
Toward a paradigm of symbiotic entrepreneurship

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Abstract: Entrepreneurship often involves independent firms that compete with one another. In this article, we discuss an alternate entrepreneurship strategy, one involving symbiosis – an approach that allows entrepreneurs and their firms to benefit from a multi-polar distribution of power and control. We believe that this is especially helpful in the process of internationalisation. Rather than focusing on the internationalisation of a centralised firm with a uni-polar distribution of power and control, we suggest that the world is moving toward multi-polar networks of firms. As corporations out-source to smaller, specialised firms, power and control are becoming increasingly divided among independent firms that cooperate voluntarily for increased efficiency and profit. Symbiotic relationships are thus leading to multi-polarity, and we are moving beyond a focus on the firm – toward a focus on relationships with multi-polar networks involving symbiotic relationships.

Keywords: symbiotic entrepreneurship; symbiosis; bazaar; new economy; alliances; cooperation; relationships; symbiotic marketing; multi-polarity; internationalisation.

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1 Introduction

The success of entrepreneurs is a function of their ability to be globally competitive, even if they refrain from competing globally. The question arises, then: ‘How can small-scale entrepreneurs, or family businesses – lacking economies of scale – compete against large multinationals?’

A solution is for small firms to develop relationships with larger firms, creating multi-polar networks. We see it happening; entrepreneurs are shedding their desire for independence, as they discover interdependence and relationships. The result is symbiotic entrepreneurship, which we define as, ‘an enterprising effort by multiple parties, each of which benefits from the joint effort, such that added value is created’.

Symbiotic entrepreneurship is leading to multi-polarity in the world of business. We are thus moving *beyond a focus on the firm* – toward a focus on relationships with multi-polar networks. A look at the multi-polar networks of interdependent players in the traditional bazaar may enhance our understanding of the emerging relationships and multi-polarity of the New Economy.

2 Definitions

- The *Bazaar-type Economy* is a social, cultural and economic system in which the physical clustering of vendors facilitates the consumer’s comparative information search, by eliminating displacement time. Business is strongly affected by relationships and networks; relationships and preferential treatment are integral to business. Consumers are not treated equally. Different people pay unlike prices.

The price paid and the level of service provided is a function of status and relationships. Products and services are personalised, and this leads to customer loyalty. *Internationalisation is a function of multi-polar networks involving special relationships.*

- The *Firm-type Economy* is an economic institution in which location is a competitive advantage. In the shopping mall, for instance, an exclusivity clause protects the vendor, limiting competition. The consumer's comparative information search involves displacement time, and an opportunity cost is involved when seeking perfect information. Business takes place primarily within a set of impersonally defined institutions. The flow of commerce is a function of strategy based on optimisation models. The purpose of transactions is to maximise wealth efficiently, and the means to this is rational and unbiased decision-making that treats buyers as equals. The price paid and the level of service provided is established by the seller. Products and services are standardised, and this leads to efficiency that in turn allows competitive pricing. *Internationalisation is a function of uni-polar strategic decision-making centralised at head office.*
- The *New Economy* is a cultural and economic system in which the virtual clustering of vendors facilitates the consumer's comparative information search, by eliminating displacement time. The flow of commerce is strongly affected by relationships and networks; relationships and preferential treatment are integral to business. Consumers are not treated equally. Different people pay unlike prices. The price paid and the level of service provided is a function of status and relationships. Products and services are customised. *Internationalisation is a function of multi-polar networks involving special relationships.*

3 The literature

Entrepreneurship literature traditionally focused on the individual entrepreneur. This is true of Cantillon (1755), Schumpeter (1912), Knight (1921), Shapero (1975), Kets de Vries (1977), Kirzner (1973), Brrockhaus (1980), and many modern studies in leading entrepreneurship journals.

