

## The coopetition paradox and tension in coopetition at multiple levels



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### ABSTRACT

This article explores the nature of the paradox inherent in coopetition; that is, the simultaneous pursuit of cooperation and competition between firms, and emanating tensions that develop at individual, organizational, and inter-organizational levels. We dissect the anatomy of the coopetition paradox to discover how it materializes by creating an external boundary (i.e., via unifying forces) and internal boundaries (i.e., via divergent forces). After explaining the coopetition paradox, we distinguish tension from paradox and submit that tension comprises both positive and negative emotions simultaneously, also known as emotional ambivalence. Finally, we recognize that emotional ambivalence in coopetition prevails at different levels, and vary in its level of intensity and persistency in relation to different contexts. We employ illustrative cases to ground our propositions empirically. This article provides understanding on concepts, expects to incite fruitful dialogue, and fuels further studies on inter-firm paradoxes.

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### 1. Introduction

Scholarly attention to coopetition, defined as the simultaneous pursuit of cooperation and competition between firms (Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 1996), has increased due to the large number of industrial, relational, and firm specific factors that motivate or force firms to engage in these contradictory logics of interaction (Gnyawali & Park, 2009, 2011; Luo, 2007; Wu, 2012). A paradox materializes when cooperation and competition, two contradictory yet interrelated dualities are juxtaposed in coopetition (cf. Lewis, 2000). Furthermore, actors involved in coopetition experience tensions that stem from the paradox that materializes in the relationship between two firms (cf. Gnyawali & Park, 2011). Despite increased acceptance of coopetition in scientific circles, we know little concerning the nature and materialization of this paradox. Also, while the extant literature acknowledges that tension is an integral part of coopetition paradox (Das & Teng, 2000), substantial understanding on what underlies this tension and where it arises is lacking. We address these gaps by developing a conceptual framework that examines the role of contextual factors in materializing the paradox in coopetition, the nature of this paradox, and the underlying features of resultant tensions and their location.

First, we argue that coopetition must be perceived and understood through a paradox lens, as it engages rival firms to collaborate with

each other and raises managerial complexities that together make for huge failure rates of alliances (Park & Ungson, 2001). It is challenging to maintain the dynamic balance between the two contradictory logics of interaction (Bengtsson, Eriksson, & Wincent, 2010) as the external forces or motives to compete and cooperate are seldomly balanced. Thus, there is always a risk that one interaction turns too strong over the other which minimizes the possibility to gain from both cooperation and competition, and, in extreme cases even dissolves the relationship prematurely. It is therefore essential to develop an understanding on how these factors shape and affect the coopetition paradox to enable managers to be proactive and to strive for balancing the two logics even if one of the forces is stronger. Therefore, the first purpose of this article is to explore the nature of the paradox and the unifying and divergent forces that initiate contradictory interaction between firms, creating external boundary and internal boundaries of the paradox respectively. Aside from mentioning that an external boundary integrates opposing elements while internal boundaries emphasize division (Smith & Lewis, 2011), the extant literature lacks insight both into how the boundaries that form a paradox are created and on the dynamic interplay between the external boundary and internal boundaries. By illustrating two coopetition examples, the manifestation of a paradox in the relationship between two cooperating competitor firms; Sony–Samsung, and between two partner firms that compete; Apple–Google, we argue that several factors in the coopetition context engender the creation of these boundaries. This section of our article contributes to the understanding on (1) how a paradox materializes, (2) the inverse built-in functions of an external boundary and internal boundaries, and (3) the interplay between the external and internal boundaries as well as their effect on the size of the dualities (i.e., cooperation and competition), and their role in dissolving the paradox.

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Second, by stating that a paradox is an antecedent of tension, we argue that tension transpires when actors involved in coopetition cognitively evaluate the paradox and the positive and negative consequences that it brings to their own and their firm's well-being. Appraisal of the coopetition paradox results in a state of simultaneously experiencing positive and negative emotions. We argue that this emotional state underlies tension in coopetition. Also known as emotional ambivalence, simultaneous experience of positive and negative emotions has received scant attention in organizational research (e.g., Fong, 2006; Pratt & Doucet, 2000; Rothman, 2011), and has unfortunately remained unexplored in research on coopetition. It requires significant attention from coopetition scholars as the coopetition paradox originates conflicting emotions simultaneously and stands as a strong source of emotional ambivalence or tension in coopetition. Extreme levels of high or low tension hamper coopetition performance and thus need to be managed (Raza-Ullah & Bengtsson, 2013). However, to manage tension, we first need to understand what it is. Thus the second purpose of this article is to establish an understanding that tension in coopetition encompasses simultaneously positive and negative emotions that prevail both at the relational level between firms and inside the firms at different levels. We demonstrate this by drawing on two intriguing case examples of Skega-Trellex and Permanova-Rofin Sinar, each taken from a different coopetition context. This section contributes by elucidating that tension stemming from coopetition paradox (1) comprises holding two conflicting emotions simultaneously, (2) preponderates at different levels, and (3) can vary in its intensity and persistency in relation to the coopetition context. This article thereby takes the very first initiative to ascertain that tension in coopetition comprises conflicting emotions simultaneously. In sum, it provides understanding on concepts, incites dialogue among researchers, and fuels further studies of inter-firm paradoxes.

