

# To Compete or Cooperate – A Strategic Dilemma

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## Abstract

*The literature concerning business networks as well as the literature on strategic alliances has given us new insights into how actors that are embedded in an atmosphere of competition instead chooses to cooperate. Bengtsson and Kock (1999, 2000) however claim that competitors that compete often also cooperate in some activities, thereby creating competition. These firms will have different roles in different activities and interactions. Competitive and cooperative activities can in some cases be in conflict with each other. The question if a firm should choose to either cooperate or compete, or if it should try to combine competition and cooperation, has therefore become a strategically important issue.*

## Introduction

Relationships based on cooperation differ from relationships based on competition. Cooperative relationships are built upon a mutual interest to support each other and interact without restraints. Relationships between cooperating firms are usually visible even to outsiders. Especially small and medium sized firms commonly lack resources (Holmlund & Kock 1998) and need consequently to cooperate with others, but at the same time they have to challenge their opponents, in order to

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survive. These relationships are built on a distribution of activities and resources among actors embedded in the same business network.

Competitive firms on the other hand are forced to interact with each other. Competing relationships are conflicting, as the benefits for the involved actors usually cannot be fulfilled simultaneously. Competitors often try to avoid direct interaction, whereas buyers and sellers try to maintain the interaction. Competitive relationships are more informal and invisible, in that informational and social exchanges are more common than regular economic exchange.

## **Aim**

A balance between a cooperative and a competitive interaction among the same firms, so that neither one of the two ways of conduct will harm the other is a strategic challenge or dilemma for many firms. The main purpose of this paper is to discuss different angles of incidence to this strategic dilemma. Different situations of combined cooperation and competition, where firms in some cases have been forced to make a choice between the two ways of interacting, and in other cases have managed to balance the seemingly contradicting ways of interaction will be analyzed to fulfill this purpose.

The analysis includes three different conditions that can be assumed to be of importance to the strategic dilemma described. *Firstly, the organizing of activities is of crucial importance.* The two different ways of interaction can be more or less integrated with each other depending on how the activities are planned. On firm level can the activities either be performed by the same division or by different divisions within the two firms. On the individual level may actors to a greater or less extent be involved in either cooperation or competition or to some extent both depending on how the activities are organized.

*Secondly, the relationships can be more or less dense and the interactions can be more or less intense.* Long-lasting cooperative relationships can over time lead to the creation of bonds that decrease the risk for opportunism and create a sense of security and stability in the relationship. Likewise may the competitive atmosphere consist of various characteristics. Some competitive relationships are characterized by collegiality and certain norms for the interaction are adhered.

Other relationships are characterized by hostility and the competitors frequently break implicit rules for competition. The risk for opportunism can be assumed to be greater in the later case.

*Thirdly*, and least studied, *are the social relationships between the business professionals*, which we assume will be of importance for doing successful business. The social relationships within business networks have very seldom been given a direct business function in research, although their importance have been recognized. As Uzzi (1997) has pointed out will these kind of strong ties provide new trustworthy information and have a great impact on problem solving. By creating mutual trust and understanding will the actors involved be better off jointly solving problems when these occur. This can also affect both positively and negatively their capability as individuals to solve the contradictions involved in simultaneous competition and cooperation on firm level.

The first part of this paper is presenting a relevant background on the issues in focus. Then we will continue to discuss the issue of why and how activities must become the base for strategic analyses. We will elaborate on why it is more meaningful to shift from horizontal or vertical relationships among actors to instead focus on the roles played and the activities carried out. Various benefits as well as drawbacks within cooperation between competitors will be discussed. The second part of the paper is devoted to some empirical cases collected in Finland and in Sweden. The paper ends with conclusions about how the conditions mentioned earlier affects the strategic dilemma introduced and suggestions for further research.

## **Background**

In today's business environment firms are embedded in relationships with other actors in order to gain access to resources needed (Kock 1991). Håkansson and Snehota (1990) argue in line with Richardsson (1972) that "no business is an island" indicating that companies are involved in long-term relationship and that the atomistic company does not exist. Gnyawali and Madhavan (2001) argue that "resource asymmetries occur because of differential flow of resources among network members as well as their differential ability to control such flows". Consequently the actor's interest and motivation will vary to undertake action and respond to the action of other actors. The strategic focus on core competence has led companies during the 1990's to take actions towards a higher degree of outsourcing. There is a smaller amount of secondary activities than before and the need for external resources have increased. These in combination with mature or even decreasing

markets have lead companies to more intensive interactions with other actors for developing and expanding their businesses. By tradition the relationships between buyers and sellers have been in focus when studying business networks and relationships between competing companies have received less research attention. However, Elg and Johansson (1996) argue that “a firm must coordinate its management of horizontally and vertically directed network relationships in order to obtain a favorable and stable overall network position”. It is therefore of interest to further analyze the nature of relationships between competitors in order to fully grasp the network perspective. Hunt (1996) points out that “in order for a theory of competition to provide a theoretical foundation for relationship marketing, the theory must admit at least the possibility that some kinds of cooperative relationships among actors may actually enhance competition, rather than thwart it”.

