

# Platforms as a Model for Social Change

by Cyndi Suarez

Platforms abound all around us, but nonprofits have not yet fully explored their use. This article, which compiles a four-part series about platforms as a new model for social change, goes over the structures, management principles, and dynamics of platforms while surfacing some of the benefits, especially to the civil sector.

**Editors' note:** *This article has been adapted from a series published by NPQ online over the course of November 2019.*

## PART 1 PLATFORM MASTERY: DESIGNING FOR INTERACTIONS

Many nonprofit leaders don't really understand their organizational forms. They function as if they're running an organization when, in reality, most of their work happens outside of their organizations with partners in structures that are actually more like networks. There are many reasons why understanding this is important, including the fact that leadership in such structures is more about influence than oversight. Now, there's yet another structure with which to contend—platforms.

Many of us are familiar with platforms. We use them in everyday life, from ride shares, to home shares, to shopping on Amazon or eBay. It's time to consider the affordances of this form in the nonprofit sector.

The most helpful book I've come across on platforms is *Platform Revolution*, by Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary, who have spent much of their careers “unraveling the mysteries of the platform model.”<sup>1</sup> The book is helpful because it not only describes platforms, it provides guidance on how to develop them.

First, a definition: “A platform is a business based on enabling value-creating interactions between external producers and consumers.”<sup>2</sup> This expands the possible organization forms beyond organizations and networks to one focused on creating the conditions for valuable, or successful, interactions.

In a sense, the platform is an inversion of the organization, as the authors note, “Because the bulk of a platform's value is created by its community of users, the platform business must shift its focus from internal activities to external activities.”<sup>3</sup> The platform changes almost all traditional organizational practices.

When done right, platforms are ideal for social change because they maximize learning, prototyping, and diffusion. They are also prime for scaling because they can expand in size “quickly and

easily.”<sup>4</sup> A key part of getting it right is balancing “frictionless entry,” the ability to join quickly and easily, with effective curation.<sup>5</sup> Essentially, platforms are valuable for the communities they hold and nurture. Increasingly, leaders need to have platform expertise, especially social change leaders.

Platforms are designed for meaningful exchange, and there are three types of exchanges: *information, goods and services*, and *currency*. While not all platforms provide for the exchange of products, services, and currency, all facilitate the exchange of information. This is the basic interaction. In fact, it is the decision-making point for entry, or further exchange. For example, Uber provides riders with information on driver availability and location, and it provides drivers information on rider availability and location. All of it happens on the platform.

The exchange of goods, services, and currency, however, can happen on or off the platform. For example, videos are exchanged on YouTube. Though Uber tracks information about its service, the service itself is offered off the platform. Currency exchanges, however, are typically linked to products and services exchanged on the platform. Further, though traditional currency may be exchanged, the more common platform currency exchanges are attention and reputation. In other words, the main type of currency on platforms is social capital.

Platforms are based on interactions and designed one interaction at a time. It starts with the core interaction—the interaction between participants, value unit, and filter. For example, though LinkedIn now enables multiple interactions, it began by helping professionals connect to one another. Its other interactions were layered over time.

There are usually two users in any core interaction—the producer and the consumer. However, “A well-designed platform makes it easy for users to move from one role to another.”<sup>6</sup> For example, when one uses Airbnb to book a stay, one is eventually invited to host a stay.

The core interaction starts with the development of a value unit. In LinkedIn, this is the professional’s profile. The value unit is then delivered to a consumer based on the platform filter, the curation function. In curating a platform, the focus is on “deciding who can create value units, how they are created and integrated into the platform, and what differentiates a high-quality unit from a low-quality one.”<sup>7</sup>

In launching a platform, the core challenge is that users won’t come to it until there is value, and it’s hard to create value without existing users. After this, the challenge is in keeping the interest of users, both producers and consumers. Therefore, platforms rely on feedback loops, or “stream of self-reinforcing activity.”<sup>8</sup> In the typical feedback loop, a flow of value units generates responses from consumers. Feedback loops are more dynamic than the outcomes used to judge the effectiveness of an organization because they occur in real time and allow for self-correction.

