



## Conceptualizing coepetition as a process: An outline of change in cooperative and competitive interactions<sup>☆</sup>



Johanna Dahl<sup>\*</sup>

Department of Management and Organization, Hanken School of Economics, P.O. Box 287, FI 65101 Vaasa, Finland

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### ABSTRACT

This study discusses how and why cooperative interactions between competitors change as their cooperative relation develops over time. Such cooperative interactions are conceptualized to depend on the existence of agreements between competitors, or rules for cooperating and competing, which are formulated based on past experiences from mutual interaction. The purpose is to develop a framework which explains change in cooperative interactions and particularly in inter-organizational rules for interaction. This framework distinguishes three mechanisms underlying change: inter-organizational learning manifested in cooperation between competitors, intra-organizational learning based on confrontations between conflicting experiences among organizational members, and the development of the external environment. Based on this generic framework, three scenarios are developed that delineate the nature of the change process in relations characterized respectively by strong competitive and cooperative dimensions, and in relations characterized by equal and moderately strong levels of cooperation and competition. These scenarios further suggest that rules for interaction change in a predefined or discontinuous manner depending on the balance and strength of the cooperative and competitive interactions.

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### 1. Introduction

Coepetition refers to the notion that two organizations simultaneously cooperate in some activities, such as research and development or purchasing, as they compete with each other in, for example, sales activities (Bengtsson & Kock, 2000). The need for competitors to engage in both cooperative and competitive interactions has, to date, been noted among large corporations (Gnyawali & Park, 2011) and also small and more resource constrained firms (Bengtsson & Johansson, *in press*). Inter-competitor cooperation has been explained to stem from economic (Gnyawali & Park, 2011; Luo, 2007) or social motives (Easton, 1990; Oliver, 2004). Previous research has also frequently explained coepetition as a consequence of changes to structural conditions in the market (Bengtsson, Eriksson, & Wincent, 2010b, p. 29). The centrality of external forces for understanding changes in cooperative interactions ultimately rests, according to Bengtsson and Kock (2000, p. 416), on the prevailing dependence between competitors operating in the same industry. However, due to their unstable and dynamic nature, competitive relations have also been deemed challenging for

organizations to manage (Yami, Castaldo, Dagnino, Le Roy, & Czakon, 2010, p. 7). Nevertheless, there has been little research going beyond the motives behind inter-competitor cooperation and explaining cooperative interactions from a process perspective as the relationship unfolds over time (Bengtsson et al., 2010b; Tidström, 2008). To this end, the study poses the question: how and why do cooperative interactions between competitors change as the competitors acquire new experiences from mutual cooperation, and their external environment changes?

Within the business network approach, the nature of present and future inter-organizational interactions has been explained from the perspective of the actors learning from direct experiences accumulated from past interactions (Ford & Håkansson, 2006; Johanson & Vahlne, 2003). In line with this conceptualization, cooperative interactions between competitors have been described as depending on agreed norms for interaction in terms of formal agreements and/or trust (Bengtsson & Kock, 1999, p. 182; see also Baldwin & Bengtsson, 2004, p. 86; Easton, 1990, p. 73). Similarly, scholars have emphasized the influence of relationship-specific experiences in terms of trust (Castaldo & Dagnino, 2009, p. 93; Ritala, Hurmelinna-Laukkanen, & Blomqvist, 2009, p. 260), inter-organizational learning (Mariani, 2007, p. 117), and “relational-specific routines” (Gnyawali & Park, 2011, p. 652; Luo, 2007, p. 133) behind the development of cooperative relations over time. Subsequently, competitors mutually store and learn from experiences created while cooperating and competing with each other. Following this line of reasoning, cooperative interactions are contingent upon experientially learnt agreements for cooperating and competing,

<sup>☆</sup> Johanna Dahl is a doctoral student at the Department of Management and Organization at Hanken School of Economics in Vaasa, Finland. She has done research within the areas of: coepetition, strategy in business networks, internationalization of small and medium-sized enterprises, and boards of directors.

<sup>\*</sup> Tel.: +358 40 352 1764.

E-mail address: johanna.dahl@hanken.fi.

or *inter-organizational rules*,<sup>1</sup> which explicitly or tacitly prevail between the competitors (Holmqvist, 2004, p. 71; Levitt & March, 1988, p. 320). Hence, to explain change in cooperative interactions, it is necessary to understand how and why formal and informal rules, developed mutually by the competitors based on experience, change. However, although scholars have described the cooperative and competitive elements as continuously evolving in strength and balance (Bengtsson, Eriksson, & Wincent, 2010a; Luo, 2007; Tidström & Hagberg-Andersson, 2012; Yami et al., 2010), research on experientially learnt agreements for interaction from a dynamic perspective remains scarce.

The purpose of this article is to develop a framework that explains change in cooperative interactions over time. In particular, this framework seeks to conceptualize how and why cooperative rules for interaction change given the competitors' development of direct experiences from previous interactions and changes in their external environment. Within this framework, the concept of process is defined as "a sequence of events or activities"<sup>2</sup> (Van de Ven, 1992, p. 170). Consequently, to theoretically explain cooperative interactions from a process perspective, the framework seeks both to outline the progression of change events in which competitors "engage in actions related to the development of their relationship" (Ring & Van de Ven, 1994, p. 112) and the change mechanisms that underlie this progression (Van de Ven & Poole, 1995, p. 514). The nature of this change process is furthermore delineated in relation to the balance and strength of the cooperative and competitive interactions.

