

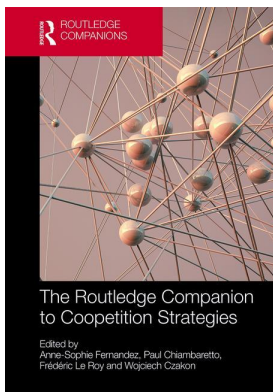
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### Coopetitive tensions

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# Coopetitive tensions

Annika Tidström

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## Introduction

Coopetition consists of the paradox of cooperation and competition, which by definition can be seen as opposites. *Cooperation* means swimming or sinking together, while *competition* means that if one party swims the other party sinks and vice versa. The paradoxical nature of cooperation is naturally coupled with tension. It is a matter of preserving the competitive advantage of the focal company, and simultaneously sharing resources with another company. This tension is related to the balancing of cooperation and competition and, during the last decade, coopetition researchers have shown an increasing interest in studying tension in cooperation. The understanding of tension in cooperation is important from both a theoretical and managerial perspective and the research in this area is relatively nascent.

## Defining tension in competition

First, it is important to know what we mean by coopetitive tensions. There is no common way of defining tension in cooperation. Many different concepts, such as conflict, disagreement, and friction, have been used in research related to coopetitive tensions. Sometimes conflict and tension are used interchangeably, although there is a difference in their meaning. According to Wilhelm (2011: 664) there is “an inherent tension between cooperation and competition ... literature defines this tension as cooperation.” In accordance with this view, tensions are integral to cooperation. Coopetition researchers (Fernandez et al., 2014; Le Roy & Fernandez, 2015) view tension as a natural incompatibility and one related to the paradox of cooperation and competition. Tension between cooperation and competition in cooperation can be seen as a prerequisite for, or as a cause of, conflict. It has been stated that “tensions create conflicts within firms” (Le Roy & Fernandez, 2015: 5). Tensions are more long-term and abstract than conflict, which is short-term and situation-specific (Tidström, 2014). The concepts of tensions and conflicts in cooperation are illustrated in Figure 13.1.

Coopetitive tensions may consequently be viewed either from the more general perspective of balancing cooperation and competition, or by exploring situations of conflict or incompatibility between firms involved in cooperation. In order to obtain a thorough understanding of

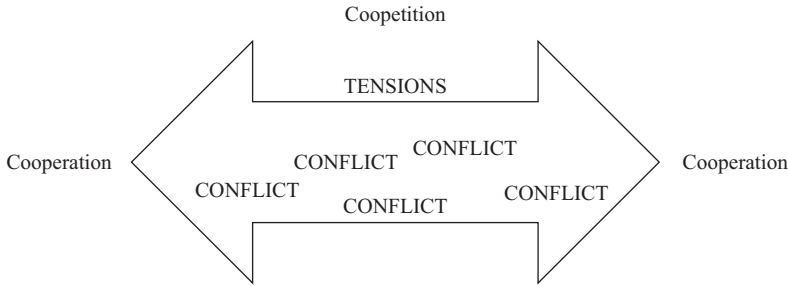


Figure 13.1 Tensions and conflict in cooperation

how to manage cooperation, it may be beneficial to focus on specific situations of incompatibility or conflict, as these often resemble tension on a more general level. However, it is sometimes difficult to draw a clear line between tension and conflict in cooperation. A tension concerning the division of cooperation and competition may be reflected in a conflict situation related to opportunistic behavior, or how much knowledge to share and what to keep secret. Moreover, conflicts in cooperation are related to each other, and may together reflect a tension. Accordingly, literature on conflict and conflict management is applicable when exploring tension. When aiming to understand tension, the first step is to identify what causes tension and what topics of tension exist.

