Games companies play

Toward a coöperative corporation.

By Mark Williams

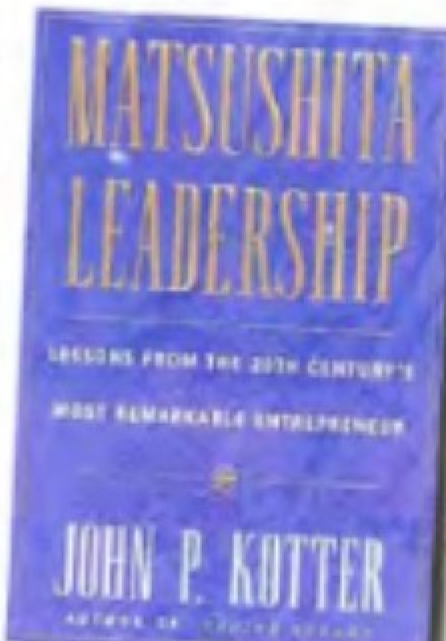
Do Lunch or Be Lunch: The Power of Predictability in Creating Your Future
By Howard H. Stevenson
with Jeffrey L. Cruikshank
Harvard Business School Press
320 pages, $24.95

Matsushita Leadership: Lessons from the 20th Century's Most Remarkable Entrepreneur
By John P. Kotter
Free Press
320 pages, $25

Two criminal accomplices are held in solitary confinement. Each, cut off from communication with the other, is told there's insufficient evidence for conviction on a principal charge, but for a secondary charge proof exists to jail both for a year. Police propose a plea bargain: "If you turn state's evidence, your partner will do three years for the main offense—but you'll go free." Both parties assume that the other has been offered the same deal. If each testifies against the other, both will receive two years in jail. Each prisoner correctly reasons, "If the other guy doesn't testify, I'm better off testifying because I'll go free. And if he does testify, I should still take the deal because I'll get a year off my sentence."

The point is that acting in fullest rationality for his own self-interest is precisely what compels each prisoner to spend two years in jail. Had they acted *less* rationally and not testified, they'd have spent only a year in jail.

The prisoner's dilemma is game theory's purest example of a problematic class of situations—one in which the individual or organization is given an incentive to improve its position in a way that, if everyone did it, would be disastrous for all, including the decision maker. Fortunately, most people decide that nearly all real-life dilemmas are *iterated:* transactions will often be repeated with the same partners, so in the long run your self-interest should promote behavior that will let those partners predict your future trustworthiness. Yet such predictability, Howard H. Stevenson maintains in *Do Lunch or Be Lunch,* is just what today's management fads are depriving people of.



The one-shot approach

Obviously, downsizing and similar short-term actions that inflate corporate stock prices are strategies with limited repeatability, resembling a player's actions in a non-iterated prisoner's dilemma—that is, the player has decided the rational choice is to treat the situation like a one-time deal: grab the money and run. Mr. Stevenson also has beefs against matrix management, virtual organizations, and other programs that arbitrarily undermine the ability of employees and customers to predict a corporation's decisions.

Do Lunch or Be Lunch is a slightly curious document. Mr. Stevenson has been both a businessman and a Harvard Business School professor. His notes at the back of the book are scholarly and broad ranging. The main text, coauthored with a communications consultant, hammers in standard pop-management style at a simple message: if either party in a transaction is unreliable, future coöperation becomes questionable.

Much of John von Neumann and Oskar Morgenstern's *Theory of Games and Economic Behavior* demonstrated how the formation of coalitions improved individual players' rewards. In the long run individuals and organizations usually do better if they coöperate with each other. It's a sign of the times Silicon Valley just lived through—the Valley refrained from the predatory business practices employed by much of corporate America in the '80s and early '90s—and how the pendulum is now swinging that Mr. Stevenson feels a need for *Do Lunch or Be Lunch.*

These large trends seem cyclical. In the last quarter of the 19th century also, technological innovations uprooted populations and social Darwinism was fashionable until rising general prosperity afforded some gentrification of attitudes. Change cannot have been more precipitous than in Japan, swept from feudalism into modernization. *Matsushita Leadership,* by John P. Kotter, tells us that Konosuke Matsushita's father, born two years after Matthew Perry entered Tokyo harbor, gambled on Japan's early commodities market and in 1899 lost the ancestral country estate. The family, driven by poverty into the cities, sent 9-year-old Konosuke to live in apprenticeship to various masters; at 17 he took night classes in electrical science and dropped out because he couldn't write fast enough to keep up with his lecturers. By the time he was 27, all nine of his older siblings and both his parents were dead.

This book tells us as much as we're ever likely to know about how he built Matsushita Electric Industrial, which, when its founder died at 94 in 1989, had hit yearly revenues of $42 billion and, by 1996, $65 billion. Though many people know only its subsidiary brands Panasonic and National, Matsushita was—based on how the corporation grew while he was at its helm—a more successful entrepreneur than Henry Ford, Soichiro Honda, or Bill Gates.

A longer view

Still, how much *can* we know about someone who, Mr. Kotter writes, beneath an unimpressive appearance contained "a tornado of emotions that came to be directed by a set of beliefs . . . difficult for the skeptic in all of us to comprehend"? In 1932 Matsushita called a meeting of his workers and described how he'd seen a beggar filling a tin cup from a public fountain. He told them that their mutual aim as a company should be to make all products as inexhaustible and cheap as tap water so that poverty would disappear and announced a 250-year plan to bring this to pass. In 1982, while Matsushita was still alive, Matsushita Electric reported that the first of five 50-year subplans had been successfully completed and the second begun. By the late '60s, Matsushita had raised his employees' wages to approximately 35 percent more than what other Japanese companies paid—a level commensurate with that of U.S. and European workers.

Prisoner's dilemmas, game theorists concluded, have no good solution on their own terms. The golden rule prescribes bypassing immediate self-interest in order to gain a benefit possible only through coöperation: a game in which players choose to coöperate *no matter what* can never be a prisoner's dilemma.

Then, of course, the payoffs on the table cease to be the whole story. In 1935, as his company expanded tenfold during the Depression, Matsushita wrote to his distributors, "We would like to encourage a close relationship in which we help one another develop spiritually, and both clear and construct the road to truth in business which is in line with the times. I have gradually come to believe we must cooperate with each other in order to attain mutual prosperity and to create lives filled with welfare."

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