



# MOVE OVER

## SILICON VALLEY

GOVERNMENT IN  
THE PLATFORM  
ECONOMY

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Two guys tried to hail a cab on a snowy Parisian night, and Uber was born.<sup>1</sup> Nearly a decade later, the platform economy is a powerful force, not a passing fancy.

The surprise?

Government could one day be the most transformational platform player yet.



# TODAY'S PLATFORM FOR ECONOMIC GROWTH

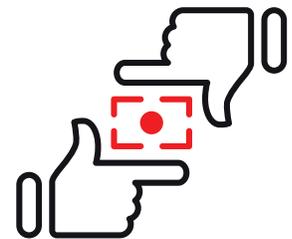
With digital platforms, businesses act as intermediaries to connect supply and demand in new, often market changing, ways. Think how Uber connects riders to drivers, how Airbnb connects travelers to property owners, or how Amazon connects customers to third-party sellers in its marketplace.

Platform based businesses like these rely on external sources—people, assets, even other companies—to create value for them. Significant value. Platform companies have an estimated market value of more than \$4.3 trillion.<sup>2</sup> And 70 percent of unicorn startups, those worth \$1 billion or more, are platform companies.<sup>3</sup>

Platforms are not just a private sector phenomenon. Government as a platform models are emerging too. They are different from industry-specific business platforms that enable fairly straightforward supply and demand connections. Government is positioned to orchestrate much broader, multi-sided platforms that connect government, businesses, citizens and civil society to improve economic and social outcomes. There is momentum behind this vision today. Platforms are part of the UK Digital Strategy, which focuses on seeding cross-industry collaboration for success in the digital economy.

By investing in the core infrastructure, providing data and analytics, and managing incentives, governments can anchor self-sustaining platforms to drive productivity and efficiency—accelerating innovation and economic growth for their nations. The implications for the future of public value creation are far reaching.

Ninety-one percent of public service leaders think that engaging in digital partner ecosystems is critical.<sup>4</sup> Yet few likely realize the extent of the changes needed to succeed. Agencies must move beyond compliance mindsets and make bold changes to policy, practice and partnerships—and even to the traditional role of government in a market economy.



# GOVERNMENT AS A PLATFORM IS...

## **TECHNOLOGY ENABLED**

Platforms are typically operated on public cloud infrastructures to create the reach and elasticity to scale to the market.

## **DATA FUELED**

Data sharing makes collaboration possible, sparking economic and social development and service improvement.

## **COLLABORATION ENGINE**

Beyond service delivery, the platform is orchestrated by government to enable cross-industry collaboration.

## **SUPER EFFICIENT**

Better use of assets creates efficiency gains, offering platform players new capability without capital investments.

## **MARKET LEVELING**

Platforms can improve market access for smaller, local platform players, which helps accelerate broader economic growth.

## **INNOVATION CATALYST**

By connecting players with data insight, platforms anchor continuous innovation and new business opportunities.

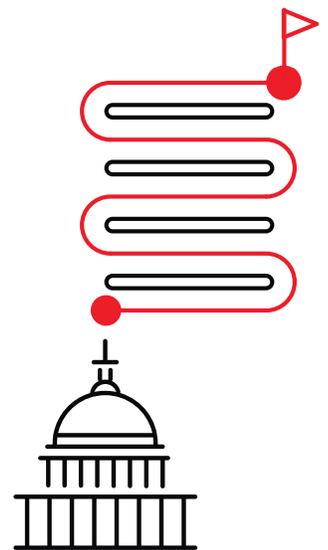
# INTRODUCING THE **NEW** **NATIONAL INFRASTRUCTURE**

Many western governments funded massive infrastructure projects to repair, rebuild and recover after World War II, ushering in the period of economic prosperity that followed. This is one of countless examples of the national infrastructure as the backbone of economic growth. Its vital role to the health of industry, commerce and trade is undeniable.

While roads, rails and utilities will always be critical, infrastructure looks different in the twenty-first century. Platforms are the new national infrastructure in the digital world. After all, digital investments are today's economic growth multipliers. Accenture Strategy modeling shows that smarter investments in digital could generate \$2 trillion in additional economic output by the end of [the decade]. In the United States alone, adjustments in investments in digital skills, technologies and accelerators could increase the GDP by 2.1 percent. That equals \$421 billion in 2020.<sup>5</sup>

While some nations remain cautious about opening government to platforms, other governments have invested in them to drive efficiency in public service delivery and experiment with co-creation. Fewer are exploring the next frontier—growth acceleration. Only 28 percent of public service leaders say their organization is aggressively taking steps now to develop digital ecosystems.<sup>6</sup> The government of Norway is a first mover here.

Norway first developed its national platform Altinn in the early 2000s. In the years since, Altinn has become more than an online portal to streamline business reporting. It now provides the tools and technology platform that both government agencies and private business can use to create new services. It is supporting an increasingly broader ecosystem of exchange and interaction. Third parties can integrate with the platform and develop value-added services, sharing some common data with platform partners to drive innovation. Looking to extract additional value from the data, leaders are exploring how Altinn could become the trusted, go-to data source for the Norwegian digital economy.



# ECONOMIC DEVELOPMENT IS **EVERY AGENCY'S BUSINESS**

To realize the full potential of government as a platform models, agencies must evolve as Altinn has—from a compliance to an economic development focus. But faster.

This goes for all government agencies, even operational ones. In addition to their traditional administrative, compliance and enforcement responsibilities, these agencies must also be custodians of innovation and growth.

This pivot means embracing new technologies and collaborating in new ways with economic agencies, public and private partners, and constituents. Imagine customs agencies enabling trade and logistics, or central banks and finance regulatory agencies encouraging fintech innovation, or transportation agencies developing multi-modal smart transport ecosystems.