The impact of relationships between competitors has been dealt with within the research area of strategic alliances (e.g. Contractor and Lorange 1987, Ring and Van de Ven 1992, Bucklin and Sengupta 1993, Gomes-Casseres 1994, Kanter 1994). The other research area is in the context of business networks. These studies can be divided into two groups: (1) studies that have indirectly dealt with how a relationship between a buying and a selling actor can be influenced by a third part, usually another seller or buyer (e.g. Hammarkvist, Håkansson & Mattsson 1982, Gadde and Mattsson 1987, Holmlund and Kock 1998). This group of studies has mostly focused on relationships between buyers and sellers and even though relationships between competitors are to some extent included they have still been treated this a minor issue. (2) Studies that have directly dealt with relationships between competitors are Cunningham & Culligan (1988), Easton & Araujo (1992), Easton et al (1993), Bengtsson & Kock (1999, 2000), Ingram & Roberts (2000), Chetty & Wilson (2003), Hämäläinen & Tidström (2003).

Studies using the strategic alliance approach have their focus on formal agreements, since alliances are commonly based on a written contract stipulating the extent of the cooperation; how to divide the outcome, how the ownership is divided etc. (Yoshino & Rangan 1995) The business network approach on the other hand is more concerned with both informal and formal cooperation. Powell, Koput and Smith-Doerr (1996) stress that companies in different industries are involved in a wide range of cooperation activities from every step in the production process to R&D and distribution. These forms can be various types of interfirm alliances such as R&D partnerships, joint ventures, collaborative manufacturing, and complex co-marketing arrangements. The multifaceted formal and informal cooperation can be illustrated by the response from the CEO of Centocor to a list of

their formal agreements “the tip of the iceberg—it excludes dozens of handshake deals and informal collaborations, as well as probably hundreds of collaborations by our company’s scientists with colleagues elsewhere” (Powell, Koput and Smith-Doerr 1996). A business network is constantly in transition which means that roles and positions will vary over time. For analytical purposes it is therefore more recommendable to analyze the activities carried out and the roles played by the actors then to use the more common concept with horizontal or vertical relationships.

### ***Organizing of activities***

It is a reality of present business practice that actors in business networks compete and cooperate at the same time (Bengtsson & Kock 1999, 2000). The research focusing on informal cooperative relationships within business networks have identified the mixed roles that the companies, and individuals, have when getting involved in different types of relationships to different competitors. The concept of the role set put forward by Merton (1957) and the concept of role conflict presented by Shenkar and Zeira (1992) have shown to be useful when analyzing the mixed roles of today (Bengtsson and Kock 2003). The actors embedded in business networks will have mixed roles that are derived from the activities they perform and also their positions held. A firm in a business network can have at least five different roles: buyer, seller, competitor, collaborative partner, and complementary actor. The activities performed in the relationship between two actors can enable or force the actors to simultaneously take on these roles.

The definition of a competitor or a cooperative partner is difficult as the roles are not as clear-cut as they used to be. Moreover, the different forms of informal and formal cooperation makes it even more difficult to handle. The definition of who is actually your competitor can be based on the perceptions of the management and employees in a company (Porac et al. 1995). A second definition is the perspective of the society indicating that all companies in one industry are competitors (Porter 1980). A third definition takes the customers perspective and see all companies producing problem solution that satisfy the customers’ needs as competitors (Kotler 1991). A fourth definition are strategic groups, which differ from other groups of firms in the same industry owing to a strategically important dimension (Mc Gee & Thomas 1986). For strategic purposes it has been claimed that competition has moved from firm level to network level and that we now are talking about strategic networks (Jarillo 1988) competing against each other, which can be considered a fifth definition of a competitor. Morgan and Hunt (1994) state that “Ford no longer

just competes with Nissan and Volkswagen; rather, Ford *and all its partners* compete with Nissan *and all its partners*". It is, however, common that the same supplier is supplying products to more than one buyer in the automotive industry. The overlap will consequently reduce the competition between the strategic networks. Commonly competitors have been regarded as being at the same level, horizontal, but a competitor can also be a supplier or even a buyer if they compete against the same end customer.

