Paper LI01

Co-opetition: The new leadership buzzword in driving Innovation

Bhavesh S Patkar, Syneos Health, Hyderabad, India

ABSTRACT

When the author talks to industry leaders today, he has observed that all companies today are looking to innovate and optimize, but are they doing it efficiently by always competing to be the best? Although competition is a traditional force for improvement and innovation, a new modern phenomenon of “Co-opetition” is emerging as a way to use the collective wisdom by “working together” to find more sustainable long-term solutions effectively building a sense of one community with shared challenges, purpose and development to drive open innovation.

As leaders we tend to think in either/or terms, as in either compete or cooperate, rather than compete and cooperate. Doing both at once requires creative leadership, mental flexibility, and many other skills. In this abstract we look at the framework of building a successful co-opetition strategy, its advantages and how leaders today need to evolve to move from a zero-sum game to a plus-sum game.

The purpose of this presentation is to understand the importance of co-opetition in todays business and how leaders and organizations today need to embrace this to look at long term sustainable solutions across the industry.

INTRODUCTION

The phenomenon of simultaneous competition and cooperation among firms with value creation intent, commonly referred to as co-opetition, is an important topic in strategic management (Gnyawali, He, & Madhavan, 2006; Ketchen, Snow, & Hoover, 2004; Mathias, Huyghe, Frid, & Galloway, in press; Rai, 2016). Literature suggests that co-opetition enables firms to pursue advanced technological development (Gnyawali & Park, 2011) and disruptive innovations (Ansari, Garud, & Kumaraswamy, 2016) but is also inherently challenging as a result of conflicting logics (Chen, 2008) and contradictions (Gnyawali, Madhavan, He & Bengtsson, 2016) arising from the simultaneous pursuit of competition and cooperation.

Co-opetition, the simultaneous pursuit of cooperation and competition, is a growing force in the innovation landscape. For some organizations, the primary mode of innovation continues to be deeply secretive and highly competitive, but for others, a new style of shared challenges, shared purpose, and shared development has become a superior, more efficient way of working to accelerate innovation capabilities and capacity. Over the last 2 decades, the literature base devoted to co-opetition has gradually expanded. However, the field is still in its infancy. Most of the co-opetition research is qualitative, primarily consisting of case studies.

Few studies have addressed the nonprofit sector or service industries such as health care and specifically clinical research. The author believe that this article may offer a unique perspective on co-opetition in the context of the biometrics space and leveraging the larger pool of assets that the industry has today.

BACKGROUND

Traditionally, every business owner was looking to beat his competitor, and a cut-throat competition was preferred. However, today people transformed into a more ingenious concept of “working together” for the sake of both parties’ benefits. Growing possibilities offered by internet and technology also add essential advantages to this concept. Connecting with your stakeholder, your customer, and even your competitor is not difficult any more with these advancements.

Co-opetition was coined by Barry J. Nalebuff and Adam M. Brandenburger in 1996 on their book "Co-opetence", that explains with detail a new model of innovative thinking in relation to the game theory in mathematics. The goal of co-opetition is that for there to be a winner there does not have to be a loser. Thus, both parts must win in order to benefit from the strategy they have drawn up.

CO-OPETITION

Co-opetition can be defined as the act of cooperation between competing companies; businesses that engage in both competition and cooperation are said to be in co-opetition. Certain businesses gain an advantage by using a judicious mixture of cooperation with suppliers, customers, and firms producing complementary or related products.

In other words, the competition arises to create synergies, leave aside the differences between companies, and get down to work to collaborate with a well-defined objective, such as research, innovation or development of new products or sales. Therefore, it is a good working strategy to stop looking at competitors as natural enemies and start seeing them as a strategic partner. Thus, companies stay in touch with their competitors, interact with them, share their ideas, and work with each other to perform better things and make the most out of their success.

Two classic examples of Co-opetition that come to mind of such a relationship are that of Apple-Samsung and Pfizer-BioNTech relationships.

