Platform Thinking for a Platform World

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Remember Blockbuster, Kodak, Nokia, RIM?
46 of the Fortune 100 from 1995 didn't make the 2015 list.
Many no longer exist.

As organizations grow older and larger, many of them become siloed; communicating becomes harder; getting things done takes longer and requires more effort; progress slows; effectiveness decreases.

And what makes things worse: this aging process now takes place in the context of increasingly rapid socio-technological change.

Key
Surviving
Surviving but reorganized
Exiting

1 General Motors*	26 American Intl. Group (AIG)*	51 Fleming	76 Ameritech
2 Ford Motor	27 MetLife	52 Johnson & Johnson	77 Home Depot
3 Exxon Mobil	28 Motorola	53 Atlantic Richfield	78 McKesson
4 Wal-Mart Stores	29 Boeing	54 Safeway	79 ConocoPhillips
5 AT&T	30 Target	55 American Express	80 Delta Air Lines
6 General Electric	31 United Technologies	56 Sara Lee	81 Goodyear Tire & Rubber
7 Intl. Business Machines (IBM)	32 J.C. Penney	57 Nabisco Group Holdings	82 May Dept. Stores
8 Mobil	33 Dow Chemical	58 3M	83 IBP
9 Sears Roebuck*	34 GTE	59 Merck	84 New York Life Insurance
10 Altria Group	35 United Parcel Service	60 International Paper	85 Anheuser-Busch
11 Chrysler	36 Fannie Mae	61 Caterpillar	86 Bristol-Myers Squibb
12 State Farm Insurance Cos	37 Citigroup	62 UAL*	87 J.P. Morgan
13 Prudential Ins. Co. of America	38 Cigna	63 Verizon Communications	88 Albertson's
14 DuPont	39 American Stores	64 Loews	89 SBC Communications
15 Kmart Holding	40 Merrill Lynch	65 Digital Equipment	90 Intel
16 Texaco	41 Xerox	66 MCI Communications	91 MediaOne Group, Inc.
17 Citicorp	42 Aetna	67 Nynex	92 Archer Daniels Midland
18 ChevronTexaco	43 Eastman Kodak	68 Tenneco Automotive	93 CVS
19 Procter & Gamble	44 BellSouth	69 McDonnell Douglas	94 Rockwell Automation
20 PepsiCo	45 Marathon Oil	70 Lockheed Martin	95 Chase Manhattan Corp.
21 Amoco	46 BankAmerica Corp.	71 Bank of America Corp.*	96 Nationwide
22 Hewlett-Packard	47 Costco Wholesale	72 Honeywell Intl.	97 Columbia/HCA Healthcare
23 ITT Industries	48 Coca-Cola	73 Georgia-Pacific	98 Winn-Dixie Stores
24 ConAgra Foods	49 AMR	74 Chase Manhattan Corp.*	99 Sysco
25 Kroger	50 Supervalu	75 Sprint	100 Compaq Computer

In the early 1980s,
personal computers changed the way business is done.
Think of this as *going digital*; everything is becoming a computer.

> "As products and the means to create them have become digitized (often referred to as software eating the world), production capability has grown more accessible and portable. And the acceleration of that trend (driven by Moore's Law) means that every single day it gets easier for someone else to compete with your product or service, and to do it better, faster, and cheaper."

— Aaron Dignan, Undercurrent

In the mid-1990s,
the Internet changed the way consumers communicate.
Think of this as *getting connected*; everything becomes a web service.

"Millennials don't just want to buy your brand, they want to be part of it. They're looking for ways to participate."

— Jeff Fromm, Barkley

"I envision a 21st century form of business where the everyday consumer is helping shape the social contract … It's a business world that is moving from value-based transactions to values-based partnerships."

— Paul Polman, CEO, Unilver

**Now, the Information Revolution is again poised
to unleash another wave of massive change.**

Pundits have not agreed on a name.
Some focus on the *Internet of Things (IoT).*
GE calls it the *Industrial Internet.*
Cisco calls it the *Internet of Everything.*
IBM talks about a *Smarter Planet.*
Accenture calls it *Living Services.*
Others are talking about *CRM 2.0,*
Social CRM or *Social Business,*
or *Digital Engagement,* and more.

In the fall of 2015,
Mattel will release a new
version of Barbie,
which will connect to the
cloud, learn about users,
and "converse" with them.

No matter the name, what's clear is that several trends are interacting to create "combinatorial innovation."

