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Building High-Impact Entrepreneurship and Investing Communities in Flyover Country | Part III: Embracing Cooptition

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Competition is fierce in Silicon Valley, for talent, for markets, for technology. At the same time, it is a place where fierce competitors come together, as well as apart as relevant markets and technologies evolve (and come and go). Consider, for example, the still evolving relationship between two high-tech icons, Steve Jobs' Apple (founded in 1976) and Bill Gates' Microsoft (1975).

For the first ten years of their rivalry, Messrs. Gates and Jobs danced around each other warily, cognizant of their very different visions of the world and their companies, but seemingly unsure of exactly where their interests converged and diverged. Cautious mutual respect, coupled with the distance between Redmond and Cupertino, kept the competitive waters, and personal chemistry warm, but not boiling over. This was a time when Gates remarked that he had more people developing software for the Mac than Jobs did.

That all changed in 1985, when Microsoft launched Windows, directly targeted at Apple's pioneering (well, sort of: see Xerox/PARC) mouse/GUI operating system. The competition was both technical (Apple mostly won that fight) and legal (Microsoft winning that battle after the companies spent, between them, something like \$400 million on legal fees). In the market, though, between 1985 and 1997 – when Jobs returned to Apple – Microsoft more or less demolished Apple in terms of scale and profitability. (He also put one of several nails in the coffin of the company Jobs' started when he left Apple, NeXT.) According to Jobs "Gates just ripped us off completely, because [he] has no shame."

And then, as the computer world wondered if Apple would even survive, Gates and Microsoft stepped in with a \$150 million financial lifeline that likely saved Apple (where Jobs was back in charge) from bankruptcy. Beyond the vital cash

injection, the strategic agreement included critical product support agreements. “Bill (Gates) thank you” Steve Jobs said publicly the next day, “the world’s a better place.” Indeed it was ... and is.

I am not going to tell you that Gates and Jobs weren’t looking out for their own companies (and visions) when they did that deal in 1997, or that they did not consider themselves bitter rivals. But I will say that both leaders had a view of the market – and their own competitive posture – that included an important insight: healthy competition is good and healthy competitors are a necessary part of that.

The long, still evolving Apple/Microsoft relationship is an iconic example of how “frenemies” engage with each other in the Silicon Valley model where cooptition – a complex and shifting mixture of cooperation and competition between businesses – is the norm. It’s a story that is always playing out in the Valley, and other centers of high-impact entrepreneurship and investing, as entrepreneurs and investors jockey for position even as the track they are racing on is continually morphing. Even as it is, for the cynic, of the “keep your friends close and your enemies closer” school of human/business relationships.

Contrast the cooptition of the frenemy competitive paradigm with the take-no-prisoners approach in more traditional business cultures. The competition between Data General and DEC, for example. These two Boston-based companies owned the huge minicomputer market in the 1970s/80s (a much bigger market at the time than the one Apple and Microsoft were fighting over). Alas, they never looked beyond their bitter rivalry, and so destroyed each other fighting over a market that was vanishing even as they fought so fiercely to own it.

If we want to have a self-sustaining, economically important center of high-impact entrepreneurship and investing in the New North, we need more folks – existing businesses, entrepreneurs, and risk capital investors – to understand and leverage the “frenemy”-understanding of competition. Call it cooptition, open innovation, whatever. Just make sure that folks know that business success is not a zero sum game; that businesses don’t have friends and enemies: like nations, they have interests.

Next time, why job hopping is a big part of healthy high-impact entrepreneurship and investing communities.

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