

Competitive Cooperation – Market Development Instrument

~ **Gheorge-Florentin Miulescu** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: N/A

~ Ph. D. Professor **Paul Marinescu** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: paulmarinescu1@gmail.com

~ Ph. D. Professor **Sorin-George Toma** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: tomagsorin62@yahoo.com

Abstract: *The essential information relating to the work that the authorities regulating competition carries out in an economic sector, particularly when talking about the protection of economic actors against anti-competitive behaviours and making sure that they, as well as the consumers can benefit from a fully open internal market facilitate the collaboration of national competition authorities that become vectors of market development policies. In the context of a market-oriented policy, it is very important to strengthen the position of manufacturers in the product supply chain. We must highlight how legislation in the analysed field and in competition law is compatible with a view to achieving fairer and more efficient results for both producers and consumers. The superior satisfaction of consumers' interests aims to develop a market for products or services that offer facilities to both manufacturers and consumers. The approach in terms of competitive cooperation specific to the theory of games, emphasizes the benefits of companies that are actively involved in influencing the market, in creating an environment where the end result contributes to increasing profitability of the economic operators and in achieving certain benefits for consumers. The paper briefly presents several theoretical aspects specific to the concept of competitive cooperation accompanied by relevant examples.*

Keywords: *cooperation, competition, business development, added value.*

1. Introducing the concept of competitive cooperation

Competitive cooperation represents the act of collaboration between competing companies; here, we are referring to the enterprises that undertake both in the competition and cooperation area. Certain businesses gain an advantage by using a strategic mix of cooperation with suppliers, customers and companies that produce complementary or related products. Cooperation represents a type of strategic alliance, which is usually used by software and hardware firms.

In business, the concept of competitive cooperation also takes into account the results obtained from the application of game theory. Cooperative games are statistical models that consider the ways in which synergy can be created through targeted partnerships with competitors, on a particular topic of interest to consumers/future customers (Kaseouglu et al., 2019). Such tactic is considered to be a good business practice between two companies, as it can lead to the expansion of the market and the formation of new business relationships. From this perspective, agreements are needed on the use of standards and partnerships on product development within an industry or between two competitors to facilitate their cooperation (Crick, 2019).

Statistical modelling carried out in processes leading to competitive cooperation analyses the benefits of cooperation and the allocation of market share between competitors to maximise the market share of companies.

Defining a model of competitive cooperation, in the form of diamond graphics, in which customers, suppliers, competitors and complementary products were positioned

One of the models of competitive cooperation was designed using a diamond form in which customers, suppliers, competitors and complementary products were subsumed. This model is considering building a strong space through the development of cooperation links (Brandenburger and Nalebuff, 1977). The purpose of the competitive cooperation itself is to orient the market, which is in a null-sum game, towards an environment where the end result increases the profitability of economic operators and brings benefits to all participants by facilitating its extension.

The support point of the model is maintained by the understanding of input variables influencing its players when they are in competition, but also when they are cooperating. Understanding this model leads to knowing the forces that will influence competition between players, but also the forces that will influence its cooperation.

Two professors from Harvard and Yale, Adam M. Brandenburger and Barry J. Nalebuff launched the idea of competitive cooperation. Loss and gain are two extremes that must be analysed permanently within an enterprise. The abovementioned authors argue that in most companies the transactions lead to results located between the two extremes. They defined the concept whereby it is not necessary at all costs that what constitutes the competition of an enterprise to fail in order for it to win. They also considered the fact that, in a competitive plane, the failure of an enterprise could lead to the weakening of competition. The two game theory specialists have repeatedly stated that in most cases the ideal situation requires the existence of competition, but also the necessary cooperation to expand the market.

Therefore, within a business strategy based on competitive cooperation, rules, players and partnerships can be changed to the advantage of an enterprise by building a relationship on a competitive level (Barnet, 1986).

Competitive cooperation is the most common in the field of technology. Cooperation between competitors allows for synergies between the hardware and software domains, as mentioned above. Many companies, especially in the fields of advanced technologies, are on a competitive market in which elements of the theory of games are working, obtaining outstanding competitive advantages. Two competitors can have complementary strengths, and a cooperation agreement can contribute to profit growth and distribution of advantages (Toma and Marinescu, 2013). Cooperation between two technology companies can enhance the chance of increasing the number of users of each company's products by promoting on multiple channels.