SaaS

Drones   Robots

Cloud computing   Virtual reality
on-demand   Augmented reality

Social

Glasses   Big data
Mobile   Goggles   Linked data
Wearables   Open data

Voice UIs   AI 2.0
Machine learning
Predictive analytics

CNC
3D printing

Personal Computers   **The Internet**   **Internet of Things (IoT)**

1975   1995   2015
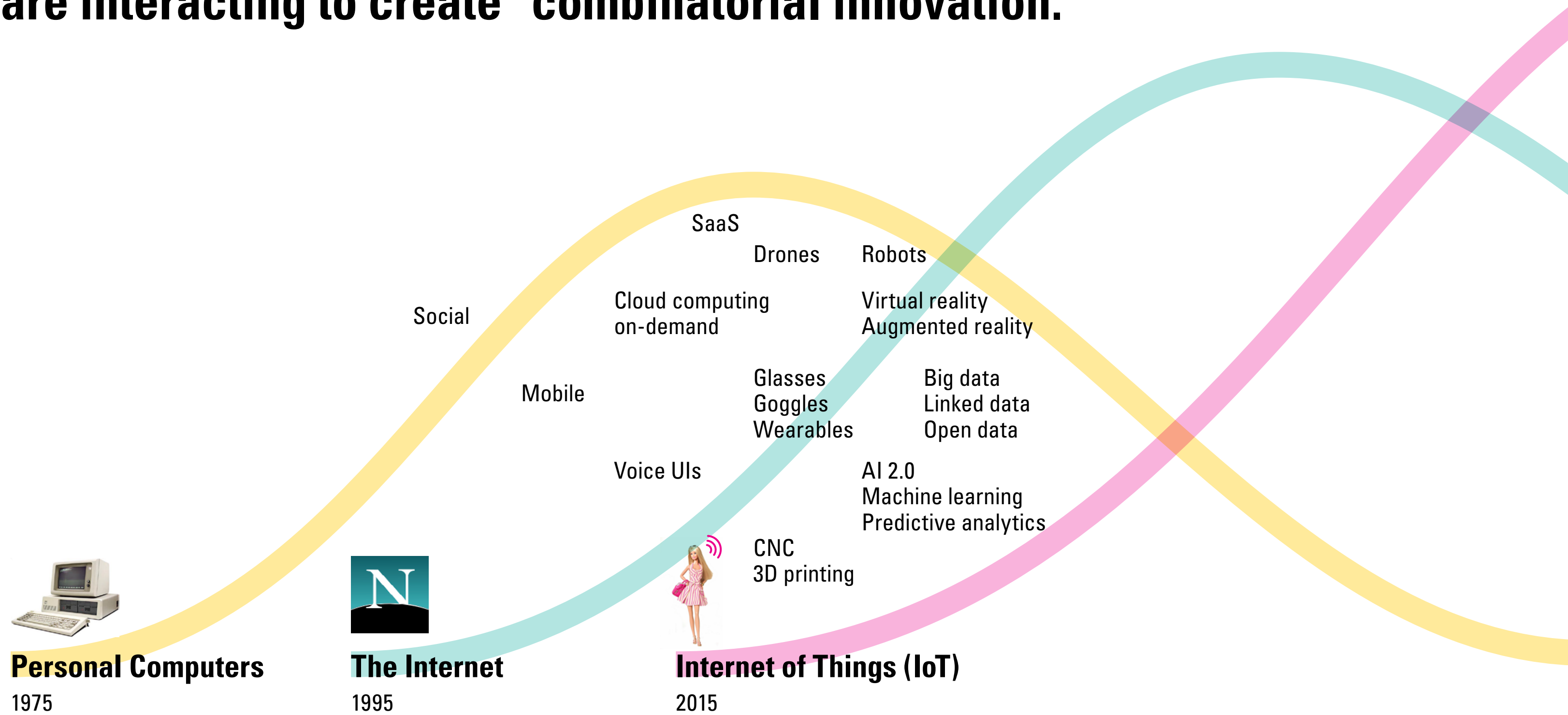
These trends create threats and opportunities.
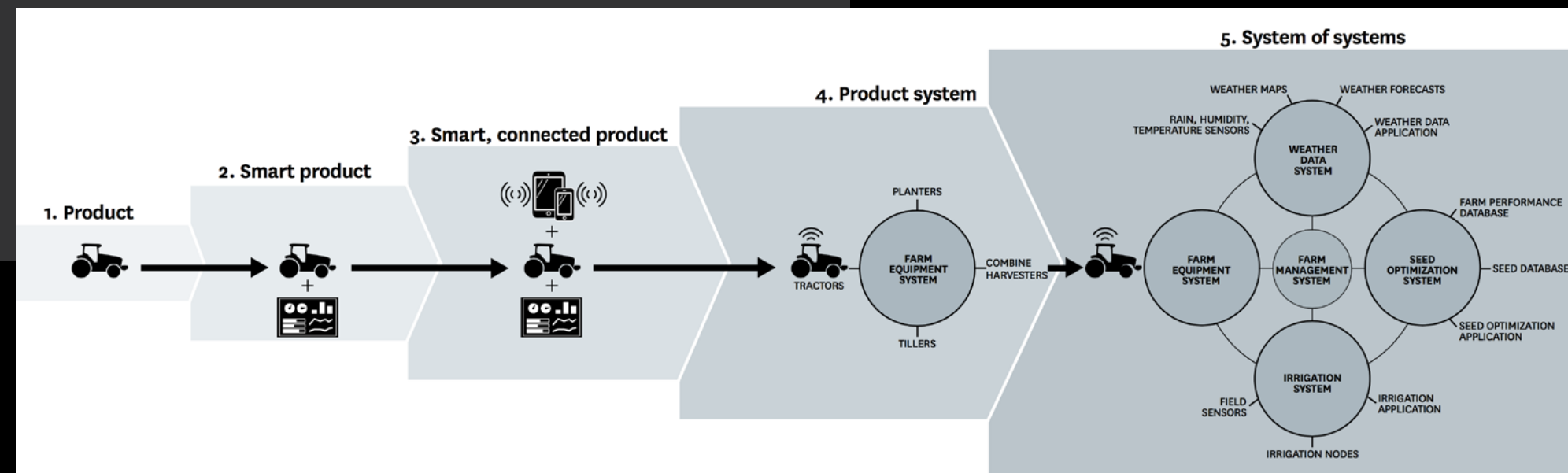
"Smart, connected products raise a new set of strategic choices about how value is created and captured, how companies work with traditional and new partners, and how they secure competitive advantage as the new capabilities reshape industry boundaries. For many firms, smart, connected products will force the fundamental question,
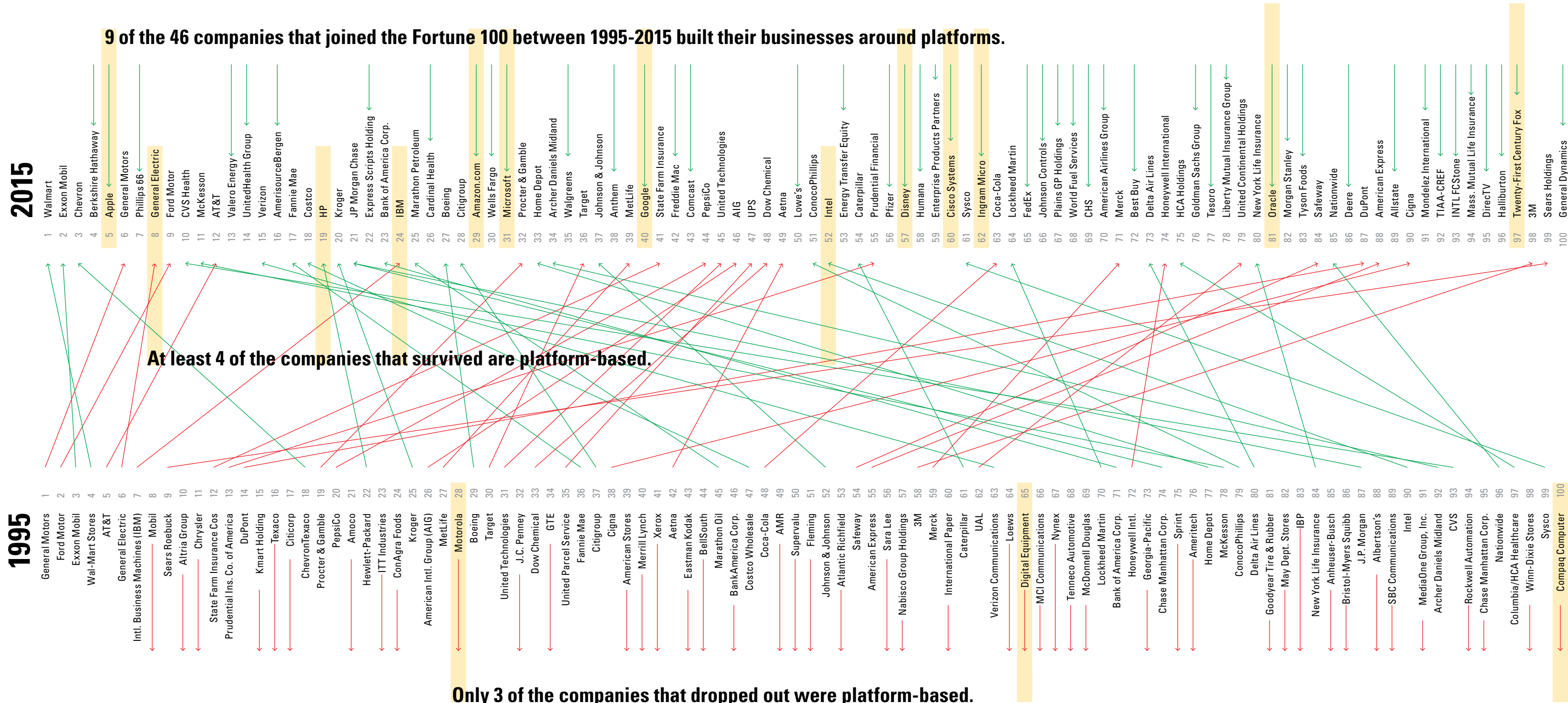
'What business am I in?'"

