SDA Bocconi

Bocconi School of Management

Digital Strategies Roundtable

Diverse Perspectives. Shared Insight.

Platforms, Competition and Transformation

Key Insights and Summary

Center for Digital Strategies
Tuck at Dartmouth

Platforms, Competition and Transformation

Digital Strategies Roundtable
An executive roundtable series of the
SDA Bocconi School of Management at the Università Bocconi and
the Center for Digital Strategies at the Tuck School of Business at Dartmouth

As digital technologies have expanded from IT into all aspects of business, it's become clear that information technology is not just about gaining efficiency, removing cost, enhancing communications or speeding up internal processes. Digital technology has changed commerce so profoundly that it has created new product delivery models, changed the very nature of services delivery, and even created entirely new "electron" businesses based solely on the data collected by legacy "atom" businesses. As Google and Amazon loom increasingly large across the landscape, companies in industries from chemicals to energy to food and food packaging have to develop new industry-specific models for competition, partnerships and supply chains in order to compete with the digital giants. CIOs and digital strategists from the American Bureau of Shipping, Chevron, Eaton, Huntsman, Sidel, Sysco, Tenaris and host Tetra Pak, along with two Digital Strategies Roundtable Fellows and faculty from the SDA Bocconi School of Management and the Thayer School of Engineering at Dartmouth focused on how enterprises need to use digital transformation to create their own platforms and ecosystems.

Key Insights Discussed in this Article:

 This overview was written by Hans Brechbühl, Associate Professor of Practice at SDA Bocconi & Director, Digital Strategies Roundtable, and Stephen Plume, Executive Fellow, Digital Strategies Roundtable. The Digital Strategies Roundtable publication series is edited by Hans Brechbühl.

The Right to Win

Moderator John Gallant of Ledgewood Media began by asking the participants to describe how far their companies have progressed in their digital journeys. Tetra Pak's Global Head of IM Mark Meyer started the discussion:

> Our first move was an awakening: Two years ago the IT team joined with the planning group to make a pitch to our leadership team. We said that the company has done a lot in globalizing and standardizing and modernizing, but it's missed an entire segment of what's happening in technology. We talked about mobility, about data and analytics, about connected solutions. We've been at this 60 years, and at some point our position won't be enough, and if we don't explore what digital technology could mean for us, we're a Kodak moment waiting to happen.
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> We produce 180 billion packages every year: What if we had information about every single one of them? Where it went, where it came from, what was in it? Who knows what kind of business you could make from that knowledge? We started in our service division, because we already have machines at customers that we monitor locally. But what if we were real-time connected, and we could predict failures before they happen, and offer services to prevent them? How much would that be worth to a customer, and how much is it worth to us, to go from break-fix to predictive maintenance?

"Now we're looking at new topic areas," Meyer continued. "What could we make from 'connecting' the food industry? What does that actually mean, and how would it change the way we work, and our pace of change? Innovation is tough and equipment costly — how do we change that? We know our customers' equipment is only used 30 percent of the time — could we do an Uber thing and match them together? That sounds really cool, but how can we make any money from it?"

"We've broken our digital initiative into four towers," offered Eaton's CIO Bill Blausey.

> There's one around employee productivity; one around Industry 4.0 and optimizing our plant operations, and there's one around customer experience. These three are internally-focused. Our fourth tower is IoT and its associated value propositions. This is the tower that touches the platform discussion, because the questions are about where we have the right to win, where we can change the model, and how we determine the right way to go about it. How can we create new value propositions and enter the market differently?

Howard Fireman, Chief Digital Officer of the American Bureau of Shipping, described the company: "We are an engineering risk company that's been around for 157 years. We look big on paper, because we are in 70 countries, and the cost of market entry is high, because if you stack up the rules and standards in our business they stand three stories tall. So a lot of people are saying, 'Everything's great, our market share is high, everything's cool.' And yet the competitive landscape is what's affecting us the most."

“We are a classification society,” continued Fireman’s colleague Maria O’Neill, the CIO of ABS. “We set standards on how large marine vehicles should be constructed, and then when they’re in production, we inspect them periodically: all the machinery, the hull, the engines, the pumps, to make sure everything is good. And we own the supply line, because all the equipment that goes into a ship has to be approved by a class society. So we’re sitting on top of a lot of data, from the time a vessel is designed to the time it’s scrapped, and everything that goes into it.”

