Ecosystem Dominators: 12 Common Characteristics

Rowland Chen
Chief Executive Officer, The Silicon Valley Laboratory Inc.
Adjunct Professor, De Anza College
February 2024

Figure 1. "Ecosystem Dominator". Prompted by Rowland Chen, rendered by OpenAI's DALL-E, 2023.

A business's ecosystem starts with the value chain and expands beyond stakeholders directly interacting with the business. Customers, suppliers, providers, and others working within a firm's value chain directly interact with the business. However, ecosystem stakeholders exist beyond the immediate value chain. These stakeholders include customers' customers, suppliers' suppliers, governments, citizens of local communities, businesses in adjacent industries, and those otherwise impacted by the firm's actions, words, environmental policies, and intangible factors such as company culture.

Ecosystem dominance requires a chief executive officer to harmonize the interests of customers, suppliers, employees, communities, and all other stakeholders who are both internal and external to the firm, ensuring that every actor finds value in interactions, transactions, and relationships forged. Leadership within this context goes beyond guiding a company. It involves setting a vision that aligns community, strategy, operations, culture, and people toward a single, ambitious goal shared across an entire ecosystem.

Dominance need not be out of a CEO's reach, as Tantalus found his mythical grapes to be. Striving for dominance is a worthy long-term goal a courageous CEO has for a firm. Achievement of ecosystem dominance can be proactively managed for successful execution. The spoils of this competitive war justify the investment of time, leadership mindshare, and an organization's bandwidth.

STORIES OF ECOSYSTEM DOMINATORS

Many ecosystem dominators have come and gone with the passage of time. Dominators include AT&T, Boeing, Frito-Lay, and other companies whose CEOs and leadership teams take the bold steps necessary to be in a position of ecosystem dominance. Captured here are several stories of companies, stories that provide lessons about dominance. The organizations featured exhibit domination of parts, if not all, characteristics that qualify the firms as dominators. In their own way, the organizations included in this collection of vignettes have wielded power and heavy influence over their ecosystems.

These stories appear in three groupings: a short section on "The Usual Suspects Today," more in-depth vignettes about "Lesser-Known Ecosystem Dominators," and a quick overview of dominators that are "Flying Under the Radar."

The Usual Suspects Today

Certain corporations and entities rise as formidable entities, not only molding their specific sectors but also impacting the wider socio-economic landscape. These establishments, marked by inventive strategies, extensive influence, and frequently disruptive technologies, serve as symbols of triumph and predictors of forthcoming patterns. Their narratives bear witness to tactical foresight, unwavering quests for superiority, and a remarkable knack for adjusting to, anticipating shifts in the market, or causing industry disruption.

Technology powerhouses such as Amazon and Apple stand out for reshaping ecosystems. Amazon, boasting an immense e-commerce platform, has transformed the shopping experience, providing a vast array of products accessible with a simple click, from books to groceries. Simultaneously, its cloud computing arm, AWS, plays a pivotal role in powering a substantial segment of the internet.

Apple, renowned for pioneering innovation in consumer electronics, has established itself with groundbreaking products like the iPhone and MacBook, setting benchmarks in both design and functionality. Apple does not merely lead its markets, but it forges new frontiers, consistently challenging the limits of what is achievable.

Other examples of entities that either have been or are currently ecosystem dominators include AT&T, Frito-Lay, Boeing, and the Organization of Petroleum Exporting Countries (OPEC). Whether a monopoly, an oligopoly, a consumer brand powerhouse, or a pioneer in the emergence of the jet age, these organizations have demonstrated that ecosystem dominance is possible.

Lesser-Known Ecosystem Dominators

Forward-thinking companies distinguish themselves not solely due to their outstanding performance but for their frequently overlooked impact on shaping entire industries. These "Lesser-Known Ecosystem Dominators" are entities that, despite their relative lack of visibility in the public eye, wield an outsized amount of influence and power within their ecosystems. Their contributions play a pivotal role, propelling innovation forward, establishing industry benchmarks, and often pushing the boundaries of what is achievable in their respective domains.

This section delves into the narratives of such organizations, each a dominator in its ecosystems yet not a widely recognized name. Examined are the influence of Grammarly in digital writing aids, Duolingo in the realm of education, Audacity in audio recording and editing software, Thule in outdoor and transportation products, and WaveAI in artificial creative intelligence. These corporations, despite

receiving less attention from mainstream media, play a crucial role in advancing technology and leading in their respective industries.
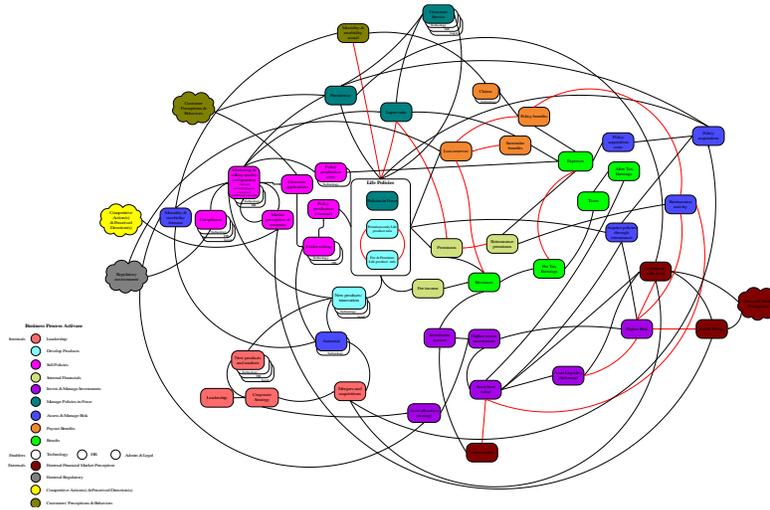

Figure 2. An ecosystem is complex but need not lead to chaos. Illustration of the ecosystem of an individual life insurance company. Image credit: Rowland Chen, 1998.

