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**Coopetition –
The rise of coopetition and reasons for this**

**Essay for the lecture
“Challenges of Globalization”**

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1. Introduction

The concept of the *survival of the fittest* has not only shaped how we as humans look at and act in this world, but also how we as individuals and companies behave in the economic environment. Competitive thinking often shapes the behavior patterns of individuals as well as the behavior of companies, organizations and even of countries and their decision makers. But with the ever-growing globalization and the increased emergence of phenomena such as increasing knowledge emergence, increasing connectivity and intensified competition, it becomes more and more clear that this way of thinking and behavior will not always lead to a successful outcome for companies or organizations. There are more things that need to be considered when it comes to making decisions. As a consequence of these developments, an intensified competition has emerged. Companies and organizations need to react in a faster and more flexible way – particularly also because of the globalization and the connectivity it brings with it – today everyone and everything is connected.¹ From these developments and new needs, a new approach has emerged – coopetition. This approach can bring advantages for all participants in a world of increasing competition. It has companies collaborate closely while they are competing simultaneously and with that brings various beneficial effects for the participants.² That is why in the present day, a cooperative mindset with a balance of competition and coopetition is needed in companies.³

The following essay will focus on the question what reasons for the growing emergence of coopetition there are and why it can bring advantages for companies to adopt this kind of behavior. The first section of the essay gives an overview about the theoretical background of the topic and provides definitions of coopetition as well as competition and cooperation. Furthermore, the distinction between coopetition and cooperation is explained. The following section addresses the reasons for the rising use and need of coopetition – like globalization and connectivity. The last part of the essay focuses on the obstacles in the realization of coopetition.

¹ Cf. Handelsblatt (2019), Coopetition – Lieber gemeinsam statt einsam.

² Cf. Cambridge University Press, Definition Coopetition - Cambridge Advanced Learner's Dictionary & Thesaurus.

³ Cf. zukunftsInstitut (2015), Coopetition statt Konkurrenz.

2. Definitions

The term *coopetition* is composed of the two terms *cooperation* and *competition* and emerged from the book “Co-opetition” from Barry Nalebuff and Adam Brandenburger in 1996. In their book the two authors contemplate coopetition as a new business strategy that is built on game-theory.⁴ For a better understanding of the term *coopetition*, some definitions will be given in the following section.

2.1 Competition

The term competition can be defined as “a situation in which someone is trying to win something or be more successful than someone else”⁵ or in an economic context “the situation in which people or businesses are trying to be more successful than each other, for example by making more sales in a market”.⁶ This *survival of the fittest* concept for example is supported by this system. According to the concept only the *fittest* party can survive and consequently be successful in what they do. As a consequence, different parties are working against each other and want to beat the other party in their fitness and success.

2.2 Cooperation

Cooperation on the other hand can be defined as “the act of working together with someone”⁷ or in a business context “the process of working with another company, organization, or country in order to achieve something”.⁸

Thus, to cooperate can be seen as a way of collaboration of at least two companies or organizations with the goal to jointly achieve one or more superordinate goals that can only be achieved by working together.⁹ This way of working together mostly appears between companies that are not direct competitors and are connected in a vertical way. It’s a collaboration between companies that are not acting “in the same competitive space”¹⁰ with the goal to create an added value for both sides.

⁴ Cf. Handelsblatt (2019), Coopetition – Lieber gemeinsam statt einsam.

⁵ Cf. Cambridge University Press, Definition Competition - Cambridge Advanced Learner’s Dictionary & Thesaurus.

⁶ Cf. Cambridge University Press, Definition Competition - Cambridge Advanced Learner’s Dictionary & Thesaurus.

⁷ Cf. Cambridge University Press, Definition Cooperation - Cambridge Advanced Learner’s Dictionary & Thesaurus.

⁸ Cf. Cambridge University Press, Definition Cooperation - Cambridge Advanced Learner’s Dictionary & Thesaurus.

