Rugged Coalitionalism



The question is whether for this purpose it is better that the holder of coercive power should confine himself in general to creating conditions under which the knowledge and initiative of individuals are given the best scope so that they can plan most successfully; or whether a rational utilization of our resources requires central direction and organization of all our activities according to some consciously constructed "blueprint."[1] *--F.A. Hayek*

Rugged individualism is a term that Herbert Hoover used to describe the ethos of American people. Individualism in general prefers self direction and natural incentives over central planning. The end goal for individualism is to obtain the efficiencies created by competition. In collectivist societies, central planning is used in order to gain some kind of social goal. Collectives can be inefficient, because of the inability for a central planner to know broader social goals of large groups. What method of coordination allows for the most freedom, self direction, and reaps the most efficiencies? Within n-player game theory there is a concept of a coalition as an efficient solution. Coalitions can emerge without central planning through focal points, similar to certain natural waypoints on a trail, where individuals coalesce.

~Collectivism

Coalitions aren't collectives, which are characterized by central planning. The paradox of rugged *individualism* is that although it abhors horizontal collectives, vertical collectives (groups in the form of a hierarchy, e.g. steep hierarchies in corporations) are a major feature. There have been many experiments with organizational structures of corporations that try to harness the natural incentives of individuals. Playing market[2], a behavior where a central planner feigns as if there is no central planner of resources, has had very limited success in building free coalitions. A rugged coalition would be one that

[1] Hayek, F. A.. The Road to Serfdom: Text and Documents--The Definitive Edition: Text and Documents--The Definitive Edition (The Collected Works of F. A. Hayek, Volume 2) (p. 85). University of Chicago Press. Kindle Edition.

[2] "... concentration of ultimate decision-making rights and responsibilities (i.e., ownership) in the hands of a central planning board", Strategy, economic organizations, and the knowledge economy, Nicolai J Foss, pg 174

emerges in a true market, that is to say it is an entity from which the resources of the individual and coalitions cannot be reassigned.

Career Capital

How ought the individual behave in order to maximize the probability of coordination? In order to coordinate the individual must first decide on his or her own goals. Individuals have a paralyzing choice of what to focus on in order to be efficient in their careers.

In the book, *So Good They Can't Ignore You*[3], Cal Newport goes so far as to say some people should *not* follow their passions. The premise is that career capital should be built up first, before using passion as a compass for career direction.

Within economics, the name of career capital is called *signal*. A common misconception of individuals is that ability and signal of ability are one in the same. It is possible for someone to have great ability and no signal, or vice versa.

Generalist vs Specialist

While business has had a great deal of study into the choice of direction, individuals have had very little. The most difficult choice that an individual must make besides their general professional direction, is how much to specialize or generalize. Within microeconomics, it is known that generalization and specialization are dictated by the market[4]. But while generalization, described as horizontal or vertical integration, is well described when referencing companies, there is little to help the individual map out what horizontal[5] or vertical integration[6] means to him or her. Identifying valuable skillsets that are in demand is crucial to determining how much of a generalist or specialist an individual can be.

Identifying Skillsets

Tom Peters advocates individuals behave as if they are professional services firms. Professional services firm types are separated into three categories: researchers ("brains"), experienced ("grey hair"), and procedural[7]. The researchers fail fast, but there is confidence in their exploratory abilities[8] (usually provided from signaling strong academic credentials and research experience). Experienced groups

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[3] Newport, Cal. *So Good They Can't Ignore You: Why Skills Trump Passion in the Quest for Work You Love*. Piatkus Books, 2016.

[4] "Researchers at the RAND Corporation documented this pattern of the division of labor in medical markets. They found that general practitioners are disproportionately located in smaller towns -- they do not appear to fare well in larger markets, which have a wider assortment of specialists", Economics of Strategy, David Besanko [et al.] -- 4th ed., p,84

[5] Horizontal integration is the he combination of items within one level of the supply chain. This could mean combining laces, metal, and leather to make shoes. Combining more things, e.g. selling a cleaner for the leather, would be further integrating horizontally

[6] Vertical integration is combining things that are upstream or downstream from the product in question. Using shoes as an example, this could mean buying a farm to raise animals for the leather used in the shoes.

