Original Article

A study of inter-firm dynamics between competition and cooperation – A coopetition strategy

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ABSTRACT Little attention has been devoted in extant literature to inter-firm dynamics that entails both cooperation and competition – also known as ‘coopetition’. This article contributes to extant knowledge by highlighting the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in three network settings. The empirical data collection draws on three cases encompassing three empirical contexts. The results show that managerial leadership and development of trust are the key success factors. Furthermore, this hybrid level of inter-organizational relationship encompassing both competition and cooperation – coopetition – fosters collective intelligence through information and knowledge sharing. This article concludes that coopetition strategy enhances the internal resources and market shares of competing actors. Thus, coopetitive relationships offer the advantage of a combination of the need to innovate in new areas as a result of competition while accessing new resources as a consequence of cooperation. From a managerial perspective, the findings demonstrate the multifaceted nature of coopetition. Additional work on the impact of the concept of coopetition strategy on business practice is needed to add to this valuable endeavour.

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INTRODUCTION

Historically, goods and services have been distributed through networks in which

loosely aligned firms have bargained at arm's length, negotiated aggressively over price and other conditions of sale, and

otherwise behaved autonomously.¹ Today, planned vertical and horizontal marketing systems are rapidly displacing these conventional marketing channels as the dominant mode of distribution in many economies.² However, according to Gill and Allerheiligen,¹ channels of distribution vary in their degree of organization from: (1) loosely organized channels that routinely process goods, as might be expected with channels for convenience goods (conventional channels), through (2) consensus systems that are organized by the cooperation of channel participants, to (3) highly organized systems typified by vertically integrated channels (corporate systems), or those formalized by contractual agreements (contractual systems). The particular focus of this article is the consensus systems, in which the success of a channel's marketing effort depends upon the continued cooperation of the channel members.

There is a consensus in extant literature that cooperation is the prevailing behaviour in channel systems.³ As each firm depends on the others in the channel to perform its tasks, cooperation among channel members is necessary and vital behaviour. In this regard, Alderson⁴ set forth the foundations of a theory of marketing interaction and cooperation based on his belief that 'marketing cries out for a theory of cooperation' to match theories of competition and conflict.^{1,2} Thus, there continues to be a need for development of such a theory of cooperation. Although much of the literature dealing with distribution channels has concentrated on aspects of conflicts within the channels, most studies state that the answer to this problem is cooperation within the channels, but do not elaborate on the avenues this cooperation can.¹ A more optimistic and productive view would be to concentrate research efforts on ways to encourage cooperation.

Unfortunately, very little research has focused on the inter-organizational dynamics

that entails both cooperation and competition, and in most cases the situation can be described as something in between pure cooperation and pure competition, also known as 'coopetition'. Participating in inter-firm networks, according to Thorgren *et al*,⁵ has become increasingly popular to enhance corporate entrepreneurship. Trust, relationship diversity and knowledge transfer, according to Thorgren *et al*, are considered some of the prominent cornerstones of well-functioning networks.

This article contributes to extant knowledge by highlighting the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in three network settings. A theoretical lens that enables a focus on contemporary inter-organizational markets as organized behaviour systems, manifesting network structures, is adopted. In light of this, business strategy is seen as an exchange strategy with an emphasis on exchange effectiveness. This effectiveness is achieved when some value is produced in cooperation with other actors.

LITERATURE REVIEW AND THEORETICAL BACKGROUND

Thomas⁶ classified five strategic intentions in terms of two dimensions – assertiveness and cooperativeness – namely: competing, collaborating, compromising, avoiding and accommodating. In this article, the above categorization is aggregated to include competition, collaboration, coordination and cooperation. Overarching these strategic intentions is the network perspective. Below, they are described and anchored in the body of literature.

Inter-organizational relationship mix

Researchers of business networks^{6–8} have transposed the social exchange perspective on social networks⁹ to business networks.^{10–12} Social exchange theory¹³ considers exchange

relations a dynamic process,^{6,14} and it can thus be used as a framework to understand buyer–seller, seller–seller and buyer–buyer relationships.¹⁵ Using social exchange theory, business networks can be defined as ‘a set of two or more connected business relationships, in which each exchange is between business firms that are conceptualized as collective actors’.¹⁶

Firms in the network develop a network of relationships¹⁷ through connected activities, linked resources and related actors, all of these elements being interconnected and interdependent. Efficiency is achieved through the interlinking of activities, creative leveraging of resource heterogeneity and mutuality based on self-interest of actors.¹⁰ Through exchange relationship processes with other firms’ activities, and resources, bonds are created and developed.¹⁸ Actor bonds connect actors and influence how the actors relate to one another and form their identities in the networks. Actors in a network can be sellers, buyers, organizations, or smaller groups of individuals inside these organizations.¹⁹ Activity links include technical, administrative, commercial and other activities of an organization that can be connected in different ways to those of another organization.

One of the key objectives of the network approach is to provide an explanatory framework of industrial markets as a complex network of organizational relationships.¹² This reinforces the view of the network approach that actors possess specific resources and perform specific activities that create opportunity for exchange relationships among them.¹⁰ The activities–actors–resources model^{7,11,14,16} therefore describes how a business relationship can be analysed through its individual substance layers: actor bonds, activity links and resource ties. Hence, the need for access to resources possessed by other firms is greater if activities are built around heterogeneous resources than if they are built around homogeneous resources.²⁰

Competition

Hutzschenreuter and Israel’s paper²¹ reviews the empirical research on dynamic competitive strategy published between 1986 and 2005 in nine leading strategic management journals. An integrated framework is used to showcase the research in terms of antecedents, strategic actions and outcomes. Their review demonstrates that significant progress has been made in the field of dynamic competitive strategy, and yet that there are still many promising lines of enquiry for future theoretical and empirical research, particularly in the areas of strategic action timing and path dependency.