Grammarly: Established in 2009 by Max Lytvyn, Alex Shevchenko, and Dmytro Lider, Grammarly started as a basic grammar and spelling checker. However, it quickly transformed into a sophisticated tool employing advanced AI to enhance the clarity, effectiveness, and tone of written communication. Its journey to becoming an industry leader is a narrative of innovation, user-centric design, and an unwavering dedication to improving communication in the digital era.

Grammarly's success can be credited to its profound comprehension of a diverse user base, ranging from students aiming to refine essays to professionals seeking to polish business communications. The software company's use of advanced AI algorithms extends beyond grammar and spelling correction, offering context-based suggestions to enhance clarity and style, aiming for compelling writing. This technology continually evolves, becoming more intuitive and accurate based on user interactions.

Another aspect is Grammarly's seamless integration across various platforms and applications, including web browsers, word processors, and email, making it an accessible and user-friendly tool. The combination of a free basic service and a premium subscription model has contributed to building a vast and devoted user base. This strategic approach sets Grammarly apart from competitors like ProWritingAid, WhiteSmoke, and Ginger Software despite offering similar services. Grammarly's innovation establishes leadership in its chosen ecosystem.

From the Grammarly website: *"Our journey doesn't end here—we're aiming for new heights as we continue to build a comprehensive platform to help people and organizations accelerate results. We're excited about responsibly applying a variety of AI and machine learning technologies—backed by a team of world-class linguists and researchers—to help our customers solve real problems, unblock information siloes, elevate team productivity, and create content with increased speed, relevancy, and comprehension in all the places they're working digitally."*

Whether composing a brief email, crafting a business report, or creating a social media post, the tool polishes text and makes quality writing achievable for everyone, setting the standard for digital writing assistance.

Duolingo: In the digital age, where global connectivity is the norm, proficiency in language becomes a key to unlocking cultural, personal, and professional opportunities. Leading the charge in this linguistic revolution is Duolingo, a dynamic and user-friendly app that has revolutionized language learning for millions across the globe.

Rooted in academia, Duolingo's story unfolds with tech visionaries Luis von Ahn and Severin Hacker conceiving a platform designed to make language learning free, enjoyable, and universally accessible. From these modest origins emerged a language-learning software offering courses in over 30 languages to a user base exceeding 300 million worldwide. More than an app, it sparked a movement aimed at dismantling language barriers.

Duolingo stands as a pioneer in the industry, offering a unique fusion of gamification, educational science, and user-friendly design coupled with a diverse array of courses. Its competitive advantage lies in providing an engaging and accessible language-learning experience catering to a broad audience, ranging from casual learners to those seeking a more serious study approach. The inclusion of a premium subscription option complements Duolingo's free app model, attracting a diverse user base globally.

While other platforms might excel in specific areas, like conversational practice or focused curricula, Duolingo's broad appeal and commitment to a fun and accessible approach position it as a leader in language education technology. Learning a new language becomes less of a traditional classroom lesson and more of an enjoyable game complete with rewards, streaks, and levels, encouraging learners to adhere to their goals and turning what might seem daunting into a pleasurable habit.

As Duolingo progresses, it expands its offerings to include podcasts, stories, and in-person events, creating a comprehensive and immersive language-learning experience. Its unwavering commitment to free and accessible education has garnered the affection of millions while challenging traditional language education paradigms. Beyond language instruction on its education technology platform, Duolingo has ventured into other educational realms, such as mathematics and music, leveraging its core strengths in education technologies and gamification.

Duolingo's narrative is one of understanding the needs of its customers, continuous innovation, inclusivity, and the enduring impact of language in connecting people in the digital era. It serves as a guiding light, utilizing technology to enhance our lives and broaden our horizons.

Duolingo's mission statement: *"We're here to develop the best education in the world and make it universally available."*

Audacity: Audacity was a project started in the fall of 1999 by Dominic Mazzoni and Roger Dannenberg at Carnegie Mellon University, initially under the name *CMU Visual Audio*. On May 28, 2000, Audacity was released as Audacity 0.8 to the public. Today, Audacity is the world's most widely used online audio recording and editing software, with approximately 40 million monthly active users, approximately 300 million downloads since its initial release in 2000, and over 180 developers in its open-source technology community. The software can be considered to hold a number one market share position as measured by the number of users, far exceeding that of its closest competitors. By way of example, Adobe's Audition is included in its Creative Cloud offering, which has only 30 million subscribers.

Figure 3. Podcaster. Image credit: 123rf.com

With its open-source platform, Audacity provides a suite of essential functions encompassing multitrack editing, live recording, and various effects, making it the preferred choice for users seeking reliable, cost-free editing software. This stands in contrast to competitors such as Adobe Audition, Pro Tools, and FL Studio, which target professionals with more advanced, specialized needs often accompanied by a high price tag. Being free, the return-on-investment users enjoy from Audacity is infinite ("return" divided by zero).