— Michael Porter

Increasingly, value comes from creating platforms, on which others can create value.

9 of the 46 companies that joined the Fortune 100 between 1995-2015 built their businesses around platforms.

2015

Walmart · Exxon Mobil · Chevron · Berkshire Hathaway · Apple · General Motors · Phillips 66 · General Electric · Ford Motor · CVS Health · McKesson · AT&T · Valero Energy · UnitedHealth Group · Verizon · AmerisourceBergen · Fannie Mae · Costco · HP · Kroger · JP Morgan Chase · Express Scripts Holding · Bank of America Corp. · IBM · Marathon Petroleum · Cardinal Health · Boeing · Citigroup · Amazon.com · Wells Fargo · Microsoft · Procter & Gamble · Home Depot · Archer Daniels Midland · Walgreens · Target · Johnson & Johnson · Anthem · MetLife · Google · State Farm Insurance · Freddie Mac · Comcast · PepsiCo · United Technologies · AIG · UPS · Dow Chemical · Aetna · Lowe's · ConocoPhillips · Intel · Energy Transfer Equity · Caterpillar · Prudential Financial · Pfizer · Disney · Humana · Enterprise Products Partners · Cisco Systems · Sysco · Ingram Micro · Coca-Cola · Lockheed Martin · FedEx · Johnson Controls · Plains GP Holdings · World Fuel Services · CHS · American Airlines Group · Merck · Best Buy · Delta Air Lines · Honeywell International · HCA Holdings · Goldman Sachs Group · Tesoro · Liberty Mutual Insurance Group · United Continental Holdings · New York Life Insurance · Oracle · Morgan Stanley · Tyson Foods · Safeway · Nationwide · Deere · DuPont · American Express · Allstate · Cigna · Mondelez International · TIAA-CREF · INTL FCStone · Mass. Mutual Life Insurance · DirecTV · Halliburton · Twenty-First Century Fox · 3M · Sears Holdings · General Dynamics

At least 4 of the companies that survived are platform-based.

1995

General Motors · Ford Motor · Exxon Mobil · Wal-Mart Stores · AT&T · General Electric · Intl. Business Machines (IBM) · Mobil · Sears Roebuck · Altria Group · Chrysler · State Farm Insurance Cos · Prudential Ins. Co. of America · DuPont · Texaco · Citicorp · ChevronTexaco · Procter & Gamble · PepsiCo · Amoco · Hewlett-Packard · ITT Industries · ConAgra Foods · Kroger · American Intl. Group (AIG) · MetLife · Motorola · Boeing · Target · United Technologies · J. C. Penney · Dow Chemical · GTE · United Parcel Service · Fannie Mae · Citigroup · Cigna · American Stores · Merrill Lynch · Xerox · Aetna · Eastman Kodak · BellSouth · Marathon Oil · BankAmerica Corp. · Costco Wholesale · Coca-Cola · AMR · Supervalu · Fleming · Johnson & Johnson · Atlantic Richfield · Safeway · American Express · Sara Lee · Nabisco Group Holdings · Merck · 3M · International Paper · Caterpillar · UAL · Verizon Communications · Loews · Digital Equipment · MCI Communications · Nynex · Tenneco Automotive · McDonnell Douglas · Lockheed Martin · Bank of America Corp. · Honeywell Intl. · Georgia-Pacific · Chase Manhattan Corp. · Sprint · Ameritech · Home Depot · McKesson · ConocoPhillips · Delta Air Lines · Goodyear Tire & Rubber · May Dept. Stores · IBP · New York Life Insurance · Bristol-Myers Squibb · J.P. Morgan · Albertson's · SBC Communications · Intel · MediaOne Group, Inc. · Anheuser-Busch · Archer Daniels Midland · CVS · Rockwell Automation · Chase Manhattan Corp. · Nationwide · Columbia/HCA Healthcare · Winn-Dixie Stores · Sysco · Compaq Computer

Only 3 of the companies that dropped out were platform-based.