Competition is defined as a dynamic situation that occurs when several actors in a specific area (market) struggle for scarce resources, and/or produce and market very similar products or services^{22,23} that satisfy the same customer need. With a focus on the interests of the individual firm, the competitive approach emphasizes firms’ interdependence both vertically and horizontally. Competition has been described in terms of exchange relationships between existing and unchanging economic units.²⁴ In contrast, Schumpeter²⁵ associates competition with internal industrial efficiency and with the development of new technology, new sources of supply and new types of organization. According to McNulty,²⁴ a persistent weakness of the concept of competition has been the failure to recognize the extent to which the competition of one economic unit tends to affect the economic position of others, and thus the overall industrial structure. Hunt and Morgan²⁶ point out that this view also fails to specify how the competing units act, and describe the competing units as too passive.

Rather than just selecting the best terms from those offered, a competitor may choose to manipulate the terms of a trade to his own advantage. As Copeland puts it, ‘a competitor that gets ahead in an industry

may do so in substantial part by developing business connections, that is arrangements that give him preferential treatment in terms of financing, in terms of purchase, in access to market information, in the award of private contracts, even preferential treatment in the administration of a public office'.²⁷ Thus, Copeland shifts the focus from an internal, independent view of companies, to an external, dependent view. Further, there is an implicit view that some competitors may be better able to compete than others. Such differences in competitiveness would allow for differential growth and profit rates among firms within an industry. In the long run, competitive behaviour may in fact lead to a monopolistic position of a firm within an industry, instead of a state of 'perfect competition'.²⁴ Park²⁸ argues that the Schumpeterian, or neo-Austrian, school views competition as a dynamic process of rivalry among firms in which only the fittest thrive and survive. While the classical economists viewed competition foremost as behaviour with respect to prices, Schumpeter²⁵ envisioned a more dynamic world where new products and technology constantly drive out old products and technologies. Hence, what separates a successful company from an unsuccessful company is the ability to create, invent and innovate. Also building on the Schumpeterian tradition, dynamic models of competition view the nature of competition along dimensions of intensity, and hence intense competition is considered to be the key defining factor for motivating firms to innovate and upgrade their competitiveness.²²

With reference to horizontal interdependence, the competitive approach emphasizes the search for above-normal profits realized through gaining an advantageous position in an industry²⁹ or by mobilizing and deploying resources and distinctive competences³⁰ that enable a firm to offer superior products in relation to its competitors. In vertical interdependence,

the competitive perspective highlights the search for value in economic exchange. Interaction within a network is simple and direct, and power and dependence are equally distributed among competitors based on their positions in the network.³¹ This concurs with Hunt²³ and Gnyawali *et al*,³² who suggest the firm's structural position in such networks becomes important. A firm with a superior position in its network is likely to learn about competitive opportunities sooner and use that knowledge in planning and executing competitive actions.

Collaboration

In today's global economy, firms have been looking for alternative means to reinvent their business strategies for the purpose of remaining competitive. Collaboration is one of these alternative strategies and is defined literally as working together for a common interest³³ or voluntary cooperation between firms involving exchange, sharing of resources, or joint development of products, technologies or services.³⁴ Collaboration is a formal type of working relationship between organizations. McCarthy and Golocic define collaboration as a process where a group of autonomous stakeholders in a problem domain engage in an interactive process, using shared rules, norms and structure, to act or decide on an issue related to that domain.³⁵ Thus, McCarthy and Golocic make a link between the various relationship configurations and exogenous environmental dynamics, arguing that a shift in the strategic priorities of a firm, or a loss of leadership, which makes a partner less attractive than it was earlier, are both drivers that shift the balance from a more cooperative mindset to a more competitive mindset. Blomqvist *et al*³⁶ assert that the difference between cooperation and competition interaction is based on the proximity of a business activity to its customers: firms compete in activities close to the customers and cooperate in activities

far from the customers. In competition, the focus is on value appropriation strategies, whereas in cooperation the focus is on collective strategies for value generation.

Cooperation

Cooperation is defined as a relationship in which individuals, groups and organizations interact through the sharing of complementary capabilities and resources, or leveraging these for the purpose of mutual benefit.^{32,36} From a supply chain perspective,^{37–39} cooperation is defined as similar, complementary, coordinated activities performed by firms in a business relationship to produce superior mutual outcomes. Canegallo *et al* argue that human beings usually cooperate more than would be expected in terms of the maximization of purely selfish utility functions.⁴⁰

According to Canegallo *et al*, the idea that fairness and/or altruistic concerns may be present in ‘normal’ preferences represents a major shift from mainstream economics. Accordingly, there might be something in ‘human nature’ that drives people toward cooperation.⁴¹ For most of our existence, human beings have been hunter-gatherers. Such societies constitute a good environment in which to nurture cooperative conventions, due both to their efficiency in maximizing individual utility and to the existence of strong genetic (family) links.⁴¹ Thus, Canegallo *et al* also argue that it is reasonable to conclude that mankind may have developed an instinct toward cooperation, or at least a genetic propensity to learn cooperative behaviours.

According to Tanghe *et al*,⁴² it is widely acknowledged that trust greatly affects work group functioning. Whereas trust may facilitate cooperation, distrust may impede it. Hence, insight into when distrusters may be prompted to cooperate may therefore be of importance. Tanghe *et al*’s empirical studies point to several moderators of the effect of trust on cooperation. Unfortunately, these studies largely ignored the potential

role of group member affect. Group members’ affective displays (particularly the activation level of the displays) have a substantial impact on the relationship between trust and cooperation. Our study testifies to the significant role that affect may play in keeping up cooperation in organizations and work groups when trust is withering.⁴²

Successful cooperation is based on trust, commitment, and voluntary and mutual agreement that can be set out in a formal and documented contract or an informal contract aimed at achieving common goals.^{38,42} Thorgren *et al*⁵ examined the cause–effect relationships between interorganizational trust, relationship diversity and knowledge transfer, and corporate entrepreneurship among networking firms. They found a causal influence of knowledge transfer and relational diversity on corporate entrepreneurship. That notwithstanding, cooperative relationships can emerge in situations involving competitor interaction.³⁴ The main motive for cooperation is to adopt collective strategies for value generation.⁴³ Basically, firms cooperate for the purpose of achieving a common goal, and as a result share resources with other competing actors or acquire them in the event they are lacking.⁴³ Firms also cooperate for the purpose of learning or sharing organizational expertise.

