



# Coopetition and value creation and appropriation: The role of interdependencies, tensions and harmony

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## ABSTRACT

This research explores the dynamic nature of coopetition in a network context, specifically within a value net. Evidence from a single, longitudinal case study in the optical recording media industry is used to explore coopetition in a value net. The case illustrates the significance of connectedness of relationships and that the need to create and appropriate value drives actors' cooperative behaviors. The findings broaden the existing view of coopetition beyond the dyadic level. We see that the contradictory logics of cooperation and competition can be accommodated in a firm's process of relating its resources and activities to others and the overall value creation process but that the locus and type of value creation/appropriation change as a result of this. The facilitating role of positive and negative interdependencies and the balance between the tensions and harmonies they engender in value creation and appropriation processes are also highlighted.

## 1. Introduction

Coopetition, simultaneous and paradoxical engagement in cooperation and competition, is an important part of business interaction where firms utilize their relationships in pursuit of economic goals (Bengtsson & Kock, 2000, 2014; Bengtsson & Raza-Ullah, 2016; Brandenburger & Nalebuff, 1996). Through cooperation with competitors, a firm can acquire know-how that accelerates and promotes innovations (von Hippel, 1988), or build a solid installed base that locks out other technologies (Gnyawali & Park, 2011). It is critically important in rapidly changing, technology-intensive and innovative contexts (Bouncken, Fredrich, Ritala, & Kraus, 2017; Gnyawali & Park, 2009) but is also evident in many other contexts, e.g. supply chains (Wilhelm, 2011), health care (Peng & Bourne, 2009) and on-line retailing (Ritala, Golnam, & Wegmann, 2014).

Coopetition involves both value creation (enlarging the total benefits) and value capture/appropriation (a private share of the created benefit) (Ritala & Tidström, 2014). It forms an intersection between an organization's internal and external value networks and can be seen as a value-based strategy (Brandenburger & Stuart, 1996; Dahl, Kock, & Lundgren-Henriksson, 2016). Hence, it can create and sustain business opportunities (Bengtsson & Johansson, 2014) and enhance a firm's performance (Peng, Pike, Yang, & Roos, 2012; Yami, Castaldo, Dagnino, & Le Roy, 2010).

Coopetitive relationships cannot and do not exist in isolation, they

are the result of a complex web of inter-dependent relationships in which an organization is embedded (Håkansson, 1982; Håkansson & Snehota, 1989); these can be described as a network or net. Here a network is viewed as “sets of two or more connected exchange relationships” (Cook & Emerson, 1978, p. 725) and a net can be viewed as a group of identifiable, interrelated and mutually-interdependent relationships (Möller, 2013; Möller & Svahn, 2006). Within coopetition literature, the term ‘value net’ (Brandenburger & Nalebuff, 1995) is widely adopted to describe such a grouping of cooperative relationships and value nets are the focus of this research.

Despite network theory providing an underpinning framework to coopetition research (Czaron, 2009; Dorn, Schweiger, & Albers, 2016; Gnyawali & Park, 2009), understanding of coopetition in a network context is still developing, e.g. Gnyawali & Madhavan, 2001; Peng and Bourne (2009) and Volschenk, Ungerer, and Smit (2016). This deficiency in knowledge arises from the complexity involved in identifying the multi-level constructs associated with a network perspective (e.g. Gnyawali & Park, 2011), distinguishing between deliberate and emergent actions (Dahl et al., 2016; Mariani, 2007) and because most existing research studies coopetition within single relationships (Bengtsson & Kock, 2000; Ritala & Tidström, 2014) or at an industry level (e.g. Pellegrin-Boucher, Le Roy, & Gurău, 2013). The characteristics of evolving cooperative relationships remain under-investigated (exceptions include, Czaron, 2009; Dahl, 2014; Tidström & Rajala, 2016) with extant literature providing a static analysis, e.g. a

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classification of coopetitive relationships (Bengtsson & Kock, 1999; Dowling, Roering, Carlin, & Wisniewski, 1996) or a typology of intensity of coopetition (Luo, 2007).

Ritala and Tidström (2014) and Czakon, Mucha-Kuś, and Rogalski (2014) confirm that there are both conceptual and empirical gaps in our understanding of value creation and appropriation in network contexts and Bengtsson and Raza-Ullah (2016) argue for theory that reflects multiple levels of coopetition. To respond to these challenges, this research adopts a network approach (Axelsson & Easton, 1992; Gnyawali & Madhavan, 2001) which is consistent with one of the three coopetition research lenses identified by Bengtsson and Kock (2014) and adopts their definition (p. 182): “*coopetition is a paradoxical relationship between two or more actors simultaneously involved in cooperative and competitive interactions, regardless of whether their relationship is horizontal or vertical.*” This research takes a value net perspective to empirically investigate the development of coopetitive value creating and appropriating relationships embedded in a net in the optical recording media industry.

Our contribution is two-fold. We empirically illustrate how the contradictory logics of cooperation and competition can be accommodated in a firm's process of relating its resources and activities to others and the overall value creation and appropriation processes in a net. In doing this, we illustrate the importance of considering both negative and positive inter-firm interdependencies and how they relate to both the inherent tensions and harmonies that affect how the locus and balance of value creation and appropriation change across the value net.

