

Coopetition close to the customer – A case study of a small business network

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ARTICLE INFO

Article history:

Received 9 June 2014

Received in revised form 24 May 2015

Accepted 31 May 2015

Available online 2 July 2015

Keywords:

Coopetition

Interaction close to the customer

Output activities

Outcome

ABSTRACT

Coopetition interactions are traditionally divided into competing activities close to the customer, called output activities (e.g., sales and marketing), and cooperating activities far from the customer, known as input activities (e.g., logistics, production and R&D). In many coopetition networks, most of the cooperation has been in input activities, essentially meaning that little research is conducted in coopetition business networks with cooperative activities close to the customer. This article closes the gap by investigating coopetition in an ICT business network comprising small-to-medium-sized enterprises (SMEs) in the B2B sector. The purpose of this paper is to increase understanding of cooperation between competing firms by analyzing the success factors of cooperative activities close to the customer that lead to a positive outcome of coopetition. The results of the study show that some case companies are more competition oriented, whereas the others are more cooperation oriented. At the activity level of analysis, cooperation occurs in branding, marketing, joint customers, and delivery of services; whereas companies compete in local services, marketing campaigns, and pricing. In addition, our study shows that certain success factors for coopetition are highlighted, particularly in output activities such as activeness, geographical distance and personal resources.

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1. Introduction

Although coopetition can exist on many different levels, between individuals, teams and departments, organizations, and networks (Bengtsson & Kock, 2014; Luo, 2005), it is broadly considered to be the result of a paradoxical and simultaneous intersection between cooperation and competition between competitors, regardless of unit of analysis (Bengtsson, Eriksson, & Wincent, 2010; Bengtsson & Kock, 2014; Chen, 2008; Hamel, Doz, & Prahalad, 1989). At an inter-organizational level, previous studies have investigated coopetition activities such as knowledge acquisition (Levy, Loebbecke, & Powell, 2003), R&D, balancing or tension between cooperation and competition, and critical events (Bengtsson & Kock, 2014). In these studies, direct competitors seldom cooperate in activities that are close to the customer, also referred to as output activities because they are a means of differentiating a company's offerings (Bengtsson & Kock, 2000). Instead, it is more common to see cooperation in activities that are not visible to the customer (Bengtsson & Kock, 1999, 2000; Rusko, 2011), which are referred to as input activities. Typical input activities include logistics, production, and R&D, whereas common output activities include sales, marketing, and branding, which are activities that are visible to the customer.

In light of the increasing interest in coopetition, both in practice and in research (Brandenburger & Nalebuff, 1997; Chin, 2005; Padula & Dagnino, 2007; Walley, 2007; Osarenkhoe, 2010; Bengtsson et al., 2010; LaPlaca, 2014) and the apparent lack of research scrutinizing coopetition close to the customer, the purpose of this paper is to increase understanding of cooperation between competitors in activities close to the customer. The paper's approach is to examine coopetition balance between competition and cooperation and the outcome, in addition to the perceived success factors of coopetition, with particular focus on output activities that lead to a positive outcome. Although studies of coopetition have increased in recent years (Bengtsson & Kock, 2014), they continue to concentrate on inter-firm cooperation in innovation and international expansion in addition to management, tension and benefits of coopetition. In addition to investigating output activities, this paper can also be considered a response to the call for more empirical research within the field of coopetition (Bengtsson et al., 2010; Cygler, 2010; Mariani, 2007; Osarenkhoe, 2010; Walley, 2007), particularly concerning activities close to the customer, and a recent call for further theoretical development (Rusko, 2014).

The paper contributes to the coopetition research in two ways. First, we build up a framework that integrates both input/output activities and balance in interaction. Second, the integrated framework is used to empirically identify activities and map perceived balance in coopetition interaction to explain perceived success factors of cooperation in activities close to the customer. Fig. 1 illustrates the structure of the paper and the contribution. The first row of the figure shows the

