Coopetition in International Business



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The recently published "Coopetition in International Business" by one of the leading international business scholars Yadong Luo, addresses the strategy of simultaneous collaboration and competition of a multinational enterprise (MNE) with its global stakeholders, i.e. its rivals, the foreign governments of the countries it operates in, its alliance partners and internally with its subunits.

The word "coopetition" itself is actually not new. The term was first used by the founder of the networking software company Novell, Ray Noorda and became more popular after the 1997 book "Co-opetition: The New Win/Win Game" by Barry J. Nalebuff and Adam Brandenburger. In their book, the authors argued at that time, that instead of seeing the game of business as either losing or winning, the win-win strategy of co-opetition could be applied.

In his book "Coopetition in International Business", Luo extends the discussion started by Nalebuff and Brandenburger (1997) by explicitly delving into each and every coopetition relationship an MNE establishes. According to Luo, competition is related to control and involves influencing the behavior and output of another party through the use of power and authority. Cooperation, on the other hand, is built on commitment and trust on both sides. In his book, Luo articulates the reasons for why MNEs must both cooperate and compete with their global stakeholders in order to create sustainable competitive advantage.

In the first chapter, Luo looks at the collaborative and competitive elements of the relationship MNEs establish with their global rivals. He argues that in the relationship with competitors MNEs want to collectively enhance their performance in some fields and compete in other fields. Luo explains the reasons for coopetition to occur and distinguishes coo(m)peting MNEs based on the degrees, combinations and breadths of engaging in coopetitive relationships with global rivals.

In chapter two, Luo analyzes the relationship between MNEs and the governments of the host countries they operate in. According to Luo, MNEs cooperate primarily to benefit from the infrastructures in the host country, whereas for the government, factors such as escalating global competition for inbound foreign direct investment make collaboration attractive. Bargains and controls are the competitive component of the coopetition equilibrium. Chapter two closes with a typology identifying MNEs involving varying degrees of cooperation and competition and discusses possible strategic reactions.

The collaboration and competition relationships MNEs build with their alliance partners in R&D, supply, distribution, management and marketing are the subject of chapter three. MNEs collaborate with these partners to realize positive-sum gains; on the other hand, these parties also compete to reach individually desired objectives. Luo develops a typology of the collaboration and control dualism and defines coopetition situations of the MNE.

"Coopetition within an MNE" is the topic of chapter four, addressing the relationships between the foreign subunits of

MNEs. MNE subunits collaborate internally in order to achieve collective gains, while they also compete for parent resources. This chapter explains the reasons for coopetition, classifies subunits according to their involvement in coopetition and gives recommendations for return maximization. The last chapter summarizes the discussion of coopetition and restates, that with coopetition MNEs do not strive to get a bigger piece of the cake by taking it away from somebody else, but work jointly with their stakeholders to increase the size of the pie itself.

"Coopetition in International Business" explains in a refreshingly clear and open manner why and how MNEs must both collaborate as well as compete which their stakeholders. It is a well-constructed, easy-to-read book offering practical and usable conclusions. The work is original in its approach for two reasons. The first strength of the book comes from its topic – "coopetition" – itself. Quite often, scholarly texts take sided views. In the case of subunit relationships for example, Gupta and Govindarajan (1986) focus only on the collaborative side of company subunits, whereas Williamson (1975) has primarily been investigating their competitive side. Luo offers a balanced view on business relationships by looking at the competitive as well as the collaborative relationships MNEs can have with their stakeholders. The second strength of the book comes from the multiple stakeholder perspectives it takes when looking at the phenomenon of coopetition. Although coopetition between competitors has been researched quite frequently, this has been less the case for the other stakeholders of MNEs, i.e. foreign governments, alliance partners and subunits. In this respect, Luo's book fills a void in the international business literature by adding the other stakeholders, offering thus a very complete view on the different forms coopetition can take.

Although the book provides a comprehensive analysis of the coopetition relationship and gives tactical suggestions to MNEs wanting to make this complex relationship work, there are some shortcomings in my view. One of the questions coming to one's mind is related to the overall applicability of the concept. Coopetition in the way Luo describes it in his book seems to be offering nothing but advantages. But is this really the case? Scholars such as Hamel, Doz and Prahalad (1989) for example have already pointed out much earlier, that coopetition – or "competitive collaboration" as they call it – can have a number of drawbacks. Previous experience shows that especially cooperation between Western and Asian competitors have worked in many cases against the Western partner (Hamel, Doz & Prahalad, 1989). One would expect from a book like Luo's to address this issue and devote a chapter to the risks and challenges of coopetition.

A more general weakness in this book is that it shows snapshot views of particular coopetition relationships, without providing many details on the formation process of the relationship. What are the starting conditions that should be taken into account when entering a coopetitive relationship? Which roles do goal setting and partner selection play? Das and Teng (2000) for example see identifying the strategic objective, finding a suitable partner, exiting or renewing the relationship, forming, evaluating and managing the alliance as important development phases of a collaborative relationship. I would have welcomed a more expansive view on the subject. Related to this shortcoming is also a question like "Once a coopetition agreement has started, what does it take to continue with coopetition?". Considering that opportunistic behavior of the two parties may lessen the benefits expected from the cooperation relationship (Loebbecke & Angehrn, 2002), strategies to sustain the coopetition relationship would have greatly enriched the book.

A last remark is related to the typologies introduced in the book. The sheer number of names given to MNEs in various coopetitive relationships, s.a. alienator, contender, bargainer, honeymooner, aggressive demander, silent implementer etc. (close to 30 in total) leaves the reader in confusion when completing reading the book. Especially considering, that according to the author the target group of the book are (other than IB scholars) also international business executives and graduate business students, a basic, practical and easily memorable typology would greatly increase their usage and applicability in business and academic life.

In spite of the shortcomings mentioned above, the book provides a great framework for understanding the topic of coopetition. The book provides interesting cases and helpful tactics for managers intending to develop successful collaborations in an increasingly complex world. I have read the work of Prof. Luo with pleasure and I will recommend it both to students as well as colleagues with great enthusiasm.

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