

# The Strategist 3

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competition ... or cooperation ... both!

Game theory covers

individual action focused on individual interests

and

joint action focused on joint interests

... both!



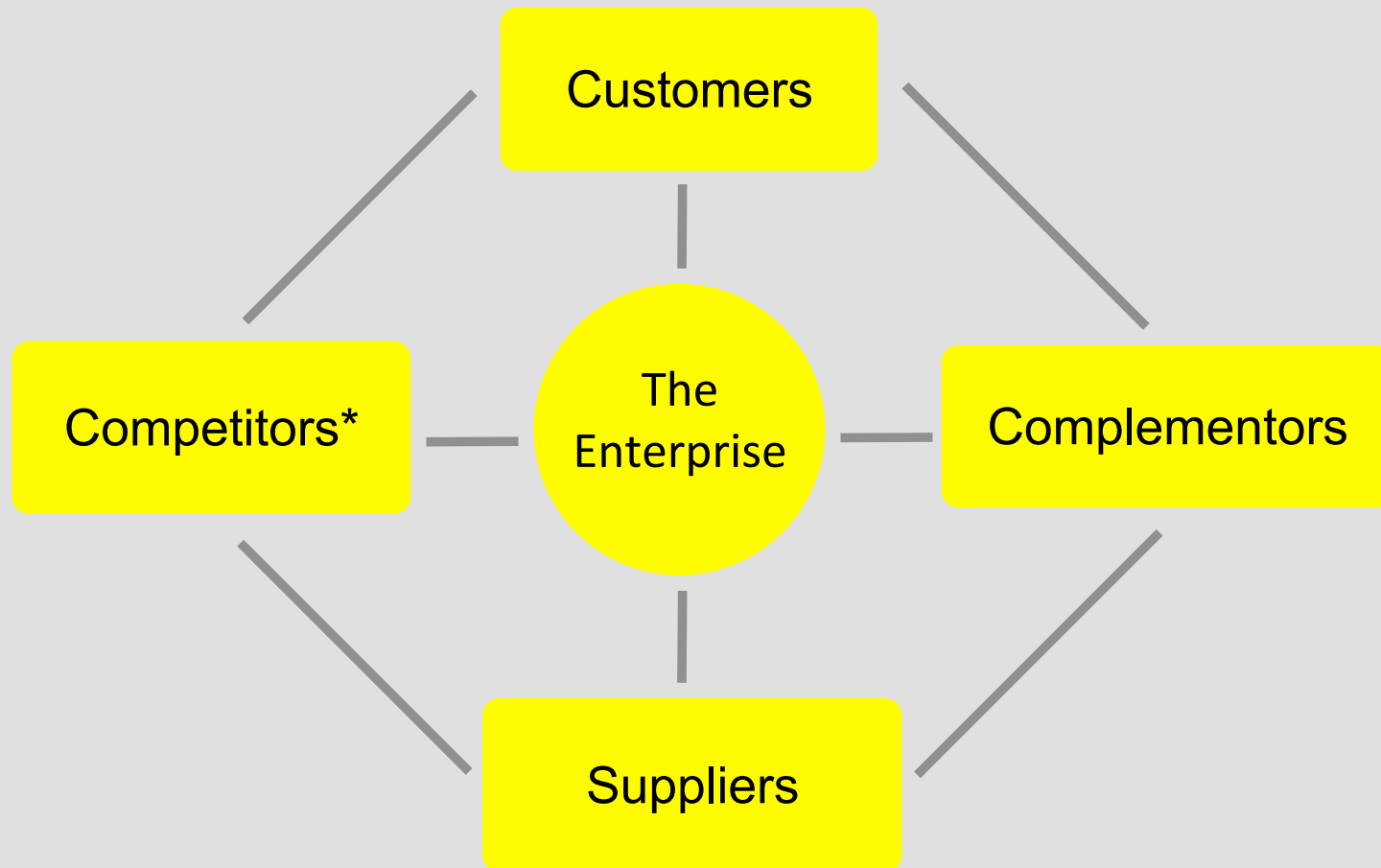
**A set of players:**

$$N = \{1, 2, \dots, n\}$$

**A characteristic function:**

$$v: \mathcal{P}(N) \rightarrow \mathbb{R}$$





\* Substitutors?





“Sure competition here is sharp-elbowed,” said Reid Hoffman, a co-founder of LinkedIn. “But no one can succeed by themselves. Apple today is totally focused on how it can better work with its [applications] developer community.” It cannot thrive without them. “The only way you can achieve something magnificent is by working with other people,” said Hoffman. “There is lots of co-opetition.”