Audacity, on the other hand, thrives on simplicity and accessibility, drawing in a diverse user base that includes podcasters, musicians, educators, audio enthusiasts, and researchers including a marine biologist who uses Audacity to record and analyze the ultrasonic signals of dolphins. While it may lack the complexity of premium, professional-grade audio software, its straightforward interface and robust functionality position it as a formidable contender. Audacity's enduring popularity and loyal user community underscore its status as a practical, user-friendly, and engaging solution for audio editing.

Audacity's open-source foundation encourages continuous improvements from the global developer community, positioning it as a vanguard of crowd-sourced innovation. The open-source nature of the software enables users and developers to continue to contribute to Audacity's success and dominant role in its chosen ecosystem – the global audio recording and editing ecosystem.

Muse Group acquired the Audacity brand in 2021 under the requirement that the software remain open source. However, the integration of Audacity with its new parent has not gone as smoothly as all stakeholders wanted. For example, the Audacity community has actively maintained the initial spirit and intent of its founding and current management team in spite of several policy changes attempted by Muse Group management, including privacy issues. However, any concerns have since been resolved.

Ecosystem dominance by Audacity can be boiled down to the following key characteristics: an engaging user experience, the size of its user community, a high degree of brand loyalty, its leadership in user-driven innovation, and engagement of the user and open-source developer communities for continuous alignment with user needs.

Thule: Thule presents a remarkable narrative of dominance in the realm of outdoor and transportation products. Established in Sweden in 1942 by Erik Thulin, Thule initially crafted products for Swedish fishermen. However, its trajectory shifted in the 1960s as it recognized the emerging market for car roof racks, propelling the company to industry leadership.

At the core of Thule's triumph lies its unwavering dedication to quality and functionality across a diverse range of products, spanning roof boxes, bike racks, backpacks, and strollers—meticulously tailored for outdoor enthusiasts. This user-centric philosophy has fostered a devoted customer base of outdoor enthusiasts and travelers who seek dependable solutions for gear transportation and trust Thule to elevate their experiences.

The allegiance and brand recognition distinguish Thule from rivals like Yakima, Rhino-Rack, and Küat Racks. While these competitors offer similar products, they target different market segments or prioritize distinct features. Thule's broad product spectrum, tailored for various outdoor activities and vehicle types, coupled with its expansive global distribution network, bolsters its market influence. Despite higher pricing compared to competitors, the perceived value in terms of quality, reliability, and brand prestige justifies the elevated price, maintaining Thule's allure for a diverse consumer base. This fusion of product excellence, brand resilience, and global reach cements Thule's status as an industry leader.

Operating in more than 140 countries, Thule has effectively tailored its products to diverse markets, comprehending and addressing local requirements while asserting industry dominance. Thule stands as a brand aligned with customer values and lifestyles, positioned as a reliable companion for outdoor and transportation needs embraced by adventurers worldwide.

WaveAI: Pioneering the realm of AI-driven music creation, WaveAI unfolds a captivating story of innovation and leadership in the industry. Founded by Maya Ackerman, Ph.D., a professor and composer at Santa Clara University, WaveAI is on a mission to utilize AI for the democratization of music composition and production, establishing itself as a dominant force in this swiftly evolving niche ecosystem.

According to Dr. Ackerman, *"Writing music is therapeutic, but the problem is that most people don't have the time and energy to learn this craft. If you can't write songs, you can't benefit from it… I believe that we make the world more beautiful by helping people to express themselves through music."* (Source: Authority Magazine interview, 02/27/2023.)

At the heart of WaveAI's success is LyricStudio, its flagship product that embodies a groundbreaking approach to music creation. Leveraging advanced AI algorithms, LyricStudio combines creativity and technology to cater to a wide user base, from professional musicians to amateurs seeking an easy and efficient way to create music. WaveAI's commitment to pushing the boundaries of AI in music sets it apart as an industry leader, continuously refining its technology to stay at the forefront of this revolutionary field.

What distinguishes WaveAI from competitors like OpenAI's Jukebox and AIVA is its user-friendly platform, designed to appeal to a broader audience. While competitors often target professional composers or specific applications like film scoring, WaveAI focuses on blending simplicity with creativity. Users can generate unique musical pieces with minimal input, making composition accessible to a non-specialist audience. WaveAI doesn't position itself as a direct competitor to established names in professional music production software but rather as an innovator paving new paths for music creation, showcasing the transformative potential of AI.

WaveAI's impact goes beyond technological milestones by democratizing music production. This ecosystem dominator has enabled a fresh wave of artists to freely express themselves without traditional limitations such as technical expertise or costly resources.

Flying Under the Radar

Hidden dominators in various ecosystems include Palantir Technologies in big data analytics, Keyence Corporation in industrial automation, and Illumina, Inc. in genomics and biotechnology. These entities hold pivotal and dominant positions in their sectors, influencing everything from worldwide supply chains to the evolution of personalized medicine. Shifting attention to these less-acknowledged ecosystem dominators unveils a spectrum of inventive and influential companies that, despite lacking household recognition, wield substantial influence in their specific domains.

Palantir Technologies: Focusing on big data analytics, Palantir offers software solutions facilitating the integration, management, and security of organizational data. Employed extensively in defense, intelligence, and law enforcement sectors, as well as in finance and healthcare within the private sphere, their platforms play a crucial role in data analysis.

Keyence Corporation: A Japanese firm specializing in automation sensors, vision systems, barcode readers, and additional electronic components tailored for factory automation systems. Keyence's offerings hold a pivotal role in manufacturing operations across diverse industries, and its reputation for precision and reliability positions it as a frontrunner in industrial automation, Industry 4.0.