What's a platform?

"A 'platform' is a system that can be programmed *and therefore customized by outside developers—users—and in that way, adapted to countless needs and niches that the platform's original developers could not have possibly contemplated, much less had time to accommodate.*"

—Marc Andreessen, co-founder of Netscape and Andreessen-Horowitz

What's a platform?

A 'platform' is a system that can be programmed...

| Level 2: App | New services added by outside developers |

| Level 1: Platform | Core services provided by the original developers |

Platforms amplify their owner's investment and benefit from network effects.

Platforms can create a virtuous cycle.
Adding users makes the platform more attractive to developers.
More developers means more "apps."
More apps means more users,
which makes the platform more attractive to developers.

Platforms can also benefit from increased connections.
Each new user can make the platform more useful to all users.
Facebook is more interesting the more of your friends are on it.
Each new app can make the platform more robust for all apps.
Consider IFTTT, which connects iPhone apps.
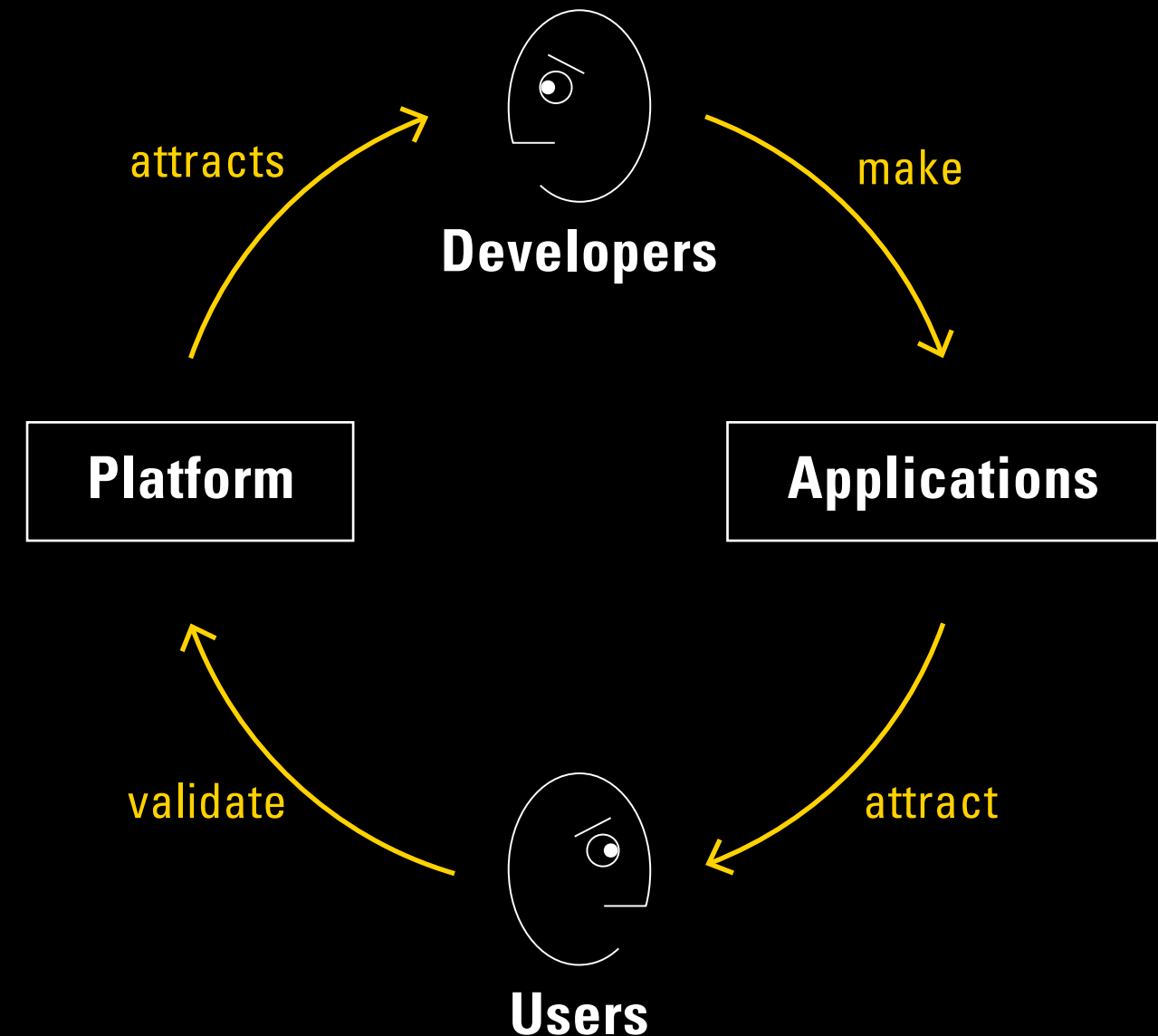
Technology platforms **may be the most common type; they are often described in terms of a *stack* or *layers*.** Microsoft provided a platform for developing PC apps— and fostered loyalty with both developers and users.

Local Documents	.doc, .xls, .ppt, etc.
PC Apps	Word, Excel, PowerPoint, etc.
Operating System (OS)	Windows
Processor	8086, 80286, 80386, etc.

Business platforms are also common;
often described as *making a market or match making*.
Uber matches riders with drivers, taking a cut of each transaction,
while also building a loyalty with both parties.