⁹ Cf. Harzer (2006), p. 180 ff.

¹⁰ Cf. Dalton (2009), p. 105.

2.3 Coopetition

Coopetition as a mix of these two terminologies, it perceives that companies should collaborate closely while they are still competing at the same time. It is “the act of working together with a person or company who is your business competitor in a way that benefits both of you”.¹¹ Thereby, the goal of coopetition is to create value for the participating companies. This is aimed to be achieved by complementing the activities, products or knowledge of a company by cooperating with another company – still the companies operate as competitors in their markets. This is what makes these partnerships so special – these partnerships are formed between direct competitors who are working in the same market with similar customers.¹² So, in contrary to the cooperation, companies which coopete are acting in the same competitive space. That is why, despite the coopetition of the undertaking companies, there can still be a competitive behavior observed.¹³

2.4 Distinction between cooperation and coopetition

Collectively, the difference between cooperation and coopetition can mainly be seen in the parties that are involved.

For a cooperation companies are involved that are not direct competitors and usually operate vertically in the market. The goal is to achieve advantages for both sides. Coopetition on the other hand involves direct competitors who are working together even though they are operating in the same market – their relationship is horizontal – and have the same customers. Here the goal is to achieve goals together and through sharing knowledge, get new knowledge and know-how for the company.

3. Reasons for the rise

In the last years, a steady increase in the application of the concept of coopetition in companies could be observed. Companies do not only cooperate with other companies with which they have a vertical connection, but actively work together with their direct competitors. What are the reasons for that? Why do companies start relationships with companies that want to acquire the same customers that they want to acquire

¹¹ Cf. Cambridge University Press, Definition Coopetition - Cambridge Advanced Learner's Dictionary & Thesaurus.

¹² Cf. Garraffo, F. & Rocco, E. (2009), p.44.

¹³ Cf. Dalton (2009), p. 105.

themselves? The concept and the thinking pattern *survival of the fittest* as describes in the introduction did not just disappear. There need to be reasons and drivers for this trend and the rise of coopetition.

3.1 Globalization

One main reason is the ever-growing globalization and especially the globalization of economic activities in the world. Various definitions can be found about the term globalization. Some broad definitions are: “The increase of trade around the world, especially by large companies producing and trading goods in many different countries”¹⁴ or “A situation in which available goods and services, or social and cultural influences, gradually become similar in all parts of the world”.¹⁵

Globalization is a phenomenon that can be observed in an intensified way since the 1970s, and includes the increased movement of trade, capital, services and humans around the world and across national borders. This also includes the growth of worldwide production networks and existing knowledge.¹⁶ In today’s world globalization is ubiquitous and a powerful phenomenon with a lot of influence on companies, governments and overall life. Especially companies and organizations have to react and adopt to globalization. The competition increases more and more. Not only national competitors are relevant to deal with, but with the globalization, competitors from all around the world need to be considered. As a result, companies need to act and react faster to the market.¹⁷

Another reason could be that these coopetition’s can be formed between companies who serve multiple markets. Companies noticed that when information and knowledge gets acquired in one market, this knowledge can be transferred to another market and with that can improve the performance of the company in that second market. With this, it gives companies the chance to enter new markets.¹⁸

3.2 Knowledge

Other reasons why companies engage in coopetition can also be that they can share costs with their coopetition partner, increase customer value, enhance innovation, but

¹⁴ Cf. Cambridge University Press, Definition Globalization - Cambridge Advanced Learner’s Dictionary & Thesaurus.

¹⁵ Cf. Cambridge University Press, Definition Globalization - Cambridge Advanced Learner’s Dictionary & Thesaurus.

¹⁶ Cf. Breznitz, D. (2009), p. 103.

¹⁷ Cf. Breznitz, D. (2009), p. 103.

