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The Four Stages Of A Business: Life Cycle Lessons From Nature (Abstract)

By **James F. Moore**

The strong parallels perceived between the business world and ecosystems have received serious attention in recent years. Author James F. Moore says business leaders now often think in terms of eras to help them anticipate important changes and take appropriate action. They try to determine what era of a business ecosystem they are in, how long it is likely to last and what will herald the next era.

Expanding on this concept, Mr. Moore identifies four evolutionary stages: pioneering, when the basic paradigm of the ecosystem is being worked out; expansion, when the community broadens its scope and consumes resources of all types; authority, when the community architecture becomes stable and competition for leadership and profits within the ecosystem gets brutal; and either renewal, when continuing innovation must take place for the community to thrive, or death.

Drawing on real-life examples, such as Fidelity's powerful emergence as a leader in mutual funds and I.B.M.'s toe-stubbing experience in the personal computer industry, Mr. Moore describes the opportunities and pitfalls that occur in these four sequential stages of developing ecosystems. "Doing something of dramatic value.....is the sine qua non of the early days of a business ecosystem," he says. Otherwise commitments of money, talent and other resources essential to starting an ecosystem will not materialize. Later on, he warns, maturity can leave a business community vulnerable to new entrants, as happened in I.B.M.'s case.

It is also important to remember, Mr. Moore says, that "a dominant ecosystem is never free from potential obsolescence at the hands of a system built around a superior approach." To counter this threat, companies that are established leaders of a prospering ecosystem must emphasize "continuous performance improvement" and find ways to inject new ideas into the existing ecosystem. A conservative, defensive approach, he suggests, is too risky a strategy because it leaves an ecosystem ripe for exploitation by outsiders.

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