GPS

Ride Seeker Phone Matching Service Phone Driver Car

Database
Maps
Members
Drivers
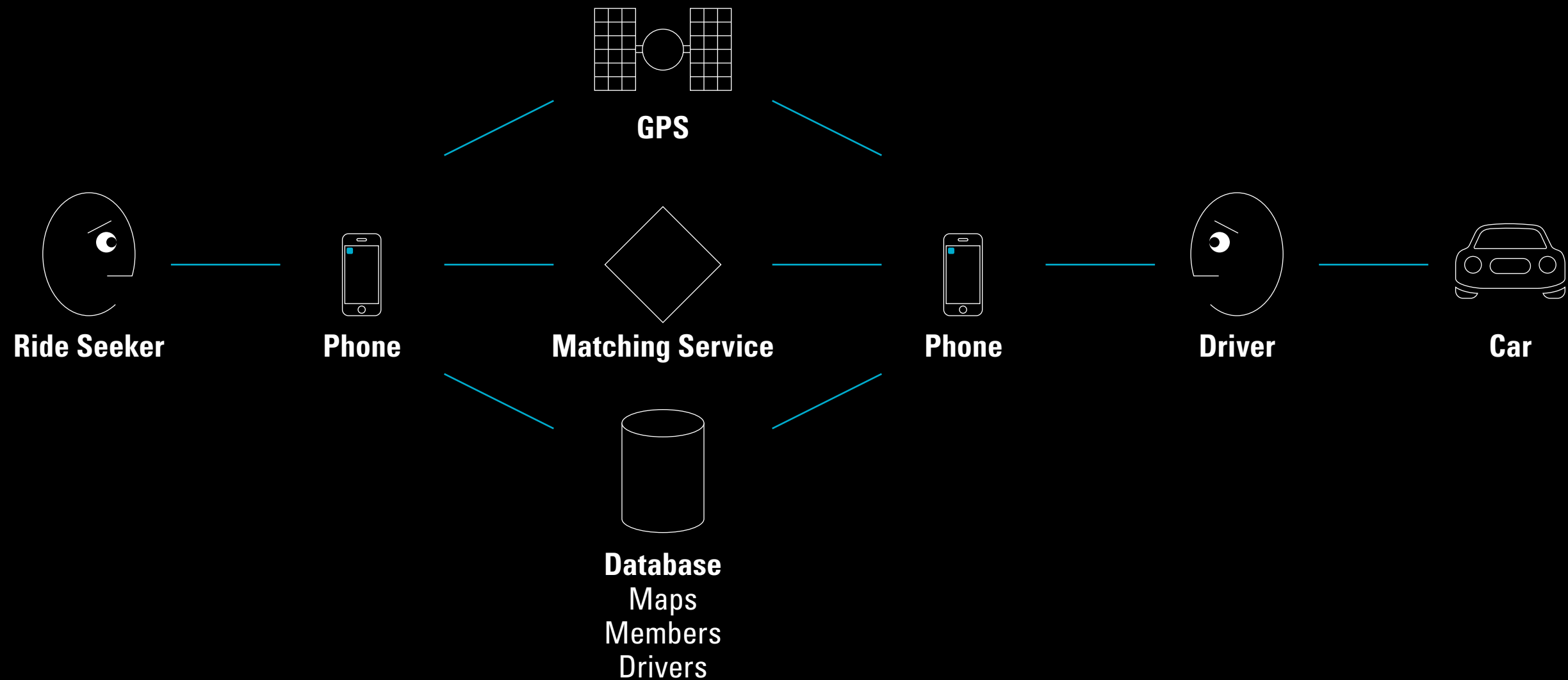
Content platforms or *franchises* are less often discussed; they create *story-worlds* that audiences can inhabit.

Lost is more than a TV show;
it's a setting with its own rules
and characters than can be combined
in a series of stories,
which engage audiences on many levels.

Fan-made Wiki

Video game

Viral Book

Official Website

TV Show

Viral Website
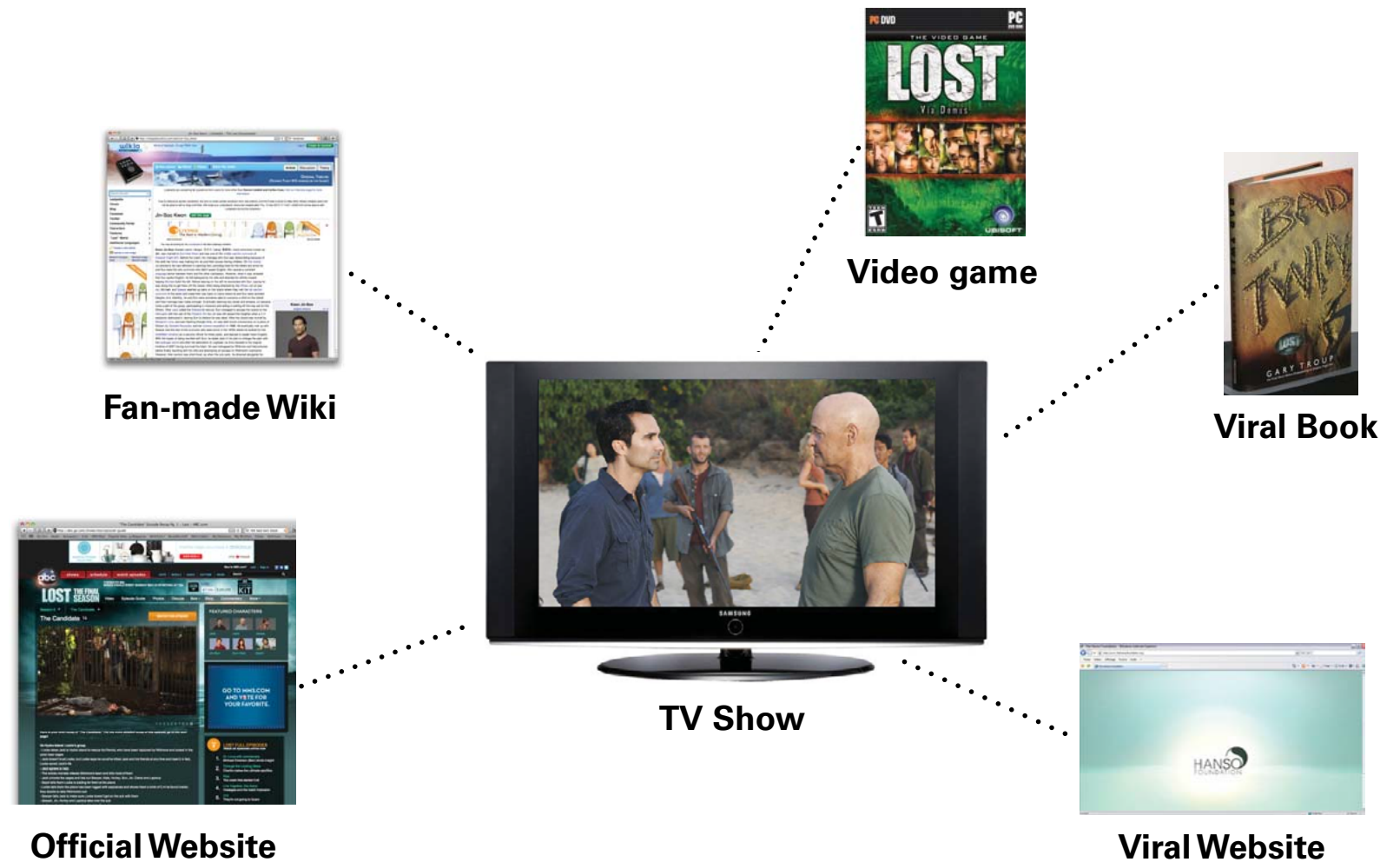
Disney understood networked platforms early.