In contrast, research in international business has concentrated on the firm. Traditional approaches to internationalisation focused on a uni-polar and hierarchic distribution of power and control. Internalisation Theory (Buckley and Casson, 1976; Morck and Yeung, 1991; Morck and Yeung, 1992; Rugman, 1979; Rugman, 1981; Teece, 1985) taught us that, by investing in its own foreign subsidiaries, a firm could expand operations, while maintaining control at Head Office. Likewise, the Eclectic Paradigm (Dunning, 1973; Dunning, 1977; Dunning, 1980; Dunning, 1988) focused on ownership-specific advantages and location-specific advantages that a firm can enjoy, while maintaining centralised control. A uni-polar scenario is also implicit in the Stage Models of Incremental Internationalisation (Bartlett and Ghoshal, 1989; Bilkey, 1978; Bilkey and Tesar, 1977; Buckley *et al.*, 1988; Cavusgil, 1980; Cavusgil, 1984; Cavusgil and Nevin, 1981; Johanson and Vahlne, 1977; Johanson and Vahlne, 1990; Johanson and Wiedersheim-Paul, 1975; Leonidou and Katsikeas, 1996; Newbould *et al.*, 1978). Internationalisation can be achieved without giving up power and control; the internationalising firm can maintain its uni-polar distribution of power and control.

An alternate approach to internationalisation assumes a multi-polar distribution of power and control. Rather than focusing on the internationalisation of one centralised firm with a uni-polar distribution of power and control, we can focus on a multi-polar network of firms. Power and control are divided among independent firms that cooperate voluntarily for increased efficiency and profit. Literature pertaining to this Networking Perspective includes Acs and Dana (2001), Axelsson and Easton (1992), Bodur and Madsen (1993), Coviello and Munro (1997), Dana (2001), Fontes and Coombs (1997), Johanson and Mattsson (1988; 1992), Johanson and Vahlne (1992), Sharma (1992), Sharma and Johanson (1987), Welch (1992), Welch and Luostarinen (1988; 1993), Welch and Welch (1996), and Wilkinson *et al.* (2000). Here, the focus is not on the firm, but on a multi-polar system with many smaller firms and networks of their own.

Multi-polar internationalisation is a relatively new phenomenon in the West. Yet, the concept is not new at all. We read about it in accounts of the Babylonians, over 2000 years ago. Much later, industrialists of the West developed joint ventures – more structured forms of cooperation, but with the same goal. Joint ventures became a popular means by which multinationals could further internationalise.

While entrepreneurs in the West strove for independence, entrepreneurs of bazaar economies thrived in the long-established networks spanning Indonesia (Geertz, 1963), Indo-China (Dana, 1995b; Dana, 1999b), China (Dana, 1998a; Dana, 1999a), Central Asia (Dana, 1997; Dana, 2000a), and the lands of the former Ottoman Empire and the Mediterranean rim (Dana, 2000b; Sayigh, 1952). The overseas Chinese networks likewise became important instruments for international trade (Shenker, 1994). In Japan, also, symbiotic entrepreneurship was reflected in networks of firms (Dana, 1998b; Wright, 1989).

Many Asians brought their networks when they came to the West. Sociology provides us with a rich literature on immigrant entrepreneurs and their ethnic networks (Light, 1972). Loewen (1971) studied the Chinese in Mississippi. Wong (1987) produced a study of self-employment among Han Chinese in New York. Other examples include a report on Han Chinese entrepreneurs in Calgary (Ray *et al.*, 1988); a study of Han Chinese entrepreneurs in Canada (Brenner and Toulouse, 1990); and a description of Han Chinese in Vietnam (Dana, 1994).

There is a considerable interest in minority entrepreneurs and their ethnic networks (Aldrich *et al.*, 1984). Blaschke and Ersoz (1986) studied Turkish entrepreneurs in West Berlin; Boissevain and Grotenbreg (1987) reported on Surinamese entrepreneurs in Amsterdam; Dana (1995a; 1996) interviewed minority entrepreneurs in the sub-Arctic; Ladbury (1984) investigated Turkish Cypriots in London; Min and Jaret (1985) analysed Koreans in Atlanta; Werbner (1984) investigated Pakistanis in Manchester.