In the case of Apple, the giant components division of Samsung makes $110 from for each top-of-the-line, $1,000 iPhone X that Apple sells. The fact reflects a love-hate dynamic between the phone makers that is one of the more unusual relationships in business. While each company vies to get consumers to buy its gadgets, Samsung’s parts operation stands to make billions of dollars supplying screens and memory chips for the new iPhone—parts that Apple relies on for its most important product. “These are two of the largest companies on the planet deeply tied at the hip and directly competitive,” said David Yoffie, a professor at Harvard Business School, who has studied Apple and serves on Intel Corp.’s board. “That makes this stand out compared with almost any relationship you can think of.”

The Pfizer-BioNTech vaccine received regulatory approval for emergency use from the Medicines and Healthcare products Regulatory Agency (MHRA) on 3 December. Both companies had the same mindset: work quickly, take on a higher degree of risk, and focus on what would make the greatest difference for people around the world. The result was the creation of a highly effective vaccine in record time. This came only months after a team of researchers led by Professor Zhang Yongzhen in Wuhan in early January made the genome sequence of Covid-19 publicly available. Sharing the genome sequence in open platforms initiated a concerted effort within the scientific community worldwide to share research results and data on infection rates and progressed our understanding of the virus and its impact on human health. The two partners are building on an existing collaboration, established back in 2018, when Pfizer started working with BioNTech, to explore mRNA technology for developing vaccines for cancer based on personalized medicine principles.

ADVANTAGES OF CO-OPETITION

Now, an acute question crops up into your mind: what is the rationale behind this co-opetition strategy? Co-opetition strategy depends upon the goal of moving from a zero-sum game to a plus-sum game. The zero-sum game occurs when a winner eats the entire business cake, leaving not a single pie for the loser. In contrast, plus-sum game impels both the parties to share the profit by working together. At least, no one is left empty-handed in the end!

Following are the major motives for the companies to adopt co-opetition strategy:

1. Expand the current market's size or develop a whole new market:

   One of the most obvious reasons for co-opetition is to increase the market size and products and services. Firms can improve their current products through their collaboration with an eminent company who is offering more or less similar products. They can also introduce new products with the help of each other's ideas and efforts. In this way, their costs and risks will also be minimized, and they can gain a more dominant position in the market over other competitors. For instance, Toyota and Ford, two biggest competitors, teamed up and design Atlas Ford F-150 Hybrid concept in 2013 which turned to be the best-selling hybrids in the automobile industry.

2. To utilize a few resources more efficiently:

   Firms are also worried about the scarcity of their resources. Thus, every firm desire to utilize its current resources most efficiently and maintain their existing market share. Co-opetition strategy enables business firms to integrate their resources and produce goods according to their standards with fewer risks and better efficiency. For example, two rivals Sony Cooperation and Samsung Electronics partnered together to develop new flat-screen LCD TV panels.

3. Acquire a larger share in the market and enhance the competitive position:

   Protecting the current market share and widening it further is every company's motto. If two companies join through co-opetition, they can gain more significant market share and even beat the other main competitors in the market. For example, Google Chrome and Mozilla are working together to beat their principal rivals Microsoft and Apple. Google is supporting and funding Mozilla for its Firefox web browser to constrain the influence of Google Chrome's biggest rivals Microsoft's Internet Explorer and Apple's Safari. On the other hand, Microsoft and Apple are working together for the license of mobile operating system features and patents.

4. Receiving help:

   Active contributors with an improved social position within the community are more likely to benefit from the help from other members in the community. Given the complex nature of software development, help from other members in the ecosystem can be very valuable.

5. A sense of friendly competitiveness:

   Besides being competitors, the ecosystem participants develop a sense of community. Developers employed by competing firms can perceive others as partners and/or friends rather than competitors. In their work, developers often think of others as developers, partners, or colleagues (individual persons) over the firms that they are representing.

6. Mutual co-creation of value:

   Even if many of competing firms are competitors, they are often also customers/suppliers of each other. Furthermore, they might be competing in different geographical areas or different business domains creating an environment for reciprocal learning and value co-creation.

MINDSET FOR CO-OPETITION

Cooperation with rivals also has an important emotional aspect. Some people are comfortable with the idea that there can be multiple winners, and some are not. As a result, co-opetition may end up being a strategy of last resort even in cases where it should be a first resort. Ultimately, getting the right mindset requires choosing the right people.

