



CIONET

DISCUSSION SUMMARY

**COULD YOU
EXPLAIN
'PLATFORMS' TO
YOUR BOARD?**

This article was written by Roger Camrass, director of CIONET UK and is based on the conversations led by Dr Ben Eaton of the University of Surrey during the first CIONET UK discussion dinner with 25 senior business and IT executives that took place in London this October. Read on to learn more about "Company as a Platform" and how to explain the concept to your Board.

Starting the "platform" discussion

Dr Ben Eaton began by describing what is meant by 'Company as a Platform'. While many around the table use the term 'platform' on a regular basis, few admit to a clear understanding of what the term means in today's digital business environment. Of more importance is the fact that few at Board level fully comprehend what impact digital platforms may have on their own businesses.

Digital natives set the pace in platform development

Although the notion of a platform is decades old, as demonstrated by SWIFT in banking and SITA in travel, digital natives such as Amazon, Apple, Google and Facebook have used digital platforms to scale their products and services at record pace. Newer digital companies such as Salesforce, Workday, Uber and Airbnb have further exploited digital platforms to build entirely new business models.

Current developments such as the autonomous vehicle and smart city suggest that platforms and related eco-systems are helping to reshape our industrial and domestic landscapes. In this context incumbent organisations are questioning how they too might exploit platforms in their digital transformation journeys.

What is the definition of a modern digital platform

According to informed sources such as Gartner the definition of a digital platform is:

A platform is a product that serves or enables other products or services. Platforms (in the context of digital business) exist at many levels, from high level platforms that help define a business operating model to lower-level capabilities that businesses consume such as micro-services to deliver their own products and services.

To add more clarity and depth to this this much overused term, Dr Eaton presented two alternative views of what a platform might be in practice:

- Exchange platforms – designed to mediate between different parties, typically buyers and sellers of goods and services. Such platforms provide value by matching needs as is the case for transport (Uber), travel (Airbnb), goods (eBay), and personal relationships (Match.com)
- Innovation platforms – designed to encourage new sources of value creation such as communities of software developers and entrepreneurs. Such platforms provide a set of capabilities and resources, which can be accessed and combined to innovate new digital service, and that support large and small players alike as in the case of Android, iOS and Microsoft Azure.

In many respects these digital platforms are becoming the core utilities of the emerging digital economy, enabling smaller, more agile organisations to scale and displace incumbents. The fact that WhatsApp, a three-year-old company with just 30 staff members, was sold to Facebook for \$19B confirms this new reality.

Company as a platform

Large incumbent organisations are facing growing disruption from digital giants and entrepreneurial newcomers. The focus of senior executives now is on agility and speed, whether this is in product innovation or customer fulfilment. Companies are seeking to emulate the digital giants by digitising supply chains and accelerating partner collaboration through open standards and APIs. The doomsday prospect of 'winner takes all' is creating shock waves as entire sectors begin to collapse – as we witness in the High Street and the Media sector.

Platforms are a necessary way of reducing friction within companies by facilitating processes that cross functional boundaries. Traditional ERP systems such as SAP and ORACLE have gone some way towards achieving this outcome but appear rigid and constrained within today's constantly changing commercial context. Many organisations such Guardian Media Group have adopted an agile structure that is responding continuously to external forces.

In this context, digital platforms enable adaptive operating models based on small, agile product teams supported by micro-services. The platform provides the necessary resources and capabilities on which micro-services constantly evolve to suit external market conditions. This approach has underpinned the success of the digital natives such as Amazon and Google. It may well provide a blue print for large incumbent organisations.

Make or buy

Companies such as GE took the bold step to build their own digital platforms, with the acquisition of PREDIX and subsequent multi-billion-dollar roll-out. GE's vision was to create digital supply chains and vertical platforms for the entire engineering sector. Subsequent failure may well be due to timing rather than intent. Marks & Spencer withdrew its online retail business from Amazon's web platform when the Board realised a possible commercial conflict of interest at the retail level.

With mature and extensive platforms such as Amazon's AWS, Microsoft's AZURE, and EQUINIX's Data Exchange, businesses have adequate choice to select capabilities and resources from a growing number of 'utility' operators. However, they need to recognise that today's platform vendor may be tomorrow's competitor in a 'winner takes all' environment.

How will technology affect platform developments?

Cloud has been the driving force to enable the development of global platforms such as AZURE, AWS, FORCE.COM. With the recent explosion of data and its growing importance as a business asset, new tools are emerging such as cognitive computing, machine learning and artificial intelligence. These are set to become universal capabilities resident in all modern platforms.

Blockchain presents one of the more intriguing possibilities for future developments. It has the potential to disrupt traditional platforms in areas such as banking and government by providing a more secure way of encoding and exchanging information. Already sectors such as Insurance and Healthcare are investigating its broader application.

What should we tell the board?

The first misconception to clear up is that Platforms are restricted purely to the technical domain. For digital leaders, the platform is the foundation stone on which business success is based. It is an integral component of the new operating model.

Boards need to incorporate platform thinking into their business strategies as they take on the digital giants and entrepreneurial newcomers. Whether a platform is developed internally or acquired from an external partner is a tactical decision that may evolve over time – as in the case of Marks & Spencer.

The future of the IT function itself may well rest on becoming a source of 'products' or 'micro-services' that serve the various needs of the business units. In such cases, the supporting platform such as AWS or AZURE will be a key component of tomorrow's IT infrastructure.



About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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