It is pertinent to mention here that the development and creation of certain inter-organizational relationships like industrial symbiosis/industrial parks are sometimes influenced both endogenously by the network actors, as well as exogenously by political initiators who set the rules that individual actors must adhere to.⁴⁴ In the case of politically induced cooperation, a varied range of interests may lead to incongruence between the politically determined goal and the individual objectives of the actors. A government may be interested in creating more jobs to

generate more tax income, while the individual network actors follow their own interest. That is, the government is interested in more actors joining a network to generate more income, whereas the individual actors would prefer fewer actors in order to maximize client traffic for their own benefit.

RESEARCH METHODOLOGY

The empirical base is used to highlight the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in three network settings. Given the qualitative nature of the objective of this study, and the limited attention devoted thus far to this research domain, a qualitative research method and case study approach are appropriate as we attempt to contribute new knowledge and theory building.⁴⁵ Use of secondary data to support in-depth interviews and participant observation is important for triangulation, and is therefore highly recommended in case study research.⁴⁶ The empirical data collection draws on three cases from three empirical contexts. The three cases – a food court in the Gallerian Nian Mall in Gävle, Sweden, Fujitsu Services AB in Kista Industrial Park in Stockholm, Sweden, and the Association of Wood Processors of Kosovo (AWPK) – contain unobtrusive information about inter-firm dynamics. The three cases provide natural settings needed to highlight the existence of a relevant link between cooperation strategy and competitive intelligence in general, and the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in three network settings in particular.

In the case of the food court in Gallerian Nian Mall, interviews were held with Anna Andersson, the commercial manager of the mall, 29 food vendors and three janitors in the food court. Each interview lasted

between 30 min and 1 hour. Owing to time constraint, the interviews with Fujitsu Services AB's Chief Executive Officer (CEO) and Strategic Manager were carried out via Skype or The Swedish University Network. Interview guide was mailed to them before the interview. Each interview lasted 2 hours, and was transcribed by the author. In the case of AWPK, face-to-face interviews were conducted with the Executive Director and 20 of AWPK's 82 members. The members' interviews were chosen randomly. The interviews at AWPK were conducted by Vjosa Mullatahiri, a student of the author of Kosovo origin. The interview guidelines were constructed in English, but administered by Vjosa Mullatahiri in Serbian, one of the local languages. Vjosa also translated the data collected from AWPK into English, which was then analysed by the author. Additional information was received directly from the Executive Director of AWPK via e-mail. Secondary data sources from AWPK were also utilized. The case of AWPK was chosen for its uniqueness as a business association and for its success in institutionalizing the cooperation between producers, suppliers, governmental institutions, universities and other business associations operating in Kosovo and in the region.

The data analysis follows the procedures applied by Ang.³⁴ First, we reduced the data by extracting the information relevant to the variables of our theoretical framework, and then we used our framework to categorize the data to enable comparisons. To achieve a logical flow in the analysis, the data collected were linked to the appropriate strategic intentions, (Thomas⁶) and the hybrid level of inter-organizational relationship encompasses both competition and cooperation – 'coopetition' – in order to reinforce the complementarity-based nature of coopetition strategy. This process was helpful in distinguishing the

main results of the study and thereafter in drawing conclusions.

EMPIRICAL FINDINGS

The food court in Gallerian Nian

The food court in the Gallerian Nian Mall (hereafter Food Court) is a plaza in the mall with contiguous counters of multiple self-serve food vendors and a common area with tables for dining. The Food Court comprises restaurants with mostly Asian, European, African, Middle Eastern, Latin American and North American cuisine – 15 restaurants that share a relatively small space. With reference to the results from the observations made and the 33 interviews conducted, it is obvious that the Food Court concept constitutes a major part of the business activities of Gallerian Nian. According to Anna Andersson, ‘The food court in Gallerian Nian Mall in Gävle attracts more customers to the mall. Often people come in just to have a meal, although some of them browse or do some shopping after that’.

Activities in the mall are coordinated by a management team who serve as the landlord for, for example, the Food Court. The restaurants at the Food Court are the tenants. The relationship between the landlord and the tenants in the Food Court is structural or transactional in nature. The mall (the landlord) only provides the premises for the restaurants, and the restaurants run their own businesses. The tenants (or restaurants/food vendors) in the Food Court cooperate with each other by sharing the same facilities and janitors. Hence, a coalition among the various actors has been formed. There is a spokesperson for all of the tenants in the Food Court. Selection of the spokesperson is done through elections, held yearly, for a 1-year term as spokesperson. A spokesperson can serve for a maximum of three terms if re-elected by the majority support of the food vendors. The responsibilities of the spokesperson are

to act as the leader for the food vendors, gathering feedback on a variety of issues, sharing information, collecting the monthly fees to cover the expense of buying and maintaining the dining tables and dishware, and to represent the food vendors in negotiations with the landlord and janitors. The current spokesperson for the Food Court is the owner of the pizza restaurant. Other food vendors usually consult the spokesperson when they encounter any problems. General meetings are held on a regular basis and attendance is compulsory for all food vendors in the Food Court. Most of the restaurants are satisfied with the current cooperation.

The managers of the mall, property owners and all the food vendors meet once a month to share experiences and discuss pending and future issues or problems. The landlord uses multichannel communication tools (e-mails, hard copy and so on) to distribute information and other resources to the tenants. Events are frequently organized by the landlord to attract customers to the mall. To further market the shops in the mall, including the Food Court, the landlord produces a magazine that customers can take as they enter the mall. The magazine informs visitors about upcoming events, new shops and artists that are going to perform on the stage at the centre of the mall. The landlord is also responsible for mall security, but the costs of security services are shared by all of the shops in the mall.