> Ships now have sensors everywhere, and customers are willing to share that data with us because they see the value in us being able to give them a certificate in a less-intrusive way. That’s the big win for them, because they can’t go anywhere while we’re inspecting the vessel. And we’re really being challenged because our business has become very commoditized: Any of the dozen class societies around the world can do what we do. So we don’t want to just open up a data platform — any of us could do that. We’re sitting on a lot of data that we have not really done a lot with: We want to take the data we are sitting on, couple it with external data, and actually deliver new value to the customer.

Necessary Evil No More

“I’m going to contrast this discussion to the way we’ve structured our digital program and what makes it unique to our business environment,” began Jim Green, General Manager — IT Service Delivery at Chevron. “We made a fundamental assumption that the program would not be in IT, and that it would do portfolio management, not execution. IT does the execution, and the digital program now reports into the strategy office.”

> Our company is not centrally-governed: It’s run as a portfolio platform. We empower the businesses, and they have to win, whatever their business conditions are. If they don’t win, they’re gone. So with that backdrop, the digital program was put together to close a gap in leadership thinking, where leaders of the businesses did not see the priority of digital. So our new CEO put out three platforms — Digital, Decisiveness, and Performance — and made it a requirement that every leader had to have a digital roadmap.

“You can imagine, with 22 business units, how consistent those were,” Green exclaimed. “But we concluded only 5 of them really move the needle, and that’s where we’re going to focus our time. So it’s a healthy mix of evolving to new capabilities and cleaning up 30 years of legacy IT.”

“Our digital strategy didn’t start in IT either,” agreed Kirsche Heins, Global IT Integration Lead for Huntsman. “It really did start in the business, and it’s created a huge paradigm shift for IT. Before we were considered a necessary evil; now we are something the business needs, and they come to us more than they ever have.”

> We have four major areas: supply chain track-and-trace; Industry 4.0; IoT; and digital sales. We’re at an inflection point, because we’ve been doing process

> digitization for years, and so our process control engineers are asking why this is so different. The answer is the data modernization: It's the scope and scale and the quickness with which we can provide data to them that is really changing how they make decisions. We have so much data, and historically we've looked at it in very focused groups. Now we're looking as a single unit, and we're moving from reactive to proactive. But we want to get to prescriptive.

"Is your situation similar to Chevron's, where each business unit has its own digital plan, and you pluck out things that may cross all of those and handle them cross-platform?" Gallant asked.

"Yes, if we can partner two of our divisions together, or even three, we can get a whole paradigm," Heins answered. "Some of them are faster to adopt in data analytics, and others are more in tune with advanced process control. Bringing them together moves them at a faster pace. But we've been doing all this in proofs of concept. What IT is bringing to the table is how to sustain these changes over the long term, not just within a single plant, but to a sister plant or even another division."

"We are also dividing our efforts in three areas: back-end optimization, customer digitization, and industrial optimization," added Luis German, Chief Process and Information Officer at Tenaris. "On the optimization, we've been able with very high accuracy to predict lab results just by collecting data from the machines that are processing the material. That's going generate huge value, because the lab is the bottleneck many times. This is going to completely change the way we operate our industrial facilities."

> On the customer experience, three years ago we started to track and trace every single piece through the manufacturing process. We persisted for a couple of years, thinking that we were going to find value out there, but nothing was popping up. We were just investing and investing and transforming our facilities to be able to track and trace every single item. And just in the last year, we've started to find opportunities that may not generate value, but should definitely generate loyalty.

"Lots of companies base their platform strategies on cleaning up the IT stack,' and there's also lots of enthusiasm about predictive maintenance," observed Geoffrey Parker, Professor of Engineering at the Thayer School of Engineering at Dartmouth. "That's fine because that's how you justify the investment in modernizing the stack. You can tie it to a direct business case that says 'We'll save $X.'"

> But the nugget ends up in the platform conversation is, "We haven't yet shown value, but we've increased customer loyalty." And that really means revenue, because under a lot of recurring revenue models, loyalty can create a lot of value. The problem is, you can't attribute it back to the people who are spending the money, and that's a conflict that every firm is going to have to face: "I invest here, and you benefit over there."

> It’s pretty easy to model the economics, but the revenue doesn’t tie *directly* to the investment. So the person with the better recurring revenue stream isn’t necessarily willing to pay for it, or they apply a really big discount rate to it: “Half or a quarter of that value is what you did, and the rest is my brilliant salesmanship.”

