



Managing tensions in competition

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ABSTRACT

Tensions are natural in cooperative business relationships that simultaneously involve cooperation and competition. The purpose of this study is to investigate how tensions are managed in cooperative business relationships and examine the potential outcomes of the management of such tensions. The study will focus on various kinds of cooperative relationships and how the management of the different tensions produces specific outcomes. The empirical study is based on comparative case study research on cooperative business networks that features two different kinds of cases. The findings of the study contribute to cooperation research by identifying several new perspectives on tensions. Different levels of cooperation and competition in a cooperative relationship as well as other underlying issues cannot alone determine tensions, but aspects such as the management of tensions are crucial. Most tensions are managed by using styles of competition and avoidance and result in mixed outcomes, which implies both positive and negative perceptions.

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1. Introduction

Although cooperation in itself is beneficial, a cooperative relationship can be difficult to sustain and balance (Bengtsson & Johansson, 2012). Cooperation involves the simultaneous existence of cooperation and competition, which by definition are opposites. Therefore, cooperation is coupled with tensions (Fang, Chang, & Peng, 2011; Wilhelm, 2011). There have been calls for research on the actions firms must take to balance tensions in cooperation and whether these actions maintain or destroy the dynamics of cooperative relationships (Bengtsson, Eriksson, & Wincent, 2010). Moreover, we should examine how the reciprocal dependence in cooperation both generates and weakens tensions in relation to the actions taken intended to benefit both firms (Padula & Dagnino, forthcoming).

Generally tensions represent a negative side of business relationships, as do conflicts, competition, burdens, crises, and problems. Fang et al. (2011) criticize earlier studies on tensions or negative aspects of business relationships for being weak and argue the need for more research into relationship tensions. Much of the existing research on tensions in cooperation focuses on potential types of tensions such as roles (Bengtsson & Kock, 2000, 2003), knowledge (e.g., Tsai, 2002), power and dependence, and opportunism (e.g., Osarenkhoe, 2010). In addition to types of tensions, Bengtsson et al. (2010) make an important contribution by considering type of relationship alongside the outcome of tensions. In order to increase our understanding of tensions in cooperation it is important not only to investigate the possible types of tensions, but also to include the management and outcomes of those tensions.

In this study, tensions are related to conflicts, and accordingly it relies on research on conflict management when studying the management of tensions. One of the most often acknowledged models of conflict management is that of Thomas and Kilmann (1974) with its five conflict handling styles: competition, collaboration, compromise, avoidance, and accommodation. These conflict management styles have also been applied or recognized in business network research (e.g., Bradford, Stringfellow, & Weitz, 2004; Welch & Wilkinson, 2005) and seem appropriate to use in an analysis of cooperation. Oliver (1991) also focuses on different strategic responses to institutional processes and those responses resemble the conflict management styles suggested by Thomas and Kilmann (1974).

In addition to these specific methods or styles of tensions management, it appears that the nature of the relationship as an underlying factor may have an influence on tensions (Bengtsson et al., 2010). Research (e.g., Kemp & Ghauri, 1999) has shown that trust, for example, may reduce tensions in business relationships. There are also other studies (e.g., Lui & Ngo, 2005; Oliver, 1991) that recognize the importance of different predictive factors or antecedents to actions. Consequently, there is an argument that when focusing on the management of tensions, it is important to recognize both the style of management and the nature of the relationship.

The management of tensions is coupled with the outcome of tensions. Although tensions are generally viewed as negative occurrences, the outcome of tensions may be negative, positive or both positive and negative (e.g., Bradford et al., 2004; Filley, 1975). Tensions in cooperation may lead to the termination of the relationship between firms, which would usually be considered a negative outcome owing to the resources invested in the relationship (e.g., Fang et al., 2011). Nevertheless, tensions in cooperation could also lead to new ideas and methods that benefit all parties involved. There are some studies of

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outcomes of conflicts/tensions in business networks (e.g., Bradford et al., 2004; Mele, 2011), but there are few focusing on outcomes of tensions in cooperative business relationships.

The purpose of this study is to investigate how tensions are managed in cooperative business relationships and examine the potential outcomes of the management of such tensions. The study will focus on various kinds of cooperative relationships and how the management of the different tensions produces specific outcomes. The empirical part of the study is based on comparative case study research on two qualitative cases about groups of cooperating competitors within the steel and the natural products industries.

Existing research on co-competition has mainly focused on large firms (Bengtsson & Johansson, 2012) and their co-competition strategy (Padula & Dagnino, 2007, forthcoming). Moreover levels (Bengtsson & Kock, 1999) and dynamics (Tidström & Hagberg-Andersson, 2012) of cooperation and competition have been studied. Where tensions in cooperative relationships have been examined, the studies have tended to examine types of tensions (e.g., Bengtsson & Kock, 2003), although there are some more recent studies (e.g., Bengtsson et al., 2010) of types and outcomes of tensions. This study contributes to co-competition research by increasing our knowledge of the management of different types of tensions and the outcomes of that management in small and medium-sized companies. The novelty of the paper is that it addresses both the nature of the relationship and the different styles applied to manage tensions. Moreover, it highlights outcomes that are positive, negative or mixed, in being both positive and negative. The findings of the paper reveal new perspectives on tensions management in co-competition and provide interesting theoretical and managerial insights.

The paper is structured as follows: The first section outlines types of tensions found in instances of co-competition, options for their management and also possible outcomes of tensions. The subsequent section presents the empirical study, starting with the methodology and continuing with the findings of the case studies together with a case comparison and discussion. The final part of the paper contains the conclusions, and the theoretical and managerial implications of the study. It also suggests avenues for future research.

2. Tensions in co-competition

Co-competition is defined as the simultaneous existence of cooperation and competition (e.g., Bengtsson & Kock, 2000; Gnyawali & Madhavan, 2001) and it can be found at intra-organizational (Tsai, 2002), inter-organizational (Bengtsson & Kock, 2000) or individual levels. Moreover, it is possible to distinguish between vertical and horizontal cooperation. Vertical co-competition occurs between buyers and sellers, whereas horizontal co-competition takes place between competitors (e.g., Kylänen & Rusko, 2010). Cooperation between competitors from an inter-organizational perspective, or inter-competitor cooperation, seems the most common topic of research on co-competition. Inter-competitor cooperation has been categorized by Easton (1990) and Easton and Araujo (1992) as conflict, competition, coexistence, cooperation and collusion. Each type features varying degrees of cooperation and competition.

