

Chapter 5

From Cooperation to Coopetition and Business Ecosystems

ABSTRACT

This chapter is devoted to an analysis of cooperative relationships, networks, and coopetition. The different types of agreements and the main theoretical approaches of cooperation are presented. The chapter explores the evolution of cooperation within inter-organizational networks and the emergence of other networks such as business ecosystems. The concept of coopetition, defined as the ability of the organization to compete and to cooperate simultaneously with other firms in particular within business ecosystems, is discussed. The chapter introduces a different perspective of coopetition linked with the notions of strategic alliances and business ecosystems.

INTRODUCTION

Strategic management research on interdependencies across firms follows two main streams. The first one is based on the competitive vision developed in the 1980s (Barney 1986; Porter, 1980; Vickers, 1985) following the structure-conduct-performance (SCP) paradigm (see chapter 1). Porter model (Five forces framework) gives a clear understanding of the industry structure in a context where relationships between competitors often are conflicting (see chapter 2). In this framework, firms develop competitive advantages that cannot be reached but at the expense of the competitive advantage of the other firms. More

recently, the fact that firms can establish cooperative relationships (strategic alliances, partnerships, networks) has been widely recognised. It is named as the “alternative cooperative paradigm.” (Padula & Dagnino, 2007).

At a general level, firms are embedded in different networks of cooperative relationships. The “hypercompetition” context (D’Aveni, 1994) has created a significant incentive for organizations to collaborate. Networks can be considered as structured contract-governed entities comprising at least two partners engaged in collaborative relationships. The notion of network, alliances and ties between different bodies is important. This is particularly true for media groups.

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The reasons which are generally suggested to explain the decisions used to form alliances are numerous. They include access to resources (material or immaterial) and/or competencies (know-how) which may or may not exist; savings which can be made from transaction costs; reduction in costs and rationalisation of production (achieving economies of scale, gains in productivity, mastering the learning curve) and greater negotiation power with one's suppliers.

If the 1990s have seen significant growth in international strategic alliances, paralleling the increase in cross-border mergers and acquisitions (M&As), the 2000s are characterized by the emergence of a network called business ecosystem based on the ecological metaphor. In addition, as complex relationships between firms are an increasingly prevalent and important trend in business practice, many works place an emphasis on *coopetition* and the ability of the organization to compete and to cooperate simultaneously with other firms in particular within business ecosystems.

We start this chapter in section 1 with a presentation of the different types of agreements and of the main theoretical approaches of cooperation. In section 2, we continue to explore the evolution of cooperation within inter-organizational networks and the emergence of other networks such as business ecosystems. The concept of co-opetition linked with the notions of strategic alliances and business ecosystems is finally analyzed in section 3.

FROM COOPERATION TO STRATEGIC ALLIANCES

The motivations of alliances, the different forms and structures of cooperative agreements in the continuum of organizational forms, their evolution

in stable and dynamic contexts and the determinants of their success/failure have been analyzed in several academic journals. The main ideas are summarised in this part.

Cooperation: Definitions

Definitions of cooperation are numerous. In general, cooperation can be considered as "agreements characterized by the commitment of two or more firms to reach a common goal entailing the pooling of their resources and activities." (Teece, 1992, p. 19).

Even if the term cooperation has become widely used to describe a variety of different agreements ranging from shared research, production and marketing to formal joint ventures, cooperation can be categorized in two broad groupings of agreements (Grant 2002; IMF, 2004): equity (including joint ventures and minority equity investments) and non-equity forms of alliances (including a host of inter-firm co-operative agreements such as R&D collaboration, technology sharing, co-production contract, marketing agreements, R&D and production consortia, supply arrangements, long-term sourcing agreements). The non-equity alliance is often a preliminary step to create a joint-venture. It is therefore the most flexible and potentially the least committed form of alliance.

Cooperation must not be confused with collusion. Collusion takes place within an industry when rival companies agree upon the price (and/or the quantity) structure allowing them to maximize joint profit or expected joint profit. Therefore, firms set a price or output level (market share) for their mutual benefit. At an extreme, the colluding firms can act as a monopoly. These agreements can be tacit as collusion limits competition. Collusion could occur in oligopoly market characterized by a few firms producing a product. Most forms of explicit (for example cartel) and tacit collusion are

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