposition? It's the promise of value you'll deliver. It's the primary reason a prospect should buy from you. A value proposition is a clear statement that explains how your product solves customers' problems, delivers specific benefits, and tells the ideal customer why they should buy from you and not from the competition. But it's more than just words—it's the essence of your market offering.

Use and Importance:

A well-crafted value proposition acts as a north star for your business. It guides product development, sharpens marketing messages, and aligns team efforts. In a world of noise and competition, it cuts through the clutter, instantly communicating your unique worth. It's not just important; it's critical. Without it, customers don't have a compelling reason to choose you over alternatives.

VALUE PROPOSITION vs STRAPLINE

VALUE PROPOSITION (Pitch Statement)

Distinguishing between a value proposition statement and a strapline is crucial for effectively positioning products in the market. A value proposition statement clearly explains the unique benefits a product offers to its target audience. It serves as a detailed guide, helping businesses align their offerings with customer needs and market demands. Highlighting unique benefits and differentiators shows how a product solves specific problems. Businesses use it to align teams, create marketing messages, guide product development, and attract investors by demonstrating a clear understanding of the market.

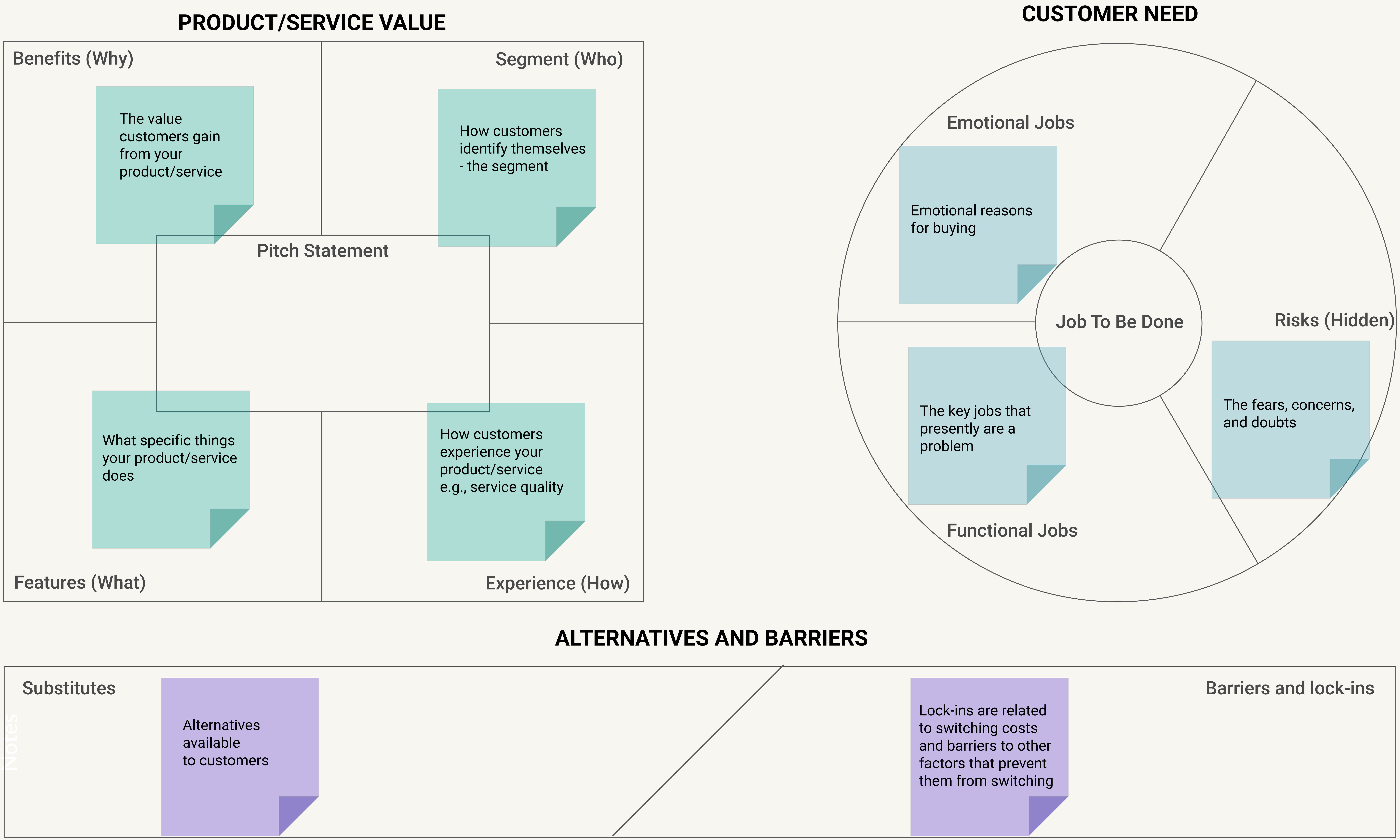
- **Customer-Centric**: Clearly defines the target customer segment and addresses their specific needs and pain points.
- **Benefit-Focused**: Highlights the key benefits and value the product provides to customers.
- **Differentiation**: Emphasises what makes the product unique compared to competitors.
- **Concise and Clear**: Uses straightforward language to convey the message without ambiguity.

STRAPLINE

In contrast, a strapline is a short and memorable phrase that captures the essence of a brand or product. Unlike a value proposition statement, it is a concise marketing tool designed to make a lasting impression by conveying the brand's core promise. Businesses use straplines in advertising campaigns and on product packaging to increase recognition and recall, strengthen brand identity, differentiate from competitors, and create emotional connections with consumers.

- **Memorable**: Designed to stick in the minds of the audience, making it easy to recall.
- **Concise**: Typically consists of a short phrase or sentence, often no longer than a few words.
- **Emotionally Engaging**: Evokes positive emotions or aspirations to connect with consumers on a deeper level.
- **Brand-Aligned**: Reflects the brand's values, mission, and unique selling points.
- **Versatile**: Flexible enough to be used across various marketing channels and campaigns.

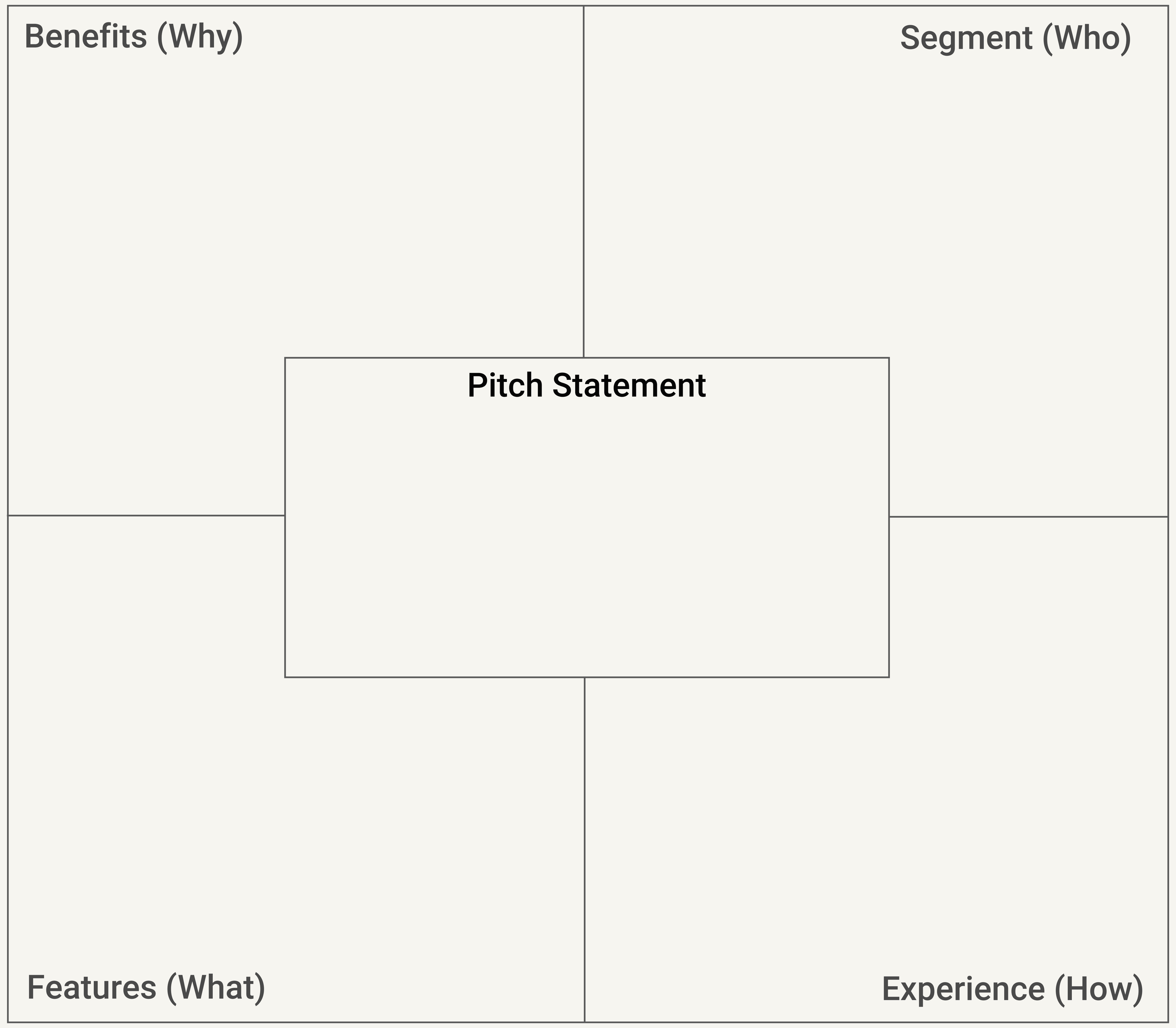
The Value Proposition Canvas



The Value Proposition Canvas

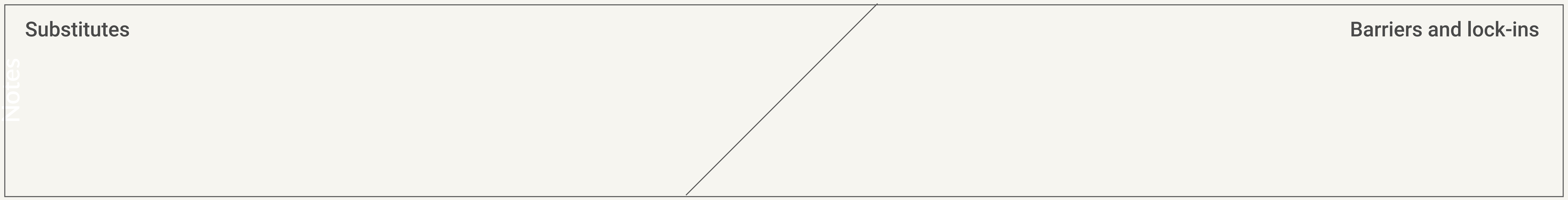
BUSINESS DESIGN LABS - VALUE PROPOSITION CANVAS

PRODUCT/SERVICE VALUE



CUSTOMER NEED

ALTERNATIVES AND BARRIERS



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THE VALUE PROPOSITION CANVAS

Customer Segments: The Self-Identified Tribes

When we talk about customer segments, we're not just slicing the market into convenient categories. We're recognizing how customers see themselves. It's a crucial distinction. While a firm might label a group as "millennials with disposable income," the individuals within that group might identify as "eco-conscious adventurers" or "tech-savvy minimalists." This self-identification drives behavior more powerfully than any external categorization.

