

**Article****Does Ethiopia Has Business Ecosystem Governance for Economic Development?****By Tessema B. Woldegiorgis (Ph.D.)****November, 2017**

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## **Does Ethiopia need Business Ecosystem Governance for Economic Development?**

### **Abstract**

Promoting '*economically viable business model*' to ensure sustainable economic and social development is the timely concept in Ethiopia. Viable business model could be realized by dynamic economic community from different business groups with innovative business ideas and production is important to attract customers. Ethiopia is labeled as potential country in Africa as one of the fastest growing economies in the world. However, little is done among stakeholders to interact and demonstrate the concept of business ecosystem in Ethiopia. As stated by (Moore 1998), business ecosystem is an extended system of mutually supportive organizations; communities of customers, suppliers, lead producers, and other stakeholders, financing, trade associations, standard bodies, labor unions, governmental and quasigovernmental institutions, and other interested parties. These communities come together in a partially intentional, highly self-organizing, and even somewhat accidental manner.

The country (Ethiopia) is one of the fastest growing economy needs to experiment the concept of business ecosystem for economic stability and high profitability; based on core capabilities, which are exploited in order to produce the core products. In addition to the core products, a customer receives "a total experience" which includes a variety of complementary offers. Core capabilities and economically viable and innovative business model would be ensured with mutual interactions, knowledge sharing and integration among different interested business groups. As a fastest growing nation, the Ethiopian business community may open up to learn and adopt the concept of business ecosystem

to demonstrate their core capabilities to ensure economically viable business model to compete in global market.

## **Introduction**

Moore defined "business ecosystem" as: An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they coevolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles (Moore, 2006).

It is evident that the global economy is a reflection of what happens at various continental and national levels. Europe, Asia, Africa etc... with the prevailing challenges will invariably influence the global economy. For example, most African economies are struggling to live above the blow of recession and corruption, this has non-negligible effects on the GDPs of the respective countries. However, statistics also seems to be inaccurate in expressing the reality about the economies, particularly in Africa. It seems, in my own opinion, global economy as the case may be will experience upward trends and growth when object measures are taken to support regions and nations with endemic challenges i.e. depressed economies, political instability, and civil-unrest among others.

The concept of business ecosystem in Ethiopia is a new phenomenon, but, there is an opportunity and built in system and that needs to be strengthened by the economic community. Moore defines business ecosystem as “an economic community supported by a foundation of interacting organizations and individuals – the organisms of the business world.” According to Moore, a business ecosystem includes customers, lead producers, competitors, and other stakeholders (Moore 1996). It is evident that the economy of Ethiopia is a mixed and transition economy with a large public sector. Ethiopia government is in the process of privatizing many of the state-owned businesses and moving toward a market economy. However, the banking, telecommunication and transportation sectors of the economy are dominated by government-owned companies. Many international financial and business communities agree that Ethiopia has one of the fastest-growing economies in the world and is Africa’s second most populous country. Many properties owned by the government during the previous regime have now been privatized and are in the process of privatization. However, certain sectors such as telecommunications, financial and insurance services, air and land transportation services, and retail, are considered as strategic sectors and are expected to remain under state control for the foreseeable future.

On the other hand, learning from different nations on business ecosystem governances, companies and dynamic economic community comprising from different business organizations and groups needs to interact each other for mutual survival. The 50% of Ethiopia's population is under the age of 18, and even though education enrollment at primary and tertiary level has increased significantly, job creation has not caught up with the increased output from educational institutes. The country must create

hundreds of thousands of jobs every year just to keep up with population growth (IMF, Report 2009, no. 08/259, p 35). To establish strong business ecosystem, customer-led commodities production by stakeholders in the economic sector is critical.

