



Coordination in inter-network co-opetition: Evidence from the tourism sector[☆]



Marcello M. Mariani

Department of Management, University of Bologna, Via Capo di Lucca, 34, 40126 Bologna, Italy

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ABSTRACT

In this paper, we investigate whether and to what extent formal governance forms such as contracts are a necessary condition to manage cooperative interactions among networks. We situate our analysis within the tourism sector where we gain insights from an in-depth exemplar case of co-opetition among nearby Italian tourism destinations jointly developing and marketing an event, the *Pink Night* Festival. We suggest that coordination mechanisms with varying degrees of formality seem to play a crucial role to manage cooperative interactions. Subsequently, we identify eight key drivers of formalization of coordination mechanisms in inter-network co-opetition: 1) leadership; 2) brokerage and pivotal attitude; 3) power asymmetry; 4) focus on strategic thinking; 5) maturity of network management approach; 6) maturity and distance of the marketing approach; 7) past experience working together; 8) cultural, functional and organizational similarities. Last, we develop a conceptual framework highlighting that each stage of the evolution of an inter-network cooperative relationship has key features in terms of the underlying coordination mechanisms.

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1. Introduction

Today a growing number of actors (individuals and organizations) do not simply compete or cooperate but in many cases they do simultaneously compete and cooperate in order to improve their performance, cultivate a competitive advantage, innovate, create and share knowledge, face increasing uncertainty and complexity in a turbulent, globalized, and fast-paced economic environment (Bengtsson & Kock, 1999, 2000; Dagnino et al., 2012; Gnyawali, He, & Madhavan, 2008; Le Roy, Dagnino, & Czakon, 2016; Le Roy & Sanou, 2014; Park, Srivastava, & Gnyawali, 2014; Pellegrin-Boucher, Le Roy, & Gurau, 2013; Yami, Castaldo, Dagnino, & Le Roy, 2010).

The simultaneous pursuit of cooperation and competition, termed as co-opetition (Brandenburger & Nalebuff, 1996; Brandenburger & Stuart, 1996), is a challenging exercise which brings companies to juxtapose competition (i.e., conflicting interests) and cooperation (i.e., common interests), and deal with the resulting tensions (Bengtsson & Kock, 2014; Czakon, Dagnino and Le Roy, 2016; Fernandez, Le Roy, & Gnyawali, 2014; Raza-Ullah, Bengtsson, & Kock, 2014; Tidström, 2014).

The paradoxical nature of co-opetition has deserved much attention in the recent literature (Bengtsson & Kock, 2014; Bengtsson, Eriksson, & Wincent, 2010a, 2010b; Czakon, Fernandez & Mina, 2014; Kock, Nisuls, & Söderqvist, 2010; Raza-Ullah, Bengtsson & Kock, 2014),

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E-mail address: Marcello.Mariani@unibo.it.

which has contributed first to convert a “liquid” word into a tangible one (Dagnino & Rocco, 2009) and later to refine its definition. Indeed co-opetition is now conceived as “a paradoxical relationship between two or more actors, regardless of whether they are in horizontal or vertical relationships, simultaneously involved in cooperative and competitive interactions.” (Bengtsson & Kock, 2014: p. 182).

The contradictions inherent in co-opetition need to find appropriate governance forms and structures (Cassiman, Di Guardo, & Valentini, 2009). With a few exceptions (see Czakon, 2009; Lacoste, 2014), extant literature has not yet analysed in depth if and how formal governance forms such as contracts are used to manage cooperative interactions. Moreover, analyses on coordination (i.e., how joint activities are carried out by competing actors) and coordination mechanisms as well as their drivers of formalization are virtually missing in co-opetition literature. To this end, this study addresses the aforementioned critical research gap by posing the following inter-related questions: (a) are contracts necessary to manage and govern cooperative interactions among networks? (b) What are the drivers of formalization of inter-network cooperative interactions and the underlying coordination mechanisms? (c) At what stage of the evolution of a cooperative relationship each driver of formalization in coordination is more likely to intervene?

We address the aforementioned questions by providing a conceptual discussion of co-opetition and the way extant literature has tackled the issues of formalization in cooperative interactions. We situate our analysis of the formalization and coordination of cooperative interactions in the tourism sector where any tourism destination is an amalgam of products, amenities and services delivered by a range of highly interdependent tourism firms including transportation,

accommodation, catering and entertainment companies and a wide range of public goods such as landscape, scenery, sea, lakes, cultural heritage, socio-economic surroundings (Buhalis, 2000; Naipaul, Wang, & Okumus, 2009). The chosen setting is ideal as tourism firms have to collaborate in order to create value, stage memorable tourism experiences and increase their profitability, while simultaneously competing (Czernek & Czakon, 2016; Kylänen & Mariani, 2012; Mariani & Kylänen, 2013; Wang & Krakover, 2008). Moreover, how the tourism industry and stakeholders in a destination keep the balance between cooperation and competition in destination marketing determines to a great extent the long-term competitiveness and success of the destination (Buhalis, 2000; Mariani, Di Felice & Mura, 2016; Palmer & Bejou, 1995). In the same vein, we maintain that how nearby tourism destinations strike a balance between cooperation and competition both in destination product development and marketing determines their long-term competitiveness in the wider globalized fast-paced travel and tourism industry (Baggio, Czakon, & Mariani, 2013; Baggio & Mariani, 2012).

More specifically, to analyse cooperation interactions between destinations (at the network level), we deploy the exemplar case of a large event, the *Pink Night* Festival, initiated and developed since 2006 by four competing destinations and their respective Destination Management Organizations (DMOs) spatially co-located in the Northern part of Italy.