Benefits vs. Features: The "So What?" Factor

Features tell; benefits sell. It's an old adage, but it holds true. Features are factual statements about your product, while benefits explain how those features improve your customer's life.

Features Explained

Features are the characteristics of your product or service. They're objective, indisputable facts about what your offering does or has. Features are important because they provide the tangible evidence of your product's capabilities. They're the building blocks of your offering, the raw material from which benefits are derived.

Benefits Explained:

Benefits translate features into value for the customer. They answer the customer's perpetual question: "What's in it for me?" Benefits tap into emotional drivers, addressing desires, fears, and aspirations. They're not just about what the product does, but how it changes the customer's life or business for the better.

THE VALUE PROPOSITION CANVAS

5 ways to create benefits from features:

- **Ask "So what?" repeatedly**: Start with a feature and keep asking "So what?" until you reach a meaningful benefit. This forces you to think from the customer's perspective and uncover the real value.
- **Translate technical specifications into everyday language**: Convert complex jargon into simple terms that resonate with your audience. Focus on how the feature improves their daily life or work.
- **Identify and address specific pain points**: Link each feature directly to a customer problem it solves. Show how it eliminates frustrations or obstacles they currently face.
- **Quantify improvements where possible**: Use numbers to illustrate the impact. For example, "Saves 2 hours per week" or "Reduces errors by 50%." Concrete figures make benefits more tangible and compelling.
- **Describe the emotional impact**: Go beyond functional benefits to explain how the feature makes customers feel. Does it reduce stress, boost confidence, or provide peace of mind? Emotional benefits often drive decisions more than logical ones.

Examples:

Airbnb:

Feature: Instant Booking option

Benefit: Secure your travel plans instantly, eliminating the uncertainty and wait time of host approval, giving you peace of mind and allowing you to finalize your itinerary immediately.

Dyson V11 Vacuum:

Feature: High-torque cleaner head with Dynamic Load Sensor (DLS) technology

Benefit: Effortlessly achieve a deep clean on any floor type without manual adjustments, saving you time and energy while ensuring optimal performance and prolonging the life of your floors.

Spotify:

Feature: Personalized weekly playlist (Discover Weekly)

Benefit: Effortlessly expand your music horizons with a curated playlist that matches your taste, introducing you to new artists and songs you'll love without the time and effort of manual searching.

THE VALUE PROPOSITION

The Core Experience:

The main experience associated with a value proposition should encapsulate the primary transformation or key benefit that customers derive from your product or service. It's the overarching feeling or outcome that defines their interaction with your offering.

For example:

- For a fitness app: "Empowered health management"
- For a luxury car: "Elevated driving pleasure"
- For a productivity tool: "Effortless organization"
- For a travel service: "Seamless adventure discovery"
- For an educational platform: "Accelerated skill mastery”

The core experience should:

1. Address the primary job-to-be-done
2. Differentiate you from competitors
3. Be emotionally resonant
4. Be consistently delivered across all touchpoints
5. Align with customer expectations and needs

Jobs to Be Done in Value Proposition Formulation

obs to Be Done (JTBD) theory provides a powerful lens for crafting compelling value propositions. It shifts focus from product features to the progress customers are trying to make in their lives. Let's break it down:

- **Emotional Jobs**: The feelings customers seek. A luxury watch buyer might want to feel successful. Understanding these allows tapping into deeper motivations.

- **Functional Jobs**: Practical tasks customers need to accomplish. A project management tool user might need to coordinate teams and meet deadlines. Addressing these shows your product's practical value.

- **Risks (Hidden Fears, Concerns, and Doubts):** Unspoken anxieties preventing solution adoption. A new software user might worry about data security. Addressing these in your value proposition can remove adoption barriers.

THE VALUE PROPOSITION – PITCH STATEMENT

What Makes a Good Value Proposition?

A unique and strong value proposition communicates your brand in a way that:

- Speaks to your audience.
- Clear, concise and easy to understand.
- Communicates your brand promise.
- Provides evidence of value.

Kotler, in his book on marketing, proposes a value proposition as an answer to a key question that your potential customer has: **why should I buy from you?**

If you don't have a strong value proposition, people will not take action, and inevitably, they will use your competitors.

Remember, your first attempt at framing your value proposition is just the beginning. The key to success is continuous improvement. There is only one way to improve, and that is to test it. Use validation methods (click link to explore methods) to see how and what customers really think – in other words, make data-driven decisions.

Purpose and Usage

This template's purpose is to help you succinctly convey the essence of your value proposition. By filling out each section, you can create a clear and compelling statement that can be used in marketing materials, sales pitches, and strategic planning.

How to Use the Template

Identify Key Components: Gather information about your product, target audience, customer needs, and competitive landscape.

Draft the Statement: Use the template to create a draft of your value proposition. Ensure that each section is specific and based on solid insights.

Validate with Stakeholders: Share the draft with team members and stakeholders to gather feedback and ensure alignment with business objectives.

Refine and Iterate: Refine the statement based on feedback and test it with potential customers to validate its effectiveness.

Communicate Consistently: Use the value proposition across various channels to ensure consistent messaging about the benefits and uniqueness of your product or service.

The Pitch Statement

Our ______________________________
product/services

helps ______________________________
customer segment

who want to ______________________________
jobs to be done - need statement

by ______________________________
key benefit related to customer pain verb (e.g., reducing, avoiding)

and ______________________________
key benefit related to customer gain verb (e.g., increasing, enabling)

unlike ______________________________
competing value proposition

our product/service ______________________________
key differentiator

The Pitch Statement

THE PITCH STATEMENT

Structure of the Pitch Template

Product or Service Description:

"Our _______ products and services": This section specifies what your product or service is. It requires a concise description that identifies the key offerings.

Target Customer Segment:

"helps _______ customer segment": Here, you identify the specific group of customers your product or service is intended to help. This should be a well-defined segment that can benefit the most from what you offer.

Customer's Need or Job:

"who want to _______ jobs to be done": This part outlines the customer's needs or the job they are trying to accomplish. Understanding the customer's needs is crucial to tailoring your value proposition effectively.

Benefits Using Pain Points:

Use verbs e.g., reducing, avoiding and a customer pain": This describes how your product or service alleviates a specific pain point for the customer. Use action-oriented verbs to express how you reduce or eliminate problems they face.

Benefits Using Gain Points:

Use verbs e.g., increasing, enabling and a customer gain": This section highlights the positive outcomes or benefits your product or service enables for the customer. Focus on the value addition and how it enhances their situation.

Competitive value proposition:

Name a competing value proposition:

Our product/service:

This final part differentiates your offering from competitors. It should clearly communicate what makes your product or service unique and why customers should choose it over alternatives.

Note: this is a guide, and you may use more or less of this structure when crafting your value proposition

How To Use Your Pitch Statement

How the Pitch Statement Aligns with Marketing and Ecosystem Partners

Now that you have crafted your pitch statement (value proposition), you'll recognise that it effectively outlines the how, what, and why behind what you offer to your customer segment. However, while it provides a clear framework for understanding your product's benefits and differentiators, it's not something you'd typically use verbatim in your marketing copy. The real question is: how do you leverage this pitch statement to enhance your marketing efforts? By translating its key elements into engaging and customer-focused messages, you can create impactful marketing strategies that resonate with your audience and drive business success.

- **Crafting Marketing Messages**: Use your pitch statement to shape marketing messages that highlight your product's unique benefits. Focus on solving customer problems to create content that resonates with your audience. This approach ensures that your marketing is consistent, targeted, and impactful, addressing customer needs and showcasing product strengths.

- **Developing Brand Identity**: Your pitch statement defines your brand's core values and promises, which are key to your brand identity. Consistently reflect these values across all communications, from your logo to social media, to strengthen brand recognition and build trust. Ensure everything aligns with your pitch statement for a cohesive brand image.

- **Guiding Product Development**: Let your pitch statement guide product development decisions. By understanding customer needs and your product's unique benefits, you can prioritize features that enhance market fit. This approach ensures your product evolves to meet customer expectations, staying relevant and competitive.

- **Aligning Teams and Ecosystem Partners**: Use the pitch statement to unify your internal teams and ecosystem partners around shared goals. Ensure everyone understands and embraces the pitch statement to enhance collaboration and consistency. Regular communications should reinforce its key points, helping partners understand your value, align with your objectives, and engage more deeply. This unified approach strengthens relationships, fosters mutual success, and attracts new partners who see the benefits of aligning with your brand.

6

THE PRISM MAP

Mapping the Problem Solution Fit

Transform your customer insights and value proposition into a concrete, actionable solution. This section shows you how to visualise and define your problem-solution fit, providing tools and techniques to clearly articulate what your business needs to deliver on its promises. You'll learn to bridge the gap between customer needs and your offering, creating a blueprint for a solution that's both feasible and impactful.

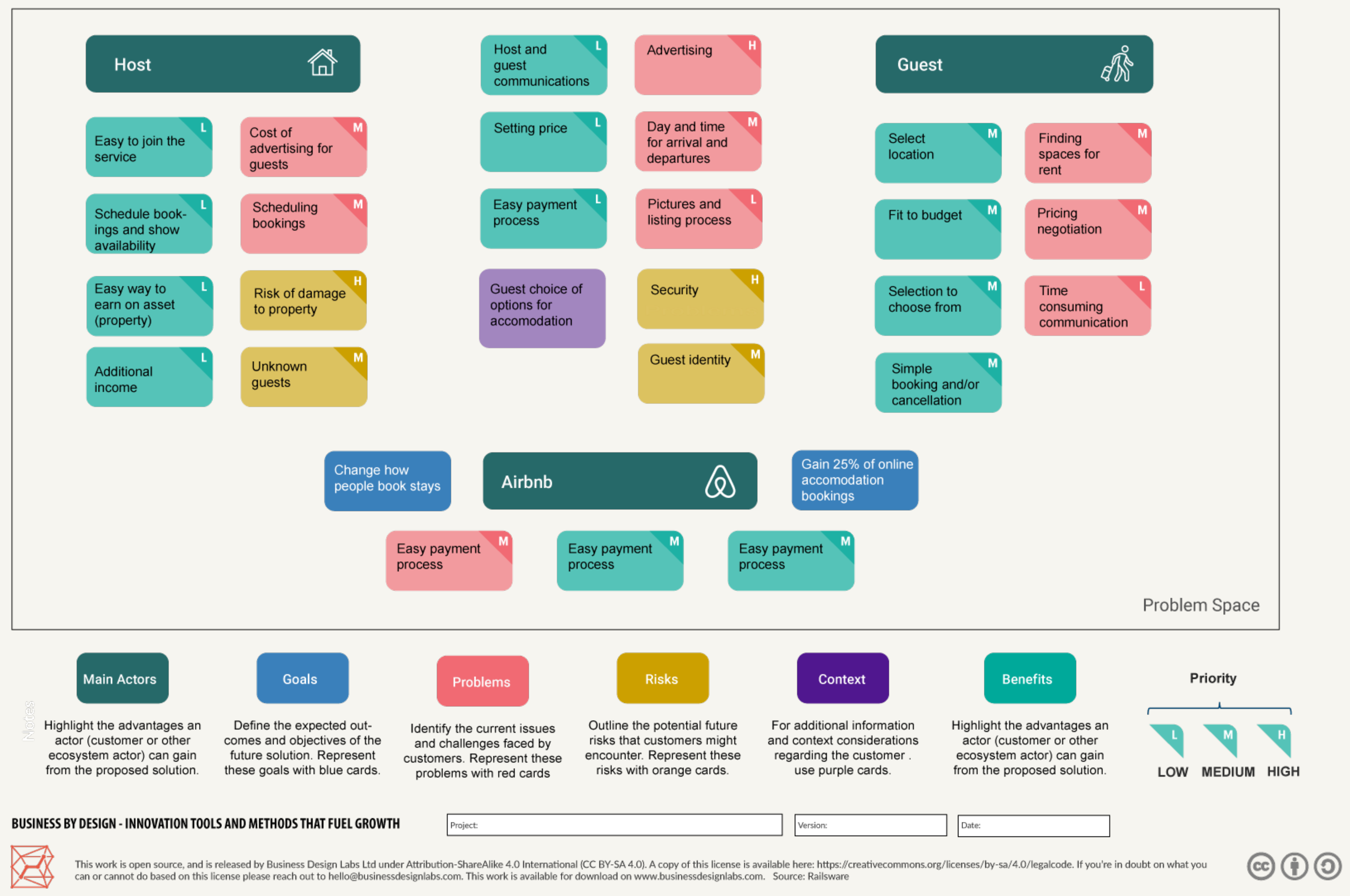
The PRISM Method

PRISM Method (Problem Resolution and Idea Structuring Matrix)

