Positive outcomes and risk mitigation for rivals while being in a coopetitive relationship

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ABSTRACT

Coopetition has been viewed as a potentially beneficial relationship for a company. Many articles have discussed different types and business models for coopetitive relationship but none of them explained how risks and challenges could be mitigated towards positive outcomes. In many circumstances, forming coopetition is better than traditional cooperation because they create transparency about motivations, agendas and goals. Two case studies were conducted were two companies from different industries who have no relation to each other were interviewed. Existing literature together combined with the results from interviews provided an insight how successful coopetitive relationships work. After the analysis, it was found that certain characteristics need to be in place. These are as follow: training, transparency about agendas and goals, trust and commitment, communication, rules and policies and lastly contract with legal obligations. By following these characteristics companies can achieve more profitable outcomes, deepen the understanding about its rival and mitigate risks easier.

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Keywords

Coopetition, Competition, Coopetitive Relationship, Coopetitive Advantage, Coopetitive Risks, Coopetitive Challenges

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1. INTRODUCTION

In the past, people saw business as a “winner takes it all” game. Companies were trying to achieve goals like, increasing profits or market share when producing the same products (Bengtsson, 2000). However, competition was not enough therefore rivals started to cooperate to gain the benefits that they could not achieve alone (Ritala, 2014). The business world changed, giving a rise for companies pursuing interests and deriving mutual benefits. Although competition and cooperation have traditionally been considered to be separate modes of interaction between companies, scholars have begun to acknowledge that companies simultaneously engage in competition and cooperation with each other. This relationship between rivals can be called coopetition (Peng, 2009).

Coopetitive relationships allow rivals to enjoy both competitive and cooperative advantages simultaneously (Peng, 2009). The interest of coopetition is found in the access to resources, skills and knowledge which would otherwise stay inaccessible. However, the existing literature on coopetition does not sufficiently acknowledge how to mitigate the risks and obtain positive outcomes of this relationship.

Without considering coopetition, an organization could have settled for lower profits, without realizing it had the capacity to earn even more money. It is important to understand what aspects influence the decision to cooperate and what the outcomes are. Perhaps it is more beneficial for rivals to cooperate and combine their unique resources in order to achieve better outcomes than competing.

This research paper will focus on the risk mitigation and positive outcomes when engaging in a coopetitive relationship. Therefore, I will answer the research question that remains unaddressed in the literature:

How can coopetitive relationships between two or more rivals provide positive outcomes and negative outcomes be mitigated?

This paper is further structured as follows: first, a literature review about coopetition and its advantages will be presented in order to give an idea about the concept. After, the costs and challenges which occur in coopetition will be described. Next, the different types of coopetition are presented in a table and explanation is given. Then the outcome of literature study will be presented. To close the existing research gap of coopetitive advantages and risk mitigation, two interviews with managers from two different companies have been conducted. Their answers will give useful insight and provide practical examples of coopetitive relationships. Afterwards, the information from the interviews will be compared to the existing literature. Then in the conclusion section the research question will be answered and guidelines will be proposed. Finally, a discussion about the new opportunities my research has created, managerial implications as well as the recommendations for further research with will end this paper.

2. LITERATURE REVIEW

2.1 Coopetition and Its Advantages

2.1.1 Coopetition

The literature on strategic alliances contributed to a broader understanding of competition by pointing out that rivals in many occasions cooperate with each other (Ring, 1992; Kanter 1994). The concept of coopetition is another way for companies to maintain a competitive advantage. It is considered as a unique strategy that capitalizes on the benefits of cooperation and competition (Brandenburger, 1996). This concept is not a new phenomenon in the business world. Already in the late 90s, Harbison (1998) provided the evidence that more than half of strategic alliances were between companies within the same industry. As strategic factors affect a firm’s market position, cooperation and competition were usually approached independently by researchers. However, pursuing, both strategies simultaneously has been the focus of a number of recent studies (Luo, 2005).

While elements of both competition and cooperation are essential for coopetition, scholars have used a wide variety of definitions in examining coopetition. Some of these definitions are focused and others are broad. For example, Brandenburger (1996) has a broad view and defines the relationship as a “value-net” in which two rivals can be complementors (e.g. computer manufacturers) through their coopetition with a third firm (e.g. software producers). On the other hand, Bengtsson (2000) proposes a narrow description of coopetition, which can be defined as a simultaneous competition and cooperation between rivals. In this paper I will define coopetition as a business tactic between two or more rivals where they compete and cooperate with each other. Since the concept of coopetition was defined, the next section will outline the advantages provided by this business tactic.

2.1.2 Advantages

Research on coopetition outlined various advantages for rivals. Coopetitive advantages can be achieved either within the company, like combination of unique resources or outside, like increased market share within the industry. Table 1 summarizes different advantages of coopetition found in the literature.

Table 1.Different advantages of coopetition found in the literature

Author	Advantages
Gnyawali, 2011	Combination of unique capabilities in technological sector for cost sharing; Promote innovation; Price decline and better products in the market (more integrative technologies); Reduction of duplication of efforts, reduction of risk; Expanding current or creating new market.
Bengtsson, 2000	Develop unique resources and shared assets, like personnel skills; Reduced risk; Control over activities gives power in the network; New product development is more cost efficient; Organizational learning.
Garud, 1994	Innovation by learning from each other; Set industry standards.
Dagnino, 2009	Reduced uncertainty and risks.
Dennis, 2000	Control over market uncertainties.
Garcia, 2002	Positive effect on performance of particular business activities; Technological diversity.
Spence, 2001	Gain access to external knowledge sources.

As presented in the Table 1, we can see that most commonly found advantages are: combination of unique resources, innovation, reduced uncertainty and risks. Therefore, most commonly found advantages will be explained in detail.

