back on track. But when he was told how little the writer would be getting, he was horrified. He knew that once the star discovered what the studio was paying for a replacement director, the star would protest that he was being surrounded by second-rate talent. The studio head ordered that the directing fee be raised to $750,000. He also made clear that a certain lawyer wasn't going to be allowed to handle this kind of deal in the future. When the writer heard about his new fee, he was naturally thrilled; but he also decided his agent had been incompetent, and he fired him.

The story had a happy ending for the star, the studio, and the writer. Not so for the agent and the lawyer.

Where did the agent and lawyer go wrong? The agent failed to look at the game from the studio's perspective. He based his offer on his client's position and failed to consider how desperate the studio might be. He might have done better to let the studio make the first offer. The lawyer did some things right, at least in the small. He left the agent with the perception that he—the agent—had done the best he could in the negotiation. The lawyer's mistake was failing to recognize the larger game. He thought it was a game between the studio and the writer. He forgot about the real star of the show and how the star would feel about having a bargain-basement director.

In the Tactics chapter, we'll have a lot more to say about the role of perceptions. We'll see how Rupert Murdoch's *New York Post* corrected a rival's misperception in order to prevent a price war. We'll return to the role of perceptions in negotiations. We'll also explain what the peacock's tail has got to do with perceptions, and the lesson it holds for business strategy.

The Artistic Differences story brings us to the last big piece in the picture of games we've gradually been assembling: the scope of the game. That's what the studio's lawyer missed.

4. Boundaries

So far we've introduced the concepts of added values, rules, and perceptions. There's one more element of a game: the scope of the game.

In principle, a game has no boundaries. There is really only one big game—extending across space, over time, down generations. But that's in principle. A game without boundaries is too complex to analyze. In practice, people draw boundaries in their minds to help them analyze the world. They create the fiction that there are many separate games.

Chess is a good example. No one can visualize it in its entirety, so people have created the fiction of the opening, middle game, and endgame. Business is no less complicated than chess, so business has its fictions, too. People often talk about a national economy, or an industry, as if it were the whole picture. Of course, everyone knows that's a fiction. In reality, the world's economies are highly interdependent—indeed, increasingly so. And, as we discussed in the Co-opetition chapter, industry boundaries are largely artificial.

Analyzing individual games in isolation is treacherous. You risk mistaking what is really only a part of the game for the whole. Every game is linked to other games: a game in one place affects games elsewhere, and a game today influences games tomorrow. The problem is that mental boundaries are not real boundaries.

Epson's entry into the laser-printer business is an illustration of what can go wrong when you get things right in the smaller game but miss the larger one.

Missing the Link In 1989 there were three types of desktop printers on the U.S. market. Dot-matrix printers occupied the low end, laser printers the high end, with ink-jets in between. Dot-matrix printers accounted for about 80 percent of total unit sales of desktops, laser printers around 15 percent, with ink-jet taking the last 5 percent. Typical retail prices were $550 for a dot-matrix, $650 for an ink-jet, and $2,200 for a laser printer. At that time, Epson was the king of