

Investigating Opportunities of Platform Economy in the Electrical Network Service Business

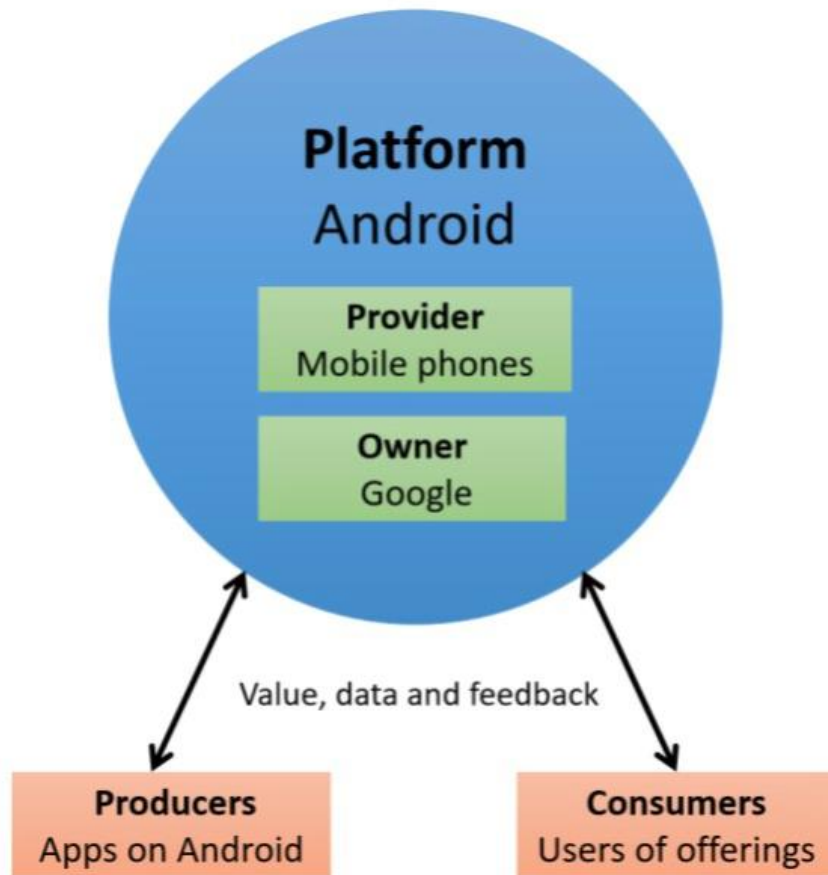
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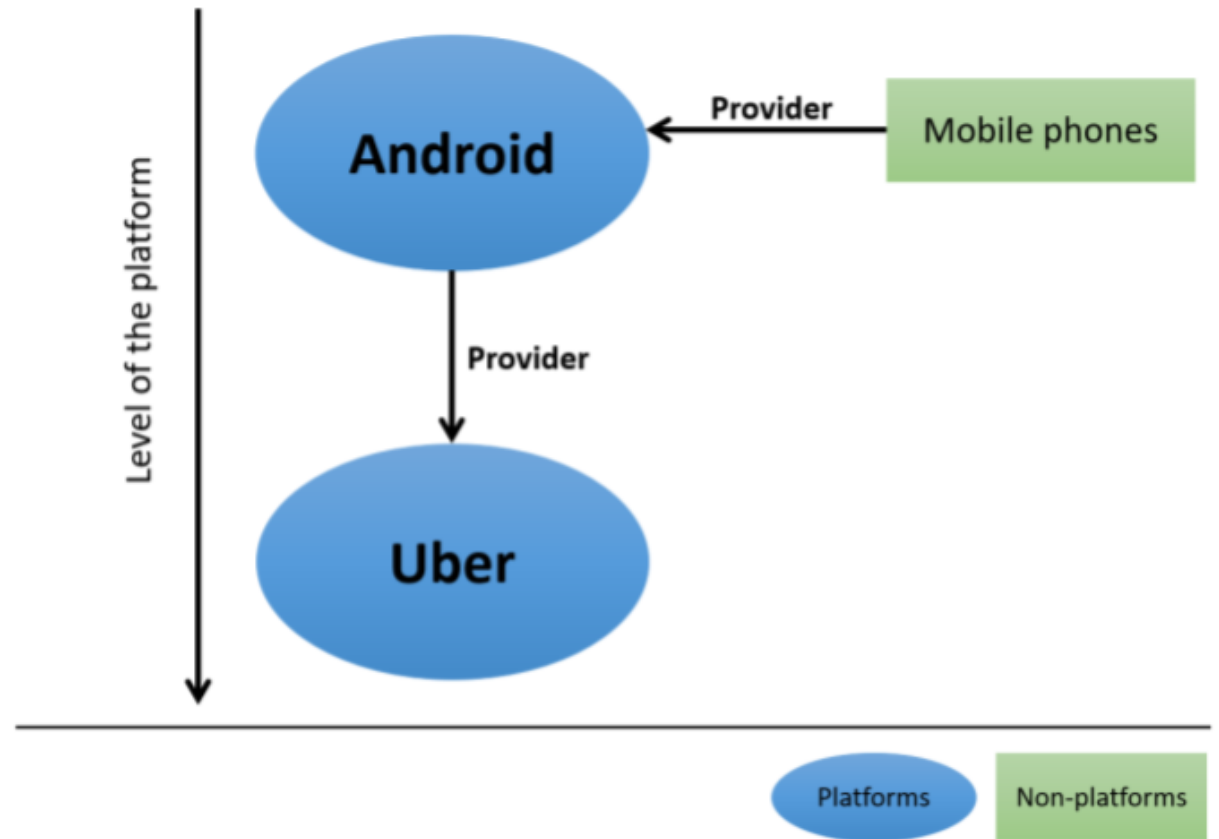
The platform economy