The PRISM Method is a comprehensive problem-solving and solution discovery framework designed for tackling complex issues across various domains. It provides teams with a structured approach to analyze multifaceted contexts, involving multiple stakeholders and interrelated factors. By using color-coded cards on a visual board, PRISM allows participants to map out key elements, their relationships, and potential solutions in an intuitive, easily manipulable format.

Teams employ PRISM when facing challenging decisions, developing new products, or strategizing organizational changes. Its versatility makes it equally effective for small operational tweaks or large-scale strategic initiatives. The method's step-by-step process guides users from initial problem description through prioritization, solution generation, and detailed implementation planning. This systematic approach ensures thorough exploration of issues and encourages innovative thinking. PRISM's visual nature facilitates better communication among team members, leading to improved collaboration and more robust solutions.

BUSINESS DESIGN LABS - PROBLEM MAP EXAMPLE AIRBNB



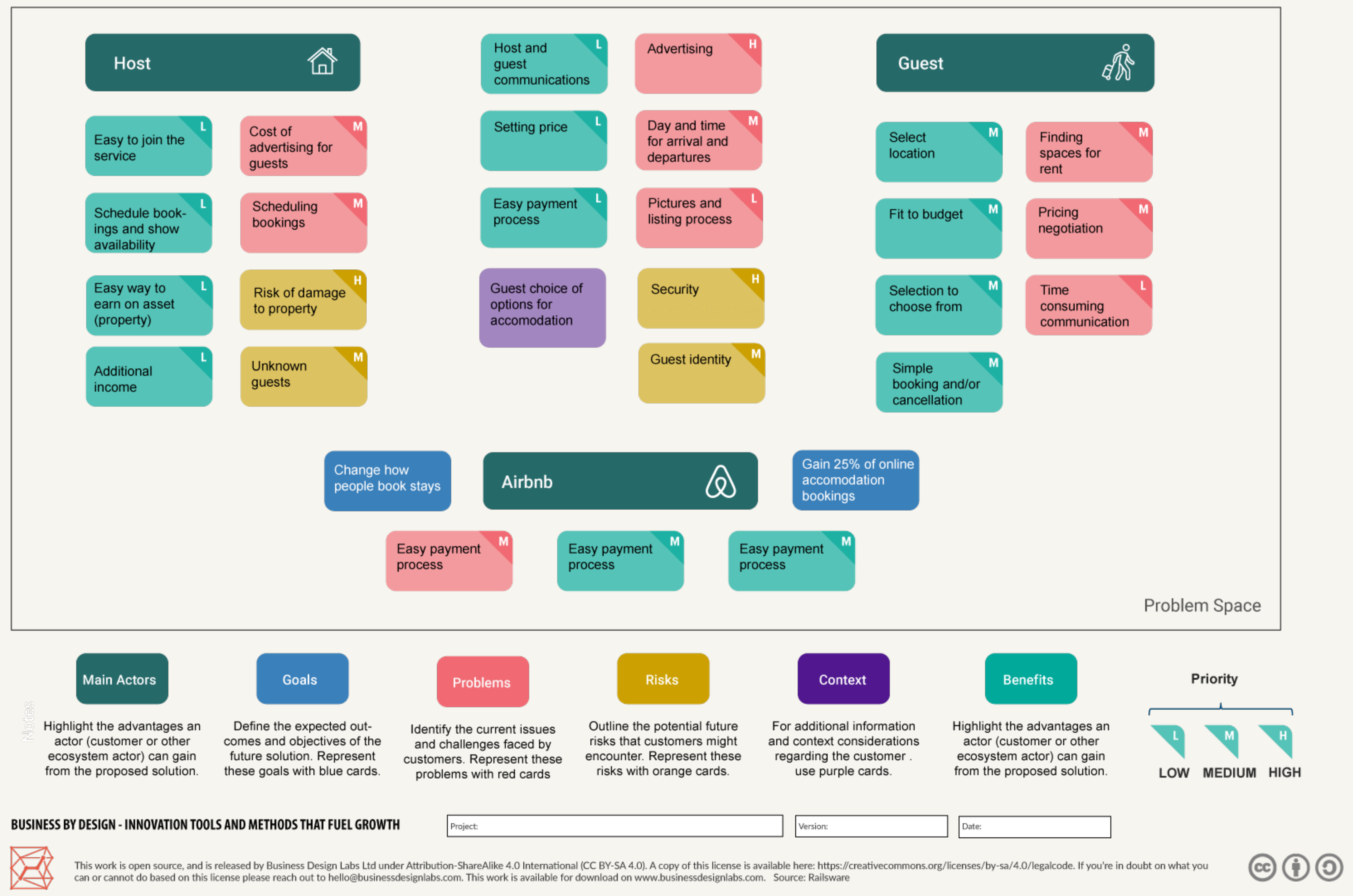
 Source: Railware

The PRISM Method

The PRISM Method consists of four key steps:

- **Problem Description**: Teams start by identifying Subjects - key stakeholders or elements involved in the situation. For each Subject, they define associated Benefits, Risks, Issues, Domain knowledge, and Goals. These are represented by color-coded cards placed on the canvas. This step creates a comprehensive visual map of the problem context.
- **Prioritization**: Once all elements are laid out, the team prioritizes them. They assess the relative importance of each Benefit, Risk, and Issue. This crucial step ensures focus on the most critical aspects of the problem. Many teams use the MoSCoW method (Must, Should, Could, Won't) for this prioritization.
- **Solution Variations**: Moving to the Solution Space, teams brainstorm high-level solutions that address the prioritized elements from the Problem Space. These potential solutions are also represented as cards. If needed, each solution can be further analyzed using the same PRISM framework, allowing for recursive exploration.
- **Solution Breakdown**: In this final stage, teams break down the chosen solution into specific epics and tasks. They map these back to the original problem elements, ensuring all key issues are addressed. This step creates a detailed implementation plan, often serving as the basis for project roadmaps or action plans.

BUSINESS DESIGN LABS - PROBLEM MAP EXAMPLE AIRBNB



THE PRISM _ PROBLEM MAP EXAMPLE AIRBNB

Host

- Easy to join the service (L)
- Cost of advertising for guests (M)
- Schedule book-ings and show availability (L)
- Scheduling bookings (M)
- Easy way to earn on asset (property) (L)
- Risk of damage to property (H)
- Additional income (L)
- Unknown guests (M)

- Host and guest communications (L)
- Advertising (H)
- Setting price (L)
- Day and time for arrival and departures (M)
- Easy payment process (L)
- Pictures and listing process (L)
- Guest choice of options for accomodation
- Security (H)
- Guest identity (M)

Guest

- Select location (M)
- Finding spaces for rent (M)
- Fit to budget (M)
- Pricing negotiation (M)
- Selection to choose from (M)
- Time consuming communication (L)
- Simple booking and/or cancellation (M)

- Change how people book stays

Airbnb

- Gain 25% of online accomodation bookings
- Easy payment process (M)
- Easy payment process (M)
- Easy payment process (M)

Problem Space

Main Actors

Highlight the advantages an actor (customer or other ecosystem actor) can gain from the proposed solution.

Goals

Define the expected out-comes and objectives of the future solution. Represent these goals with blue cards.

Problems

Identify the current issues and challenges faced by customers. Represent these problems with red cards

Risks

Outline the potential future risks that customers might encounter. Represent these risks with orange cards.

Context

For additional information and context considerations regarding the customer . use purple cards.

Benefits

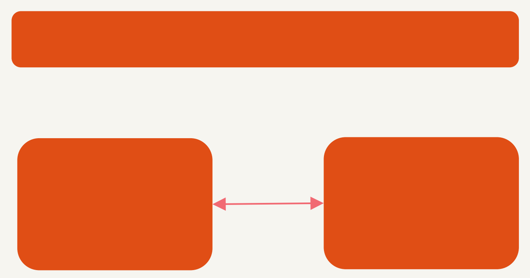
Highlight the advantages an actor (customer or other ecosystem actor) can gain from the proposed solution.

Priority

L LOW · M MEDIUM · H HIGH

Notes

The PRISM Method



Problem Description in the PRISM Method:

Identify Subjects: Teams pinpoint key stakeholders, users, or critical components relevant to the situation.

Define Descriptors: For each Subject, participants brainstorm and record:

Benefits: Potential advantages or positive outcomes

Risks: Possible negative consequences or threats

Issues: Current problems or challenges

Domain knowledge: Relevant background information or expertise

Goals: Desired outcomes or objectives

Visual Representation: Each descriptor is captured on a color-coded card and placed on the canvas.

Holistic Mapping: As cards are added, a comprehensive visual map of the problem context emerges.

Cross-Subject Connections: Common descriptors between Subjects are placed between them, highlighting interconnections.

Encourage Thoroughness: The visual nature prompts teams to consider all angles, reducing oversight.

Facilitate Discussion: The process naturally sparks conversations, leading to deeper insights.

Easy Manipulation: Cards can be easily moved, grouped, or rearranged as understanding evolves.

Cognitive Offloading: The visual board serves as an external memory, freeing mental resources for analysis.

Democratic Participation: All team members can contribute equally, fostering inclusion and diverse perspectives.

Immediate Snapshot: At any point, the board provides an instant overview of the entire problem landscape.

