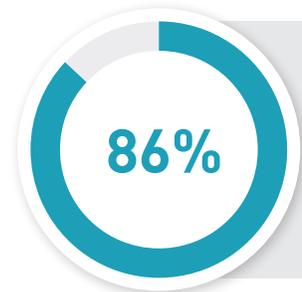




OUTPERFORM (AND OUT-TRANSFORM) WITH YOUR DIGITAL CORE:

RIDING THE NEXT WAVE OF GROWTH WITH THE RIGHT
TECHNOLOGY AND OPERATIONAL CAPABILITIES

Over 86 percent of the global population in developed countries has access to internet-connected devices and services.¹ The rapid advancement of technology and global connectivity changes consumer buying behaviors and global demand patterns—in turn, moving markets and reshaping the competitive landscape. Amid the uncertainty and volatility of marketplace change, digital powers the ability to anticipate, respond, and adapt.



Organizations undertaking a digital transformation will find that their journey can have virtually any catalyst. For some, it begins with a desire to meet dynamic, ever-changing customer needs and expectations. Others are focused on employee needs, such as new ways of working or creating an agile, adaptive culture across a distributed workforce. Or, to meet efficiency imperatives, a company may seek a next-generation integrated supply chain and back-office automation. Regardless of what's driving your journey, achieving enterprise-wide transformation calls for technology at the core of your change strategy. In this perspective, we will explore today's platform-led competitive landscape and show you how to configure a digital core that helps you change, respond, adapt, and outperform the rest.

TECHNOLOGY IS ALWAYS CHANGING THE COMPETITIVE LANDSCAPE

Each new generation of technology brings change to the competitive landscape. Amid this change, technological capabilities prove to be an organization's winning differentiator or a crippling constraint. Some firms carve out dominant control positions, while former leaders cease to exist or are relegated to permanent second-tier status. A third group manages to navigate continuous waves of change, remaining leaders in their industries. What's driving the difference among these groups? Why do some firms struggle so mightily while others seize technological change as an opportunity to reposition themselves and outpace the competition?

Today, the platform economy defines the competitive playing field. In order to compete and win, businesses must fundamentally reimagine their technology architecture and supporting organizational capabilities. **Enter the digital core.** The digital core integrates and automates activities across customer, workforce, and business operations. It delivers the rapid insights required to transform in response to a changing environment. Firms with a strong digital core can adapt and even benefit from unforeseen volatility in their industry, competitive, and operating environments. Today, we'll share the essential considerations for a digital core that helps your business outperform (and out-transform) in the platform economy.

THE PLATFORM ECONOMY IS DRIVING THE DIGITAL CORE IMPERATIVE

The growing momentum of digital transformation calls for a durable digital bedrock—in the form of a digital core—that powers an organization's growth, competitive differentiation, and adaptability in response to customer demands. At scale, digital transformation involves more than individual businesses using technology to change how they work. Instead, those that harness their advantages in technology and digital redefine markets by competing on their platform capabilities. These platform players establish wide-ranging control points within or across industries, redistributing revenue and costs to their advantage by changing how value is conferred between buyer, supplier, and manufacturer.²

These companies are shaping the world into a platform economy. Consider platform-led behemoths like Amazon, Apple, Alphabet, Alibaba, Tencent, and Facebook that now rank as six of the world's top 10 most valuable companies.³ Global leaders—businesses and nations—understand the power and potential of 'business-as-platform.' China's country-as-platform strategy involves creating an alternative international payments infrastructure. It will extend the existing payment platforms, which already serve 90 percent of China's mobile payments, to the projected \$20 trillion global mobile payment marketplace.⁴ Meanwhile, in the U.S., global players are using platform-led strategies to digitize their supply chains. The result? A 20 percent reduction in procurement costs and a 50 percent drop in supply chain costs, all while driving a 10 percent revenue increase.⁵

What can we learn from those harnessing the power of a digital core to compete as platform-led businesses? It turns out, a lot. These companies use their digital infrastructure to fuse technology and business, master the use of data, build engagement-generating platforms, and spur new robust industry ecosystems. Their distinguishing characteristics illuminate today's imperative for digital leaders:

- **Hyperscale technology capabilities:** Through advantages in technology-and-digital operating capabilities, platform leaders drive hyperscale growth in their ecosystems. They accomplish this growth by evolving features and capabilities to attract and retain ecosystem participants.⁶ New, scalable enterprise capabilities eliminate legacy technology silos dictated by internal organizational structures (e.g., e-Commerce, ERP, or B2B application silos). In its place, leaders embed a seamless digital nervous system of applications, data, infrastructure, and enabling technology platforms. These integrated capabilities fuse customer experience and global operations.
- **Monetized data:** Successful platform businesses collect and use data to drive innovation and create value for *community and ecosystem participants*. This value comes in the form of enhanced connections between participants rather than through product features and operating efficiencies. For example, technology advantages allow them to capture and leverage the value of real-time data to create seamless end-to-end processes with advanced integration and automation capabilities. They then monetize the data by creating and controlling a market—not by participating in the market.⁷