That isn't always easy, because people tend to think in either/or terms, as in either compete or cooperate, rather than compete and cooperate. Doing both at once requires mental flexibility; it doesn't come naturally. But if you develop that flexibility and give the risks and rewards careful consideration, you may well gain an edge over those stuck thinking only about competition.
Poor management can destroy a partnership before it even begins. If a manager can't see the benefits of collaboration and is unwilling to partner with a rival firm, this can lead to missed opportunities.

If managers believe that others must fail for them to succeed, it's hard to engage in any type of co-operation. The dynamics of a partnership can also cause friction. Companies are used to having autonomy over their decisions and dictate their own strategies; this makes it difficult to establish one party as the leader. There's also the fear of sharing valuable information with a competitor, and even those partnerships that achieve success can experience tension when deciding how to split their rewards. Overcoming these issues can be difficult and often depends on who's in charge. Leaders must assign managers to the teams who are not stuck in the zero-sum mindset.

THREE PILLARS OF CO-OPETITION

Sharing, Teaching, and Cultivating can be considered as the three key pillars for driving the concepts of Co-opetition within and across organizations.

Pillar 1: Cocreation and sharing innovations

The essence of innovation is to share solutions to accelerate activity in one's own organization and across the industry. Knowledge sharing is one of the critical success factors characterizing successful co-optative relationships. With increasing knowledge exchange, there is greater opportunity for organizational learning and added value across the network, particularly in shared activities such as innovation. With scarce resources, the innovation functions/departments cannot afford to waste dollars on addressing challenges with solutions that have already been explored, adopted, or rejected by other organizations. Some challenges benefit from simultaneous exploration by collaborators, whereas others are ripe for a serial approach or even direct import of a solution.

Shared Learning also helps to optimize the steps an organization needs to take to drive Innovation and doesn't need to make the mistakes another organization in the same industry has done.

Pillar 2: Teaching innovation to build competency

With multisystem connections, the pool of talent increases, so there is an increased chance of discovering a skill an organization needs to breakthrough and accelerate innovation. Whereas Pillar 1 is focused on sharing innovations, the pillar 2 focus is on skill building.

Via a structured network, organizations can get connected to explore their similar skill-building needs aligned to the future. They can then decide to jointly build and administer a new program and reached out to a third partner, to bolster the training and approach. The result could be creating a central hub where this content can be available in an open-source environment where other organizations can participate, contribute, and actively apply the learnings with coaching from mentors.

Pillar 3: Cultivating friendships and trust

One of the most important pillars of co-opetition is the cultivation of innovation friendships. This learning is validated by multiple co-opetition researchers who have repeatedly described the critical importance of trust in creating and sustaining successful co-opetitive relationships. Trust is the bedrock for collaboration. Not only does trust enhance the probability of cooperative behavior but it also reduces the potential for misunderstanding and conflict. This can be built by having industry level connects at seminars, events and also explore opportunities to drive strategic socialization events.

With a foundation built on friendship, the learning networks often struggle with commitment, motivation, value, and follow-up. This peer-to-peer connection is a superior alternative to the traditional hub-and-spoke model of many networks because these decay when the hub is removed. When a connection deteriorates, the network of friends patches it up and keep going. It is this pillar that makes it easy to ask for help and compel others to give it.

IMPACT OF CO-OPETITION ON INNOVATION LIFECYCLE

The entire process of Innovation can be broken down into 5 broad stages as seen below.

1> Generate/recognize great ideas
2> Form a vision
3> Set up a conducive environment
4> Get the right minds together
5> Measure and Celebrate

More recently open-co-opetition is used to describe open-innovation among competitors which can be seen in the case of open-source coding/ industry forums and various other platforms to help the industry go forward efficiently while sharing best practices.

The beauty of open source is that it's a huge ecosystem of innovators who are no longer competing for scarce resources but rather sharing knowledge with others to create new resources and opportunities for others to benefit from these resources. The programs that have been developed in the open-source software community are enablers for researchers to analyze the data more effectively in their endeavors regardless of their application. The methodologies of the open-source communities (R Consortium/ Phuse/ TransCelerate and many more) of sharing, forking, debating and involving the stakeholders of the software could be and should be incorporated into other fields of endeavor.

