



The cooptation paradox and tension: The moderating role of cooptation capability



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ABSTRACT

In this study, we apply a paradox perspective on cooptation to investigate the effects of cooptation paradox on managers' experience and perception of cooptative tensions, and the role of cooptation capability in managing such tensions. We propose a theoretical model to posit that the intensity of cooptation paradox positively associates with managers' experience of external tension, which in turn lead them to perceive internal tension. Further, cooptation capability plays a dual role—moderates the relation between cooptation paradox and external tension, and reduces internal tension. We tested hypotheses on a representative multi-industry sample of 1532 firms in Sweden and the results confirm them. Our study contributes to understanding the critical role of cooptation capability that enables firms to maintain a moderate level of tension regardless of the intensity of cooptation paradox.

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1. Introduction

The engagement of firms in cooptation, defined as simultaneous pursuit of cooperation and competition between firms (Bengtsson & Kock, 2000; Lado, Boyd, & Hanlon, 1997; Padula & Dagnino, 2007), materializes a paradox in the relationship (Fernandez, Le Roy, & Gnyawali, 2014; Raza-Ullah, Bengtsson, & Kock, 2014). Scholars argue that such a paradox engenders cooptative tensions that in turn have the potential to aggravate the relationship and break partnerships (Das & Teng, 2000; Fang, Chang, & Peng, 2011). Huge failure rates of alliances between competitors (Lunnan & Haugland, 2008; Park & Ungson, 2001) indicate that firms lack the required capability to manage these tensions. We name this specific capability as cooptation capability. Except for a few theoretical and anecdotal accounts concerning this capability (Gnyawali, Madhavan, He, & Bengtsson, 2012; Gnyawali & Park, 2011; Raza-Ullah & Bengtsson, 2014), there has hardly been any detailed empirical investigation on how cooptation capability can help firms deal with the cooptation paradox and the resultant tensions. We address this gap by examining how the strength of the cooptation paradox results in different degrees of external and subsequently internal tension. We also examine the dual role of cooptation capability that moderates external tension formation and reduces the internal tension.

We argue that as the potency of cooptation paradox can range from strong to weak (Park, Srivastava, & Gnyawali, 2014; Raza-Ullah et al., 2014), the resultant tension varies accordingly and in turn impacts the desired outcomes. Prevailing views, however, mainly consider

managing the paradox (e.g., Bengtsson, Eriksson, & Wincent, 2010) and overlook managing the resultant tensions. Apparently, focal firm's managers may not exercise much control to manage (or balance) the cooptation paradox per se, as several macro forces such as demands in industries, network dynamics, and third party influence often prescribe the degree of cooperation and competition (e.g., Garud & Kumaraswamy, 1995; Mariani, 2007; Wu, Choi, & Rungtusanatham, 2010). However, they can manage the tensions that a strong (or weak) paradox creates for them and other employees in the focal firm. Despite several calls made to empirically investigate the management of tension (e.g., Gnyawali et al., 2012) and this special issue call, "a closer examination of ways of managing tension is thus critical to develop a theory of cooptation" (p.1), we still lack a rigorous examination of the capability required to manage tension. Based on the notion that a moderate level of tension is beneficial in cooptation (Park et al., 2014; Raza-Ullah & Bengtsson, 2014), we define cooptation capability as the ability to think paradoxically and to initiate processes that help firms attain and maintain a moderate level of tension, irrespective of the strength of the paradox.

Cooptation capability is thus a must-have competence of top managers for two key reasons. One, they experience cooptative tension as they are directly involved in both cooperation and competition activities and thus need cooptation capability to manage tension effectively. We name this cooptative tension arising from the paradox and experienced directly by top managers as external tension. Two, top-level managers need to be capable enough to prevent the spillover of external tension inside the firm. This is critical because lower level employees are not usually involved in cooptation-related decisions and might not understand the necessity of different strategic moves and counter moves, or lack cooptation capability to handle external

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tension. Thus, a spillover of external tension into the organization would have negative effects. We call the tension that is spread internally as internal tension (perceived by top managers).

We derive a set of hypotheses based on our theoretical discussion. The empirical analysis builds on a representative multi-industry survey of 1532 Swedish firms administered by the Swedish National Bureau of Statistics in 2013. Overall, the results show that there is a significant direct relation between the strength of coopetition paradox and external tension, and coopetition capability provides a strong moderating effect on this relationship. Moreover, the results indicate that managers' experience of external tension leads them to become aware of the internal tension and their coopetition capability helps reduce the internal tension. This is important, as top managers are often responsible for managing the internal tension (c.f. Lubatkin, Simsek, Ling, & Veiga, 2006). In addition, coopetition capability stands out to be distinct from other general capabilities like network and absorptive capabilities, which further implies that it is a specific capability needed in unique paradoxical cooperative relationships between firms.

Our main contributions are threefold. First, we contribute to the coopetition literature by showing that coopetition paradox results in cooperative tension, which further suggests that paradox and tension are distinct concepts. Second, we suggest that coopetition capability moderates the link between coopetition paradox and tension, and thus enables firms to attain and maintain tension on a moderate level irrespective of the strength of coopetition paradox. Third, we provide evidence that coopetition capability affects how managers perceive the internal tension that prevails at the lower levels within the firm. Overall, we contribute by illustrating that coopetition capability plays a critical role in dealing with both external and internal tension.