THE PRISM - SOLUTION MAP EXAMPLE AIRBNB

Mobile App

Guest
- Account registration (M)
- Manage account (L)
- Search spaces (M)
- Map with spaces (M)
- Types of spaces (M)
- Booking period (M)
- No of rooms, beds, bathrooms (M)
- Filters - people, price... (M)
- Amenities (M)
- Wishlist (M)
- Luxury (M)
- Reserve/Book (L)

Communication
- Guest/Host communication (H)
- Guest contact details (M)

Payment
- **Guest** Enter payment method (M)
- **Host** Enter payment receive (M)
- **Guest** Wallet management (M)
- **Host** Wallet management (M)
- **Guest** Payment history (M)
- **Host** Withdraw funds (M)

Security
- Host rating (M)
- Guest rating (M)

Host
- Sign Up/ registration (M)
- List property (M)
- Set pricing (M)
- Manage bookings (M)
- Manage calendar (M)
- Booking in/out (M)

Solution Space

Colour 1 | Colour 2 | Colour 3 | Colour 4 | Colour 5 | Colour 6

Priority

L M H

LOW **MEDIUM** **HIGH**

Notes

For the solution canvas, we use a new color coding system. Assign a unique color to each Solution Block and its associated tasks. You have freedom in color choice, but ensure each Solution Block is visually distinct from the others. This color-coding helps to quickly

The PRISM Method

Solution Space in the PRISM Method:

The Solution Variations phase marks a pivotal shift from problem analysis to solution generation. This stage harnesses the team's creativity while ensuring alignment with the prioritised issues identified earlier. Note that in this stage, we use a new colour coding system. Assign a unique colour to each Solution Block and its associated tasks. You have freedom in colour choice but ensure each Solution Block is visually distinct from the others. This colour-coding helps you quickly identify and group related elements of your solution.

Idea Generation

- **Visual Representation**: Each potential solution is captured on a distinct card, typically a different color from problem descriptors.
- **Comparative Analysis**: Multiple solutions can be easily viewed side-by-side for evaluation.
- **Non-Verbal Processing**: Visual representation aids in understanding complex solution landscapes.
- **Immediate Overview**: The board provides a clear snapshot of all proposed solutions at any time.

Collaboration

- **Democratic Evaluation:** All team members can contribute to and assess solution ideas equally.
- **Alignment Check:** Teams ensure proposed solutions target the most critical issues identified earlier.

Flexibility and Depth:

- **Quick Iteration:** Cards allow rapid proposal and modification of solution concepts.
- **Recursive Exploration:** Each solution can become a new Subject for deeper PRISM analysis if needed.
- **Flexibility in Depth:** Teams can generate numerous high-level ideas or dive deep into a few promising ones.

The PRISM Method

Tips and Best Practice:

Based on my experience running many PRISM workshops, we've gathered some useful tips to help you get the most out of your sessions. These practices have helped teams achieve better outcomes and avoid common pitfalls. While you don't have to follow them all, they can make your problem-solving process smoother and more effective.

Pre-Session Preparation:

Start early to avoid last-minute scrambles and ensure all participants are well-informed. Choose your tools wisely—whether it's Figma, Miro, or physical boards—and test them in advance. Familiarity with your platform is key. Dive deep into the context and review all relevant materials. This groundwork fosters productive discussions when the session begins.

During the Session: Maintaining focus and encouraging comprehensive exploration are vital. Consider these practices:

1. Implement a "silence rule" for devices. This minimizes distractions and keeps everyone engaged.
2. Leverage pre-made the PRISM template. They streamline the process and provide a clear structure.
3. Keep card text concise. This allows for quick comprehension and easy manipulation of ideas.
4. Allow ideas to emerge organically during discussions rather than preparing cards in advance.
5. Capture all ideas on the board, even if they seem tangential at first. For example, when exploring user experience, you might start by asking, "What benefits does our current interface offer?"
6. Foster deep dives through constant questioning. Don't shy away from asking "why" repeatedly.
7. Focus on one Subject at a time. This ensures clarity and thoroughness in your analysis.
8. Allow ideas to emerge organically. Avoid preparing cards in advance; let the discussion flow naturally.
9. Capture all ideas on the board, even if they seem tangential. You never know what might prove valuable later.

For instance, when exploring user experience, you might ask, "What benefits does our current interface offer?" This sparks focused conversation, with key points captured succinctly on cards.

7

Ecosystem Business Model

Mapping An Ecosystem

Design and define your business ecosystem to turn your value proposition into reality. This section shows you how to identify the essential players and resources needed to create and deliver your offering, then guides you through mapping out your ecosystem business model. You'll learn to craft a Minimum Viable Ecosystem and use powerful tools to visualize how value flows between partners, ensuring your ecosystem is both comprehensive and efficiently structured.

7.1 Introduction

Understanding the business logic of an ecosystem is essential for analysing how its components interact to create value. Mapping an ecosystem business model helps businesses visualise the relationships and value exchanges between stakeholders. This process reveals the roles and incentives of each participant, clarifying how the ecosystem functions. By understanding this logic, businesses can assess the system's feasibility, viability, and desirability, ensuring alignment with strategic goals.

An ecosystem map also helps define the minimum viable ecosystem needed to support a product or service. By identifying essential elements and interactions, businesses can focus on what is critical to meeting customer needs and achieving market success. This approach allows companies to allocate resources effectively and encourages collaboration among stakeholders. A well-mapped ecosystem supports strategic decision-making and enhances adaptability in a competitive market.

7.1 Ecosystem Business Model Mapping

1 **Explore** Explore who is needed	2 **Group** Actors and their roles	3 **Map** Map the interactions	4 **Iterate** Iterate to identify the full system
Based on the value (core offer who are the actors that we need to assemble to create the core offer. What other actors help build the ecosystem?	Group types of actors based on what they offer. This helps to define their position in the ecosystems.	Map the interactions based on what they offer and what they get in return. In other words, actors participate in an ecosystem for different reasons – they have different incentives.	Explore the map and iteratively move actors and value exchanges until the map looks complete.

Mapping an ecosystem business model is essential for understanding the interactions between various stakeholders that contribute to a product or service. This process involves four key stages: Exploration, Grouping, Mapping, and Iteration. In the Exploration stage, businesses identify the key actors required to assemble the core offering and build the ecosystem.

The Grouping stage categorises these actors based on their roles and contributions, helping define their position within the ecosystem. During the Mapping phase, businesses illustrate the interactions between actors, focusing on what each provides and receives. This highlights the different incentives driving participation. Finally, in the Iteration stage, businesses refine the ecosystem map by adjusting actors and value exchanges, ensuring a complete and accurate view. This systematic approach enables businesses to optimise strategies, enhance collaboration, and drive innovation.

BUSINESS BY DESIGN
- INNOVATION TOOLS THAT FUEL GROWTH

THE ECOSYSTEM MAP

ROLES

1. Customers
Customers are the end users or buyers of a product or service. They are the ones who derive value from using the product and whose needs drive the demand.

2. Partners
Partners provide the components that when assembled create a focus value proposition (a product, service or experience). Most suppliers sit in this category.

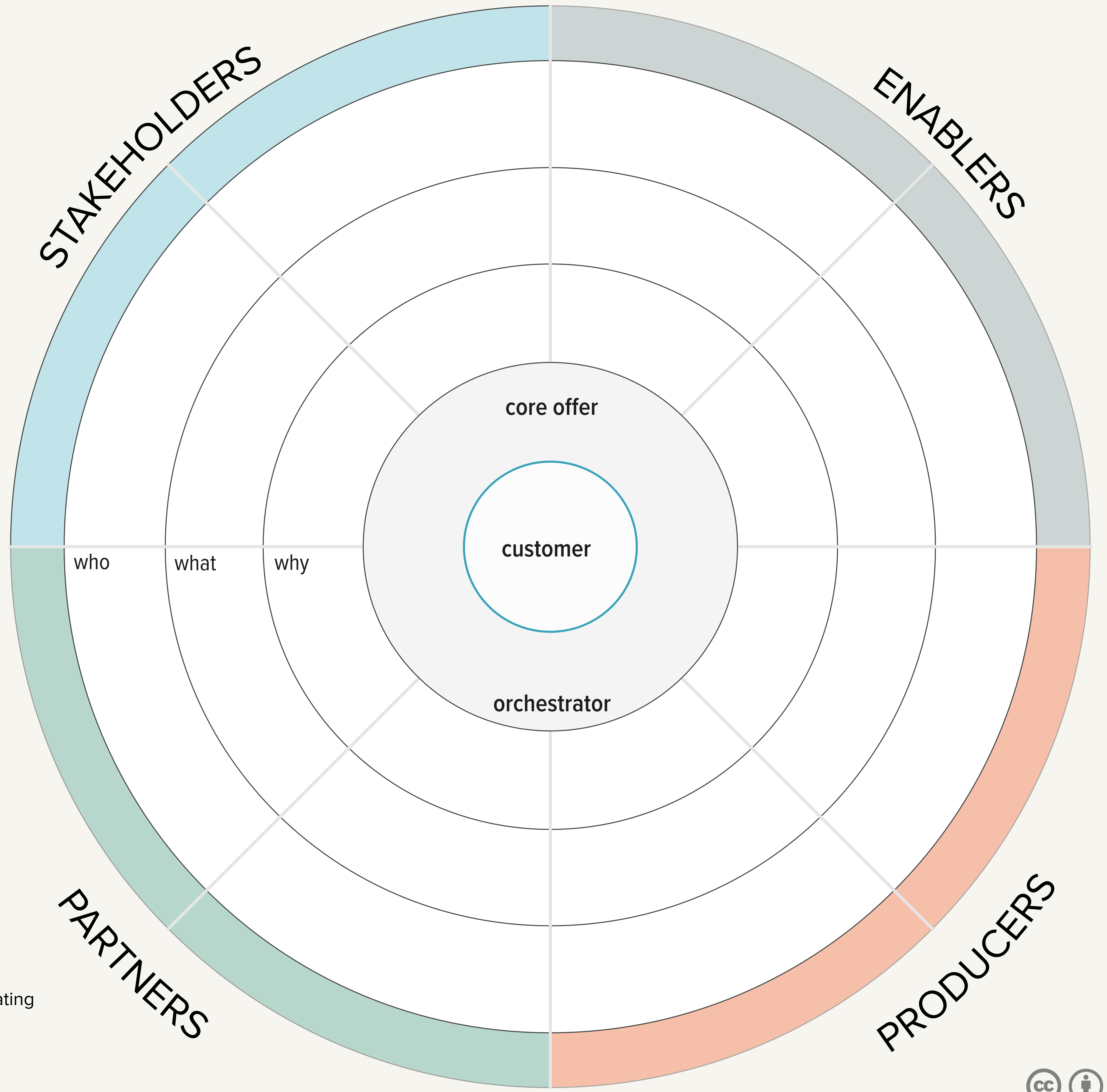
3. Orchestrator
The orchestrator is the central entity that brings together various components and stakeholders to produce the core product or service. They coordinate the activities of the entire ecosystem to deliver the final product to the market.
As an example, Apple produces the iPhone.

4. Producers
Producers add additional value to the core offering, often through complementary products or services. They enhance the user experience by expanding the product's capabilities.

5. Enablers
Enablers build communities and create content that enhances the overall value proposition by focusing on both the core product and the offerings of producers. They facilitate engagement and support within the ecosystem. Enablers in Apple's context include tech bloggers, YouTubers, and user community forums that review Apple products, share tips and tricks.