> "*Disney is always inventing more ways for you to love the mouse.*"

— Larry Keeley

Each new princess is a new platform.
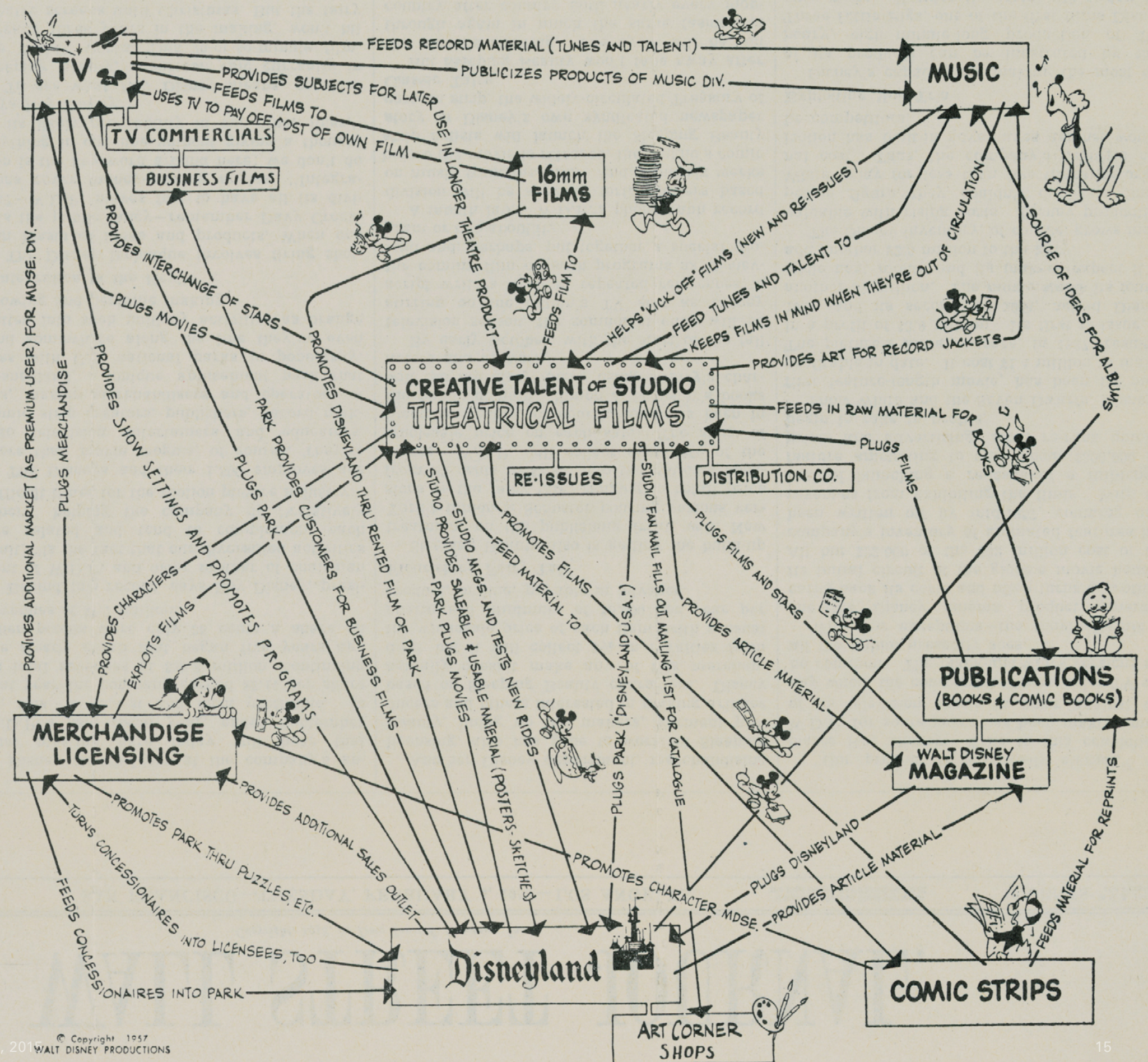
Combinatorial platforms often form the basis for products; users meet their needs by choosing from a palette of options.