A more dynamic view on the different kinds of cooperative business relationships is presented by Bengtsson et al. (2010), who distinguish between combinations of different continuums of degrees of cooperation and competition. The authors maintain that strong competition is characterized by a high degree of symmetry and high competitive intensity with frequent moves and counter moves. Strong competition is coupled with tensions (Chen, Su, & Tsai, 2007). On the other hand weak competition is related to a low degree of symmetry, limited intensity and a lack of hostility. The strength of cooperation and competition can be related to degrees of complementarity, trust, and tie-strength, where cooperation scores highly and competition low. Bengtsson et al. (2010) relate type of relationship to both tension and outcome and suggest that strong cooperation together with weak competition involves weak tensions and produces an outcome of limited dynamics. In

contrast, strong competition and weak cooperation involve strong tensions with potential benefits.

Tension and conflict are often used interchangeably. Although they may be interpreted as meaning the same thing, it is important to recognize and specify their differences. Fang et al. (2011) define tension as "...two co-existing contradictory forces with conflicting goals. These forces have potential to break up partnerships, and are often the primary causes of aggravation within partnerships." This definition implies that tensions are determined by conflicts. In co-competition research, it is possible to find three different ways of defining tensions. According to Wilhelm (2011, p. 664) there is "an inherent tension between cooperation and competition... literature defines this tension as co-competition." In accordance with this view, tensions are integral to co-competition. Bengtsson et al. (2010) represent another view as they see tensions as a result of co-competition.

Furthermore, there are studies investigating different types of tensions (e.g., Bengtsson & Kock, 2003). The meaning of tensions in these studies is similar to the meaning of conflicts. A conflict can be defined as a situation of incompatible behavior, goals, or activities between at least two parties (e.g., Brown, 1983; Hunger & Stern, 1976). The focus of this study is on tensions as situations of conflict occurring in cooperative relationships. In the following sections, therefore, the terms tension and conflict are used interchangeably.

2.1. Types of tension

There are many studies focusing on types of tension in business relationships (e.g., Fang et al., 2011; Jehn & Mannix, 2001; Mele, 2011). Jehn and Mannix (2001) distinguish between relationship conflicts, task conflicts or process conflicts. Relationship conflicts include affective components and personal issues, whereas task conflicts are related to cognitive components such as incompatible ideas or opinions about tasks. Process conflicts include differing opinions about how tasks should be carried out. Mele's (2011) study adds the following: role-conflicts, affective conflicts, and value-related conflicts. Role-conflicts involve people having different opinions about the degree and type of responsibilities. Affective conflicts include emotional differences, while value-related conflicts involve incompatible value systems. However, as this study is focused on co-competition, it will concentrate on tensions that are particularly related to cooperative business relationships. Prior studies on types of tensions in cooperative business relationships are listed in Table 1 and described below.

The first type of tension in cooperative business relationships relates to roles (e.g., Bengtsson & Kock, 2000, 2003). Role tensions stem from the tension between cooperative and competitive orientation and can be found at the company or individual levels. For example, an organization that cooperates with a competitor may perceive a tension between the goals of the organization and the goal of the cooperation. On an individual level, people may perceive role tensions when it comes to interacting within the company and in a relationship with a competitor with whom the company cooperates.

In addition to roles, knowledge may also represent a tension in cooperative business relationships. Knowledge constitutes a source of competitive advantage, and knowledge sharing is an important objective in co-competition as it adds value to each organization (Chin, Chan, & Lam, 2008). Moreover knowledge sharing can have synergy effects

Table 1
Tensions in cooperative business relationships.

| Tensions | Authors |
|--------------------|--|
| Roles | Bengtsson and Kock (2000, 2003), Bengtsson et al. (2003) and Mele (2011) |
| Knowledge | Chin et al. (2008), Morris et al. (2007) and Tsai (2002) |
| Power & dependence | Osarenkhoe (2010) |
| Opportunism | Khanna et al. (1998), Lado et al. (1997) and Osarenkhoe (2010) |

that both organizations can benefit from. Tsai (2002) has studied tensions related to knowledge sharing within a multi-unit organization. According to his study, the cooperative aspect of knowledge sharing is related to the collective use of shared knowledge to pursue common interests. The competitive aspect, in turn, is related to the use of shared knowledge in order to obtain private gains in an attempt to outperform partners (Khanna, Gulati, & Nohria, 1998). Tensions related to knowledge sharing may be managed by rules (Morris, Kocak, & Özer, 2007). These rules may facilitate finding the balance between what to share and what to keep secret, which is an important consideration in cooperative business relationships.

Another type of tension in cooperative business relationships relates to power and dependence. In practice, one party may exploit its power (which may be financial, technical, or emotional power for example) to force another party to act in a way that is not in the latter's best interests. Power and dependence may also relate to the size of firms, as a smaller firm may become dependent on a larger more powerful one with more resources (Osarenkhoe, 2010). This may cause difficulties if the companies have different pricing policy options, for example, where there are common deliveries, the larger firm may happily work on a smaller margin than the smaller one can countenance. In addition to this, a company that derives resources from another company may have an incentive to reduce its dependence over time in order to obtain more control (Luo, 2005). In cooperation, this could imply a loss of competitive advantage. An imbalance in power and dependence can consequently constitute tensions in cooperative business relationships.

In cooperative business relationships, the sharing of resources and activities may create an opportunistic situation, where one of the parties exploits a weaker party's interest (Osarenkhoe, 2010). Opportunism is particularly evident in transactional cost research (e.g., Williamson, 1985) and can be defined as the tendency to exploit partners in the zealous pursuit of self-interest using guile (Tjosvold, Wong, & Wan, 2010). In cooperation, cooperation can impede a firm's operations by enabling the competitor first to obtain sight of and then to copy the firm's core competences (Lado, Boyd, & Hanlon, 1997). Strategic cooperation does not mean that firms' private interests become irrelevant and that firms shift from "a self-interest to a collective interest-oriented behavior" (Padula & Dagnino, forthcoming, p. 7–8). A study by Bengtsson and Kock (1999) shows that competitors may start to compete because one of the competitors feels threatened by the other or because one company sees an opportunity to expand its business into a competitor's field. Such opportunistic behavior would inevitably give rise to tension in a cooperative relationship.