In the Land of the Giants

“The profit pools are shifting,” pointed out Mannu Lodha, Director of Industry 4.0 at Tetra Pak.

> Equipment businesses, services businesses, materials businesses — they will all get commoditized. There is tough competition: from Chinese players, from non-system suppliers who can provide value to the customer without the overhead that traditional players have, from software players on the manufacturing side, on the consumer engagement side. New players are coming into the business from everywhere and taking a share of the profit. Most of us are not software companies, and the profit pools are being captured by companies farther ahead in the software curve.

“We’re having the same discussion,” German agreed. “We used to have large margins in deep-water drilling, when quality was a top priority. But with shales, the requirements for pipes are less stringent. The environment is easier, and the products are becoming more commoditized. So the data sharing is going to be managed by a third party, since the consumer of our pipes is also consuming many other things — services and water and sands and a lot of logistics services.”

“So does it work,” German asked, “for companies like Tetra Pak or Tenaris to jump into this first, to form alliances with different players, to build these platforms? Or should we wait and let someone else do it for us?”

“Will these disruptions come from within your industries, or will the disruption — say, digital disruption in printing for Tetra Pak — come in sideways, from outside the industry?” asked Hans Brechbühl, Director of the Digital Strategies Roundtable.

“It can be both,” Meyer suggested. “When we go back to Whole Foods and Amazon places an order with us, it’s going to be like no other order that’s ever been placed. And if we can’t do it on their terms, they will move on and do it themselves, because they’re that kind of customer.”

> On the other side, we talked so long about this little QR code that one of our Chinese customers went to a non-system supplier on the side and the guy had printed codes on packages practically the next day. So inside the industry, outside the industry: The digital capabilities make things possible so much faster that it’s almost a waste to figure out where it’s going to come from.

“But isn’t there a complete bottleneck of ability, of knowing what the heck the data says?” protested Mark Hillman, CEO of Lenderful. “You guys know more than the rest of the entire universe about what it all means. The Chinese guys will never figure that out. That's got to be worth tons. You know the answers to the questions that matter."

"Everyone's trying to consolidate information," explained Twila Day, Huntsman's CIO. "Everybody has *data*, but most companies don't have *clean* data. They haven't taken the steps to manage data so that they can actually get *insights* out of it. They don't yet have a data platform."

"And our customers are demanding more from us on this dimension," Heins added. "We discussed track-and-trace: We are getting asked by our customers to know more and to do more — to provide the whole Amazon experience. You know where it is at every moment, *and* what its state is at every moment: its heat, all kinds of different things."

"We're in a similar position, and we all struggle with the disruptor concept," Chevron's Green agreed.

> There's a disruptor coming on the resource identification side of our business, and it's coming from the cloud. We have a six-year deal with Azure, and one of the primary reasons we were able to do that is because we have a non-compete agreement with them. We could never do that deal with Amazon, because of what they're up to.
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> We're looking at Google right now: They're hiring engineering and geoscience talent. Turning their hardware stack to imaging processes is non-trivial, but with the breadth of compute power they have, could they start to do that kind of processing? Out of the gate, that would be a direct attack on Schlumberger or Halliburton, but over time, why not pick up a resource? And develop it? Look at the market cap of these companies: They could really do some stuff. There's no financial barrier of entry for them.

"No matter whom you talk to, in any industry, Amazon and Google always come up," Gallant commented. "They're threatening to disrupt everything — or at least, people believe they could."

"On the imaging side, humans used to look at images and over time create a mental model," Green explained. "This is ripe for AI and machine learning. Reservoir performance over time is a fairly predictable animal, and machines will get within an acceptable fairway of uncertainty. That's why Google is a worry: With the right data set, and the automation, they would need just enough geoscientists to calibrate it."

"So the question is," Parker prompted, "Do industry players have enough domain knowledge and enough data to outrun the Googles and Amazons of the world, who have big general-purpose machines but don't have the technical staff?"

"Now you're getting back to the ecosystem," Green responded. "This is why we view our partnership with Microsoft as more than a supplier partnership: As an oil and gas company, we cannot scale on the technology side."

“If Chevron can’t, who could?” Parker asked in disbelief. “With the size of the problem set, and the speed at which you have to run — it’s bigger than any enterprise,” Green answered. “Companies by themselves simply can’t deal with the scale of what we’re trying to do.”

