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An empirical study on determining the attitudes of small and medium sized businesses (SMEs) related to coopetition

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Abstract

Coopetition is a term that includes cooperation and competition simultaneously. Although coopetition is generally used by larger companies in the past, lately small and medium sized enterprises (SMEs) realized that it has some advantages for them. Coopetition is implemented by SMEs and enables many benefits to these businesses. SMEs that implement coopetition strategy get into some markets easily by collaborating with each other in different areas and gathering rare and complementary resources. SMEs, which engage in competitive strategy share knowledge that may be a key source of competitive advantage. In this context, the purpose of the present study is to explain coopetition in a theoretical way and to determine attitudes of small and medium sized businesses dealing with coopetition. Data was obtained from one of the top managers of 52 small and medium sized businesses operating in Kayseri (Turkey). Firms are selected from different sectors. According to result of analyses, SMES that participated in the survey have a positive attitude related with the coopetition strategy. That is, they assess the collaboration with competitors, positively. Also, trust is seen as the most important factor in relationship with competitors. Secondly, commitment dimension is considered important. Mutual benefits dimension has the least mean score comparing with other dimensions of coopetition.

Keywords: Coopetition, Cooperation, Competitive, SMEs

1. Introduction

The global environment has been changing dramatically; the firms face many new challenges daily. There are lots of competitive pressures and risks which prevent the businesses to achieve their goals. Therefore, in today’s world, the company’s ability to adopt the changes will determine its success and sustainability or even survival. But there is no easy way for adaptation. Under the intense rivalry, many companies do not have all the resources and capabilities that are needed for competition on their own. More importantly, they are not also willing to take all the risks alone to struggle against powerful rivals. As a result of these new conditions, companies need for new strategies in dealing with the internal and

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external environment. In this context, first collaboration becomes very important for the companies and then, coopetition has been appeared.

Co-opetition describes a business situation in which independent parties co-operate with one another and co-ordinate their activities, thereby collaborating to achieve mutual goals, but at the same time compete with each other as well as with other firms (Zineldin, 2004). Coopetition is a strategy that balances both competition and cooperation (Jorde and Teece, 1989). According to this strategy, businesses can work together to realize their common goals. In addition, they compete with each other depending on conflicting benefits.

Coopetition strategy is generally used by large and multinational companies to increase their power. So, researches on coopetition have focused primarily on larger and multinational businesses (Jorde and Teece, 1989; Luo, 2007). But coopetition is a strategy that is preferred by small and medium sized businesses too. Coopetition is useful for small and medium sized businesses in certain areas such as; entry bigger market, benefit from technological development and scale economies, make innovation and, attract qualified employee to business.

Coopetition is a strategy that enables firms many advantages. It has become very important for small and medium sized businesses as a kind of strategic alliance. Businesses that chose coopetition strategy get into some markets easily by collaborating with competitors in different areas and gathering complementary resources. This strategy is especially helpful for SMEs which have scarce resources. On the other hand, there are some risks with coopetition and these risks may prevent small and medium sized businesses from choosing coopetition strategy. In this context, the purpose of the present study is to explain coopetition in a theoretical way and to determine attitudes of small and medium sized businesses related to coopetition. In this context, first, literature regarding to coopetition strategy is reviewed. Second, we explain the attitudes of small and medium sized businesses related to coopetition using data that are obtained from small and medium sized businesses operating in Kayseri (Turkey). Finally, managerial and theoretical implications of findings are discussed. As mentioned earlier, researches on coopetition have focused primarily on larger and multinational businesses (Jorde and Teece, 1989; Luo, 2007). There are limited studies dealing with why small and medium sized businesses chose coopetition and what attitudes they have toward coopetition. Therefore, this study will become very useful to fill in this gap that is determined literature.