- **Frictionless engagement:** They create real-time continuous engagement with **customers**, transform their global business **operations**, and create a **workforce** culture that champions business agility. These capabilities enable platform businesses to seamlessly reconfigure themselves, create brand-new processes, or make existing processes that are more agile and connected.⁸ Even traditional 'heavy industry' players such as rail operators are moving quickly to create new industry-specific platforms, redefining their competitive landscape.⁹
- **Supply chain "as customer platform":** Platform businesses rely on a 'digital supply chain' that moves beyond tracking inventory movements from a network of manufacturers and OEM suppliers. Instead, it's a customer-centric platform designed to empower customers, employees, suppliers, and partners with real-time information, convenience, and integration with other digital ecosystems like payment networks, content distribution, and social media. They collect and use real-time data to sense changes in demand, matching that insight with visibility into real-time product movements. This intelligence informs simulations that optimize velocity, drive performance, and mitigate risks.¹⁰

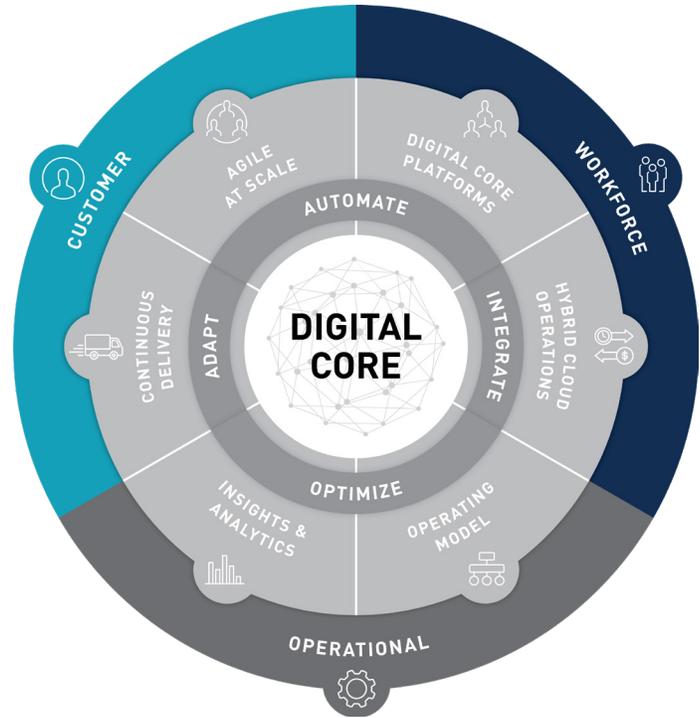
Adidas CEO Kasper Rorsted envisions a future that is focused on platform capabilities, using its digital strategy to deliver "...high-grade revenue growth with over-proportionate increases in profits."¹¹ For the athletic company, platforms have played an integral role in connecting consumers and attracting them to the Adidas ecosystem. The proof is in the numbers: **The number of Adidas digital training app users more than tripled in the COVID-19 lockdown period between March and May of 2020. Moving forward, Rorsted says, "You will see us consistently invest more and more systems in AI, in infrastructure that allows us to deal better with the consumer...the winning formula is the more you can invest, the better you can understand the data, the more competitive advantage you will get."**¹²

THE DIGITAL CORE: PLATFORM CAPABILITIES FOR CONTINUOUS CHANGE

In a platform-dominated economy, digital core capabilities will soon become the cost of entry. The four key attributes of platform companies—hyperscale technology, frictionless engagement, data monetization, and supply chain as a customer platform—will become the competitive ground rules. To position your business to outperform (and out-transform) in a platform-dominated economy, focus on six interconnected capabilities:

- **Digital core platforms:** Create a hyper-scalable technology capability built on a cloud-smart and modern platform-centric architecture—in other words, your digital nervous system. This capability delivers a frictionless, adaptable, resilient, and secure computing architecture. It integrates, automates, and captures real-time information about the activities of your customers, workforce, business operations, and trading partners.
- **Real-time insights and advanced analytics:** Establish high-performance and scalable data environments that deliver real-time insights and advanced analytics. When you use data enhanced by artificial intelligence (AI) and machine learning (ML), you'll create real-time sense-and-respond capabilities across your business operations.
- **Continuous delivery:** Collapse the time from insight to innovation by equipping solution design, development, and deployment teams with modern development practices, technologies, and tools. Together, these elements accelerate solution development and release cycles.