Howard E. Aldrich looked beyond ethnic networks, and examined social networks. Aldrich and Zimmer (1986) concluded that networking might be an essential requirement for entrepreneurial success. Aldrich *et al.* (1987) further demonstrated the impact of network accessibility. Further research includes Aldrich (1989) and Dubini and Aldrich (1991). Members benefit from being involved in a network; it is a symbiotic, interdependent relationship. Acs and Yeung (1999) used the term co-dependence.

While sociologists have focused on networks of entrepreneurs, we also see increasing collaboration between small and large firms. This allows the product of smaller firms to reach global markets more quickly than through independent expansion (Harrison, 1997). Bonaccorsi (1992), and Dana and Etemad (1994; 1995), explained how small businesses can rely on large firms for parts of their internationalisation activities, fusing elements of

international business with small business/entrepreneurship. Through this 'scaling up' process, smaller firms can leverage their network resources to shorten the time span and reduce the cost and risk of their internationalisation. Similarly, performing specialised functions for large firms allows small firms to hasten their own learning curve, and to internalise sufficient expertise to become competitive at the global level.

Thus, internationalisation increasingly involves symbiotic relationships among large and small firms. Reynolds (1997) noted that the recent expansion of markets has not been associated with an expanded role for larger firms. Instead, smaller firms are filling niche roles (Buckley, 1997).

Networks of small and large firms can enhance the competitiveness of both types of organisations. By supplying a portion of the high-volume needs of bigger firms, small firms can specialise, achieving their own economies of scale. As these smaller firms become more competitive, capturing scale economies not possible without large-firm linkups, the large firms in turn gain competitiveness by integrating those economies into their own value chains. The large firms also gain flexibility and economies of scope by accessing a number of highly specialised small firms, each producing a small range of components at very substantial scale economies. A further benefit to large firms linking up with smaller ones is the enhanced ability to tailor products or processes to fit local demand or content requirements.

4 The traditional bazaar

The bazaar is a social and cultural system, a way of life and a general mode of commercial activity, which has been in existence for millennia. In the bazaar, economic transactions are *not* the focus of activities; instead, the focus is on relationships and alliances. In this scenario, consumers do not necessarily seek the lowest price or the best quality. An individual buys from a friend, sometimes to help the friend and sometimes to ensure that the friend will reciprocate. The multiplicity of related small-scale transactions results in a fractionalisation of risks. Firms are not perceived as rivals of one another. There is minimal – if any – brand differentiation among merchants. Vendors do not necessarily seek to optimise monetary gain. Economic rationality is not an issue. Segmentation refers to the geographic clustering of producers. Prices are negotiated, as opposed to being specified by the seller.

As noted by Webster (1992), building long-term relationships can be viewed as a social and economic process. Unlike Western relationship marketing, which is customer-centred, whereby a *seller seeks long-term business relationships with clients* (Evans and Laskin, 1994; Zineldin, 1998), the focus in the bazaar is the relationship itself. In the bazaar, *both* the buyer and the seller seek a relationship.

While the entrepreneur described by Schumpeter (1912; 1928; 1934; 1942; 1947; 1949) is an innovator who causes disequilibrium to profit therefrom, the entrepreneur of the bazaar may simply identify an opportunity for profit (rather than create one). In this way, the entrepreneur of the bazaar corresponds to that of the Austrian school (Kirzner, 1973; Kirzner, 1982).

When examining the bazaar, it is important to understand the relations among the players within it, their organisation and their economic principles. In contrast to the Occident, where segmentation refers to the market, in the bazaar economy, production is

segmented, as are retailers. As early as the 1300s, one of the greatest Arab explorers, namely Ibn Battouka, noted the segmentation of producers and retailers. Even today, in the bazaar, shops still are clustered according to the goods offered therein.