It is worth noting that in practice, several of the above-mentioned tensions may occur simultaneously. Existing research on tensions in cooperation relationships has largely focused on presenting different kinds of tensions. There is consequently a research gap around the management of tensions.

2.2. Managing tensions

Balancing competition and cooperation in cooperation is coupled with various kinds of tensions that can be managed in several ways. Firstly, there are issues underlying the nature of the relationship, such as trust and commitment that are related to tension management. Secondly, tensions can be managed by applying different styles of management such as compromise and collaboration. These two aspects of tensions management are also used by Ndubisi (2011) in a study of outsourcing relationships.

2.2.1. Underlying issues

Fang et al. (2011, p. 775) write of relationships at a company level, "The key to maintaining a good partnership is for both parties to exert a moderate force to accomplish a common purpose". This implies that there has to be some kind of similarity within a cooperative business relationship (see Morris et al., 2007; Ndubisi, 2011). Moreover the

quotation implies that both parties need to make efforts that benefit the relationship. Parkhe (1991) argues that if partners differ in terms of culture and processes, the interactions between them may be negatively affected. Cultural differences between firms can lead to disagreements, for example if the firms have different views on production (Padula & Dagnino, forthcoming). When cooperative firms have similar cultures and processes, the organizational fit between them facilitates synergies through closer cooperation (Saxton, 1997). Similarity between firms usually implies closer cooperation and more efficient interaction. However, similarity in cooperative relationships may also imply a focus on similar customers, which in turn may lead to tensions. Therefore, similarity in the context of cooperation may have a different effect than it does in purely cooperative business relationships.

Referring to the individual actor level, Bengtsson, Hinttu, and Kock (2003) argue that professional, business, and personal roles are interrelated and that each influences business. They argue that both private and professional relationships may be necessary when competitors cooperate and furthermore, propose that personal relationships may decrease the risk of opportunistic behavior. According to Uzzi (1997) strong social relationships entail information being more trustworthy and therefore problem solving becomes easier. The role of personal relationships has scarcely been researched in cooperation research and it is therefore worth considering here.

In addition, trust may reduce the potential for tensions (Kemp & Ghauri, 1999; Zaheer, McEvily, & Perrone, 1998). From an inter-organizational perspective trust can be defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman, & Desphande, 1992). Chin et al. (2008) argue that a trusting relationship is important to successful cooperation. They continue by saying that the development of trust is important in order to maintain cooperation with competitors. A high level of trust reduces conflicts and gives rise to greater partner satisfaction (Anderson & Narus, 1990). Furthermore, trust enhances cooperative behavior (Bengtsson et al., 2010; Doney & Cannon, 1997; Li & Ferreira, 2008). Similar findings have been shown in studies focusing on the perspective of individuals (e.g., Robinson, 1996; Schurr & Ozanne, 1985). On a more concrete level, studies have shown that trust improves the exchange of information (Morris et al., 2007), knowledge and physical resources (Uzzi, 1996).

As far as trust is concerned, Celuch, Bantham, and Kasouf (2010) argue that there is a gap in existing research related to trust in buyer-seller relationships and how it may influence the ability to manage conflicts. According to Morris et al. (2007) trust is often complex and its role is not well understood in horizontal cooperative business relationships. Osarenkhoe (2010) argues that distrust may impede cooperation and therefore it can be important to understand when actors who distrust each other may be tempted to cooperate. In cooperation, trust develops in relation to such aspects as the sharing of resources, communication, meeting deadlines, and the utilization of information: trust is therefore especially relevant in terms of a firm's perception of how its partner will balance self-interest against mutual interest (Morris et al., 2007). A similar idea is presented by Lui and Ngo (2005) who argue that when inter-organizational trust exists, there is a tendency for partners to acquiesce to each other's requests.

Another issue that is perceived to have an influence on tensions in cooperative business relationships is commitment. Moorman et al. (1992) define commitment as an enduring desire to maintain a valued relationship. Ndubisi (2011) relates commitment to future and long-term orientation. In a study related to cooperative business relationships Morris et al. (2007) found that commitment seems to be related to the perception that the other party is dedicated to strengthening both its own position and the relationship's position in the market. Moreover, commitment is related to the perception that each party bears responsibility for the goals and activities that contribute to relationship outcomes. According to Morris et al. (2007) under-commitment by one of the parties will diminish the performance of both parties, but especially

the party with a greater commitment level. The degree of each party's commitment determines the viability of the relationship over time (Morris et al., 2007).

Another view of underlying issues is found within the institutional perspective, which expresses the basic idea that the survival of an organization is related to its capacity to conform to "social norms and acceptable behavior" Covaleski and Dirsmith (1988, p. 563). This implies that when external norms or practices resemble a social fact, the activities of firms may not be as much calculating and individualistic as obvious or proper (Oliver, 1991). The traditional perception of competitor organizations is that they exist to compete not to cooperate, and cooperation initiatives between competitors risk being labeled illegal cartels. From an institutional perspective this may influence how competitors interact in a cooperative relationship with each other.

To sum up, it is clear that the underlying issues of firm similarity, personal relationships, trust, commitment, and institutional factors may influence the management of tensions. More targeted methods available for the management of tension will be presented in the following section.

2.2.2. Styles for managing tension

Tensions here relate to conflicts and therefore the management of tensions can also be related to conflict management. There are various studies and models of conflict management, and one of the best known approaches to understanding the options for dealing with conflict is Thomas and Kilmann's (1974) taxonomy of conflict handling styles (Fig. 1). This model has been recognized and/or applied in several studies on conflicts and tensions in business relationships (e.g., Bradford et al., 2004; Welch & Wilkinson, 2005). Osarenkhoe (2010) applies this model in a co-competition setting of when exploring cooperation and competition between firms, and it is therefore considered to be of use to the current research too.

