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Implementing the right project structure to achieve coepetitive innovation projects

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ABSTRACT

This research focuses on the project structure used by coepetitors to achieve common innovation projects. Scholars have recently identified an original but complex project structure that they call the Coepetitive Project Team (CPT). However, other project structures can also be implemented by coepetitors to achieve innovation. Therefore, we address the following question: for which types of innovation projects is CPT appropriate? We argue that coepetitors need to use CPT for high-risk and high-cost projects when the aim is to develop radical innovation. CPT allows coepetitors not only to develop innovation capabilities through close resource and knowledge sharing but also to manage the risk of opportunism. Conversely, coepetitors should use another project structure, Separated Project Teams (SPTs), for low-cost and low-risk projects when the aim is to develop incremental innovation. The SPT design allows coepetitors both to achieve the goal of the project and to minimize the risk of opportunism. To confirm our assumptions, we studied the project portfolios of Airbus and Thales, two firms in the space satellite industry. Our findings confirm that coepetitors should implement CPTs to handle innovation projects that are costly, risky and highly innovative. CPTs permit the sharing of knowledge and the management of high opportunism risk, both of which are necessary to achieve radical innovation. Conversely, coepetitors rely on SPTs for low-cost projects that require a low degree of knowledge sharing, thus avoiding the risk of opportunism in achieving their incremental innovation objectives.

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Introduction

A major driver of coopetition strategies is product innovation (Ritala and Hurmelinna-Laukkanen, 2009; Gnyawali and Park, 2009, 2011). However, the impact of coopetition on innovation performance remains controversial. In an initial perspective, based on *Transaction Cost Theory* (TCT), previous scholars found a negative or neutral impact of collaboration

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between competitors on product innovation (Arranz and Arroyabe, 2008; Park and Russo, 1996; Nieto and Santamaría, 2007; Santamaría and Surroca, 2011). In contrast, other scholars building on the *Dynamic Capabilities Theory* (DCT) found a positive impact of collaboration between competitors on product innovation (Quintana-García and Benavides-Velasco, 2004; Ritala and Hurmelinna-Laukkanen, 2009; Gnyawali and Park, 2009, 2011). Considering these mixed results, recent studies have shown that the relationship between cooptation and innovation can be moderated by various variables, including innovation radicalness. However, these studies also obtained mixed results. Some studies concluded that the impact of cooptation is higher for incremental innovation than for radical innovation (Ritala, 2012; Bouncken et al., 2017), whereas other studies have shown the opposite effect (Bouncken and Fredrich, 2012).

These mixed results are not surprising. The impact of cooptation can be positive, negative or even neutral on both incremental and radical innovation depending on how the innovation project is managed (Le Roy and Czakon, 2016). Because cooptation strategies are paradoxical, they are filled with tensions that can be turned into a win-win or a win-lose relationship, depending on the governance or management of the relationship (Fernandez et al., 2014; Bengtsson et al., 2016a, 2016b; Bouncken et al., 2016). We thus argue that the management of the relationship is critical for the success of cooptation for both incremental and radical innovations.

Focusing on the management of cooptation, Fernandez et al. (2014) highlighted cooperative tensions at three levels inter-organizational, organizational, inter-individual and explained that the management of these cooperative tensions relies on the combination of the separation principle and the integration principle. Investigating in greater detail the tensions related to information, Fernandez and Chiambaretto (2016) showed that the management of information in a cooperative project depends on the nature of the information, i.e., its criticality and appropriability. Cooperators combine formal control mechanisms to address information criticality with informal control mechanisms to address information appropriability. Finally, Le Roy and Fernandez (2015) recently identified a new project structure to manage cooperative innovation projects, named the Cooperative Project Team (CPT). A CPT is a team that is separated from the parent firms and dedicated to the development of a single innovation project. Team members from competing firms are pooled and work together on a daily basis to develop innovation capabilities. Although the CPT seems to be an appropriate project structure to design innovative projects between competitors, it is also costly, complex and very risky. Indeed, it is an *ad hoc* structure, with its own managerial line, processes and infrastructures. This structure has been investigated in a context in which the cooperators were forced to work closely together to develop an innovation that none of them would have been able to develop alone. However, for innovation projects that are less challenging and require less knowledge exchange, the relevance of such a complex and costly project structure should be investigated. Thus, we aim to answer the following research questions. Is CPT relevant to all innovation projects developed in cooptation? For which types of innovation projects is CPT appropriate? Are there other project structures used by cooperators to achieve common innovation projects?

In conducting our research, we build a framework using the theoretical lenses of both the TCT and the DCT. We argue that for incremental innovation projects, characterized by low economic and technological risks and costs, cooperators do not need to implement a CPT structure but rather a less costly, simpler and less risky structure. We call this structure the Separate Project Team (SPT) and we show that it is sufficient to achieve incremental innovation while limiting economic and technological risks and costs. In contrast, we argue that cooperators must adopt a costly, complex and risky structure such as CPT when they aim for radical innovation projects characterized by high economic and technological risks and costs. The CPT allows cooperators to develop innovative capabilities by sharing similar and complementary knowledge while managing the risks of plunder and unintended spillovers.

To assess the relevance of our framework, we conducted a qualitative case study of the project portfolios of two major competitors in the telecommunications satellite industry: Airbus Defense and Space (ADS) and Thales Alenia Space (TAS). Analyzing the features of several innovation cooperative projects, we confirm the reasoning that underlies our theoretical framework.

Our findings reveal first that incremental innovation projects between competitors are associated with the use of the SPT project structure. Because these projects require limited knowledge sharing, the two cooperators work separately to avoid unintended spillovers and interact only punctually, at the interfaces. Second, we show that radical innovation projects are, in contrast, associated with the use of a CPT project structure. Because these projects imply sharing an extensive amount of knowledge, the cooperators cannot work separately and must be pooled in a unique common project team. In this team, employees from competing firms collaborate closely on a daily basis to create new technologies together. Meanwhile, the CPT is managed by two project managers from both companies, allowing for control over the behavior of the team members from both sides, limiting the risk of opportunism.

Our contributions to the cooptation literature are threefold. First, we provide insights into the management of cooperative innovation projects. Our research points out two project structures that can be used by cooperators to achieve innovation projects: SPT and CPT. The SPT is a simple, low-cost and low-risk project structure implemented by cooperators to manage incremental innovation projects. In contrast, the management of radical innovation projects requires the implementation of a more complex, more costly and more risky project structure, namely the CPT. Although the CPT would be unnecessary to achieve success in incremental innovation project, it is essential for the success of radical innovation projects. Second, we provide insights into the debate relative to the impact of cooptation on innovation. In line with previous studies, we show

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