While competition in the West is understood to be competition between sellers, in the bazaar economy, competition implies a tension between buyer and seller, rather than between sellers. The lack of information results in an imperfect market, and with few exceptions, such as basic food staples, retail prices are not publicly exhibited, but rather they are determined by negotiations. The customer first tests price levels informally, and only later begins to bargain. Often it is the buyer who proposes a price, which is eventually raised. The establishment a long-term relationship makes future purchases less costly and even more pleasurable. As transaction-centred costs begins to decline, mainly due to the rise in relationship (or social capital) the overall transaction costs (Williamson, 1985; Williamson, 1996) begin to approach Williamsonian optimality, whereby buyer and seller feel highly satisfied with the transaction. Geertz (1963) and Dana (2000b) discuss, in detail, such phenomena of the bazaar.

5 The firm-type economy

The firm-type sector is an economic institution, which involves a mode of commercial activity such that industry and trade take place primarily within a set of impersonally defined institutions, grouping people according to organisation and specialisation. Its underlying assumption is that profit-maximising transactions occur based on rational decision-making, rather than the nature of personal relationships. The focus is on impersonal transactions. Weber's (1924) thesis applies.

In this type of economy, the decision space is occupied by product attributes; the buyer and seller are secondary, if not trivial, to the transaction decision. The interaction between the buyer and the product is deemed to be more important than that between the buyer and the seller. Transactions are based on economic rationality and are therefore impersonal in nature. Competition is an activity that takes place between sellers, who engage in segmentation, in order to partition the market into like-groups of predictable consumers. Prices are tagged, reflecting market forces. While Western marketing principles (Gronroos, 1989) apply here, market-orientation is linked to the maturity of the industrialisation process (Seglin, 1990). Where industrial development is limited, the framework for economic transition may have to rely more on new ventures and on joint initiatives.

6 Observations

Entrepreneurship, during the 20th century, took place within the context of the *Firm-type Economy*. In this context, businesses claim to treat clients as equals. It is assumed that profit-maximising transactions occur based on rational decision-making, rather than on the nature of personal relationships between entrepreneurs and consumers. *The focus is on impersonal transactions*. The decision space is occupied by product attributes and by services attached to them, backed by formal warranties. Consequently, the relationship between the buyer and the individual salesman is secondary, if not trivial, to the transaction decision. The interaction between the buyer and the product (and/or service)

is deemed to be more important than that between the buyer and the seller. Competition takes place among sellers. Geographic location is often a competitive advantage. Selling prices are dictated by producers or sellers, if not by government regulation.

In the 21st century, we observe a significantly different set of norms. No longer are all men created equal. A frequent traveller on one airline can earn 'Gold' or 'Super Elite' status, entitling this individual to differential treatment, preferential seating, special promotions, discounts and personal concierge service. Even more striking, this preferred customer can also benefit from preferential treatment on other carriers in the same alliance – a global alliance of firms, which were formerly competitors. This relationship leads to increased brand awareness, and brand loyalty, although differentiation is less evident than ever before. Airline seats are sold as a commodity, yet brand loyalty prevails. The transaction decision is less concerned with product attributes, and more focused on relationships and preferential treatment. There appears to be less competition among sellers, as formerly rival firms cooperate in global alliances. The unit of interest is no longer the firm but the *multi-polar network*, in which relationships are important. What we see is symbiotic entrepreneurship.

Interestingly, this reality is shared with the *Bazaar-type Economy* – a social and cultural system, a way of life and a general mode of commercial activity such that most of the flow of commerce is centred on *relationships*. In the bazaar, the focus is not on impersonal transactions, but rather on relationships. There are infinite opportunities for small-scale speculation. Space, time, production and sales must be well managed, and personal relations must be managed. Together, buyer and seller negotiate prices. A sliding price system results in a price within the prevailing limits. Price can vary greatly, depending on the relationship between buyer and seller. Thus, interaction tends to take place between the buyer and the seller, rather than between the buyer and the product.

Goods and services are being increasingly treated as commodities, with virtually no distinction between the features offered by different producers. The focus has shifted away from the features of the product, to the relationship between buyer and seller. Looking again at the airline industry, we note that not long ago, advertising by Delta Airlines emphasised the use of 4-engine aircraft, while United differentiated itself through the use of turbo-props and French-built Caravelles, with two aft-mounted engines. Today, the fleets of different airlines vary less than they did in the past. Almost every airline has Airbuses and Boeings, and passengers are less informed about details. Likewise, there is little difference between the mobile phone built by one manufacturer and that built by another.

