

Duels or duets?

Characterizing interaction between companies.

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Abstract

Two metaphors – duel and duet – is used to identify the possible variation in interaction between organizations. Each of the metaphors describes a special type of interaction and if applied to organizations give interesting effects on both the single organization as well as for the organizations as a collective. In the paper interaction according to each metaphor is describe, consequences for how the organizations are seen as actors and what kind of assumptions that given the interaction must be made regarding activities performed and resources involved. In the final part structures including both duels and duets are discussed.

Keywords: Interaction, context, development, economic structure, duel, duet, resources, activities,

Importance of context

When trying to explain human behaviour one central question has been to what degree it is context related. Explaining criminal or other behaviour one basic psychological question has been; How much of the behaviour can be explained by the context in relation to what a single person has inherited from his/her parents? The same question can be raised for companies. How much of the behaviour of a company is determined by its internal abilities and goals and how much is dependent on the context? Comparing individuals and organizations it seems reasonable to assume at least that an organization is as dependent on the context as an individual. This is an important starting point here because it indicates that what is taking place between organizations, i.e. how a single organization interacts with other organizations in its environment, is an important influencing factor for the development of all organizations. Thus, let us at least assume that organizations are affected by the interaction with others. In such a case there is an obvious mirror between the organization as an actor and the interaction it has with others.

So, how do organizations deal with each other? Two metaphors used in evolutionary settings can be used in order to show how different this question can be answered. These are duel and duet. A duel is an antagonistic interaction with usually only one winner and where the consequences for the defeated can be extremely severe. A duet is cooperation or co-action where two actors (singers) try to do something together that none of them can do in isolation. It is obvious that these two metaphors give two quite different pictures of the interaction between the organizations and which then also will have an effect on the organizations themselves. In this paper I will first use (play around with!) the two metaphors in order to portrait different type of interactions before discussing how this will affect both the total economic structure as well as the single actor (company).

Duels or the survival of the fittest

When you see interaction as a duel it is obvious that it is antagonistic behaviour that is the basic ingredient. The interaction is a fight between the organizations in receiving some kind of reward. The reward is outside the interaction and is given by the situation. The duel was a classical way to solve a dispute between two men and the dispute could be regarding honour, or something else. The fight in the duel is limited to a specific weapon and it is also controlled by rules of conduct. It is in this way a highly controlled competition – there are a whole set of rules directing the interaction in a specific way.

This type of metaphor has been important in evolutionary theories. It gives a picture of a world where the strongest or most fitted will be outperforming weaker participants. One early version of this is often connected to Darwin who discussed how there could be some kind of natural equilibrium created in the nature despite the fact that there were no social order. His answer was that in a given context a balance could be created through the existence of a number of countervailing powers. If we translate it to the language used here the existence of a large number of duels can in this way create a relative stable larger structure.

But the duels have also other effects. One regards how the different “actors” are relating to each other. Through the antagonistic behaviour the single actor has a very limited and very specific “interface” with these others. It is the conflict that totally dominates the picture. The single actor is in other words afraid for others – see them as potential enemies - and will try to limit the interaction in all situations when it is not feeling itself to be the stronger one.

The importance of this metaphor for the development of the market thinking has been discussed by Polanyi (1944). In the market case the interaction is due to the basic conflict regarding the economic issue – the division of economic rewards. The conflict is cleared by the price as other aspects are assumed to be built into the price – the buyer will try to pay as little as possible and the seller will try to get as high price as possible. Dependent on the balance between supply and demand we will get different prices and it can be shown that if there are no restrictions of any type we will reach equilibrium where we get a price that creates efficiency. Thus, the antagonistic behaviour is creating an efficient use of resources. The conclusion is obvious. Companies should basically compete with each other - the harder the better. This competition is (often) described in war terms or as a fight where only the strongest survives.

The antagonistic behaviour is not just recommended between companies producing the same type of product or service but also how buying-selling should be done. On the buying side, as an example, the basic advice has been to try to enhance the competition between the existing suppliers and always take the one that is best for the moment. It is in other words very much the duel metaphor that is the basic advice. Swedberg (1994) characterizes this market mechanism in terms of being a “thin” type of interaction.

One reason for using this metaphor is that it is creating a selection mechanism. Through the process there are some who are selected to survive – the strongest which are the same as those who are most adapted to the existing environment. It is a neutral selection mechanism created by the total structure. Every duel has in this way a structural role and as a end result we will get a positive outcome – in economic theory this is described as a Pareto optimal situation – where all resources are used in an optimal way.

Duets or how to become better through others

A duet is something quite different. Duet is dominated by a cooperative approach where the two actors together are trying to find a way to combine their abilities. In order to develop the duet the two has to train together and to learn about each others abilities and how they can be combined. In this combining they might even find new own capabilities that they did not know about. It is obviously a try and error process including search, adaptations, learning and teaching. The outcome is uncertain and as the process in itself is costly there has to be a

continuous evaluation from both involved if the positive outcomes of the cooperation are larger than the costs for doing it. As the outcome is uncertain some of the duets will fail.