Illumina, Inc.: This U.S.-based corporation stands as a behemoth in the realm of genomics and biotechnology. Illumina's sequencing and array-based technologies find applications in genetic analysis within both research and clinical environments. Illumina's innovations have played a pivotal role in propelling personalized medicine, genetic exploration, and agricultural biotechnology forward.

Each of these entities, in its distinct manner, holds sway over a particular ecosystem, serving as a crucial force in propelling technology, shaping industries, and influencing the trajectory of customer experience, business methodologies, governmental policies, and scientific endeavors.

TWELVE COMMON CHARACTERISTICS

From these stories of ecosystem dominators emerge several common characteristics. Below are twelve characteristics that define a state of dominance for a firm. A CEO can use these characteristics to evaluate the current state of her firm and provide a roadmap to formulate and execute strategies for attaining a dominant position. In the context of a competitive ecosystem, the twelve characteristics are:

1. Engaging customer experience
2. High level of market share within ecosystem
3. Brand promise
4. Global ecosystem recognition
5. Innovation leadership
6. Flawless execution
7. Supply-side power
8. Upward valuation trajectory
9. Anxiety among competitors
10. Strong alliances and partnerships
11. Sustainable practices
12. Community and stakeholder engagement

(1) Engaging Customer Experiences: At the forefront of ecosystem dominance lies the ability of a firm to offer customer experiences that are superior and more engaging than those of its closest competitors.

Dominance also implies a capability to improve the financial performance of customers in serving their customers. Revenue is sourced at the end of a value chain and works its way upstream. Protecting and enhancing a customer's performance intertwines destinies. A firm achieves this by deeply understanding and anticipating its current and future customers' needs and crafting memorable and personalized interactions.

Figure 4. Human-centered design. Image credit: 123rf.com

One successful method to begin the process of achieving high levels of customer intimacy is human-centered design (HCD). HCD has proven its value across multiple industries, including healthcare, financial services, and retail. This level of engagement often leads to increased customer loyalty and a reputation that spreads through word of mouth, solidifying the firm's position in the market.

The work by design firm IDEO includes a rich portfolio of HCD success stories. One in particular stands out – redesigning the patient experience at the U.S-nationwide healthcare maintenance organization (HMO) Kaiser-Permanente. Through IDEO's primary research and the application of design thinking, Kaiser transformed how nurses interact with patients in emergency rooms, leading to improved patient outcomes and experiences.

(2) Market Share Leadership: A dominant firm is typically among the top five in its market share, and critically, it is on an upward movement. Such positioning demonstrates not only current success but also a momentum that is likely to continue. This is achieved through strategic market penetration, an unyielding commitment to excellence that attracts a growing customer base, and the capability to disrupt to gain market share.

A key decision for management is the choice of ecosystems in which to compete. For upstart firms, a niche strategy is essential to demonstrate value to customers, validate product-market fit, and conduct trial runs of business models in beachhead markets. A number one position in a small niche is better than being way down the list of market leaders in a huge industry. Whatever the market is, a firm's ecosystem creates a sphere of influence to be mastered.

An example was the initial strategy of Uber when it launched its ride-hailing service. Initially, the firm did not launch its service globally but started with a smaller geographic footprint (the San Francisco Bay Area) to dominate the pay-for-a-ride ecosystem. From this small theater of operations, the leadership at Uber expanded its service globally to become the dominator in its chosen ecosystem.

As an aside, Uber's ecosystem is often mistakenly called "ride-share", but the actual Uber service is far from customers and drivers sharing rides. It is about an alternative way of hailing a ride 100% paid for by

the rider. A recent new venture called WeGo! is a prime example of true ridesharing. WeGo!'s operating model is to match people who are running errands with people who are headed to the same general location. The costs of the ride are shared between driver and rider. This is true ridesharing.

(3) Brand Promise Attractiveness: The widespread attractiveness of a firm's brand promise indicates its resonance with the ecosystem actors in target markets, alignment with core values, and mutual support of aspirations. A brand promise is not a logo. The promise covers the expectations of ecosystem actors when they interact with a company. What does that company stand for in the ecosystem? Can expectations be met on a consistent and ever-improving basis? When a firm's brand promise connects with customers fundamentally, it ensures its offerings are consumed and embraced, creating a powerful bond that can endure market fluctuations and competitive pressures. The net results are superior customer attraction, acquisition, and retention.

Interbrand, a global marketing company, annually places a dollar value on company brands. From Interbrand: *"For almost a quarter of a century, we've been charting the future of the Best Global Brands – a list of the 100 most valuable brands in the world. Each year, we measure over 100,000 unique data points to draw conclusions around an ever-evolving market – and the role that these valuable brands play in shaping culture and the world at large."* (Source: Interbrand website, accessed 12/21/2023).

At the top of the list for 2023 are well-known companies: Apple, Microsoft, and Amazon in the number 1, 2, and 3 positions.

(4) Global Ecosystem Recognition: Global recognition is a hallmark of ecosystem dominance, marking the pinnacle of a company's journey from local operations to a worldwide presence. A firm that achieves this status is known and respected globally, having successfully transcended local limitations and appealed to a diverse, international customer base. This level of recognition often stems from a firm's unwavering commitment to universal standards of quality, innovation, and service. These attributes resonate across different cultures and geographies, enabling the firm to establish a strong, global brand identity. The essence of global recognition lies in a company's ability to adapt its products and services to meet the varied needs and preferences of customers worldwide while maintaining a consistent and high-quality brand experience.