[7] "Consider three kinds of client work: Brains, Grey Hair, and Procedure projects.", Maister, David H.. Managing The Professional Service Firm (Kindle Locations 289-290). Free Press. Kindle Edition.

[8] "the client's problem is at the forefront of professional or technical knowledge, or at least is of extreme complexity. The key elements of this type of professional service are creativity, innovation, and the pioneering of new approaches, concepts or techniques: in effect, new solutions to new problems.", Maister, David H.. Managing The Professional Service Firm (Kindle Locations 290-292). Free Press. Kindle Edition.

have solved the problem being considered before[9] and are expected to avoid failure. They usually have a strong network signal (a signal provided from reputation). Procedural groups have significant internal efficiencies and capacity[10]. Procedural groups often signal with price, which shows that it is more efficient to 'buy' then 'build'. The decision of what type of professional service effort that individual is going to pursue will affect the types of problems they try to solve. Pay, types of projects, and the type of signal that must be emitted to get work are all affected by this decision.

Identifying Customers

When making directional decisions concerning career, it is also important to take into account the kind of market the individual will serve. This is another well studied field for business, but less so for individual skill sets. Customer tolerance levels can be split into innovators/early adopters, early majority, and late majority. Innovators and early adopters can be characterized as visionaries, and are the most tolerant. They usually become cheerleaders for the service or product provided. Early majorities are pragmatists and expect more quality. Late majorities have very little tolerance and expect great customer service and pricing. Great attention should be given to the difference between the visionaries and the pragmatists, because this the greatest difference in market segments.

Development Commitments

While the individual considers his or her position analogous to a professional service firm and what phase of adoption their customers or managers might be in, they should also consider four development commitments. By committing to a position within these four areas, the individual will create a focal point that other individuals can reason about, coalesce with, consider for joint projects, and consider for long term alignment. Using software as an example, these four areas are:

1. **Craftsmanship**

   "Because of the enormous variety of specialized applications, there will always be room for individuals to write software based on their unique knowledge. There will always be niche markets to keep small software companies alive". -- Freeman Dyson

   Craftsmanship concentrates on development the skills of the worker. In the case of software, this is exemplified in the journey from apprentice, to journeyman, to a master developer. An example of a craftsmanship commitment in software would be committing to learning a new programming language in one year[11].

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[9] "Clients with Grey Hair problems seek out firms with experience in their particular type of problem. In turn, the firm sells its knowledge, its experience, and its judgment. In effect, they are saying, "Hire us because we have been through this before; we have practice at solving this type of problem."", Maister, David H.. Managing The Professional Service Firm (Kindle Locations 302-304). Free Press. Kindle Edition.

[10] "The client may have the ability and resources to perform the work itself, but turns to the professional firm because the firm can perform the service more efficiently, because the firm is an outsider, or because the client's own staff capabilities to perform the activity are somewhat constrained and are better used elsewhere. In essence, the professional firm is selling its procedures, its efficiency, its availability ...", Maister, David H.. Managing The Professional Service Firm (Kindle Locations 308-311). Free Press. Kindle Edition.

[11] "Learn at least one new language every year. Different languages solve the same problems in different ways. By learning several different approaches, you can help broaden your thinking and avoid getting stuck in a rut.", Hunt, Andrew; Thomas, David. The Pragmatic Programmer: From Journeyman to Master (Kindle Locations 529-530). Pearson Education. Kindle Edition.

2. **Non-Functional Requirements**

   A commitment to a specific non-functional requirement, such as security, allows for a deep dive into a specific area. This commitment allows for the individual to master at least one non-superficial problem that can be broadly applied to all software cases.

3. **Horizontal market**

   Horizontal application software is a type of software that spans across industries. Some examples of horizontal software are security software, customer relationship management software, or accounting software. This commitment allows for the individual to become acquainted with business problems that a wide range of customers should have.

4. **Vertical market**

   Vertical application software is particular to a specific industry. This commitment developers an individual's ability to internalize business problems while reasoning about technology and business.

The first two commitments (craftsmanship and non-functional requirements) allow an individual to become a stronger part of their professional, more homogeneous, community. The latter two commitments (vertical and horizontal software) lend themselves to integrating with the external, more heterogeneous, customer community.