Combination of unique resources

Resource-based logic has specific characteristics in coopetitive relationship. It is stated in the literature that rivals can collaboratively create a value by using firm-specific resources (Ritala, 2014). An example would be the cooperation between Sony and Samsung. While working together, rivals became market leaders in LCD TVs by combining the unique capabilities of both and the utilization of joint facilities for cost sharing purposes (Gnyawali, 2011). For Sony, it helped to secure a flexible and steady supply chain of LCD panels from Samsung, without the responsibility and costs of operating a manufacturing facility. On the other hand, Samsung got flexibility, speed and efficiency in both panel production and business operations. Network theory also provides very useful explanation. Cooperative ties with rivals provide a firm with opportunities to learn about its partners (as well as indirectly about the partners' partners) and afford access to resources of the partners and their partners (Powell, 1996)

A unique combination of resources and capabilities can eventually be developed into a competitive advantage which rivals can profit from. In the end it can lead to expanding current or creating new markets (Gnyawali, 2011).

Innovation

Coopetition offers firms and their network of actors' significant opportunities for innovation. As each actor offers access to new resources through a process of resource integration it can lead to shrinking product lifecycles (Garud, 1994). The coopetition for knowledge sharing among rivals occurs when technological progress may be faster with collective efforts rather than through individual efforts (Dagnino, 2009). It happens due to the high R&D costs in sectors such as pharmaceuticals or technology hardware. Because competing firms possess relevant resources and face similar pressures, coopetition with rival enables both companies to acquire and create new technological knowledge and use the knowledge pursuit of innovation.

Reduced uncertainty and risks

When rivals cooperate with each other, they can reduce risks, for example in the process of innovation by distributing costs and possibly increasing their probability of success (Dagnino, 2009). Another point is when rivals combine their technologies. Then they have bigger chances to fight against other products in the market. While working together, rivals can reduce the duplication of efforts instead of creating products separately which also reduces the risk of product failure (Gnyawali, 2011). It is also possible to look for potential investors to engage in a financial relationship (Dagnino, 2009). For example, rivals could provide the funding to each other needed to launch more or a new product. This would reduce the financial risks or new product development failure.

From proposed definitions and advantages we can see that coopetition can be referred to as a strategy. It can be explained as a designed game which can achieve concrete business objectives if managed, planned and followed up. A creative coopetition with your biggest rival may be the best opportunity for revenue and survival. Despite various advantages derived from coopetitive relationship, this relationship can also pose costs and challenges for rivals.

2.2 Coopetition - Challenges and Costs

Coopetition entails both advantages and challenges to the participating rivals. In terms of challenges, both rivals need to be ready for cooperating with each other. It is important to provide various trainings for managers to develop managerial skills and capabilities to succeed in coopetitive relationship (Moriss, 2007). For example, Zineldin (1998) outlines that it is difficult to overcome the existing differences between rivals when national cultures differ. That could be the case of cooperation between FCB – the US Company, and Publicis – the French company (Kanter, 1994). Both companies shared differing ideas about corporate structure. According to FCB, the French company was found to be too hierarchical. On the other hand, French company found FCB more bureaucratic with its frequent meetings. Additionally, while French managers were focused towards abstraction and theory, Americans were more penchant for empirical facts. The elements of corporate culture embrace national and organizational boundaries and can be expressed differently at different levels within organizations (Schwartz, 1999). Therefore, differences like that can have immediate practical consequences.

After being in a coopetitive relationship for some time, the differences in the operational management can be discovered. For example in authority - what people get involved in decisions, reporting - how much documentation is needed or decision making style - how quickly decision are made (Kanter, 1994). All operational dissimilarities require more communication between engaging parties. Another example can be when rivals disagree about which confidential information and knowledge to share (Moriss, 2007). Since coopetition also involves competition, sometimes one party is not willing to share in depth knowledge with its rival. This could negatively affect the relationship and lower achieved degree of trust. Even though rivals act together in many ways, they also tend to reach their own objectives, which make it even more difficult to agree upon the coopetitive objectives.

According to Kanter (1994), the most common conflicts occur over money. While being in a relationship rivals can disagree about capital infusions, licensing fees or management fees. Therefore, coopetition can cause additional financial and time costs that offset the gains from the relationship (Morris, 2007). On the other hand, rivals can experience the loss of control over resources (Hakansson, 2002). Rivals become vulnerable when one of the partners is less committed and focus only on their own advantages. Furthermore, it is also possible that coopetition between rivals can slow down the innovation process in new technologies (Amaldos, 2000). This can lead to higher product development costs and affect each rivals performance in the market.

In conclusion, companies that are good at partnering, take time to learn about the differences early and take them into account. The advantages, costs and challenges can be affected by the type of relationship rivals are engaged in. Therefore, dyadic and network types of coopetitive relationship will be explained in the following section.

2.3 Coopetitive Relationship – Dyadic and Network

There are various types of coopetitive relationships, such as strategic alliances, joint ventures or networks. Nowadays, companies feel a strong need to cooperate in networks. There professionals are able to work together, so that they can see, access, and experience the knowledge of others (Soekijad, 2006).

For instance Dagnino (2002) differentiate the four forms of coopetition. It depends on the number of rival firms and value chain activities involved in coopetitive relationship. Dagnino (2002) suggests distinguishing dyadic from network coopetition and simple and complex forms of network and dyadic coopetition. Table 2 shows the types of coopetition proposed by Dagnino (2002).

Table 2.Types of coopetition (Dagnino, 2002, p.33)

		Number of firms who want to cooperate	
		Two	More than two
Number of activities in the value chain	One	Simple dyadic coopetition	Simple network coopetition
	Multiple	Complex dyadic coopetition	Complex network coopetition

Dyadic

Coopetition studies are interrelated with the ones on strategic alliances (Dagnino, 2009). Here dyadic coopetition and strategic alliances refer to the form dyads or simple two-rival relationships (Dagnino, 2002). Concepts such as trust, opportunism and commitments, which are crucial in dyadic cooperative relationships, are likewise applicable to coopetitive relationship. But coopetition is much broader promise in scope and span than strategic alliances. When establishing an alliance with rivals, only the cooperation side is emphasized. Alliances cannot tell the insights of comprehensive competition on a diverse list of products between two rivals, neither the insights of other types of cooperation (Dagnino, 2009). This would be an example of collective efforts in urging governments, establishing industry standards, or building global or regional cluster of production and supply bases.