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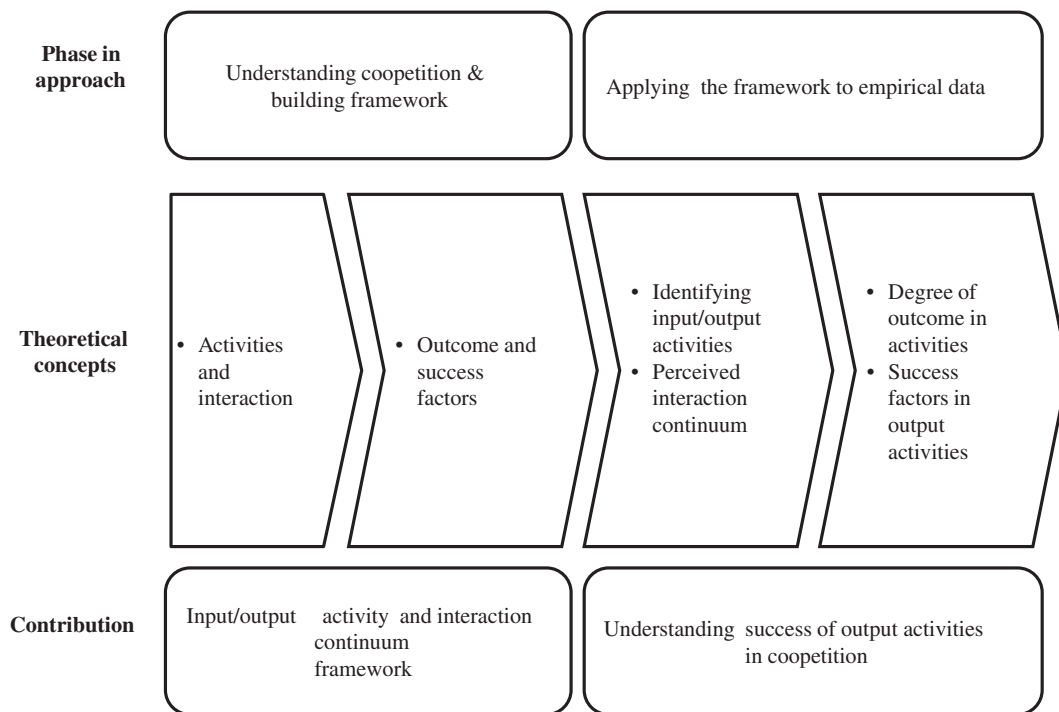


Fig. 1. Research process and structure of the paper.

general phases in the research approach, the second row illustrates which theoretical constructs were used for said phase, and the final row presents the contribution of each section.

The following Sections (2 and 3) build up the theoretical framework by initially explaining coopetition activities and interactions and then defining outcome and success factors, ultimately building the framework for analysis. In Section 4, the research design is presented. Next, the paper moves on to apply the framework, describing the results in Section 5. Section 6 discusses the results and the contribution in relation to previous studies, and practical implications are presented in Section 7. The final section identifies limitations that lead to future research avenues.

2. Coopetition activities & interaction

The dyadic and paradoxical relationship that emerges when two firms cooperate in some activities and at the same time compete with one another in other activities is called coopetition, according to Bengtsson and Kock (2000). Bengtsson and Kock (1999, 2000) describe coopetition in terms of interactions and activities, meaning that two (or more) parties can have interactions that are both cooperative and competing. These types of interactions are not considered opposites because companies can perform, for instance, one activity in cooperation while competing in another activity (Gnyawali & Madhavan, 2001). Thus, companies can compete in sales activities while at the same time cooperating in logistic activities.

Coopetition is not limited to interactions between two companies; nor is it fixed to one level of interaction. Companies in coopetition networks can also have both horizontal and vertical relationships simultaneously (Bengtsson & Kock, 2000), which often will be the case in business networks that have a board or CEO governing relationships (Chin, Chan, & Lam, 2008). Coopetitive relationships are complex because they consist of two different logics of interaction: competitive and cooperative (Bengtsson & Kock, 2000).

Next, the paper proceeds to explain coopetition activities and interaction and finally integrates the two into a framework after which success factors are introduced. The integrated framework and the success factors are used to analyze the empirical data.

2.1. Coopetition activities

In the current coopetition literature (Bengtsson & Kock, 2000; Luo, 2007; Rusko, 2011), coopetition activities are divided into a) cooperative activities far from the customer (input activities, e.g., logistics, production, and R&D) and b) competing activities close to the customer (output activities, e.g., sales and marketing in the same market). Although cooperation in input activities is more common, there are networks that cooperate in output activities close to the customer, e.g., in marketing activities (Kylänen & Rusko, 2010; Rusko, 2011). Furthermore, cooperation between competitors in activities traditionally considered close to the customer (for example, sales and marketing) can be found in some practical examples outside of coopetition literature (Felzenstein & Gimmon, 2009; Moilanen, 2008; Vahlsten, 2003). However, the term coopetition has not previously been used to describe the phenomenon of simultaneous competition and co-operation in output activities in coopetition literature.

Practical studies (Vahlsten, 2003) essentially contradict the assumption that competitors do not cooperate in output activities. Rusko (2011) also discusses this assumption briefly when presenting a combined typology for coopetition based on a group of leading coopetition researchers' work (Bengtsson & Kock, 2000; Dowling, Roering, Carlin, & Wisniewski, 1996; Luo, 2007), proposing a "center of gravity", a middle zone of competition and cooperation. This leaves a gray zone for so-called midstream activities (Mariani, 2007). Although not the focus of his study, Rusko's (2011) framework does in principle suggest that output activities occur between cooperating rivals. Rusko (2011) notes that several companies also cooperate in marketing activities. Therefore, both practice and theory indicate that coopetition can exist in activities close to the customer. However, the described studies did not investigate more closely the two types of activities or their role in cooperative interactions. Hence, coopetition interaction is discussed next.

2.2. Coopetition interaction

Coopetition is not a static state of balanced competition and cooperation: Coopetition is a dynamic interaction (Bengtsson et al., 2010).

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