Starbucks' printed menu includes
less than two-dozen items;
yet users can "configure" 200 million
different espressos.

The tailoring and language
help users connect with Starbucks.

Cup type	To-go	For-here	Personal cup		
Drink type	Warm	Iced			
Kind of espresso	Regular	Decaf	Half-caf	Tea	None
Amount of espresso	Single	Double	Triple	Quad	N shots
Drink size	Short	Tall	Grande	Venti	
Milk type	Non-fat	2%	Whole	Soy	(2 more)
Syrup combinations	(Choose from about 15 flavors)				
Whipped cream	w/ Whip	No whip	Light whip		
Temperature	Extra hot	Cooler	Specific degree	Standard (160°F)	
Build order	Upside down	Right-side up	Macchiato	Otherwise	
Long/Short pull	Long	Short	Normal		
Amount of foam	Dry	Wet	Normal	None	
Amount of syrup	1 pump	2 pumps	3 pumps	4 pumps	N pumps

Engagement platforms recognize and understand users; and by responding in relevant ways, they build relationships.
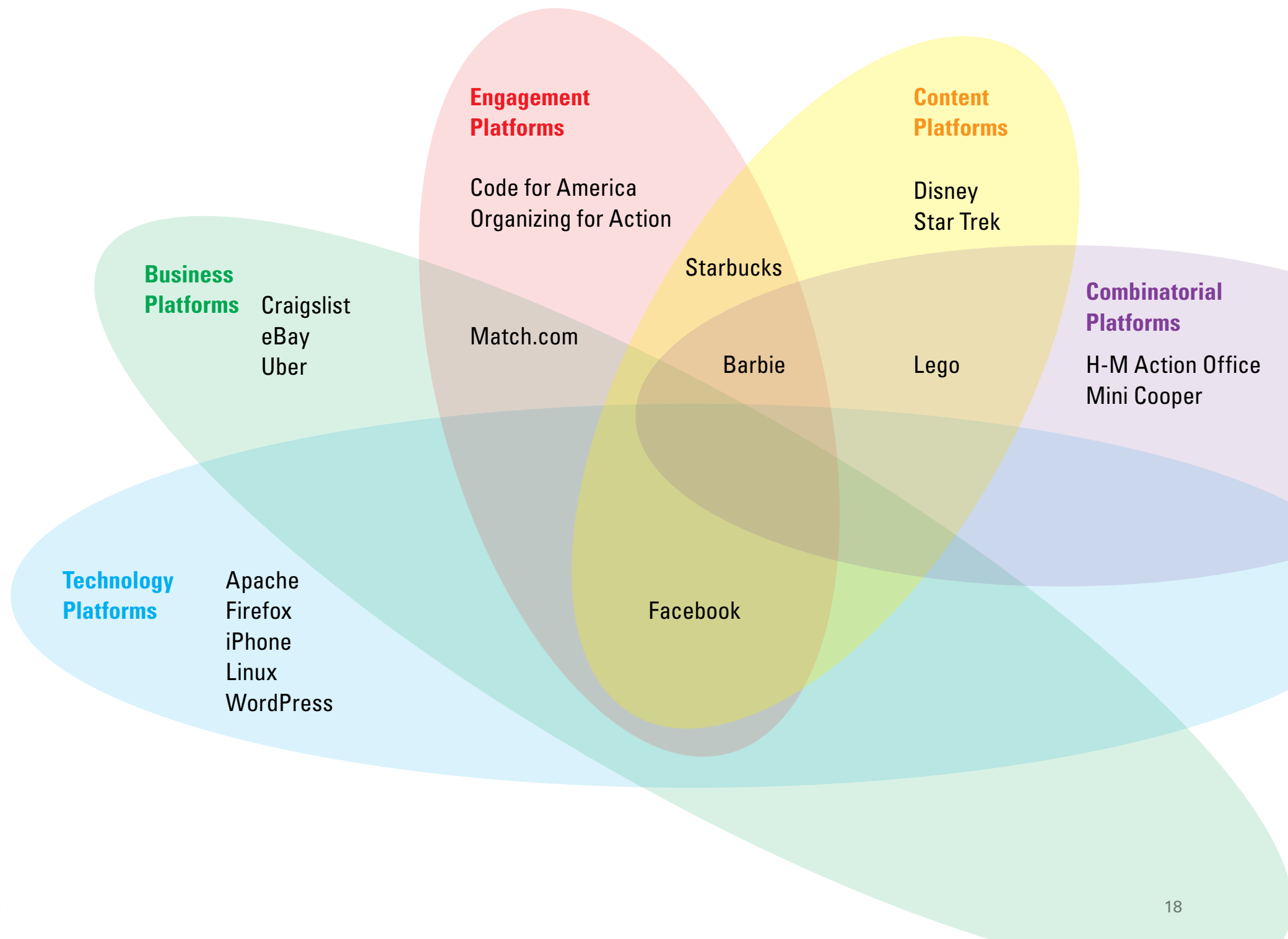CRM is now core; you have to know your customers in real-time.

New products + services built on the MMDB.