This type of behaviour has also been observed in the evolution literature based on Darwin and others (Ulfstrand 2008, p 123f, Thompson 1994). There are studies of thousands of interesting duets that together are creating an intricate web of species in nature. One typical example is pollination and the interaction between insects and flowers. It is important to notice that a duet can be done by very selfish actors who are doing it for their own benefit. A duet does not demand that the actor is interesting in the well being of others – that an actor has to care for the counterpart.

This type of behaviour has got a very limited interest in economics. The reason is probably that such behaviour requires that resources are not seen as given. This has been the case in economics where the main problems have been formulated as “limitations” in the total supply of resources, i.e. the key issue has been formulated as “the best use of limited but given resources”. But it has been observed in empirical based studies of businesses in history of economy and history of technology such as Rosenberg (1994) and Hughes (2004). It has also been seen and discussed in studies of technology or business development such as van der Ven et al 1999, von Hippel (1988) and of the IMP group (Håkansson et al 2009). In all these empirical based studies there are a large number of cases and surveys where different type of business “duets” are described and discussed.

As the single actor always has limited resources it has in duets to choose between potential counterparts. The choice is between those that it never has tried to have a duet with but also between those where it already has a duet going. In a single moment an economic actor usually has some few that it already has duets with and a large number of potential new counterparts. Here it has to decide how much to put into each existing as well as potential relationship. The typical solution is successive small changes in relation to the perceived results achieved. If we compare it with the duels there is an interesting similarity in terms of a selection process. In the first it is a structural mechanism while it in the second case is related to the individual actor and its subjective opinions. In both cases it functions as a selection process in terms of who will prosper (survive) and who will suffer (die). The existence of a selection process in both cases is a similarity but there are also some major differences which we will turn to now.

Consequences for activities and resources

In the description of the two metaphors above the focus is very much on the actor and the actor's way of approaching other actors. But business is also dealing with activities and resources. One interesting consequence of using these metaphors is that it also affects how the activities and resources are seen and handled.

If we first look at resources and activities on an aggregated level we can see that the duel is very much about the division of something valuable – the duel is about sharing what is valued. The whole interaction is directed toward this sharing. The one that wins take all or at least more of what is valued whatever this is. In the duet the interaction is about creating something valuable – the duel is creating something that none of the two could have done themselves. Thus, in the first case the interaction is about something that is given while in the second case it is about creating something new.

This is vital for both the activities and the resources. If we start with the latter they are in the duel seen as given. The question is how they should be divided. The one winning takes more of the resources. In the duet the two parties use their resources in order to create a new resource. Consequently, there are three sets of resources involved in the duet. The resources the two parties have when they start and the joint resource they create through the process. Here is a significant difference. The existence of duets is creating joint resources which are resources that only can be mobilized by two or more actors together. These resources are never controlled by the single actor but it is neither controlled by the larger collective. It is only controlled by two actors jointly. In this way the resource is from one angel individual – because the single actor can say no and then there will be no resource but it is also joint as both has to say yes in order for it to become useful.

The resources involved and changed in the duets can be production facilities, products, knowledge or capabilities. Duets are in this way including both learning and teaching in several dimensions – some physical some non-physical. An important part of interaction deals with the resources and how they should be used in relation to each other. It also means that the two counterparts are seeing each other from a resource point of view.

If we look at the two metaphors from an activity point of view we can also see a difference. In the duel the activity caused by the duel itself is only indirectly related to some basic activities. It is just an activity comparing the two in one or several aspects – comparing their ability in handling a weapon or efficiency in producing a product. However, in the duet the two counterparts own basic activities are involved in developing a joint activity where, furthermore, each of the involved actors own activities might be altered or developed. The activity performed together with the counterpart might have effects on the internal activities – there will be learning opportunities. It can both be to better adapt to the activities of others or to learn how to utilize the existence of special features in the counterparts activities for the own ones. It can regard production, handling, transportation or administrative activities that are discussed and dealt with in the interaction. The two counterparts can through interaction find ways to relate and link activities to each other. The counterparts can utilize existing interdependencies and they can develop interdependencies in order to increase efficiency in one way or another. (Richardson, 1972, Dubois, 1988, Håkansson et al, 2009, Hulthén 2002)

The main difference between the two forms is in this way maybe not how the two parties see each other but how they treat resources and activities in the interaction. In the duel the activities and resources are seen as given and the interaction deals with how these activities and resources are to be used while in the duet the interaction deals with changing the activities as well as the resources. This is also creating an interesting inter-organizational “force” where both activities and resources also get an important dyadic content.

The existence of several duets for a single actor will make this dyadic content to become more collective. If the different counterparts take these other duets into consideration there will be interdependencies between them and they will become more collective. The existence of these dyadic and collective ingredients is creating an interesting “glue” between the involved parties – there are both resources and activities that are shared between the single units. This glue will increase the efficiency of the activities in relation to the other activities involved and it will also combine the used resources better. However, it will also make the activities more difficult to link to activities not involved as well as make it harder to combine the involved resources with resources not involved. Both activities and resources will become positioned in relation to other activities and resources. They will be “closer” to some and more far distanced to some other.