Another characteristic of the New Economy is that the web has become a hub for transactions, between consumers and suppliers, which are clustered together, reducing the time involved for comparative shopping. Often, it is the buyer who suggests a starting price – as is the case in the bazaar. Even in what was once a very regulated sector, MAKEUASANOFFER.CO.IL invited customers to state how much they are willing to pay for transportation.

The web allows entrepreneurs to globalise without the need to have several offices. Internationalisation is decentralised. The web also allows distributors like amazon.com to avoid high costs of inventory. In Japan, Rakuten launched a very successful concept, allowing vendors to sell produce very rapidly, through its <http://www.rakuten.co.jp>. This operates in a fashion very similar to that of the bazaar.

Indeed, attributes of the New Economy share much in common with the Bazaar-type Economy. In this economic system, the focus is not on impersonal transactions, but rather on relationships. The multiplicity of related small-scale transactions yields an extensive fractionalisation of risks and of profit margins. Like the bazaar, the New Economy provides infinite short-term opportunities for small-scale speculation. Space, time, production and sales must be well managed, and personal relationships must be managed delicately.

Once again, status, relationships and alliances have become important. As was the case in the bazaar, buyers and sellers negotiate prices. A sliding price system results in a price within the prevailing limits. Price can vary greatly, depending on the relationship between buyer and seller. Thus, interaction tends to take place between the buyer and the seller, rather than between the buyer and the product. Sounds familiar? Are we heading back to the future? Perhaps we can learn about the future by better understanding the past.

7 Then and now

Early market places were often seasonal, and regional. From this occasional existence arose the structured market – a stable and permanent structure for buyers and sellers to engage in trading. A new paradigm was launched with the creation of the structured bazaar. Entrepreneurs could travel from one country to another, and conduct trade at these established trading posts.

Bazaars evolved and thrived in transport-hub cities, many of which were located on ancient trade routes connecting Europe to the Chinese Empire, through the Persian Empire and the Indian sub-continent. The southern Silk Road started from Xian, the capital of the Middle Kingdom (currently in China). With loads of silk and other exotic Chinese products – including gunpowder, the compass, ink, paper and writing instruments – caravans of entrepreneurs headed out to conduct international trade. Indian spices, as well as Chinese commodities, were traded along the journey.

Grand bazaars were vital to the functioning of trading routes – including the Silk Road; bazaars formed an infrastructure resembling the hub-and-spoke system of today's air transportation industry. In some ways, the ancient trading caravans were similar to modern airlines: their working capital was relatively large and they were pressed for time. Grand bazaars served as hubs, connected to each other and supplied by caravans travelling the trade routes. Smaller regional bazaars, in neighbouring towns, absorbed some of the imports brought in by caravans, and supplied some of the goods sold to caravans, or bartered. Bazaars thus functioned as inventory depots for the supply chain of other regional bazaars.

7.1 Comparative features

In many ways, caravans resembled trade missions of modern times. The most critical aspect of the ancient caravans was time. The long and arduous voyage between Xian and Rome stretched endurance beyond limits. Although the travellers stopped to re-supply along their routes, and rested in organised and strategic locations, the traders could not allow disorganised, inefficient, or poor markets to delay their schedule. The ideal bazaars – with a large functional capacity along trade routes – featured the following:

- *Knowledge dissemination* – Up-to-date supply-related information could be disseminated very fast, due to arbitrage aspects of bazaars.
- *Absorptive capacity* – The potential buyers and/or their agents (the intermediaries) collectively had sufficient absorptive capacity to make mutually beneficial spot market transactions with a newly arrived caravan.
- *Supply* – Local entrepreneurs were collectively able to supply international entrepreneurs with food, drink, inventory and even camels for transport.
- *Efficiency* – The ideal bazaar allowed for the efficient performance of market functions – both, in terms of time, and barter supplies or gold coins, which were available in sufficient supplies only in grand bazaars.

