



# Leveraging Your Ecosystems

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By

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## Introduction

CIO Brief 2.0 is an inter-organizational learning forum of CIOs from leading edge organizations who meet to exchange best practices concerning IT management strategy. The 2016 CIO Brief is exploring four dimensions of becoming more digital. The first session looked at what a digital strategy is and the steps two organizations are taking to create one. The second examined the Internet of Things and how to understand and utilize it. This third session discussed business ecosystems and how to leverage them. The final session will examine how to successfully launch a digital transformation.

## Defining Business Ecosystems

Ian Chan, a leader in Exponentials and Innovation at Deloitte Canada and a member of its Global Council Ecosystem, introduced this topic with a definition:

*An ecosystem is a dynamic and co-evolving community of diverse actors who create and capture new value through increasingly sophisticated models of both collaboration and cooperation.*

"No company is an island anymore," he said. "It's all about who you want to work with and why." There are many different types of and structures for business ecosystems. Some may serve a single purpose, such as an innovation ecosystem, while others may have multiple purposes. Every business is already involved in multiple ecosystems with its partners, suppliers, and customers. However, these tend to be somewhat limited and static, focusing on coordinating existing resources. Today, more dynamic ecosystem models are developing to maximize performance and deliver value. These changes are blurring organizational boundaries and enabling organizations to create new forms of value that will transform their businesses.

Ecosystems should be developed to help an organization accomplish what it cannot do for itself. Innovation ecosystems, for example, help a company connect with a variety of communities and events such as: thought leaders, educational institutions, the media, organized networks, other innovative companies, the investment community, incubators and accelerators, competitors, other member companies, government, the community at large, and conferences. The goals of an innovation ecosystem are to: sense, scan, and scout trends; determine how they will affect clients; track talent; prototype new concepts; make purposeful decisions; and develop new business models. Members asked about the costs involved in participating in such an ecosystem. Ian noted that the investment is mainly in time and energy. "Staff members always want to learn and this is a platform to help them do so in a purposeful way. It's not expensive." Another member added, "We can't hope to understand all the new technology innovations in our industry if we do it alone. We need to purposefully put people on the ground to identify the companies involved and determine which ones matter. We rely on our ecosystem to get answers."

## Leveraging Ecosystems at Metrolinx

Alaisdar Graham leads the IT&T function at Metrolinx which provides IT services for multiple brands including: GO, Presto, and UP Express. "Metrolinx moves over 70 million passengers in the GTA each year," he said. "IT has recently emerged as a business driver at Metrolinx and as a result we have recently undergone an end-to-end transformation, moving from an infrastructure and 'keep the lights on' function to a full-function IT shop that is more agile and better able to respond to the needs of our growing business, especially in the digital space. There's an incredible amount of work to be done and we must be on top of it." This transformation means that Metrolinx now works with a large number of contractors and other organizations. "This is the only way we can be fast and flexible," he said. "We can't do it all ourselves."

Among Alaisdar's top priorities is a move away from functional applications towards creating digital processes. "This requires us to collaborate more internally and also to develop more external partnerships," he said. Three areas in which Metrolinx is relying on its ecosystems are:

1. **Innovation.** "We need to rethink the whole transportation ecosystem to provide a seamless and connected experience for our customers," said Alaisdar. In particular, he would like to see more innovation in transportation for "the last mile". This could include shared bikes, Uber, taxis, or autonomous cars.
2. **Digitization.** "We are way behind in this area and we are relying on our ecosystem partners to help us catch up," he said. There are big barriers to change that must be dealt with however, including: cultural resistance; internal opposition; and security challenges.
3. **Cost reduction.** This is a perennial problem and one that requires "out of the box" thinking. In this area, Alaisdar is working with Communitel to help develop fresh ideas about how to provide IT services more cost-effectively.

"Organizationally, there are three issues Metrolinx needs to address in order to incorporate ecosystems into our work," said Alaisdar. First, it must change its structure and culture to enable the organization to take advantage of ecosystems. Many existing functions, such as HR and procurement, could utilize their ecosystems to provide services more quickly and easily. Second, it needs to rethink how technology could change the Metrolinx business model and how to drive the adoption of new services. Third, there must be regulatory reform to help Metrolinx adapt more quickly. This reform would challenge where regulations are truly required and how they are implemented.

## An Innovation Ecosystem at LCBO

Michael Eubanks brings a wide variety of technology and entrepreneurial experience to his role at CIO and SVP at LCBO. He is responsible for technology transformation and the evolution of the organization's varied marketplace. "This is an evolving market," he said, "with the Government of Ontario changing our historical monopoly on alcoholic beverages."

