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The management of coopetitive tensions within multi-unit organizations

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ABSTRACT

Coopetition strategy is often considered critical for firm performance (Gnyawali, He & Madhavan, 2008; Yami, Castaldo, Dagnino & Le Roy, 2010). However, this paradoxical strategy creates tension, especially when coopetition occurs within an organization (Tsai, 2002; Luo, Slotegraaf & Pan, 2006). This paper addresses existing knowledge gaps by providing the first analysis of the specific managerial methods and the key approaches needed to reduce internal tensions within multi-unit and multi-brand organizations. Using an in-depth study approach in the banking industry, we examine two exemplary cases: Crédit Agricole (CA), which is the leading bank in France and the third leading bank in Europe, and Banque Populaire Caisse d'Epargne (BPCE), which is the third leading bank in France. Our findings indicate that firms simultaneously use formal and informal coordination to manage coopetitive goals. Moreover, to reduce tensions due to coopetition, the banks have developed an original organizational model that allows for the distribution of the antagonist powers and fosters integration. The research shows that inter-unit projects balance responsibilities across the firm, while horizontal coordination and social interaction also eliminate blocking and facilitate decision making. To the best of our knowledge, this study represents the first attempt to examine the management of coopetitive tensions within a multi-unit and multi-brand organization.

1. Introduction

Over the past decade, coopetition has shifted to the centre of a growing number of publications (Bengtsson & Kock, 1999, 2000; Dagnino, 2007; Gnyawali & Park, 2009; Padula & Dagnino, 2007; Yami, Castaldo, Dagnino, & Le Roy, 2010). Many of these studies show that coopetition can be critical for firm performance (Bengtsson & Kock, 1999; Gnyawali, He, & Madhavan, 2008; Pellegrin-Boucher, Le Roy, & Gurău, 2013). Indeed, through coopetition, organizations can accelerate product research and development, significantly reduce costs, increase the sales volume for complementary products, diversify their product and service portfolios, and maintain a high level of consumer satisfaction (Bengtsson & Kock, 1999; Quintana-Garcia & Benavides-Velasco, 2004; Ritala & Hurmelinna-Laukkanen, 2009). However, these strategies are not devoid of risks and tensions (Bonel & Rocco, 2007; Gnyawali & He, 2006; Gnyawali & Park, 2009; Fernandez, Le Roy, & Gnyawali, 2014). The tensions are obvious when coopetition occurs between organizations (Bengtsson & Kock, 2000; Gnyawali, Madhavan, He, & Bengtsson, 2012), but they are also particularly striking in the context of intra-organizational coopetition, that is, when competing units within the same firm must also cooperate (Tsai, 2002; Luo, Slotegraaf, & Pan, 2006). Units cooperate to simultaneously develop synergies and scale effects and compete for internal resources and external market share because their rewards may depend on how they perform relative to other units.

In many sectors, multi-unit and multi-brand organizations are thus forced to simultaneously manage competitive and cooperative relationships among their own units (Luo et al., 2006). The development of the Internet and multichannel strategies has recently reinforced this tendency and the tensions between competing channels and brands. This coopetitive situation serves to boost firms' performance, but it also generates several risks and tensions that organizations must manage to succeed (Clarke-Hill, Li, & Davies, 2003; Luo et al., 2006; Fernandez et al., 2014). The application of effective management principles and procedures is thus crucial for the success of inter- or intra-organizational coopetitive strategies. At an organizational level, how can a multi-unit organization reduce these tensions? How can a multi-unit or multi-brand organization manage internal coopetition? To the best of our knowledge, no research has addressed these questions.

Although previous studies have highlighted the importance of coopetition management (Bengtsson & Kock, 2000; Bengtsson & Johansson, 2012), research focusing on tension management in the case of intra-organizational coopetition is very scarce. Likewise, no evidence exists regarding the use of coordination mechanisms to increase

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efficient synergies among competing units. Furthermore, although scholars have underscored the need to integrate and separate the opposing dimensions of coopetition (Fernandez et al., 2014), one may wonder how combining these two principles into simultaneous existence is possible.

Our research attempts to fill this knowledge gap by identifying the managerial procedures applied in intra-group coopetition and by investigating the basis of their application. The quest to find principles for successful coopetition management is ongoing. Past divergences have led us to seek new approaches to understand coopetition management, particularly in complex organizations within uncertain environments. Therefore, this study aims to identify and investigate the managerial procedures applied to intra-organizational coopetition within multi-unit firms.

The specificity and complexity of intra-organizational coopetition requires an in-depth exploration of the managerial procedures applied among competing units. We examined the relationships and coordination mechanisms in two large French banking groups composed of more than 70 units. Coopetition appears to be frequent within the banking sector at both the intra- and inter-organizational levels, as banks grow quickly through mergers, acquisitions and alliances, which often create coopetition within the same group. The two case studies considered are perfect illustrations of successful, coopetitive multi-unit organizations. They represent a territorial network of regional banks that pool their resources to achieve critical mass at the national and international levels while taking advantage of competitive actions at the regional and local levels — commercial competition is especially fierce between regional banks and between local banks. Coopetition also occurs during inter-unit IT projects that are at the heart of the banking activity. Indeed, information systems (ISs) in the banking industry are the core of all production systems because the banks' entire value chain is dematerialized and managed through the IT system. In our case study, competing banks are forced to cooperate and to share their competencies, building a common IS by implementing inter-unit projects. The originality of this organization is that each competing bank will lead one of these projects to balance the powers and responsibilities across the entire group. This formal organization is also complemented with informal management among bank directors and bank managers.

