

Step two: Develop a platform strategy

One thing is certain: the emergence of digital business platforms will necessitate a new approach to data sharing. These digital platforms were the first to shed the legacy rules of business and reconceive e-commerce as ecosystems. These platforms became vehicles for trusted exchanges among multiple producers and consumers. They earned revenues by orchestrating connections among parties and designing their platforms to exploit network effects.

In every industry, platform players are adding demand-side economics to the more traditional supply-side economics, opening up their platforms for others to join, and otherwise rewriting the rules that once determined value creation. Today, platforms dominate markets in every region. Some already hold winner-takes-most status.

Business platforms have well-known economies of scale, for which companies are generating outsized returns. But when it comes to data—and also customer engagement—it's the economies of scope that often shape strategy. Economies of scope are an evolution in a company's strategy from specialized to expansive.

Organizations on platforms create economies of scope by extending to adjacent spaces, connecting broad categories of complementary products and services in a way that makes experiences more holistic for customers. A platform that links real estate agents, home inspectors, insurers, and mortgage lenders, for example, puts the customer at the center of a more seamless experience.

In every industry, companies are turning to platforms and ecosystem partners in pursuit of new heterogeneous data. Telecommunications carriers are offering streaming video services, including access to online movie libraries. Some are becoming financial service providers. Electronics manufacturers have joined with healthcare providers and insurers to scale health and wellness platforms. Connected cars are linking with hotel chains and travel companies to provide concierge services.

New value is created by the breadth and diversity of the interactions the platform owner orchestrates, usually beyond a single industry. (See sidebar, "The Cognitive Enterprise.")

Insight: The Cognitive Enterprise™

As AI, automation, IoT, blockchain, and 5G become pervasive, their combined impact will reshape standard business architectures. The "outside-in" digital transformation of the past decade is giving way to the "inside-out" potential of data exploited with these exponential technologies.

We call this next-generation business model the Cognitive Enterprise.¹⁹ It's composed of four fundamental areas: 1) Market-Making Business Platforms, 2) Enterprise Experience, 3) Intelligent Workflows, and 4) Human-Technology Partnership.

- *Market-Making Business Platforms.* We see companies placing bets on the creation of business platforms to solidify competitive advantage and differentiation. These platforms must be massively digitally connected from the outside in and fully cognitively enabled from the inside out. Once made, the choice of platform represents a big bet for the organization.
- *Enterprise Experience.* We see organizations looking to differentiate their platforms and processes through the design and operation of consistent experiences that straddle the worlds of the customer, employee, enterprise, and ecosystem. Trusted data is at the heart of such experiences.
- *Intelligent Workflows.* Cognitive organizations operating on business platforms are often focused on being the very best in one main area, whether it's a customer-facing experience or an aspect of their supply chains. That ambition is achieved by applying exponential technologies to rethink strategic workflows that can scale with ease so that both human and machine learn continuously.
- *Human-Technology Partnership.* For all the focus on the impact of new technologies and AI, the most important aspect of the Cognitive Enterprise is still going to be its people. Making this work seamlessly will require a much stronger set of continuous feedback mechanisms and methods of engaging the wider organization in the co-creation of compelling experiences.