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Innovators and entrepreneurs are not normally in the business of sharing their intellectual property. What then was Elon Musk, the Founder of Tesla, up to when he announced that Tesla will not initiate patent lawsuits against companies who want to use their technology. This conscious decision to open up the patents that his firm invested millions into is a perfect illustration of what I call Ecosystem Economics™. Musk and Co know that driving the economics for the ecosystem of the electric car market is the most important thing. By being altruistic and business savvy, he is going to cause his emerging industry to explode, and as a first mover, he will benefit massively.

The challenge for every CEO is to reimagine their industry as an ecosystem comprising companies, institutions and customers that interact for mutual benefit. Those players, who organise the economics of the ecosystem they operate in, become the winners in today's business environment. This is how Apple moved the centre of the music industry to MacWorld from the corner offices of the record labels: they offered clear economics to the artists and rights holders, the consumers, the distributors, etc.

So is this just a large company game at this point then? Can smaller, high-growth companies win? Yes, both the 'digital Davids' as well as the mid to large enterprises, Goliaths, whether they be banks, retailers, radio stations, oil & gas companies, etc have a 'fight back' strategy in the digital exponential world that we live in.

Every entrepreneur – every David - has a problem with customer acquisition. No venture capitalist is going to give him or her £50 m to acquire 50 million customers, so they need to find a distribution base. Think of them as a revenue-generating, data aware, cloud/SaaS algorithm or a digital car in search of a highway.

Goliath businesses are still structured linearly, not with network-business models, but they have customers, brand, audience and reach. Engaged properly, they can help a David scale.

Most of the world is not Amazon, Facebook, Apple and Google, and neither are they Uber, AirBnB or Tesla. They are run of the mill established, traditional businesses who are searching for a fight back



strategy to the digital disruption. And the answer is to engage the Digital Enablers. Embrace the disruption by dancing with the B2B SaaS firms, the Digital Davids who cannot scale without a highway.

I am not suggesting that big companies should just buy small companies. Neither am I sanctioning the setting up of corporate venturing funds as the answer. If your company's challenge is how to build a 'Digital P&L'™, then the answer is not to take small equity stakes in a lot of baby companies. The answer might be at the end of experiments, trials and pilots where David is told that he/she has X % of the Goliath's customer base to apply their algorithm to achieve Y revenues in Z timeframe in order for the David & Goliath dance to yield a material amount of revenue.

This is the hard business of building digital revenues, establishing a 'Digital P&L'™. If you are a Goliath, you must first be cloud-centric, mobile-enabled, and data aware.

One vision of the future is that the technology platform companies are taking over every industry as Facebook is going into banking, Google buying up drones businesses, and Yahoo entering the TV industry.

Banks, transportation firms, media firms must become platforms themselves.

Why does this not happen more frequently? Most people think linearly still, and do not ask themselves the basic question of: In whose interest is it for me to be successful? Who are my Natural Allies, and how do I make it in their interest to align with me. Your Natural Allies might be former competitors, or companies who need a new story, or firms in another industry.

On with the dance!

About Ariadne

Julie Meyer founded Ariadne in 2000, with the backing of 60 founding investors, amongst whom are the founders of some of the most successful internet and technology companies in recent history. Including the entrepreneurs behind WorldPay, Hotmail, Betfair, SES Astra and many more, these investors are committed to helping the next generation of entrepreneurs build world-leading companies out of Europe.

Ariadne is fundamentally focused on people, engaging with businesses only where the founder and management are world-class. We believe that the founding entrepreneur is best placed to bring his vision to market and is the principal driver of value in the enterprise.