A Platform by Any Other Name

“So what actually is a platform,” Gallant asked, “And is it relevant for your business?”

“In our industry we’re a very disruptive factor,” Fireman answered. “When we show up, things stop moving, and we’re a very man-hour intensive business. The opportunity for us to be less disruptive by being predictive is clearly our target. So we’ve decided to build a closed platform for our customer base. But we don’t have a very strong digital reputation.”

“With the closed platform,” O’Neill continued,

> We actually ingest our customers’ data and draw conclusions about the conditions of their assets. It’s not an open platform: Put your data in, do whatever you want, it’s there to play with. No: It’s there for a specific purpose, and we are making sure that your assets are protected and secure.
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> We’re actually in predictive mode, and a certificate is valid until we say it’s not. We don’t have to send someone onboard. It totally transforms our business model. And there is a downside to that — our whole model is we charge by the hour. So we’re going to have to change that, or we wouldn’t be charging anything, and we don’t want to cannibalize our business.

“We’ve created an IT technical definition to help organize how we think about a ‘platform,’” Green added.

> A platform has three layers: An engagement layer that is customer-facing; an enabling layer; and a set of foundational pieces. We’re trying to get the businesses to think about the engagement layer, and from that to describe the business capabilities they need in the enabling layer, and then IT will worry about the foundational layer.
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> The business challenge is, at what level do we want to participate? Is a platform purely for IT efficiency, or is there some other benefit? It does open up the possibility to shift focus from resource control to resource orchestration, but it might also put the orchestration model up for grabs — and that’s where our Amazon concern comes in. The key question for our leaders is, today, we have both resource control and resource orchestration — why make a pivot?

“Is it because you could be left behind if you don’t and others do?” Gallant followed on.

“It’s a bit like the Kodak scenario,” Meyer suggested. “I realize I can create digital photography, but if I create it, everything is easier for everyone else. So then I *don’t* want to do it, except what happens when someone else does before I do? Then I’m out.”

“Something similar is happening in the banking industry,” Hillman pointed out. “It’s going through a complete decimation because of technology, after the Rocket guys taught the world you can do all this online.”

> In three years Quicken went from the fifth largest mortgage company to the largest in the country, and now everyone’s scrambling. The whole chain is being put together on data and analytics, and the banks can’t do it. Now Rocket Loans is creating Rocket Homes, and they’re adding the real estate side with Zillow, Zillow just bought a mortgage company. So now they’ve got you all the way through: Find you, find your home, approve your loan, finish the transaction.
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> The platform question becomes, there are thousands of companies that have relationships with these customers in some form or fashion. Do they go away, or do they subscribe and become a seller on this platform? And there’s the brand, and the deposits. So do they maintain it, or does it go to Amazon — who’s already hiring mortgage executives. Why would Amazon be hiring mortgage executives?

Walking the Tightrope

“Let me offer an example of a platform that will maybe help us get to a definition,” Lodha suggested. “We have two customer segments: cold packers, and cold producers. Our business development people talk to both these segments. The producers struggle while looking for packers, and they call Tetra Pak. So we know the production data for the packers: capacity, availability, capabilities. Can we make this a platform play? An Airbnb of cold packers? But how do we monetize it?”

“Even if we don’t, even if they just add on, it’s more of our equipment that they buy,” Meyer explained. “So the fact that they produce *anything* — we cash in immediately.”

“And that’s exactly the point: We should figure out a way to push the demand curve of our core business using these strategies, as opposed to asking whether we can create a new revenue stream,” Lodha emphasized. “That’s the mistake a lot of companies make — everyone is looking for a new lens to make money from this new idea, when they’re missing the fact that this is pushing demand for our core business.”

“And then where this becomes a real ‘platform,’ a marketplace, whatever you want to call it, is when we create an opportunity, and the other players do all the work,” Meyer finished.

“And *that’s* where all the fuses start to blow!” Parker exclaimed. “In lots of firms they ask, ‘Would you allow your direct competitors to sell across your system?’ My answer is, as long as you can maintain the customer-facing relationships and all the data access, why not?”

“But why will any competitor want to use my network if I don’t share my data?” German asked. “And the moment I share my data — my most valuable asset — my product becomes commoditized.”