“Consider the world’s greatest challenges --- from climate change to resource scarcity to inequality. Did any one institution, or any one sector, create these challenges? Absolutely not. These are shared challenges, and for that reason, the solutions can only be collaborative. Collaboration --- in the right balance with competition --- can drive value, too --- for businesses, and for the planet. In their book *Co-opetition*, Adam Brandenburger and Barry Nalebuff describe just such a balance --- a new kind of business strategy in which companies work together to develop products and markets in an attempt to expand opportunities for all. It’s an idea that I find particularly relevant to PepsiCo’s business. Take sustainable packaging, for example. We have invested significantly in sustainable beverage bottles. They’ve helped us conserve resources, and communicate our sustainable values to consumers. But this shouldn’t be a source of competition --- it should be the status quo!”

-- Indra Nooyi, Chair and CEO, PepsiCo, prepared remarks for BSR Conference 2014

See also [www.youtube.com/watch?v=iicVUa8bANA](http://www.youtube.com/watch?v=iicVUa8bANA)

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A close-up photograph of a dark brown ceramic coffee cup filled with a latte. The surface of the milk is decorated with a white, heart-shaped latte art design. The cup sits on a matching dark brown saucer. The entire set is placed on a light-colored, metallic, brushed-surface table. In the background, a blurred city street is visible through a window, showing a yellow taxi and a dark car.

[http://www.slate.com/articles/news\\_and\\_politics/hey\\_wait\\_a\\_minute/2007/12/dont\\_fear\\_starbucks.2.html](http://www.slate.com/articles/news_and_politics/hey_wait_a_minute/2007/12/dont_fear_starbucks.2.html); <http://www.businessinsider.com/10-best-coffee-shops-in-new-york-city-2015-10>

When Starbucks opens a store next to a mom and pop, it creates a sort of coffee nexus where people can go whenever they think “coffee.” Local consumers might have a formative experience with a Java Chip Frappuccino, but chances are they’ll branch out to the cheaper, less crowded, and often higher-quality independent cafe later on. So when Starbucks blitzed Omaha with six new stores in 2002, for instance, business at all coffeehouses in town immediately went up as much as 25 percent.

## Possible implications of business behavior:

	Individual Action	Joint Action
Substitution	Good <sup>(1)</sup>	Bad <sup>(2)</sup>
Complementarity	Bad <sup>(3)</sup>	Good <sup>(4)</sup>

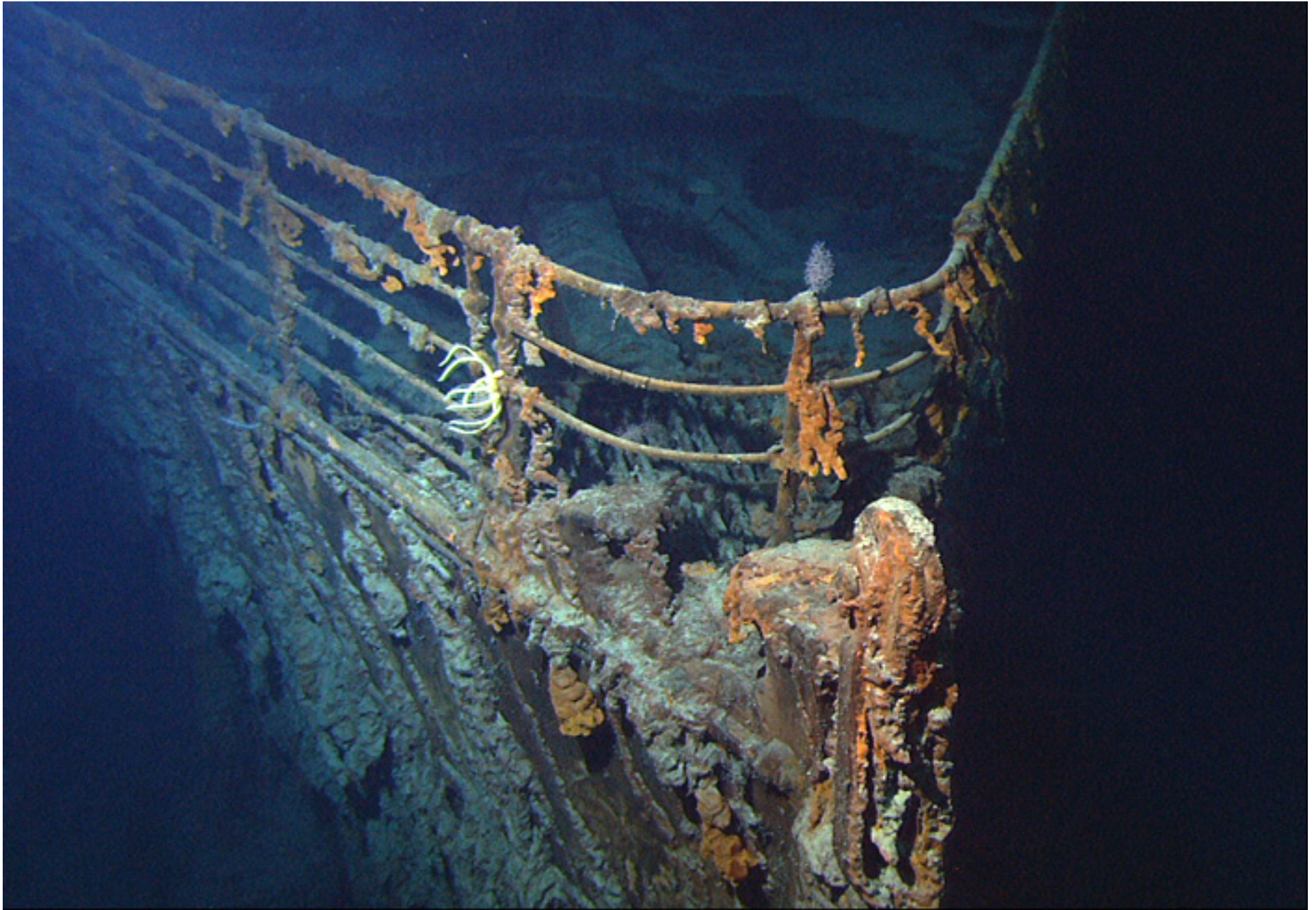
(1) Work to distinguish self from others

