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The business of platforms

The platform business model to survive in an ecosystem driven economy

Article 2

MAKING AN IMPACT THAT MATTERS
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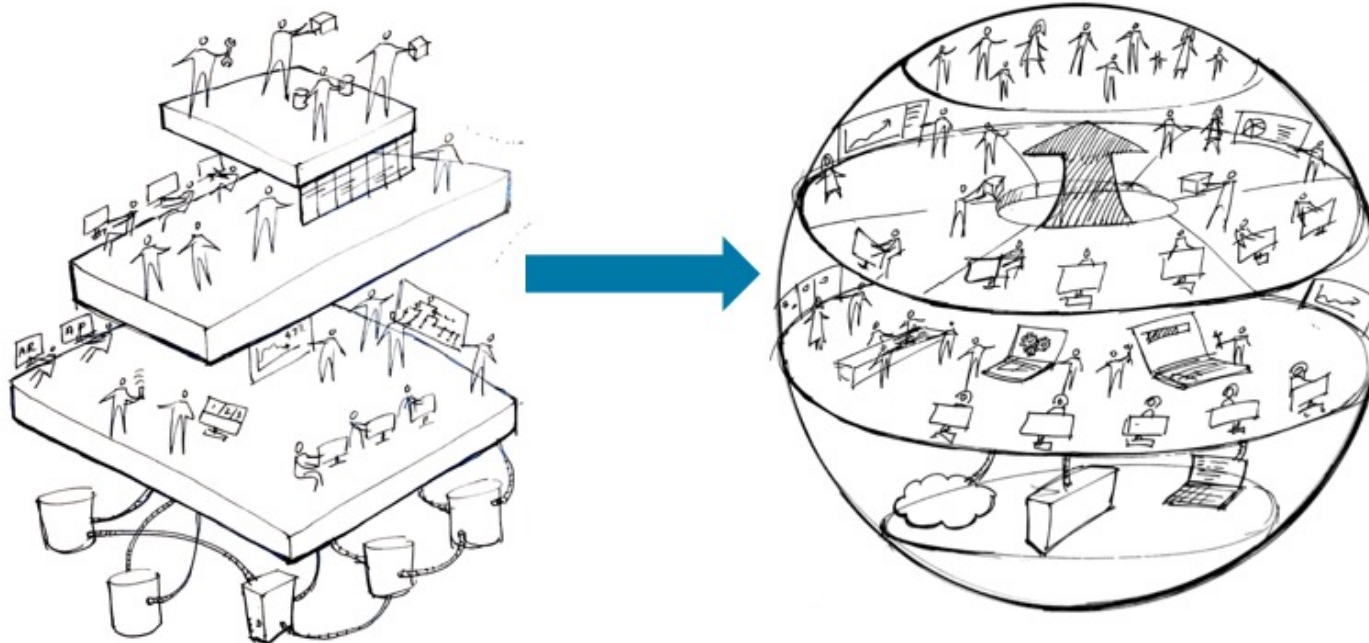model DNA

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Foreword

Throughout our business as a platform series we will investigate how to transform from the status quo to the new world of platform thinking. Topics include, amongst others, the role of the customer in the world of platform business, delivery and operating model including the IT operating model, data and analytics, risk including cyber risk, regulatory frameworks, payments and monetisation of platforms as well as support, partnership management and corporate functions.

In our previous article, the **Platform Business Model** to survive in an ecosystem driven economy, we focused on defining the **Platform Business Model** and pointing out the strategic impact on financial services organisations.

As the effect of COVID-19 continues to make waves on our economy, communities and social psychology, the need to transition to evolved and differentiated business models has been accentuated and, in many cases, accelerated.

Even before this all-encompassing, disruptive change, there was always a need to relook at the way businesses crafted their value propositions to clients, customers and consumers.

In this article we focus on how to think, plan and design your People Operating model when transitioning to your chosen **Platform Business Model**.

We are now entering the next horizon, of the **Platform Business Model**, which seeks to establish the business not only as a store front with its traditional offerings, but also as the owner and manager of the entire shopping complex in addition to the ecosystem in which it operates.