Overall, the need to balance coopetitive relationship is necessary in order to realize a coopetitive dyad (Das, 2000). Then simultaneous cooperation and competition may be easier to achieve when partners are reasonably equivalent (i.e. in terms of size and status).

Network

Network coopetition concerns a structure of complex relationships among more than two rivals at the same time (Dagnino, 2002). In highly segmented industries with strong network effects, such as the information technology industry, coopetition may be the only way to conduct business (Gnyawali, 2009). Knowledge sharing or learning how to improve has evolved into one of the most important reasons for networking (Kogut, 1988). Therefore, knowledge networks are created, in which companies explicitly cooperate in order to have access to each other's knowledge, internalize that knowledge, and create knowledge together (Soekijad, 2006). These knowledge networks have the aim to develop a certain, often new practise within an established area. Communities are considered as vehicles for knowledge sharing and creating process within companies (Barley, 1986). It enables to look into the inter-personal daily working practises of the actual knowledge-workers in knowledge-intensive companies.

Simple and Complex

Here value chain activities can be defined as simple or complex based on the number of activities involved (Dagnino, 2002). This includes activities such as design, production, marketing, distribution and support to the final consumer. Simple coopetition can be seen as a relationship between two or more rivals along one single level of the value chain, like R&D. On the other hand, complex coopetition refers to two or more rivals along several levels of the value chain. For example, when two or more rivals in automotive industry cooperate in R&D activities but compete in car distribution.

The literature study in previous sections provided useful insight about coopetition, its advantages and risks, as well as the different types of coopetitive relationships. The next section will provide outcome of the literature study that was presented earlier.

2.4 Outcome of the Literature Study

In the previous sections, I have reviewed the literature about coopetition which will provide useful information for answering my research question. We have seen in the literature that authors define coopetition in various ways. However, at the end it is all about the competition and cooperation with your rival and relationship management towards positive outcomes.

The literature from previous sections showed that there are many ways how rivals can benefit from coopetition. The advantages can be gained either within or outside the company regarding rivals' industry (e.g. high-technology) or purpose of this coopetition (e.g. innovativeness). This shows that if coopetitive relationship is handled properly, it will provide benefits for both parties.

Even though coopetition is mostly seen in the literature as a beneficial or positive partnership, it can also cause several challenges. But before engaging in a coopetitive relationship, it is important that companies would provide training for managers, learn all information about its rival, not only how it operates but also about its culture and values. Companies need to understand more about their rival in order to engage in a more constructive dialogue. Without this valuable background information and training, future risks and challenges would only grow and inevitably become impossible to handle. Even if companies receive a proper training, it is still impossible to avoid disagreements. Kanter (1994) states that most common conflicts between parties occur when discussing money related issues, like management fees or capital infusion. Companies should take time to get to know their rival and should not rush in making any strategic decisions

As coopetitive interactions involve learning processes (Bengtsson, 2000), companies engaging in both dyadic or network coopetition may have to adapt their business models to exploit emerging new complementarities disregard the type of relationship they are in. Additionally, Das (2000) outlined that coopetitive relationships might be easier to handle if the parties involved would be equivalent. Good relations are a fundamental part of doing business. Therefore, it is more likely to find successful examples of coopetitive relationships that are of the same size or status.

After discussing the outcome of the literature study, we can go to the research design part, where two companies from different industries will be introduced and analysed.

3. RESEARCH DESIGN

I have conducted two qualitative case studies, which is a valuable method for analysing previously unexplored phenomena. The case study approach was chosen because the research field on the positive outcomes and risk mitigation of coopetition is still vague.

To identify different types of coopetitive relationships and its advantages between rivals, different industries have been selected. I have chosen two companies – "Ovation Incentives" and "Inesa" – due to their engagement in various coopetitive relationships. These two companies represent two different industries, have no relationship to each other and will be analysed in their own environment. "Inesa" is a health care facility based in Lithuania, which was in a way forced to engage in a local coopetitive relationship. On the other hand, "Ovation Incentives" is an incentive marketing company situated in United Kingdom which chose to cooperate locally and globally. It is important to see what positive outcomes can be provided when rivals engage in coopetitive relationship on its own will and when not; and how they can mitigate the risks towards positive outcomes.

Multiple sources for data collection were used: primary data, like interviews and secondary data – published articles. In order to find appropriate literature, I used specific keywords, like cooperation, coopetition, coopetitive relationship, coopetitive advantage, coopetitive challenges and risks. These keywords were chosen because it is directly related to the topic of my choice. Table 3 presents the shorter summary of articles found and chosen by each keyword used. In the Appendix 1, you can find the complete table of keywords, where it also shows the year and chosen area.

Table 3.Keywords

Keyword	**Number of articles**	**Read**	**Chosen**
Cooperation	747	30	4
Coopetition	423	25	8
Coopetitive relationship	56	20	6
Coopetitive advantage	18	10	4
Coopetitive challenges	47	10	3
Coopetitive risks	49	8	2
Total			**27**

The role of the two cases

These two cases will help me to answer my research question at the end of this paper and provide guidelines for companies towards successful coopetitive relationship and risk mitigation. In total two interviews were performed, one at each of the company. I have interviewed the Director of "Inesa" and Product Development Manager from "Ovation Incentives". The interviewees were chosen due to their direct involvement and experience in guiding coopetitive relationships. During interviews, participants were asked to describe their company, define coopetition, coopetitive relationships they are engaged in and why, what are the advantages, and if there were any challenges experienced during the relationship. First interview with Director of "Inesa" lasted around 30 minutes and the second interview with Product Development Manager from "Ovation Incentives" lasted 40 minutes.