### Cause and topic of tension

The terms *cause* and *topic* of tension in cooperation are often used interchangeably, although there is a difference between them. A cause of tension is related to an issue or issues influencing the rise of a tension or conflict. As far as a cause of tension is concerned, it is possible to say that on the most abstract level, it is the cooperation paradox that causes tension. Moreover, it has been shown that a conflict in cooperation can trigger and be the cause of another conflict. Cooperation research distinguishes between silent or implicit, and articulated or explicit conflicts. In cooperative business relationships, several conflicts may be silent, for example, hidden priorities, divergent economic interests, and different strategies, goals, and approaches (e.g., Fernandez et al., 2014; Gnyawali et al., 2016). It is possible to say that cooperative conflicts may be caused by almost anything, and that a precise cause can be difficult to identify. Therefore, it is more reasonable to focus on the type or topic of conflict, which represents the issue or issues that the conflict is essentially about.

As far as the topic of tension is concerned, role tension is stressed in many cooperation studies (Bengtsson & Kock, 2000; Raza-Ullah, Bengtsson, & Kock, 2014). Role tension is related to the simultaneous existence of cooperation and competition. It might, for example, concern a situation when a manager perceives a cooperative and personal relationship with a manager from another company, while the firms are simultaneously competing for the same customers. A role tension may also involve incompatibility in dividing cooperative and competitive activities. The management of role tension is critical at both the organizational and relationship levels.

Another type of tension is related to opportunism, where the sharing of resources and activities can create an opportunistic situation, where one of the parties exploits a weaker party's interest (Fernandez & Chiambaretto, 2016; Osarenkhoe, 2010). Cooperation can impede a firm's

operations by enabling the competitor first to obtain sight of, and then to imitate, the firm's core competences (Lado, Boyd, & Hanlon, 1997). This is a typical conflict in cooperation between competitors, and it is also often a critical conflict, as it may undermine the competitive advantage of one of the firms. However, topics of tensions in competition may also involve more general business relationship issues such as delays in deliveries from one company to the other, or the terms and modes of cooperation (Tidström, 2014). These types of tensions are often not as critical and intense as tensions related to opportunism.

There is little research on cause and type of tension, as most research focuses on the management of tension. Moreover, sometimes a similar issue may cause tension while on another occasion it may be the topic of tension. Increased communication and clear rules and agreements could perhaps reduce tension in cooperation. There are, however, some options available for managing tensions, and those are outlined below.

### Managing tension in cooperation

As far as tension management in cooperation is concerned, cooperation research tends to view tensions as something that should be managed to deliver a desired and beneficial outcome. It is possible to distinguish between three streams of research concerning tension management: the underlying issues, separation/integration logic, and conflict management styles. These are summarized in Table 13.1 and further elaborated below.

The first stream of cooperation research (e.g., Tidström, 2014) stresses the importance of underlying issues to tensions. Underlying issues can be related to the compatibility of companies'

Table 13.1 Research on tension management

<i>Streams of Research</i>	<i>Focus</i>	<i>Contributions</i>	<i>Limitations</i>
Underlying issues	Compatibility and incompatibility of company-related issues such as goals and commitment	Influences the techniques of tensions management	Cannot be applied for managing tensions as such
Separation/integration	Managing conflicts/tensions by separation and/or integrating cooperation and competition	Recognizes that separation and integration can be used on different levels	Views tensions and conflicts as manageable from a company level, without considering different options around using a technique or combining techniques on a certain level
Conflict management styles	Comprises the following styles for conflict management: collaboration, competition, compromise, accommodation, and avoidance	Focuses on an individual level and recognizes that various styles are used in various types of cooperative relationships	Offers a one-sided perspective in only recognizing one party involved in a conflict

goals, visions, background, and size. These issues may influence both the style and success of tension management. For example, if both companies share a similar culture and background, and have a concurrent understanding of how value should be provided for the shared customer, the companies may be more likely to succeed in tension management. Another underlying issue that has been stressed is commitment: Morris et al. (2007) found that commitment concerns the perception that the other party is dedicated to strengthening both its own position and the relationship's position in the market. Moreover, commitment means that each party bears responsibility for the goals and activities that contribute to relationship outcomes. According to Morris et al. (2007), under-commitment by one of the parties will diminish the performance of both parties, but especially the party with the greater level of commitment. In a cooperative business relationship, it is important that the companies are committed from the very start of the cooperation. If the goals for the cooperation are clearly set and the parties are committed to their tasks and to meeting their goals, it is far less likely that tension will arise than if the parties are not. The underlying issues for tension management are not similar to different techniques for tension management, but they serve as influential background issues in the success or failure of tension management.

