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## **COOPETITION STRATEGY IN THEORY AND IN PRACTICE**

*“Do you ever feel in competition?”*

*“No. Our generation... **We believe in coopetition.** We believe that metal sharpens metal.*

*We're constantly talking to each other.*

*We're constantly helping each other.*

*We believe that it's through our unity we're strong, not through division.*

*Competition is an old model.”*

*Mastin Kipp at Oprah's Super Soul Sunday, Jan 2013*

JEL classification: D21, D22, M10

### **1. INTRODUCTION**

In the PC industry the portals traditionally work both competitively and cooperatively with other portals. The same condition occurs today among and within virtual market platforms, entrepreneurial ecosystems, and the various kinds of actors that they involve.

Restaurants also, when they work together in the same urban district, can create a much larger and valuable market that they ever could by working individually. A good example of “restaurant coopetition” is when there is part of a city that has a large number of restaurants concentrated in a relatively small area (customarily named “*the restaurant district*” or “*the restaurant quarter*”). If you look at this from a traditional business point of view, this looks like a bad idea. However, the reality is that all this abundance of eating places *attracts* customers who may just go to the area without any specific restaurant in mind. This is where the competition starts. Then, the restaurants with the best ambience, or the best sounding menu, or the best price usually bring in more customers. Typical examples of coopetition are, in this sector, food courts, special food events, advertising, and cross-promotion.

In this brief essay, I would like to share some thoughts on coopetition strategy theory and practice by primarily reconnecting some of the dots my intellectual journey inside coopetition and having a look at the present and future of coopetition studies. Let me add that I am aware that this essay is going to

present a viewpoint that is certainly biased toward what I have done and I am doing on cooperation as well as the “virtues” of cooperation vis-à-vis its dark sides. Notwithstanding that, my hopes go in the direction that this viewpoint of mine may add at least a brick in raising the awareness and interest towards this truly important aspect of business reality and life.

Coopetition is a condition in which we have cooperation and competition at the same time. Coopetition encompasses, in a single backbone, the two traditionally countervailing forces of cooperation and competition that, in today’s fast changing scenarios, require more attention and comprehensive analytical treatment (Gnyawali, He and Madhavan, 2006).

In what follows, I shall proceed by initially retracing a short sketch of my personal intellectual journey on coopetition. Then, I will discuss the current state of the art of coopetition as an area of study. Finally, I shall talk about my interpretation of the future of coopetition studies in management.

## **2. COOPETITION AS A PERSONAL INTELLECTUAL JOURNEY**

Let me immediately say that this is the story of a fifteen-year long intellectual journey of mine. An intellectual journey that I started as early as in 2001, just at the very onset of the new millennium after reading the seminal book on cooperation of Adam Bradenburger and Barry Nalebuff (1996). The book was not mine; actually I found it by chance left unattended on the shelf of a very senior colleagues of mine at Catania. Then, after looking at it a couple of times in different days, I took some courage and asked him to lend it to me. Fortunately, for he was not really interested in this book, he said yes.

The reading of the Bradenburger and Nalebuff book left me with mixed feelings. In fact, at the beginning I ought to confess that, while I did not like it too much, at the same time I could recognize, almost immediately, that they were right (and highly original at that time) in clearly pinpointing the need in business operations to see cooperation and competition as one thing instead of two or more, as the prevailing industrial economics-grounded strategy and management literature had done until that time. After some rumination, I resolved that I could probably make some attempt to contribute to the study of cooperation. This decision of mine was truly not risk free (of course in academic terms) at that time. Actually, nobody believed in cooperation in 2001! Accordingly, I had to resist to the many skeptical smiles of colleagues (and practitioners) when they were hearing, even from distance, just the echo of such a strange and illegitimate word as cooperation (Dagnino, 2009). In this instance, I tried to pay little or no attention to this reaction, that is in fact quite customary routine when people first tackle new and innovative objects, thinking and/or ideas. Then I started looking for the (really scarce, unfocused and sparse!) literature supporting the possibility for a firm to admit and pursue a cooperative behavior. That is, in a retrospective but

possibly authentic outlook, how it all began when we talk about coopetition in my own research.

My first paper on coopetition dates back to 2002, when – with my early co-author Giovanna Padula of Bocconi University – I tried to conceptualize coopetition as matter of “incomplete interest congruence” between two or more parties. This paper on coopetition, drafted as early as in 2002, and eventually published as chapter one of the Routledge book *Coopetition Strategy: Theory Experiments and Cases* (2009) I edited with Elena Rocco of the University of Venice Ca’ Foscari, over time has revealed rather influential in establishing coopetition as an area of study. It accounts today for over 340 citations in Google Scholar.