Emmanuel Cron, CIO of Sidel, suggested a different approach:

> We have four major digital initiatives that feed into this discussion: digital sales, asset management, IoT, and PLM. The value for us, “the platform,” will be the interconnection of all of these. What will the customer do with our machines if they don’t have the IoT data? Who has the knowledge of how a machine runs, in what conditions? That’s our PLM data. It’s when we can connect all of these together that we can actually create value, and move towards becoming a software company.

“Is that data valuable to people beyond your customer?” Gallant asked. “Does it have other opportunities and other potential?”

“Absolutely,” Cron responded. “For our customers, for our suppliers. We are B2B, so this can get into B2B2C. There’s a whole network. It’s just like functional silos of services, supply chain: the real value is the interaction among those silos. Digital is the same concept: You have different data and types of data, and the value is in linking those things together.”

“We’re struggling to see where there could be platforms in our industry,” Heins indicated. “We can have networks of suppliers, but a true platform that reaches all the way to the end customer — we’re just too many levels away from any direct customers.”

“But a true platform doesn’t have to be B2C, not at all,” Parker stated, pushing back.

> You and Chevron both have complex supply chains. If I think about how you might be disrupted, I would go upstream into your supply chain and organize the B2B players and aggregate whatever is most valuable. Amazon’s a perfect example. They could end up upstream of you, start to aggregate critical data and resources, and then all of a sudden: You used to be big and powerful and important, you were essentially a systems integrator for lots of smaller organizations. Now you’re dealing with a peer.

“I’ve had an epiphany listening here,” Green commented. “A digital platform really has two attributes: One is the data, and the second is that it conducts, or facilitates, transactions on behalf of customers. We’ve been struggling, all wrapped up in the applications and pieces-parts that make these two things happen, and not talking about these two things.”

“At the beginning, a platform is a set of standards, but people tend to get it exactly backwards,” Parker elaborated.

> Discussions often start with, “Awesome! Cool technology! What can I come up with?” As opposed to, “What interactions do I want to empower, and then how do I facilitate those?” But the initial standards are not necessarily technical standards: A lot of them will be around contracting. For example, ‘What is a transaction? What are rules and governance for transactions? How do those transactions then clear?’ In other words, what does this market look like, and what are its basic contracts?”

“Partly that’s because there’s a whole lot of confusion about what a ‘platform’ is,” Lodha responded. “Everyone says they get it, but no one really gets it, because people don’t associate the word ‘platform’ with a business model. They associate ‘platform’ to a technical platform, and then they say, ‘We’re not a software company.’ Some people in management don’t even want to hear the word.”

> Yes, it’s very hard to shift from being a product business to being a software business, but should you even try to do that? What gets missed is that the digital transformation is about moving from selling products to selling services to selling outcomes. Digital is all about helping our customers achieve the outcomes they’re after, and not just sticking in a piece of software, like our software vendors do to us.
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> Our customers care about business outcomes, not about software-as-a-service. They have Problem X, and we solve for that problem, with all these software capabilities, which by the way come from an ecosystem of partners. Then the whole discussion is set: Digital, or software, isn’t a separate business, it’s actually our core business. Digital is just an enabler for making those outcomes happen.

A Game of 20 Questions

“Can every company be a platform company? Why or why not?” Gallant asked the group.

“No,” O’Neill answered. “Maybe every company could be, but not every company has the culture to actually exploit the opportunities.”

“It depends,” Lodha suggested. “You can be a platform orchestrator, or a platform participant. Not every company can be a platform orchestrator, a platform owner, but every company can be a participant.”

“Building on what Mannu said, emphatically no,” Parker declared. “There is a lot of structure in many industries, and there can only be a handful of customer-facing platform owners, or orchestrators, and every firm will have to deal with these platforms, because they’re going to impact everyone’s supply chains and end markets.”

"So are there only a small number of players in any market that have the power or the position to create a platform in that market?" Gallant followed up. "Or once a platform exists, does that negate the opportunity to create another platform in the same industry?"

"Well, nothing lasts forever," Parker acknowledged, "But in this world of network effects and increasing returns to scale, the rich get richer, the big get bigger, and ultimately you end up with a handful of companies mediating customer relationships. The other players have to either find profitable places to participate, or get commoditized."

"What are the key questions, then, in determining whether your company has a platform opportunity?" Gallant pursued.

"Would the general customer benefit from having a platform in your space?" suggested Wayne Shurts, the recently-retired CIO of Sysco. "Would a platform make it easier to do business, or more efficient, or deliver more value?"