The following table shows how co-opetition can be leveraged through the entire lifecycle of Innovation and the advantages of doing so.

Stage of Innovation	Advantages of Co-opetition
Generate/recognize great ideas	Larger pool of resources More Ideas Replication and Re-usability of Idea
Form a vision	Stronger Shared Perspective Higher collaboration Shared Challenges
Set up a conducive environment	Safe Environment to experiment Shared development Building a broader support system
Get the right minds together	Sharing of resources Forming sub-committees to solve a problem Faster Go/ No-Go Decision
Measure and celebrate	Recognize and award Co-Opt Partners Awards for Co-opetition Increase the size of the pie

As companies work in a global networked manner with outsourcing across multiple vendors becoming a common norm, it is important to expand the co-opetition culture to include the outsourcing vendors as well to get the most out of their larger network and global presence. This can also be done in the following ways-

1> Giving a problem statement to vendors to co-opt and come up with best solution
2> Asking vendors to start thinking like “partners” to solve business problems
3> Asking vendors to share their co-opetition experience with other clients
4> Driving ‘Ideation Weeks’ asking for joint ideas
5> Recognizing and awarding “Co-opetition Partners” who work together to deliver efficiency

CONCLUSION

Although competition is a traditional force for improvement and innovation, co-opetition is emerging as the way to tackle complexity, social good, and collective wisdom. Networks of organizations, that have chosen to accelerate innovation through more direct, open approaches are finding that innovation is accelerated. In addition, a host of other positive effects, including cross-pollination, expanded access to knowledge, speedy problem solving, sense of place and community, and participation in a movement, have emerged from these approaches.

Organizations are, at the very least, *indirectly* networked. They read about each other, share embedded friends and colleagues, and “bump” into each other at conferences. However, those that *directly* network with one another are advantaged by a superhighway of knowledge exchange that is continual and just in time. The result of co-opetition is speeding the benefits of innovation to the people who need it most—the patients.

It is important to educate today’s leaders that we all can “Share the joy and pain of innovation,” while also accelerating innovation by sharing solutions, teaching techniques, and cultivating friendships.

REFERENCES (HEADER 1)

Peteraf, M. A. 1993. The cornerstones of competitive advantage: A resource-based view. Strategic Management Journal, 14: 179-191.

Ritala, P. 2012. Co-opetition strategy—when is it successful? Empirical evidence on innovation and market performance. British Journal of Management, 23: 307-324.

Telser, L. G. 1980. A theory of self-enforcing agreements. Journal of Business, 53: 27-44.

Tong, T. W., & Reuer, J. J. 2010. Competitive consequences of interfirm collaboration: How joint ventures shape industry profitability. Journal of International Business Studies, 41: 1056-1073.

Wang, L., Yeung, J. H. Y., & Zhang, M. 2011. The impact of trust and contract on innovation performance: Themoderating role of environmental uncertainty. International Journal of Production Economics, 134: 114-122.

Luo, Y., Gnyawali, D. R., & Bu, J. 2016. Co-opetition, capabilities, and environments: How do they work together in shaping firm performance? Paper presented at the annual meeting of the Academy of Management, Anaheim,CA.

Lavie, D. 2006. The competitive advantage of interconnected firms: An extension of the resource-based view. Academy of Management Review, 31: 638-658.

Gulati, R., Lavie, D., & Madhavan, R. 2011. How do networks matter? The performance effects of interorganizational networks. Research in Organizational Behavior, 31: 207-224.

October 3, 2017, print edition of Wall Street journal
Barry J. Nalebuff and Adam M. Brandenburger 1996. Co-opetence

CONTACT INFORMATION

Your comments and questions are valued and encouraged. Contact the author at:

Author Name : Bhavesh S Patkar
Company : Syneos Health
Email : Bhavesh.patkar@gmail.com

Disclaimer-

The opinions expressed in this paper are solely those of the author and not necessarily those of Syneos Health.
Syneos Health does not guarantee the accuracy or reliability of the information provided herein.