## 2. A paradox lens on coopetition

Coopetition is a portmanteau of cooperation and competition that develops when firms cooperate and compete simultaneously (Bengtsson & Kock, 2000). While cooperation seeks value creation, a positive-sum game, and shared benefits, competition demands opportunistic behavior, a zero-sum game, and private benefits (cf., Das & Teng, 2000). These opposite logics, contradict each other although coopetition demands their simultaneous presence, which informs us that cooperative relationships are paradoxical (Smith & Lewis, 2011). Therefore, we argue that the coopetition phenomenon should be perceived through a paradox lens.

A paradox is a complex phenomenon that has been weighted differently by various streams of research. In the western management literature, a paradox is often considered within an 'either/or' framework that envisages two opposites as mutually independent with only one of the two operating at a given time (cf. Chen, 2008). However an 'either/or' situation is defined as a dilemma that must be differentiated from a paradox in that the latter represents a situation in which it is not possible to choose between contradictory dualities (Cameron & Quinn, 1988). Thus, the contradictory logics of interaction (i.e., cooperation and competition) are simultaneously pursued despite the fact that they seem illogical when juxtaposed (cf. Lewis, 2000). This is in line with eastern philosophy that emphasizes integration of diverse elements, perceiving them as 'both/and', and symbolized by the well-known yin/yang image (Fig. 1.) that represents the natural wholeness of contradictory elements, each containing the seed of the other, and together forming a dynamic unity (Chen, 2008). As coopetition is defined as simultaneous collaboration and competition, we argue that the 'both/and' perspective of a paradox holds true for the coopetition phenomenon.

Following this perspective and in line with Smith and Lewis (2011), we emphasize that the complex nature of a paradox comprises two interdependent but contravening boundaries: internal and external. Internal boundaries separate two contradictory elements/dualities,

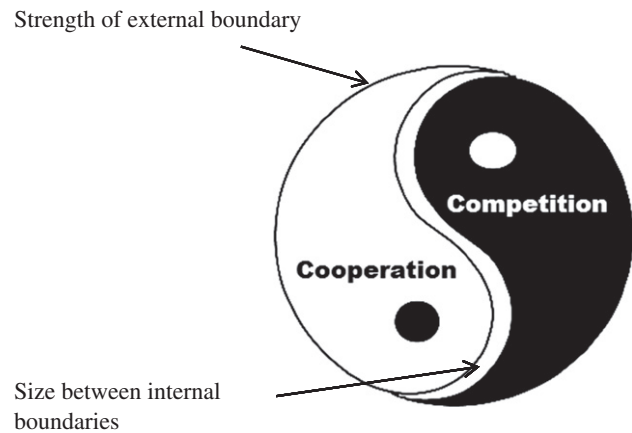


Fig. 1. Size of internal and strength of external boundaries boundary.

emphasize distinction between them, and encourage 'either/or' thinking. The external boundary unifies the two contradictory elements, or juxtaposes opposing dualities and necessitates 'both/and' thinking. The two boundaries are created simultaneously and stand as prerequisites of materialization and sustenance of a paradox. Differences between paradoxes in different cooperative relationships relate to these boundaries: the size of internal boundaries (i.e., strength of divergent forces), the strength of an external boundary (i.e., unifying forces), and the interplay between them, as illustrated in Fig. 1.

When the external boundary that juxtaposes the dualities of cooperation and competition, and the internal boundaries that separate the dualities are created, the contradictions inherent in the paradox also are activated. The most reported contradiction is joint value creation versus private value appropriation (Brandenburger & Nalebuff, 1996). This contradiction relates to the problem of sharing knowledge with a competitor while simultaneously preventing its unintended leakage (De Rond & Bouchikhi, 2004; Luo, Shenkar, & Gurnani, 2008). Firms cooperate to explore each other's know-how, and thus share knowledge for common benefits. However, at the same time, they attempt to exploit each other's know-how for private gains and to maximize control over their own knowledge (Hamel, Doz, & Prahalad, 1989; Khanna, Gulati, & Nohria, 1998). Another contradiction that might develop in a relationship relates to the short-term versus long-term orientation of the firms. One competitor might commit more to collaboration based on its long-term orientation while the other might behave opportunistically for short-term gains (Das & Teng, 2000).

At this point, we utilize the paradox lens to put forward a conceptual framework that also guides the following sections in this article. As shown in Fig. 2., the framework has three primary features: (1) a coopetition context that generates forces creating external and internal boundaries, (2) a coopetition paradox that materializes as boundaries are created, and (3) tension that transpires at different levels when actors evaluate the consequences of the coopetition paradox. The model depicts that the coopetition context (i.e., industrial, relational, and firm specific factors) drives competing firms to collaborate, or cooperating firms to compete; thus creating external and internal boundaries that materialize a coopetition paradox. When actors evaluate the coopetition paradox and appraise the consequences for themselves and their firm, they construct tension. Tension in coopetition comprises simultaneously both positive and negative emotions, known elsewhere as emotional ambivalence (Fong, 2006; Pratt & Doucet, 2000) that results from conflicting cognitions on the consequences of a cooperative relationship. Emotional ambivalence develops both in the relationship (i.e., inter-organizational level) and inside the organization at individual and/or inter-unit levels. Furthermore, the intensity of ambivalence and its persistency at different levels varies depending on the coopetition context and the resultant paradox.

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