"Are there inefficiencies in how buyers and sellers come together?" Blausey proposed. "If you had asked customers whether they needed Uber before it existed, would they have said 'yes'? Yet clearly there were inefficiencies to exploit. Is there an opportunity to optimize?"

"One version of that question is whether there are idle assets or capacity that could be used, either yours or someone else's," Brechbühl elaborated.

"But many of these illustrations are greenfield examples," Day argued. "There's a huge difference between doing something revolutionary versus working in a situation where you're trying to introduce new competitive thinking, or new ways to partner in selling or supply, and these new ideas are totally against your traditional culture."

"Is the opportunity different, or is it just harder to execute?" Brechbühl asked.

"It's definitely harder to execute, but the bigger problem is that the opportunity may not ever get a fair shake," Day answered.

> The culture of the company can inhibit your ability to even be able to look at what the platform opportunity might be, because you're not used to partnering with your suppliers and your customers in a way that exposes your business, that could be taken advantage of by your competitors. This is where we struggle: How do we apply this concept to our business model?

Gallant pushed back on the concept of "greenfield:" "If you look at Uber, taxis have been around forever. A taxi company could have done Uber."

"But that's Twila's point," Shurts rebutted. "A taxi company *could* have, but they didn't. Kodak *could* have had a different kind of moment. There's an inertia, organizational antibodies, inside a company that has so much invested in the way they do things. It’s much harder to get new thinking in there. Not that it’s impossible, but the degree of difficulty is much higher.”

“So an important issue is whether you have a culture that will allow you to fail,” O’Neill observed.

“Another factor for platforms is the information intensity of the industry,” Lodha added.

> Is there enough digitized information? If your business works with atoms, can you also translate that into bits and bytes? If the answer is yes, then for sure there’s an opportunity for a platform play. The industries that don’t have platforms yet are the industries where it’s very hard to digitize information. It’s just common sense, but digitized information is a prerequisite for a platform.
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> Another element is whether there is information asymmetry between buyers and sellers. When someone has information that they don’t want to share, or they’re trying to put into a walled garden — that’s clearly a sign for disruption, for a platform to come from the outside.

“That relates to the question of whether by doing this I can defend the territory of my core business,” Brechbühl pointed out. “If I’m a product company, or a product company with services, even if I can’t see what my additional revenue might be, am I defending my core play? It’s the cannibalization question — what’s the cost of *not* doing it?”

Gallant posed a final question to the group: “Whether or not your company has the ability or the culture to run a platform play, what are the core assets that might be valuable? What do you bring to the table that no one else has, whether it’s data, relationships, partnerships, connections, supply chain, or whatever?”

“Our unique asset is our 180 billion unique packages per year,” Lodha answered. “If a package becomes a data carrier, that’s 180 billion data points that touch a billion people every day. If we can only get our heads wrapped around this scale and build on it, nobody else can compete.”

“That kind of scale really matters,” Shurts agreed. “Sysco is a giant in the industry, twice the size of our nearest competitor, and we have only 16 percent share. There are only a handful of big players — our real competition is 15,000 local family-owned independent food service distributors. And *that’s* the platform play: to turn them into ecosystem partners. Only a couple of players could do it, and we have the biggest head start.”

> The question is, what’s the customer benefit? There are two main reasons not to buy from Sysco, or from any of the other large companies: either it’s a specialty item that we don’t have, or it’s trust. There’s no price transparency in our industry: Sales reps basically set the price for each product for each customer. It’s an amazing practice, and when someone cracks it — and we fear Amazon — they’ll crack the industry. So should we become the platform where all our

suppliers and all our customers meet, with price transparency and all the choice in the world? But that gets to "Oh my god we're actually going to give business to a competitor, and we're going to let them sell stuff on our platform? Are you out of your mind?!"

"It's a very scary business," Lodha agreed. "We make margins in parts because they're not searchable. The moment they become searchable, on a platform from Amazon or Grainger, then our company is disrupted."

"But as we talked about earlier," Blausey protested, "Many platform plays require domain expertise around the data, and how to interpret the data, and that's not always easy to replicate, at least in the engineering companies. Plus we all have supply chains and distribution networks."

"And we have so many different types of customers," Day added. "Our chemicals are used in so many different ways that you'd have to really sit back and hone in on where to start, and whether it even makes sense. Because the biggest hurdle in creating a platform is customer trust: What if they don't believe that all of this locking of arms and going together is really benefitting them? What if they think that now an end-to-end monopoly has been created to prevent them from having any latitude in their decisions?"