The majority of the food vendors interviewed mentioned that managerial leadership, development of trust and the structure of the food court are particularly important success factors. (For similar observation, see also Thorgren *et al.*⁵) The Food Court consists of a number of vendor food stalls and service counters. Meals are ordered at one of the vendors and then carried to a common dining area. The food vendors share the same resource and attract customers to the same place. The majority

of the food vendors feel that this cooperation is much more efficient than working alone. They concentrate all their efforts on their core competence – food preparation and serving their customers. The food vendors do act alone in relation to other vendors in the Food Court, but also interact with the various other mall actors to share information about technical and non-technical tools that facilitate efficiency in the seller–buyer interaction in the exchange process. They also exchange knowledge regarding entrepreneurial issues, and current trends in consumer habits and preferences. The key critical factors that contribute to the smooth operation of the Food Court are the high level of trust, commitment and loyalty among the actors. The food vendors have signed a legally binding contract/agreement to create their own menus and to not serve the same dishes. To avoid ‘product cannibalization’, the restaurants in the Food Court sell different kinds of food. In other words, the cuisines and choices are varied, offering a greater diversity of options. This is why there is only one sushi restaurant, one Chinese food restaurant, one Subway restaurant, one fast food restaurant, one Turkish-style restaurant, one Swedish-style restaurant and so on. This strategy can decrease cut-throat competition between restaurants and increase the diversity of food.

The findings show that the level of intensity of interaction among the food vendors is high. They do not think that competition in Food Court is an issue; rather, there is a commitment to making sure the Food Court is mutually beneficial to all of the channel participants. Thus, the food vendors compete with each other by cooperating. They improve their competitiveness through value-added business practices like the use of unique trays, decorations, presentation of the dishes, designing their menus to enhance the attention rate, business processes,

improving the quality of food, and improving the service delivery by being friendly to the customers and helping customers select the right menu/dish.

The advantages and disadvantages associated with the business model (Food Court) frequently mentioned by the food vendors both relate to sharing the same resources, which helps each restaurant to save costs. The main advantages cited are that: competitors share competitive advantages and extend synergy to achieve win–win results; the current arrangement in the Food Court minimizes the risk of industrial monopoly in the market; the cooperation mode provides considerate service for customers, winning more market shares for the entire Food Court; and the individual food vendors do not need to worry about the cleaning because the janitors manage all of the cleaning of the facilities. The main disadvantages cited are that: the restaurants have to share various types of risks, for example, costs incurred for any damaged or stolen facilities or utensils; most decisions regarding the running of the Food Court have to be made jointly with other actors in the Food Court, and hence agreement must be reached before action is taken; and the janitors do not provide clean tableware to different restaurants in a timely manner, but taking decisive measures to correct this behaviour is beyond the responsibility and thereby also ability of the individual restaurant.

Fujitsu Services AB

Fujitsu Services AB (hereafter Fujitsu Services) is part of Fujitsu Limited, the third largest information technology service provider in the world. Fujitsu Limited is affiliated with Siemens for its computer production. Fujitsu Services provides consulting, service and hardware to companies and the public sector in Sweden. Fujitsu Services is located in Kista, an area of Stockholm where most of the global

technology companies are located, such as Microsoft, Dell and Sun Microsystems. Over 500 of the world's 1400 leading information and communications technology (ICT) firms have operations in Kista. This ICT cluster provides an opportunity for firms to build networks of relationships.

According to Fujitsu Services' CEO, the company has just finished developing a logistics solution for Telia, a large Swedish telecom company. Jetpack provides Fujitsu Services with a car with which Fujitsu Services provides distribution and logistics for Telia in Swedish cities that other companies like DHL do not service. The company also sells solutions to other companies, such as Dell. Fujitsu Services works with Dell to provide computers and manage workstations in Sweden. These two companies work together in other parts of the world as well, Fujitsu Services helping Dell or Dell helping Fujitsu Services, depending on who is better established in that market. Another company located in the Kina cluster is Microsoft, which also works with Fujitsu Services. Microsoft sells software to customers and Fujitsu Services then supplies the training and service for these customers. Fujitsu Services also sells Microsoft's software and Microsoft provides custom solutions for their customers. The companies also market products and solutions together. Another Fujitsu collaborator is Sun Microsystems, which supplies servers and super computers storing data, for which Fujitsu Services handles the customer service and provides cards that enable the employees to log into data storage servers from any computer. Fujitsu Services has also networked outside of the ICT cluster, for example, with Clear Channel, an advertising company. Clear Channel and Samsung are working together to provide television screens to be used in Stockholm subway and train stations. The screens will feature commercials as well as timetables for train services for Stockholm Lokaltrafik AB (Stockholm's intra-city

transport authority). Even though the firms collaborate with respect to activity links and resource sharing, however, they also compete with each other.

Through exchange relationship processes with other firms' activities and resources, Fujitsu Services develops strong bonds with other firms and, at the same time, maintains its identity in the networks.

Microsoft also collaborates with WM Data on a variety of projects, and often Fujitsu Services ends up competing with them for the same deals. At other times, the solutions Fujitsu Services is involved in are unique, such as in the cases of Sun Microsystems and Clear Channel. However, Clear Channel also cooperates with other companies in the same industry as Fujitsu Services, but for other business deals. As one respondent noted, 'there are more advantages than disadvantages associated with being a part of a cluster and the networks. Then the companies are able to focus on their core competence'. For example, Clear Channel is better at content and advertising, and Samsung is better at screens, which is better for Fujitsu Services AB as they can focus on delivering services. Similarly, Sun Microsystems is good at producing products and Fujitsu Services is good at distribution. When they have trade shows in the area, they can also share marketing costs. According to another respondent, 'Microsoft is in a special situation compared to the other companies since they are so dominant in the market. They can use their size and let others do what they don't want to do or can't do. They also earn more money from the deals than Fujitsu Services AB does'. The respondents did not actually see any disadvantages apart from when one of the partners plays a dominant role in relation to a smaller partner in the relationship. According to the informant, 'the imbalance in Fujitsu Services AB's relationship with Microsoft is not always to our advantage. Resource dependence will lead to imbalance in the relationship'.