Business

Marketing

Mar-com

CRM

MM DB

Member Marketing Database

Business

MM DB

CRM

Mar-com

Marketing
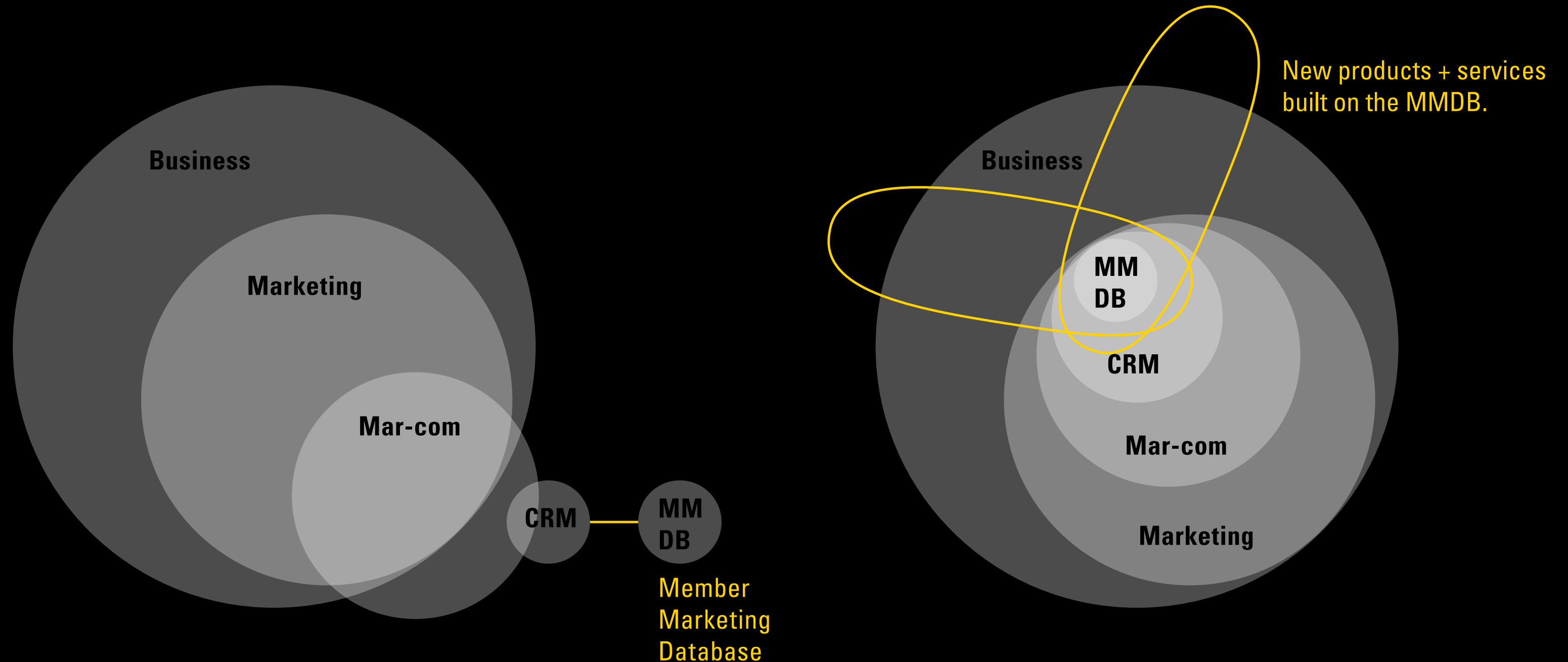
Platform types are not mutually exclusive; smart companies leverage platforms in multiple dimensions.

Facebook is a **tech platform**; it has APIs for third-party apps.

Facebook is a **business platform**, bringing together buyers and sellers.

Facebook is an **engagement platform**, learning about its users.

Facebook is a **content platform**, creating a space in which users play— as well as a space for sharing content.

Engagement Platforms

Code for America
Organizing for Action

Content Platforms

Disney
Star Trek

Business Platforms
Craigslist
eBay
Uber

Starbucks

Match.com

Combinatorial Platforms

H-M Action Office
Mini Cooper

Barbie

Lego

Technology Platforms
Apache
Firefox
iPhone
Linux
WordPress

Facebook

Platforms differ from simple products or services by opening a space for others to build new products or services.

Successful platforms have five key attributes:

1 **Core services**—a foundation on which to build
2 **Rules**—clear methods for using the core services
3 **Open access**—ways to reach the core services
4 **Discoverability**—ways for others to find the platform
5 **Platform thinkers**—developers who think in a new way

Each platform attribute may be dialed up or down—
perhaps access is partially gated as with iOS app development,
or perhaps limited to college students as with early Facebook,
or perhaps it's not yet in some cities as with early Uber.

By enhancing each attribute, and exploring each platform type,
developers can extend the platform, making it more valuable for others,
and thus increase the platform's value.

Smart companies, smart managers, and smart developers are moving from *product* thinking to *platform* thinking.

	Industrial Age Product Thinking	Information Age Platform Thinking
Product	Proprietary, made for… Buyers consume things	Open, co-created with… Members make meaning
Price	One-off transactions Goods for cash	On-going relationships Convenience for data
Promotion	Mass broadcast	Individual conversations
Place [1]	Carefully built channels Sellers distinct from buyers	Direct access, anytime, anywhere Blurring of inside-outside boundary
Physical evidence	Periodic sampling	Real-time feedback plus analytics
People	Good managers Planning (manager as commander) Find the right strategy	Good hackers Learning (manager as mentor) Understand customers and context [4]
Process [2]	Coherent, regular Central control Serial stage gates	Responsive, particular [5] Distributed responsibility Massively parallel debugging
Purpose [3]	Commerce, a big idea	Shared purpose, a big ideal [6]

Footnotes
[1] 4Ps, Jerome McCarthy
[2] 7Ps of Service, Bernard Booms and Mary Jo Bitner
[3] Responsive OS, Aaron Dignan
[4] Shelley Evenson
[5] Austin Henderson
[6] Steve Hayden

Platform thinking is based on a set of values.

They include:
- **Flexibility**—acceptance of ambiguity and change as the way of the world
- **Improvisation**—bias to action, fast iteration, and continuous improvement
- **Performance**—belief in meritocracy and reliance on data
- **Openness**—faith in collaboration, sharing, transparency, and diversity
- **A whole-systems view**—a desire to make connection, create feedback loops, and create conditions for emergence

These values tend to be the opposite of the values
that built large hierarchical manufacturing businesses;
instead, they tend to be the values of software start-ups
and movie production companies.

What platforms offer is speed and agility—bootstrapping—
a way to get unstuck, move quickly, and change the world.

When you have a platform—
core services, rules, open access, discoverability,
and the right thinking and values—
others can extend your platform,
creating new products or service that you never imagined
and never had the resources to create,
increasing the platform's value exponentially.

That's platform thinking for a platform world.

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