Often, in the start-up area of the technical industry, two or more competitors are struggling with a larger competitor. In view of this aspect, technology companies can interact by establishing cooperation against a much larger competitor (Toma et al., 2018). Competitive cooperation within the technological industry is widespread, so it is common for two competitors to be purchased or merged, thus building up a stronger entity (Dagnino, 2009).

It is important to point out that there are also competition regulators so that a keep a balance at market level is kept. In Romania, the Competition Council (autonomous administrative body) manages and implements the Competition Law (no. 21/1996), which

aims at protecting, maintaining and stimulating competition and a normal competitive environment in order to promote the consumers' interests. Cooperative competition is in full agreement with these legal regulations, its purpose being the superior satisfaction of consumers' interests by developing the mix that characterizes the products or services market.

2. The way in which the cooperative competition develops the market

In an era of globalisation, which has led to the emergence of new markets and business models, companies are looking for new opportunities that can gain them competitive advantages. Traditionally, most contributions to the development of strategic management have dealt with the concept of competition in opposition to the concept of cooperation when it comes to identifying resources to achieve competitive advantages (Caves and Porter, 1977).

Over time, there has been an increased concern about this issue (Marinescu and Toma, 2008). There are even studies that consider both aspects, but tend to distinguish between concepts (competition and cooperation), considering them to be opposite or different in terms of their content.

Thus, there are specialists describing competition form to encourage the search for new income through combinations of resources, skills and processes while cooperation allows access to rare and complementary resources (Corte, 2016). Thus, within the tourist industry, starting from the assumption that a destination has some distinctive features, it is necessary to understand the relationships that may arise between companies

carrying out the same activity as collaborators or as competitors (e.g. accommodation).

Cooperative competition represents a great potential for creating and attracting value, representing a special potential in the compatibility of the relationship between competition and collaboration – the duality of competition and collaboration (Galkina, 2017). Cooperating enterprises can share resources and use complementary resources to create value (at each partner level) and compete more efficiently with economic operators in the field. The example of good practice can encourage other companies to work more through joint partnerships and strategies (Cygler, 2018).

The creation of value through competitive cooperation refers to the total value created by all partners, conceived as a super-imposed value and/or to the creation of individual value at company level consolidated by cooperation (Bouncken, 2019).

The long-term planning with impact on partner companies is considering resource sharing or distribution of values. Some companies have specific conditions

that determine how they can optimize added value from a favourable context. These conditions may not only be achieved through the outstanding relationships between companies, but through specific development configurations, configurations that can be developed through cooperation.

Experiences influence the levels of aspiration or expectations in terms of the ability to create value within a cooperation (Marshall, 2019). The companies benefiting from experiences from previous partnerships will channel their attention to the development of the next competitive partnership where the objectives of the common performance of the market and the capture of corporate-level values are as clear as possible.

In this respect, four approaches envisaged in the analysis of market evolution are presented in the following figure: competition, cooperation, value creation, value capture. These four approaches underpin the development of the market highlighting the characteristics of each highlighted perspective.

Figure 1 Four types of interaction within cooperative competition

	Value creation	Value capture
Competition	Product proliferation Attracting suppliers away from competitors Patenting any innovative product	Fight for customers Fight for lower prices from suppliers Fight for market share
Cooperation	Strategic alliances Building a favourable environment for the development of a common product/service	Collision on pricing policy Partnerships between competitors to get better deals from suppliers

Source: Adaptation after R. Casadesus-Masanell, A Note on strategic interaction, Harvard Business School, 2013

Value added refers to the value that a company creates and introduces in the market. The actual added value is “The value that would disappear if the company ceased to exist”. Should a company disappear, then suppliers, customers and complementary partners would be at a standstill at the moment and would try to replace it. If they cannot completely replace the value brought into the market by the missing company, then what is left is the added value that can be attributed to the missing company (Guo et al., 2019). Therefore, cooperation at competitive level avoids the situation stated above and over time a market development is established to satisfy customers and the company’s targets through strategic partnerships (Casadesus-Masanell, 2013).