Association of Wood Processors of Kosovo

Wood processing companies in Kosovo face many impediments, such as low product quality, lack of testing labs and lack of support in the form of legal infrastructure, which makes them less competitive. The AWPK was established in 2004 to promote wood processors' interest and development in wood processing sector. The AWPK is led by its Board and managed by the Executive Director, and now forms a network of 82 wood processor firms. In a way, all members of the association are competitors who collaborate through the sharing of resources and know-how in addressing customer needs. On the basis of their mutual interest and interdependency of resources (knowledge and technology), AWPK firms cooperate with other member firms in the following areas:

Supply chain management – When importing large amounts of raw material, the association is in a better position to bargain, enabling them to negotiate better prices. *Marketing activities* – When organizing trade shows for wood processors in Kosovo and abroad. Through the association, firms get exposure for their products both within and outside the country. Furthermore, through study visits in the region (Bosnia, Croatia, Slovenia, Albania and so on), AWPK members establish collaborations and business relationships with other wood processor firms and associations in the region. *Information sharing* – Organizing seminars and presentations on new technology. Moreover, development of an online membership database available to all members. *Customer satisfaction* – Firms cooperate in order to serve and meet the customer's needs as an example of the 'one-stop shop'. *Capacity building training* – To increase the capacities and competitiveness of its members, the AWPK makes a yearly assessment of the training needs of its members. Thereafter, consultants and experts are hired to implement the training

programme. *Provision of services* – Large companies that have new technology (drying kilns, folding machinery) provide services such as drying wood and folding plywood and medium-density fibreboard for other members of the association.

Advocacy and lobbying – The case of custom duty exemption for wood processors when purchasing production machinery is another example of how the firms cooperate in order to be competitive in the domestic and regional market.

According to the Executive Director, 'AWPK is lobbying and cooperating with the University of Prishtina and the Ministry of Education to develop a "Forest and Wood Product" programme to raise awareness about the importance of forest planting and protection'. They are also in the process of establishing a wood products certification system that will help members of the association to export their products to EU member states. The association has also established relations with other domestic business associations and donors who provide subsidies for service provisioning to association members. There was consensus among the respondents that this type of relationship offers them the opportunity to share resources and expertise with other firms. It also offers them a common platform for collective decision making when negotiating with authorities regarding a variety of issues that affect their respective industries. According to a respondent, 'while we participate in certain activities together, we also compete in certain areas, which improves individual performance in product design, and sourcing for quality raw materials. We also learn from one another in terms of new designs and technology. One of the major risks we encounter is how some firms directly copy other firms' product designs. Better resourced firms tend to attract most of the lucrative contracts at the expense of less resourced ones'.

DISCUSSION

Inter-organizational relationship mix

The empirical studies showed different types of competitive and cooperative relationships in the three settings studied. The relationship elements in the behaviour of the actors in the Food Court are rather general and long-term in nature. This observation is in line with views expressed by Osarenkhoe.¹⁵ Inter-firm interactions, for example, the interactions between the food vendors, the landlord and the service providers in the Food Court, constitute the dynamic aspects of relationships (see Johanson and Mattsson,⁴⁷ Marr *et al*⁴⁸). The actors in the Food Court jointly control and coordinate the resources available in the Food Court, and jointly implement various activities as well.^{8,10} In other words, actor bonds, activity links and resource ties prevail in the network. The food vendors in the Food Court, Fujitsu Services and members of AWPk do not act single-handedly, as they are members of a wider web of a network of relationships, that is, members of an industrial network. Actors/firms operating in the Food Court in particular, and industrial markets in general, carry out activities using resources that they own independently or jointly through their relationships with a number of significant others or actors (for example, the sharing of janitors, eating utensils, a common dining area and so on). Thus, each actor in all three cases (Food Court, Fujitsu Services and AWPk) is embedded in a network of more or less strong relationships, which gives the actor access to other actors' tangible and intangible resources. These findings are in agreement with those of Axelsson and Easton.⁷ Understanding the situation of the actors requires knowledge about the nature of the actors' relationships with other actors as well (for example, the service providers such as the landlord and janitors in the Food Court).

Compared to other forms of network mentioned by Craven and Piercy⁴⁹ (see also Blankenburg *et al*¹⁴), the association (AWPK) shows some fundamental differences in its network structure. However, similarities exist in terms of relationship layers as suggested by Sandhu and Helo²⁰ and Holmlund and Törnroos,⁵⁰ because the association also has a production layer owing to the fact that wood processors cooperate among themselves, a resource layer, as members of AWPk share their technological and logistical resources, and a social layer, as the association provides different training to increase managerial capacities, vocational training for employees, organization of trade shows and so on. Owing to the highly volatile environment, AWPk has some elements of a loose and flexible network,⁴⁹ where members of the association have established a platform to facilitate activities such as joint importing services, wood drying and folding. There are also similarities with respect to *collaborative relationships*, in terms of advocating and lobbying for custom duty exemption, regulations, capacity building programmes, service provision and marketing activities.

The 'glue' that holds the 82 members of AWPk together is made up of: economical, technological, political and legal factors. The association also enables members to establish collaborative relationships with other associations in the region and cooperative agreements with wood processors, suppliers and customers outside Kosovo. In line with Barrat's⁵¹ line of thinking, the AWPk members cooperate voluntarily by co-developing products and services, sharing information, conducting joint marketing activities and exchanging resources in order to be competitive in the domestic and regional markets.⁷ Although the association as such is different from other networking forms, it comprises three layers as indicated by Holmlund and Törnroos.⁵⁰ Furthermore, it has some

elements of hollow and flexible networks. The firms in AWPk operate in a highly volatile environment, but the links between members are transaction-based, competitive and cooperative in nature.

Fujitsu Services networks and cooperates with other companies to gain knowledge in other areas. Collaborating with their competitors enables Fujitsu Services to provide solutions to their customers so as to reap financial benefits. They also network with both competitors and suppliers and companies in other markets. Perhaps one of the reasons for Fujitsu Services' ability to network and cooperate with other companies is partly due to its location in Kista Industrial Park – making it easier to build relationships with competitors operating in other markets, such as Clear Channel. But, as the CEO mentioned, not all companies operate and cooperate on the same terms. Microsoft has more or less a monopoly in some markets, allowing them to charge higher prices and to set the terms of their relationships in a way that Fujitsu Services is not able to do. Fujitsu Services collaborates with others not only for its own gains, but on symbiotic terms. This also means that they use cooperative business practices. The firm cooperates and competes with other companies, such as Dell, providing shared solutions for the customers. Fujitsu Services is also part of the information and communication technology cluster in Kista Industrial Park.