6. Stakeholders
Stakeholders encompass a wide range of groups and individuals who have an interest in the success and operations of a company, beyond those directly involved in the production and consumption of its products. This category includes investors, government entities, community and social groups

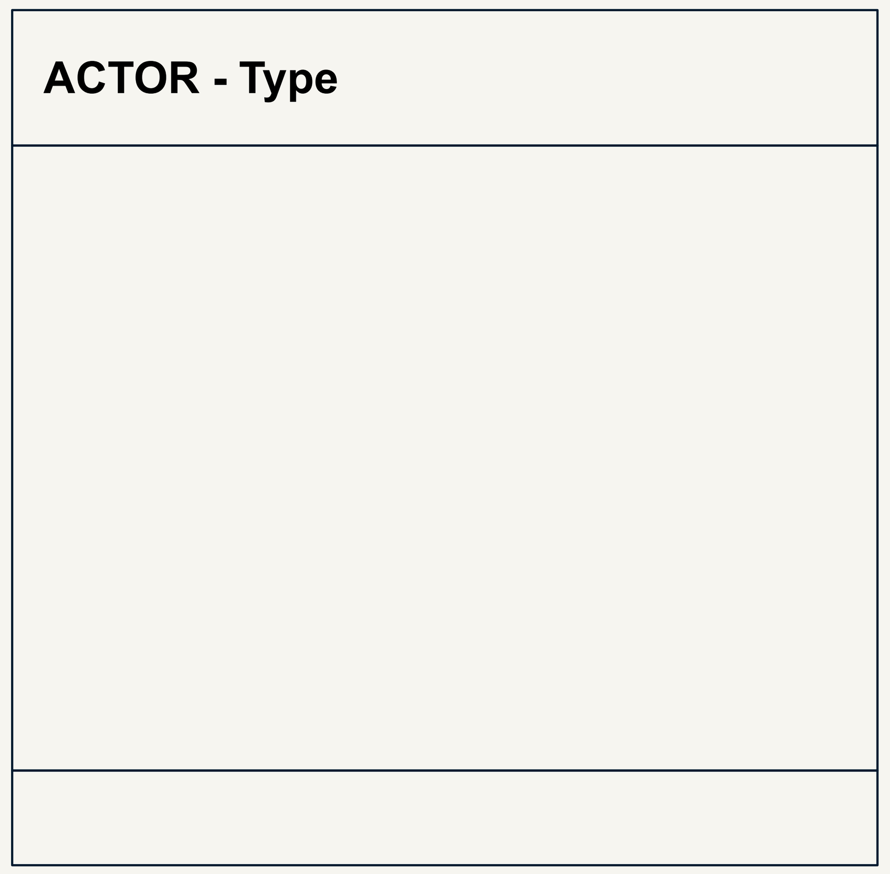
1. WHO
Who defines who is needed in each part
2. WHAT
Defines what they contribute (component, technology, data, API, knowledge, influence.
3. WHY
The reason they contribute - the incentive they receive for participating in the ecosystem.
4. Interactions
Use lines to depict who criticaly needs to collaborate..



7.2 The Ecosystem Map

Using Post-It Notes

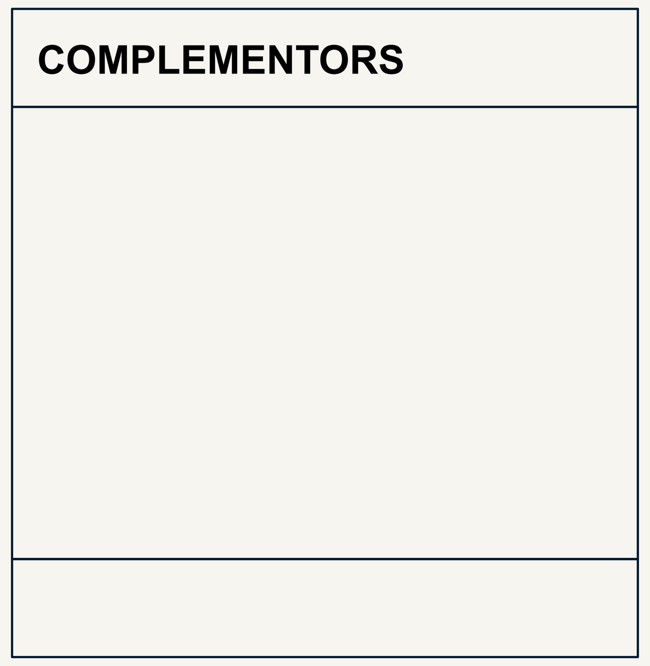
A useful tip when mapping on the ecosystem Canvas is to clearly label each post it not.



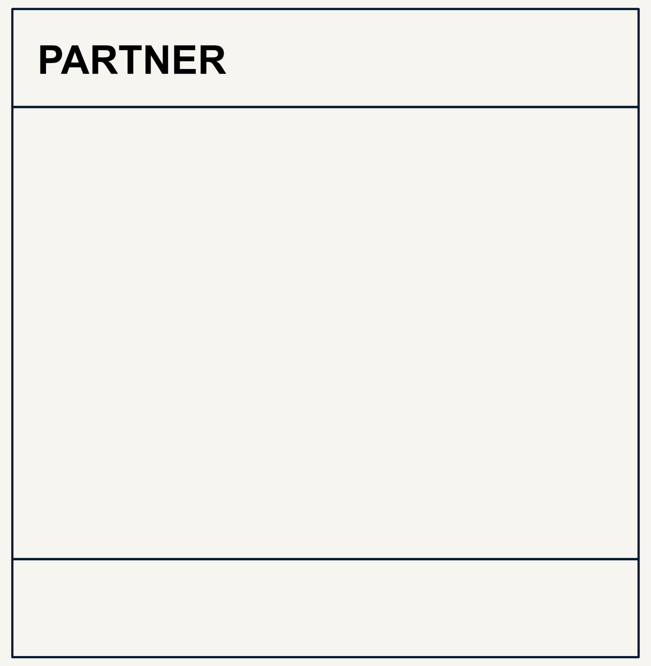
Post-It Note

The design of the post-it note used to capture information whilst mapping ecosystem actors. Note: capabilities and risks are captured but used in a separate design artifact.

Complementors



Partners



Stakeholders

7.2 The Ecosystem Map

Identifying the Who, What and Why

1 **Explore** Explore who is needed

2 **Group** Actors and their roles

Orchestrators: Core Offerings

Orchestrators are central to the ecosystem as they provide the main offer or platform around which the ecosystem is built. Their contribution is often foundational and can be referred to as "Core Offerings." Core offerings serve as the primary attraction or utility that draws other actors to participate in the ecosystem. They set the standards, protocols, and infrastructure that others build upon.

Producers (Complementors): Value Extensions

Producers or complementors add additional products or services that enhance or complement the core offerings. Their contributions are often labelled as "Value Extensions." These extensions increase the attractiveness and usability of the core offering, allowing for customisation and expanded functionality. They are crucial in providing diversity and depth to the ecosystem, enabling it to meet a broader range of customer needs.

Enablers: Facilitative Contributions

Enablers, including prosumers and other actors who provide educational material or support, contribute through facilitative means. Their contributions can be referred to as "Facilitative Contributions." Facilitative contributions enhance the functionality and accessibility of the ecosystem, often by providing resources, knowledge, or support that help other actors maximise their participation and benefit from the ecosystem.

Stakeholders: Strategic Inputs

Stakeholders are broader groups that may include investors, regulatory bodies, or community members who have a vested interest in the ecosystem's success. Their contributions can be termed "Strategic Inputs." Strategic inputs are vital for ensuring the ecosystem's long-term sustainability, compliance, and alignment with broader social and economic goals. They provide guidance, resources, and oversight that help navigate challenges and opportunities.

7.2 The Ecosystem Map

Identifying the Who, What and Why

1 **Explore**
Explore who is needed

2 **Group**
Actors and their roles

Step 1: Identify Key Actors

Orchestrator: The orchestrator is the central entity responsible for coordinating the entire ecosystem to deliver the core offer.
Example: In Apple's ecosystem, Apple itself acts as the orchestrator by producing the iPhone.

Partners: Partners provide essential components or services that are integral to creating the core offer.
Example: Foxconn, which assembles and manufactures the iPhone, along with other suppliers providing key technologies like Bluetooth chips.

Producers: Producers contribute value extensions, enhancing the core offer through complementary products or services.
Example: App developers that create applications for the iPhone, thereby expanding its functionality.

Enablers: Enablers offer facilitative contributions such as content creation, education, and community building, supporting the ecosystem's engagement and growth.
Example: Tech bloggers and YouTubers who provide reviews, tips, and community support for Apple products.

Stakeholders: Stakeholders are individuals or groups with a vested interest in the ecosystem's success, such as investors, regulatory bodies, or social groups.
Example: Investors who fund Apple's research and development, or regulatory bodies that ensure compliance.

7.2 The Ecosystem Map

Identifying the Who, What and Why

1 **Explore** Explore who is needed

2 **Group** Actors and their roles

Step 2: Map the WHO, WHAT, and WHY

WHO: Define the Actors
Objective: Identify all necessary actors for the ecosystem, including partners, producers, enablers, stakeholders, and consumers.
Action: List each actor and define their specific roles within the ecosystem.

WHAT: Define Contributions
Objective: Detail what each actor contributes to the ecosystem, such as components, technology, data, knowledge, or influence.
Action: Clearly articulate each actor's specific contributions. This will help you understand the value each brings.
WHY: Define Incentives

Objective: Understand why each actor participates in the ecosystem, which often revolves around incentives such as financial gain, market access, or strategic alignment.
Action: For each actor, define the incentives they receive in return for their contributions.

Step 3: Visualise Interactions

Interactions

Objective: Map out the interactions and collaborations between actors, showing how they work together to enable the ecosystem.
Action: Use lines to depict connections between actors that are critical for collaboration and the successful delivery of the core offer.

Highlight essential partnerships and dependencies.
Example Application
Apple Ecosystem:
Orchestrator: Apple
Partners: Foxconn, chip suppliers (e.g., Bluetooth)
Producers: App developers
Enablers: Tech bloggers, YouTubers
Stakeholders: Investors, regulatory bodies

7.2 Example Airbnb

1 **Explore**
Explore who is needed

2 **Group**
Actors and their roles

Step 1: Identify Key Actors

1. Orchestrator

Airbnb Platform: Airbnb serves as the orchestrator, providing the technology and marketplace that connects hosts with guests. It is responsible for maintaining the platform, ensuring security, managing payments, and supporting both hosts and guests.

2. Customer: we place the customer at the centre – the guest.

3. Partners

- **Hosts**: Individuals or property owners who provide accommodations. They are essential partners who supply the core product (rooms, houses, etc.) for Airbnb's marketplace.
- **Hotels**: Independent hotels and hotel groups that list available rooms on Airbnb, expanding accommodation options.
- **Technology Providers**: AWS for cloud hosting, and payment processing partners that enable the platform's functionality.
- **Marketing and PR**: Agencies and media platforms that drive brand visibility and customer engagement through digital ads and social media.
- **Payment services**: These facilitate the transactions on the Airbnb platform between guests, hosts, experience providers and Airbnb.

4. Producers (Complementors)

- **Experience Providers**: Tour companies and specialists offering unique local experiences to enhance guest stays.
- **Photographers**: Freelance photographers who provide high-quality images to showcase listings effectively.
- **Independent App Developers**: These harness the platform's API and produce integrated apps, such as digital locks that send a code to the owner and guest after booking.
- **Cleaning services**: Companies or individuals that clean and turnaround host spaces after guests have left to prepare for the next guest.

5. Enablers

- **Community Builders**: Bloggers, social media influencers, and community forums that foster engagement and provide valuable information about using Airbnb.
- **Event organisers**: Prosumers organize and put on events for hosts that offer spaces for guests.