7.2 Functions of the bazaar

The structured bazaar allowed physical concentration, and therefore functioned efficiently, largely thanks to the geographical concentration and clustering of vendors in like occupations. This enabled potential buyers and suppliers to meet efficiently at a pre-determined location. This reduced search cost and minimised disparity caused by geographic fragmentation. Thus, the bazaar reduced overall transaction costs, as all parties concerned converge on a central location.

A potential buyer could easily locate the designated part of the bazaar for goods/services under consideration. Once at that location, it was possible to compare the goods of several dealers, within a short span of time. This allowed the shopper to develop a feel for the prevailing market conditions, including the price and supply range. The structured bazaar provided vital market functions including the following:

- *Information search* – Entrepreneurs disseminated their proprietary information regarding new products and emerging trends in supply or demand. At the bazaar, consumers acquired information at an unprecedented speed, allowing for efficient comparative shopping. Likewise, entrepreneurs could learn about the needs of consumers.
- *Updating* – Potential suppliers and buyers quickly updated and upgraded their state of information and new knowledge to assume a new position.
- *Temporal equilibrium* – Some potential suppliers and buyers behaved as intermediaries, and they profited from arbitrage.
- *Opportunity for cooperation* – Entrepreneurs of the bazaar engaged in cooperative bargaining and negotiations, forming alliances.

7.3 Parallels

With little variation, the style and procedures of trade, in the bazaar, reflected a certain pattern. A potential buyer inquired about supplies and prices from *several* suppliers, in a concentrated area. This allowed the person to form a reasonably informed opinion about the state of the market at the time. Ongoing arbitrage thus accorded the structured bazaar functional efficiency. Notice how much the structured bazaar resembled the World Wide Web:

- *Knowledge dissemination* – Up-to-date information is disseminated at unprecedented speed.
- *Absorptive capacity* – The potential buyers collectively have sufficient absorptive capacity to make mutually beneficial spot market transactions. Hence, we see the success of auctions on the web.
- *Supply* – The web allows small-scale entrepreneurs an opportunity to enter international transactions, formerly less likely to happen.
- *Efficiency* – The web allows for the efficient performance of market functions.

Like the structured bazaar, which allowed physical concentration, and therefore functioned efficiently, the web provides concentration and clustering of vendors. Potential buyers and suppliers meet efficiently online, and this reduces search costs while minimising disparity caused by geographic dispersion. Thus, the web reduces overall transaction costs, as all parties concerned converge on a central location. Like the bazaar, the web provides the following:

- *Information search* – International entrepreneurs disseminate their proprietary information regarding new products and emerging trends, and consumers download details with unprecedented speed, facilitating comparative shopping.
- *Updating* – Potential suppliers and buyers quickly update and upgrade their state of information and incorporate their new knowledge to assume a new position.
- *Temporal equilibrium* – Some potential suppliers and buyers behave as intermediaries, and they profit from arbitrage.
- *Opportunity for cooperation* – Again, firms are engaging in cooperative bargaining and negotiations, forming alliances.

With little variation, the style and procedures of internet searches reflect a pattern. A potential buyer finds several web-pages, thus learning about supplies and prices from several suppliers. This allows the individual to form a reasonably informed opinion about the state of the market at the time.

The bazaar was critical to the continued functioning of international entrepreneurship in former times; markets enhanced the efficiency of caravans, by acting as clearinghouses. The caravans were thus the predecessors of exporters and export agents, and they manifested many features of modern alliances. In the absence of international law, there was mutual trust and interdependence between entrepreneurs. So too, in the absence of web law, trust is required, as clients rely on the reputation of suppliers and reveal sensitive information to them.

The bazaar agents resembled modern-day importers and import agents, accumulating supplies for normal day-to-day trade, as well as bartering with the caravans. They evidently performed both functions efficiently, and reliably, with mutual respect, to the long-term benefit of all parties.