The strategic dilemma that managers face is to what extent should they compete with competitors and to what extent cooperate with competitors. It has commonly been stated that the driving force behind creating effectiveness is competition. On the other hand, there is a demand for cooperation, as the actors must create long-term relationships based on a mutual interest and adaptations in order to know what the interacting partner is capable of doing (Kanter 1994). In business network both cooperation and competition is needed in relationships between competitors, but the two types of interactions create progress in slightly different ways (Bengtsson & Kock 2000). By competition firms are forced to undertake measures not always demanded by the end customers for gaining a stronger position relative to their competitors. Competition thereby gives rise to pressure to develop new products and markets (Bengtsson 1994, Porter 1990, Sölvell & Bengtsson 1996). The benefits with cooperation are also related to development, but the reason for cooperation is rather the access to resources than a driving-force or pressure to develop. Bengtsson and Kock (1996) state that by cooperation a company can gain time, competence, market knowledge, reputation, and other resources of importance for its business. The creation of new products can also be more cost efficiently as the involved actors contribute with their core competences. Extended, this means that actors can stay within their core business and still offer a wider range of problem solutions to their buyers or end customers than a single company can.

### ***Different type of relationships and interactions***

According to Richardson (1972) activities are coordinated in order to produce a problem solution. He presents a framework for analysis of co-ordination of activities by using two different concepts; complementary and similar activities. The former is defined as activities representing different

phases of a process of production and require in some way or another to be co-ordinated while the later is activities that require the same capability for their undertaking.

Håkansson and Snehota (1995) use three different layers for analyzing the content of a business network. The so-called ARA-model distinguishes between actors, resources and activities. All three layers can form their own sub-networks and commonly all three layers are needed as the actors take care of carrying out activities by using resources. Resources are combined in the purpose of obtaining new resources or capabilities (i.e. Owusu 2003). An actor's position in a business network helps in accessing new competitive capabilities and enhances the possibilities to attract new relationships (Gnyawali & Madhavan 2001, McEvily & Zaheer 1999, Powell, Koput & Smith-Doerr 1996).

Relationships between competitors involved in cooperative relationships can according to Bengtsson & Kock (1999, 2000) be divided into four different types as they have excluded the fifth possibility, namely collusion. The remaining four are: competition, cooperation, coexistence and co-opetition. Bengtsson and Kock (1999) argue that economic exchange seldom takes place in relationships between competitors. This is directly in line with Ingram & Roberts (2000), who claim that friendship among competing managers lead to improved collaboration and information sharing. A demand for purely economic exchange would exclude all other relationships than those, which are, based on formal cooperative agreements. A broader perspective is needed including social exchange as well.

Figure 1: Activities and Content of Relationships between Competitors

<i>Activity</i>	<i>Exchange</i>	<i>Aim</i>	<i>Logic of interaction</i>	<i>Agreement</i>	<i>Power base</i>	<i>Roles</i>	<i>Social ties</i>
<b>Cooperation</b>	Business Social Information	Mutual interest	Norms	Informal Formal	Functional	Clear Conflicting	Visible
<b>Competition</b>	Social Information	Conflicting	Rules of Thumb	None	Positions	Rivalry	Invisible

Source: Modified from an idea presented in Bengtsson, Kock and Laine, 2000

Cooperative relationships are built on a mutual interest to interact. Competitors are usually involved in direct or indirect relationships with an aim to destroy or harm the other. This is due to the fact that the interests of competitors cannot be fulfilled simultaneously. These relationships may well contain conflicts. Competitors competing often try to avoid interaction, whereas competitors cooperating try to maintain the interaction. Cooperative relationships are more easy to grasp as they usually are visible and built on a distribution of activities and resources.