Though platforms are fueled by the exchange of value units, they do not control the value creation. Instead, platforms support value creation by building an infrastructure for exchange that lays out governing principles. For example, in a social innovation platform I’m developing, the principles are:

- *If you want to see something, make it happen.*  
To incentivize agency and responsibility
- *We’re not seeking agreement, but resonance.*  
To disincentivize the fetish of agreement

- *Work with people with whom you vibe.*  
To incentivize generative behavior

Platforms grow, or scale, by layering new interactions on the core interaction. Ideas for new interactions typically emerge from experience, observation, and necessity. In particular, observation of user adaptations to the platform for identification of those that become increasingly useful alerts platform managers about which to integrate into the core interaction. Activities that are central to the core interaction—that is, useful to all or most users—are usually at the heart of the platform. Those that are only useful to some stay at the periphery, so that they do not interfere with the core interaction. Thus, platform development requires the balance of evolving the core interaction slowly, while allowing innovation at the periphery.

For example, I once worked at a political strategy center that spanned the six contiguous states of New England and New York. With the center's help, one of the states, Maine, developed a sophisticated leadership development framework that allowed it to amplify its impact by shifting all of its organizing work into its volunteer membership and having staff focus on creating and maintaining an infrastructure that supports leaders. In this way, the organization grew its membership from 7,000 to over 35,000 in a few years without additional financial or staff resources. Further, by creating a compelling leadership development experience that began with a low-friction entry of a \$25 annual membership fee, the platform was able to fund its operation costs. As leaders moved up the leadership ladder, they received training and support to take on increasing responsibility. The organization's board was selected from its core group of leaders. This leadership ladder model was so successful that the strategy center brought it into its core offerings and began offering it to the other states.

On the other hand, an organization may have a platform and not realize its form or value. For example, years ago, a global platform for young women social entrepreneurs hired me to help them become a nonprofit organization. The platform had been launched fifteen years prior by a small group of women social entrepreneurs in San Francisco that was looking for entrepreneurship support. The group wrote down its model and posted it online. Over the next fifteen years, women across the world who identified as social entrepreneurs downloaded the model and launched their own networks locally. This platform of networks grew and began to connect with each other. The founding leaders were trying to change a form that already worked. Their efforts to become a nonprofit were shortsighted. They had inadvertently created a thriving platform.

## PART 2 LAUNCHING A PLATFORM: SOLVING THE CHICKEN-AND-EGG QUESTION

As described in Part 1, platforms are organizational forms designed for the meaningful exchange of information, goods and services, and currency. Because they are designed to attract both producers and consumers, or *users*, rather than focus on creating units of value, they are ideal for innovation and scaling. Both are necessary for social change.

Platforms attract users—both producers and consumers—by structuring incentives for participation connected to the core interaction.<sup>9</sup> For example, PayPal first attracted customers, or consumers, by giving them ten dollars to sign up, which they could then use toward their first purchase with an online merchant. It also added a feature that allowed customers to ask online merchants to accept PayPal.

YouTube, on the other hand, launched with a focus on content creators, or producers, whom it incentivized with contests and by allowing creators to embed their videos off-platform. This served as a marketing tactic, as it spread the word about the platform. Viewers of the site, or consumers, eventually become producers as well. YouTube then built on the core interaction with producers by giving the top content creators a percentage of ad revenue.

YouTube's unrelenting focus on producers helped in four ways. First, it seeded the platform with content. Second, it created a curation dynamic on the platform to identify quality content by letting viewers vote up or down on the videos they watched. Third, it leveraged producers to bring in consumers. Fourth, and most important, it created a set of content creators who had an investment in the platform, had a user following, and would not be easily incentivized to invest in another one.<sup>10</sup>

Platforms are based on meaningful interactions. They start with a core interaction—the main interaction, the highest value interaction. The core interaction is between participants, value unit, and filter (or curating function). Platforms are designed one interaction at a time and develop by layering other interactions over time. The best way to do this is through the use of *modules*—clearly defined subsystems that connect and communicate with each other through interfaces. In order for this to work, modules must be developed according to overall design rules. It is best to design modular from the start.

There are a few key strategies for launching a platform.

