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Creating cooperative advantage: The roles of identification, trust, and time

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ABSTRACT

This study promotes the notion of cooperative advantage as an alternative to the common emphasis on competitive advantage. In a challenging setting, identification, trust and time focus emerged as central cooperative advantage preconditions between actors with different worldviews. Creating cooperative advantage is associated with these three dimensions and their interplay through acknowledgment, respect and patience—central managerial qualities present in the case. The notion of cooperative advantage is related to industrial network theory and the strategic management discipline.

1. Introduction

Though the concerns of industrial network scholars and researchers focusing on strategy sometimes coincide, there are also some notable exceptions. Whereas competition is the norm in strategic management, cooperation is stressed in industrial networks. While calls for a better understanding of cooperation and the relational dimensions are not new to the strategic management literature (see Dyer & Singh, 1998; Jarillo, 1988; Løwendahl & Revang, 1998; Nielsen, 1988), a recent review of core concepts shows that whereas the notion of competition has become increasingly central, cooperation does not even make the top 15 list (Ronda-Pupo & Guerras-Martin, 2012). Indeed, while cooperative strategy recently became a special interest field within the Strategic Management Society,[1] competition could possibly become a subfield within the industrial network tradition (cf. Ford & Håkansson, 2013). Nevertheless, it is the strategic management field which employs the notions of both competitive and cooperative advantage.

This study is concerned foremost with the latter expression; that is, relationship-based value creation resulting in distributed benefits. Based on abductive research, notions of identification,[2] trust and time focus have emerged as central factors enabling cooperative advantage. The empirical setting is one where creating cooperative advantages could be expected to be challenging; that is, relationships between multinational corporations (MNCs) and indigenous peoples. These actors are often in conflict and their interactions are competitive regarding goals, the use of resources, and distribution of benefits (cf. Calbucura, 2003; Coates, 2004; Gedicks, 2001).

Developing mutually beneficial relationships between MNCs and indigenous peoples is interesting in its own right and illustrating how actors with different worldviews may develop cooperative advantage. The present paper relates to a broader study that focuses on strategies and relational approaches used in MNCs–indigenous peoples interactions. The objectives with this paper are to (i) characterize cooperative advantage; (ii) address how such advantages can be created; and (iii) align the dimensions and creation of cooperative advantage with the realms of industrial networks and strategic management respectively.

A literature review follows concerning competitive and cooperative strategies. The research design and method follows. The case concerns the relationship between Mainstream Canada and the Ahousaht First Nation,[3] located in British Columbia, Canada. Implications for theory and practice end the paper.

2. Literature review

Table 1 is part of the study's abductive research process. It includes the initial literature review that focused on the traditional notion of competitive advantage and the much less emphasized idea of cooperative advantage (and similar expressions). It also presents the

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[1] http://strategicmanagement.net/ig/cooperative_strategies.php.

[2] Identity is closely related to identification and correspondingly addressed in the paper.

[3] First Nations is a term that refers to aboriginal/indigenous peoples, primarily in North America.

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Table 1
Dimensions of competitive advantage and cooperative advantage.

Competitive and cooperative strategies	Competitive advantage (the jungle)	Cooperative advantage (the rainforest)
Level of analysis	Single actor	Dyad (e.g., collaborative advantage) Network (competitive advantage of interconnected firms)
Assumption of human behavior	Opportunism	Non-deterministic (neither opportunism nor trustworthiness)
Relationships	Independence	Interdependence
Goal achievements	Negatively correlated	Positively correlated
View of winning	Negative sum game	Positive sum game
Means of victory	Pursuing victory over others	Pursuing victory with others
Identification	Within organizations	Between organizations
Trust	Rational Focus on the deal (the activity)	Social/emotional Focus on the other (the actor)
Time focus	Horizontal time	Horizontal time Vertical time

case-derived notions of identification, trust and time focus. Successive literature reviews focused on these themes, as indicated below.