Bengtsson and Kock (1999) give the following characteristics concerning cooperation and competition:

**Cooperation:** *The exchanges are frequent, comprising business, information and social exchange. All types of bonds can arise, though social, knowledge and legal/economic bonds are the most frequent ones. Though the competitors cooperate it does not mean that they do not compete and perhaps even distrust each other. This relationship has similarities with the value chain and can have a formal or informal character. Formal agreements are present if the competitors have formed strategic alliances or other partnerships. Informal agreements are built on social norms and trust. These norms, and sometimes formal agreements, adjust the distribution of power and dependence among the competitors, which means that conflicts are rare. Furthermore, competitors have common goals, and proximity between them is based on functional and psychological factors.*

**Competition:** *An action-reaction pattern arises as competitors follow each other; if one of the competitors launches a new product line, the other will immediately follow. Interaction is therefore simple and direct. Power and dependence are equally distributed among the competitors, based on their positions in the business network. Proximity or distance is based on functional and psychological factors. Norms are based on informal rules as the acceptance of rules-of-play are widespread, and competitors set their goals independently. A common feature is that these goals are similar in structure and they can only be reached by acquiring resources from the same buyer. In other words the competition relationship is a zero-sum game.*

A supplier can i.e. supply products to a buyer and at the same time compete with the buyer against the end customer. The same supplier can also directly or indirectly cooperate with the buyer in order to create a new market (Nalebuff & Brandenburger 1996). If a supplier and a buyer choose to cooperate directly they will engage in cooperation that can be formal or informal. The embeddedness (Granovetter 1985, Uzzi 1997, Halinen & Törnroos 1998) of the two actors indicates that the perception of other actors in the same business network will impact on what roles the actors play. Gnyawali and Madhavan (2001) claim that “actors’ purposeful actions are embedded in concrete and enduring strategic relationships that impact those actions and their



outcomes”. A change in one relationship will consequently impact on other relationships in the business network.

### ***Social relationships between competing business professionals***

Social networks of various kinds have been widely studied mainly in the area of sociology. Whether it is the cohesive network (with connected strong ties) or the non-redundant network (with not connected weak ties) that creates more advantages is still open for debate (see further in Granovetter 1985, Uzzi 1997, Burt 1992, Coleman 1988). Previous studies have however, concentrated more on social relationships within organizations. Therefore we suggest a shift of focus and here draw the research attention to the interorganizational networks and the social relationships existing within this context.

Social relationships can consist of long-lasting business ties, which have developed into a close social tie. According to Ingram and Roberts (2000) there are several reasons for developing such ties. These reasons may be derived from more personal motives or “sentimental” as Ingram and Roberts (2000) wishes to call it or from more rational structural reasons in their words “instrumental”. Personal motives can include liking each other and instrumental reasons can be choosing a person as your friend depending on the position this person holds. Social relationships consisting of more private ties like family and friends may also have an important impact when doing business (Ellis & Pecotish 2001) In this paper will the focus be on the social relationships included in the business network.

Social relationships between business professionals enable several means, which cannot be stipulated in formal business agreements. The network of social relationships may form a forum for social control and especially in a network of competing firms this enables “an enforcement of anticompetitive norms and provide for verification of information obtained from competitors” (Ingram and Roberts 2000). Firms, which had the hardest competition amongst them also had the greatest return on their managers long-lasting trustworthy relationships to managers in competing firms. In the case of Ingram and Roberts (2000) it was hotels of the same size and location that

competed towards the same customers. From these relationships the managers received benefits, which was placed into three different categories: collaboration, mitigation of competition and information exchange. Within the first category collaboration; actions were taken to jointly improve the service to the customers and the hotels also shared overflow customers. Understanding the competitors better and avoiding price wars explained the second category: mitigation of competition. The third category information exchange gave probably the most benefits. This category can also in our empirical examples be regarded as the most significant. Information concerning the fluctuations and trends and strategic possibilities gave valuable insights among the managers. (Ingram & Roberts 2000.)

## **Presentation of empirical findings**

### ***Case 1: Skega and Trellex***

Two Swedish competitors, Trellex Ltd. and Skega Ltd. were during the 1990<sup>th</sup> world leaders in mill-lining, and perceived each other as being the strongest competitors within the global arena. They competed actively both in product development and in the market. The firms, however, also co-operated with each other in the development of material and in basic research.

Competition was stiff in the two firms' product development. Both Trellex and Skega surveyed the development of their competitors very closely. The issue of which company that was actually first to develop a new product or technical solution, and thereby stimulated the other firm to imitate and further develop a similar solution, was prestigious. Competition was also hard in the marketplace. The two firms tried to out-compete each other both in Sweden and abroad. The competition can be illustrated by the following short quotation by one respondent at Trellex;

"When we have taken a customer from Skega, we buy a cake to celebrate".