Business activities in the Food Court, the Fujitsu Services case and AWPk consist of sets of connected relationships between firms^{18,52} in which exchange relationships are established between firms conceptualized as collective actors. These findings are in agreement with Cook and Emerson, Anderson *et al*, Bititci *et al* and Blomqvist *et al*.^{9,10,33,36} Efficiencies in the three cases are achieved through the interlinking of activities, creative leveraging of resource heterogeneity, and mutuality based on self-interest of actors. This is in line with

views by Anderson *et al* and Veludo *et al*.^{10,52} Through exchange relationship processes with other firms' activities, and resources, bonds are created and developed between Fujitsu Services and its interacting partners. The AWPk and Fujitsu Services cases relate to each other in that both the AWPk and Fujitsu Services form their identities in the networks. Activity links include the technical, administrative, commercial and other activities of an organization that are connected in different ways to significant others.

The resources possessed by the firms in the Food Court, the Fujitsu Services and AWPk cases are built around heterogeneous resources. This reinforces the view of the network approach^{11,12,53} that actors possess specific resources and perform specific activities that create opportunity for exchange relationships among them. The behaviour of the firms investigated is relevant in the activities-actors-resources model's actor bonds, activity links and resource ties. Exchange theory¹³ is relevant in the three cases because all of the actors in the relationships and networks obtain valued tangible and intangible resources, and perform activities through interactions with other actors through exchange from a cost-benefit perspective based on self-interest. It was apparent from the interviews that the actors contribute to the exchange only when they expect benefits in return. The topography of inter-firm dynamics and relationships is depicted in Table 1.

The key critical factors contributing to the success of the relationships in the cases presented include trust, commitment and loyalty. This is in agreement with the view expressed in extant literature that the quality of relationships is enhanced as a result of increased inter-organizational trust.^{54,55} Inter-organizational trust among the actors in the three cases is high. This indicates the extent to which organizational members have a collectively held confidence

Table 1: Topology of inter-firm dynamics and relationships

<i>Direction of relationship</i>	<i>Nature of independence</i>		
	<i>Competition</i>	<i>Collaboration</i>	<i>Cooperation</i>
Vertical	Arms-length exchange. Dynamic situation when several actors vying for scarce resources, and/or producing and marketing very similar products or services (Fujitsu Services)	Alliances between buyers and suppliers, mutual engagement in a coordinated effort to solve a problem (Food Court, Fujitsu Services, AWPk)	Alliances between buyers and suppliers. Division of labour, each responsible for portions of the work (Food Court, Fujitsu Services, AWPk)
Horizontal	Traditional competitive markets: Value-added business practices, service level, relationship marketing practices (Food Court, Fujitsu Services, AWPk)	Working together for a common interest, voluntarily cooperate in the exchange and sharing of resources, joint development of products/services and technologies. Alliances between non-competitors. Mutual engagement in a coordinated effort to solve a problem (Food Court, Fujitsu Services, AWPk)	Cooperation fosters information and knowledge sharing, as competitors access immaterial resources in an interactive way, due to the network structure of modern organizations. Competing and cooperating simultaneously with partners, including direct competitors. Multifaceted relationships (Food Court, Fujitsu Services, AWPk)

orientation toward each other and a willingness and confidence to build trust among collaborating partners. Owing to the relationship commitment of the firms, there is willingness to contribute to the cooperative relationship, which implies sacrificing short-term benefits to achieve long-term gains. This observation is in line with the viewpoints of Dwyer *et al.*⁵⁶

Competition

The firms investigated in this study engage in indirect competition against each other for the main purpose of value appropriation and utilization^{32,42,43} and for the purpose of gaining market position. However, the resources and capabilities of the firms (vendors in the Food Court, Fujitsu Services and AWPk) are the primary determinants of their strategies and performances (see also Prahalad and Hamel,³⁰ Grant⁵⁷). In addition, the firms indirectly compete in an attempt to enhance their reputation. Competitive tendencies were demonstrated in the three cases through service delivery systems, improvements and innovations in their operations relative to other actors, value-added business practices, relationship marketing practices and so on. These quasi competitive behaviours were believed to be a central driving force behind innovation and upgrading of a firm's competitive advantage.^{22,23} Moreover, the firms learn from past actions, and market/environmental sensing is needed in order to acquire resources for effective market position and superior financial performance.

Collaboration

The prevailing inter-organizational relationship mix among the firms investigated entails working together for a common interest: they voluntarily cooperate in the exchange and sharing of resources, joint development of products/services and technologies. These collaborative arrangements engaged in by the food vendors in the Food Court, Fujitsu Services and AWPk are in line with

the definitions of collaboration in extant literature.^{33,34,51,58} The inter-firm collaboration, with respect to this study, is motivated by factors such as: increasing actors' market share, asset utilization, enhancing customer service, increasing quality of product, enhancing skill and knowledge (resources) acquisition, and achieving economies of scale in production; sharing and reducing the cost of product development – as in the case of Fujitsu Services and AWPk – as well as product development time; decreasing risk of product development failure; achieving technological gain; and gaining access to markets. All of these factors are in line with those frequently mentioned in previous studies.^{33,35,59–62}

In addition to the cases presented above, earlier studies¹⁸ have identified that pooling resources and exchanging expertise for a variety of purposes, including technology development and international market development, provides SMEs with many benefits (see the case of AWPk). According to the respondents in the three cases (Food Court, Fujitsu Services and AWPk), inter-firm collaboration has created favourable conditions for 'inter-partner' learning, allowing one firm to acquire capabilities that they lack from a partner. Furthermore, when partner firms in a network are also competitors (as in the case of Fujitsu Services), there may be opportunities for inter-firm learning, to forge entry into new markets or pool resources to gain greater power in their networks (see also Bernal *et al.*¹⁸ for similar views).