### **Business Ecosystem could create Dynamic Economic Community**

Business ecosystem governance plays a pivotal role in helping companies to capitalize its core competencies and value. “Companies can jump out of the traditional ‘supply-production-market’ value chain and invite cross-industry business partners.” On the one hand, companies can explore their own core value and invest in innovation, which will help increase their corporate value. Moreover, companies can opt for a three dimensional ecosystem, which can help raise the possibility of connecting with other ecosystems and support companies to stand out from competition or even take the lead from existing market leaders, (Chiu, 2016). In the economic world, on the other hand, policy-makers, managers, and investors spend a lot of time understanding the situation and contemplating the possible outcomes of different choices. Although Moore claims that the word industry should be replaced with the word business ecosystem, it is apparent that Moore’s business ecosystem is closer to the concepts of cluster and value network. For example, there have been unprecedented changes in how companies interact with others under the “New Normal” in China, according to the newly launched report from Deloitte China – (*The Survey Report on Business Ecosystem Governance Under the New Normal*). The report defined a business ecosystem as a dynamic economic community, comprising different organizations and business groups – such as clients, suppliers, manufacturers, competitors, investors, trading partners, labor unions, governments, and public service organizations. These organizations and business

groups co-exist in the same community, competing and cooperating with one another for mutual survival (Deloitte, 2016). Further **integration** may include the adoption of a single market in order to facilitate cross-border trade, which entails the elimination of physical and fiscal barriers between business groups, clients, suppliers' competitors and countries to free the movement of capital, labor, goods, and services in order to strengthen overall economies (Charles, 2016).

### **The Six Factors to establish Business Ecosystem and Lesson from Ethiopia**

The report suggested companies to consider six factors in order to establish their own successful business ecosystems: (1) establish a systematic and well-organized coexistence relationship, which helps create real value and achieve strong performance; (2) maintain multi-party interaction and promote information exchange and sharing; (3) maximize the ecosystem value by providing interactive services in commodities, servicing and finance; (4) expand the ecosystem by leveraging diverse resources to form alliances, which will provide new energy for companies; (5) guard against risk; and (6) foster core abilities and strengthen the cohesion of ecosystems.

Historically, Ethiopia has rich experiences in sharing their love and living with peaceful co-existence values as a community. Moreover for sharing what the community owned to support each other, such as food, drinks and celebrating holiday's festivals made the nation a hospitable society. However, the culture of working together as a society is very weak in the form of venturing as an economic community. There is a saying by Ethiopian that "Ethiopians are known to host strangers and sharing their belongings, such as food, shelter and helping others, but, venturing together as an economic

community to expand and leverage diverse resources in the form of alliances is a critical challenge.”

According to recent Deloitte survey report findings, which was conducted in China and Hong Kong, with C-suite executive from 100 listed companies claimed that their individual company expenses were extremely high and strongly recommending working with business partners could be stronger to avoid greatest risk exposure. As described by the business executives, “no company can operate independently in this highly globalized business environment. The business world is moving beyond the traditional bounds of industries and coalescing into rich ecosystems. The ecosystem of a typical company comprises a large number of related parties. As companies develop a closer relationship with external related parties, media attention will also focus on their regulatory actions and reputational damage triggered by external third parties,” said Eddie Chiu, National Managing Partner of Enterprise Risk Services, Deloitte China.

The Ethiopian business enterprises could learn and adopt from the Deloitte China companies cross industry integration approach (exemplary business venture practices) to reinvent the wheel of the traditional and conventional business culture to establish business ecosystem. On the other hand, Critical observation is made by executives during the Deloitte China assessment that the need for managing third party risks and inadequate governance and management of their business partner. Suggestions was given that there should be mechanisms to identify different types of risks for different stakeholders to timely manage third party risks to ensure business ecosystem in the economic community. For Ethiopian context further research is required to address the fragmented approach in business ecosystem to bridge the gap and adopt the business

ecosystem among players to be competitor in global market. Moreover, it is critical to learn technology led business ecosystem to avoid failure for long-term effective control mechanism of internal and external third party risks. In addition the approach in identifying the long-term third party risks controlling mechanism could build sound ecosystem governance in this highly integrated and connected world (Chiu, 2016).

Majority of the Deloitte China Enterprise service partners agree that competition among companies in the ecosystem will intensify along with improved market transparency and continuous development in capital markets and technologies. Therefore, it is very important to build a coexistence model which is both systematic and well-organized. This growing trend has become even more visible in this rapidly changing internet economy. (Chiu 2016 un- published) ” The survey (Deloitte) is recognized as the market leader locally and around the globe in the risk management advisory space and aspires not just to react to clients’ requests but to develop innovative approach to help them outperform in their territories. Deloitte Enterprise Risk Services provides a range of solutions from those that can be integrated across the organization and/or to specific risk domains and specific third-party. Adequate lessons could be drawn from the survey conducted by Deloitte China to explore and maximize own core values of business ecosystem experiences to promote cross industry integration approach to increase their corporate value to invest in innovation to attract their customers.