Collected information and examples during both interviews will help me to answer following questions:

1) How to maintain coopetitive relationship in a beneficial way for all parties involved?
2) Are there any characteristics that need to be in place for coopetitive relationship to succeed?
3) How to mitigate the risks and challenges towards positive outcomes?

Collected data and performed interviews created a reliable data for this research. Within the help of two companies, I will try to answer my **research question** which is:

How can coopetitive relationships between two or more rivals provide positive outcomes and negative outcomes be mitigated?

The following section will describe the first company from United Kingdom and present the findings from the interview.

3.1 Coopetitive Relationship at Ovation Incentives

Description of the company

"Ovation Incentives is a London-based incentive marketing company. The Company drives its business results by implementing employee recognition programs. It helps clients to engage with their target audience in real-time, across 65 countries with desirable rewards.

I chose to investigate this company because it is involved in various coopetitive relationships all over the world. In the incentives industry there are usually more than two rivals involved in a relationship. That's why it is important to analyse and see how companies can create advantages and mitigate the risks. I was in contact with Product Development Manager who provided me all the relevant information regarding coopetitive relationships their company is engaged in. My interviewee is responsible for making final decision whether to engage in coopetition or not.

Description of the situation

"Ovation Incentives" is engaged in multiple coopetitive relationships. As incentives industry in United Kingdom is a small industry, it is beneficial for companies to cooperate and focus towards winning. There are many events organized for gathering all companies together. There companies can share experiences about specific cases in engaging with a client, participate in the seminars and exchange the knowledge. Regarding coopetition, it can be found either network or dyadic type of the relationship. Figure 1 summarizes all coopetitive relationships at "Ovation Incentives". At the top of Figure 1 we can see the network type of relationship between "Ovation Incentives" and its two rivals. One of the rivals provides acquisition services, "Ovation Incentives" does the programming and the last rival offers fulfilment services. On the other hand, it is also possible to form dyadic relationships, where one rival is strong and another one is weak. This represents the second relationship in Figure 1. Lastly, "Ovation Incentives" is involved in a simple dyadic relationship where both rivals are equal of power and size. This represents the third relationship at the end of Figure 1.

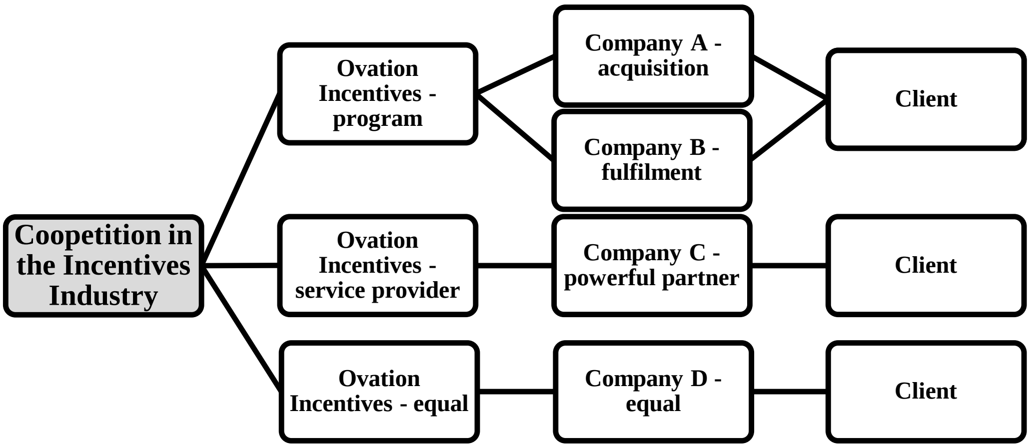

Figure 1.Coopetitive relationship at Ovation Incentives

Interview

The interviewee defines coopetition as a trust based relationship to conduct business. In this relationship both rivals can learn about each other and find a way how to work together.

Product Development Manager mentioned that for them coopetitive relationships in the industry are most of the times about winning. It is a very profitable type of partnership for “Ovation Incentives” which provides many advantages. The company decides to cooperate with rivals based on various characteristics. It can be a powerful brand, which could improve the image of their company, rival with a good reputation, or the size of the company which can give access to specific resources or knowledge. Furthermore, the interviewee says that without coopetition, they would not get bigger profits.

But coopetition is not just about the money, it also provides other benefits. Since “Ovation Incentives” is a business-to-business company, they have various clients on board. Sometimes coopetition can bring a powerful client to their portfolio. For example, “Ovation Incentives” currently provides services and offers their incentive program in automotive industry. But with this powerful client on board, who is from the airline industry, “Ovation Incentives” can expand its market and widen the area of expertise. Another advantage mentioned during the interview is sharing knowledge. Since incentives industry in the United Kingdom is not that expanded, it is beneficial to be in a coopetitive relationship with rivals in the United States, where incentives industry is more explored. It is possible to exchange the information about the market trends in countries, in our case United Kingdom and United States. This partnership helps to improve “Ovation Incentives” services to their clients in United States.

However, every partnership comes with its own risks and challenges. The interviewee said that they experienced several misunderstandings due to differing national cultures while cooperating with their rival from Germany. Here both companies employed different operating structures. For example, “Ovation Incentives” has more flexible structure, where specific rules are not defined. On the other hand, their rival from Germany has a more structured approach within the organization. In order to avoid any misunderstandings, both rivals agreed upon certain rules and policies where cultural differences were taken into account. Interviewee mentioned that after setting work policies, they provided training for their managers to understand differing cultural norms and behaviours.

Furthermore, interviewee shared another example where “Ovation Incentives” is in a coopetitive relationship and has no direct contact with its client. Here, its rival acts as intermediate and passes the information from “Ovation Incentives” to the client. Interviewee says that trust is really important in a relationship like that. It is possible that rivals can promote their products and pass incorrect information to the client. This risk can be mitigated by signing a contract with specific clauses included. For example, during the duration of the contract, which could be three years, a rival has legal obligations and cannot work with another company who would provide the same incentive services.