The second paper on coopetition, drafted as well with Giovanna Padula, titled “Untangling the Rise of Coopetition: The Intrusion of Competition in a Cooperative Game Structure” appeared in 2007 in the inaugural special issue on the issue coopetition pioneered by the journal that was the first one to bet and believe on coopetition *International Studies in Management and Organization*. This piece advances the notion of cooperation as a truly coopetitive game, where firms interact among each other on the ground of a partially convergent interest structure. It also proposes a set of environment-related and firm-related factors that explain the drivers of the intrusion of competitive issues within a cooperative game structure. The article has met with notable success over time:

- (a) it has almost 200 citations in Google Scholar;
- (b) it is consistently ranked among the most 2 or 3 cited articles at ISMO; and
- (c) it has been awarded a special recognition for influential work on coopetition in the decade 2004-2014 at the EIASM Umea workshop.

Some venues have been the persistent travel companions of my journey. Since 2004, I have been so fortunate to pioneer and launch the European Institute for Advanced Studies in Management (EIASM) Workshop Series on “Coopetition Strategy”, and thereby contributed to chair six editions of this one that became a biennial venue hosted over a decade in various parts of Europe: Catania (2004); Milan’s SDA Bocconi (2006); Madrid’s Carlos III University (2008); Montpellier I University (2010); Katowice’s University of Economics (2012); and Umea (Sweden), May 2014.

This conference series, together with a bouquet of other initiatives conveyed in worldwide influential conferences, such as the Academy of Management Annual Meetings (Chicago 2009, Orlando 2013, and the latest one on Global Coopetition Strategy that has taken place in Philadelphia in 2014), and the Strategic Management Society Annual Conferences (Rome 2010, and Miami 2011), have been instrumental in gathering and nurturing, especially in Europe, a community of scholars and students mainly focused on coopetition and therefore in establishing coopetition as a significant emerging area of strategic

management. Just to present a little but hopefully not insignificant example of this growing cooperation community, at the Umea Workshop in May 2014 we organized for the first time a doctoral tutorial that was attended by 11 PhD students and candidates who were doing dissertation on cooperation. In addition, in my university (the University of Catania in Italy) we have now a least ten written reports related to cooperation that have been delivered in the last three years: two PhD students, who have written their dissertations (one completed in 2012 and one ongoing) on cooperation, and some eight MSc degree theses on the key issue.

### 3. THE PRESENT OF COOPERATION

As said earlier, cooperation is today as an area of studies that is receiving increasing attention in academia. In fact, in the last five years the number of books and articles on cooperation has incredibly flourished, outgrowing considerably the figures presented by the former five years. The amount of articles published in international academic journals has been epitomized by a steep increase in the last 5 year-time (2009-2014: 63; vs. 21: 2004-2008; vs. 8: 1999-2003). The journals that have gathered a remarkable part of the articles published on cooperation are the *British Journal of Management* and *Industrial Marketing Management*. Six books on cooperation have been published in the last 5 years. Likewise, the amount of publications that have appeared in practitioners' outlets and newsletters has literally skyrocketed (100+ only in the last 3 years)!

In addition, there is nowadays notable attention raising from the (online) media, BBC, FT, WSJ, Huffington Post, etc. And the word cooperation is recorded and accepted as a "normal" word, not only in Wikipedia, but also in Oxford and Collins English Dictionaries ("*cooperation between competitors in business*"), as well as in the Financial Times Lexicon ("*Simultaneous competition and co-operation between a company and external players such as rivals, government agencies, suppliers, distributors, and partners*").

As concerns business practitioners, I have recorded and am continuously recording a fast growing interest in cooperation by executives, entrepreneurs and consultants. Actually, they find them caught in a range of cooperative situations that they do not know how to deal with. This occurs since, while most of them have formal and/or informal education and training to deal with cooperation opportunities and competitive dynamics, they usually did not experience any education or training to cope with cooperation conditions. Some recent personal experiences (e.g., company sales seminars and consultancy) do nothing else than confirming this condition.