6. Stakeholders

- **Investors and Venture Capitalists**: Provide funding and strategic guidance to Airbnb.
- **Regulatory Bodies and Lobbyists**: Ensure compliance with local laws and regulations, and represent Airbnb's interests in various jurisdictions.

7.2 Example Airbnb

Step 2: Map the WHO, WHAT, and WHY

WHO: Define the Actors
List all actors identified in each category—Orchestrators, Partners, Producers, Enablers, and Stakeholders—ensuring a comprehensive view of the ecosystem.

WHAT: Define Contributions
- Orchestrator (Airbnb): Provides the core platform, technology infrastructure, and customer support.
- Hosts and Hotels: Supply accommodations.
- Technology Providers: Offer essential technological support like Google Maps to show property locations.
- Experience Providers: Add value through additional services such as tours.
- Photographers and App Developers: Enhance listing quality and user experience by helping guests show their properties at their best.
- Cleaning Services: Maintain property standards and help hosts save time.
- Marketing and PR Agencies: Drive brand and customer growth.
- Community Builders and Event Organisers: Foster engagement and add value to guest experiences.
- Stakeholders: Provide funding and regulatory support.

WHY: Define Incentives
- Airbnb: Generates revenue from service fees and commissions.
- Hosts and Hotels: Earn income from renting properties to guests who pay.
- Technology Providers: Gain revenue from service agreements.
- Experience Providers, Photographers, and App Developers: Gain customers, earn income and gain exposure.
- Cleaning Services: Generate revenue from service provision.
- Marketing Agencies and Community Builders: Receive payments form Airbnb.
- Event Organisers: Build community and earn from events tickets. They increase engagement and promote Airbnb.
- Stakeholders: Benefit from returns on investment while others regulate and control standards.

7.2 Example Airbnb

Step 3: Visualise Interactions

A few Examples:

Use lines to depict key collaborations and dependencies between actors. Highlight critical relationships that facilitate the ecosystem's functionality:

- Airbnb with Hosts and Guests: Core interactions for accommodation and services.
- Airbnb with Technology Providers: Ensures seamless platform operation.
- Hosts and Cleaning Services: In this case, cleaners do not have any direct relationship with Airbnb.
- App developer: Partners such as digital lock providers interact with Airbnb and provide the service to hosts.
- Experience providers: Place listing on Airbnb and then receive bookings from Guests.

THE MISSION DRIVEN INNOVATION ECOSYSTEM MAP

GOAL AND MISSION
For a mission-driven ecosystem, aligning stakeholders around shared goals and purposes is crucial. The ecosystem's structure must centre on these core objectives, with clearly defined roles and contributions from each participant. This alignment ensures that all actors work collaboratively toward the common goal, maximising the ecosystem's impact.

SECTIONS
The eight sections are designed to categorise and group similar actors, ensuring clarity in their roles and contributions within a mission-driven ecosystem. By using these sections, organisations can effectively map out the ecosystem, identify key stakeholders, and facilitate collaboration to achieve shared goals.

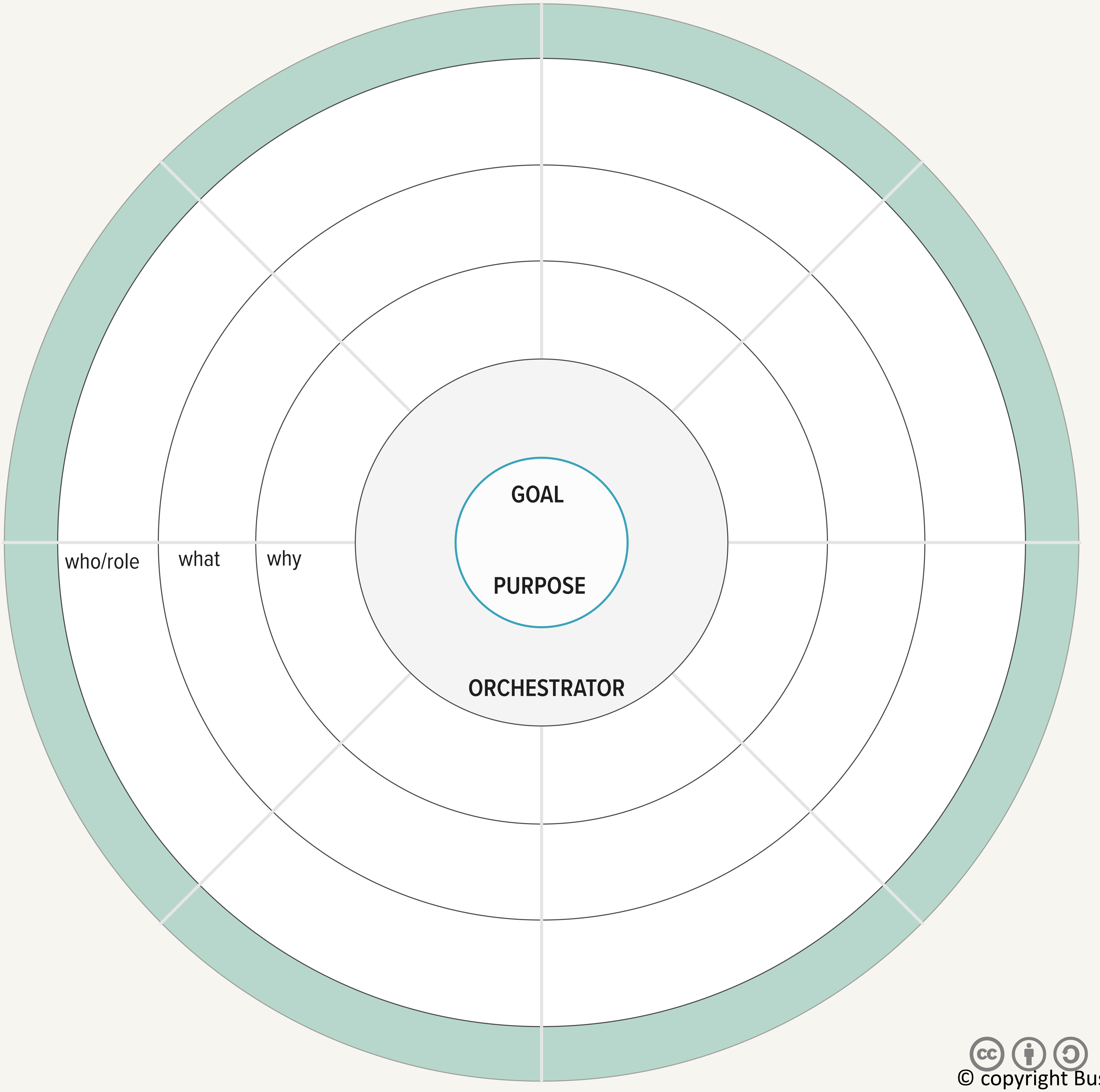
1. Who
Who identifies the actors involved and their specific roles, highlighting their contributions and responsibilities.

2. What
What defines the activities and resources each actor provides, outlining how these inputs drive progress toward the mission.

3. Why
Why explains the motivations and incentives for each actor, ensuring alignment with the overarching goals.

4. Orchestrator
Who is going to coordinate, govern and orchestrate the ecosystem?

4. Interactions
Use lines to highlight which actors interact and collaborate to support the ecosystem's mission.



7.3 The Ecosystem Business Model

Business Networks vs Ecosystems

Distinguishing True Ecosystems from Business Networks

The term "ecosystem" is often used loosely to describe various types of business networks, including those consisting mainly of relationships like partners and suppliers. However, what truly distinguishes an ecosystem is its complementary capability, where multiple independent actors collaboratively create value through innovation and integration. In a genuine ecosystem, participants are not just linked through transactions but are interdependent, co-creating value that goes beyond what each could achieve alone.

Complementary Capabilities

In a true ecosystem, the complementary capabilities of its participants enhance the core offer, allowing for the creation of new solutions and innovations that address diverse customer needs. For instance, in a technological ecosystem like Apple's, app developers, accessory manufacturers, and service providers work together, leveraging Apple's iOS platform to create a rich array of apps and devices that augment the core product—the iPhone.

Confusion and Elasticity in Ecosystem Terminology

The confusion around the term "ecosystem" often arises because many business networks are mistakenly labelled as ecosystems. These networks might primarily consist of partners, suppliers, and distributors that support a single product or service but lack the depth of integration and innovation that defines a true ecosystem. Such networks are more accurately described as traditional supply chains or business alliances rather than ecosystems.

7.3 The Ecosystem Business Model

Business Networks vs Ecosystems

The Rise of Innovation Ecosystems

With more firms pursuing innovation through collaborative efforts, innovation ecosystems are becoming increasingly relevant. These ecosystems are characterised by multi-party relationships where diverse stakeholders, including startups, large corporations, research institutions, and even competitors, collaborate to drive technological advancements and market innovations. This collaborative environment fosters creativity, knowledge sharing, and rapid iteration, leading to breakthrough innovations.

Increasing Interdependencies

On the demand side, interdependencies are growing, as demonstrated by recent technological outages, such as the Microsoft cloud service outage. This event affected a vast number of businesses and users who rely on Microsoft's cloud infrastructure and services, illustrating the interconnected nature of modern ecosystems. Such interdependencies mean that when one component of the ecosystem experiences disruption, it can have a cascading impact on other participants, highlighting the need for resilience and coordination within these networks.

7.3 The Ecosystem Business Model

Developing the Ecosystem Business Model Map

Core Offer, Core Asset And Complements

Distinguishing between a core asset and a core offer is crucial for understanding the dynamics of ecosystems. While the core offer is the primary product or service that an orchestrator provides, the core asset is a foundational element that supports the ecosystem's functionality and growth. Let's explore some examples to illustrate this distinction and consider cases where ecosystems might not have a separate core asset.

Complements play an important role in ecosystems by enhancing the core offer through additional products or services. These complements are typically built by leveraging components or modules from the core asset, or by adhering to standards set by the core offer. This integration allows businesses to tailor value additions to meet diverse customer needs, expanding the value of the overall ecosystem.

How Complements Add Value

- **Harnessing Components or Modules**: Complements utilise existing components or modules from the core asset, such as APIs or software development kits (SDKs), to create new functionalities or integrations. This allows for innovation without the need to reinvent the underlying technology.
- **Leveraging Standards**: Complements often adhere to standards set by the core offer, such as communication protocols or technical specifications. By doing so, they ensure compatibility and seamless integration with the core offer, enhancing the user experience.
- **Creating Tailored Solutions**: By combining various elements, complements provide opportunities to offer customised solutions that address specific customer needs. This adaptability makes the ecosystem more attractive to a wider range of users.

7.3 The Ecosystem Business Model

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Core Offer, Core Asset and Complements - Examples

Examples of Core Asset and Value Addition (Complements)

Apple Ecosystem

Core Offer: iPhone

Core Asset: iOS operating system

Complements:

- **App Development**: Third-party apps like Airbnb and Uber leverage iOS and integrate other services like Google Maps to provide location-based functionalities to users.; e.g., for Airbnb a map showing properties available in a location.

Bluetooth Standard

Core Offer: Wireless communication protocol

Core Asset: Bluetooth technology standard

Complements:

- **Wearable Devices**: Smartwatches and fitness trackers that connect to smartphones using Bluetooth, providing users with enhanced health and fitness tracking capabilities.
- **Audio Accessories**: Wireless headphones and speakers that use Bluetooth for audio streaming, offering convenience and flexibility to users.