Cooperation

The behaviour of the firms investigated in this study fits the definitions of cooperation offered in literature.^{32,38,63} It is obvious in the three cases (Food Court, Fujitsu Services and AWPk) that the respective actors interact through the sharing of complementary capabilities and resources,

and they leverage these for the purpose of mutual benefit, through coordinated activities performed by the respective firms (Food Court, Fujitsu Services and AWPk, in the inter-organizational relationship mix they are involved in, to produce superior mutual outcomes. The cases also demonstrate that successful cooperation is based on trust, commitment and voluntary and mutual agreement that can be set out in a formal and documented contract such as the Food Court business model.

RE-INTERPRETATION OF THE EMPIRICAL FINDINGS

Figure 1 depicts the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in two network settings. The figure demonstrates the continuum nature of actor bonds, resources ties and activity link of hybrid level of inter-organizational relationship between competition and cooperation. Several benefits of cooperation were mentioned by the respondents: that the actors complement and enhance each other in different areas such as production, product development and entry into new markets;²² that the actors gain the

opportunity to reduce operation-related costs and risks; the possibility of technology and capability transfer;³⁰ and that inter-firm cooperation produces synergistic outcomes that a single firm cannot achieve alone.³⁶ These benefits and cooperative strategy, according to neo-classical theory, hamper competition – without which the network relationship cannot be effective. According to Lado *et al*,⁶⁴ a longer cooperative relationship can turn into ‘group thinking’, which may hamper creativity and innovation efforts. Moreover, politically induced cooperation (as in the case of AWPk) is artificially established.

Consequently, events and activities in the network are interpreted differently by actors from different backgrounds: what one actor interprets as success, another might interpret as failure. This creates a problem for trust-building, which is essential for the norm for reciprocity to apply (for similar views, see also Tanghe *et al*⁴²).

Coopetition

The behaviour exerted in the findings shows that the firms do not always engage in either competitive or cooperative relationships with each other. Rather,

Figure 1: Inter-firm dynamics between competition and cooperation.

they create conditions that enable both relationships to coexist. The business practices engaged in by firms in the food vendors in the Food Court, Fujitsu Services and AWPk are in line with the definitions of coopetition offered in extant studies (see, for example, Bengtsson and Kock,²² Wang and Krakover,⁴³ Brandenburger and Nalebuff,⁶⁵ Chin *et al*⁶⁶). This shows that there is a hybrid level of inter-organizational relationship between competition and cooperation, which is termed 'coopetition'. Coopetition refers to the situation when competitors have both a competitive and a cooperative relationship with each at the same time.⁶⁵ Bengtsson and Kock claim that coopetition is the most mutually advantageous relationship for competitors. According to Brandenburger and Nalebuff, coopetition goes beyond the conventional rules of competition and cooperation, in order to achieve the advantages of both.

Harbison and Pekar⁶⁷ point out that the majority of all new cooperative arrangements are between competitors. Luo⁴⁴ discusses how multinational enterprises engage in complex and simultaneous competitive-cooperative relationships with global rivals (see also Hutzschenreuter, and Israel²¹). For example, Ericsson, Nokia and Motorola cooperate to improve the infrastructure of China's telecom industry, negotiate with the government for greater market access, and build telecom equipment clusters to increase the efficiency of value chain integration for the entire industry in China. At the same time, these same companies compete fiercely to improve their own gains. Thus, through cooperative relationships, global rivals work together to collectively enhance performance by sharing resources and committing to common goals in certain domains, for example, in value chain activities, at the same time as they compete in other domains to improve their own performance.⁴⁴ While coopetition is fortified by the coexistence of market

commonality and resource asymmetry between competitors, market commonality contributes more to competition, whereas resource asymmetry contributes more to cooperation.

Porter views inter-organization relations as competitive in nature;²⁹ it fails to identify optimal strategic choices; predicting cooperative versus competitive outcomes. When organizations fully understand these strategic choices, they can then decide which path to take or combine the paths. Combining the paths, as demonstrated by the empirical findings, is known as coopetition, and organizations thrive by cooperating and competing: cooperation helps create a bigger pie so that a business can win a bigger piece of the pie through competition.⁶⁶ According to Chin *et al*, coopetition creates value through cooperation between competing organizations, aligning different interests toward a common objective and helping to create opportunities for competitive advantage by removing external obstacles and neutralizing threats.⁶⁶

Coopetition strategy is a multidimensional and multifaceted concept that assumes a number of different forms and requires multiple levels of analysis. Coopetition encompasses both economic and social issues related to inter-organizational interdependence. This implies that organizations can interact in rivalry owing to conflicting interests and at the same time cooperate due to common interests.²² Bengtsson and Kock's research shows that coopetition benefits the internal resources and the market shares of competing organizations.²² One example of coopetition is the Swedish brewery industry, where organizations compete to distribute beer to wholesalers but cooperate in bottle returns. Hence, there are two critical points in the coopetition strategy, namely knowledge sharing and pooling competencies, which can help to strengthen competitive advantage.

Coopetition model

Four types of coopetition model, inspired by Chin *et al.*,⁶⁶ are hereby proposed:

Type 1: Monoplayer (low competition, low cooperation). A monoplayer is an organization that does not interact significantly with competitors, maintaining a low degree of competition and a low degree of cooperation with competitors; *Type 2: Contender* (high competition, low cooperation). A contender is an organization that vies with competitors for market power, competitive position and market share, maintaining a high degree of competition and a low degree of cooperation; *Type 3: Partner* (low competition, high cooperation). A partner is an organization that maintains a low degree of competition and a high degree of cooperation with other organizations in search of joint synergies created by complementary resources and capabilities; *Type 4: Adapter* (high competition, high cooperation). Adapters are organizations that mutually depend on one another to achieve their respective goals, maintaining a high degree of competition as well as a high degree of cooperation.