For the full list of articles that will be published in the series visit www.deloitte.com

Introduction

Platform businesses do not just create value for themselves but create value through an ecosystem of outside partners. This allows a platform business to be able to scale and standardise faster at an exponential rate, but also has some implications for the business shape and structure, culture and ways of working and the way in which the transformation journey can be facilitated.

"Exploring new frontiers, embracing a *new platform* and ecosystem reality."

This allows the seamless access and provision of both the company's and competitors services and products from the same place. In this new model the client/customer/consumer is at the heart of the business design and the organisation must now orientate all of its structures, processes, culture and ways of working differently. This is what it truly means to be customer-centric, not just thinking about the customer as an important stakeholder, but actually redesigning the fabric of the organisation to a customer-centric service design. This requires an operating model that is built around the customer, ways of working and teaming that facilitate the servicing and management of customers as opposed to the previous vertical integration of a product strategy.

Moving into this model is no mean feat. As you can imagine, as far as transformative changes go this is all encompassing and requires high capability and involves high uncertainty. When moving to a customer centred model, the application of Design Thinking, Agile and DevOps make more sense than Waterfall, Legacy On-Premise technology and siloes.

We refer to this fundamental transformation as a strategic "move", where the move to platform is really a whole-scale shift from an incremental alignment of business to small changes, to a more fundamental change to the whole way the business operates across its value chain internally and to an ecosystem of partnerships. A "move" of this nature cannot be accomplished without changes to and tight alignment of the organisational model, leadership characteristics to drive the model and the "move" as well as the culture and capabilities of the people of the organisation. That is why leadership, culture and organisational configuration have to be considered in such a strategic "move".
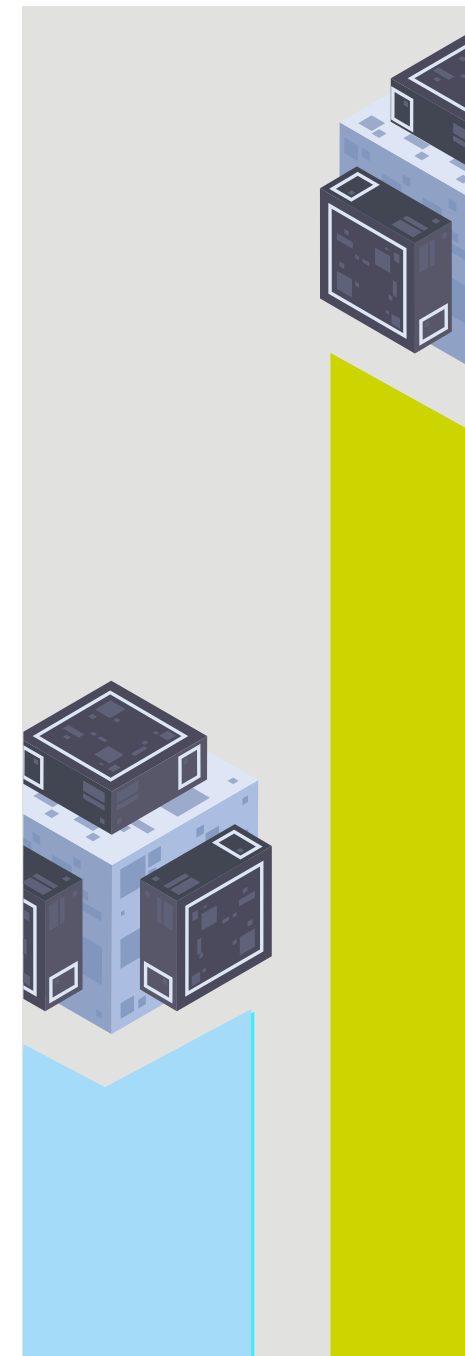
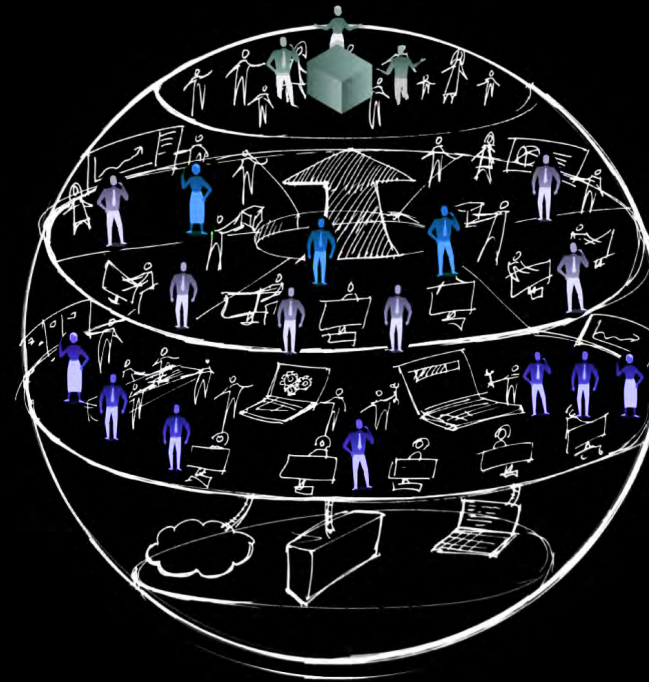# Platform Business Models: Building and developing the people operating system