WordPress

Core Offer: Website and blogging platform

Core Asset: Modular codebase and APIs

Complements:

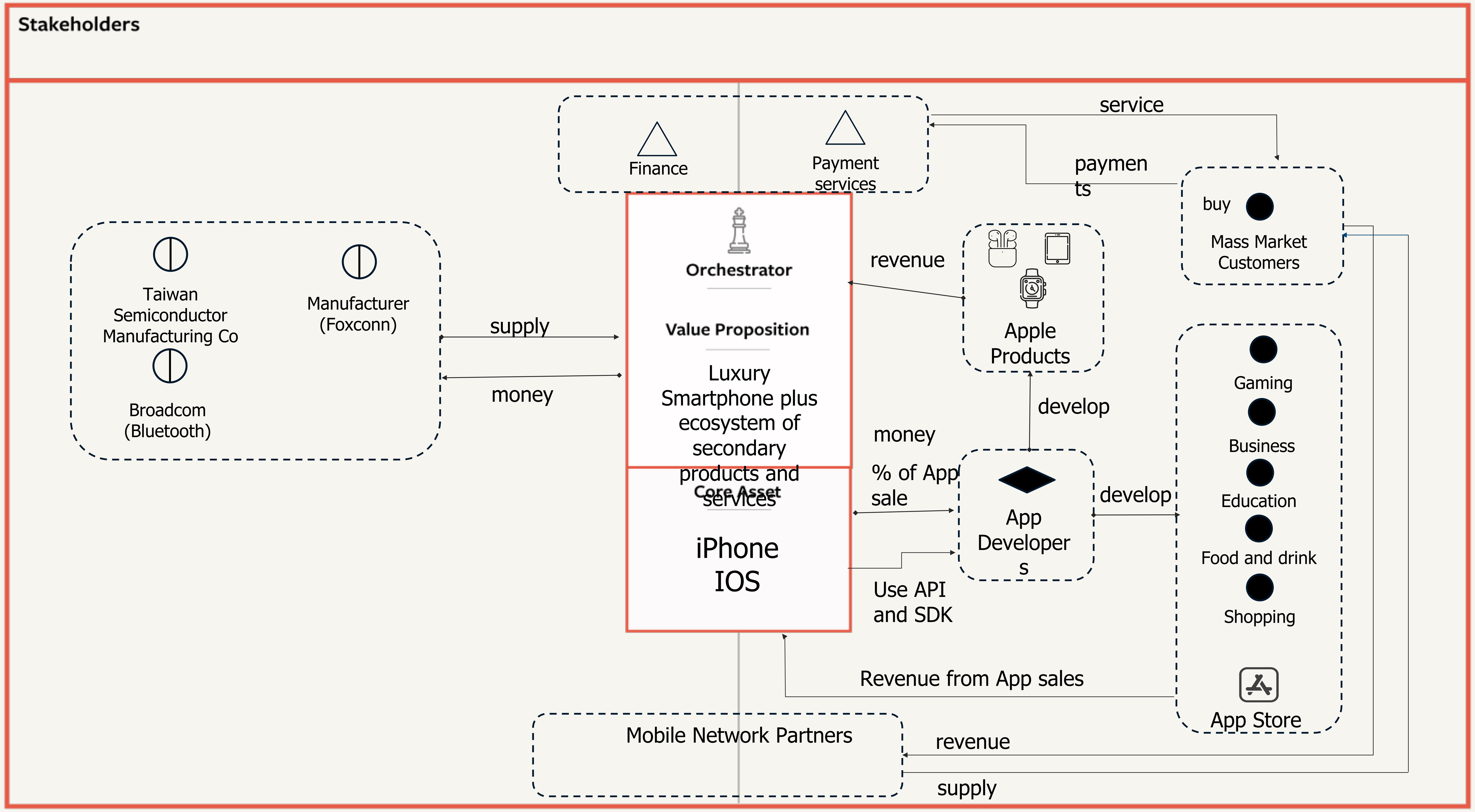
- **Themes**: Third-party developers create a variety of themes that allow users to customise the appearance and layout of their websites. Themes provide flexibility in design, enabling users to tailor their site's look and feel to meet specific aesthetic and branding requirements.
- **Plugins**: Developers build plugins that add diverse functionalities to WordPress sites, such as e-commerce capabilities, SEO optimisation, social media integration, and security enhancements. Plugins allow users to extend WordPress's core functionalities and cater to specific needs, from simple blogs to complex business applications.

7.3 The Ecosystem Business Model

Developing the Ecosystem Business Model Map

Now that we have established a clear understanding of the actors within the Airbnb ecosystem, the next step is to visualise the system in a dynamic manner. This representation will illustrate how the entire ecosystem business model operates, highlighting the interactions and value exchanges between different actors. Here's a guide on how to create such a visualisation:

A SIMPLIFIED EXAMPLE: APPLE ECOSYSTEM



7.3 The Ecosystem Business Model

Example of an Ecosystem Business Model Map

3 **Map**
Map the interactions

Partners · Influencers · Others · Customer segments · Complementors · Supporteers

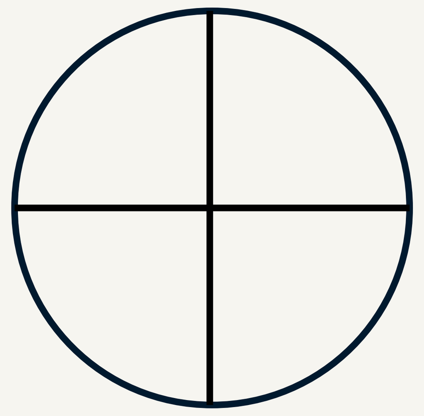
7.4 How To Visually Create The Map

Visual Elements for the Map

The initial ecosystem map serves as a first step in identifying the key actors within an ecosystem. This stage focuses on outlining the broad categories of participants that contribute to or interact with the core offering. By establishing a high-level view, this mapping helps to create a framework that highlights the primary relationships and dependencies essential for the ecosystem's functioning. For example, in the context of a business like Airbnb, this would include broad categories such as orchestrators, partners, producers, enablers, stakeholders, and customer. The Ecosystem Business Model Map introduces a more detailed and granular analysis of the roles and interactions. This specifically differentiates roles to capture the nuances and complexities of each actor's contributions and relationships within the ecosystem.

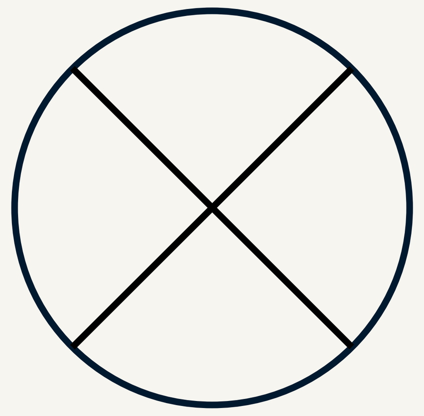
Customers

Customers are the target end users who derive value from the ecosystem's offerings and can include multiple segments with diverse needs and preferences.



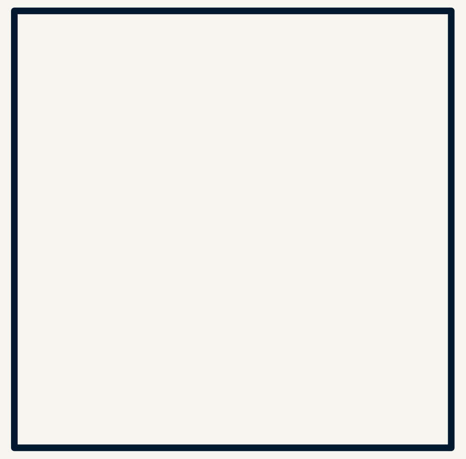
Influencers

Influencers affect customer perceptions and build trust in the ecosystem by endorsing and promoting its offerings.



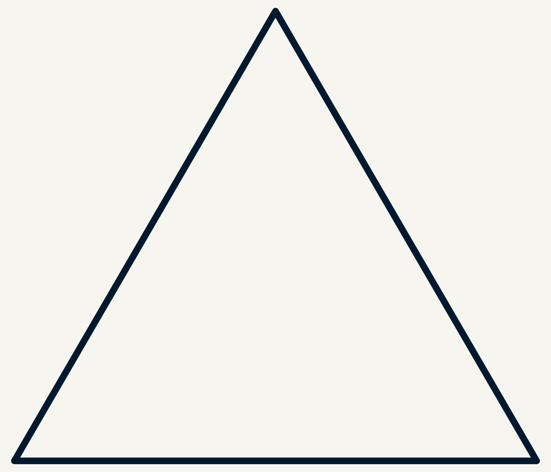
Supporters

Supporters provide auxiliary services that enhance the ecosystem's functionality and user experience without being directly tied to its core value proposition.



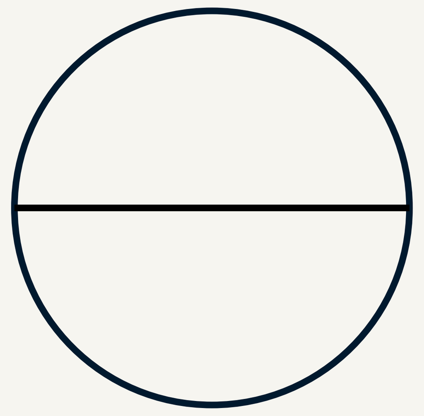
Partners

Partners collaborate closely with the orchestrator to supply essential components and services integral to the ecosystem's main value proposition.



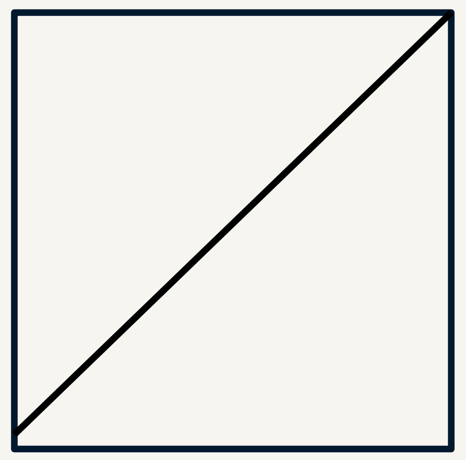
Others

The "Others" category serves as a flexible classification for actors that do not fit established roles and may be identified during initial ecosystem analysis.



Complementors

Complementors add value by offering supplementary products or services that enhance and expand the core offerings within the ecosystem.



Stakeholders

Stakeholders are individuals or groups with a vested interest in the ecosystem's success, providing resources, guidance, and oversight.