2. Coopetition paradox, tension and coopetition capability

Our study builds on three main tenets: coopetition paradox, cooperative tension, and coopetition capability, which we discuss below.

2.1. Coopetition paradox

Coopetition entails simultaneous pursuit of cooperation and competition between a pair of firms (Bengtsson & Kock, 2000; Gnyawali & Park, 2011) often in the form of a strategic alliance or a joint venture, and is argued to be a win–win strategy (Brandenburger & Nalebuff, 1996). Literature lists numerous drivers and positive outcomes of coopetition such as: to improve quality standards, production efficiency, and product innovation; to influence a third party; to achieve economies of scope; and setting industry standards, among others (Gnyawali & Park, 2011; Luo, 2007). Presumably, coopetition can bring advantages of both cooperation and competition or “cooperative advantage” (Dagnino & Padula, 2002), however, the nature of coopetition is complex and it could result in a lose–lose situation. For instance, the Ford–Volkswagen alliance set up in 1980s could not outcompete its major competitor GM because both partners were direct competitors and managers were not willing to share their marketing strategies and design skills with each other (cf. Park & Ungson, 2001). Although a strong competitor is considered to be the best partner in a strategic alliance (Deming, 1993), which explains why more than 50% of all new alliances are formed between already competing firms (Harbison & Pekar, 1998), yet more than half of all strategic alliances fail (Lunnan & Haugland, 2008; Park & Ungson, 2001). These findings show that coopetition is a challenging phenomenon that must be managed effectively.

However, the first step before discussing how to manage coopetition is to understand what coopetition is, i.e., to understand the nature of the phenomenon. Coopetition is paradoxical as it involves firms interacting with two contradictory logics—cooperation and competition. Whereas cooperation underscores mutual benefits and collective interests, competition emphasizes opportunistic behavior and private interests (Khanna, Gulati, & Nohria, 1998; Park & Zhou, 2005). These logics

are not easy to reconcile, yet the relationship demands their simultaneous presence. The word ‘simultaneous’ is the crux of coopetition. Cooperating during one period and competing in another would simply mean cooperation or competition in isolation and that would negate the definition of coopetition (cf. Luo, 2007). Whereas simply cooperating with a partner, or solely competing with a rival makes more sense, juxtaposing cooperation with competition makes coopetition irrational, inconsistent and even absurd. Scholars name such a phenomenon as a paradox that relates to “contradictory yet interrelated elements (dualities) that exist simultaneously and persist over time; such elements seem logical when considered in isolation, but irrational, inconsistent, and absurd when juxtaposed” (Smith & Lewis, 2011; 387). Thus coopetition is a paradox (and not simply a trade-off between cooperation and competition) that juxtaposes the contradicting dualities of cooperation and competition.

That coopetition is a paradox also justifies that it occurs on two continua in contrast to one continuum. Whereas the latter emphasizes that competition increases at the expense of cooperation and vice versa, the former suggests that both competition and cooperation can vary from low to high intensities (Bengtsson et al., 2010). Coopetition paradox can thus be both balanced (strong and weak) and unbalanced (cooperation or competition dominated) on two continua. As Fig. 1 illustrates, coopetition paradox is balanced-strong (or balanced-weak) when the intensities of both cooperation and competition are simultaneously high (or low) along the balanced curve. Further, the paradox is unbalanced if the intensity level of either cooperation or competition exceeds the other. In other words, the paradox is either cooperation-dominated or competition-dominated but not balanced. Previous research on coopetition suggests that a balanced coopetition paradox is beneficial for performance (Bengtsson et al., 2010; Park et al., 2014; Raza-Ullah et al., 2014). Furthermore both cooperation and competition need to be reasonably balanced. Scholars argue that “[w]ithout adequate cooperation, alliances cannot be operated smoothly. Without sufficient attention to competition, alliances will unwittingly lose their competitive advantage and equitable rights and rewards. Both cooperation and competition must be preserved in an alliance as dynamic and permanent conditions.” (Das & Teng, 1999: 59). Thus when the forces to cooperate and to compete are neither too strong nor too weak and reasonably balanced firms can create coopetition advantages (Dagnino & Padula, 2002).

2.2. Cooperative tension

The very nature of the paradox engenders tension (e.g., Lewis, 2000; Poole & Van de Ven, 1989). Tension results from the coopetition paradox and is felt when managers involved in coopetition pursue “two co-existing contradictory forces with conflicting goals.” (Fang et al.,

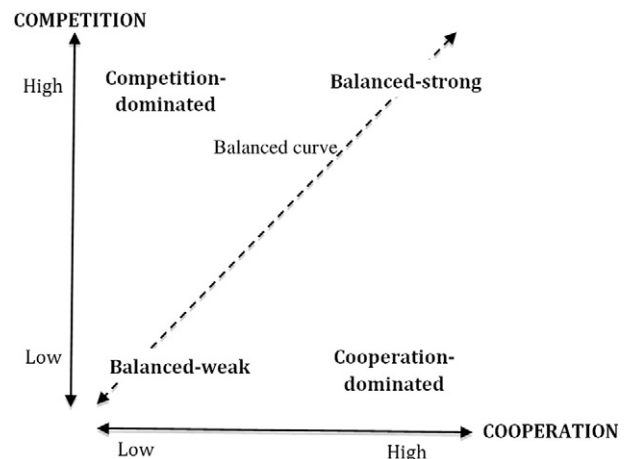


Fig. 1. Coopetition paradox.

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