What do we need to start with in order to win in a platform world? In order to change not only the way the game is played but the game itself, requires 6 strategic considerations:

1	2	3	4	5	6
Knowing your limits and leveraging your strengths	Strategic alignment to the New	Resetting the rules of the game	Changing the team set-up and testing new formations	Practice the new run of play	Check the scoreboard

1

Knowing your limits and leveraging your strengths

As an organisation moves to a platform model, it is important to know your strengths and to ensure these are leveraged during your transformative move.

To become a platform business there are some key characteristics that stand out:

- Integration across functions throughout the organisational model
- Iterative, agile work across the value chain to deliver outcomes to the client
- Mission based teams that are comfortable working towards a client outcome and to relinquish legacy and embedded ways of working and power dynamics
- Ability to define an outcome and to experiment towards the desired goal

Many organisations struggle with this shift as they are either set up in a traditional, hierarchical structure and working across functions is abnormal. Furthermore, the rewards and recognition process reinforces the legacy framework by incentivising individual targets and KPI's as well as an emphasis on products and revenue rather than setting up ecosystem partnerships, governance and curating the relationship. For example, Google who set about weaponising advertising revenue from its platform and deriving value from the platform itself, revenue from its products (Google Workspaces; Google Cloud Services) as well as starting up a professional services division to monetise its culture and processes (Google Culture and Site Reliability Engineering).

The key strategic questions that need to be answered here are:

- "Are we ready to move to an outcomes-based and collaborative mode of work (integrators) when we are primarily protectors of the status quo (guardians) or independent siloed business units (drivers)?"
- "Should we possibly consider spinning up a separate company that will operate in the new model and migrate across to that business in a step change?"
- "Are we aware of what our strengths are and how we could leverage them to achieve the transformation goals faster?"

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2

Strategic alignment to the new

Now that your organisation has made the decision to move to a Platform Business Model, the next big activity is to articulate the future state and to make it real for your business by envisioning this new future as if it was today.

One key challenge is that as an organisation-wide transformation, a key success factor is to coordinate, develop and embed a strategic experience to bring the organisation into what the future looks, feels and sounds like. This should inform the desired Platform Culture and narrative: "We Value partnership, collaboration and integration. We have leaders that reinforce the belief in the new strategic direction, changes and business performance. We reflect this in our behaviour in adopting new ways of working that promote Ecosystem development."

Some creative approaches include Bodystorming (playing through a simulation of the future state in order to experience what this would be like for a customer or client); Graphic Facilitation (developing a visual of the end state that impacted participants can explore), or gamification.

Some pitfalls that need to be navigated are:

• Try and avoid the potential for multiple versions of what the future may look like – clarity and consistency bring trust, and this can be eroded if the strategic cascade is left to the business to interpret. Where there is a vacuum it will be quickly filled by well intentioned integrators who might lack a consistent and industrialised message to disseminate.

• Start small with a cohort of evangelists who know how to integrate and work across streams. Everyone pointed in the same direction with the same customer-centred purpose driving the change.

3

Resetting the rules of the game

One of biggest changes in a platform transformation is the need to reset the rules of the game.