Coopetition scholars often use a separation/integration logic as a way of managing tension in coopetition (e.g., Fernandez & Chiambaretto, 2016). The separation/integration logic was originally developed as a way of managing coopetition, but more recently it has been used in relation to the management of tension between cooperation and competition in coopetition. The separation logic implies that cooperation and competition, or more specifically, cooperative and competitive activities, are separated inside the company in order to avoid tension (Bengtsson & Kock, 2000; Seran et al., 2016). On the other hand, the integration logic means that cooperation and competition are integrated for tension management. The approach is based on the idea of the importance of individuals developing a cooperative mindset and integrating cooperation and competition (Seran et al., 2016). There are studies showing support for the use of a separation logic and there are also studies supporting an integration logic. Most of these studies stress the value of using one of these logics over time and throughout the relationship between the firms involved in the particular coopetition. Scholars favoring integration criticize the separation logic on the grounds that it can itself be a source of tension (Seran et al., 2016). It has been argued that a combination of separation and integration would lead to the efficient management of cooperative tension (Fernandez et al., 2014; Seran et al., 2016). It has been suggested that separation should be related to an organizational level, and integration to an individual level (Le Roy & Fernandez, 2015), which indicates the importance of relating different managing techniques to different levels.

A third stream of research (Raza-Ullah et al., 2014; Tidström, 2014) is influenced by the classic conflict management styles presented by Thomas and Kilmann (1974): collaboration, competition, compromise, avoidance, and accommodation. Tidström (2014) found that in inter-competitor cooperation, the styles most often applied were competition and avoidance, whereas the study found no evidence of the use of accommodation and compromise. However, a recent study of coopetition between a buyer and a seller, that is, vertical coopetition (Rajala & Tidström, 2016) found that the use of a collaborative style was most typical, and there were also situations when both accommodation and compromise were applied. Based on these findings it is possible to say that the nature of the cooperative relationship, that is, whether it is vertical or horizontal, tends to influence the applied tension management styles.

The latest research on the management of tension in coopetition shows that the management occurs on different levels. Moreover, the same conflict or tension can be managed differently on distinct levels (Rajala & Tidström, 2016). For example, a team of individuals within one firm

might apply a cooperative style when negotiating with representatives from the other firm, but simultaneously a compromising style may be employed on a relational level in meetings between the companies. However, there can also be differences in styles of tension management on the same level. For example, at the firm level, one of the firms might employ a competitive style, while the other employs an accommodating style.

Most coopetition research applies a *management* or *managerial* approach, and stresses the importance of managing coopetition and coopetitive tension. Naturally, a management approach is appealing from the perspective of business managers involved in coopetitive business relationships. However, the management option reflects a deliberate and strategic choice and activity. It is related to the single firm or the dyad, and the consequences of actions are considered predictable. This approach stems from traditional literature within strategic management. According to another, somewhat different, perspective, it is seen as more reasonable to cope with competition and tension in coopetition than to manage it. The coping perspective has its roots in business network research, according to which a business relationship influences and is influenced by other business relationships. Therefore, it is hard to manage, as a firm cannot influence the activities of, for example, its suppliers' suppliers, although those very activities may influence tension in relationships involving the firm. Coping represents a more dynamic and emergent perspective.

To sum up, it is possible to say that there are many ways to manage coopetitive tension. First, it is worth being aware of underlying issues that can influence the management of conflict. Second, an appropriate mix of separation/integration logic within different activities may be applied. However, the separation/integration logic is best suited to managing tension related to the paradox of cooperation and competition. The separation/integration logic seems to be well-suited for the strategic, predictable, and more long-term management of tension. When managing more emergent situations of incompatibility in coopetition, more fine-grained management styles are appropriate. The different management styles available are more aligned with coping with tension or conflict, rather than managing it. The three perspectives on tension management could be combined by identifying influential underlying issues affecting tensions, and thereafter aiming to prevent negative tensions by separating and/or integrating cooperative and competitive activities. Situations of conflict could then be managed using different kinds of management styles in separated and integrated activities. Moreover, it would be important to investigate combining tension management with the outcome of tension.