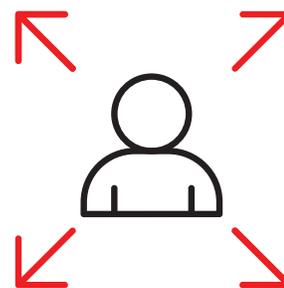
What makes such efforts different and powerful in a platform world is that government makes data widely available, and that data is a springboard to bringing unconventional partners together across industry boundaries. These “strange bedfellows,” sometimes even competitors, create services and experiences that did not previously exist and improve macroeconomic and social outcomes. This is the power of silo-busting collaboration, and platforms make it possible at scale.



Such shifts are happening now in Singapore. Singapore’s government is building an open platform for importers and exporters, logistics and shipping companies, ports, banks, insurers—the entire trade and supply chain ecosystem—to share digitized trade information. The platform enables business-to-business transactions that do not involve government at all. By investing in the core infrastructure, a transactional platform that provides data analytics and tools, and an innovation infrastructure where entities can build new solutions, Singapore is empowering the ecosystem to develop new business models. A new organizing structure will operate the platform, incent participation and spur continuous innovation.

As complex platforms like this emerge and mature, the role of government in enabling and facilitating them becomes more important. Connecting multiple stakeholders and supporting collaboration and cooperation is extremely difficult. Government has the reach and credibility to maximize value here.

Eighty percent of large companies and 68 percent of entrepreneurs say it is important to collaborate with public institutions to drive their company’s innovation and growth in the next three years.<sup>7</sup>



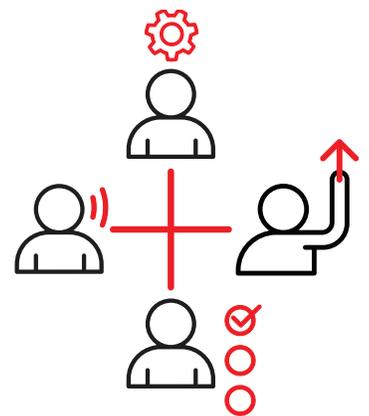
# A MEASURED APPROACH IN **A WINNER-TAKE-ALL WORLD**

Building and managing platforms is wholly different from what government does today. Government will not succeed here by simply developing the technical platforms and waiting for the magic to happen by itself. What is the essential role for government in the platform era? The orchestrator.

While igniting ecosystems that foster innovation and growth, agencies must also continue to ensure fair competition, safeguard consumer interests and manage externalities in delivering public services. This is a delicate balance, and one where all of these responsibilities are heightened and complicated in the platform economy.

The winner takes all in the platform world thanks to very high market shares. The network effect means that one platform tends to dominate an industry once it reaches critical mass as long as it delivers the quality and value that the market demands. However, if governments preserve access for multiple parties, they can support a level of localization and democratization. This is good for growth and for social outcomes too.

Germany's Digital Hub Initiative, which is sponsored by the Federal Ministry for Economic Affairs and Energy, is part of the country's broader effort to foster digitalization of small- and medium-sized companies. It is an excellent example of widening market access in a platform world. The initiative creates regional technology incubation ecosystems modelled after Silicon Valley where the combined brain power of entrepreneurs, larger companies and academia converges. These hot beds of experimentation and innovation can boost economic growth in the process.<sup>8</sup> Bringing all of these players together could seed progress in building platforms in the future. The realization of value will depend on government's ability to orchestrate the newly created ecosystem to build platforms together.



# HOW GOVERNMENT **LEADS IN THE NEW**

Government has a special role to play in creating the future digital economy, and platforms are at heart of it. The platform opportunity allows governments to radically transform public service delivery for the common good.

Momentum toward change starts with fresh mindsets and behaviors:



## **LAY THE TECHNOLOGY FOUNDATION**

While platform success takes more than a build-it-and-they-will-come attitude toward technology, governments do need to open up government systems and create a scalable, cloud-based infrastructure with open APIs so that platform players can plug in. Government can kick-start funding with seed money in a venture-capitalist inspired role. But it does not have to finance the entire platform initiative. Additional funding can come from outside of government.



## **BECOME A MARKET MAKER**

Government must assess markets like venture capitalists do, understanding where the next big thing is coming from, identifying the sweet spots to disrupt value chains with a cross-industry perspective, and managing incentives to ensure participation and encourage the development of new platform services. It is not enough to observe markets. Governments must act on markets. This requires the expertise to run an innovation capability, constantly balancing supply and demand and minimizing monopolies.



## **BUILD DIGITAL TRUST**

The true value of a platform lies in its data. Innovation, whether in the form of new business models or new services, comes from data insight. This is why government must strengthen public confidence in cyber security, data privacy and fraud protection to ensure the richness of the data pool going into the platform. It must also act as a trusted information broker to ecosystem partners so they have the aggregated data they need—and the confidence in its authenticity and accuracy—to innovate.



## **CREATE ADAPTIVE POLICYMAKING**

With the pace of digital technology, the platform world changes in a flash. Compare this to snail's pace of policymaking. This gap must close to ensure policies are right and relevant to manage risk and compliance—and shepherd growth opportunities. Government can get real-time insights into where value is being created and policy impacts through scenario planning and automated impact assessments. The agility to experiment, learn from mistakes and pivot fast is a make-it-or-break-it characteristic.

Government as a platform can be a powerful accelerator of economic growth and social outcomes. But only if government makes the fundamental changes needed to fully realize its potential.

Every nation's journey will be different, but the possibility to make a real and lasting impact is there for the taking.

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## NOTES

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