"We used to have a 'keep the lights on' mentality and felt no real need to change because we were a monopoly," said Michael. "But in the past 24 months, innovation has become hugely important. Today we've turned our business model on its head with new e-commerce and wholesale initiatives and a wide variety of partnerships with retailers and outside services organizations." In particular his goal is to move innovation beyond the internal LCBO innovation lab and expose staff to new ways of thinking and working outside its walls. In 2015, Michael partnered with Communitecth to create LCBO|next which connects the company to the Communitecth Hub in order to foster and promote an innovation culture. Through it, LCBO can access rapid development for solutions prototyping. "We are fighting a talent battle," he said. "The LCBO is a great place to work but we want expose our staff to this outside ecosystem and to concepts such as agile and peer development. Our vision is to be an incubator of innovative solutions, fostering innovation from idea through to execution, and exploring emerging technologies that bring value to the business."

Initially, there was resistance to this concept. "We needed to do some groundwork," said Michael. "We were very committed to doing everything in-house. Procurement was especially challenging. The test and learn method we use at Communitecth is a very different approach." Interestingly, the business has become very supportive and engaged with this innovation initiative. "It's not all about IT," he explained. He then outlined how innovation works at LCBO. Ideas come from all sources at the LCBO. They are vetted by the Store of the Future Committee and the IT Innovation Council, which work together to prioritize ideas and resources, develop proofs of concept, and evaluate them. To support their work a new procurement process was introduced for proof of concept purchasing with the caveat that the products acquired are decommissioned.

Partnership with the Communitecth Hub supports LCBO's internal innovation culture and connects the organization with over 100 Canadian start-up companies and several other Canadian businesses. "This allows us to access fresh ideas from the start-up community and learn fast new approaches to activate internal ideas," said Michel. As well, having an outside perspective helps to identify gaps, challenges the norm, stimulates the ideation process, and solves problems. "Through this partnership we expect to attract new talent to LCBO, promote an innovation culture, encourage rapid development and prototyping, develop new intellectual property, and connect with a much broader ecosystem than we could on our own," he concluded. "This partnership is both a way to access some new, very practical apps and to channel internal ideas into a lab for testing."

## Building an Innovation Ecosystem at Communitech

Glenn Smith is Vice President Enterprise and Innovation at Communitech, an industry-led innovation centre dedicated to world-leading collaboration and innovation. It brings together key players – from start-ups and global brands to academic institutions, government agencies, tech incubators and accelerators into one ecosystem designed to create value, generate revenue, and balance risk and reward. Glenn leads the team that helps Communitech's large enterprise members advance their digital and data strategies, develop a supportive culture, attract talent, promote innovation, and engage with start-up companies.

Based in Waterloo, Communitech has its roots in the 1980's and 90s when there was a flurry of start-up activity and a number of IPOs, e.g., RIM, OpenText. "The University of Waterloo played a big role in creating an innovative tech environment with its IP policies, co-op program, and support for entrepreneurialism," Glenn said. "Since Day One, we have based our activities on several key principles: helping tech companies; building a community; solving problems and staying relevant and valuable; never taking money that would compromise our mission; being a trusted partner; creating the right environment for innovation; and convening kindred spirits to get things done. Most importantly, we want to think BIG and be world class, not just the best in Canada."

Communitech was officially founded in 1997 by 43 member organizations who each contributed five thousand dollars. Today, Start-up Genome consistently ranks this ecosystem in the top 25 of the world, based on start-up density and the prevalence of talent. Communitech seeks to deliver win-wins by building relationships between entrepreneurs of all types -- subject matter experts, large companies, and start-ups. "We try to recognize needs where we can all work together," said Glenn. "About 10 years ago we recognized we needed to do something even bigger, so with the support of the Government of Ontario, the Communitech Hub was born." This was a "grand experiment" – not an incubator or accelerator, but a new model. "It's a clubhouse where large and small companies can collide and create value," he said. The Hub is a microcosm of an innovation ecosystem with 1300 organizations involved in different ways and about 15% of whom are physically co-located.

"Together, in 2009 we set some big goals," said Glenn. "We wanted to support 100 new companies and help them generate 2000 new jobs, draw in \$100 million in new investment capital, and attract three new multi-national companies to Ontario." These have generated impressive results, with 2296 new companies supported, 11,400 new jobs created, \$894 million in investment capital, and 17 new multi-national companies locating in Ontario. "Altogether, Communitech has contributed \$13 of impact for every public dollar invested," he said. Today, the Waterloo region has the second highest start-up density in the world, Communitech is ranked in the top 25 global ecosystems, and both mid-sized companies and global brands are involved.