We might add that the bazaar imposed discipline. In the absence of large firms and the current facilities of modern corporations, most agents connected to a bazaar had no choice, but to be entrepreneurial. They behaved in ways that we now attribute to creative entrepreneurs, taking and sharing calculated risks, relying on their business network, and acting on opportunity, buying or selling as appropriate.

In the bazaar, there was little if any differentiation among clustered sellers. There was considerable cooperation among retailers and among wholesalers. Multi-polar networks were essential for survival, as profitability was a function of personal relationships.

In time, the firm-type economy evolved, shifting the focus from personal relations, to impersonal transactions. Everybody was entitled to equal treatment. Rather than haggle over prices, sellers simply posted their firm, non-negotiable, asking prices. *Today, once again, we see a focus on status, relationships, price negotiations, multi-polar networks and symbiotic entrepreneurship.*

8 On the clustering of producers

In the bazaar, one found the geographical clustering of producers, according to the specialisation of suppliers. This made possible the efficient clearing of products. Transactions ranged from small, retail sales to very large and complicated wholesale activities. In time, merchants, intermediaries and even customers found efficiency in specialisation, and this led to geographical clustering.

Typically, a bazaar had an area designated for clothing and another for produce; there was another wing for gold and jewellery, another for carpets, and yet others for spices, fish, *etc.* Potential buyers and suppliers – of a given good or service – converge on that specific region.

Consumers found convenience in the clustering of producers. This facilitated comparative shopping with minimal travel. In medieval towns, streets were often named for the entrepreneurs clustered on them, *e.g.*, Bakers Street, Changers' Alley, Fishermen's Wharf, Potato Market, *rue des Bouchers, etc.*

High concentration in a given location is critical to efficiency, as it allows for highly efficient information processing. This includes an information search, a comparative evaluation, and decision-making. Online shopping facilitates information search, comparative evaluation, and decision-making.

In the absence of efficient information processing capabilities, geographically scattered markets would tax operational efficiencies. Finding and then accessing geographically scattered suppliers – as compared to having them in a concentrated area – would add to transaction costs; an information search through physical access would become more difficult and limited to one's ability.

9 Pricing and competition

In the bazaar, the customer first tested price levels informally, and only later began to bargain. Often it was the buyer who proposes a price, which was eventually raised. Once a mutually satisfactory transaction took place, it was desirable to establish a long-term relationship. This made further purchases more pleasurable and efficient. Effective communication was essential, allowing a sale to be equated to pleasure, rather than work.

In the firm-type economy, it is expected of competitors to compete with each other. They often compete on price. One firm asks a lower price than does another, with the hoping of grabbing more market share. Not long ago, British Airways competed with American Airlines in this way.

Nowadays, we see the formation of alliances among former competitors. US Airways pioneered a strategy of symbiotic entrepreneurship with the family business known as Ransome Airlines. Cooperation between large and small carriers is now common. Consolidators sell tickets at discounted prices, and on the web, potential customers can state the price they wish to pay. As was the case in the bazaar, the buyer proposes the price. Code-sharing blurs product differentiation between airlines. Yet, loyalty exists – focused on networks rather than on individual firms. Air Canada, Air New Zealand and British Midland give recognition and special treatment to each other's preferred customers. One fare is valid on any airline of the Star Alliance. Together, acting as a multi-polar network, the members of the Star Alliance compete against members of other alliances. *The focus has shifted away from the firm, to the multi-polar network that is based on symbiosis.*

10 The parallel economy

Interestingly, multi-polarity and symbiotic entrepreneurship applies even to the Parallel Economy, and this is clearly noticeable in transitional economies (Dana, 2005). Under central planning, the lack of a legal market economy led to permanent shortages. Survival strategies often involved the emergence of networks in the parallel economy, where inefficient regulations could be circumvented. According to Grossman (1977), this underground activity increased the overall efficiency of resource allocation under central planning. In transitional economies that still lack developed market institutions, it is common to have a high proportion of underground activities. O'Driscoll *et al.* (2001) reported a black market in Laos, larger than the formal economy.