A case in point, Apple has become a household name worldwide, renowned for its cutting-edge technology and innovative products like the iPhone, iPad, and MacBook. This widespread recognition is not merely due to its high-quality products but also its emphasis on design aesthetics and user experience, which appeal universally. Apple's retail stores, found in major cities worldwide, are more than just points of sale. The stores are landmarks attracting visitors from all walks of life, further cementing the company's global presence. Their approach to marketing, focusing on simplicity and emotional connection, applies across cultural and linguistic environments, making Apple a prime example of a business that has achieved global ecosystem recognition.

(5) Leadership in Innovation: Ecosystem dominance requires a firm to be a leader in innovation. Innovation is not limited to developing and introducing new technologies, products, or services but also shaping market trends and consumer behaviors. The extreme case of leadership in innovation is when a firm formulates and executes strategies to disrupt its ecosystem and change the rules of the game in favor of the firm.

For example, a Singapore-based freight transportation company broke traditional norms and practices in a 150-year-old industry to gain market share with a minimal amount of expenditures in a capital-intensive industry. The company innovatively challenged the constructs and constraints of the ecosystem and

determined the specific requirements of the largest customer in the market (Walmart) and how to shift value propositions to create a premium service in a commodity industry.

Figure 5. Innovation for industry disruption. Image credit: 123rf.com

As a result of taking bold steps, the transportation company moved up two places in market share. Leadership showed courage and a willingness to take calculated risks, make targeted investments in transformation, and implement a culture aligned with providing service excellence and an experience truly valued by customers.

(6) Flawless Execution

Flawless execution represents more than just the capacity to implement strategies; it's a fundamental differentiator that sets dominant firms apart. These companies have mastered the art of translating visionary ideas into tangible, impactful results, seamlessly bridging the gap between conception and realization. This capability is crucial not just for their own success but also for delivering substantial value to their customers and, in turn, to the customers' customers. Such execution is not a matter of chance but a result of meticulously crafted processes, a disciplined workforce, an operational backbone robust enough to withstand the pressures of scaling, and, most importantly, a deeply ingrained culture of excellence.

This culture of excellence is evident in every aspect of a dominant firm's operations. It manifests as an uncompromising stance against mediocrity, where the minimum standard is insufficient. In these environments, striving for perfection isn't seen as an unattainable ideal but as an essential pursuit, pushing the boundaries of what's considered 'just okay.' The foundation of such a culture lies in leadership. The behavior, expectations, and norms within a company are heavily influenced by its leaders. When leaders consistently role-model desirable traits, they set a standard for everyone in the ecosystem, encompassing employees, partners, and stakeholders. This leadership model fosters an environment where excellence is the norm, not the exception.

The Toyota Motor Company continuously exhibits flawless execution in action. Its success can largely be attributed to its Toyota Production System (TPS), a beacon of operational excellence. The TPS, known for its emphasis on lean manufacturing, continuous improvement (Kaizen), and rigorous quality management, has not only revolutionized Toyota's operations but has also set the standard for manufacturing practices worldwide. This system underscores Toyota's commitment to eliminating waste, optimizing processes, and continuously striving for improvement, key tenets that have propelled the company to the forefront of the automotive ecosystem.

Figure 6. Toyota Prius assembly line, Tsutsumi plant. Image credit: 123rf.com

Toyota's approach extends beyond just manufacturing excellence. It is also characterized by a relentless focus on innovation and sustainability, aligning with modern global demands and expectations. This forward-thinking approach ensures that Toyota does not just keep up with industry trends but often leads and reshapes them. Their ability to flawlessly execute complex strategies, from production techniques to environmental stewardship, cements their position as a global leader in the automotive sector.

(7) Optimized Supply-Side Purchasing Power: Dominant firms often occupy a set of power on the "supply-side" of their business models, thus allowing them to negotiate favorable terms with providers of goods and services and with talent (the human supply). This power stems from a firm's volume of business, financial stability, strategic partnerships, and trusted relationships with suppliers, which collectively enhance the firm's influence and bargaining position. Optimized purchasing power is not about taking advantage of financial dependence but about how a dominator can help a supplier grow its business simultaneously with the dominant actor.

General Motors, since its inception in 1908, has been at the pinnacle of a vast ecosystem of suppliers, dealers, consumers, service stations, employees, and multiple other stakeholders GM touches, including communities in which it operates. "As General Motors goes, so goes the nation" was a popular description of GM's influence on not only the automotive industry but also the United States in its entirety. Certainly, GM has a disproportionate amount of power, which could translate to *maximized* purchasing power over suppliers, tier one and below. However, putting the squeeze on the supplier network would not have done anyone any good except, perhaps, some short-term cost reductions for GM. *Optimization* means harmonizing a myriad of forces and pressures to achieve the best results for an entire ecosystem.

"Purchasing power" also plays a major role in talent acquisition. Consider the job market and the demand for specialized skills like machine learning software development. In this context, purchasing power refers to the ability of a firm to attract and retain top talent through a stellar employer brand, interesting and challenging work, financial stability, culture fit, and total rewards. Firms compete for top talent. Job seekers have choices. Today, a software engineer considering working for Alphabet or a newly formed technology start-up faces several trade-off decisions, such as compensation, reputation, career enhancement, risk, learning opportunities, and other variables affecting professional and personal life. In this case, the question arises, "Which firm has more purchasing power in the job market – Alphabet or the start-up?"