At the end of the paper in Appendix 2 you can find the script from the interview with the Product Development Manager from “Ovation Incentives”.

In order to get more precise knowledge about coopetition in practise, the following section will describe the second company and findings from the interview will be presented.

3.2 Coopetitive Relationship at Inesa

Description of the company

The company “Inesa” is a health care facility based in Plunge, Lithuania. It is a privately owned company which typically covers the primary health care needs of local communities. It offers medical and dental care, as well as pharmacy services. Additionally, “Inesa” owns five smaller medical point facilities in the villages around the city of Plunge. It is a medium sized company which annual turnover reaches up to 1M Euros. “Inesa” is engaged in a coopetitive relationship with a little smaller health care company which turnover reaches up to 0.7M Euros annually.

I chose to investigate this company because “Inesa” was faced with the problem either to cooperate or to go out of business, which is interesting for my research investigation. More specifically, “Inesa” had to make a decision either to work with its rival or to cancel mental health care services for its patients. At the end “Inesa” decided to engage in a coopetitive relationship. This relationship shows how rivals are committed to their patients and want to focus only on their well-being. Rivals work together in order to provide mental health care service for its patients. I was in contact with the Director of the company who kindly explained me what type of coopetitive relationship they are engaged in. The Director is involved in all the coopetitive decision making process.

Description of the situation

Due to the changes in the Lithuanian medical law, mental health care services cannot be provided alone by "Inesa". Therefore "Inesa" decided to cooperate with another health care facility which was in the same situation. The rival of "Inesa" is situated in the neighbour city of Lithuania - Rietavas. The changed law states that each health care facility can offer mental health services if it has at least 20 000 inhabitants registered in the city where it is situated. However, Plunge only has 11 000 inhabitants and Rietavas – 9000. Therefore, these health care facilities cannot offer the mental health care service alone for people. Additionally, it is obligatory to have four specialists in place: psychiatrist, psychiatric nurse, psychologist and social worker. Each of them needs to work at least 30 hours/week and maximum 5 days a week. Therefore, both companies decided to create one common Mental Health Care Facility. Figure 2 illustrates the coopetitive relationship between the two health care facilities.

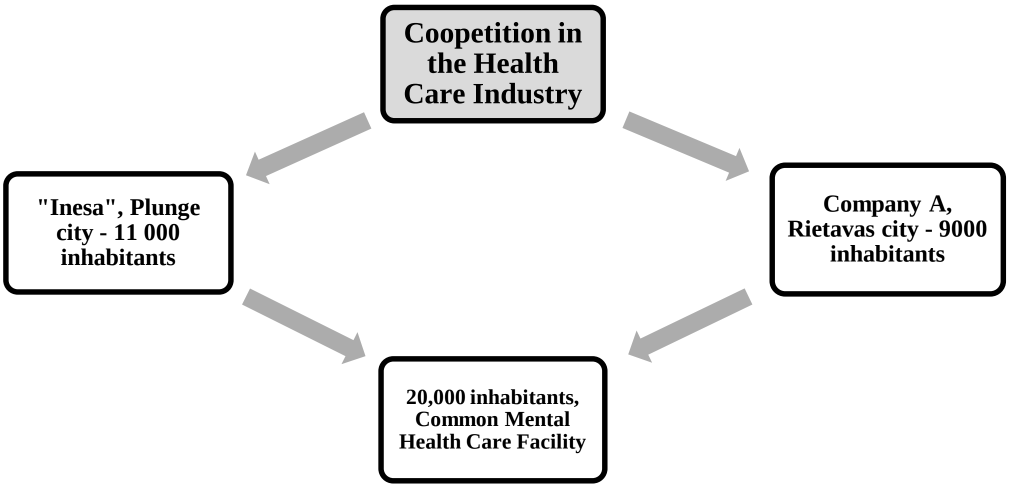

Figure 2.Coopetition between "Inesa" and its rival

Interview

The interviewee states that for "Inesa" coopetition is another way of conducting business. Thereby, both rivals can benefit and grow within the market. Additionally, the Director states that coopetition is more f relationship building between rivals than profit oriented.

During the interview, the Director outlined that this coopetition helped to get access to external resources. From now on, patients can be registered in one city (e.g. Rietavas) and get access to treatment in another city (e.g. Plunge). In this way, people can get service at any city at no additional cost. Additionally, the interviewee explained that it improved the relationship and communication between rivals. Doctors from both companies can get access to all patients' data, exchange information and communicate more closely with each other.

Furthermore, this coopetition helps to avoid additional costs for hiring specialists during holiday time or for temporary replacement. As each health care facility has their own employed specialists, there are two specialists for each area. If one specialist would go on vacation or leave due to illness another one could substitute him/her. This also helps to avoid profit loss and provide non-stop treatment for patients. Since both rivals agreed upon working schedule, they divided the days when services will be provided (e.g. Monday, Wednesday, and Friday – in Plunge, Tuesday and Thursday – in Rietavas). The four specialists work from both rivals.

The Director mentioned during the interview that companies get funding from a governmental patient fund based on registered inhabitants. This could cover the expenses from both rivals. "Inesa" will get a bigger share of funding since there are more registered inhabitants. This would be the same case for dividing profit.

This relationship also involves cost sharing benefits between rivals. Even though there are no large investments needed for Mental Health Care Facility, it is still beneficial to share costs when buying, for example, medical charts.

Besides all the mentioned advantages, there were also several challenges that "Inesa" experienced during the negotiation. There were discussions about the schedule of working days during the week, management fees and capital infusion. Regarding the schedule, the interviewee explained that its rival wanted to have equally worked days during the week in both cities. However, as Plunge city has more inhabitants, the Mental Health Care Facility will be open more days there than in the rival's city. As "Inesa" gets a bigger profit, rivals agreed that company will cover a bigger share of management fees.