Some of these include:

• Leaders that use Storytelling, Design Thinking and humour to get their teams onboard the transformation journey

• Leaders that focus on Mazlow's Hierarchy of Needs and spend time amplifying the level of psychological safety

• Using behavioural "nudges" to start a critical movement. Much like we have seen mask and social distancing campaigns to nudge social behaviour during the time of COVID-19, the business will need to break the rules and find ways to become more customer oriented

• Promote innovation at edge: (https://www2.deloitte.com/us/en/insights/industry/technology/pragmatic-pathways-scaling-edges.html)

4

Changing the team set-up and testing new formations

Just like a newly formed team playing a new game, it is through trial and error and a fair amount of practice that the team becomes familiar with the rules of the game, the position each player is responsible for playing and the adaptability needed to adjust to competitor play styles and personality.

Platform Business Transformation is no different with the need for teams to work differently to deliver value to a new core: the client and customer and not an operational target or KPI. This is a fundamental shift that doesn't always come naturally to teams who are used to operating in a siloed and segregated manner, set up for efficiency for scale.

Instead, with a customer at the centre, working around this new measure for success involves a different service design, one rooted in cross functional sharing, iterative and adaptive changes to enhance and improve the client experience as well as the ability to measure success through client data points.

In order to sustain a Platform Business Model, business users need to be aided and rewarded for working in an ecosystem formation and this means shifting from vertical integration to open orchestration.

Things that can aid in establishing this new team operating system:

• Designing the Platform Identity of what it means to work in a mission-based customer centred team as opposed to working in the stable state

• Establishing the shared disciplines or behaviours that define working in this way

• Including sensory "anchors" to help entrench the new purpose and disciplines – Amazon for example are famous for their "extra vacant seat" in every meeting to help reinforce the obsession with customer service and always have a reference point in the meeting to refer back to the customer in the room

• Start with your leadership teams and scale these key building blocks

Some strategic areas of interest would include:

• "How will teams govern who we will or won't partner with?"

• "How will we build levels of trust in the team to be able to thrive in this relationship based way of working?"

• "Do we have the right culture and capabilities to drive value across the value chain?"

5

Practice the new run of play

Running a new play style with a new team takes time to adjust and a fair quantity of failing forward and learning.

It is important to start shaping the culture of the organisation to:

• Become more resilient and trust building through teams that have a shared purpose and shared disciplines

• Design thinking oriented to design solutions around customers and clients and to move away from the product perspective

• Agile and iterative to make progress, learn and adjust to changing client needs and wants

• Practice connecting and "playing" through the ecosystem service design with your customers, ecosystem partners and teams to co-create the future state

• Regularly simulate new scenarios and test whether the configuration of the team is adequate enough to meet the desired outcomes

6

Check the scoreboard

Much like a high-pressure finals game, there is an obsessive need to keep checking the scoreboard and ensure actions are relative to the outcome or goal.

Before, during and after the Platform Business Model is set up, there will be a need to check the scoreboard, whether this be a transformative transition with leading indicators or whether this be a lag indicator to show how well the model is performing.

The shift to Platform Business Model will be underpinned by a technology stack that supports the open orchestration of this new marketplace and the utilisation of data to inform decision making will be a critical success factor.

Some key strategic questions will be:

• "Do we know how well the Platform Business Model transformation is progressing?"

• "How well is the platform model performing now that we are operating in this new mode?"