The three cases (Food Court, Fujitsu Services and AWPk) belong to Type 3: Partners (low competition and high cooperation).

The three cases (Food Court, Fujitsu Services and AWPk) demonstrate that a coopetitive relationship encompasses both economic and non-economic/social exchanges related to inter-organizational interdependence. The implication is thus that organizations can interact in rivalry owing to conflicting interests, and at the same time cooperate owing to common interests (see Bengtsson and Kock²²). The three cases show that coopetition creates value through cooperation between competing organizations, aligning different interests toward a common objective and helping to create opportunities for competitive advantage by removing external obstacles and neutralizing threats.

CONCLUDING REMARKS AND IMPLICATIONS

This article illuminates the complementarity-based nature of coopetition strategy and its impact on collective strategies for value generation among actors in three network settings (that is, Food Court, Fujitsu Services and AWPk). The cases show that the firms cooperate with each other in a variety of ways such as standard-setting and developing the market but compete in other areas like value-added business practices, price, service and quality. Studies (see Bengtsson and Kock,²² Gnyawali *et al.*³²) indicate that coopetition strategy enhances the internal resource and market shares of competing actors. Moreover, coopetition can help to achieve multi-directional learning, where cooperating organizations mutually benefit while competing for internal resources and market share (see Chin *et al.*⁶⁶). Inter-firm coopetition as an organizational strategy can bring benefits such as reduced costs (when pooling resources and competence in research and development, information and knowledge sharing), tolerance of risk-taking, pro-activeness in product development and anticipation of healthy competition. Thus, coopetitive relationships offer the advantage of a combination of the need to innovate in new areas as a result of competition while accessing new resources as a consequence of cooperation.

In spite the above-noted benefits, coopetitive relationships often involve some degree of difficulty and risk to the participating firms as outlined below. The adaptation required by participating firms is often accompanied by time and financial costs, and may not yield the required return. Again, an important coopetitive relationship may be managed so poorly that a strategic opportunity is lost because of conflicting goals of the participating firms. Power and dependence can also be viewed as sources of conflict. One party can use its power (for example, technical, political,

financial or emotional power) to force another party to act in a way that is not in latter's economic best interest (see the Fujitsu Services case). Furthermore, Bengtsson and Kock enumerated four different role conflicts that exist in cooperative relationship: intra-partner, inter-role, inter-partner and personal conflicts.²² In addition, sharing of resources and activities can create an opportunistic situation for self-interested partners to exploit a weaker partner's interest. Cooperation can hamper a firm's operations by enabling the competitor first to monitor and then to imitate the firm's core competencies and tactics.⁶⁴

When small- and medium-sized companies are in cooperative relationships with major partners, there are cases where the small firm becomes dependent on a dominating partner, making the relationship tense as resource dependence may lead to a power imbalance. A case in point is the relationship between Fujitsu Services and Microsoft. However, Fujitsu Services sees the potential benefits of getting access to new markets, new distributors, information, knowledge or competence. At the same time, it is forced to comply with the dominating partner's (Microsoft) directions, and may need to give full access to product data and share core competence in order to obtain guaranteed orders and other valuable things. The risk is that the relationship can weaken further, and what began as a healthy relationship can end up being a controllable relationship. An even higher risk is that when the dominating partner gains access to the smaller firm's core competence, it becomes easier to replace the small company with a low-cost producer.

The knowledge developed in the relationships of the firms investigated in this study (Food Court, Fujitsu Services and AWPk) is unique because it is shaped by information transferred through connected relationships. The more the various partners

interact, the more information they bring from their respective connected relationships into the focal relationship (see Chetty and Eriksson¹⁶ for similar views). The networks that the investigated firms belong to provide access to various sources of information, thus offering more opportunities to learn than merely relying on knowledge from within the home firm. Actors in the Food Court, Fujitsu Services and AWPk consider themselves as members of a network within a broader industry framework. Through their respective industry frameworks, members acquire ideas, influences, and/or information about the surrounding network that would otherwise be unobtainable. This observation is in line with that of Chetty and Eriksson. Though diffused in practice and recently conceptualized in research, the concept of coopetition warrants further reflection and scrutiny.

Other implications of this study are that coopetition strategy has the potential to turn out to be a novel managerial mindset to guide inter-firm dynamics. It is hereby stressed that coopetition implies that cooperation and competition merge to form a new kind of strategic interdependence between firms, giving rise to a cooperative system of value creation. As the research and practice of coopetition strategy raises a number of fundamental challenges that are relevant to managers and academics, it is hereby emphasized that this notion is intended neither to lay the groundwork for a new paradigm in strategy nor to say a final word on the subject. Instead, the intention is to use coopetition to provide new insight into the realities of today's world, which depict the simultaneous existence of cooperation and competition between firms, and thus a behaviour according to which interdependencies lead firms to compete and cooperate at the same time.

Although coopetition strategies first aim at strategic decision making,^{42,65} adopting a

cooperative state of mind is not enough; it is important to manage this strategy. Coopetition as a strategic model supports the exchange of tacit and non-tacit knowledge, but can contain gaps regarding the channelling of informational flows and the decision-making process, both at the alliance (inter-organizational) level and at the partner (intra-organizational) level. The network view⁶⁻⁸ underlines the need to adopt a collective approach to strategy coordination in order to make organizations more effective. Thus, one brushes aside the individual, partitioned approach in favour of the collective, opened approach. The latter can have two complementary implications: distributed knowledge – where the network implies sharing the knowledge gained within a community of practice; and the possibility of creating knowledge and know-how.

This is hereby a call to direct researchers' attention to the impact of the concept of coopetition strategy on business practice. Additional work is needed to add to this valuable endeavour because despite the fact that coopetition is diffused in practice, it has not been coherently and thoroughly incorporated into strategy investigation. In conclusion, a few intriguing queries that await an appropriate response through future studies are posed: What are the determinants of the emergence and development of inter-firm coopetition? What types of coopetition can we define? What are the critical issues related to the strategic management of coopetition? What kinds of learning do firms experience under coopetition? What are the most interesting business or industry cases of coopetition strategy?

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