(8) Upward Valuation Trajectory: The financial valuation of a dominant firm is on a consistent upward trajectory, reflecting investor confidence and the excellence of financial performance. Increasing valuation is typically driven by a firm's strong fundamentals, growth prospects, and track record of delivering shareholder value. For publicly traded companies, valuation is straightforward – market capitalization. For private companies, numerous valuation methods exist, from multipliers of trailing twelve-month revenue to the value of monthly active users for an online app to the net present value of discounted cash flow. Whichever valuation method is used, the ecosystem dominator can demonstrate the upward trajectory of firm valuation.

A company that has demonstrated a strong upward valuation trajectory is NVIDIA Corporation. NVIDIA, originally known for its graphics processing units (GPUs) for gaming, has significantly grown in valuation over the years, largely due to its successful expansion into new markets, the largest one being artificial intelligence.

Initially, NVIDIA was recognized for its impact on the gaming industry, providing high-performance GPUs. Over time, the company has diversified its offerings, which has been instrumental in driving NVIDIA's valuation upwards. The company identified and capitalized on the increasing demand for powerful computing in various sectors, positioning itself not just as a hardware provider but also as a key player in the technology innovation ecosystem.
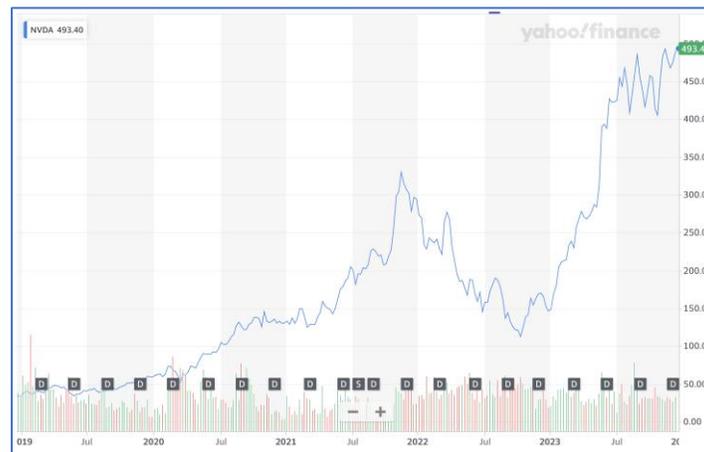

Figure 7. Five-year history of NVIDIA (NVDA) stock price. Image credit: Yahoo! Finance, accessed 12/22/2023.

The growth in NVIDIA's valuation can be attributed to its robust financial performance, innovative product line, and successful anticipation of ecosystem trends. Its journey demonstrates how a firm can achieve an upward trajectory in valuation by innovating within its core competencies and strategically expanding into new, high-demand areas. NVIDIA's story particularly inspires companies seeking a dominant position in specialized ecosystems.

(9) Anxiety Among Competitors: The presence of anxiety among competitors is a telling sign of a firm's dominance in its ecosystem. When a company reaches a level of market control, talent acquisition, and customer loyalty that its rivals find intimidating, it speaks volumes about the firm's competitive strength. This kind of dominance manifests in the firm's exceptional ability to innovate beyond competitor offerings, execute strategies flawlessly, and capture significant market share. Competitors, recognizing

these capabilities, feel a pressing need to elevate their game to keep pace. The dominant firm's success not only sets a high bar but also shifts market expectations, compelling other players to reassess and often revamp their strategies, operational models, and even their core business offerings. Chaos and turmoil in competitors' organizations are desirable.

An illustrative example of such a dominant firm is ASML Holding, a firm hidden in plain sight yet a highly influential player in the semiconductor industry. ASML is the world's largest supplier of photolithography systems, a key tool for producing integrated circuits or chips. Its major competitors, such as Nikon and Canon, who also produce photolithography equipment, experience anxiety due to ASML's dominance. ASML's technological advancements, particularly in extreme ultraviolet lithography, have put it far ahead of its competition. This has made it virtually indispensable in the global chip manufacturing process, as its technology enables the production of smaller, more powerful, and more efficient chips. Nikon and Canon, despite being significant players in the industry, find it challenging to match ASML's pace of innovation and market control.

The impact of ASML's dominance in its ecosystem is profound. Its competitors are under constant pressure to innovate and find niches where they can compete effectively. ASML's stronghold in advanced lithography technology not only causes anxiety among its direct competitors but also influences the broader semiconductor industry. Companies reliant on chip manufacturing technologies must align with ASML's advancements, further cementing its position as a market leader. This scenario exemplifies how a firm's dominance can extend beyond direct competition, affecting the strategic decisions and innovation pathways of an entire industry.

(10) Strategic Alliances and Partnerships: In the contemporary business landscape, strategic alliances and partnerships are pivotal in determining a firm's strength and dominance within its ecosystem. Dominant firms understand the power of collaboration, leveraging partnerships to fuel innovation, broaden market access, and enrich their overall value propositions. These alliances are far more than transactional relationships. They are forged on the foundation of mutual objectives, trust, and a joint vision for success. By aligning with other entities, be they suppliers, distributors, or even, on rare occasions, competitors in some cases, a firm can tap into synergies that drive growth. This collaborative approach enables companies to share resources, knowledge, and expertise, leading to more effective and efficient go-to-market market strategies. Furthermore, these strategic collaborations often open new avenues for market penetration and customer engagement, allowing firms to expand their influence and presence in various ecosystems.