2.1. Competitive and cooperative advantage

Industrial network scholars employ the metaphors of "the jungle" and "the rainforest" to characterize business relationships (Håkansson & Waluszewski, 2002; Håkansson et al., 2009). The idea of competitive advantage fits well with "the jungle": it involves a single actor (firm level) focus based on assumptions such as survival of the fittest; independence based on zero-sum games; winning-losing interactions; and tight boundaries between "me" and "the other". When so-called relational dimensions are acknowledged, the focus is commonly on, "how firms may improve their performance in *competitive interactions* with other firms" (Sanches & Heene, 1997, p. 303, italics added). Barney (2002 p. 6) viewed strategy as, "a firm's theory about how to compete successfully." Relational approaches often focus on how a focal firm can utilize relationships for its benefit. Competitive advantage involves value appropriation both by assuming relational rent (that is, common benefits) and unilaterally accumulating spillover rents that produce private benefits (Lavie, 2006). Cooperation is commonly explained by "the shadow of the future" (Axelrod, 1984): when the shadow looms large, actors chose to cooperate because the temporary benefits from cheating today are outweighed by the danger of future retaliation.

Strategy scholars provide alternative views expressed in the relational view (Dyer & Singh, 1998) and the extended resource-based view (Lavie, 2006). The relational view claims that critical resources may span firm boundaries. Gulati (1999) viewed network resources as externalities embedded in the firm's alliance network that provide strategic opportunities and affect firm behavior and value. Lavie (2006) concluded that the nature of relationships may matter more than the resources in networked environments.

The notion of cooperative advantage coexists with similar expressions, such as collaborative advantage (Dyer & Singh, 1998); joint competitive advantage (Jap, 2001); and competitive advantage of interconnected firms (Lavie, 2006). These expressions are used in the fields of strategic management (the relational view and the extended resource-based view), strategic alliances and supply chain management, respectively (Cao & Zhang, 2011; Lei, Slocum, & Pitts, 1997; Mentzer et al., 2001), but are less explicit in industrial network terminology. Cooperative advantage (or collaborative advantage as expressed by Dyer & Singh, 1998) comes from relational rent, a common benefit that accrues to collaborative partners through combination, exchange and co-development of idiosyncratic resources. The relational view emphasizes common benefits that partners cannot generate independently and focuses on dyadic joint value creation where rents accrue at the inter-organizational level for mutual benefits. Lavie (2006) considered the broader implications of network resources for interconnected firms' competitive advantage by regarding these networks' role in affecting member firm performance. Hence, the notion of interconnected firms' competitive advantage concerns network-level cooperative advantage.

This line of reasoning corresponds with industrial network thinking. Contrary to "jungle-like" reasoning, industrial network thought builds on a "rainforest" metaphor, where relationships, interdependencies, mutual adjustments, co-evolution and collaboration become accentuated. In the rainforest, it is acknowledged that relationships affect the nature and the outcome of firms' actions (Batt & Purchase, 2004; Gadde, Huemer, & Håkansson, 2003; Håkansson & Snehota, 1995; Wilkinson & Young, 2002). The scope of strategy is transformed, "from that of pursuing a victory over others to somehow making it together…" (Ford et al., 1998 p. 107). Correspondingly, the underlying logic of the resource interaction approach (Baraldi, Gressetvold, & Harrison, 2012; Håkansson & Waluszewski, 2002) expands the focus from the single firm or dyad to the level of inter-organizational networks.

2.2. Cooperative advantage and the notions of identification, trust and time focus

As an initial illustration, the following quote from an Ahousaht member captures all three case-derived dimensions: "*This is a deal for generations to come* (time focus), *a guarantee* (trust concern) *to buy a future in Ahousaht territory* (time focus)… *We are rooted in the land* (identification and identity). *We are therefore very careful in what we do* (trust concern)." The deal mentioned above is the protocol that was signed between Ahousaht and Mainstream. Identification, trust and time are prevalent theoretical concepts, as well as implicit in ideas of both competitive and cooperative advantage. The review below introduces these dimensions.

2.2.1. Identification

Attributions of "self" and "the other" are inescapably bound up with the creation of boundaries (Marshall, 2003). Organizational identification processes, such as the sense of belonging, and the need for affiliation, acceptance, pride, involvement and goal congruence (Hatch & Schultz, 2000), appear to take place within given organizational boundaries in the "jungle".

By contrast, industrial network scholars stress that firms appear without distinctive and clear boundaries (Håkansson and Snehota, 1989). Araujo et al. (2003) argued that firms are multi-faceted entities and the definition of their boundaries depends largely on the aims and purposes of the observer. Araujo et al. further stressed that boundaries can be seen as a matter of dealing with connections among clusters of capabilities.

Boundary-drawing capability has been labeled "network identification". Huemer, Becerra, and Lunnan (2004) argued that boundaries are central to network-level identification processes; that a central ability is an actor's capacity to shape the means that define its commitments and