¹⁸ Cf. Garraffo, F. & Rocco, E. (2009), p.44.

most importantly they can get access to new resources and knowledge, know-how, and the opportunity to apply this knowledge to their own company.¹⁹ Especially on the last point there should be placed a special emphasis. Knowledge in times of globalization is key to success and needed for companies to succeed. Coopetition gives companies the chance to gather knowledge and know-how.²⁰

3.1 Connectivity

With the globalization of the economic activities in the world, the connection between companies has been increased progressively. At the same time, the competitiveness between companies has increased. Companies need to act and react faster, they need to be fast and flexible. Coopetition gives the chance to be more connected to exactly these companies. With globalization these connections do not have to be between companies from only one nation but can overcome national borders and even continents.²¹

4. Interdependency between globalization and coopetition

As described before, coopetition fosters a rise of available knowledge, the spreading of knowledge and a new connectivity – it ensures that companies are connected closer. At the same time globalization is described as the increasing movement of trade, capital, services and even humans around the world. Taking this consensus into account, it could be assumed that not only globalization is a reason for the increase of coopetition, but that coopetition also has a reinforcing effect on globalization. Increased globalization leads to a stronger need of coopetition and at the same time, increased application of coopetition leads to increasing globalization.

5. Obstacles

But since many companies still bear the concept of the *survival of the fittest* in their minds the realization of coopetition may still pose a problem for many of them. They do not want to share and give up their knowledge with competitors since they fear to lose the battle for the market. But to create a successful coopetition between

¹⁹ Cf. Gast, J. et al. (2019), p. 65

²⁰ Cf. Gast, J. et al. (2019), p.65

²¹ Cf. Mongkhonvanit, J. (2014), p. 4

companies, these companies need to share at least some of their knowledge – they need to share and protect their knowledge at the same time. To do so companies need to build up knowledge sharing and protection practices. Companies therefore need to decide which knowledge they need to share for a successful coopetition and which knowledge they need to keep a secret and need to protect. Usually knowledge that gets shared is general and project-specific knowledge, and knowledge to withhold is the core knowledge of the firm.²²

Companies who work together in coopetition hope to find some common returns that they want to share and use in their future work. But if the partners furthermore have individual benefits from the coopetition, one problem that can occur, is that one or both sides want to learn and exploit the assets of the other side to find what brings them individual benefits and then just exit the partnership. This kind of behavior or race for knowledge especially happens when the individual benefits for one side dominated the common benefits of the partnership.²³ This potential behavior and fear can lead to companies striving against participation in coopetition.²⁴

Another reason for them to strive against it, could be that in order to take this concept up, companies need to acknowledge and admit their own weaknesses since they seek help from each other when participating in a cooperative partnership. Especially, to do so in front of their competitors this may pose a problem for many companies and their decision makers.²⁵

6. Conclusion

In a world of a rising and ubiquitous globalization companies need to adapt to new circumstances and needs to survive. Coopetition is a concept that allows companies to do so. It gives them the possibility to act and react faster and in a more flexible way to change and competition. Coopetition lets direct competitors build a partnership from which both sides can benefit. And in the last years this concept has gained popularity for companies and organizations. Not only can they benefit of the knowledge of each other, but furthermore it gives them the possibility to develop new knowledge and know-how. As reasons for this development can be seen the globalization and related

²² Cf. Gast, J. et al. (2019), p. 65

²³ Cf. Gulati, R. et. al (2000), p. 211.

²⁴ Cf. Dagnini, G. (2009), p. 41.

²⁵ Cf. Handelsblatt (2019), Coopetition – Lieber gemeinsam statt einsam.

developments of the world, like intensified connectivity between companies and people as well as the emergence and creation of new knowledge.

This essay looked at the coopetition, why this concept underwent the growth it did in the last years, and what obstacles companies have to face when considering to apply it in their business actions. Moreover, it made a short remark about the interdependence of globalization and coopetition. In a subsequent work, this interdependence and the question whether coopetition also has an influence on the development of globalization could be further looked into.

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