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Stephen Ibaraki
 Technology Journalist I.S.P.,
 DF/NPA, CNP



Barnaby Jeans
 IT Pro Advisor
 Microsoft Canada



Part 5/5—Interview: co-author Roy Levien; The KeyStone Advantage: "This is an important book that should be read by anyone interested in the dynamics of modern business." -- Bill Gates

Last [Wednesday](#), I began my discussion with Roy Levien. On [Thursday](#), [Friday](#), and this [Monday](#), we continued the interview. Here is part 5.

I would like to hear your opinions in this forum or send me an e-mail at sibaraki@cips.ca. Enjoy! ... From Stephen Ibaraki, I.S.P.

Q: Your views on Enron, Apple, AOL are enlightening. Please explain?

A: All three are examples of firms, that in different ways, failed to employ their central positions in their networks in ways that were effective. We talk about them at length in the book.

Instead of serving as keystones, they each acted as a dominator, each to a different degree and a different mode. Enron is the most spectacular and well-known example: it served as a kind of "value dominator", a usurious landlord on the whole system of energy delivery and trading. All of its activities - indeed all of its considerable cleverness and creativity - was focused on extracting value for itself, not on creating it or on allocating it in ways that sustained the ecosystem. Enron *became* the ecosystem, dominating every valuable aspect of it and at the same time it destroyed its capacity to create new value. We know where that led. AOL did the same thing to a degree: it extracted high rents from its "hub real estate" and ended up draining it right out of the ecosystem that they ought to have been helping to start. During the dot-com heyday, they had startups handing over huge chunks of the capital they raised directly to AOL as price of admission to a system that never got off the ground, largely because of AOL's greed. Both Enron and AOL are examples of firms that acted as if they failed to appreciate the important role that a network hub can play in the health of an ecosystem.

Apple is a slightly different case: they missed a huge opportunity to start a healthy ecosystem because they were so focused on the quality and greatness of their *product* that they didn't think in terms of the possibility of establishing an ecosystem around an architecture. This wasn't an issue of competence: Apple had a superb architecture including all the right pieces - their APIs and the famous "Phonebook" that describes them were works of art. But they couldn't take the business decision to run things on a longer leash and live in a slightly less orderly but more dynamic world. That's precisely the decision Microsoft made and it's why they are so much more valuable and influential than Apple today, 20 years on.

Q: Can you detail future papers and books that we can expect from you?

A: I'm working on two books. One, "*Resistance is Futile*" that focuses on the implications of evolutionary processes for the way our institutions and organizations evolve. In a way it's a broadening of the very narrow focus of "*Keystone Advantage*" to encompass other arenas - political, social, economic, technological, and cultural - and to address other issues, such as our relationship to the institutions we create and the extent to which we control them. In parallel I'm working (at a glacial pace) on a science fiction book, "*Exodus 2*", which deals with the same things. Don't laugh.

Q: If you were doing this interview, what two questions would you ask of someone in your position and what would be your answers?

A: That depends on what you think my "position" is, and on who's asking the questions.

The critical question, I think, for most executives in firms of just about any size, is "where do I sit in my business network, what are the limits and what is the potential?" If Netscape had asked this question, it would still be a going concern. If Apple had asked this question at the right moment, there might never have been a Windows. IBM asked this question recently, and they are changing the software landscape. The answer, of course, is different for every firm, but the critical thing is to be realistic about where your opportunities lie, and to be willing to rethink your business as a participant in a network of products and services and technologies, rather than as an isolated firm making something that stands alone. That means accepting that you have dependencies, often on things you cannot control; and to be pragmatic and proactive about balancing the good and the bad that comes from this. There are efficiencies that come from leveraging the platform, pitfalls of dependency - and potentially huge opportunities for making some aspects of what you do essential for many others in the network.

More generally, a critical question that just about anyone could ask is "what are the broadest insights from your work to policy, economics, and society?" I'd say that the key insight there is that biological forces are at work at all levels of complexity. We have a tendency to draw a line between life and non-life, and between one system and another, and to think of ourselves as somehow being in the driver's seat. But that's just not how things work: we are embedded in systems that are changing all the time, subject to their own dynamics; we often simply don't have collective access to the levers that control these systems (think traffic jams!) but even when we can acquire some God's-eye perspective - through regulation or legislation - we can't change the fundamental ways in which they work. That realization is that it's not just important for business decision-makers.

Q: Roy, we are so fortunate to have your share your accumulated business acumen with our audience. Thank you!

A: Thank you. My pleasure.

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John Oxley
Director IT Pro Evangelism
Microsoft Canada



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