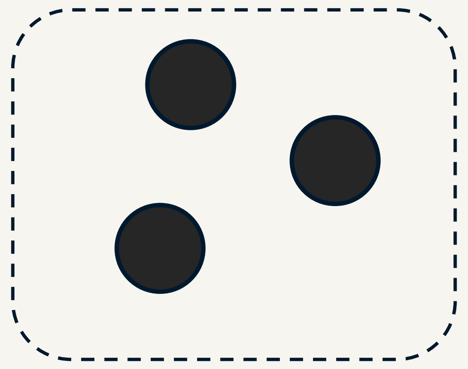
7.4 How To Visually Create The Map

Visual Elements for the Map

Step 1: Group Key Actors

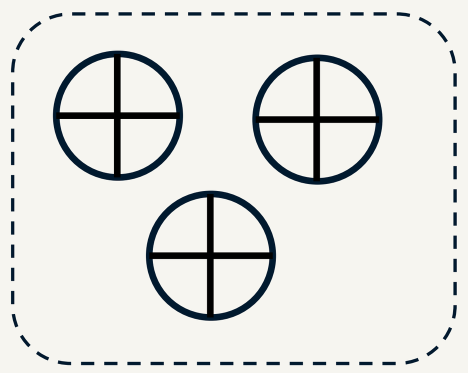
Group Actors

Use a dashed line to group similar actors



Customer segment

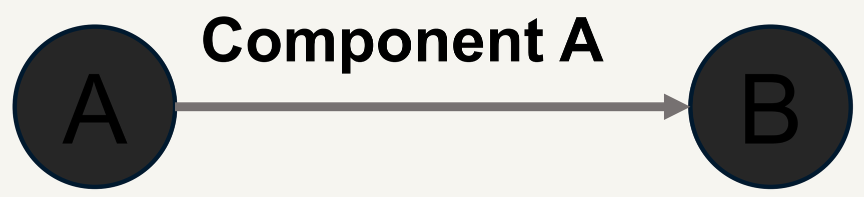
Customer segment B



Influencers

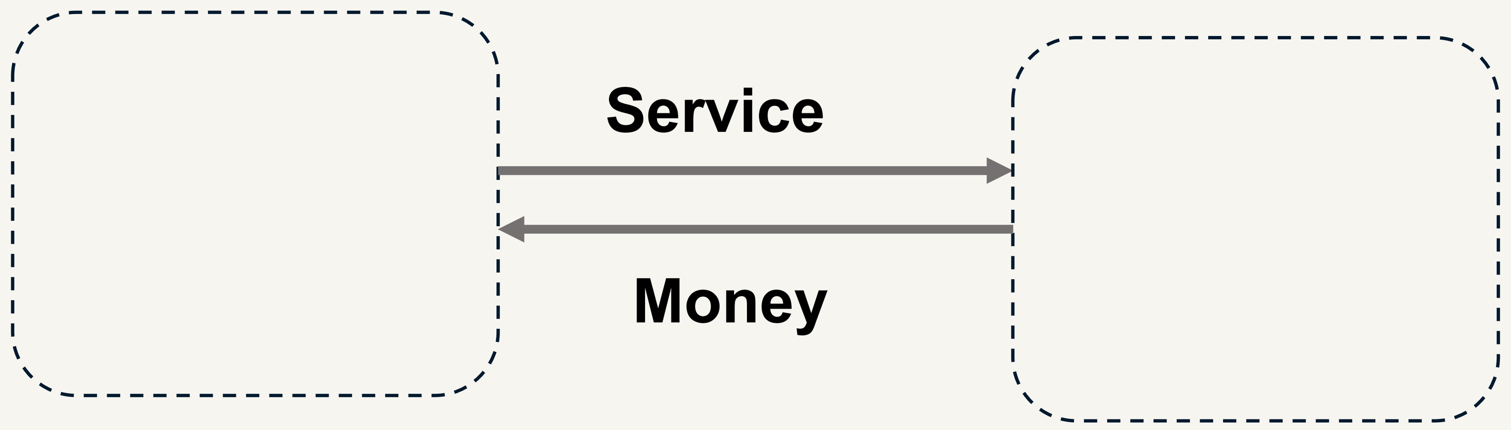
Step 2: Group Interactions

Connecting lines and exchanges



Between Actors

Between actors: some ecosystems may have only a few key actors so rather than grouping we can connect actor to actor



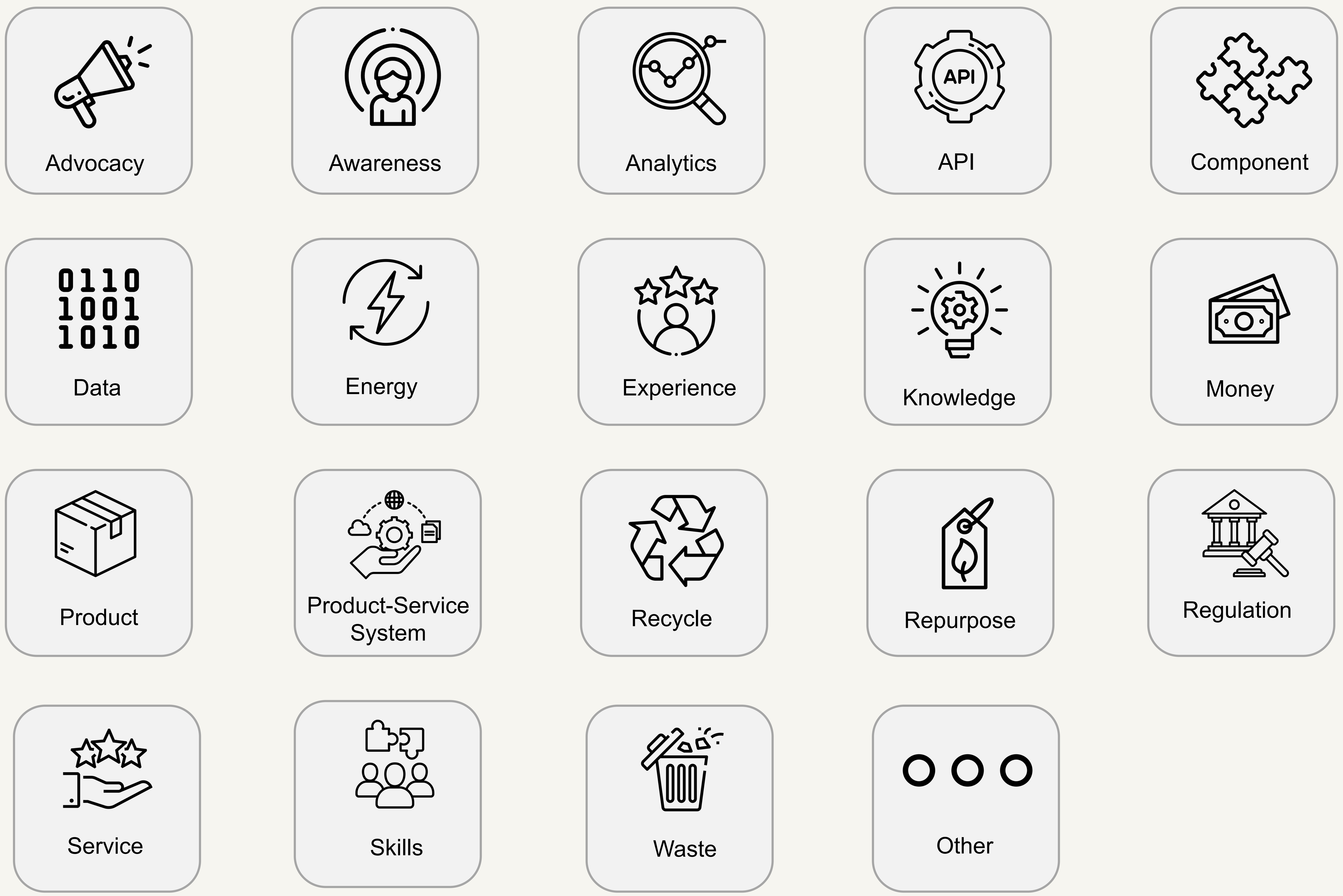
Between Groups

Between groups: normally there are a common set of exchanges between groups

7.4 How To Visually Create The Map

Visual Elements for the Map

Types of value exchanged between actors



Exchanges or contributions can be:

- Advocacy
- Analytics
- API
- Awareness
- Component
- Data
- Energy
- Experience
- Knowledge
- Money
- Product
- Recycle
- Repurpose
- Regulation
- Service
- Skills
- Waste
- Other

7.4 How To Visually Create The Map

The Main Canvas Map

7.4 Steps To Create The Map

A Step-by-step Approach To Building the Map

1 Orchestrator

START WITH ORCHESTRATOR

The orchestrator is the central actor coordinating the system.

Define what they do as a business and what is their core capabilities – what they do to fulfil their value proposition

e.g., Netflix operates a digital platform that enables delivery of video streaming. So, the platform is the core capability.

2 Customers

DEFINE THE CUSTOMERS

Define who are the customers that match the value proposition

Consider different types of customers that are important.

As an example,
Airbnb has three main customer segments- vacationers, business guests and experience seekers.

3 Partners

DEFINE THE PARTNERS

The partners needed to create value concerns how the core capability of the orchestrator is achieved.

As an example, for Tesla a critical partner is the supplier of the electric batteries and the battery technology – Panasonic.

4 Complementors

ADD THE COMPLEMENTORS

Now add in who the complementors are and what value they add directly to the value proposition.

Example: App developers for the iPhone

5 The Remaining Actors

ADD THE REMAINING ACTORS

Once you're happy with the positions and layout of the main actors you can add-in others - do one group at a time

6 Interactions

DECIDE WHO INTERACTS WITH WHO

Consider who interacts with who and begin to sketch lines between them.

At this stage we just want to develop the system and then articulate the value later once we have defined positions and relationships

7.4 Steps To Create The Map

A Step-by-step Approach To Building the Map

6 Finalize Positions

FINALIZE THE POSITIONS

Move things around so the system makes sense and minimize overlapping connections.

5 The Remaining Actors

ADD THE REMAINING ACTORS

Once you're happy with the positions and layout of the main actors you can add-in others - do one group at a time

6 Interactions

DECIDE WHO INTERACTS WITH WHO

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7.5 Summary

Ecosystem Business Models

The document outlines a comprehensive method for developing an ecosystem business model, focusing on mapping and defining the roles and interactions of various stakeholders. It details a four-stage process—Exploration, Grouping, Mapping, and Iteration—that guides businesses in identifying key actors, categorising them based on their roles, illustrating their interactions, and refining the ecosystem map to ensure a complete view. The document also emphasizes understanding the core offer, core asset, and complements within the ecosystem, providing examples like Apple and Airbnb to illustrate these concepts. This structured approach is designed to help businesses visualise how value flows between partners and stakeholders, ensuring the ecosystem is both comprehensive and efficiently structured.

This method is valuable because it provides businesses with an initial framework to understand and design their ecosystem, highlighting the complementary capabilities and interdependencies that drive innovation and value creation. By differentiating true ecosystems from traditional business networks, the document helps organisations recognise the unique characteristics and advantages of ecosystems, such as fostering multi-party collaborations and enabling rapid innovation. The focus on mapping the ecosystem's interactions and value exchanges allows businesses to identify essential elements and allocate resources effectively, ensuring alignment with strategic goals and enhancing adaptability in a competitive market.

Businesses can use this framework to develop and optimise their ecosystem business models, facilitating strategic decision-making and innovation. By applying the principles outlined in the document, organisations can identify and engage with key partners, producers, enablers, and stakeholders, creating a dynamic network of complementary actors. This approach not only supports the development of Minimum Viable Ecosystems but also enables companies to harness the power of collaboration and co-creation, driving growth and maintaining a competitive edge in the evolving digital economy. Additionally, businesses can leverage the visualisation techniques to communicate their ecosystem strategy effectively to internal and external stakeholders, ensuring a shared understanding of the ecosystem's value proposition and operational dynamics.

BUSINESS DESIGN

How To Map Ecosystems

A Guide To Designing an Ecosystem Business Model Using Design Thinking, AI and Data-Driven Methods