By taking all three forms of career tools (professional service analogy, customer adoption type, and professional commitments) the individual builds a direction, a sort of career azimuth, that serves as a focal point for others to coordinate freely with them. The weaker the career azimuth, the weaker the signal for coordination.

~Central Planning

> *1. Don't be envious. 2. Don't be the first to defect. 3. Reciprocate both cooperation and defection. 4. Don't be too clever. -- Robert Axelrod*

When there is no central planner, who does the coordination? This is the paradox of organic coordination. One example of coordination without a central planner is detailed in the book the evolution of cooperation[12] which outlines the Tit-For-Tat strategy. The Tit-For-Tat strategy:

> *"... **cooperates** on the first move, and subsequently echoes (**reciprocates**) what the other player did on the previous move." Tit for Tat is also **nice** "that is, they were never the first to defect" as well as **provocable**, "To obtain the benefit – or avoid exploitation – it is necessary to be provocable to both retaliation and forgiveness. When the other player defects, a nice strategy*

[12] "These results from the tournaments demonstrate that under suitable conditions, cooperation can indeed emerge in a world of egoists without central authority.", Axelrod, Robert. The Evolution of Cooperation: Revised Edition (p. 20). Basic Books. Kindle Edition.

must immediately be provoked into retaliatory defection. The same goes for forgiveness: return to cooperation as soon as the other player does."[13]

Focal Points

Focal points, or shelling points, were discovered by Thomas Schelling. He describes a focal point with the following scenario: "*Tomorrow you have to meet a stranger in NYC. Where and when do you meet them?"*. Schelling asked a group of students this question, and found the most common answer was "noon at (the information booth at) Grand Central Terminal"[14]. There are various coordination games that are regularly solved by focal points.

Tit-For-Tat + Focal Points

An individual's commitments create a way of identifying an individual's contributions (potential and actual) to a coalition. The commitments are the focal points that allow non-centralized coordination behaviors such as tit-for-tat to label and identify agents and their actions. This is needed if organic coordination is to occur[15]. Using a strategy such as Tit-For-Tat, individuals can select whom they want to build coalitions with while avoiding free-riders, which in turn promotes good behavior[16].

What would the formation and behavior of a rugged coalition look like? An rugged and organic coalition need not be persistent and can be even more useful as an ephemeral entity.[17] This is because they are loosely coupled by design. A customer could present a problem, the group can then coalesce off of the commitment signal from the individuals, solve the problem, then disband with little to no overhead.

Conclusion

A rugged coalition is not is not anarchy. That is to say that a rugged coalition is a response to hierarchy, while anarchy predates hierarchy. A rugged coalition is not a utopia, nor is it authoritarianism. It is simply a way to coordinate without central authority. Career commitments for a period of time, one year for example, are reasonable focal points in which individuals can coalesce in order to do join projects. Projects that require stronger signals can be procured when individuals self select and form coalitions based on the needs of the a project. Building a stronger joint signal is also possible when individuals stack specialities and then blog, speak, or develop services using their overlapping competencies.

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[13] https://en.wikipedia.org/wiki/The_Evolution_of_Cooperation#Axelrod.27s_tournaments

[14] Schelling, Thomas C. (1960). *The strategy of conflict* (First ed.). Cambridge: Harvard University Press. ISBN 0-674-84031-3.

[15] "The ability to recognize the other player from past interactions, and to remember the relevant features of those interactions, is necessary to sustain cooperation. Without these abilities, a player could not use any form of reciprocity and hence could not encourage the other to cooperate.", Axelrod, Robert. The Evolution of Cooperation: Revised Edition (p. 139). Basic Books. Kindle Edition.

[16] "That is why an important way to promote cooperation is to arrange that the same two individuals will meet each other again, be able to recognize each other from the past, and to recall how the other has behaved until now. This continuing interaction is what makes it possible for cooperation based on reciprocity to be stable." Axelrod, Robert. The Evolution of Cooperation: Revised Edition (p. 125). Basic Books. Kindle Edition.

[17] "An ephemeral group is a coalition that comes into existence for just enough time to pursue an opportunity and then dissolves." Watson, W. "Ephemeral Groups." 3 Aug. 2016, s3-us-west-2.amazonaws.com/vulk-blog/EphemeralGroups.pdf.