2. Literature Review

Co-opetition describes a business situation in which independent parties co-operate with one another and co-ordinate their activities, by collaborating to achieve mutual goals, but at the same time competing with each other as well as with other firms (Zineldin, 2004). Firms that prefer this strategy are not solely competitors, but they are also partners. According to Laine (2002), two firms might cooperate by coordinating their purchasing and service provision operations and they are competing in manufacturing and marketing areas at the same times (Laine, 2002). For example, GM and Suzuki combining technological resources to manufacture cars, Siemens and Corning forming a cross-functional alliance to produce and market fiber-optic cables, and Intel and AMD developing new products in parallel that are shared by both partners (Laine, 2002). So, coopetition can be taught as a new kind of strategic relationship between firms involving the merging cooperation and competition. Cooperation and competition have historically been approached independently by researches (Morris et. al., 2007; Zineldin, 1998). Yet, the scholarly attention to simultaneous competition and cooperation has increased from the mid-1990s onward. A growing number of researchers have also noted that competition and cooperation often coexist and simultaneously influence the strategic operations of firms (Jorde and Teece, 1989; Bengtsson and Kock, 1989; Levy et al., 2003; Zineldin, 2004; Bonel and Rocco, 2007; Luo, 2007; Bengtsson et al., 2010).

Coopetition is the simultaneous competition and cooperation between two or more rivals (Luo, 2007). In any specific relationship elements of both cooperation and competition can be found together, but one or the other of these elements can be tacit in some cases. If both the elements of cooperation and competition are visible, the collaboration between the competitors is named coopetition (Bengtsson and
The basic philosophy underlying co-opetitive business relationships is that all industrial management activities should aim for the establishment of mutually beneficial partnership relationships with other actors in the system, including competitors (Zineldin, 2004).

As can be seen, co-opetition combines cooperation and competition in addressing relationships between firms. According to this strategy, businesses can work together to realize their common goals. In addition, they compete with each other depending on conflicting benefits. There are seven preconditions to develop mutually beneficial business relationship. They are listed below (Zineldin, 2004):

- Organizations are willing to be engaged in an interactive exchange relationship,
- Each party possesses resources that the other party wants,
- Each party is willing to give up its some resource to receive in return the resource belonging to the other party,
- Each party is free to accept or reject terms and conditions of exchange that will leave them better off (or at least not worse off) than before the exchange,
- The parties are able to communicate and interact with each other,
- The parties recognize the ethical values and norms, interdependences, commitment and sustainable long-term relationship,
- The parties can strike a positive balance between the pros and cons of the relationship.

Firms that intent to use co-opetition strategy should consider all steps that mentioned above before getting into a partnership with competitors. Firstly, they are willing to be engaged in exchange relationship. Also, they should have resources that the other party wants. On the other hand, they should want to give up its resources to receive in return the resources belonging to the other organizations. Briefly, each party should understand that this type of strategy will add value to the firm.

According to Morris et al. (2007), co-opetition has three key dimensions: mutual benefit, trust, and commitment. Coopetition is a joint effort between competitors for mutual gains (Luo, 2007). Benefits can derive both competition and cooperation. The difference is that the competitive side of relationship does not require a mutuality of benefit, while the cooperative side cannot occur without mutual benefit (Morris et al., 2007). Trust is very important in mutual confidence between firms. With co-opetition, a partner develops trust regarding how the other firm will share resources, communicate, use information, and other aspects of the cooperative dimension of relationship (Morris et al., 2007). Commitment is defined as the desire to go on a valued relationship. Commitment entails a process of mutual adaptation, as two parties adjust their expectation, communication approaches, operations, internal processes, and/or approaches to resource allocation to reflect one another’s needs, characteristics, and requirements (Morris et al., 2007). A feature of a co-opetitive relationship is that partners adapt their processes and products to achieve a better match with each other, sharing information and experience, and eliminating or minimizing the sources of insecurity and uncertainty. As a determinant of commitment dimension, this function leads to higher level of trust for creating and enhancing an ongoing strategic business relationship (Zineldin, 2004). On the other hand, trust is a primary determinant of commitment levels too. When partners trust each other and have high levels of commitment, it is easier for them to adapt to the necessities of the relationship. Mutual benefit also influences relationship commitment. Firms will commit to more involved relationships when they have opportunities for greater benefits, such as lower costs, improved productivity, higher customer satisfaction, and better product performance. Similarly, trust has a positive effect on mutual benefit, which in turn affects relationship success (Morris et al., 2007). So, it is expressed that, all dimensions of co-opetition should interact with each other.

