Most firms that try to build an ecosystem would be better off joining an existing one. The first step is for them to know where they would fit.

Many companies want to build ecosystems as part of their strategy. They want to become “like Google” or “like Apple” in their attempts to unite firms around themselves. Not all succeed. Many struggle with unmet expectations when they find out that there are many costs associated with building an ecosystem. Alternatively, organisations might think of themselves as orchestrating an ecosystem, but in reality they are just acting as resellers for someone else’s offerings. In general, firms without deep pockets or unique resources that announce their plans to build Apple-like ecosystems risk becoming like the frog in the Aesop’s fable that puffed itself up just to impress the ox, and burst in the attempt.

Aspiring ecosystem builders frequently forget that one doesn’t need to “own” an entire ecosystem to be successful, much like a frog doesn’t need to own a pond to live a happy life eating mosquitoes. Rather, they could focus on fulfilling one (or several) of the five key roles that are necessary for an ecosystem to succeed.

The five ecosystem essentials

**Orchestrator(s):** This is a firm or a group of firms that understands (and owns) the key value proposition for the customer. Philips is an orchestrator of the eCare ecosystem that monitors 24/7 – via wearable devices – the health of patients with chronic conditions even when they are not in the hospital. Orchestrators are usually firms with deep pockets or unique resources (healthcare expertise and successful track record in Philips’ case).

**Core partner(s):** This is a firm or a group of firms that provides the core customer base (or the core business relationships with complementary offerings) needed to create value around the key value proposition. Salesforce.com and Radboud University Medical Center are Philips’ core partners. While Salesforce.com contributes data analytics capabilities, Radboud University Medical Center provides access to customers (i.e. patients) and also a location to test new products. When you have multiple core partners that work together with an orchestrator, you have an adaptive ecosystem that helps you innovate in highly volatile and uncertain environments.

**Technology enabler:** A provider that supports the technological operations of the ecosystem. These companies could have unique capabilities allowing the ecosystem to operate or achieve a competitive advantage. AWS provides a critical cloud-based infrastructure for the eCare ecosystem to operate. Providers of narrow technological solutions (data storage, computing power, trained algorithms) are the best positioned to play this role.
Complementors: Their offerings enrich the customer value proposition, yet individually they are not critical for this value proposition to materialise. In the eCare case, these would be manufacturers of other (non-Philips) wearable devices that collect health data, or makers of connected pill dispensers that would alert the patient about the need to take the pill on time (or the doctor if the patient has not taken the pill when prompted).

Resellers: They provide the ecosystem’s offerings as part of their own product or service. Insurance companies can provide eCare services to their customers. Likewise, other hospitals around the world can register their patients with eCare. Usually, these companies have a large customer segment that can benefit from the ecosystem’s offering.

Versatile ecosystem players

Some firms cover multiple roles. Amazon is an orchestrator for the Kindle ecosystem. It doesn’t have core partners, and it is its own technology enabler. Another technology enabler is Foxconn Technology Group, which makes the Kindle hardware. The book publishers are complementors. Collectively, they contribute to the customer value proposition by providing Kindle content. But should one of them drop out, the Kindle ecosystem would still exist. No single publisher is irreplaceable. Amazon is also a reseller, since it cross-sells Kindle with other products on its marketplace.

In contrast, DBS’ marketplace for cars, one of the many ecosystem value propositions of DBS Bank, sees multiple organisations playing different roles within the ecosystem. The marketplace exists to help customers on their car ownership journey. The ecosystem orchestrator is DBS Bank, with the core partners sgCarMart and Carro contributing network effects via their pools of qualified customers and networks of B2B connections. In addition to individual car sellers and buyers, the platform hosts complementors such as Select, BMW, Inchcape, CarTimes and other car resellers in addition to firms that provide preferential deals for car accessories (Tomo-CSE Autotrim Pte), roadside assistance (Carro Assist), car evaluation (Fit) and car workshops (First Autoworks and SpeedyCare).

Ecosystems are also present in B2B contexts. Australian tech company IMDEX developed an ecosystem for mining management reach across the entire mining value chain (from exploration to extraction of natural resources). This ecosystem helps mining companies and their suppliers operate faster and more efficiently thanks to accurate subsurface data collected and shared among all interested parties. IMDEX is the orchestrator through its real-time mining intelligence solution, HUB-IQ. Technology enablers Micromine and acQuire provide mining data visualisation and storage capabilities to HUB-IQ. Complementors include global mining firms such as Anglo American, suppliers (such as the maker of explosives Orica), as well as sensor providers that integrate and feed IMDEX’s HUB-IQ platform. REFLEX, another IMDEX Limited company, combines the capabilities of HUB-IQ and those of AMC’s drilling optimisation technologies, advising drilling decisions throughout the mining value chain, i.e. a reseller of HUB-IQ’s capabilities.

Next time you chart your ecosystem strategy, ask yourself several critical questions. They can help you decide whether to create your own ecosystem or join someone else’s:

1. What is the unique value proposition of the ecosystem you want to create?
2. Who has already built ecosystems to create a similar value proposition?
3. Do you have the resources and capabilities to be the orchestrator of a new ecosystem and overcome the advantages of the existing ecosystems?
4. If trusted partners have the complementary resources you need to create your ecosystem, should you invite them as core partners?
5. If you only have a narrow technological capability (data storage, processing, etc.), do you want to join someone else’s ecosystem as a technology enabler?
6. If you only have a narrow offering, and there is already an established ecosystem out there, should you join it as a complementor?
7. If you only have access to a group of customers, should you join someone else’s ecosystem as a reseller?

Andrew Shipilov is a Professor of Strategy and the John H. Loudon Chaired Professor of International Management at INSEAD. He is academic director of the Managing Partnerships and Strategic Alliances as well as the Building Digital Partnerships and Ecosystems programme.

Francesco Burelli is a Strategy Consultant at Arkwright and a Learning Coach – Strategy, Digital Transformation and Innovation – at INSEAD.

Don’t miss our latest content. Download the free INSEAD Knowledge app today.

Follow INSEAD Knowledge on Twitter and Facebook.