Additionally, both rivals decided to establish certain rules and policies for working together, such as reporting or decision making processes. Even though "Inesa" has a bigger share of Mental Health Care Facility, both parties agreed that decisions about this facility will be made equally. Managers from "Inesa" will not have higher voting rights over its competitor. In this way both parties can avoid power abuse. Another way to prevent any kind of cheating or loose of control, was to sign the contract. Here none of the partners would be able to gain extra profit when providing additional services off the books.

From the interview we can see that this relationship is beneficial for both rivals. It allows patients to get treatment at each city with no additional cost, improves both health care facilities performance, and increases communication between rivals. Also, it helps patients to save travelling expenses since they can get treatment at both cities, which in turn increases the loyalty of people. At the end of the paper in Appendix 3 you can find the script from the interview with the Director of "Inesa.

After discussing interviews with both companies, in the following section the findings will be compared to the literature.

4. FINDINGS COMPARED TO THE LITERATURE

From interviewed companies we can see that coopetition is more relationship focused. Both companies shared an idea that trust and commitment is important in order to have a successful coopetitive relationship. For “Ovation Incentives” coopetition is a way to achieve better profits and win in the incentives industry. On the other hand, “Inesa” defines coopetition as another of way conducting business and building relationships.

There are no specific characteristics found as to which companies can engage in what type of coopetitive relationship. In the case of “Ovation Incentives” we saw that dyadic and network types of relationships are possible within the same company. While literature states that knowledge sharing is found in network type of relationships, it was also found in dyadic form. Here “Ovation Incentives” shared knowledge with their rivals about the incentives industries in United Kingdom and United States. On the other hand, “Inesa” engages only in the dyadic type of relationships. Here rivals collectively work towards ensuring that mental health care services are provided for their patients. The literature and practical examples confirmed that commitment and trust are the characteristics that need to be in place for this relationship to work.

Some of the most commonly described advantages in the literature were also found in practise. For example, combination of unique resources is found at both of the interviewed companies. For “Ovation Incentives” it is the coopetition with their rival from the airlines industry, where a combination of resources helps to expand markets. Also, there is a partnership with a rival from the United States which involves industry-specific knowledge sharing. In case of “Inesa”, both rivals can share patients’ information data which at the end improves the communication with their rival.

Another advantages mentioned in the literature can also be found in practise. For example, “Inesa” has more registered inhabitants than its rival; therefore it has a control over the activities which gives power in the relationship. Also, since both companies employ the four specialists needed for Mental Health Care Facility, they can share assets and in this way there is no need for hiring new employees. On the other hand, while “Ovation Incentives” cooperates with powerful brands, it allows them to set industry standards and win.

Regarding coopetitive challenges, both interviewees admitted that the best way to mitigate risks is by building and investing in the relationship. There needs to be a mutual interest and understanding between parties. This can be achieved by providing various trainings for managers and setting policies. For example, “Ovation Incentives” provided cultural trainings for its managers to better understand their rival from Germany. Another way to mitigate risks is by signing a contract. Then all parties engaged in the relationship are obliged to follow legal requirements.

After comparing the findings from two interviews with the current literature, the next section will present the conclusion and research question will be answered.

5. CONCLUSION

The purpose of this case study was to answer the research question:

How can coopetitive relationships between two or more rivals provide positive outcomes and negative outcomes be mitigated?

After analysing literature and data from the interviews, we can conclude that coopetitive relationships are indeed formed to provide positive outcomes for both parties.

The literature provides various ways how companies can receive positive outcomes and mitigate the risks. Before engaging in a coopetitive relationship, it is advisable to provide training for managers. Whether it is a local or international partnership, training can provide valuable information about your rival’s corporate culture or values and avoid misunderstandings. When rivals understand each other’s behaviour, differences and reasons why certain decisions are made, the communication between parties become easier. After some time the trust between parties increases and each partner becomes more committed. These ways of improving relationship should help companies to mitigate future risks and challenges towards positive outcomes.

On the other hand, from the interviews perspective, we can see that constant communication between parties is one of the most important elements to ensure successful partnership. Therefore, rivals should change their focus towards more relationship building than profit maximizing. In order to accomplish the best outcomes, trust and commitment needs to be achieved. When these characteristics are in place, rivals can define certain rules and policies. Sometimes it might be useful to provide cultural training for managers if your rival comes from another country. Here it is important to understand other culture’s values, behaviour or the way business is conducted.

After combining the outcomes from literature and interviews from two companies, we could identify that successful coopetitive relationships require certain characteristics, such as: training, transparency about agenda and goals, trust and commitment, communication, rules and policies and lastly contract with legal obligations. Figure 3 summarizes those needed characteristics. Afterwards, all of them will be explained in more detail.

Figure 3.Characteristics to achieve positive outcomes and mitigate risks

Before engaging in a coopetitive relationship companies should provide training for their employees. Training sessions can increase intercultural skills, if your rival is from foreign country, improve management performance in global environment and deepen the understanding about your rival. It encourages participants to identify the tools and skills needed for effectively addressing social and professional differences.

In order coopetitive relationship to succeed in, rivals need to be transparent about agendas and goals. It is important to understand how the business is done and what strategy is behind it. By sharing some part of confidential information with your rival, companies can actually see how each of them is doing in business, where they succeeded or underperformed. Showing the unfiltered picture of your company to the rival sends a strong message of trust.

As mentioned above, being transparent increases the level of trust between team members and also rivals who cooperate. This is another characteristic that needs to be in a coopetitive relationship, since we could also find it in practise. When rivals trust each other to deliver accurate information, this eliminates the extra work in additional fact checking that can slow down the productivity.

Another important point for coopetitive relationships to provide positive outcomes is improving communication between rivals. Communication helps to deal with challenges, for example when business practises differ in a way of financial reporting or employee treatment. There has to be a two-way communication between rivals. The importance of this becomes most evident when that communication breaks down. Improving communication between rivals improves the efficiency towards any project or goal that rivals are working.