1. The **follow-the-rabbit strategy** involves using a demonstration project that is not on the platform to model success and attract users to the new platform built on the model's infrastructure. Amazon, for example, started off as an online retailer and then converted itself to a platform that allowed external producers.
2. The **piggyback strategy** focuses on creating value units and recruiting users from different organization(s). For example, PayPal piggybacked on eBay and was so successful that eBay eventually bought it.
3. The **seeding strategy** starts with supporting one kind of user, say producers, and then using the value created to attract other users, in this case consumers. Often the platform creates the first set of value units, which allows it to define the quality desired. For example, Google launched its app offerings by offering prizes to the creators of the best apps. This created high-quality value units, which attracted consumers.
4. The **marquee strategy** seeks to attract users considered important to the platform. Oftentimes, these are producers. For example, Sephora, the beauty store chain that sells its own products along with those of external producers, negotiates deals with some of these producers that limits the sale of their products to its stores.
5. The **producer evangelism strategy** is designed to attract producers who bring their own consumers along to the platform. It does this by helping producers serve their consumers better, and over time the producers benefit from the other customers on the platform. This is how crowdfunding platforms like Indiegogo and Kickstarter work.
6. The **big-bang adoption strategy** uses traditional marketing to attract interest in the platform. For example, Twitter tipped into success when it partnered with the SXSW festival, by the end of which Twitter use had tripled.
7. The **micromarket strategy** targets a small market of users that are already interacting. This is what Facebook did when it launched at Harvard University.

Once you've figured out which launch strategy, or combination of strategies, works best, the next task is figuring out *virality*—the way the platform grows and develops. For example, Instagram “converted all its users into marketers” by incentivizing them to share their photos on external networks.<sup>11</sup> Similarly, “your goal is to design an ecosystem where senders want to transfer value units through an external network to a large number of recipients, ultimately leading many of those recipients to become users of your platform.”<sup>12</sup>

There are four key elements to begin the process of viral growth:

1. **Sender.** The sender is not necessarily talking about your platform, as in word of mouth, but spreads her own creations and indirectly generates awareness and interest in the platform.
2. **Value unit.** The value unit contributes to virality when it is spreadable, that is, it helps start an interaction on an external network. (You can also connect an opportunity to join feature to the value unit.) However, not all value units are spreadable; some contain confidential information.
3. **External networks.** These are networks outside of your platform that overlap with yours. Platforms often overlap each other, as with news sites’ “Share on Facebook” button. Sometimes, those platforms seek to restrict overlapping so that their users are not overwhelmed with external offers. Platform managers must be strategic in identifying external, value-adding networks.
4. **Recipient.** Finally, if recipients find the value unit valuable, they may react, or better yet, share them further, thereby growing your platform.

### PART 3 PLATFORM GOVERNANCE: PRACTICING DEMOCRACY

While not all platforms are big, many are, such that people who study them compare some to nation states.<sup>13</sup> Whether big or small, platforms are not only labs for innovation, they are spaces to practice shared decision making, which is central to democracy. In fact, applying platform expertise to social change efforts starts to look a lot like civil society.

Platform governance has been defined as “the set of rules concerning who gets to participate in an ecosystem, how to divide the value, and how to resolve conflicts.”<sup>14</sup> Because platforms create value both on and off the platform, ethical governance, or governance where the platform does not rule selfishly, is critical.

Platforms are based on meaningful interactions, and interaction failures occur when good interactions fail to take place and bad ones succeed. There are four main causes of these failures: information asymmetry, externalities, monopoly power, and risk. As the phrase suggests, *information asymmetry* occurs when one user knows facts that others don’t and uses it to his advantage, as in the case of counterfeit goods. *Externalities* are when costs or benefits accrue to people not involved in the interaction, such as when a friend gives your information to a company in order to gain a reward. Dropbox, for example, gives extra storage space to users who invite friends who sign up. This also includes the concept of public good, “whose value is not fully captured by the party that created it.”<sup>15</sup> *Monopoly power* is advantage resulting from the capture of a valued good, such as access to resources. Finally, *risk* is the possibility of an interaction going bad, such as a user not delivering on her end of the interaction. All of these must be mitigated through governance.