3. Cooperative competition models – examples from the market

Most people are familiar with the iOS platform created by Apple. This platform connects multiple products (iPhone, iPad, and iPod), as well as third-party apps. Apple’s applications consumer popularity has strengthened the demand for Apple products, which, in turn, attracted several app developers in the Apple ecosystem. The interdependencies are particularly strong and obvious when a company creates a successful platform because it encourages a whole ecosystem of players. A situation of cooperative competition is created in one way or another by this value-added flow (Evand and Gand, 2019).

Samsung, a direct competitor of Apple, but also other companies, purchased in 2014 SmartThings, while Google acquired Nest. Both SmartThings and Nest create products

for smart homes. Samsung is, also, the Google partner through a patent licensing agreement and partnership on Android software for Galaxy mobile phones.

Therefore, the most accurate description of the working relationship between Samsung and Google is that the two organisations enjoy a dynamic, competitive and cooperative relationship in which they compete for smart-home customers, while there are good partnerships established and an open cooperation regarding patents. Therefore, we can state that the connection between Samsung and Google constitutes a simultaneous competitive and cooperative relationship.

Another competitive case is the situation between Tesla and BMW companies. While Tesla introduced the first luxury electric car at a high price, BMW introduced the I3 car to enter the electric car market offering quality at a lower and more reasonable price. Tesla considered the consequences of its own options to respond to the market entry of BMW by assessing the exact points (price and quality) to which its business model competes with the model of the car offered by the competitor. The current Tesla strategy is linked to the focused differentiation on its own interest, but also on finding some forms of collaboration, more accurately, selling luxury electric cars at high prices, without entering the competitor’s niche. This strategy is supported by Tesla’s performance in the field of engineering. An important objective for Tesla is to develop a cheaper or more accessible electric car that widens its markets, but for such goal to be achieved, a huge investment is needed, while other competitors need to not capture this part of the market in a dominant way. In this case there

is cooperative competition whereby the two competitors focus their resources on perfecting the finished product, and do not necessarily desire to enter the competitor's niche. With this approach, customers become loyal to a specific product and appreciate the Tesla and BMW brand through the uniqueness they offer, avoiding direct comparisons and confusion at consumer level.

Another enlightening example is the partnership between the Ford company and the Volkswagen group that officially catalyst their resources by making a partnership on the construction of commercial trucks and vans. Companies will build these types of vehicles together and explore potential collaborations on the construction of motor vehicles and electric vehicles. None of the companies receives a percentage of the other company's shares, as is the case in the Renault-Nissan-Mitsubishi Alliance, the Ford-Volkswagen partnership being a purely competitive cooperative partnership. The Ford and Volkswagen partnership will be supervised by a joint committee, with an equal number of persons representing each automobile manufacturer. The average-sized truck is expected to be built for both companies starting with the year 2022. This partnership appears in a time full of dramatic changes within the automotive industry. Almost every car builder turns their attention to electric vehicles and explores autonomous technology. Many of the competitors are increasingly addressing the idea of new mobility services, such as common fleets of cars, bicycles and scooters.

Both companies have researched the necessary technology for electric and autonomous vehicles, but there have been different approaches. Ford invested \$1 billion in Argo, a company that initiated artificial intelligence

in the process of handling a motor vehicle and is developing its own software package for cars. Volkswagen has a number of different partnerships with self-conductive companies, while Audi develops a number of internal technologies. The German producer did not do so many tests in the real world as the Ford company. Ford and Volkswagen may already have plans to work together on electric cars and all kinds of cars.

The Ford-Volkswagen case represents a case of current cooperative competition, situation suggesting the development of future partnerships and other forms of sustainable development in the interest of both parties involved. While Ford benefited in 2018 of a lower profit rate, Volkswagen found that it was behind in the technological race for electric and autonomous cars. Starting from these findings, Ford and Volkswagen join forces to continue to represent two independent and powerful companies both strategically, and competitively.

4. Conclusions

Within the successful competitive cooperation, there is a concern for the creation of a prosperous business environment through value added and market development. The attitude of being independent should not be obstructed by partnerships but, on the contrary, it can be sustained through ethical and long-term collaborations. Development through research, technological progress and access to resources must be constant, and, by cooperative competition, the activity of such companies may be intensified. Cooperation between two companies can improve the chance of increasing market share for both companies by promoting the collaboration on multiple channels.