Defining certain rules and policies between rivals can help to mitigate risks and avoid misunderstandings. Work rules protect your business and your employees if correctly implemented and executed. It can create and maintain a better work environment. Additionally, managers need to make sure that employee within organization understand what is expected of them, not only in the work that they do, but as well as in their behaviour.

Besides all these characteristics, it is important to sign a contract with your rival and define legal obligations to prevent any kind of deviation from the rules.

In conclusion, the above-mentioned characteristics will help rivals achieve positive outcomes and mitigate risks in coopetitive relationship. Since characteristics were defined, it is important to outline what new opportunities and perspectives this research paper creates.

6. DISCUSSION AND MANAGERIAL IMPLICATIONS

As mentioned in the introduction, the existing literature does not sufficiently acknowledge the ways for companies to mitigate risks and obtain positive outcomes from coopetitive relationship.

Earlier I mentioned an example of coopetition between Publicis and FCB. These companies experienced difficulties when dealing with corporate culture or working style. If both companies would have followed the guidelines presented in the Figure 3, both could have avoided these misunderstandings.

First of all, both companies should have provided training for their employees to deepen the understanding about existing cultural differences between the two nations (American and French). In this way both parties could have prevented the discovery of differences.

Secondly, as characteristics from Figure 3 are interconnected; all of them need to be met in a coopetitive relationship. Without transparency there would be no trust and without trust no further communication. In case of FCB and Publicis, it is important that rivals take these guidelines seriously and are keen on following it. From the beginning of this relationship, both companies should have been transparent about agendas and goals. Morris (2007) outlines that trust is the basis for mutual confidence between firms. With coopetition, a partner develops trust regarding how the other company will share resources, communicate or use information (Morris, 2007). Trust is especially relevant in terms of a company's convictions regarding how the partner will balance self-interest against mutual interest.

After solving the differences in management style, Publicis and FCB could increase its chances of generating greater benefits. Continued expectations of greater benefits increases rivals' commitment to the relationship and work together to create more benefits as well as strive for a larger share of benefits (Gnyawali, 2011). As Publicis and FCB engage together in a coopetitive relationship, they generate positive impacts for each other and the entire industry. However, both companies should not stop after solving several problems but continue to define specific rules and policies for working together.

This example of coopetition between Publicis and FCB shows that it is possible to overcome the differences and mitigate risks while committing to follow proposed guidelines from Figure 3.

7. LIMITATIONS AND FUTURE RECOMMENDATIONS

My case studies have several limitations which can also suggest ideas for future research. Due to the confidential agreements between coopetitive rivals of "Inesa" and "Ovation Incentives" I was not able to contact the other companies involved in these coopetitive relationships. Therefore, these case studies examine only one side of the coopetitive relationship. In order to fully explain how coopetition can provide benefits and mitigate risks, future research should investigate each partner engaged in a coopetitive relationship.

Since, I have drawn conclusions based only on the experience of two medium sized companies; the proposed characteristics might not be applicable for other companies. For example, if companies are large in size it might be more difficult or even impossible to apply it.

Another limitation is that only one person from each of the company was interviewed. Both companies were quite busy at the time; therefore it was not possible to interview more people. Some additional interviews with employees could provide more extensive results about this subject. Therefore, future studies should interview more employees from different levels in the company and see if more characteristics need to be added.

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10. APPENDIX

Appendix 1.Keywords

Keyword	**Number of articles**	**Area**	**Year**	**Read**	**Chosen**
Cooperation	747	Industrial Marketing Management	2005-2015	30	4
Coopetition	423	Business	1990-2015	25	8
Coopetitive relationship	56	Business	2005-2015	20	6
Coopetitive advantage	18	Industrial marketing Management	2007-2015	10	4
Coopetitive challenges	47	Business	2005-2015	10	3
Coopetitive risks	49	Business	2002-2015	8	2
Total					**27**

Appendix 2.Interview script with Product Development Manager from "Ovation Incentives"

Question	Answer
1. Could you please describe what your company does?	Ovation Incentives is a B2B company based in London. We offer incentives program/services for our clients. Currently we operate in 65 countries. We have employee recognition programs which help our clients to engage with their target audience in real time.
2. What is the annual turnover?	It reaches up to 11M a year.
3. Is your company involved in a coopetitive relationship?	Yes, it is. We engage in coopetitive relationships locally and globally.
4. How would you describe coopetition?	Coopetition is a more relationship and trust based way to conduct business. Here we get to know more about our rival. Coopetitive relationships help us to win in the incentives industry.
5. How are you related to the coopetitive relationship?	As a Product Development Manager I am responsible for deciding whether this partnership or engagement in a coopetitive relationship is profitable for our company. I evaluate advantages and disadvantages, possible risks and challenges. After the evaluation I decided whether or not we can sign the contract with the other party.
6. What kind of coopetitive relationship are you involved in? Is it dyadic or network relationship?	In the Incentives Industry it is most common the network relationships between rivals. It is a small industry though. There are many events organized for gathering all companies together in order to share experiences about specific cases, participate in seminars and exchange knowledge. There are also various associations which can promote incentives industry outside, like marketing industry. For example, there can be a coopetitive relationship where 3 rivals cooperate towards one project– one company provides acquisition services, another one does program, and the last provides fulfilment services. It can also be one to one relationships, where one company is strong and another one is weak – both approach a new client. It depends on the services each of the company is good at.
7. Why did you decided to cooperate with your rival?	Well, the first idea that comes to my mind is winning. Since incentives industry is quite small in United Kingdom, it is important to differentiate yourself from rivals. We decided to cooperate based on various characteristics: powerful brand, good reputation, size of the company, smaller company behind a group of bigger companies (gives access to resources). Coopetition provides many advantages. For example, we get a suggestion to cooperate with one of our rival. If there was no coopetition, there was no extra profit. We want to make this partnership in a way that all parties could benefit from it. So that there would be a win-win relationship. New clients improve the image of our company if the client is powerful and strong actor. Powerful brands can come to our company to ask to provide the specific service because we have lots of experience at it. Since this brand is well-known, they are trusted by its customers. Sometimes coopetition might bring a powerful and good client on board, name to our portfolio.
8. What are the benefits from this coopetition?	On the other hand, coopetitive relationships are not only about money and winning, it also provide many other benefits. As we are a B2B company, we have various clients. For example, we provide services and our program in automotive industry but with this powerful client, who is from the airline industry - we can expand our market and widen the area of expertise. Another advantage is sharing knowledge. We have many coopetitive partnerships in US, where the incentives industry much bigger than in UK. Here we can exchange information about the industry specific knowledge in a country which helps to improve our services to clients in US.
9. Have you experienced any difficulties or challenges while being in a coopetitive relationship? How did you deal with it?	Every new partnership comes with its own risks and challenges. Sometimes, Ovation Incentives can be seen as a service provider in a coopetitive relationship, where we need to trust our partner-rival to pass information to our client. There is no direct contact with the client, so we need to trust our rival. It can happen that rival will promote its own products more than ours; we lose control of business because there is no direct contact with client. Here trust between partners is really important. We can mitigate risks when signing a contract including specials clauses like, for 3 years our rival cannot work with another company which would provide the same service as Ovation Incentives. So that kind of legal obligations helps us to cope with any challenges that arise from coopetitive relationship.