• "Have we shifted the focus internally to reflect this new external mode? Have we shifted the talent and reward, performance management and learning structures and processes to promote this new state?"
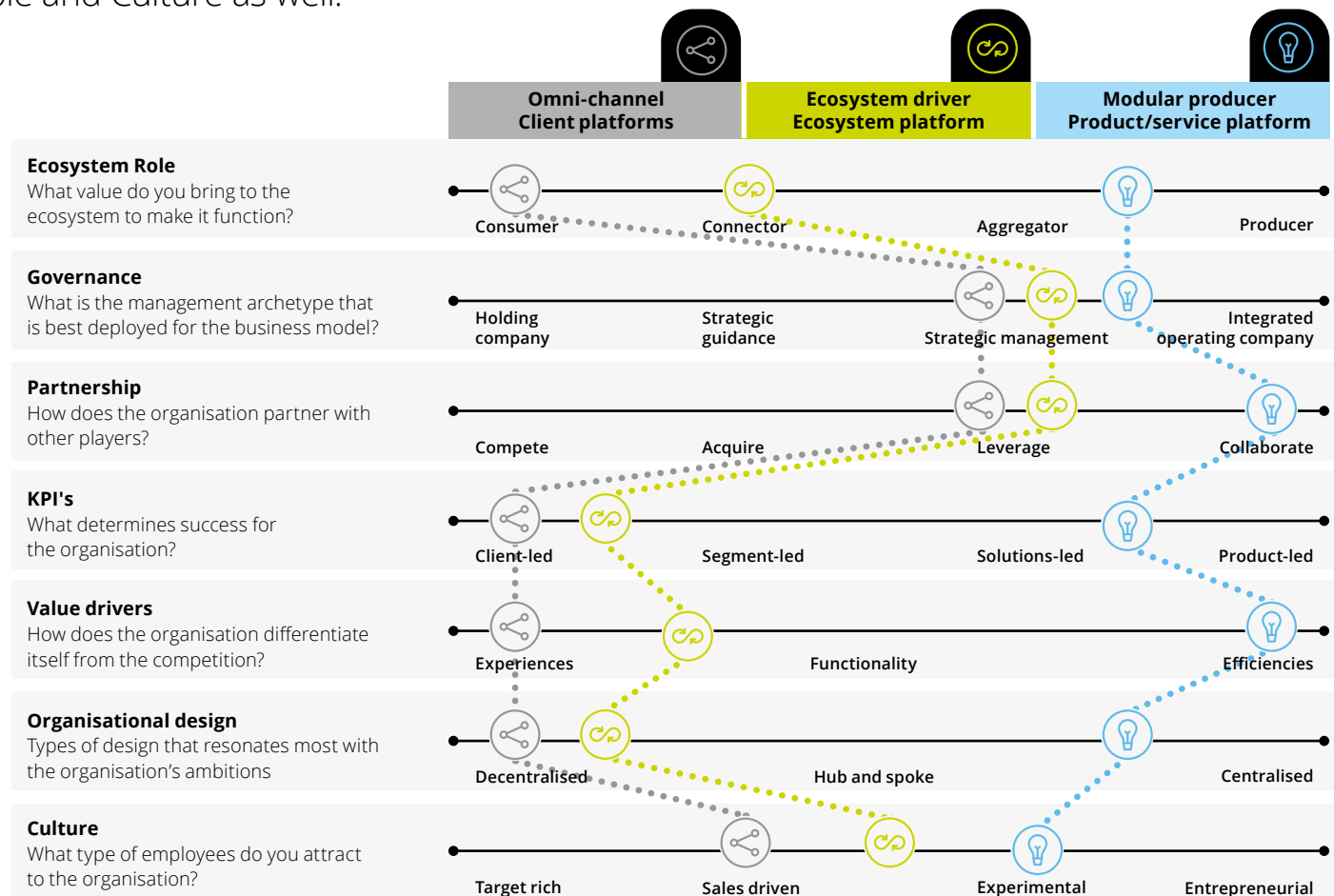
Aligning the Human Capital implications to the platform model DNA

In order to win in a new game format, rules, field of play and moving from customers as passive spectators to active participants, moving to a Platform Business Model requires a shift in People and Culture as well.

The final step is to map the Human Capital elements (as outlined in human capital elements of platform model) to the Platform DNA elements of Ecosystem Role, Governance, Partnership, KPI's, Value Drivers, Organisation Design and Culture, there are a number of key considerations to bear in mind when considering a platform transformation and some action points you can start with to move from thinking to doing:

	Omni-channel Client platforms	Ecosystem driver Ecosystem platform	Modular producer Product/service platform
Ecosystem Role What value do you bring to the ecosystem to make it function?	Consumer	Connector	Aggregator	Producer
Governance What is the management archetype that is best deployed for the business model?	Holding company	Strategic guidance	Strategic management	Integrated operating company
Partnership How does the organisation partner with other players?	Compete	Acquire	Leverage	Collaborate
KPI's What determines success for the organisation?	Client-led	Segment-led	Solutions-led	Product-led
Value drivers How does the organisation differentiate itself from the competition?	Experiences	Functionality		Efficiencies
Organisational design Types of design that resonates most with the organisation's ambitions	Decentralised	Hub and spoke		Centralised
Culture What type of employees do you attract to the organisation?	Target rich	Sales driven	Experimental	Entrepreneurial