Thomas and Kilmann's (1974) model is a reinterpretation of the model by Blake and Mouton (1964) who applied the following classification: forcing, withdrawal, smoothing, compromise and confrontation. These were placed on continuums of concern for people and concern for production. A quite similar model is found in Rahim (1983) who presents the following five conflict handling styles: integrating, accommodating, compromising, forcing, and avoiding. These are based on the degree of concern for oneself and for others in a relationship. Rahim's classification closely resembles that of Thomas and Kilmann, and therefore this study references the latter.

The model by Thomas and Kilmann (1974) includes the following conflict management styles: collaboration, competition, compromise, avoidance, and accommodation. Somewhat similar ideas have been presented from an institutional perspective by Oliver (1991). Oliver (1991) presents the following typology of strategic responses to institutional processes: acquiescence, compromise, avoidance, defiance, and manipulation. Oliver's model differs from Thomas and Kilmann's in that it is

not directly related to conflict management and therefore it is not applied in this study.

Collaboration implies the search for an optimal, win–win outcome that fully satisfies all parties involved. In collaboration the actors try to find new and creative solutions by focusing on both the needs of the actors and the needs of the network (Gross & Guerrero, 2000). Doing so involves both a high degree of concern for oneself and for others involved in the cooperation. It can be related to integrative problem solving and is often viewed as a method that should be used whenever possible. According to Rahim, Buntzman, and White (1999), research (e.g., Pruitt, 1983) indicates that an integrating or problem-solving style of conflict handling leads to more effective conflict management than other styles. In addition, Bradford et al. (2004) show collaboration to be an effective management style for all kinds of conflicts. Those findings suggest it will be worthwhile to investigate the use of collaboration when managing tensions in cooperative business relationships that also include elements of competition.

In comparison with collaboration, competition involves an uncooperative manner. *Competition* is usually related to win–lose outcomes. Moreover it is often coupled with behavior that can be interpreted as forceful. Bradford et al. (2004) seem to address confrontation instead of competition and argue that confrontation may still have both positive and negative effects depending on the situation, and their study shows that confrontation is suitable when interpersonal conflict is low and task conflict is high. One can therefore argue that competition as a tension management strategy may be both positive and negative. Therefore it is relevant to study under what circumstances a competitive style is positive or negative in relation to tensions in co-competition.

Compromise is found in the center of the model and it is associated with situations when both parties surrender something and make a mutually acceptable decision (Rahim, 1983). There has been some criticism of compromise. For example Pruitt (1983) describes compromise as merely lazy or half-hearted problem solving. However, there are also studies showing that compromise can be beneficial, for example, if collaboration has failed (e.g., Cupah & Canary, 1997). Compromise has not previously been studied in relation to cooperative business relationships, and therefore it is relevant to investigate it further here.

Avoidance is related both to low concern for self and to uncooperativeness. Avoidance means the tension is suppressed and denied. Rahim (1983, p. 159) equates avoidance with a "see no evil, hear no evil, speak no evil" tactic, and argues that managers use avoidance less frequently than other styles. Avoidance can be seen as a passive style of managing tensions, but there can be situations where it might be appropriate, for example, if the tension is perceived as unimportant by both parties involved.

Accommodation, again, implies a focus on the benefit of the other party to one's own detriment. Bradford et al. (2004) propose that accommodation is a suitable approach when there is an aim of reducing interpersonal conflict, and note that it may have either a positive or a negative effect depending on the situation. In cooperative business relationships a firm could perhaps use accommodation in situations that are not critical to its competitive advantage.

Although Thomas and Kilmann's (1974) model is widely recognized, it has also been criticized. Van de Vliert and Kabanoff (1990) accuse the model of failing to discriminate clearly between the theoretically and practically important styles of competing and collaborating. Moreover, it should be possible to distinguish between different levels or strengths of collaboration, competition etcetera, and it seems likely that several methods could be used simultaneously, for example by different parties in a situation of tension. According to Rahim (1983) one particular conflict management style may be more effective than another depending on the conflict situation. For example, if the parties have inadequate problem-solving skills, if time is too short and if there is distrust between the involved parties, competition or compromise approaches may be used (Thomas, 1992). Furthermore, the model views conflict management from the perspective of one party, while this study

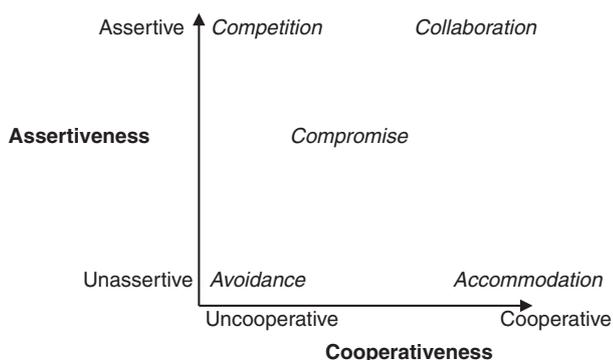


Fig. 1. Conflict management styles (Thomas & Kilmann, 1974).

views it from a relationship-perspective. This is supported by the findings of Mele (2011) indicating that conflicts cannot be effectively managed without considering all the actors in the network.

It is not enough merely to identify the management of tensions: One should also consider the outcome of their management. The natural aim of tensions management is to reach an outcome that satisfies all parties concerned.

2.3. Outcome

There are studies on the benefits of cooptation in general. Reported benefits include achieving growth over time and remaining competitive (e.g., Padula & Dagnino, 2007), but there are few studies on the benefits of tensions in cooptation (Bengtsson et al., 2010). Tensions are generally viewed as negative, however, Mele (2011) and Eckert and Rinehart (2005) criticize earlier research on business relationships for adopting that view, suggesting that tensions may trigger positive outcomes. Similar ideas have been put forward by Hamel, Doz, and Prahalad (1989, p. 134), who stress, “Harmony is not the most important measure of success.” They further argue that conflict may be the best evidence of mutually beneficial collaboration. Moreover, Filley (1975) argues that a conflict in itself is neither good nor bad; it is the outcome of the conflict that is either favorable or unfavorable depending on the measures used and the subjective criteria applied by the actor judging the results. All actors involved may perceive the outcome of a tension as favorable, but the reverse may also be true, and all actors perceive the outcome as unfavorable.