## 2. Literature review

Building on Brandenburger and Nalebuff (1996), coopetition research (Bengtsson & Kock, 2000, 2014; Bengtsson, Kock, Lundgren-Henriksson, & Näsholm, 2016; Bouncken, Gast, Kraus, & Bogers, 2015; Gnyawali, He, & Madhavan, 2008) is becoming an established research paradigm (Bengtsson, Eriksson, & Wincent, 2010; Le Roy & Czakon, 2016). Coopetition is treated as a new form of interfirm dynamics for competitive advantage (Dagnino, 2009), moving beyond the conventional view of strategy that sees cooperation and competition as separate and opposing forces (Gnyawali, Madhavan, He, & Bengtsson, 2016). In the conventional view, the two opposing forces will cancel one another out, resulting in a situation that “*a firm can increase its competitive behavior only if it reduces its cooperative behavior, and vice versa*” (Chen, 2008, p. 298). The practice of coopetition, as a strategic means to gain firm competitiveness (Brandenburger & Nalebuff, 1996; Dagnino, 2009; Lado, Boyd, & Hanlon, 1997), requires firms to confront the contradictory elements that derive from the competitive and cooperative logics, in which the interfirm interdependencies of the former define a zero-sum game structure based on being against to others, while those of the latter define a positive-sum game structure based on exploiting complementarity between firms (Gnyawali et al., 2016; Padula & Dagnino, 2007). Coopetition offers an alternative to the dichotomy presented by competitive-oriented and cooperative-oriented paradigms by enabling analysis of the constantly-changing environment (Bengtsson et al., 2010; Bengtsson et al., 2016).

A number of benefits of cooperation, including added value, improved quality, reduction of risk have been noted (Dorn et al., 2016; Walley, 2007). However, Padula and Dagnino (2007) discuss the limitations of the cooperative paradigm and criticize its tendency to only consider the positive outcomes of cooperation, suggesting that the negative interdependencies that competition brings also need consideration. This is because the actors involved only have partially convergent objectives/interests and end up trading off competitive and collaborative issues. This often results in the need to manage the resultant tensions on a number of different levels (Fernandez, Le Roy, & Gnyawali, 2014; Le Roy & Czakon, 2016; Tidström, 2014).

### 2.1. Cooperation and inter-firm interdependencies

From a coopetitive perspective, Padula and Dagnino (2007) propose that cooperation is actually a coopetitive game on the basis of “*a partially convergent interest structure*” (p. 37). This synthesis between the competitive and cooperative paradigms implies that a firm can adjust or change its interdependencies with others by moving closer to or away from a fully convergent interest structure to pursue a strategic goal. This notion of coopetition suggests that actors are neither self-contained nor self-sufficient and need to interact with others so as to gain benefits (Ford & Håkansson, 2006; Sanou, Le Roy, & Gnyawali, 2016), such as acquiring knowledge and resources for innovation (Bouncken et al., 2017; Lado et al., 1997). Interaction in relationships highlights the criticality of inter-firm interdependencies (Dagnino, 2009; Ford & Håkansson, 2006). Interdependencies indicate that a firm not only controls limited resources but also possesses incomplete knowledge (Ritala, 2009) and needs to transform the aggregated resources in relationships into valuable assets (e.g. capabilities) which are important for problem resolution as well as economic success (Håkansson, 1982). Interdependencies also signify that the activities of individual firms are related to the activities of a number of counterparts (Gadde, Huemer, & Håkansson, 2003).

Power asymmetry has been identified as conditioning and being conditioned by interdependencies (Czakon, 2009). Inter-firm interdependencies can be positive and negative, resulting in cooperative and competitive interactions. Brandenburger and Nalebuff (1996) contend that the competitive paradigm (e.g. Barney, 1991) has fallen short in recognizing the win-win structure (positive interdependencies) in the competitive landscape. Padula and Dagnino (2007) further argue that both the competitive and cooperative paradigms have limitations because they neglect the inclusion of the other's interdependencies.

Often the occurrence of negative interdependencies (e.g. the intrusion of a competitive issue into a cooperation-dominated relationship) is related to a third party/actor; e.g., a manufacturer's contact with its OEM customer's channels to promote its own brand business. Hence, handling or changing the interdependencies within a certain relationship has to take into account the interdependencies of other relationships, reflecting the embedded nature of relationships in business interaction and networks (Halinen, Salmi, & Havila, 1999).

### 2.2. Coopetition, value creation and appropriation

Firms handle inter-firm interdependencies in coopetitive relationships in order to create and appropriate value (Bouncken et al., 2017; Padula & Dagnino, 2007; Ritala & Tidström, 2014). As Dagnino (2009, pp. 25–26) suggests, “*cooperation and competition merge together to form a new kind of strategic interdependence between firms, giving rise to a coopetitive system of value creation.*” Value creation is concerned with the all activities that are structured within and across organizational boundaries to increase the amount of such value (Brandenburger & Stuart, 1996). While value appropriation refers to the activities that aim at capturing the value created in cooperative interactions.

### 2.3. Tensions and harmony

Achieving a desirable outcome from coopetition requires firms to confront and manage the simultaneous and paradoxical interactions between cooperation and competition (Gnyawali et al., 2016). A common but paradoxical situation is that the joint and collective cooperative efforts which create a larger pie are countervailed by individuals' attempts to get a bigger portion of the pie (Brandenburger & Nalebuff, 1996). In such cases tensions arise between what is the best course of action for one partner and the best course of action for the other firms involved (Padula & Dagnino, 2007).

Evidence about tensions remains quite diverse Bengtsson and Raza-

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