- **Definition:** platform enables and offers a surface to high-value exchanges that happen between producers and consumers
- **Alternative terms:** the 1099 economy, the on-demand economy, the collaborative economy, the sharing economy
- **Types:** labor platforms, capital platforms, marketplace platforms, social media platforms, platforms for platforms, platforms granting access to online digital tools
- However, platforms lack a concise definition and a clear categorization to what is in and what is out of the phenomenon

The roles in platform ecosystems



Platforms on different levels



Implications

- The platform economy has significant effects on business and the labor markets
 - Strategy
 - Competition
 - Organizational changes
 - Transforming the nature of employment
 - Etc.
- In addition, many economical, societal and environmental aspects have emerged
- Future remains somewhat unclear and for many questions and discussions, there are no definitive answers

The ecosystem theory

- **Definitions**

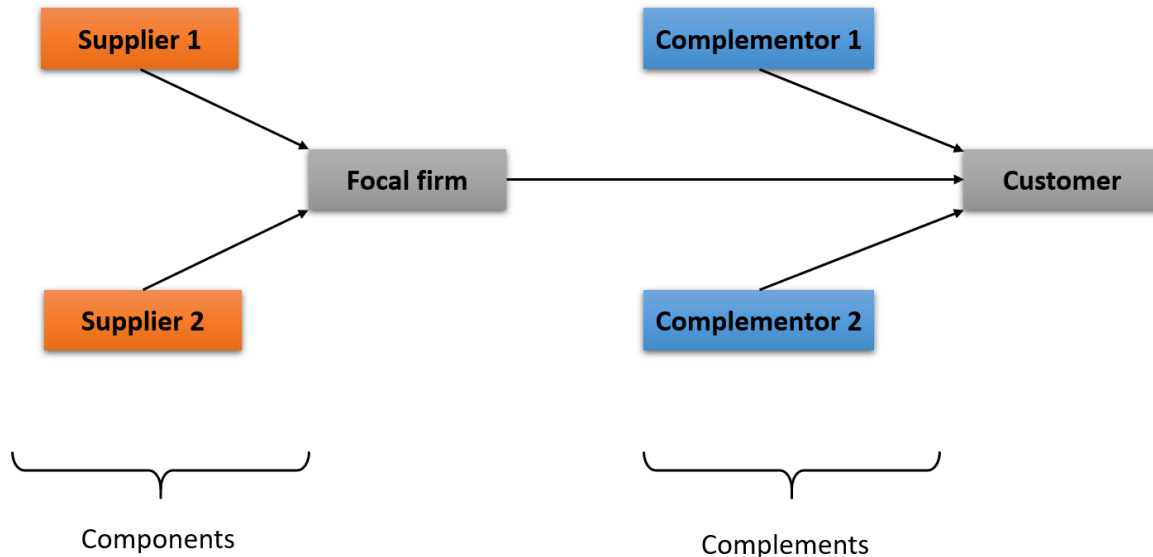
- Business ecosystems cover multiple industries and include companies competing and co-operating around new innovations
- Networks of interdependent organizations, in which all members contribute to its prosperity and depend on it for survival