A company that has masterfully used strategic alliances and partnerships to dominate its ecosystem is Salesforce, a leader in customer relationship management (CRM) software. Salesforce has built its market leadership by establishing a wide network of partnerships across different industries and sectors. These alliances range from technology integrations with other software providers to joint ventures with consulting firms. Salesforce's AppExchange, for instance, is a marketplace for third-party applications that integrate with its CRM platform, effectively extending its product's capabilities and reach. This ecosystem of partners not only enhances Salesforce's offerings but, most importantly, creates a more comprehensive and versatile solution for its customers. By collaborating with a diverse range of companies, Salesforce has been able to continually innovate and stay ahead of the curve in the fast-paced CRM software ecosystem.

(11) Sustainable Practices: Integrating sustainable practices is increasingly becoming a keystone for businesses seeking ecosystem dominance. In today's market, a firm's commitment to environmental stewardship and corporate social responsibility is crucial in shaping its brand image and appeal.

Consumers, more aware and concerned about environmental issues, gravitate towards companies that align with their values. This shift in consumer behavior offers a significant competitive advantage to firms prioritizing sustainability. These companies appeal to a growing base of conscientious consumers and are also setting new standards in their respective industries. Additionally, sustainable practices often lead to enhanced operational efficiencies. By adopting circular business models and eco-friendly processes, firms can achieve long-term cost savings, reducing waste and optimizing resource usage. This approach not only benefits the environment but also creates a lean, more efficient operational structure, contributing to the firm's overall competitiveness and resilience.

One business that exemplifies the synergy of sustainability, profitability, and ecosystem dominance is Patagonia, a company well-known for its outdoor clothing and gear. Patagonia has embedded sustainability into every aspect of its business operations, from product design and manufacturing to corporate governance. The company uses recycled materials in its products, recommends that customers not buy new Patagonia clothing if they can get by with their existing clothes, invests in renewable energy, and actively participates in environmental advocacy.

Patagonia's commitment to sustainability goes beyond reducing its environmental impact. Patagonia actively seeks to create positive change. This dedication has not only garnered a loyal customer base but has also positioned Patagonia as a leader in sustainable business practices within the apparel industry. Their approach demonstrates how a firm can leverage sustainable practices to achieve both ecological and economic benefits, becoming a dominant player in its ecosystem.

Figure 8. Patagonia store display: "Clothes Made from Other Clothes." Image credit: www.patagonia.com.

In 2022, Patagonia's founder and owner, Yvon Chouinard, took an extraordinarily bold step.

"Rather than selling the company or taking it public, Mr. Chouinard, his wife and two adult children have transferred their ownership of Patagonia, valued at about $3 billion, to a specially designed trust and a nonprofit organization. They were created to preserve the company's independence and ensure that all of its profits — some $100 million a year — are used to combat climate change and protect undeveloped land around the globe." Source: The New York Times, 09/21/22.

Patagonia's success story is a testament to the potential of sustainable practices in achieving business ecosystem dominance. The company's strong environmental ethos has resonated with a broad audience, allowing it to carve out a unique position in the outdoor apparel industry. This has set a benchmark for

others, proving that integrating sustainability into business models is not only a moral choice but a strategic one.

(12) Community and Stakeholder Engagement: The ability to effectively engage with communities and stakeholders is a significant factor that can propel a company to a dominant position within its business ecosystem. Dominant firms understand that their influence and responsibilities extend beyond traditional business boundaries to encompass broader societal and environmental concerns. By actively engaging with communities and various stakeholders in the ecosystem, these companies demonstrate a commitment to making a positive impact, which in turn enhances their reputation, fosters goodwill, and creates a supportive environment for their operations. This engagement is more than a business strategy. It reflects a company's values and a commitment to integrate societal well-being into its core operations. Such an approach strengthens the company's brand and builds trust and loyalty among consumers and stakeholders, laying the foundation for long-term success and sustainability.

An excellent example of a company that has successfully integrated community and stakeholder engagement into its core business model is Ben & Jerry's, the ice cream brand. Known for its socially conscious business practices, Ben & Jerry's has consistently demonstrated a commitment to various social and environmental issues. The company actively supports fair trade practices, environmental sustainability, and social justice movements, incorporating these values into its products and operations. This commitment goes beyond mere corporate social responsibility initiatives; it is embedded in the company's mission and is a key element of its brand identity. Ben & Jerry's uses its platform to raise awareness and drive change, engaging with communities and stakeholders on issues that resonate with its values. This approach has not only endeared the brand to consumers who share similar values but has also solidified its position as a leader in a niche within the food and beverage industry.

Figure 9. Jerry Greenfield and Ben Cohen in Bennington, Vermont, on July 3, 1980. Image credit: Ted Dully—Boston Globe/Getty Images

Ben & Jerry's approach to community and stakeholder engagement illustrates how a company can leverage its business to make a positive impact while simultaneously achieving ecosystem dominance. Their strategy of aligning business practices with societal and environmental consciousness has created a strong, loyal customer base and distinguished the brand in a competitive market. By authentically engaging with important issues and integrating them into their business model, Ben & Jerry's has shown that a company can be both commercially successful and a force for good. This balance of profitability and social responsibility is a powerful combination that can propel a company to a leadership position in its ecosystem, as evidenced by Ben & Jerry's enduring popularity and influence.