"We've now become a major innovation destination," said Glenn. "This is great progress but we're at another inflection point and we're ready for the next step." A recent report found that 80% of investment and value generated by start-ups globally will come from the top five start-up ecosystems with the remaining 20% coming from the others. "Therefore we want to be in the top five," he concluded. "Our new goal is to rival Silicon Valley by 2025, attracting 15 new \$100 million revenue companies, 350,000 tech workers, and 50 global brands to the province to undertake corporate innovation. Overall, we want to increase the GDP contribution of tech to 10% from 5%."

## Discussion

### ***What kind of financial commitment is required to participate in Communitech?***

"There are many types of engagement," said Glenn. "Only some companies co-locate staff in our building. Others participate in our workshops and events such as the Waterloo Innovation Summit. We offer different services to meet different objectives." He recommends looking at the Communitech website ([www.communitech.ca](http://www.communitech.ca)) to learn more about these services.

### ***How does Communitech help with the demand for talent?***

Communitech helps by finding the right fit for a company and keeping top performers engaged. It also provides tools to enhance an organization's talent strategy, from the recruitment process through to employee engagement and development.

### ***How does it help businesses better understand the art of the possible?***

"Communitech helped us develop our innovation funnel and then to see our ideas in action," said Michael. "It really helped develop engagement with innovation by exposing our staff to interesting things. It's led to a huge cultural change!"

### ***Why would a stable, mature business want to become involved with Communitech?***

Alaisdar noted that the huge growth in digital technology is driving Metrolinx participation. "Five years' ago we recognized that what we were doing wasn't sufficient. Communitech is an opportunity to take advantage of a large network," he said. Michael added, "Our business model was changing so we needed to transform our organization as well. Communitech helped us disrupt our established culture." Both agreed that with digitization, companies need to create a number of options and that these will evolve over time. Communitech helps with this and identifies paths that organizations should explore. While pursuing these options however, it is also important to ensure that a company's existing infrastructure is running smoothly. The best way to do this is to hire someone smart to be in charge of this function to free up the CIO to facilitate change.

### ***How are your long-term employees reacting?***

"I've found that many older people are ready and able to change so it's important not to generalize," said Alisdair. "For us, it's less about adopting new technologies and more about changing how we work, for example, peer development." Michael stated that LCBO initially set out to expose its staff to new ideas, such as working in partnership, so that participating in Communitech was then a natural extension and relatively easy. "Other companies handpick 4-6 people to work in our environment for about six months," added Glenn. "They provide housing and the people work with our staff in our labs. They then bring these new ideas back into their workplace."

### ***How does working in the Communitech location facilitate innovation?***

"We have staff from 12-15 large organizations co-located with us," said Glenn. "We're not sector-focused so these companies are situated next to each other as on a main street. This makes them more willing to talk with each other. For innovation, face to face communication is always better than virtual."

### ***Relationships with external organizations are more dynamic these days. How can we manage them?***

Today, even large businesses must be nimble, said the panelists. This is not impossible. If the right mindset is there an organization can move quickly. Our world is becoming borderless and this is having a huge impact on our activities. Even competitors can become "frienemies" in different sectors. To compete with more nimble, smaller firms, companies must plan for and be prepared to change. Leaders must be open to radical change and aware of what is coming in the future. Being in an ecosystem helps firms not be surprised by change. "We all fear the 'tigers in the grass'", said Glenn. "With an ecosystem, it's easier to see trends."

### ***How do you determine how best to leverage an ecosystem?***

"You don't really know what's going to happen," said Michael. "Participating in an ecosystem just helps you to be in the game." Alaisdar added that if something is not core to a business, it may be something that can be better accomplished with a partner. "You need to re-evaluate the economics of your business," he said.

## **Conclusion**

Jim then asked the panelists several questions about innovation. There was broad agreement that their organizations don't have sufficient skills and capabilities in-house to drive innovation. They also felt that the best innovation originates outside the organization and within an ecosystem with IT spearheading their organizations' innovation and digital agendas. Pressure to innovate comes both from customers and Boards of Directors.

Gordon Shields concluded this session by noting that change is no longer optional for organizations. "Sensing what is changing over time therefore becomes essential," he said. "Participating in an ecosystem can also alter how a brand is

perceived making it more attractive for top talent. It's not expensive since people want to invest their time and this work can often be integrated with ongoing organizational initiatives."



## Concept

CIO Brief 2.0 is an group of CIOs from leading edge organizations who meet to exchange best practices concerning IT management strategy. The CIO Brief 2.0 is organized by James McKeen and Heather Smith, Queen's School of Business, in partnership with Deloitte Canada. See [www.ciobrief.ca](http://www.ciobrief.ca).

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