The situation becomes more complicated if one actor perceives the outcome to be positive and the other views it as negative. Rahim (1986) talks about purely cooperative conflicts (“positive-sum-games”) and purely competitive conflicts (“zero-sum-games” or “negative-sum-games”). He further states that most managerial conflicts can be characterized by both cooperative and competitive aspects, and so would be better described as mixed conflicts.

In this study the outcome of a tension is categorized as mutually positive, mutually negative, or mixed. A mutually positive outcome implies that all parties are satisfied with the outcome. A mutually negative outcome describes a situation where all parties perceive the outcome as negative to some extent. A mixed outcome means that some are satisfied with the outcome, while others are dissatisfied.

In addition to categorizing outcomes as positive, negative, or mixed, we should also recognize the content or nature of the outcome. Most research about outcomes of tensions or conflicts is based on interpersonal or intra-organizational conflict, meaning that there is little research about outcomes of inter-organizational tensions. Most studies on outcomes of inter-organizational tensions are based on channels research (e.g., Anderson & Narus, 1990). Research from various fields on the positive outcomes of conflicts includes that by Assael (1969), Anderson and Narus (1990), Dwyer, Schurr, and Oh (1987). Examples of positive outcomes of inter-organizational tensions are increased awareness and new approaches (Tjosvold & Johnson, 1989). In an alternative approach, Mele (2011) divides the positive and negative outcomes, listing dyadic, relationship, team, and project network outcomes, thereby introducing a focus on the levels where the outcomes can be identified. Mele makes an important contribution to the extant studies on outcomes of conflict and therefore different levels of outcomes will also be identified here.

To sum up, research would benefit it were to move beyond the classification of the outcome of tensions as simply either negative or positive, and instead recognized mixed outcomes as well as reporting the nature of the outcome. The outcome is influenced by the type of conflict, underlying issues of the relationship and the applied style of management. Together these aspects represent the focus of this study and in the following section they will be investigated empirically.

3. Methodology

Easton (1995) writes that a majority of the studies within the business network approach are, consciously or otherwise based on case studies. Case studies are considered appropriate for studying business networks because they enable the researcher to capture the complex pattern of links between different actors in the network and to trace the development of changes occurring within the network over time (e.g., Halinen & Törnroos, 2005). Following this premise, this study is based on longitudinal comparative case study research, including two cases of cooperative business networks. This research method has also been applied by other researchers focusing on cooptation (e.g., Wilhelm, 2011) and that research has provoked calls for longitudinal studies of the interactions between firms (Lui & Ngo, 2005). A comparative case study allows the researcher to focus on similarities and differences between cases, rather than presenting rich and detailed contextually-related information on a single case. The cases were purposefully selected in order to be able to compare the findings of two different kinds of cooperative business networks. The empirical study was carried out from 2003 to 2006 in Case 2 and from 2003 to 2011 in Case 1. In total 40 interviews were conducted with 16 managing directors. The informants were selected because they had the best knowledge of the cooperative relationships of the companies. The average length of an interview was 50 min and all interviews were transcribed by the authors.

Research (Bengtsson et al., 2010; Easton, 1990; Easton & Araujo, 1992) has shown that inter-competitor cooperation, can comprise varying degrees of cooperation and competition. Bengtsson et al. (2010) apply a two-continuum approach of categorizing cooperative relationships into various levels of high and low cooperation on the one hand and high and low competition on the other. The authors suggest a division of cooperative relationships into two continuums provides a precise study of the interaction, tensions, and dynamics within a certain kind of relationship. Accordingly, this empirical study involves one case marked by high cooperation and low competition and another case characterized by low cooperation and high competition. Moreover, because previous research has shown that cooperation between competitors can be either voluntary or forced (e.g., Bengtsson & Kock, 1999) this study includes one case of voluntary cooperation and another of forced cooperation. Together the cases will enrich our understanding about tensions in two different types of cooptation. Both cases involve SMEs connected through a type of formal exchange. Case 1 involves four companies in the steel industry and represents a case of high cooperation and low competition. This case involves proactive and voluntary cooptation targeting mutual development and growth through interaction between the companies. Case 2 comprises ten companies from the natural products business and involves low cooperation and high competition. The case involves reactive and forced cooptation, in the search for common principles within marketing and sales.

Case studies may contain both quantitative and qualitative research methods. The purpose of quantitative methods is often exploratory, while qualitative research methods aim to understand a phenomenon. Therefore, a qualitative research method was applied in this study. That method took the form of interviewing conducted in a step-wise pattern. Most qualitative studies demand multiple interview sessions with an informant in order to generate trustworthy findings (Glesne & Peshkin, 1992; Morse, 1994), so each informant was interviewed at least twice. In addition to the personal interviews, telephone follow-ups were made subsequently to record further developments in the relationships reported on. The general idea behind this pattern was to start on a more abstract level and then later move to a more concrete level. The first interview elicited background information about the company, on the cooperative relationships of the company and the benefits and drawbacks within those relationships. The second interview was based on the critical incidents technique (Flanagan, 1954) and focused on obtaining detailed descriptions of conflict events within the cases. The informants were asked to describe events surrounding

conflicts in detail, with a particular focus on causes, topics, and outcomes of the conflict. Subsequently, the informants were re-interviewed to establish how the conflict events had developed over time.

Qualitative content analysis was used in the analyses of the empirical material (Miles & Huberman, 1994). With regard to the types of conflict, the coding of the material was not based on any theoretical pre-understanding, but analyses and codes arose directly from the empirical material. The analysis was focused on a certain type of tension, its management, and also the outcome of that management. More descriptive codes were used in the first-order coding, before codes that were more abstract were gradually generated from the material. Similar descriptive codes were sorted into more abstract and refined codes. For example, the code domain consists of the following sub-codes: products and copying. Products include the first-order codes manufacturing and sales. Copying includes me-too products, advertisements, and trademarks. The conflict management styles applied by Thomas and Kilmann (1974) formed the basis for the analysis and coding of the material. The material was analyzed based on the stories related by the informants. In addition, the outcome of conflicts was coded and analyzed based on the theoretical pre-understanding of outcomes of conflict as positive, negative, or mixed. The following section reveals the findings of the empirical study. In order to preserve their anonymity, the companies and informants in Case 1 are numbered 1–4, and in Case 2 are numbered 5–11.