IMPLICATIONS

Stories of companies dominating their ecosystems exist in the past and the present, demonstrating that ecosystem dominance is possible. In the past, firms such as Boeing and AT&T ruled over industries and influenced nations. Currently, several companies are in the limelight, but many lesser-known companies dominate their chosen ecosystems. Dominators are not organizations but are the people who start, lead, and work within those companies. Ecosystem dominators include founders, CEOs, executive teams, and entire organizations like those of Grammarly, Duolingo, Audacity, Thule, and WaveAI. Twelve common characteristics of ecosystem dominators have been identified:

1. Engaging customer experience
2. High level of market share within ecosystem
3. Brand promise
4. Global ecosystem recognition
5. Innovation leadership
6. Flawless execution
7. Supply-side power
8. Upward valuation trajectory
9. Anxiety among competitors
10. Strong alliances and partnerships
11. Sustainable practices
12. Community and stakeholder engagement

Ecosystem dominance is possible for courageous leaders willing to take risks, make bold moves, change existing ecosystems, create new ones, and operate their firms to the benefit of all stakeholders.

FURTHER READING

Adner, R., 2006, "Match Your Innovation Strategy to Your Innovation Ecosystem." Harvard Business Review.

Adner, R., 2021, "Sharing Value for Ecosystem Success." Sloan Management Review.

Altman, E. J., Kiron, D., Schwartz, J., Jones, R., 2023, "How to Harness the Strategic Power of a Workforce Ecosystem." Sloan Management Review.

Clayton, S. J, Remick, T., Orr, E., 2022 "Today's CEOs Don't Just Lead Companies. They Lead Ecosystems." Harvard Business Review.

Corey, E., R., 1989, Industrial Marketing Strategy--An Overview." Harvard Business School Publishing.

Cornfield, G., 2021, "Recognizing Your Customer's Purpose Is Key to Growth." Harvard Business Review.

Jacobides, M., 2019, "The Delicate Balance of Making an Ecosystem Strategy Work." Harvard Business Review.

Jacobides, M., 2019, "In the Ecosystem Economy, What's Your Strategy?" Harvard Business Review.

Kenny, G., 2020, "The Secret to Becoming a Market Leader." Harvard Business Review.

Kim, W., C., Mauborgne, R., 2002, "Charting Your Company's Future." Harvard Business Review.

Moore, James F., 1996, "The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems." Harper Business.

Osterwalder, A., Viki, T., Pigneur, Y., 2019, "Why Your Organization Needs an Innovation Ecosystem." Harvard Business Review.

Rong, K., Lin, Y., Shi, Y., Yu, J., 2015, "Business Ecosystems: Constructs, Configurations, and the Nurturing Process." Oxford University Press.

Stalk, G., Lachenauer, R., 2004, "Hardball: Five Killer Strategies for Trouncing the Competition," Harvard Business Review.

Weill, P., Woerner, S., 2015, "Thriving in an Increasingly Digital Ecosystem." Sloan Management Review.

Williamson, P., De Meyer, A., 2019, "How to Monetize a Business Ecosystem." Harvard Business Review.

Wray, J., Sarafin, G. 2023, "4 Actions CEOs Should Be Taking to Drive Growth With Their Ecosystem." Harvard Business Review.

About Rowland Chen

Rowland Chen is Chief Executive Officer of The Silicon Valley Laboratory, a global management consulting, design, and technology advisory firm specializing in Generative Transformation™. Concurrently, he is a professor at De Anza College in Cupertino, California, teaching business and entrepreneurship. Previously, Chen was a Visiting Scientist at Carnegie Mellon University's School of Computer Science, focusing his research on artificial creative intelligence and the success of women-of-color owners of small businesses. Before his role at Carnegie Mellon, Chen was a senior executive in management consulting at Gemini Consulting, Hitachi Consulting, Alvarez & Marsal, and Electronic Data Systems. In industry, he held positions at Cisco, Yahoo!, General Electric, and General Dynamics, where he designed cruise missile autopilots. He has published work in diverse fields, such as artificial intelligence, small business success, and physiology. Chen earned a BS in Bioengineering from Johns Hopkins University, an MS in Biomedical Engineering from Rensselaer Polytechnic Institute, and an MBA from the MIT Sloan School of Management.

Contact information: rchen@thesvlab.com

About The Silicon Valley Laboratory

The Silicon Valley Laboratory (TSVL) is a global management consulting, design, and science advisory firm specializing in Generative Transformation™. TSVL's team brings dozens of years of experience in transformation to co-create and execute valuation-increasing solutions for clients leveraging advanced technologies such as generative artificial intelligence. Services are tailored to leaders' growth requirements, addressing the need for speed and overcoming issues that prevent sustainable boosts to firm value. TSVL has academic ties to the M.I.T. Sloan School of Management, Carnegie Mellon University, De Anza College, O.P. Jindal Global University, and the Indian Institute of Management Mumbai to ensure thought leadership is delivered for the benefit of its ecosystem stakeholders.

Contact information: info@thesvlab.com

On the web: www.thesvlab.com

About De Anza College

Situated in the heart of Silicon Valley, De Anza College is a public community college with California's highest student transfer rate to four-year universities, including the University of California, California State University, and the Ivy League. The College offers programs in science, technology, engineering, mathematics, business, and the liberal arts. The diverse student body represents countries from around the world. Students come to De Anza to earn associate and bachelor's degrees and certifications in sought-after skills such as computer programming.

On the web: www.deanza.edu