The article contributes to cooptation research by approaching cooperative interactions from a process perspective. The study particularly extends current discussions by describing how interactions change due to competitors' development of direct experiences from mutual cooperation alongside changes in their external environment. In addition, the theoretical bases behind previous notions on the influence of mutually created experiences between competitors are advanced. More specifically, by introducing research on organizational learning into the context of cooperative relations, the interplay between inter- and intra-organizational learning processes is described to explain how these experiences act as a mechanism underlying change (Holmqvist, 2004). Lastly, the study responds to calls for research on different types of cooperative relations (Bengtsson et al., 2010a, p. 210) by describing the nature of the change process in relation to the balance and strength of cooperative and competitive interactions.

The following discussion is divided into three main parts. In building upon earlier notions that inter-competitor cooperation depends on agreed norms of interaction and forms through past experiences, the discussion begins by conceptualizing the existence of cooperative interactions through cooperative rules for interaction. Hereafter, the dynamic nature of the rules is described by analyzing prior research on change in cooperative interactions through the lenses of four ideal types of explanation on the nature of the change process: life-cycle, evolution, teleology, and dialectics (Van de Ven & Poole, 1995). Through this discussion, contrasting conceptualizations of change in the extant literature are unified, and a more comprehensive explanation is reached. Lastly, three scenarios are presented to explain change in competition- and cooperation-dominated relations, and in relations characterized by equal and moderately strong levels of cooperation and competition.

<sup>1</sup> In approaching the outcomes of learning from experiences, authors have also raised the existence of routines among other concepts (see e.g., Crossan, Lane, & White, 1999; Levitt & March, 1988). This study, however, applies the term 'rules' in conceptualizing the competitors' mutual learning from experiences and its influence on their interactions (Holmqvist, 2004).

<sup>2</sup> The definition of the change process as a progression of events can be contrasted with perceiving process as a causal relationship between a number of independent and dependent variables, or as a category of concepts that set the focus on measuring change in a number of variables over time (Van de Ven, 1992, p. 170).

## 2. Experientially learnt rules for cooperating and competing

This study defines cooptation as "a process based upon simultaneous and mutual cooperative and competitive interactions" (Bengtsson et al., 2010a, p. 200) between two or more companies engaged in the same line of business (Bengtsson & Kock, 2000, p. 415). In line with the business network approach, the aims and experiences of individuals within the companies are perceived as central elements in explaining the inter-organizational interaction process (Håkansson & Snehota, 2006, p. 260; I.M.P. Project Group, 1982, p. 24; see also Bengtsson & Kock, 2000, p. 413).

### 2.1. Learning from direct experiences in cooperative relations

Experiences form as "organizational members interact with the environment" (Håkansson & Johanson, 2001, pp. 4–5; see also Kolb, 1984). Moreover, in an inter-organizational context, experiences stem from the accumulation of direct interactions between two firms in a dyad (Johanson & Vahlne, 2003, p. 93; Zollo, Reuer, & Singh, 2002, p. 706). Here, experiences pertain to the partners' previous reactions to particular actions, and also direct insights on each other's resources, strategies, and needs (Johanson & Vahlne, 2003, p. 93 see also Håkansson & Snehota, 1997, p. 272), and an understanding on each other's behaviors (Zollo et al., 2002, p. 703).

Cooptation brings experiential learning into a context characterized by the simultaneous existence and constant balancing of mutual value creation and the organizations' individual use of mutually created benefits, and also the pressure and drive to outdo each other (Gnyawali & Park, 2011, p. 652; see also Ritala & Hurmelinna-Laukkanen, 2013). Existing cooptation research has acknowledged competitors' ability to jointly learn from experiences created while cooperating and competing. Such notions are found in arguments addressing the development of social relationships (Bengtsson, Hinttu, & Kock, 2003, p. 7) and shared norms (Ritala et al., 2009, p. 259; Ross & Robertson, 2007, p. 116) as a fundamental explanation behind the engagement in and maintenance of cooperative interactions between competitors. In addition, scholars have emphasized the accumulation of various forms of trust (Castaldo & Dagnino, 2009, p. 93; Luo, 2007, p. 133) and inter-organizational experiences (Mariani, 2007, p. 117) when explaining advancements in cooperative interactions.

Despite these lines of reasoning, to date, there have been few theoretical discussions on how mutually created experiences between competitors act as a basis for their interactions. Furthermore, the extant cooptation literature lacks research that conceptualizes the storage and influence of direct experiences; for example, in terms of agreed norms for interaction beyond a source of stability and predictability in the relationship (cf. Feldman, 2000). The centrality of also acknowledging the dynamic nature of the experientially learnt agreements comes to light, in particular, with regard to current dialogs on the nature of cooptation as unstable, evolving, and unpredictable (Yami et al., 2010, p. 7).

### 2.2. Cooperative rules for interacting

The value of incorporating research on organizational learning into the context of cooptation becomes apparent when approaching the aforementioned gaps. Studies within this stream have outlined that "[a]n entity learns if, through its processing of information, the range of its potential behaviors is changed" (Huber, 1991, p. 89). In line with this generic definition, inter-organizational learning has been defined as the processes over which individuals belonging to different organizations "learn together from experience" by producing specific agreements for interaction, or joint behavioral rules that prevail at a point in time (Holmqvist, 2003, pp. 445, 458).

The existence of relationship-specific rules comes to light when departing from the assumption that competitors mutually learn from experiences created as they cooperate and compete with each other.

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