### **Conclusion**

Information technology and the Internet favour the development of business networks, in which business partners cooperate to produce composite products and services that meet the customer needs. Customer participation in these networks, even

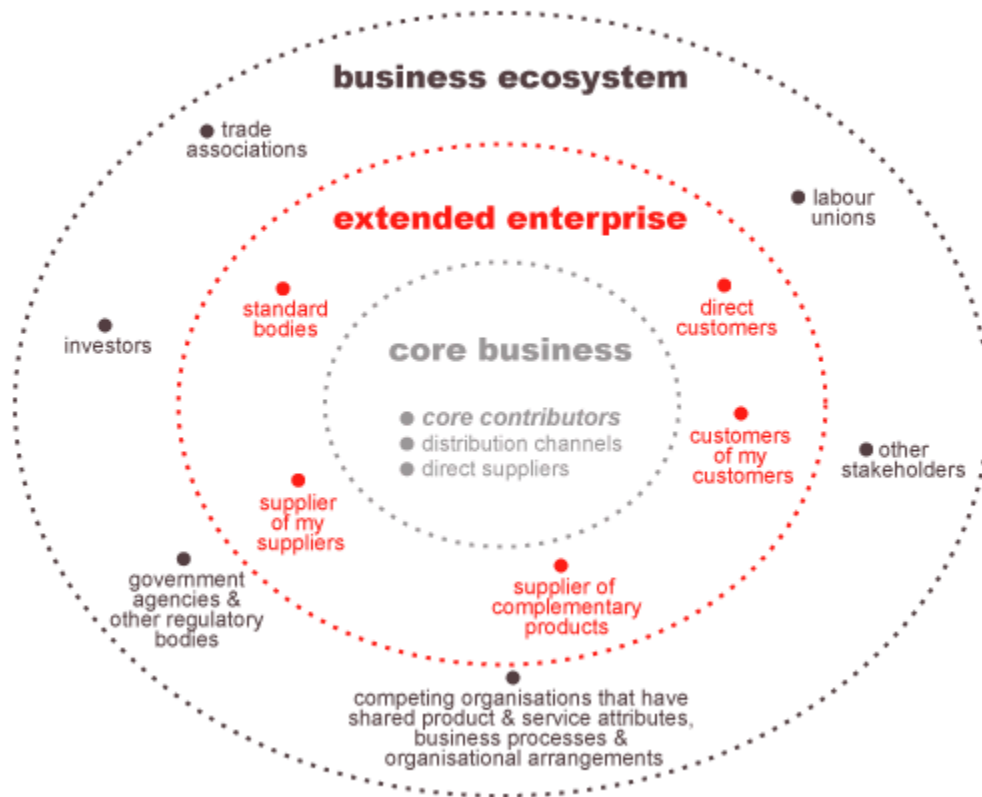


though necessary, is usually neglected or submissive to the needs of the business enterprises. Based on the metaphor of 'business ecosystems', the experiences of different actors in this paper argues for the need to introduce customers as active members of business networks and proposes a conceptual and a business model of customer-centric business ecosystems. The business model is based on a technological platform, which enables the development, the dynamic configuration and the coordination of the customer-centric business ecosystem. The operations of the platform follow the paradigm of service oriented architectures and they can be implemented with the use of Web services.

The concept of this paper discusses to promote economically viable business model and joint venture concept among different strategic business partners to explore the strategic aspects of the development of customer-centric business ecosystems. Moreover, the article highlights the experiences of Deloitte China Enterprise service partners and competition among companies in the ecosystem that intensify along with improved market transparency and continuous development in capital markets and technologies. In addition, the current status of Ethiopia and the gap in business ecosystem among partners is highlighted.

**Figures 1 and 2**

## Business Ecosystem Governance for Economic Development



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