## The outcome of tension

It is common to view coopetitive tension as negative, rather than as something positive. Tension per se is by definition negative as it is related to incompatibility. This is also the case in research on conflict within organizations as well as between organizations within a distribution channel. Examples of positive outcomes of conflict include the discovery of new and better ideas and processes, improved quality, and enhanced efficiency.

With regard to competition research, there are studies (e.g., Vaaland & Håkansson, 2003) outlining both negative and positive outcomes of conflict. Vaaland and Håkansson (2003) present conflict in business relationships as dysfunctional, or as a disease that disrupts. In the worst case, a negative outcome of a conflict may lead to termination of a coopetitive business relationship, which is often considered undesirable. However, the outcome of conflict in coopetition can also be positive; it might, for example, enhance creativity and innovation (Vaaland & Håkansson, 2003). A recent study on tension in vertical coopetition found no tensions that

produced a wholly negative outcome for all parties (Rajala & Tidström, 2016). In other words, all conflict outcomes were positive for at least one of the parties involved. Moreover, there are studies showing that the outcome of a conflict in coepetition may be mutually positive, mutually negative, or mixed, meaning that it is positive for one of the parties and negative for the other (Tidström, 2014). Moreover, it may be possible to identify a neutral outcome, which implies that the outcome does not in any way concern any of the parties involved.

There are a few studies of outcomes, particularly on the benefits of tension in coepetition (e.g., Bengtsson et al., 2010). It is clear, however, that the outcome of a conflict can influence another conflict (Rajala & Tidström, 2016). Recent research also shows that the outcome of a tension may be different on different levels; for example, the outcome may be negative on the firm level owing to a reduction in revenue, while simultaneously being positive on a relational level owing to it giving rise to new and improved terms of cooperation.

### Novel perspectives on coepetitive tension

Research on coepetitive tension highlights some important perspectives that should be acknowledged. First, tensions in coepetition should be analyzed from a multilevel perspective. Second, coepetitive tensions can be viewed from a practice perspective, by focusing on the practices and activities of the practitioners directly or indirectly involved. Third, it is worth considering a dynamic perspective on tensions, as no event in a business relationships occurs in isolation, but is instead influenced by past events, and will influence future events. These three perspectives are discussed in more detail below.

Research has traditionally viewed tension in coepetitive business relationships from the perspective of the organization or the relationship; however, there have been calls for coepetition to be studied from a multilevel perspective (e.g., Bengtsson & Kock, 2000, 2014; Gnyawali et al., 2016; Tidström & Rajala, 2016) following current research finding that coepetitive tensions can occur on multiple levels (Dorn, Schweiger, & Albers, 2016; Fernandez et al., 2014; Rajala & Tidström, 2016). According to the multilevel perspective, activities on one level influence and are influenced by activities on other levels. Therefore, it is important to view all issues of tension from the perspective of multiple levels, which means adopting a macro, meso, or micro level of analysis. The macro level represents the network level, or the external environment or context that influences and is influenced by a coepetitive business relationship. This level may comprise customers, suppliers, competitors, and governmental regulations. From a methodological perspective, this level can be studied by applying qualitative approaches, including the analysis of written documents related to the external environment. Another method for analyzing this level is to do so indirectly through respondents from the studied firms. The meso level can be divided into relationship and organizational levels; the relationship level concerns the interaction between the companies involved in coepetition, while the organizational or firm level relates to activities within one of these firms. The meso level can be empirically studied, for example, by applying single- or multiple-case study research including qualitative or quantitative methods. Current research often uses qualitative methods, whereas research applying quantitative methods is scarce.