- **Types**

- Business ecosystem, innovation ecosystem, entrepreneurial ecosystem, knowledge ecosystem

- **Roles:** leaders, followers

The schema of an ecosystem



Implications

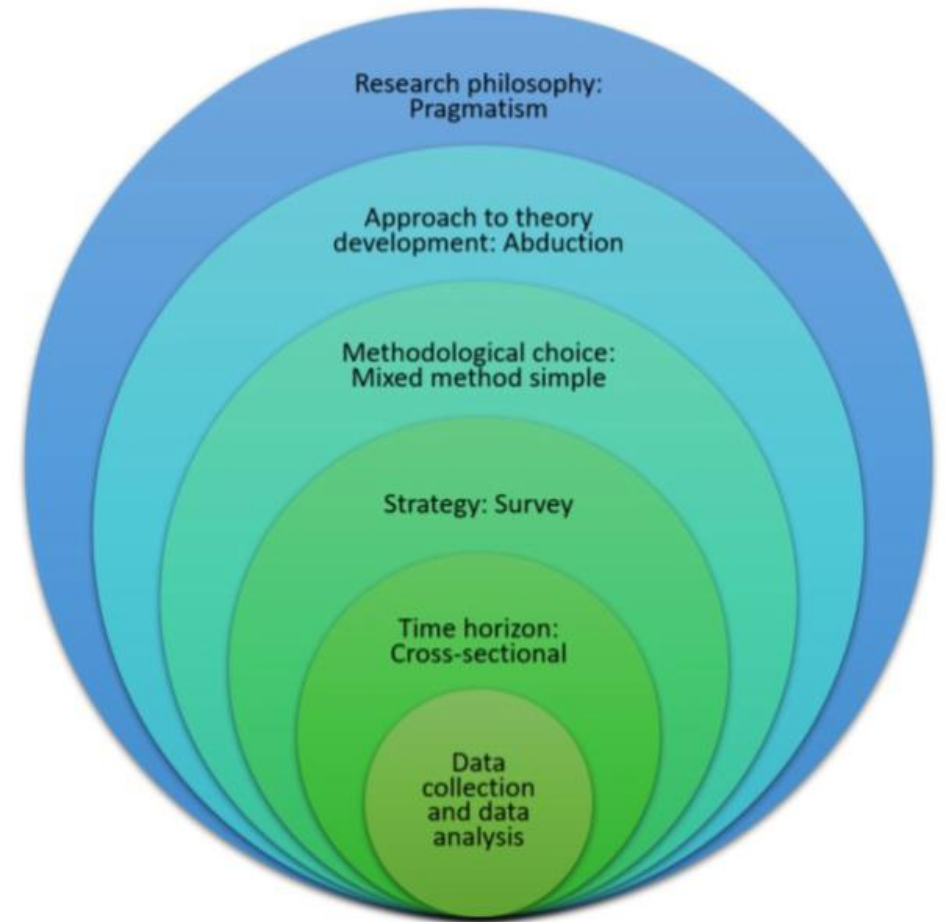
- Value creation depends significantly on other companies' ability to innovate → wider approach to innovation challenges
- Ecosystem strategy is the way in which a focal firm approaches the alignment of partners and secures its role in a competitive ecosystem
- Ecosystems require a shaping strategy, since there are no default execution methods for every situation
- The rise of ecosystems calls for a new perspective and way of thinking about business
- In its essence, the ecosystem thinking challenges the traditional idea of an industry