	Furthermore, as we are working globally with our rivals, we can experience some challenges when different cultures meet. For example, while cooperating with our rival from Germany, we experienced several disagreements between operating structures. In United Kingdom we are quite flexible with changing plans; there are not that many rules within the organization. On the other hand, our rival in Germany follows a more structured approach within the organization. In order to deal with these differences, we needed to agree upon certain rules for future work. After scheduling a meeting and discussing each company's working style, we created certain policies that each company needed to follow to avoid any misunderstandings. Here cultural differences were taken into account. After setting policies, we provided information session for managers about how to deal with cultural norms and behaviours.

Appendix 3.Interview script with Director from "Inesa"

Question	Answer
1. Could you please describe what your company does?	"Inesa" is a health care facility based in Plunge. It is a privately owned business. We offer services for medical and dental needs, as well as we have a pharmacy in the same building. Next to health care facility, we also own five smaller medical point facilities around our town. There we provide basic medical care for people.
2. What is the annual turnover?	Usually our turnover reaches up to 1M Euros
3. Is your company involved in a coopetitive relationship?	Yes, we are. Currently cooperate with our rival who is situated in the neighbor city – Rietavas. Also, their annual turnover reaches up to 0.7M a year, therefore both companies are equal size.
4. How would you describe coopetitive relationship?	For us coopetition is another way of conducting business where we and our rival can increase the benefits and grow the market. It is also about the relationship building between rivals and not only profit oriented.
5. How are you related to the coopetitive relationship?	As the Director of "Inesa" I am directly related to the decision making process. Usually, I receive all the information about any coopetitive partnership and then I see whether it is valuable to work with our rival or not.
6. What kind of coopetitive relationship are you involved in? Is it dyadic or network relationship?	Our company is only involved in the dyadic coopetitive relationship. Although I am not sure how other companies in the health care industry work.
7. Why did you decided to cooperate with your rival?	Well, we did not have that much of a choice. Since the Medical Law of Lithuania changed, my company couldn't provide the mental health care services for our patients because there were too less inhabitants registered in the city of Plunge. Now Lithuanian Law states that in order to provide mental health care services, the company needs to have at least 20 000 inhabitants registered in the city. As Plunge only has 11 000, it was no longer possible. Also, there need to be four specialists in place: psychiatrist, psychiatric nurse, psychologist and social worker. Each of them needs to work at least 30 hours/week and 5 days a week. Earlier, there were no minimum requirements for mental health care facilities. Therefore, I got in contact with our rival from Rietavas who had the same problem as we. Rietavas only has 9000 inhabitants; therefore if we cooperated – we both could benefit.
8. What are the benefits from this coopetition?	There are many benefits. From now on people can get treatment in both cities without any additional cost. For example, if the doctor in Plunge is on holidays, then patients can go to Rietavas and visit a doctor there. Also, I would like to add that we don't need to hire more specialists since both facilities have their own employees. In this way, doctors from each facility can substitute each other if needed. Also, it is important to say that the relationship between our facility and Rietavas facility improved. We do not treat each other as competitor anymore. Instead, we help each other, for example exchanging patient's information when needed. There is a two-way communication involved. Furthermore, it also improves our profit. Without coopetition there would be no additional revenue. In Lithuania, companies receive the funding from the governmental patient fund based on the registered inhabitants. In this way, we can share expenses which occur, for example when buying medical charts for patients. In general, there are not many expenses in providing mental health care service for people, since there is no special equipment needed.

9.	Have you experienced any difficulties or challenges while being in a coopetitive relationship? How did you deal with it?	Well, in the beginning we experienced some difficulties when deciding about the schedule who will work more days a week; management fees and capital infusion. Regarding the schedule, our rival was trying to persuade us to make it equally worked days during the week since the difference between inhabitants is not that big. But in the end we decided that mental health care facility will work 3 days in Plunge and 2 days in Rietavas. Since “Inesa” gets a bigger share of profit and funding due to more days worked and more registered inhabitants, we agreed that management fees will be higher as well. We also needed to agree upon certain rules and policies, for example about reporting or decision making processes. Even though “Inesa” has a bigger share of Mental Health Care Facility, we agreed that the decision making process will be equally shared. Managers from “Inesa” won’t have higher voting rights. In this way we can avoid power abuse. Another way to prevent any kind of cheating or loose of control, was to sign the contract. Here none of the partners would be able to gain extra profit when providing additional services off the books.