11

Human Capital implications
of a platform model

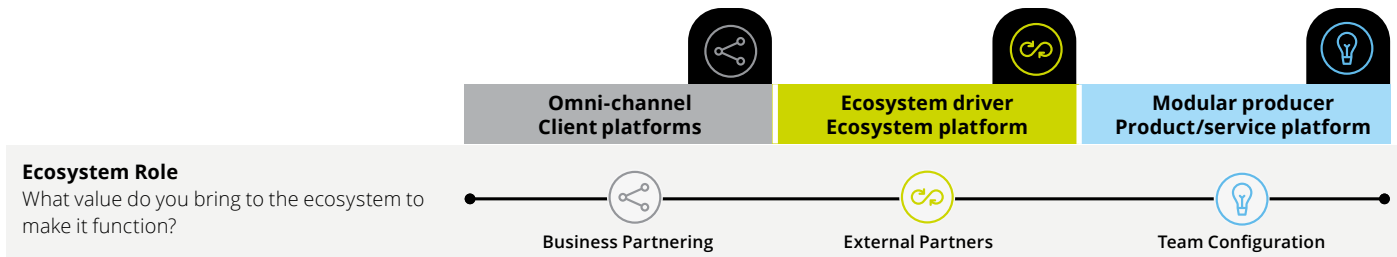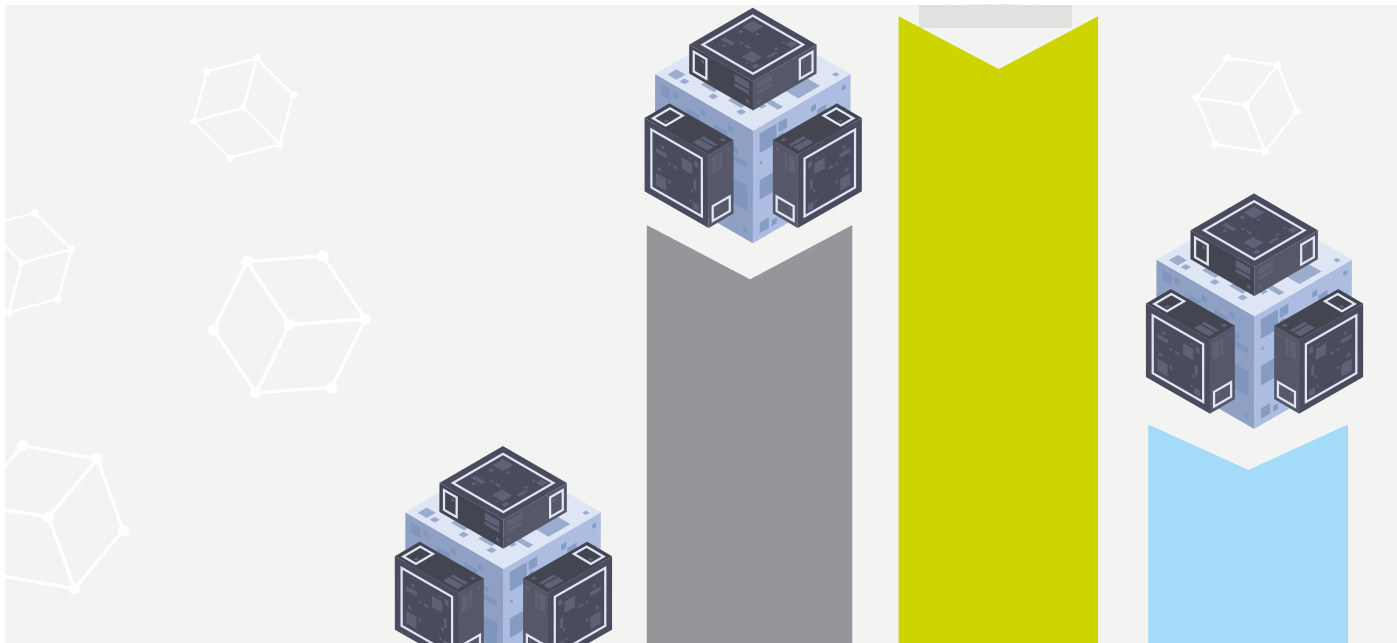|	Human Capital elements need to drive this	What can you start doing?
Ecosystem Role What value do you bring to the ecosystem to make it function?	• Business partnering across the ecosystem • Considerations of external ecosystem partners • Ecosystem team configuration – mission based teams	• Explore the Platform Business Model suited to your business aspirations and maturity • Consider the timeline and sizing of your transformation journey
Governance What is the management archetype that is best deployed for the business model?	• Ecosystem roles • Decisions Rights Frameworks for the Tenant, Mall and Ecosystem business models • Business Relationship Management	• Ensure that governance and compliance is hard-baked into each team • Leverage internal platforms and systems to manage the ecosystem
Partnership How does the organisation partner with other players?	• Commercial engineering • Service Design Thinking as a service • OpenSource Toolkits	• Ensure partners are involved in the Service Design and product development, as partners and not just as suppliers • Develop OpenSource Toolkits to ensure standardisation of the onboarding and management of Ecosystem partnership relationships
KPI's What determines success for the organisation?	• KPI's that include NPS, eNPS and Ecosystem Partner NPS • Mission-based team KPI's	• Start to explore KPI's that encompass integration, collaboration and shared goals • Take the viewpoint both internally and externally
Value drivers How does the organisation differentiate itself from the competition?	• Innovation and agility as core capabilities • Integrator Behavioural models to sustain collaboration and new product development	• Disseminate a strategic communication approach to drive home the destination of the journey – highlight the role of the business as a business platform of businesses as well as an ecosystem that spans multiple partnerships and product value bundles
Organisational design Types of design that resonates most with the organisation's ambitions	• Mission-based teams • Cross-functional composition	• Ensure that the structure of the organisation reflects the platform integration required to amplify the return on investment • Start small and scale outwards in terms of setting up and running mission-based teams
Culture What type of employees do you attract to the organisation?	• Customer centricity • Cross-functional and cross-skilled • Open Talent Marketplace	• Develop a practical Culture model that focuses on values (what we value drives direction – integration over individual performance) • Develop leadership behaviours to promote these values • Set up and practice new ways of working such as Design Thinking, Agile and DevOps