There are four main sets of tools for platform governance: laws, norms, architecture, and markets. **Laws** are the explicit rules that “moderate behavior at both the user and the ecosystem level.”<sup>16</sup> They include terms of service and rules of engagement and should generally be transparent.<sup>17</sup> For example, Apple

allows users to share digital content with up to six devices or family members. This balances incentivizing the purchase of additional Apple products and services with allowing reasonable levels of sharing.

Platforms are essentially dedicated communities that are nurtured by **norms** that create the desired culture. This includes principles to guide interactions and actions. For example, the iStockPhoto community's norms include "feedback, high-quality content, open engagement, and a natural progression to greater levels of authority."<sup>18</sup> Norms are created by what platform designers call behavior design, "a recurring sequence of *trigger, action, reward, and investment*."<sup>19</sup> The trigger is a signal from the platform to the user that prompts the user to take some action, which produces a reward, and then asks the user to make an investment, usually of time, data, social capital, or money. For example, you may see a Facebook ad for an interesting vacation adventure. You click on it and receive useful information about how to bring that adventure closer to reality. In return, you provide information about yourself so that you can continue to receive more of this kind of information.

However, especially when dealing with public goods, "as a rule, it's desirable to have users participate in shaping the systems that govern them."<sup>20</sup> This has been shown to follow a pattern.

1. Clearly *defined boundaries* exist between who is and who is not entitled to community benefits
2. People affected by decisions regarding community resources can *influence decision making*
3. People who monitor community behavior are *accountable to the community*
4. *Graduated sanctions* are applied in violation of rules
5. Community members have access to *low-cost dispute resolution*
6. As community resources grow, *nested tiers* define governance, with simple issues addressed by small, local groups and complex ones by formally organized groups

In platform governance, **architecture** refers to well-designed systems that encourage and reward desirable behavior and correct for the aforementioned interaction failures. For example, Bitcoin digital currency and the blockchain protocol governing it offer unforgeable currency that is decentralized—that is, not controlled by a government, bank, or individual. In this case, "the blockchain protocol makes decentralized governance possible."<sup>21</sup>

The value exchanged on the platform **market** is usually in the form of social currency, giving something to get something. For example, when you offer fun via a photo post, you get people who like it and maybe even share it. Further, this may get you more followers, which builds your online reputation, which you can then leverage off-platform. When creating and sharing intellectual property that may be useful as public goods, a different aspect of market emerges. The platform must seek to balance individual ownership, which incentivizes idea sharing, with platform ownership, which enriches the platform ecosystem. This is a feature of risk, the reduction of which is always a platform concern. However, platforms must focus on minimizing risk for users, which maximizes value creation.

Platform governance must orient toward new value, not protecting the past. It must promote evolution. Therefore, the ultimate governance is, as a reviewer of Parker, Van Alstyne, and Choudary's *Platform Revolution* summarizes it, "design for self-design"—that is, it encourages platform members to collaborate freely and experiment fearlessly in order to update the rules as necessary."<sup>22</sup> Platform managers must be on the lookout for signs of change. This includes new behavior by users, unanticipated conflicts among users, and encroachment by competitors. When change is spotted, information about it should spread quickly throughout the platform and encourage conversations about creative governance evolution. Governance should pay attention to speed and design both for issues that require a slow response and those that require a fast one.

## PART 4 PLATFORM LIFE CYCLE AND METRICS

Metrics have a complicated place in nonprofit organizations, or in any efforts seeking social change. Trends have moved from measuring inputs, to measuring outputs, to measuring outcomes, to measuring impact.

Platforms amplify value and allow for clear measurement. They sidestep some of the challenges of measuring social change with their simple focus on curating high-quality interactions, which is also a key metric for a good society.

While a platform may be designed to track various indicators, the core metric is the number of satisfying user interactions. In other words, “Platform metrics need to measure the *rate of interaction success and the factors that contribute to it*.”<sup>23</sup> With platforms, we learn to capture and measure network effects.

Metrics also correspond to the life cycle of the platform, or what phase of development it is in—from start-up, to growth, to maturity. Platforms in the **start-up phase** must track “the growth of their most important asset: active producers and consumers who are participating in a large volume of successful interactions.”<sup>24</sup> Traditional metrics, such as revenues and cash flow, are not relevant in evaluating the strength of the platform in this phase.