- **Digital ecosystem operating model:** A new operating model, one that is product-and-platform-based—rather than project-based—helps you maximize the value of your digital core. Typically, these operating models involve a multi-supplier cloud vendor ecosystem and adopt new financial planning and cost management techniques.¹³
- **Agile at scale:** Create an enterprise approach to planning and execution management. A singular function synchronizes the organization’s traditional annual or quarterly performance cycles. In turn, it allows the business to drive continuous change at the speed of insight and industry innovation.
- **Hybrid cloud operations:** Modernize traditional IT infrastructure management processes, skills, roles, and tools. These upgrades ensure that new infrastructure, data, and development technologies deliver a secure, stable, and cost-effective technology architecture—one that spans on-premises and cloud-based environments.



PIONEER THE COMPETITIVE FRONTIER WITH YOUR DIGITAL CORE

As platform businesses rewrite the rules for global competition, your digital core will determine whether you win or lose. A strong digital core calls for robust technology and operating capabilities. A singular technology focus is short-sighted. Instead, it’s the combination of capabilities that will determine the success of your digital transformation. To prepare for success in the platform economy, we recommend three actions for digital leaders:

- **Know the strengths and weaknesses of your digital core platforms.** Does your technology architecture enable or undermine your ability to move quickly and engage in industry-leading innovation? If not, develop a plan of action. Start by understanding whether your technology platforms allow you to capture data, apply intelligence in near real-time, and deliver it seamlessly throughout your customer experience and operations value chain. Data integration is often a top blocker in digital transformation initiatives. Second, think in terms of platforms, not technologies: experience platforms, core business platforms, and foundational technology platforms. Platforms should provide cloud-enabled and hyper-scalable capabilities for each, used across business units, product lines, geographies, and global operations.
- **Mature operating capabilities in conjunction with technology.** If you’re considering moving to the cloud, what is your strategy for upskilling IT infrastructure operations teams to manage a hybrid cloud environment? Are you ready to tackle the challenge of cloud financial management? Competing in a platform-led economy will require you to execute effectively across all six digital core competencies, so make sure that maturity is a sustained focus.

- **Develop digital architecture plans that deliver clear business outcomes.** As you strengthen the digital core, are you concerned about the cost required to resolve long-standing technical debt? Are you having trouble defining the tangible return you'll generate from new investments in architecture? You're not alone. Despite the potential high investment requirements, it is possible (and essential) that you link technology investments to measurable business outcomes. With a clearer understanding of value, you can optimize investments, prioritize initiatives, and link effort to performance-based outcomes.

Without a doubt, a digital core will propel your business toward its next growth horizon. With all the disruption in our world today—looking to 2020 as the most recent example—an adaptive, resilient digital core is no longer a luxury reserved for the Amazons, Googles, and Facebooks of the world. It's a necessity. By bringing together the right technology and operational capabilities, you'll sustain customer engagement, transform business operations, and power the workforce with agility—all while strengthening the muscle to anticipate and transform for the future that lies ahead.

Want to see how the digital core works in action? Click [here](#) for more on how we helped our client simplify technology and mature the digital core competencies needed to power breakthrough growth and operating efficiencies.

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¹² "A COVID Setback for Adidas, but Digital Foundation Remains Intact." Diginomica, Aug. 7, 2020.

¹³ Stormont, J.R., Fuller, M., *Cloud FinOps: Collaborative Real-Time Cloud Financial Management*, O'Reilly Media, 2019.

**LET'S
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Michael is an Associate Vice President at North Highland. He has worked at the firm for over seven years and leads our technology service capabilities. He has over 25 years of experience advising clients on adopting the next generation of technology innovation and transforming their capabilities to gain value from internal or outsourced IT organizations. Michael has expertise in technology modernization, modern cloud platform architecture, cloud migration strategies, IT operations improvement, IT cost improvement, IT investment planning, IT organization restructuring, post-merger IT integration, and IT separation.



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ABOUT NORTH HIGHLAND

North Highland makes change happen, helping businesses transform by placing people at the heart of every decision. It's how lasting progress is made. With our blend of workforce, customer and operational expertise, we're the world's leading transformation consultancy. We break new ground today, so tomorrow is easier to navigate.

Founded in 1992, North Highland is an employee-owned firm—regularly named one of the best places to work. We have more than 5,000 consultants worldwide and 65+ offices around the globe. Meanwhile, we're a proud member of Cordence Worldwide (www.cordence.com), an international consulting alliance. For more information, visit northhighland.com and connect with us on [LinkedIn](#), [Twitter](#) and [Facebook](#).

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