The micro level constitutes individuals or groups of individuals within the firms. The micro level has recently attracted increased interest in coepetition research, especially in studies applying a practice perspective on coepetition. In a recent study, Lundgren-Henriksson and Kock (2016) apply a practice perspective and focus particularly on the individual level, and stress the importance of recognizing individuals in coepetition. Research focusing on this

level of analysis could apply a qualitative research approach such as ethnography, discourse, or narrative analysis.

The practice perspective stems from the strategy-as-practice approach, which arose from a critique of the traditional view of considering strategy as something a company has. Instead, the practice approach focuses on the micro-foundations of strategizing, and highlights what individuals do and say. In terms of coopetition from a practice perspective, the focus would be on the activities or praxis of individuals as practitioners, and how those activities happen in practice. Research on coopetitive tensions could benefit from studying tensions from a practice perspective, by recognizing individual activities such as what is said and done. Individuals and relationships between individuals can be considered the starting point for coopetitive tensions between firms. In order to be able to understand the macro foundations of coopetitive tensions we need to start analyzing tensions at the grassroots level.

It is also a matter of fact that business relationships are dynamic rather than static. By definition, conflicts are also dynamic, in that they include a cause, a topic, an outcome, and management. Moreover, the outcome of a conflict may trigger other conflicts, and the intensity of a conflict can change over time. However, much of the research on tension in coopetition is conducted from a more static point of view; for example, when studying different types of tension or the management of tension. There are only a few recent studies that explore tensions from a dynamic perspective by recognizing types of tension in light of the outcomes of tension, or how the management of tension relates to its outcome.

## Concluding remarks

This chapter presents some insights into coopetitive tensions that also can be seen as situations of conflict. However, there are still many gaps in our knowledge and suggestions for future research on coopetitive tensions are presented in Table 13.2 and described below.

Most research on tensions in coopetition focus on dyadic horizontal relationships, that is, cooperation between competitors. There is a lack of studies on tension within vertical coopetitive relationships between buyers and sellers, and of research on triads or groups of firms engaged in coopetition. Moreover, coopetition research is often based on large companies within the ITC sector, which suggests a need for more research within SMEs and other types of industries and business sectors. There is also a need to distinguish between levels of cooperation and competition and the nature of tensions. It has been argued that strong cooperation together with weak competition involves weak tensions with an outcome of limited dynamics, and that, in contrast, strong competition and weak cooperation involves strong tensions with potential benefits (Bengtsson et al., 2010).

*Table 13.2* Current and future research on coopetitive tensions

<i>Area of Research</i>	<i>Current Research</i>	<i>Future Research</i>
Relationship type	Horizontal relationships	Vertical relationships
Size of companies	Large companies	SMEs
Concepts	Either tensions or conflicts	Interrelatedness of tensions and conflicts
Level of analysis	Single-level	Multiple levels
Focus	Organizations	Individuals
Tension management	Predictable and controllable	Unsure and emergent
Time	Coopetitive tensions as static	Coopetitive tensions as dynamic



Although there is a vast amount of current research on cooperative tension, there remain many issues within this field that should be explored in the near future. First, on a conceptual level, there is a need to thoroughly explore the interrelatedness of cooperative tensions and cooperative conflicts. Special attention should be paid to exploring the interface between tension and conflict. Second, there is a need to explore elements of tensions on different levels and how they are related over time. The traditional relational- or organizational-level focus would need to be shifted down to the levels of individuals and groups of individuals and their activities in situations of conflict. It is through the activities of individuals that cooperation originates, exists, and develops. Moreover, we need to recognize that cooperative tensions are dynamic and emergent, and that they may be hard to deliberately manage on a corporate level.

As far as cooperative tensions are concerned, from a managerial perspective it is worth focusing on the initial phases of the cooperative business relationship. In this phase, the terms of the relationship are established and joint goals agreed upon. If the companies are of the same size, and share the same opinion on how value is created, fewer negative tensions may arise. Moreover, it is important to continuously balance cooperative and competitive activities, and to have a clear and well-communicated strategy of what to share and what to withhold. On a relational level, it may be worth using a collaborative style for tension management, with an outcome that is positive on multiple levels.

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