Co-opetition strategies enable the firms to reach for both competitive and collaborative advantages (Yami et al., 2010). Competition advantages stimulate the search for new combinations of resources, skills and processes. Cooperation advantages allow access to rare and complementary resources. If the firm wants to obtain both types of advantages, it needs to adopt both competitive and cooperative behaviors. According to certain authors, co-opetition is a beneficial strategy for managers striving for performance improvements (Morris et al., 2007; Yami et al., 2010). It reduces costs, uncertainty, and risks dealing with developing new product and, enables a firm to access synergy-effects with a competitor (Laine, 2002; Luo, 2007). Engaging in both cooperation and competition gets easy to access external knowledge source and can serve as a mechanism for organizational learning (Amaldoss et al., 2000;
Morris et al., 2007). In this process, a firm can learn new methods and techniques about work and workflows by its partner. Also, it entails sharing knowledge that may be a key source of competitive advantage (Levy et al., 2003). Coopetition leads to such significant benefits and synergy as; economies of scale, lower costs, a skilled workforce, high levels of research and development, access to superior technology, get into new markets, profit for all participants in the alliance or network too (Jorde and Teece, 1989; Zineldin, 2004). From a more strategic point, cooperation with competitors can enhance flexibility of businesses and give businesses more control over market uncertainties (Morris et al., 2007). All in all, coopetition helps firms to acquire new and complementary resources, skills and processes. It also improves organizational performance by decreasing cost and providing economies of scale. Firms that adopt the coopetition strategy get into new markets by reducing the risk, and access new technological opportunities.

As well as these benefits, coopetition causes some disadvantages for each partner. For instance, Amaldoss et al. (2000) argued that, cooperation between competitors can hinder or delay the innovation process and slow investments in new technologies. Rivalry and conflict between firms can hamper each company’s performance when they attempt to collaborate (Morris et al., 2007). Also, lack of experience in working together with new partners can make considerable demands on management’s time, attention, efforts and energy, which may lead to neglect of the organization’s core business activities (Zineldin, 2004). A coopetition relationship may cause firms to experience a loss of control over activities or resources. Firms are especially vulnerable when partners become less committed to the cooperative side of the relationship or focus only on their own benefits (Morris et al., 2007). Similarly, if organizations become more dependent on other parties, their vulnerability may increase (Zineldin, 2004).

Although it has certain disadvantages, coopetition strategy is used by large and multinational companies to increase their power. So, researches on coopetition have focused primarily on larger and multinational businesses (Dagnino and Padula, 2002; Luo, 2007). Whereas coopetition is implemented by small and medium sized businesses and enables many benefits to these businesses. Comparing with larger firms, small and medium sized businesses have some weaknesses. They are more vulnerable to environmental forces and have limited cash reserves (Morris et al., 2007). Also they have fewer tax advantages. Organizational capacity of SMEs is limited; they have trouble to access some resources. Also they cannot find credit easily, attract skilled labor forces in organization, benefit from developed technology, make innovation and entry new and bigger market. Market uncertainty is usually strong for SMEs. They have small market shares, few major customers, are unable to influence price (Levy et al., 2003; Güney, 2008). In this condition, coopetition creates benefits for small and medium sized businesses in certain areas such as; entry bigger market, benefit from technological development and scale economies, make innovation and, attract qualified employee to business.