Structures where duels and duets are mixed

The two metaphors describe two very different interactions. As we have found that both have been used in describing and characterising interaction between companies we can also assume that they are used by companies. Then, we also have to assume that both are used. Therefore, let us see what happens if we mix the two forms in a collection of organizations. That is, if we have a structure including both duets and duels. Let us take the discussion in some steps where we successively increase the complexity

1. First we can take the case when there is a stability in the duels and duets – that is when there are either or in relation between two specific counterparties. Thus, we will have permanence in the acting. In this case we will get companies that have duets with some and duels with some other counterparts in a constant way. In this situation we will certainly expect that the existence of duels and duets will affect each other. For example, if A and B has a duet and the same is the case for A to C we will expect that there will be a good chance for the development of a duet between B and C. As a consequence there will be some cliques of companies having duets between each other while they have duels with some other cliques. It will be situations like the ones described as competition between supply chains or between countries producing the same products. The duels and duets will not be random even if we will find such cases but follow some basic “feature”. There will be a structure that we can find explanations to.

The structure will also cause some consequences in terms of development, learning and resource utilization. We get developments that very much will follow the existence of the “duets”. These will become visible as “chains”, “districts” or “clusters”.

2. In the next situation we will introduce dynamics in one more dimension as we also include the situation when duels might become duets and vice versa. In such cases we get a number of interaction processes switching between being duel and duet. An important consequence is that the involved companies will devote more resources to the “management” of the interaction. The actors become in such a situation much more concerned about why, how and in what way to interact. They will become more strategic and more concerned about the situation visa each other. This will probably make the clique we expected above to become much more “soft” in terms of boundaries. In this structure we will see more boundary type of

actors trying to capitalize on this specific position. A consequence will also be that we probably will get a better spread of all developments. It will not be so directed as in the case above. The result will be structures that look more like “networks”.

Another consequence might be that the duets successively will take over from the duels as they are creating more value. It will only be when there are some direct limitations where the duels will continue to be in majority.

3. In the final case we will turn to the situation when we also have the duels and the duets as extremes and that we will have a number of interactions that have ingredients of both types – i.e. being partly duels and partly duets. In this case we will have a large variety of interaction processes appearing between involved actors. The existence of both gives the interaction processes interesting development possibilities. It is possible for every actor to “play” with the interaction – in each and every situation there are always possibilities to change the content in the interaction. The combined comparison and development gives the involved actors reasons to always consider changes. Firstly, the degree of duel and duet can be changed but so can also the content in the duets. We will get a multidimensional structure where each actor can change in many ways in relation to several different counterparts. These opportunities might make some actors to become loosely connected to many but the important of developing duets will force most to have some few close interaction processes where the main development is complemented by a larger set of more loosely connected partners. Here we will have a situation where we have very embedded “networks”.

The single actor in different structures

In the first of the above structures the single actor has a very clear view of the counterparts – there are friends and there are enemies. This view determines once and for all how they will be met. This will have an important consequence for their development. They will become more developed in the direction of the duets than in relation to the duels. These will probably instead be used as reasons for further developments in the duets. Every actor will in this situation become part of one or a couple of cliques and the development of these cliques will be determining the development of the single company. Their development will be based on the development of the clique.

In the second structure where the single company also will switch between duels and duets there will be at least some actors that move around between the cliques. We will still have groups of actors having mainly duets but there will be single cases of changes making the boundaries of the cliques a little more open than in the first structure. The single actor will in this situation in relation to a single counterpart have to choose between duel and duet. Thus, it will have to assess the counterpart now and then in order to see if it should change its mind. A consequence is a very much concerned and active actor in this aspect. It becomes active because it sees the opportunities or because it will learn from others treating it in a conscious way.

In the third structure we will have single companies concerned about the interaction with others in several dimensions and trying to use it for their own development. Here we will find actors having quite varied interaction strategies and also very much concerned about different development trends in these interactions. The companies will act in a deliberate way in relation to each other. They have strategies and they have goals that they try to pursue. They both have strategies within single interactions but also with how one interaction fits into a larger picture. Important words are trust, strategy, ambitions, goals, networking.

Conclusion: The Importance of Others

What can we learn from this exercise? My first conclusion is that others are extremely important for the development of any organization. It is in the interaction with these others the company develops and is getting its features. The single organisation becomes through the interaction an actor that is seen and approached at by the others. This is independently of how the interaction looks like. The second conclusion is that the content of the interaction affects the content of the organisation, i.e. what features it gets and how it behaves. The organisation will become something different if it interacts in terms of duels instead of duets. It will get other features and it will affect all its behaviour. The third conclusion is that it seems rather strange to assume that there is only one type of interaction going on between the companies or that one type totally dominates the interaction. We need economic models including variety in these terms and probably also a large variety. There are good reasons to believe that the companies with all these managing ambitions will use whatever type of interaction that might be useful for them. Furthermore, that both the ability and intensity in this respect is increasing over the years.

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