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Book Review

Annabelle Gawer and Michael Cusumano
Platform Leadership: How Intel, Microsoft, and Cisco Drive Industry Innovation (Boston: Harvard Business School Press, 2002).

A former business school professor who later became a colleague once told me a joke that begins to explain this book:

How do you tell the strategy professors at a race track?
After the race, they will tell you precisely why the winning horse won.

Michael Cusumano, a strategy professor at MIT's Sloan School, coauthored one of the best and earliest books on the implications of the Net by analyzing Netscape in Competing on Internet Time. Now he and his former graduate student Annabelle Gawer, now at Insead, have done a nice job of explaining why Intel in particular dominated its industry in the 1990s. Like the earlier book, *Platform Leadership* is best where its empirical research base is strongest, in the excerpts from hundreds of hours of interviews with managers. The book does nicely what few business book do: show that success was not predetermined but rather that real career risks were taken by real people, some of whom—gasp!—made bad decisions along the way.

Even though the title suggests that three industry leaders are studied in depth, *Platform Leadership* is really the story of Intel, with other examples positioned primarily to highlight differences rather than tell parallel stories. More than 100 block quotations from Intel managers drive the first three body chapters; after that, most material, including quotations, is from secondary sources. There is no problem with this approach, but the title could deceive readers looking for equal treatment of all three companies. Later, quick snapshots of other platform players—Palm, DoCoMo, Linux—provide further contrast to the Intel master narrative.

What is a platform? Early on, a working definition is proposed:

- an evolving system made of interdependent pieces that each can be innovated upon.

The key themes are interdependency and innovation, both of which involve players outside the traditional vertically integrated firm yet need to be managed. While high-tech is obviously characterized by these dynamics, the authors point out that more and more industries have this structure, in part because of the increasing software content outside computers. As the Intel story unfolds, many of the lessons—about openness, about competition, about internal friction—do in fact translate far beyond the world of semiconductor design and fabrication.

Every one of those non-betting strategy professors at the racetrack has a framework. Gawer and Cusumano assert that firms have four basic "levers" they can pull to influence the direction of a platfom that typically is not owned by any one firm. These are the following:

1) *Scope of the firm*
This is a macroscopic view of the buy/build decision: what gets done inside, or outside, or in both places? How are changes to these priorities and competencies decided and navigated?

2) *Product technology*
In particular, how are decisions made and executed with regard to architecture, interfaces, and intellectual property? How modular is a product or sub-unit? How open are the interface technologies such as APIs?

3) *Relationships with external complementors*
Does a platform leader follow Intel, which in the 1990s professed not to want to drive companies out of business? Or is the model closer to Microsoft, which has repeatedly done so by swallowing functionality introduced by competitors, typically into the operating system?

4) *Internal organization*
Intel is a huge, powerful company with the usual fiefdoms and competitiveness. How are these delimited and ruled in such a way as to support innovation of interdependent pieces? How are culture and process managed?

The centerpiece of the book is the Intel Architecture Lab (IAL), in part because that's the unit where Gawer had the best access. But it was in fact a critically important piece of computing history during the boom of the 1990s, a place that embodied the paradox of coopetition: secrets were shared (in the form of forthcoming Intel architectures and specifications), interoperability was assured (usually) on equal terms, and new markets were invaded (in the case of the PCI bus's incursion on IBM territory). The stated goal was to sell more processors not by stealing share (as a primary tactic) but by increasing the vitality of the entire PC industry.

The book's retrospective look is on the whole honest and pathological rather than enthusiastically prescriptive. That is, the contingent nature of the Intel managers' world is never far from the surface, and the four-lever framework is generally allowed to emerge from the evidence rather than imposed on the frequently pre-omniscient decision-makers present in so many business books. At the same time, Gawer and Cusumano would do well to remember the old adage that it's better to be lucky than smart. That is, much of a company's fate has little to do with conscious goal-setting and decision-making.

While the authors position the IAL as their centerpiece, Intel CEO Andrew Grove was the right leader for the right time, a master motivator and credible technologist capable of managing the intense, engineering-driven culture. The portrayal of the IAL, as told by the managers to some extent for their own ears, is in many ways the story Gawer wanted to hear. Missing from the book are multiple examples of Intel's sometimes brilliant, sometimes heavy-handed, often but not invariably correct market moves. For example, intellectual property, covered to some degree in the book, was a powerful tool for ensuring demand, thwarting competitors, and maintaining a key position in the ecosystem. Finally, keep in mind that IBM once owned 20 percent of Intel but sold the shares in 1986 and 1987. Though IBM made $625 million from the $400 million investment within three years, it could have been worth $5.4 billion if IBM held it longer. More importantly, IBM lost direct control over Intel with the sale. It's worth wondering

whether Intel's history would have been altered had that ownership remained in place. In terms of *Platform Leadership*, such events are a critical part of the history even if they aren't obviously platform tactics.

As a result, *Platform Leadership* contains useful but not all-inclusive lessons for managers faced with platform decisions. For those tempted to memorialize the story, however, there's a footnote. Intel is currently faced with declining sales volume as processor performance outstrips the needs of particularly the business application portfolio; few budget-strapped CIOs see the need to put 2 or next year 4-gigahertz PCs on thousands of enterprise desktops to run spellcheckers. For this and other reasons, Intel has apparently rethought its expand-the-whole-pie stance and is, in Microsoft fashion, pulling more functionality onto the CPU. This trend encroaches onto the terrain of networking and multimedia firms, and the basis of trust that drove the platform model of a decade ago appears to be threatened as Intel has recharted its own course for corporate survival. In addition to the lessons in the book, there may be one more that should be noted: no strategy can run forever, and teaching organizations how to evolve may be even harder and more important than teaching them how to compete at any given moment.