Relationships with competitors can allow the firm to develop or use technologies it otherwise could not develop on its own (Morris et al., 2007: 39). Small and medium sized businesses that engage in coopetition strategy share knowledge that may be a key source of competitive advantage (Levy et al., 2003). Dynamic, hostile, and complex environmental conditions also result in an increased emphasis on innovation as a source of competitive advantage. Yet, the high expense and risk associated with innovation can be especially problematic for smaller firms operating with limited resources (Morris et al., 2007). So, small and medium sized enterprises can prefer to develop collaborative relationships with competitors.

3. Methodology

3.1. Research goal

In this survey we aim to examine the attitudes of small and medium sized businesses related with coopetition. To access this aim a field survey was conducted using questionnaires.

3.2. Sample and data collection
Data was obtained from one of the top managers of 52 small and medium sized businesses operating in Kayseri (Turkey). Firms are selected from different sectors. All businesses in the sample, less than 250 employees are worked. In the literature, a small and medium sized business is defined as business that works 250 and less than 250 employees (Ülgen and Mürze, 2004). 57.7% of SMEs employee range from 11 to 50 workers. Sector of firms was generally furniture (32.7%). 30.8% of firms were in textile sectors. Half of firms that participated in research were founded between 1991 and 2010. 21.4% of firms were established between 1981 and 1990.

3.3. Measures

A structured questionnaire form was used in this survey. We examined coopetition with dimensions of trust, commitment, and mutual benefit (Morris et al., 2007). These dimensions were assessed by 20 items scale that was developed by Morris et al. (2007). Cronbach’s Alpha score of coopetition scale is 0.73. Eight items refer to mutual benefit, six items to trust, and six items to commitment. Respondents indicated their agreement with these items on a 5-point Likert scale from 1, “strongly disagree” to 5, “strongly agree”.

3.4. Analyses and results

53.8% of firms included in sample didn’t collaborate with their competitors before. On the other hand, 46.2% of firms choose their competitors as partner and preferred coopetition strategy. Most of the firms want to cooperate with competitors (69.2%). But they stated that, they prefer other competitors in collaboration to main competitors (52%).

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>s.d.</th>
<th>Min.</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mutual Benefits</td>
<td>3.48</td>
<td>.484</td>
<td>1.75</td>
<td>4.50</td>
</tr>
<tr>
<td>Dimension</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Trust Dimension</td>
<td>4.34</td>
<td>.389</td>
<td>3.19</td>
<td>5.00</td>
</tr>
<tr>
<td>3. Commitment Dimension</td>
<td>4.18</td>
<td>.355</td>
<td>3.15</td>
<td>5.00</td>
</tr>
<tr>
<td>4. Coopetition</td>
<td>3.95</td>
<td>.277</td>
<td>3.30</td>
<td>4.55</td>
</tr>
</tbody>
</table>

Means, standard deviations, maximum and minimum values are presented in Table 1. According to our analysis coopetition score is 3.95. SMES that participated in survey have a positive attitude toward coopetition strategy. That is, their assessment for the collaboration with competitors is positive. Minimum score related with coopetition is 3.30. Coopetition is taught as a new kind of strategic relationship between firms involving the merging cooperation and competition. This means that top managers of 52 small and medium sized businesses operating in Kayseri (Turkey) don’t have negative opinion about collaboration with competitors. Furthermore, level of trust dimension (4.34) and commitment dimension (4.18) can be seen as high in these organizations. In this context, it can be said that, trust is the most important factor in relationship with competitors. In the literature, trust is seen very important factor in process of coopetition strategy too (Bengtsson et al., 2010). Secondly, commitment is considered important. According to 98% of firms in the sample, in such a relationship they establish with their competitors, their partners must be honest and reliable. Also they implied that, in such a relationship, internal information must not be used for any other purpose than for the partnership (98%). Similarly 99% of firms want their partner to be always faithful to the relationship. Examining the statements of commitment dimensions, firms emphasize the requirement of mutual commitment in relationship. Especially, commitment of partner is seen very important. 96% of firms stated that, for success of a
relationship established with competitors, their partner must be commitment as much as they are. Also, firms want their competitors to strengthen the competitive position of the partners in the relationship (86%). Mutual benefits dimension has the least mean score comparing with other dimensions of coopetition (3.48). Minimum mean score of mutual benefits dimension is 1.75 while maximum mean score is 4.50. Firms, which involved in survey, are undecided in some statements of mutual benefit dimension. 25% of firms are undecided about sharing information and resources with their competitors that become their partner. 50% of SMEs expressed that, they don’t get into a relationship with a competitors only if both companies are of similar size. That is, half of the respondents don’t want to collaborate with competitors that are similar size with them.