To better explain the relevance of our work, we first introduce coopetition management research and highlight two primary founding principles: the separation and integration of antagonistic dimensions. We also conceptualize the management of intra-organizational coopetition and formal and informal coordination. We then describe the methodology and the analytical process used in this research, which focuses on inter-unit management projects between competitive banks that belong to the same group. The study is mainly based on 65 interviews, mostly with bank directors and bank managers. Thereafter, we analyse the results in terms of formal and informal management, separation and integration, and horizontal coordination – which allows us to present a normative and dynamic model of coopetition management within a multi-unit organization. Finally, we discuss the managerial and theoretical implications of our research. To the best of our knowledge, this study represents the first attempt to examine the management of coopetitive tensions within a multi-unit organization, thereby providing an original contribution to the coopetition management literature.

2. Theoretical background

2.1. Managing coopetitive tensions

Coopetition strategies allow firms to achieve economies of scale, to access strategic resources, and to create inter-organizational synergies (Gnyawali & Park, 2009, 2011; Yami et al., 2010). However, coopetition strategies may also expose firms and units within a firm to risks by potentially disclosing secrets or information about their capabilities (Hamel, 1991; Dussauge, Garrette, & Mitchell, 2000). These risks create tensions both within and between the firms involved in coopetitive strategies. If such tensions are too high or are not well controlled, they may jeopardize the effective pursuit of coopetition strategies and create organizational blocking (Bonel & Rocco, 2007). Therefore, managing tensions is a critical task for coopetitive organizations and an essential condition for achieving performance (Chen, 2008; Gnyawali et al., 2008; Raza-Ullah, Bengtsson, & Kock, 2014).

2.1.1. Separation

Previous studies propose two opposing principles for managing coopetition: separation and integration. Separation is based on the idea that an individual cannot integrate the coopetition paradox; thus, separating competition and cooperation inside the firm is necessary (Bengtsson & Kock, 2000; Carlin et al., 1994; Dowling, Roering, Carlin, & Wisnieski, 1996; Luo, 2007). Bengtsson and Kock (2000) argue, "*the two different types of interaction are not divided between counterparts, but between activities, as it is impossible to compete and cooperate in the same activity*" (Bengtsson & Kock, 2000). The authors show that cooperation and competition can be separated depending on the activity's degree of proximity to the customer and on the competitor's access to specific resources. Separation helps employees to avoid the coopetition paradox, allowing them to focus on managing either collaborative or competitive actions (Bengtsson & Kock, 2000; Carlin et al., 1994; Dowling et al., 1996).

2.1.2. Integration

However, other scholars suggest that separation is not the solution for managing coopetitive tensions, as it does not consider the real nature of this relationship and can itself be a source of tension (Chen, 2008; Clarke-Hill et al., 2003; Gnyawali et al., 2008; Oshri & Weeber, 2006). They argue that individuals must develop a coopetitive mindset and integrate cooperation and competition to implement a successful coopetition strategy. The creation of this type of mindset can be achieved through organizational learning (Luo et al., 2006). Common experience and long-term commitment also strengthens mutual understanding and fosters trust, which appears to be a key success factor for coopetitive strategies (Chin, Chan, & Lam, 2008).

When individuals are faced with paradoxical tensions, Smith and Lewis (2011) suggest that acceptance is the best approach to initiate and maintain a virtuous cycle. Accepting paradoxes is thus one way of integrating antagonistic situations and can reduce competitive tensions. Indeed, accepting paradox-related tensions eliminates the associated problematic aspects and contributes to sensemaking (Lüscher & Lewis, 2008). Because managers are not forced to choose between various conflicting forces, they adopt a paradoxical mindset, which offers new opportunities for strategic planning and action.

2.1.3. Combining separation and integration

Finally, some scholars emphasize that a mixed organization based on both separation and integration can be very helpful in reducing tensions (Fernandez et al., 2014; Pellegrin-Boucher & Fenneteau, 2007). People in these organizations must be able to separately conduct cooperative and competitive activities with the same competitors (the principle of separation), and they should simultaneously be fully aware of the advantages of this dual situation (the principle of integration). In their study of inter-organizational coopetition between the European Aeronautical Defence and Space Company N.V. (EADS) and the Thales Group, Fernandez et al. (2014) highlight multiple sources of tension at different levels and show that both principles allow for more effective management of coopetitive tensions.

Based on these results, we also suggest that a combination of separation and integration principles should be achieved to effectively address inter-unit coopetition. However, one may wonder how these two managerial modes can possibly coexist. In particular, no research concerning the capacity of multi-unit firms to combine these approaches exists.