20 KEY QUESTIONS FOR A PLATFORM

1. Is there customer value?
2. Are there inefficiencies in the buyer/seller relationship?
3. What is the information intensity?
4. What is our basis of competition?
5. Is there a compelling use case?
6. Can we make a difference? (Do we have the right to win?)
7. Do we have data that can solve problems or answer questions?
8. Do we have a culture that would support a platform business?
9. Is our market very fragmented?
10. Are there idle assets in our industry?
11. Can we defend the territory of our core business?
12. Is the revenue scale of the opportunity worth it?
13. Would it open an adjacent opportunity?
14. Can we create trust between parties?
15. What's the cost of *not* doing it?
16. How would you disrupt your own company (or industry)?
17. How long will it take to scale?
18. How will we launch?
19. Would our platform be open or closed?
20. Will our culture let us fail?

The Art of the Possible

Gallant posed a lightning round survey question: "Does that mean the platform discussion is something that IT should be leading, or supporting?" The group responded with the consensus that business *should* be leading — but frequently IT needs to be driving, at least in the current environment.

"These things are so disruptive, and it's not a core competency for IT to totally redo the business model," Heins answered. "It's so much better if the discussion starts in the business."

“IT can always help the business see the art of the possible, but the platform point is more about the business model, and that is not something that IT should be out driving,” Day agreed. “There are a lot of other digital aspects beyond platforms that haven’t been cracked yet, and we can help move on those. The digital piece is important right now, and the platform piece we need to think about.”

“After 20 years in the business I tend to like to drive,” Cron admitted. “But the real question is, five years down the road, will the IT side as we know it today still be there? I don’t think so. OT, IT, digital, cybersecurity, managing the ecosystem, driving digital — I don’t think anyone will be talking about ‘IT’ anymore. It’s all going to get re-shuffled. Not that IT is going to disappear: But it is going to take more of a transformational and strategic role at the company level, and within each function of the business.”

“In the absence of business leadership, IT has to drive,” Green demurred. “Otherwise we’re not carrying our weight in terms of leading the company strategically. We need to be half a step ahead of the business — not two steps out, because then you’re dictating — but half a step, so that when the time comes, you’re informed enough and you’ve thought enough about what’s going on to have an intelligent conversation, and not be caught short.”

“We’ve got to keep the platform conversation on the agenda,” Shurts concurred. “We need to drive the conversation, make sure it doesn’t get tucked away, keep being a pain in the butt about it. We have to become comfortable with starting out to do something without knowing the answer, and knowing that we’re going to find it as we go along and do it. Then ultimate success comes on the day when the business picks it up and runs with it, and then we can help shape it.”

“That’s why IT needs to drive,” Brechbühl affirmed. “Leadership comes in many forms, and it doesn’t always have the person out front, charging with the sword. The fundamental question is the mindset that we have. IT is in a position to know as much or more than other groups, and therefore we have an inherent leadership responsibility.”

“Yes, this does pop up more often than not in IT, *and* not every IT organization is ready for lead,” Parker argued. “It’s very context dependent. What needs to happen is for *someone* to rally senior leadership. You get them in a room, and you scare the blank out of them: ‘Here’s how your margins are going to collapse, here’s how your existing factories are going to close, and here’s at least one possible path you could start to invest in.’”

Meyer illustrated Parker’s point: “We have a business exec who’s gotten inspired. He’s absolutely not technical, but he’s become inspired about digitization and IoT and services on top of that. He’s developed a mantra that we’re trying to spread: ‘You don’t know what you don’t know, and you won’t, until you get going. Think big, start small — but for God’s sake, start!’”

Flying at a Different Speed

“To finish the conversation,” Gallant asked, “What strains and stresses will this evolution into new business models put on our IT organizations?”

“We’re struggling with the agile mindset, because we’re trying to undo 50 years of phase-gate culture,” Green started. “We have to change the fundamental belief that you build and deploy a system and then run it into the ground for 20 or 30 or 40 years. The turnover of capabilities that digital brings means that we have to get comfortable with a constantly-changing footprint.”