Platform ecosystems

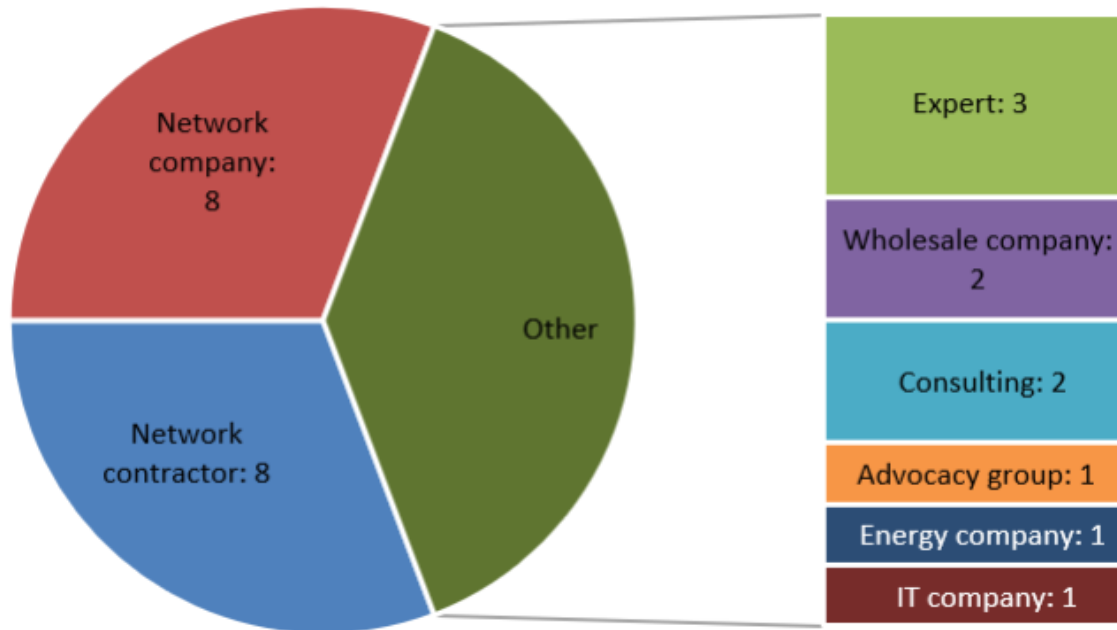
- i.e., synthesis of platforms and ecosystems
- Different approaches in the literature
 - Platforms as one type of ecosystems
 - Defining ecosystems to include platforms
 - Platform ecosystem as one aspect of ecosystem, i.e., the organization of actors around a platform
 - Platforms and ecosystems (mistakenly) used as synonyms
- No clear, concise definition → in need of more in-depth research
- In this thesis, platform ecosystem is seen as a platform comprising of multiple organizations, possibly among different industries that form an entity characterized by interdependence and value creation greater than the sum of its parts

Research methodology

- Research question: What industry-specific barriers and incentives are there for different value chain stakeholders to join a platform?
- Explorative, mixed-method study with both quantitative and qualitative features
- Data collection methods: one survey, four in-depth interviews
- Data analysis
 - Testing differences between respondent groups with nonparametric Kruskal-Wallis tests
 - Discussing the quantitative results with experts in in-depth interviews



Results of the survey



- The respondents evaluated 15 theoretical advantages and 9 disadvantages of platforms using the Likert scale
- Moreover, the survey inquired the current utilization of platforms and the interest to join the new platform
- 26 completed responses were gained (58 % response rate)
 - Eight network contractors
 - Eight network companies
 - Eight other companies