The co-operative part of the relationship was completely different. Both companies were very interested in the results of their mutual development projects. They used each other's laboratories to run mutual development projects in order to lower R&D costs and to gain advantages from combining the unique competencies of each company. Skega and Trellex informed each other continuously about their development processes. One of the managers at Skega pointed out that

"We have a very good co-operative atmosphere in the material area. Competition and enmity exist only on the market side... We co-finance development projects and have developed a program for

our development work... We work with four academic organisations and we often present our results in international journals".

Engineers at the development department are involved both in product and material development and hence senior managers expected them both to further develop the material and to use the material in the development of products to out-compete the partnering firm. The managers of the R&D departments occupied a position both as leader of the firm's material development, as well as a position within the firm's overall strategic management.

(Bengtsson & Kock 1999)

### **Case 2: *Permanova-Rufin Sinar***

A co-opetitive relationship was established between Rufin Sinar, a German manufacturer of laser sources, and Permanova, a Swedish manufacturer of fibre optics. The two firms developed lasers equipped with fibre optics in co-operation with each other. Both fibre optics and lasers were of strategic importance for the two firms, which led to a strong interdependency between them. The co-operation between the firms did not rest on any formal agreements, but was instead built on personal relations between individuals employed by the two firms, and on informal or implicit rules about how to interact with each other. Cross-wise patents were used to increase bonds between the firms, and to provide at least some degree of stability to the relationship. Consequently, neither of firms had proprietorship of the entire product.

The two firms were not involved in direct competition with each other, yet they sometimes competed indirectly. The competitive part of the relationship was caused by changes in Permanova's owner structure and by Permanova's co-operation with other firms. Permanova was bought in 1994 by the Spectra Physics group (an American laser manufacturer and hence one of Rufin Sinar's competitors). The change in ownership implied that Rufin Sinar co-operated with a firm, owned by a competitor. This fact brought uncertainty to the relationship. Another form of indirect competition is derived from Permanova's development of pre-designed production systems for industrial applications. The customers consist of large and powerful industrial firms. Permanova has been involved, for example, in the development of a production system for Volvo's manufacturing of automobiles, and has also been involved in tests of different equipment for Volkswagen. Such customers can, to a considerable extent, determine with whom Permanova should interact. For example, Volkswagen wanted Permanova to test their equipment in its production line but decided that the equipment should be tested with a HAAS laser instead of a

Rufin Sinar laser. Another example can be taken from Permanova's co-operation with Volvo, where Volvo chose to install a Triumph laser and Permanovas fibre optics for one production line. This implies that Permanova has been forced by its customers to co-operate and deliver fibre optic systems or parts of the system to Rufin Sinar's competitors, thus giving rise to an indirect competition between the two firms.

(Bengtsson & Kock 2003)

### **Case 3: Milka**

One large actor, Valio, dominates the Finnish dairy industry. Other actors are Ingman Foods, Milka and Maitokolmio. Some international competitors are also present in the market, mainly Swedish firms like Arla, Skånemejerier and Norrlands mejerier. By tradition the dairy industry has been dominated by cooperative societies owned by the milk producers. Since Finland joined the EU the market has changed and especially Valio has restructured their production and distribution facilities by concentrating to certain geographical areas. Milka, owned by Swedish-speaking milk producers mostly in the western parts of Finland, has also restructured their business in the same way. Milka has been dominating in the west and Valio on the other hand dominates in the rest of Finland.

For about ten years Valio and Milka have been involved in co-opetition. The cooperation is based on Milka's need for a full product line, as the company does not produce, for example, yogurt and juice. Consequently Milka sells Valio's products and also distributes them in certain geographical areas. This requires that Milka keeps Valio's products in stock in its own facilities in order to speed up distribution.

Due to the restructuring of both Valio and Milka the cooperative activities have become more tens. Today Milka manufactures some cheeses for Valio, while Valio manufactures other types of cheese for Milka. There is a clear distribution of activities owing to the types of cheese manufactured. The main driving force is in the restructuring of the companies, as they no longer have the capacity or machinery needed for producing certain types of cheese and milk. There has only been two product lines in Finland that can produce milk in 1,5 liters packages, one owned by Milka and the other by Valio. For a couple of years Milka has produced these packages for their own marketing but also for a nearby competitor, Maitokolmio. An outcome of the restructure is that Milka no longer will have the product line and must therefore buy these products from Valio. The cooperation with

Maitokolmio will also end. Moreover Valio will sell its milk as a private label product to the hard counter store Lidl, which has entered the Finnish market.