4. Findings

4.1. Case 1

Case 1 involves four firms from the steel industry. The companies manufacture chassis and boxes for trucks and trailers. Two of the companies (Companies 3 and 4) are subsidiaries of the same mother company and the other companies (Companies 1 and 2) are family owned and have been cooperating for several years. The cooperative relationship between all four companies started early in 2000. The initial goal of cooperating was to share information on current market trends and to compare working practices. After some time the companies realized the potential benefits of specialization. Previously each company had been manufacturing more or less similar products, but eventually each decided to focus on a certain product niche. The companies intended for cooperation to enable them to offer their customers better products and in a better way. However, some of the companies continued to manufacture and sell products to their original customer base, so the case is characterized by cooptation. Some of the companies share a sales network in Sweden and Norway, while offering different products. The companies also cooperate in their mutual supplier/buyer relations. In addition to the above-mentioned exchanges between the companies, they also meet up to four or five times a year to discuss issues of mutual

interest. The findings of Case 1 are illustrated in Fig. 2 and elaborated on below.

Bengtsson et al. (2010) stress the importance of recognizing the context in which cooptation occurs. Previous research (e.g., Chin et al., 2008; Morris et al., 2007) has shown that trust and commitment are important to sustainable business relationships and may reduce tensions. This case is characterized by relationships of trust and commitment. Informant 3 says that there would be no cooperation without the trust and good personal relationships that exists between the people involved. This can be related to previous research indicating the importance of personal relationships (Bengtsson et al., 2003; Uzzi, 1997). In this case all the companies believed in the benefit and future of the cooperation and did not see any potential risk in maintaining it. In spite of that, there were still several tensions within the relationship.

The first type of tension relates to domain and involves suspicion of the requirement that a company had to stop manufacturing and selling its product to its customers. This tension first arose in the initial phase of the cooperative relationship between Company 1 and Company 2. Company 2 questioned giving up practices and sales it had invested in developing. The same tension later appeared in relation to Companies 3 and 4. According to the managing director of Company 4, it was hard to convince the employees of the benefits of sharing drawings with the other companies. It also turned out that it was hard for Company 3 to give up manufacturing certain products, which led to tensions with Company 1. Within channels research similar findings have been presented by Stern and El-Ansary (1977) and by Reve and Stern (1979). In this study, these tensions were managed by collaboration: The companies discussed their issues and negotiated to discover a win–win solution. In practice the outcome was achieved by specialization on a company level and increased interaction in the relationships between the firms. The use of a collaborative style for managing tensions can be related to compliance (Oliver, 1991) and acquiescence (Lui & Ngo, 2005). The outcome of the tensions was mutually positive, as each company was able to focus on what it did best and to cooperate with its counterparts to offer the customers a wider range of better products, making the outcome a positive one from the customer perspective. On a company level the positive outcome is related to finding new and better ways of working or more particularly, each firm being able to concentrate on its core competence. Similar findings have been presented by Tjosvold and Johnson (1989).

A second type of tension related to the domain occurred in the relationship between companies 1 and 3. Before beginning to cooperate in 2000, the companies had manufactured similar products for similar customers. After the idea of specialization arose, Company 3 continued to pursue its product strategy in the Finnish market. This is an ongoing tension in the relationship with Company 1 that would have preferred Company 3 to focus on a certain product niche. The tension is managed by competition, and marked by each firm having a high level of concern for itself and little concern for the other party. The outcome is mixed, as it is positive for Company 3 and negative from the perspective of Company 1. The outcome applies to the company level and implies that the

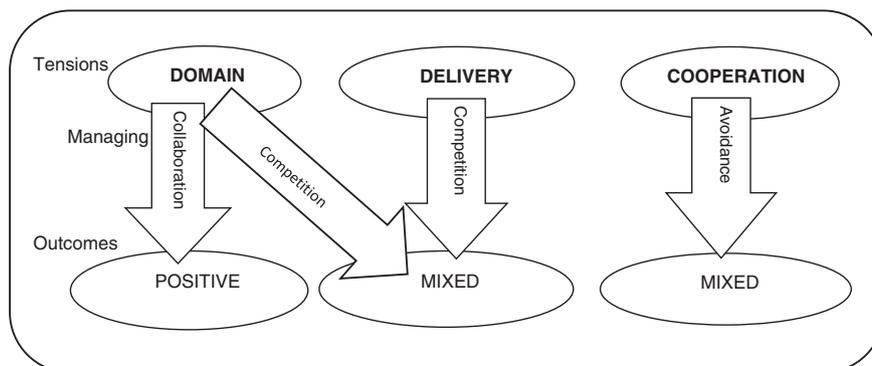


Fig. 2. Tensions in voluntary cooptative relationships with high cooperation and low competition.

full potential of the cooperation between the companies has not been exploited.

The second type of tension arose some time after the initiation of the cooperation. It relates to deliveries and concerns situations where the companies acted in a buyer/seller relationship. One form of tension related to delays in deliveries from one company to another.

In my opinion, within this group we have to make clear rules of general terms of delivery. The aim with this group was also that when certain products are produced in certain units, faster deliveries could be made.

[Informant 3.]

This tension has to do with the companies having different ways of working. The way that processes were managed in Company 3, for example, was very different from the form of process management found in Company 2. As a result, Company 3 was not able to deliver in the timescales the Company 2 expected. As a result, tensions arose in the cooperative relationship between the companies. This finding can be compared with the study by Lui and Ngo (2005) showing that the similarity between two firms' positively affects the likelihood of them acquiescing to each other's actions, and that dissimilarities between parties led to misunderstandings and hostile action.

Another form of tension related to price within the exchanges between one company and another.

Now the customer could buy two trailers from us and one from you but we are too expensive in total, how much can you decrease the price? We will decrease this much and how much can you decrease?

