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## How rival partners compete based on cooperation?

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### ABSTRACT

Prior studies of coopetition have explained the *what*, *how* and *why* of firms cooperating with competitors. Among these, examining the *how* question as to the stream of coopetition dynamics is the most challenging theme. Previous research has focused much more on the cooperation side. Less attention has been paid to the competition side to reveal what happens to competition after the competitors have collaborated. This study sheds light on the issue of cooperation-based competition by answering the question: while cooperating with competitors, how do rival partners compete based on cooperation? Linking the competitive dynamics perspective to coopetition, we conducted a single-case study to analyse the competition between two leading competitors in the Taiwanese bicycle industry. We collected the reported issues pertaining to the competition in the European market and supported by in-depth interviews. The analysis leads us to develop three propositions and a conceptual framework for illustrating the cooperation-based competition and addressing how cooperation may influence competition in a coopetition relationship. This study provides new insights into a theoretical issue of cooperation-based competition. The case also provides management implications while taking a coopetition strategy.

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### Introduction

The rise of coopetition in the past two decades has flourished in both management research and business practice. Cooperation with competitors, also denoted as *coopetition*, has recently attracted academic study (Bengtsson and Kock, 2000; Burgers et al., 1993; Gnyawali and Park, 2009; Peng et al., 2012). Prior studies of coopetition present a variety of facets to examine coopetition, which involves a high degree of different terminologies, theoretical lenses, topics, and explanatory heterogeneity (Peng et al., 2012; Bengtsson and Kock, 2014; Dorn et al., 2016; Ritala et al., 2016). Despite the differences, some scholars (Peng et al., 2012; Bengtsson and Kock, 2014; Dorn et al., 2016; Ritala et al., 2016) have reviewed the literature and conclude similar research streams in coopetition, which can be roughly classified into three flows-*why* (antecedents, motives, likelihood), *how* (initiation, interaction, process, tensions, value creation and value appropriation, managing and shaping,

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dynamics, and embeddedness), and *what* (evaluation, outcome, cause-and-effect). Among these, examining the *how* question as to the stream of *process, interaction and dynamics* is probably the most challenging theme.

Based on the literature review in the stream of *coopetition dynamics*, we delineated a theoretical framework of coopetition dynamics, arguing that the coexistence of competition and cooperation causes paradoxes and tensions in the interaction process. The strategies of managing paradoxical tension and balancing between competition and cooperation become crucial, determining the way rival partners can compete and cooperate simultaneously. Prior studies in coopetition have focused much more on the cooperation side, including the antecedents, formation process, and outcome of collaborating with competitors. Less attention has been paid to what is happening to competition after the competitors have collaborated. To understand coopetition dynamics, it is important to look not only at the cooperation side but also at the competition side. Therefore, we focus on the competition side to explore the competitive actions between rival partners while they have collaborated.

Although the studies of competitive dynamics have offered significant analyses of various competitive situations, few studies have paid attention to the competitive dynamics in coopetition. For example, [Chi et al. \(2007\)](#) examine whether a firm's network structure and the use of interorganizational systems may affect competitive action. [Andrevski, Brass, and Ferrier \(2016\)](#) investigate how firms' collaborative activities affect their competitive activities. In the former study, the actors in competition may be direct competitors but without collaboration; whereas in the latter study, the cooperation does not refer to the cooperation between direct competitors. [Garraffo and Rocco \(2009\)](#) turn the analysis to the formation of cooperation between direct competitors, focusing on the pre-agreement rival's assessment process. However, they emphasize cooperation between direct competitors rather than competition after cooperation.

In the context of cooperation with competitors, competition is an endogenous factor, which should not be ignored while studying coopetition. In order to address the theoretical gaps in both coopetition and competitive dynamics literature, this study examines the competition in coopetition, aiming at answering the two questions: (1) while cooperating with competitors, how will rival partners compete based on cooperation? (2) How may cooperation influence rival partners' actions in competition?

We conducted a case study and selected a coopetition alliance formed by the two largest competing firms in the Taiwanese bicycle industry, Giant and Merida. They have significant positions in the global market. This study illustrates and explores the competition between two rival partners and reveals how they act and how the cooperation may influence the way they act. The case is unique because, firstly, Taiwan has long been the leading bicycle exporting country since the late 1970s. Encountering fierce competition caused by the Chinese bicycle manufacturers, Taiwan was losing its leading exporting position in the global OEM-supply market. The coopetition alliance is considered a turning point that has changed the fate of the Taiwanese bicycle industry. Together they have created what many believed to be an impossible combination of cooperation with competitors. Secondly, the coopetition alliance was not just the first example, but also a successful one, and has become a benchmark to the other industries in Taiwan. The context of the coopetition alliance and the competition between two competitors provides us with a unique opportunity to investigate how two leading rival partners compete based on cooperation. We collected press reported issues pertaining to the competition in the European market during the period of 2006–2016. By using the analysis of reported issues supplemented with in-depth interviews, we developed three propositions and a conceptual framework for illustrating the cooperation-based competition and addressing how cooperation may influence rival partners' competitive actions.

The rest of this paper is structured as follows. The next section illustrates the theoretical perspectives in coopetition and reviews the research theme in coopetition dynamics. We also discuss some studies related to competitive dynamics in coopetition. Following this section, we describe our methodology by introducing the research approach, research setting, data collection, coding and analysis. We then present our results, introduce the cooperation between two rival partners, and then analyse their competitive actions in the European market. This is followed with discussion and proposition development. The conclusion addresses the management implications, limitations, and suggestions for future research.

## Theoretical background

### Coopetition

While coopetition has become a prominent research stream in management literature, the definition of coopetition remains unclear ([Ketchen et al., 2004](#); [Bengtsson and Kock, 2014](#); [Dorn et al., 2016](#)). Scholars present a variety of facets to examine coopetition, which involves a high degree of different terminologies, theoretical lenses, topics, and explanatory heterogeneity ([Dorn et al., 2016](#)).

As [Bengtsson and Kock \(2014\)](#) indicate, the ambiguous conceptualization blurs the research field in coopetition. The same concept is employed for totally different phenomena, leading to different directions. They found that differences in coopetition research still exist regarding the scope of the definition and the perceived nature of the phenomenon. Coopetition is either broadly defined as a value-net, which encompassed suppliers, customers, competitors, and complementors' interests when competition and cooperation are simultaneously executed ([Brandenburger and Nalebuff, 1996](#); [Afuah, 2004](#); [Rusko, 2011](#)), or narrowed down to cooperation between two directly competing firms ([Bengtsson and Kock, 2000](#); [Gnyawali and Madhavan, 2001](#); [Luo, 2005](#); [Peng et al., 2012](#)).

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