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Mastering the Universe

By Paul B. Brown

Platform Leadership: How Intel, Microsoft, and Cisco Drive Industry Innovation By Annabelle Gawer and Michael A. Cusumano

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Pop quiz: what do Digital Equipment Corp.'s Alpha microprocessor, Sony's Betamax, Microsoft's Pocket PC and Apple's Macintosh all have in common?

They are, say the authors, failed "platform leaders." What's a platform leader? Products that become "the foundation on which other companies build their products or offer their services."

Why are they important? That's simple. When done well—as in the case of Microsoft's Windows operating systems, Intel's processors and Cisco Systems' hardware—platform leaders become an integral part of products that bring in hundreds of billions of dollars.

So how do you become one? Cusumano, a management professor at MIT's Sloan School of Management, and Gawer, an assistant professor of strategy and management at France's INSEAD, argue that it requires you to manipulate successfully four interdependent variables.

The scope of your firm. What innovations do you develop internally? And what do you encourage other firms to do, based on your platform? Obviously, this decision is critical to becoming a platform leader. Yet the authors argue that it is not an either/or decision: You should neither do everything yourself nor predominantly outsource. Depending on your capabilities and needs, you might develop some add-on products—Microsoft Office is the classic example—while encouraging other firms to work with you. The question here is what, if anything, beyond the development of your core platform do you do?

But deciding what to do internally is not a one-time choice. The best platform leaders are constantly evaluating what they are best at developing and where the outside expertise lies.

Product architecture. Clearly, if you want other firms to work with you, your interfaces need to be open. Apple wasn't willing to share, and that limited the company's growth.

External relationships. "To be a platform leader...a firm is highly dependent on external companies for complements that make the platform more valuable to end-users. Platform leaders therefore have to devise strategies to collaborate with and influence a broad set of firms" as to what they will contribute. That is hard enough, but companies have to manage the relationship while collaborating with these firms and competing with them at the same

time.

Internal organization. You have to set up a firm that can deal with all of the above. Intel's solution is to segment business units with different goals. While some parts focus on what Intel can do exclusively, others devote all their energy to help outside firms develop complements to Intel's core products.

This is not beach reading. Examples both good and bad are sprinkled throughout, although much of the text is devoted to Intel. The research started out as part of Gawer's doctoral dissertation, and the book often reads that way. And if you are a CIO of a company that wants to work with a platform leader, you are going to have to connect the dots yourself.

Still, whether you want to obtain platform leader status or you want to understand better how to work with a platform leader by understanding the issues platform leaders need to grapple with daily, this book goes a long way toward framing those issues.

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