Omni-channel Client platforms	Ecosystem driver Ecosystem platform	Modular producer Product/service platform

Ecosystem Role
What value do you bring to the ecosystem to make it function?

| Business Partnering	External Partners	Team Configuration

If we look at platform DNA Strategic question 1 – Ecosystem role, as an example, the Human capital elements of Business Partnering, External Partners and team configuration, the horizontal dial will have a heavy weighting in the Ecosystem Business model definition (will move way to the right), The movement will be less to the right for the Modular Producer Business Model and even less (may not be a lot) for the Omni Channel Model.

By applying the Human Capital elements across the platform 7 strategic questions you will start to notice the DNA is different for the people operating model depending on which definition you pick as your strategic Business Platform model and will have a different impact on the organisation, therefore your people operating system cannot stay the same for all definitions.
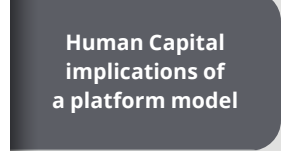
Conclusion

By starting with the 6 strategic considerations positioned in the first part of the article to define your people operating system and mapping the Human Capital elements to the Platform DNA, you and your teams can start to conceptualise the scale and energy required to move into your chosen shape and operating system.
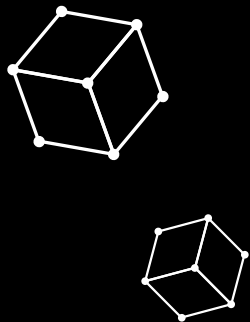
As with any transformative journey our suggested approach is to think big, start small and scale fast.

Contacts

To learn more about how your organisations can embark on a platform business strategy, please contact:

Corrin De Sousa
Senior Manager, Organisation Transformation
Deloitte Africa
cdesousa@deloitte.co.za

Gareth Kingston
Senior Manager, Organisation Transformation
Deloitte Africa
gakingston@deloitte.ca

Thys Bruwer
Digital Financial Services Leader
Deloitte Africa
tbruwer@deloitte.co.za

Deloitte.