Covert economic activity involves illegal transactions, which often include networks of suppliers, dealers and consumers (Haskell and Yablonsky, 1974; Henry, 1978). Examples include logging in Cambodia, and smuggling networks in countries such as the Kyrgyz Republic and Myanmar (O'Driscoll *et al.*, 2001).

Fictitious economic activity (Glinkina, 1999) also involves multi-polar networks. Common in Vietnam, are 'foreign devil companies' involving networks of entrepreneurs inside and outside the republic, in order to benefit from government incentives (Dana, 1999b; Dana, 2007).

11 Conclusion

As summarised in Table 1, we seem to have come full circle, from the Bazaar-type Economy (with a focus on relationships and multi-polar networking), to the Firm-type Economy, and to the New Economy in which relationships are important. Multi-polar networking is re-emerging.

In the absence of symbiotic marketing, Northwest and KLM used to be pure competitors. Each tried to take away market share from the other. Each used to advertise to encourage consumers to *select one over the other*. Marketing by one firm actually hurt the other firm. There was a zero sum game with a limited pie. Today, the former rivals engage in symbiotic marketing. Together, the two firms increase the attractiveness of flying *either airline*. In other words, it is no longer a zero sum game. We are no longer dealing with two isolated uni-polar firms. We are dealing with multi-polar network,

namely an integrated interline product. People who otherwise would not fly decide to fly thanks to the new convenience. In other words, symbiotic marketing creates an enlarged pie.

In the case of the airline industry, the trend happened as a response to deregulation. In former times, airlines were protected by government regulation. Increased freedom allowed painful battles. American Airlines temporarily lowered prices in selected markets just long enough to put Braniff International (the last major US carrier to herald the name of its founder) out of business. Air Florida, Eastern Air Lines, Florida Airlines, Pan Am and others all disappeared, one after the other. Survivors wanted to get bigger and this was done by mergers. Today's Delta is the sum of Delta plus Northeast plus Western. Today's Northwest is the sum of Northwest Orient, North Central, Southern, and Hughes Air West. Mergers are costly, complex and time-consuming as they involve ownership. Symbiotic marketing achieves the same benefits without the complexity of a merger and the related costs.

Table 1 Comparing economies

| <i>Bazaar economy</i> | <i>Firm-type economy</i> | <i>New economy</i> |
|--|---|--|
| Focus on personal relations, alliances and networks | Focus on impersonal transactions | Focus on relationship marketing, alliances and networks |
| Geographical clustering facilitates information search | Exclusivity clause replaces clustering, complicates comparative shopping | Web allows for easy information search |
| Flexible prices are negotiated and preferential pricing is based on status and relationships | Prices are indicated by the vendor and buyers are treated as equals | Flexible prices are negotiated and preferential pricing is based on status and relationships |
| Would-be competitors cooperate, re-enforcing relationship networks | Competition takes place between sellers | Former competitors cooperate for mutual gain, thus re-enforcing relationship networks |
| Brand loyalty is influenced by preferential treatment; brand loyalty – based on relationships – exists even for commodities | Brand loyalty is a function of product differentiation; therefore, not applicable to commodities | Brand loyalty is influenced by preferential treatment; brand loyalty – based on relationships – exists even for commodities |
| Effective unit is the network | Effective unit is the individual firm | Effective unit is the network |
| Decisions influenced by relationships with members of network; power and control thus de-centralised in multi-polar networks | Strategic decisions centralised at Head Office; power and control centralised in uni-polar fashion, with Head Office central to strategic decision-making | Decisions influenced by relationships with members of network; power and control thus de-centralised in multi-polar networks |
| Internationalisation takes place along networks of relationships, resulting in a multi-polar, decentralised, distribution of power (Dana, 2000b) | Internationalisation takes place under the directives of a centralised Head Office, enabling hierarchic decision-making (Buckley and Casson, 1976; Cavusgil, 1980; Dunning, 1973; <i>etc.</i>) | Networks facilitate internationalisation, resulting in a multi-polar, decentralised distribution of power |

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