[Informant 2.]

This tension has to do with the fact that Companies 1 and 3 are larger than Companies 2 and 4. It is easier for the larger companies to reduce margins on a certain product in order to be able to sell it, but it is more difficult for the smaller companies to do likewise. Prior literature within channels research has also suggested price is a tension (Reve & Stern, 1979; Stern & El-Ansary, 1977). Here tensions related to price are found to affect both the exchange between two of the companies involved and a shared sales office.

The tensions related to deliveries were managed by competition, as neither of the companies involved was willing (or perhaps able) to change its pricing policy. However, the case does not provide such strong examples of competition as previous research suggests (e.g., Thomas & Kilmann, 1974), as the competition element is framed in terms of self-preservation rather than in terms of defeating the other party. The outcomes of these tensions are mixed, that is, they are positive for the party who delivers late or for a higher price, while being negative for the buying party that has to cope with delayed deliveries or would be able to sell to the customer at a lower price. This outcome consequently exists both on a company and an external level, that is, in relation to a third party; the customer.

A third type of tension evident from the case study concerns cooperation, or more accurately, the terms of cooperation. This type of tension has been more or less ongoing for several years and includes different issues. At one time it concerned the establishment of a mutual sales company. Company 1 would have preferred to establish a mutual sales company in southern Finland. This aim was opposed by the other companies, and especially Company 4 that already had an established sales network in southern Finland. The latter wanted all the companies to expand their operations in the Russian market instead. Another conflict issue concerned mutual purchasing arrangements requested by Company 2. The other companies were, however, not interested in joint purchasing. One reason was that some of the companies were larger than Company 2, and exploited their purchasing volume to obtain better prices than were offered to Company 2.

Another group of tensions related to cooperation concern the balance in interaction, and some of these are coupled with the balance of "return" in the cooperation between the companies.

...sometimes it is perceived that one of the companies kind of gets a free-ride, that it is the other company that does everything...

[Informant 1.]

Company 1 provided the other companies with access to its sales channels in Sweden and Norway and eventually expects something in return. However, the most recent interview with Informant 1 reveals that the company still had not received the expected benefit and was seeking new benefits. This tension can be related to the findings of Morris et al. (2007) who posit that inequitable distribution of benefits between the cooperative parties may disadvantage one firm as it performs at levels below those anticipated.

The tensions related to cooperation in our case study were managed by avoidance or non-action. One reason for this might be that the cooperation is considered important in itself, so one party is reluctant to raise these kinds of tensions in discussions. Informant 1 offers another potential reason; the expected long-term nature of the cooperation, which implies that mutual future benefit remains a possibility. The outcome of these conflicts is mixed, which means that it is negative for the company wanting to cooperate or the company that does not receive the expected benefit, while at the same time being positive for the company whose strategy is to resist cooperation and for the company that is able to utilize the sales channels of another company.

4.2. Case 2

Case 2 involves 10 companies from the natural products industry. The natural products industry is that producing natural (or often synthetic) products such as health and nutrition supplements, food and cosmetics. The industry is characterized by strong competition between companies manufacturing similar products. Some companies have a long history of operations within the business, while others were established in the 1990s. The companies are similar insofar as they are small and their growth has been more or less stable in recent years.

The companies cooperate primarily on an industrial level, either through the industry's Wholesalers' Association or Negotiation Council. Most of the cooperation between the companies involves industry development (and more specifically the search for acceptable marketing claims) and in their contact with the regulatory authorities. At the time of the empirical study, the industry was at a key phase. Activities related to marketing were central both to cooperation and competition between the companies. At the time of the study, some companies made stronger claims for similar products in their marketing than others did. Some of the managing directors discussed matters related to shopkeepers, taxes and other issues on a fairly informal basis. Moreover, some of the companies were manufacturing or had manufactured products for another company. The findings of Case 2 are illustrated in Fig. 3 and explicated below.

The companies were more or less forced into cooperation, as it was to a large extent based on a request from the industry regulators to try and agree on common principles of marketing. A similar kind of cooperation, that arising from a governmental request, has also been reported by Luo (2004) and Rusko (2010). This kind of politically-induced cooperation may cause tensions between the aims of politics and the cooperating companies (Osarenkhoe, 2010). The same findings are apparent here where individual company strategies and aims differed making it hard to agree common marketing principles. In relation to this issue, Oliver (1991) proposes that if institutional pressures are related to legal apparatus, it is not likely that organizations will resist these pressures. This proposition is not in line with the findings of this study where competition was often used as a tension management strategy.

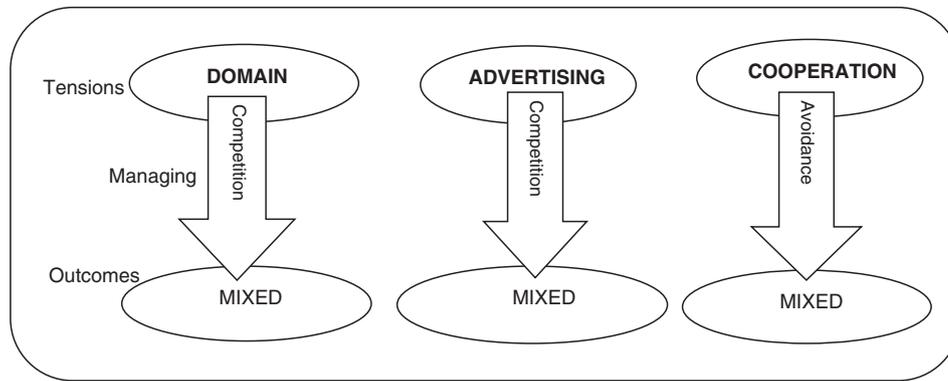


Fig. 3. Tensions in forced cooperative relationships with high competition and low cooperation.

The first type of tension in Case 2 concerns the domain. Several tension situations involve overlaps, or more particularly the introduction of “me-too” concepts. Here a me-too concept should be understood broadly as including product copies, copies of advertisements and trademarks.

We are leading when it comes to [product type]... they are our flagship and brand and it turned out to be the product that opened up the whole market...and now [another company] came out with their product and the unimaginative thing in this case is that they have copied everything in our launch strategy, including making the name as similar as possible.