The benefit for Valio is that they have a better possibility to distribute the production activities to an external actor, Milka, as the capacity and investments do not pay off for the moment. Cooperating with Milka means that a domestic market situation will remain healthy so that international competitors are not entering the market, and at the same time keeping the Finnish competition authorities pleased.

Professional friendship ties exist to some extent on different levels between the companies. The top management teams have meetings a couple of times a year. Earlier there have been i.e. soccer games and other recreation activities between the employees in the two competing companies. The top management also meets each other in trade organizations. On the middle management level the relationships between individuals are in some cases good, but the problem is that Valio is so much bigger than Milka. The sale manager at Milka expresses the problem as follows:

“There are so many employees involved from their side so it is difficult to know who to talk to in different matters”.

## Analyzes

The cases presented earlier have been analyzed according to the content of the different relationships between the firms.

	<i>Activity</i>	<i>Exchange</i>	<i>Aim</i>	<i>Logic of interaction</i>	<i>Agreement</i>	<i>Power base</i>	<i>Roles</i>	<i>Social ties</i>
<b>Case 1</b> Skega-Trellex	Co-opetition (cooperation in development, competition in marketing)	Business Social Information	Mutual interest in R & D	Norms Rule of thumb	Informal Formal	Functional Positions	Firm level: clear Individual level: conflicting	Visible in cooperation
<b>Case 2</b> Permanova-Rufin Sinar	Cooperation Complementary partner	Business Information	Mutual and conflicting interests	Norms Rule of thumb	Formal (cross-wise patents) Informal	Functional	Firm level: clear Individual level: conflicting	Visible in cooperation
<b>Case 3</b> Milka-Valio	Co-opetition (cooperation in production and co-opetition in marketing)	Business Information	Mutual and conflicting interests	Norms Rule of thumb	Informal Formal	Functional Positions	Firm level: clear Individual level: conflicting	Partly visible in cooperation

## **Conclusion**

Important strategic questions for a firm are the benefits or drawbacks when being involved in cooperation and/or competition. The major benefits of cooperation has been said to be the access to external resources and how the external resources in combination with internal resources impact on the focal actor's strategic identity in a business network. In line with Kock (1991) the strategic identity consists of gained resources and the position in the network. An actor having a stronger position will attract other actors in the business network and thereby is able to establish more relationships. In the relationships there is a constant flow of different layers of activities. In addition are important personal relationships created on the individual level. These relationships further decrease the risk in the business as well as give access to the trustworthy information and knowledge about the market. Quite clear is that cooperation is not simply a mean for compensating the lack of internal skills, nor is it to be regarded as a series of discrete transactions (Powell, Koput & Smith-Doerr, 1996). Powell and Brantley (1992) claim, "when knowledge is broadly distributed and brings a competitive advantage, the locus of innovation is found in a network of interorganizational relationships". The statement is interesting, as atomistic competition always has been seen as the main driving force for innovation. In the studied three cases the need for accessing and combining external resources were obvious. The base was in most cases a functional division of activities.

The cooperation in the three cases was mostly informal except for the dairy case where a formal agreement, primarily logistic issues, were dealt with. The cooperation is visible for the other actors in the industry, but not for the end customers.

Market size and stage in lifecycle are additional factors to take into account when dealing with the strategic dilemma of cooperation and competition. When markets are in an early phase it has shown to be important for competitors to cooperate aiming at creating a market and a common standard. This fact has been pointed out, for example, in the mobile phone industry. Later on when a market is mature the companies form formal and informal cooperative arrangements. The aim is, of course, to increase the business. The same happens if a market is concentrated as in mill-lining and dairy industry.

**Further Research**

The strategic dilemma of cooperation and competition is a very intriguing question for managers. The context specific factors will have a great impact on the decision as well as the manager's perceptions of benefits and drawback. The present strategic focus on core competence and outsourcing indicates a need for cooperation. In addition, many markets are stagnating and mature which might indicate a need for cooperation. But we do not actually know so more research is needed concerning these questions. And also the basic question who is your competitor and who is your cooperative partner need to be enlightened. Another strategic dilemma that needs to be discussed is the managerial problems occurring on the individual level caused by different types of role conflicts. These conflicts are caused by the firms having various roles in towards each other i.e. as buyer, supplier, competitor, and cooperative partner. The paradox of co-opetition is easier to handle on the firm level as individuals cannot cope with having to cooperate and compete with the same persons for any longer period of time.



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