“You need people who understand what ‘agile’ means!” O’Neill emphasized. “Not traditional development and ops people, but people who’ve re-tooled and re-skilled themselves in a dev ops environment. We also need people who understand how to manage, secure, and monitor a multi-cloud environment. You have to give them some guardrails to they don’t blow up other people’s data, but you also have to give them a playground.”

“Where we’re struggling with that is translating it into OT,” Heins continued. “OT is very stage-gate, and having our engineers make the leap to apply agile principles is a real paradigm change for us.”

“Some people are just not meant to be agile,” German acknowledged, “But they are very good at the traditional ways. You’re still going to need the old skills for some types of applications, so put them there. Then let the people who want to try new things every week go do agile and platforms and all that. We’ve been able to find and separate entrepreneurial people who have the right attitude, and let them fly at a different speed than the rest of the IT organization, and they’re doing great with pilots and projects.”

“A lot of big companies have forgotten how to do innovation, Lodha stated. Innovation is very fragmented, and nobody’s able to defend or explain the rational for what they’re doing or why. Innovation has a process to it, a discipline, and there’s a lot to learn in how to manage innovation in the digital context. If you want to drive growth, you need a disciplined approach to manage innovation, and IT has built a lot of process that can help.”

Meyer demurred: “I don’t know that any one person can set the pace of innovation anymore. Having control in IT isn’t an option, because innovation is going to go faster than it ever has before. How can we create a playground where these things can be driven independently: Protect what matters, and get out of the way where it doesn’t?”

“We are in the middle of doing just that,” Blausey offered, “And we’ve concluded that the only way to get the right energy is to carve off part of the organization. There have to be fewer trials and experiments, and more substance: Something real that lends focus and gives us delivery capabilities to really double-down on making a difference and growing the damned sales.”

German raised an objection that’s been discussed at the Roundtable many times before:

> The problem with the segregated approach is that there are zero incentives, or even worse, *negative* incentives, within the organization to let these kinds of new businesses flourish. We are all measured by traditional KPIs that our original businesses were built around. If we’re going to go into new businesses, into platform businesses, we’ll need to spin them off from our existing organizations.”

“At the core you have to understand the impact of whatever you're doing on the existing business,” Day agreed.

> What is the impact of what you’re about to embark on, to the current organization’s structure, incentives, speed, the whole thing? Otherwise, whatever structure you have in place might work, might not work, because of the fact that you have conflicts with the existing business. If you're a greenfield and you're building it from scratch, then obviously you're building it the way you want it to operate at the end. Instead, most of us are inserting something on top, and we’ll have to make changes along the way.

Hillman combined German’s and Day’s points into a final cautionary warning for the group:

> The question of whether IT exists or doesn’t exist anymore starts to not matter, because if what you’re selling is digital, then it’s not a “division of,” it’s just “the business.” But the existing organization wants to consume all the resources and talent and can explain why the stakes are so high: So much has to change in skills and talent and corporate culture. There are a rare few that will work — not zero, but only a few.
>
> I’m going to state the extreme: Digital innovation and digital businesses need to develop outside the organization to have a chance. It just can’t be in the company. Otherwise, it will always mean death to the internal entrepreneur.

PARTICIPANT LIST

Platforms, Competition and Transformation
27 February 2019

Bill Blausey	SVP and CIO *Eaton*
Hans Brechbühl	Associate Professor of Practice Director, Digital Strategies Roundtable *SDA Bocconi School of Management*
Emmanuel Cron	CIO *Sidel*
Twila Day	VP and CIO *Huntsman*
Howard Fireman	Chief Digital Officer *ABS*
John Gallant *(moderator)*	Journalist, Analyst and Event Moderator *Ledgewood Media*
Luis German	Chief Process and Information Officer *Tenaris*
Jim Green	General Manager – IT Service Delivery *Chevron*
Kirsche Heins	Global IT Technical Integration Lead *Huntsman*
Mark Hillman	Executive Fellow, Digital Strategies Roundtable CEO *Lenderful* & Co-Founder of *MadDog Technology* and *MadDog Venture Capital*
Mannu Lodha	Director Industry 4.0 Portfolio and Sales Globally *Tetra Pak*
Mark Meyer	Head of Global IM *Tetra Pak*
Maria O'Neill	Senior VP and CIO *ABS*

Geoffrey Parker	Professor of Engineering and Director of the Master of Engineering Management *Thayer School of Engineering at Dartmouth*
Wayne Shurts	Executive Fellow, Digital Strategies Roundtable Former CTO *Sysco*