Our study contributes to the co-opetition literature in several ways. First, this research is to the best of our knowledge, the first to develop case-based insights on the role of contracts as governance forms in managing cooperative interactions among networks. So far, scholars dealing with contracts in cooperative settings have analysed just cooperation at the inter-organizational level (Czakon, 2009; Lacoste, 2014), while in our study, we examine cooperative interactions among networks, namely tourism destinations.

Second, we focus on the role of coordination mechanisms (i.e., how joint activities are carried out) in inter-network cooperation and identify several key drivers of formalization of coordination in inter-network cooperative interactions. Previous studies highlight the reason why a specific contractual form (e.g., the framework contract) is used to manage buyer–supplier cooperative relationships (Lacoste, 2014) but do not take into account the factors driving formalization.

Finally, we develop a conceptual framework that helps to illustrate the features of each stage of the evolution of a cooperative relationship, in terms of the underlying coordination mechanisms. This provides a solid basis for designing and conducting empirical research, which is critical to advance the understanding of formalization and coordination in cooperative interactions. In order to achieve its objectives, the paper displays the following structure. The second section entails the theoretical background, which is built upon cooperation on one hand and the tourism management literature dealing with cooperative interactions on the other hand. The third section illustrates the methodology and empirical setting. The fourth section describes the case. Section 5 discusses the findings. The sixth section provides the conclusions and the managerial implications and outlines directions for future research.

2. Theoretical background

In this section, we illustrate our theoretical framework, which builds on two perspectives: 1) the body of research on cooperation, 2) the tourism management literature dealing with cooperation.

2.1. Cooperation strategy and coordination

2.1.1. Rationale for co-opetition

In many circumstances actors (be them individuals, organizations, or even networks) find it useful to compete and cooperate simultaneously (Bengtsson & Kock, 1999, 2000, 2014; Brandenburger & Nalebuff, 1996; Brandenburger & Stuart, 1996) in order to innovate

(e.g. Park et al., 2014), improve their performance (e.g., Pellegrin-Boucher et al., 2013), achieve a competitive advantage (e.g., Gnyawali & Madhavan, 2001) which can be turned into a cooperative advantage (e.g., Dagnino & Rocco, 2009), provide and develop complex products and services (e.g. Ritala, Hurmelinna-Laukkanen, & Blomqvist, 2009), create, share and transfer knowledge and enhance learning (e.g. Dagnino and Mariani, 2010; Tsai, 2002), face globalization forces and environmental changes (e.g., Mariani, 2007), create value (e.g., Song & Lee, 2012), manage constraints and tensions (e.g., Dowling, Roering, Carlin, & Wisniewski, 1996), drive internal expansion (e.g., Kock et al., 2010).

Competition between partners and cooperation between rivals are recording a virtually uninterrupted increase over time as cooperative interactions and strategies are becoming more and more relevant for a number of individuals and organizations in a growing number of sectors including the agriculture, manufacturing and services industries (Czakon, Mucha-Kuś, & Rogalski, 2014). Mirroring the proliferation of the aforementioned types of relationships, cooperation research has grown significantly over the last twenty years following an exponential trend (Bengtsson, Johansson, Näsholm, & Raza-Ullah, 2013; Czakon, Mucha-Kuś, & Rogalski, 2014).

However, after more than two decades of research, a number of issues remain on the table and related research gaps should be bridged. First, the definition itself of cooperation has changed several times since the seminal contribution of the economists Brandenburger and Nalebuff (Brandenburger & Nalebuff, 1996). Strategy scholars have provided an early definition of cooperation as a dual relationship between firms that simultaneously cooperate and compete (Bengtsson & Kock, 2000) and a new form of inter-firm dynamic (Dagnino, 2007). These definitions have been later enriched and refined, to be transformed into the most recent one: “cooperation is a paradoxical relationship between two or more actors, regardless of whether they are in horizontal or vertical relationships, simultaneously involved in cooperative and competitive interactions” (Bengtsson & Kock, 2014: p. 182).

Secondly, while research on cooperation has focused on the motives, likelihood, interaction, process, and outcome of cooperation at the inter-individual, intra-organizational and inter-organizational levels, only a few studies (Peng & Bourne, 2009; Song & Lee, 2012) have been conducted on the inter-network level. More specifically Peng and Bourne (2009) have conducted an investigation on inter-network cooperation between healthcare networks whose findings indicate that it is easier to balance cooperation between compatible networks with a different structure. Moreover they found that the simultaneous existence of cooperation and competition is not dependent on the closeness to the customer and that cooperation exists in both upstream and downstream areas (Peng & Bourne, 2009). Song and Lee (2012) have focused instead on the value chains of networks emphasizing aspects such as knowledge acquisition and logistics value.

Third, among the five research directions (and related questions) identified by Bengtsson and Kock (2014) as hot in the current debate on cooperation, the one related to understand the balancing of cooperation and competition needs to be tackled in more depth. Two approaches (and related principles) have been developed in extant cooperation literature to manage the tensions stemming from the simultaneous pursuit of competition and collaboration: separation of collaboration and competition versus integration of the two. Separation can be achieved in functional or spatial terms or by entrusting collaboration to a third party (Bengtsson & Kock, 2000). Separation however frequently engenders strong tensions, which can be mitigated only by integration (Chen, 2008; Das & Teng, 2000). Fernandez, Le Roy and Gnyawali offer interesting insights on how the integration principle can be successfully implemented at multiple levels (inter-individual, intra-organizational, inter-organizational) by competing organizations within the European sector of telecommunication satellites manufacturing (Fernandez et al., 2014). In this paper, we illustrate also how coordination mechanisms can be deployed to implement the integration principle by focusing on inter-network cooperative interactions.

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