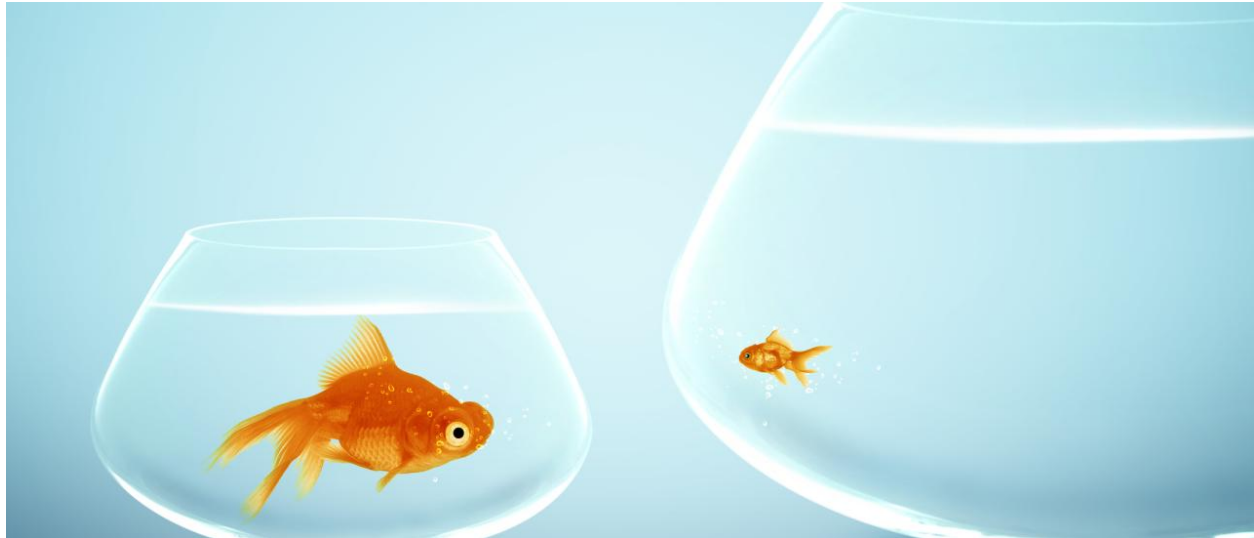# How Entrepreneurs Solve the Big Fish vs. Big Pond Dilemma

By Henning Piezunka , INSEAD

Collaboration with a partner is not strictly a two-way affair; instead, prospective partners take the entire competitive landscape into account when forming ties.

In the movie *Jerry Maguire*, a sports agent played by Tom Cruise is fired from his top agency after openly criticising its impersonal approach. He is forced to go it alone, but all his clients desert him, preferring to continue to be represented by a large, established organisation. That is, all except American footballer Rod Tidwell (played by Cuba Gooding Jr), who feels his career could use more personalised attention.

While movie-goers know that, indeed, things end well for Tidwell, an important question remains: When striking a partnership, is it better to be a big fish in a small pond, or a small fish in a big pond? In a **paper** published in the *Academy of Management Journal*, my co-authors* and I looked at the particular case of developers and publishers of PlayStation2 (PS2) video games, at a time when self-publishing of titles was not yet an option and developer-publisher ties were necessary to commercialise a game. We found that the level of experience of developers and the relative uncertainty they

faced in terms of getting personalised attention from a publisher were driving much of their decision to seek a certain "pond" size.

Two conflicting goals requiring a trade-off

Akin to the book industry with its authors and publishing houses, the video game industry involves developers that propose game concepts and initial development, and publishers that provide late-stage development and access to markets. Out of the 163 PS2 games which have sold more than 1 million units, **only 30** were published directly by Sony, the manufacturer of the console.

When partnering up, developers typically seek two things. On the one hand, they want a close collaboration in order to develop the very best product there is. In an extremely crowded video game market, an average product may essentially be a "dead fish", so to speak. (Over 3,800 game titles have been released for the PS2.) On the other hand, developers would also like to secure the largest market access. After all, how sad if no one ever hears about their newly launched PS2 game.

The problem is that meeting both goals to the highest degree is unrealistically difficult. Large publishers with strong connections to retailers and which are able to organise vast launch campaigns often attract many high-calibre partners. As such, a partner may not receive a lot of personalised attention. Especially if many other, stronger developers work with the same publisher. A trade-off is usually necessary.

We collected data on 367 developers of PS2 games and 170 publishers between 2000 and 2009, the time period when console games were most popular. The majority of our sample firms were based in the three countries that dominated the industry: Japan, the United States and the United Kingdom. Our data collection strategy enabled us to build a comprehensive dataset on the activities of the mostly private developers and publishers in the industry.

We supplemented our data analysis with two waves of in-depth interviews. We found that younger or newer entrepreneurs focused on getting development help and worried less about reaching the largest number of consumers. This point was particularly salient for early-stage developers. As one of them told us: "When you're innovating … there's always some snag and always some complication that you did not foresee. It is crucial than [an

established firm] is going to support you."

Keeping an eye on the other horses in the race

In addition, the more competitive the market – i.e. the more developers are out there competing for publisher attention – the more a novice entrepreneur might be concerned about getting the proper level of attention that will ensure product differentiation. An interviewee said: "You have to worry about the competitive set that the publisher supports. The publisher may have great capability in your title because they also publish your major competitor. Then you have to ask yourself, is it going to lead them to prioritise your project lower."

After all, entering a collaboration is only the first step. Securing the desired resources from the partner/publisher is not always guaranteed. Established firms in technology industries may sign more developers than they can eventually support, a fact that is not lost on these entrepreneurs. The number and the quality of the "other horses in the race" create uncertainty – and a definite threat – for developers. As a matter of fact, our data showed that when a developer ranked lower than average (in terms of the quality of its previously published games), it was 26 percent more likely to have its projects cancelled than its higher-ranked peers.

In all, experienced entrepreneurs who didn't expect to need as much support based on their track record were willing to give up almost four times as much development help as inexperienced developers to secure better market access. Of course, publishers do not wait around to be chosen. Naturally, established publishers with high market access also prefer to partner with experienced developers, reducing their risk of needing to toil over duds.

Collaboration is more dynamic than it may seem at first glance

Although our dataset concerns the video game industry, our results apply to other types of entrepreneurs who need to form collaborations, partnerships or other types of ties to go to market. These include content creators of any kind partnering with platforms or other market intermediaries that may help refine their products. Biotechnology entrepreneurs partnering with pharmaceutical firms to hone their products and gain market access are another great example.

In fact, we all face the big fish/big pond dilemma more often than we realise. When we take a job in a famous company, we accept the idea that we are (in all likelihood) going to be just one of the many very smart people working there. Standing out may prove difficult. Conversely, if we choose to work for a new start-up, we may rise rapidly, but our opportunity to shine outside the firm (through speaking engagements or media requests, for instance) may remain limited. In our personal lives, if we choose to befriend a very popular person, we may have to fight for their time and attention.

Any sort of collaboration entails a trade-off between our status, the status of the partners we have in mind, and the status of the other people interested in partnering with them. The process is a lot more dynamic than it seems. Depending on the competitive landscape, you may want your very own Jerry Maguire.

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About the research

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