4. Conclusion

Most of the businesses don’t have all capabilities and resources that are needed to produce a new product or service. Also, they don’t have power that is required to struggle against powerful rivals competing in global markets. Therefore alternative strategies that are based on collaboration become very important and, coopetition has been begun to study unlike other cooperation. Coopetition is a strategy that balances both competition and cooperation (Jorde ve Teece, 1989). According to this strategy, businesses can work together to realize their common goals. In addition, they compete with each other depending on conflicting benefits. Coopetition has three key dimensions: mutual benefit, trust, and commitment. Coopetition is a joint effort between competitors for mutual gains. Trust is a critical factor for collaboration with competitors. Commitment is defined as the desire to go on a valued relationship. All dimensions of coopetition should be interact with each other.

Coopetition strategies enable the firms to reach for both competitive and collaborative advantages (Yami et al., 2010). Engaging in both cooperation and competition reduces costs, uncertainty, and risks dealing with developing new product and, enables a firm to access synergy-effects with a competitor. As new strategic option, coopetition is preferred by small and medium sized businesses, enables many benefits to these businesses. Coopetition creates benefits for small and medium sized businesses in certain areas such as; entry bigger market, benefit from technological development and scale economies, make innovation and, attract qualified employee to business. Relationships with competitors can allow SMEs to develop or use technologies it otherwise could not develop on its own. But, the high expense and risk associated with innovation can be especially problematic for smaller firms operating with limited resources.

In this context, we examined the attitudes of small and medium sized businesses related to coopetition. Firstly, we reviewed the literature regarding coopetition strategy. Second, we searched the attitudes of small and medium sized businesses related to coopetition using data which, are obtained from 52 small and medium sized businesses operating in Kayseri (Turkey).

The results of our analysis show that 53.8% firms included in sample have not collaborated with their competitors before. On the other hand, most of the firms want to collaborate with competitors (69.2%). But they stated that, they will prefer to collaborate with the other competitors except the main one. At the same time, coopetition score is 3.95. SMEs that participated in survey have a positive attitude toward coopetition strategy. Coopetition is taught as a new kind of strategic relationship between firms involving the merging cooperation and competition. This means that top managers of 52 small and medium sized businesses operating in Kayseri (Turkey) do not have negative opinion about collaboration with competitors. Furthermore, level of trust dimension and commitment dimension can be seen as high in these organizations. Otherwise, mutual benefits dimension has the least mean score comparing other dimensions of coopetition. In this context, it can be said that, trust is the most important factor in relationship with competitors. So, it must continuously be re-established in the co-opetition process. If the status and size of partners are reasonably equivalent, trust may be achieved between each party. Also, having complementary resources may be easier to create a trust environment. Secondly, commitment dimension is considered important. Although the managers in the sample did not have a negative attitude regarding this issue, they were not familiar with coopetition practices. There exists a lack of knowledge about the coopetition. Moreover, the fact that there are no local success stories of this strategy constitutes
a major problem. The success stories are a significant factor to improve the trust in this strategy. Also, clear norms, open communication, balanced power and balanced benefits for all parties can make a contribution to improve trust and coopetition may be easier to implement.

Results of this research are restricted with the sample. More different findings could be obtained from broader samples. Several factors may be outcomes of coopetition strategy as organizational performance. In the future surveys, these factors may be examined in research model.

References