Data analysis: key findings

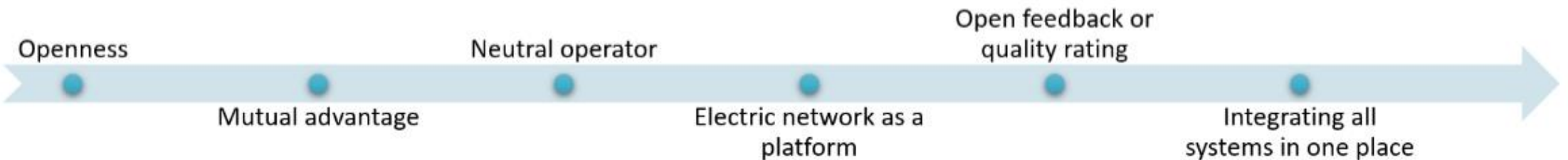
1. The benefits of platforms are valued above average by network contractors and below average by network companies.
2. The interorganizational benefits are considered more important than the internal benefits on average.
3. The most important benefit for all respondents on average is improving the functioning of the network service business.
4. The least valued benefit for all respondents on average is the ability to control the access and activity of participants in the platform.
5. The disadvantages are more significant for network contractors.
6. The most significant disadvantage for all respondents on average is that one player increases its power in the platform and reduces the value for others.
7. Network companies have the least interest to join the new platform compared to other respondents.

Incentives

- Improving the network service business
- Improving quality and effectiveness
- Competitive tendering
- New innovation possibilities, e.g., energy technologies
- New competence
- Combining customers and producers more cost-efficiently
- Low financial risk
- Ease of use
- Decreasing the number of platforms and systems
- Accessibility to stakeholders
- Previous experience of offering platforms as a service
- Improving competitiveness and competitive advantage

Barriers

- Risk of a dominator emerging
- Possible compromises or delays
- Fear of increased prices or costs
- Legislation
- Fear of losing control
- Restricted access to the platform
- No pressure to change current operations
- Investment risk

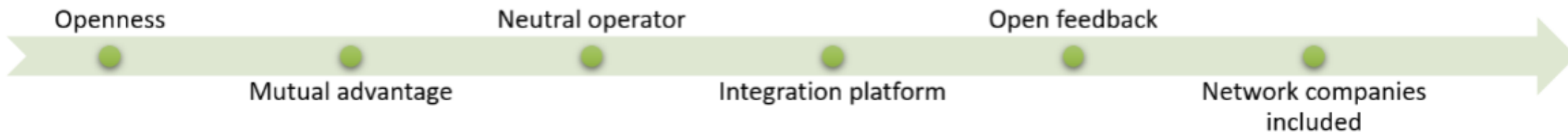


Incentives

- Improving the functioning of the service business
- Increasing effectiveness and productivity
- Proximity to customers
- Eagerness to collectively develop processes
- Standardization
- New business and innovation possibilities
- Achieving competitiveness and differentiation
- Decreasing the number of platforms and systems
- Financial difficulties
- Understanding customers' processes
- Automatization

Barriers

- Risk of a dominator emerging
- Fear of increased prices or costs
- Financial restrictions
- Compulsory user interface
- Lower interest of network companies
- Increasing dependence on other companies' innovating
- Strategic complexities
- Increased role of other companies in value creation
- A network required for the platform already exists
- Inability to see the need for a transformation



Other companies

Incentives

- Improving the network service business
- Additional effectiveness
- New business opportunities
- Competitive tendering
- Variety and extent of supply and demand
- Reducing the risk of disruption in critical information flows
- Previous experience of offering platforms as a service
- Significance of collaboration networks
- Customer needs
- Transformations in the industry

Barriers

- Fear of increased prices or costs
- Lower interest of network companies
- Risk of a dominator emerging
- Uncontrollable delays and compromises
- Increasing dependence on other companies' innovating



Conclusions

- The industry fulfils the optimal situation to build a platform and one should be developed in collaboration with different stakeholders
- The platform should combine all central processes in one place and control activities but not participation
- The additional features desired by the stakeholders should be explored and the risks and barriers are essential to consider
- Many risks can be reduced by getting enough players to join
- Important questions to be answered in the near future
 - How to make the platform profitable for everyone?
 - How should the platform be implemented?
 - What is the optimal corporation structure?
 - Which companies will start the initial development?

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