Solutions developed through cooperative competition can exist in industry, agriculture, transport, tourism, education, etc.; the facilities that this type of collaboration creates can help lower costs by transferring know-how and improving processes within collaborative companies. Corporate skills and resources can be distributed through competitive partnerships with the aim of obtaining complement resources necessary for organizational activity. In addition to the objective of added value in the market, companies opt for cooperation at competitive level in order to satisfy consumers' interests by developing the mix that characterizes the products or services market. The automatization of production processes, the increasing of the quality of products and services through cooperative competition will result in a solid market growth being protected by

consumers' interests together with the interests for development from the organisational environment.

Cooperative competition represents a promising approach in this respect. Cooperation between competitors allows the transfer of knowledge and resources, but also encourages the competition between partner companies. Many companies that are functioning on similar markets find the advantages of competitive collaboration and conclude partnerships that can represent opportunities in the organizational environment from the perspective of the common objectives that such companies may have. Two competitors can be complementary, and a co-operation agreement can be realised to increase profits, to ensure common gains, but also to ensure definite advantages for customers.

REFERENCES:

1. **Barney, J.**, *Strategic factor markets: expectations, luck, and business strategy*, Management Science, Vol. 32, Issue 10, 1986.
2. **Bouncken, R.B., Fredrich, V., Kraus, S.**, *Configurations of firm-level value capture in co-competition*, Long range planning, 2019.
3. **Brandenburger, A.M, Nalebuff, B.J.**, *Co-opetition*, Currency Doubleday, 1977.
4. **Casadesus-Masanell, R.**, *A note on strategic interaction*, Harvard Business School, 2013.
5. **Caves, R., Porter, M.**, *From entry barriers to mobility barriers: conjectural decisions and contrived deterrence to new competition*, The Quarterly Journal of Economics, Vol. 91, Issue 2, 1977.
6. **Corte, V.D., Aria, M.**, *Coopetition and sustainable competitive advantage. The case of tourist Destinations*, Tourism Management, 2016.
7. **Crick, J.M.**, *Moderators affecting the relationship between co-competition and company performance*, Journal of Business & Industrial Marketing, Vol. 34, Issue 2, 2019.
8. **Cygler, J., Sroka, W., Solesvik, M., Debdowska, K.**, *Benefits and Drawbacks of Coopetition: The Roles of Scope and Durability in Competitive Relationships*, Sustainability, 2018.
9. **Dagnino, G.B., Rocco, E.**, *Coopetition Strategy: Theory Experiments and Cases*, Routledge, 2009.
10. **Evand, A.E., Gand, D.G.**, *Cooperation and decision time. Current opinion in psychology*, Vol. 26, 2019.

11. **Galkina, T., Lungren-Henrikson, E.V.**, *Coopetition as an entrepreneurial process: Interplay of causation and effectuation*, Industrial Marketing Management, 2017.
12. **Guo, T., Guo, M., Zhang, Y., Liang, S.**, *The effect of aspiration on the evolution of cooperation in spatial multigame*, Physica A: Statistical Mechanics and its Applications, Vol.525, 2019.
13. **Kaseouglu, M.A., Yildiz, M., Okumus, F., Barca, M.**, *The intellectual structure of coopetition: past, present and future*, Journal of Strategy and Management, Vol. 12, Issue 1, 2019.
14. **Marinescu, P., Toma, S.-G.**, *Implementing Lean Management in the Romanian Industry*, in: T. Koch (ed.)- *Lean Business Systems and Beyond*, Springer, New York, 2008, pp. 269-276.
15. **Marshall, G., Parra, A.**, *Innovation and Competition: The Role of the Product Market*, International Journal of Industrial Organization, Vol.64, 2019.
16. **Toma, S.-G., Marinescu, P.**, *Global strategy: the case of Nissan Motor Company*, Procedia Economic and Finance- Science Direct, vol. 6, 2013, pp. 418-423.
17. **Toma, S.-G., Marinescu, P., Constantin, I.**, *Entrepreneurship and Economic Growth*, in: L. Chivu, C. Ciutacu, V. Ioan-Franc, J.-V. Andrei (eds.)- *Issues and Innovative Trends in Sustainable Growth- Strategy Challenges for Economic and Social Policies*, Proceedings ESPERA 2016, Part 2, Peter Lang AG, Frankfurt am Main, 2018, pp. 155-165.