(2) Increase power over downstream and/or upstream

(3) Undersupply and/or underdemand and/or mismatch features

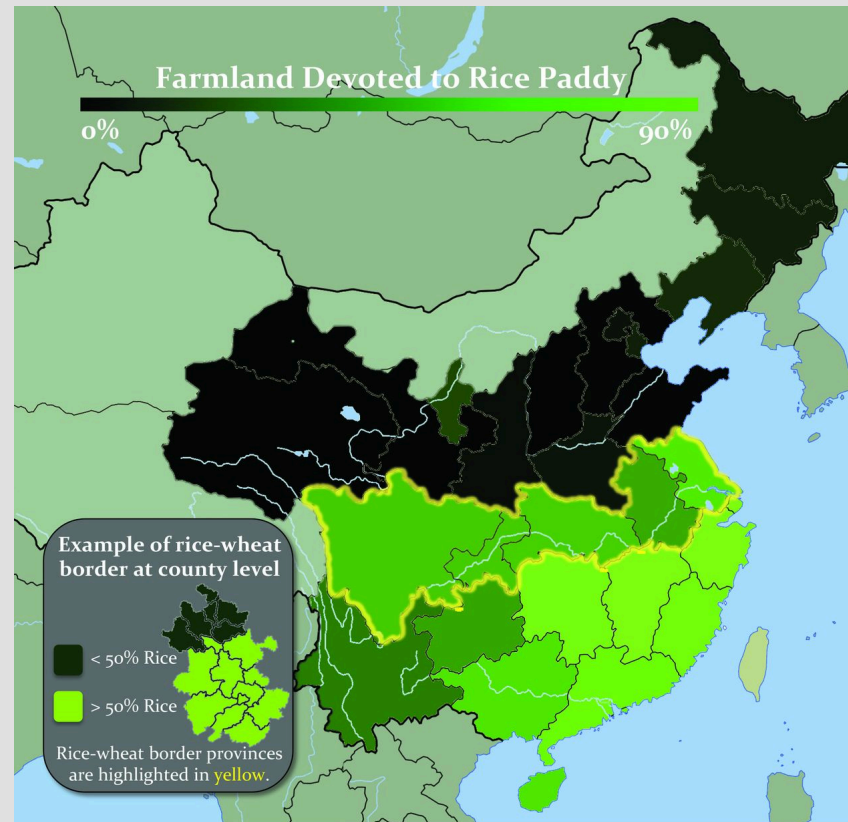
(4) Coordinate on relevant variables





“I am not free if you, too, are not free; my liberty must be `reflected' in the freedom of others --- the individualist is wrong who thinks that the frontier of my liberty is your liberty --- liberties are complementary --- are indispensable to each other --- not competitive.”

--Mikhail Bakunin, quoted in Berlin, I., *Russian Thinkers*, Penguin, 1994, p.122



Percent of cultivated land devoted to rice paddies in 1996

Three major herding provinces are not shaded: Tibet, Xinjiang, and Inner Mongolia

“We propose that a history of farming rice makes cultures more interdependent, whereas farming wheat makes cultures more independent, and these agricultural legacies continue to affect people in the modern world. We tested 1162 Han Chinese participants in six sites and found that rice-growing southern China is more interdependent and holistic-thinking than the wheat-growing north.”





“The human failing I would most like to correct is aggression,” the astrophysicist said. “It may have had survival advantage in caveman days, to get more food, territory or a partner with whom to reproduce, but now it threatens to destroy us all.” The human quality the scientist would most like to magnify was empathy. “It brings us together in a peaceful loving state.”