In addition to the volume of successful interaction, platform managers should focus on the benefits that accrue to both producers and consumers. The purpose is to define success and failure, and identify how to improve the value of the platform for its users. There are three key metrics for this—liquidity, matching quality, and trust.

Platform *liquidity* is the state of minimum producers and consumers needed for a high percentage of successful interactions. “When liquidity is achieved, interaction failure is minimized, and the intent of users to interact is consistently satisfied within a reasonable period of time.”<sup>25</sup> Though the formula, or the data collected to satisfy the metric, will vary from platform to platform, this is the first and most important milestone in the life cycle.

*Matching quality* is the accuracy of the process for seeking other users with whom to engage in successful interactions. “It is achieved through excellence in product or service curation.”<sup>26</sup> This must be translated into a concrete quantity “with a clear operational definition.”<sup>27</sup> One way to do this is to track users for a period of a few months to differentiate between different types and corresponding levels of activity. From this, the platform manager can determine a tipping point after which users become active. Then, the rate of users at this level can be tracked as a signal of platform strength.

The third key start-up metric is *trust*, the degree to which users feel comfortable with the level of risk associated with interacting on the platform. As with matching quality, it is achieved through curation. “A well-run platform is one in which participants on both sides have been successfully curated so that users are comfortable with the level of risk involved in engaging.”<sup>28</sup>

Platforms that focus on content creation may require additional metrics. These include some measure for *co-creation*—“the percentage of listings that are consumed by users”—and *consumer relevance*—“the percentage of listings that receive some minimum level of positive response from potential consumers.”<sup>29</sup>

In the **growth phase**, platform managers must ensure the vibrancy of the platform's core interaction, and that the inflow of new users is greater than the outflow of users, so that the platform grows. This relies on a balance of users, or the *producer-to-consumer ratio*. Any efforts to balance focus on active users ("those who've engaged in interactions on the platform at a specific minimum rate of frequency that you consider appropriate"<sup>30</sup>). One way to do this is to measure the *value of each user type*.

Producer value can be measured by monitoring frequency of *producer participation*, *listings created*, *outcomes achieved*, and *interaction failure*—the percentage of interactions that are initiated but not completed. "These models capture the mechanisms by which repeat producers provide recurring platform [value] without incurring additional acquisition costs."<sup>31</sup> On the flipside, "because repeat producers are especially [valuable] to a platform, well-managed platform[s] . . . work hard to create active repeat producers."<sup>32</sup>

Consumer value is tracked by monitoring *frequency of consumption*, *searches*, and *rate of conversion*—the percentage of searches that result in interactions. An additional metric is the *side-switching rate*, or the rate of conversion from one user type to another, as in from consumer to producer.

In **maturity**, platforms focus on *innovation*, or the growth of improvement. One way to identify necessary innovation is to look at the adaptations that users are creating on the platform and determine which are used widely enough such that they should be incorporated into the core interaction somehow. In this way, the platform expands on its core interaction.

Platform Metrics			
PHASE	CORE METRIC	METRIC	Possible DATA
Start-up	The volume of successful interactions	<b>Liquidity</b> —The minimum number of producers and consumers needed for a high rate of successful interactions	Active producers Active consumers Successful interactions Benefits to producers Benefits to consumers
		<b>Matching quality</b> —The accuracy of the process for seeking other users with whom to engage in successful interactions	Users tracked to determine tipping point for active users
		<b>Trust</b> —The degree to which users feel comfortable with the level of risk associated with interacting on the platform	Producers and consumers curated for comfort on both sides of the interaction
Growth	The growth of successful interactions	<b>Producer-to-consumer ratio</b> —The balance between users	Producer participation Listings created Outcome achieved Interaction failure Frequency of consumption Searches Rate of interaction conversion Side-switching rate
		<b>User value</b> —The value of each user type	
Maturity	The growth of improvement	<b>Innovation</b> —Improvements against a baseline	Developer adaptations

*We hope that this article has piqued your interest in this alternative organizational form. We would like to keep this conversation going by inviting those who are already working on or developing platforms to describe the potential and requirements for the uses of platforms in the civil sector.*

## NOTES

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