At first glance, cooperation is seemingly a paradoxical behavior or even a bad idea. In my understanding, let me second that this is nothing else than a misbelief. The misbelief is probably due to the binomial (black/white) view of the world that traditionally epitomizes the Western view of the world (Dagnino,

2012). Nonetheless, if we look at the business world, we easily and immediately find plenty of situations where cooperation and competition, far from being alternative to one another, coexist at the same time and in the same context (Schweitzer and Galinski, 2015).

If we accept the possibility of the existence and the widespread diffusion of cooperation as a phenomenon, then we ought to think about how to turn cooperation from an external and spontaneously received issue into a deliberate and purposeful strategy (Dagnino, 2009) for any kind of firm or company, huge (Gnyawali and Park, 2011) or small (Gnyawali and Park, 2009). This is a fundamental step forward that, in my opinion, is to be walked over and over in order to use cooperation as a strategy that creates value for individuals, firms, networks and industries.

The next quasi-natural step is to learn how to formulate cooperation strategies and execute them in an appropriate way. To this end, we need to develop some updated diagnostic tools and some execution guidelines and frameworks. Actually, the literature on and the practice of cooperation has experienced dramatic growth and success in the last few years (Bengtsson and Koch, 2014) and we can confirm that, while we have now a body of knowledge that may help in this endeavor, additional efforts need to be done to develop actionable frameworks and applicable tools to detect cooperation and help formulate and implement effective cooperation strategies. Some important companies, such as Eriksson and Nokia, are at the forefront in this regard and may serve as conduits to make cooperation strategy as a widely practiced strategic option.

#### **4. THE FUTURE OF COOPERATION**

Let me start this section by saying that I am pretty far from having a crystal ball that may allow to predict the future! Therefore, while the current trends in studying cooperation are pretty detectable and understandable, I am not sure about the future path(s) that cooperation movement may take.

Nonetheless, I have reasons to believe that cooperation studies are undergoing today the best of times in their almost two-decade history. In fact, taken apart articles being published as stand-alone original and review contributions in journals, a consistent stream of publications, especially special issues of international journals dedicated to cooperation (*Industrial Marketing Management*, *International Studies of Management and Organization*, *International Journal of Technology Management*), or to the interplay of competition and cooperation (*Strategic Management Journal*) is about to appear in print in the next one and half years. This condition, I believe, will certainly give another wave of huge boost to cooperation as a recognized area of research and practice!

As concerns community building initiatives, I am actively working with a small but cohesive group of other Europe- and US-based academics to promote this area of research and teaching through the Global Coopetition Research Network (GCRN) (see [www.co-opetition.net](http://www.co-opetition.net)). I seat on the Founding Steering Committee of GCRN and collaborate on various relevant initiatives on coopetition: research projects, journal special issues, and conference events. The steering committee of researchers on coopetition has in fact crystallized the efforts in recent years to advance coopetition research and practice. In particular, the GCRN has contributed to facilitate the establishing and development of coopetition studies through a set of international publications as well as organizing a rather consistent stream of solid scientific initiatives. The GCRN is currently planning of launching in 2016 an international association of scholars interested in coopetition.

In addition, I am currently co-organizing the Strategic Management Journal Special issue Workshop and Discussion Forum, titled “The Interplay of Competition and Cooperation”, at the 35<sup>th</sup> Strategic Management Society Annual International Conference, Denver, October 3-6, 2015. We are also organizing/chairing a major international conference in Rome in June 2016 under the auspices of the Strategic Management Society. The theme of this conference is “Strategy Challenges in the XXI Century: Innovation, Entrepreneurship and Coopetition”. This venue will feature some of the world’s most recognized contributors in this theme in the strategy field. Last but not least, in the next couple of years I also wish to publish a book on “coopetition theory.”

Another important milestone in coopetition would be the development of a range of teaching courses at various degree levels (e.g., BS, MSc, MBA, PhD, and executive education). Needless to say, planning to craft a textbook on coopetition and a case study/teaching collection on coopetition would be of great help in this perspective. Likewise, we should possibly also look much more closely at how industry regulations and regulatory issues should evolve and adapt in the face of the diffusion of genuinely coopetitive environments, such as network, platforms and ecosystems (Gomez-Casseres, 2015).

In sum, we probably ought to primarily to consolidate the contours of academic profiles that are solidly and consistently tied to be contributors/scholars in the rapidly emerging area of coopetition strategy. Since coopetitive behavior is much diffused in industry practice, in the next few years the coopetition community is expected to perform and publish study on coopetition mindset and applications in internationally reputed practitioners’ journals. This condition is especially targeted for coopetition studies to achieve much-required fallouts that is relevant to business practice.

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