[Informant 5.]

Of course you also skim the cream off, but as soon as you ... have taken the cream you know that there is still the rest left, which you would also like to have, but then you have but then you have lots with you and so to say share that cake.

[Informant 6.]

Sometimes the copying involves only certain elements or product ingredients. On other occasions it is coupled with either registered trademarks or applications for a patent. In these situations it concerns either a me-too product introduced to the market despite another company trademarking the product or some part of it. Other tensions related to domain concern channels of distribution.

There is a mutual conflict of interests that occurs very often at the industry meetings and causes great discussion and quarrels and stops things, because if it is the case that 90 percent of one's business comes from shops selling natural products then of course one must promote the interests of that single channel. For another part for example half of the business comes from the pharmacies channel and of course they protect the interests of that channel and then there is disagreement unless you are somehow able to tackle it.

[Informant 12.]

The tensions related to domain resemble those of opportunism, which earlier research has highlighted as being a tension in competition (e.g., Osarenkhoe, 2010). Opportunism is characterized by selfish behavior and a win-lose mentality. Our case study reveals domain-related tensions to have been managed by competition, which implies little concern for the other actors, and a high concern for the own company. In the natural products industry, copying of products and firms zealously protecting their distribution channels are commonplace. The outcome of these tensions is mixed, because it is positive for the firm that copies and negative for the producers of the copied goods. The mixed outcome is apparent on a company level and is one that implies that the investments made by one firm to realize potential benefits ultimately serve to benefit another company.

A second group of tensions concerns advertising. The primary issue is over potentially misleading marketing. The topic of this tension is also critical from a customer point of view, as customers rely on advertisements being a true reflection of the products.

What is also to some extent causing conflicts between us competitors is how much one promises concerning a product...

[Informant 6.]

...the content and the declaration on the package did not at all match. The claims on the package were totally for something else ... it was like pure rubbish...

[Informant 5.]

These tensions were also managed by competition as evidently the firm making the dubious claims was only concerned with increasing its own sales regardless of the effect on the other parties in the relationship or the industry in general. This is in line with Oliver (1991), who argued that defiance is likely to occur when there is low organizational interconnectedness in the institutional environment. The outcome of this tension is mixed, being positive for the company that over promises and negative for the other companies. The outcome is manifested on a company and external level due to the impact on the customer.

A third type of tension is that related to cooperation. At one point, one of the companies wanted to establish a joint marketing magazine, but tension arose when the other companies were not interested. Another type of tension related to cooperation embraces the whole business of natural products, and involves participation in the Finnish wholesalers' association. The interviews revealed that only around 10 of the several hundred wholesalers in the natural products business belonged to the wholesalers' association. To put the figure in perspective the proportion for retail shop wholesalers is around two in every three. These tensions have been managed by avoidance, as they are ongoing and no concrete action has been taken. However, it becomes apparent that avoidance has not been used in exactly the same manner as advocated in the model of Thomas and Kilmann (1974). The cases here show avoidance is coupled with high concerns for self and uncooperativeness, which characterizes competition in the model. The outcome is then mixed, as it is positive for the companies that do not want to be part of the cooperation and negative for those that would like others to join the cooperation effort.

4.3. Case comparison and discussion

Both cases demonstrate obvious domain-related tensions. In the cases examined, the domain-related tensions concerned the manufacturing and sales of products and copying. Domain does not appear as an issue in previous literature on tensions in cooperative business relationships and it might be added to roles on a company level (Bengtsson & Kock,

2003). The findings suggest that **domain-related tensions** to occur in **coopetition situations** that are characterized both by **high cooperation and low competition** and **vice versa**. Moreover domain-related tensions seem to be occurring continuously in **coopetition**. These tensions were **managed by both competition and cooperation** in Case 1 and by **competition** in Case 2. In both cases **competition** was followed by a **mixed outcome** and **cooperation** by a **positive outcome**. This is in line with **Rahim et al. (1999)** who argued that research (e.g., **Pruitt, 1983**) indicates that an **integrating or problem-solving style of conflict handling** leads to **more effective conflict management** than other styles.

Another type of **tension** apparent in Case 1 concerns **delivery**, a tension previously mentioned in channels research (e.g. **Rosenberg, 1974**), but **not overly in coopetition research**. This may be explained by the nature of the case, which eventually developed from being **more competitive** in the beginning to becoming more like a **buyer–seller relationship** over time. The tension can also be understood in light of the **differences between the companies in terms of size and mode of operation** (e.g., **Parkhe, 1991**) and it implied that **no party wanted to abandon its way of operating**, which can be related to a **competitive way of managing the tension**. The outcome of these kinds of tensions is positive for one company and negative for the other. In practice, this **mixed outcome** implies that the outcome is negative for the buying company that did not receive the products it ordered on time while the outcome is positive for the supplying company that was able to stick to its mode of operation. A mixed outcome also appears in Case 2 around the **tensions related to advertising**, where it was positive for the firm over-promising and negative for the other firms. These tensions can be compared to those highlighted in previous literature on **opportunism** (e.g. **Osarenkhoe, 2010**), and were also **managed through adopting a competition approach**. One potential reason for applying this strategy may be the nature of the industry. It was **relatively unregulated** at the time of the study and therefore **open to opportunistic activity**. From an institutional perspective this finding indicates that the **institutional pressure for cooperation was not strong enough**. A **competitive style of managing tensions** can be compared with the **defiance and manipulation strategies** highlighted by **Oliver (1991)**, who argues that these strategies are likely to occur most **frequently** when there is **little consistency between organizational goals and institutional pressures**. This was the situation in Case 2, where the **pressure to cooperate** applied by the authorities was **not congruent with the individualistic strategies** of many companies. **Oliver (1991, p. 170)** hypothesizes that “the lower the degree of interconnectedness in the institutional environment, the greater the likelihood of organizational resistance to institutional pressures.” The findings of this study provide some support for this proposition in showing that concerning **tensions related to cooperation**, situations of **high competition and low cooperation** involve high levels of concern for the own firm and little concern for others.

A third type of tension that is present in both cases is **cooperation**, which is not directly comparable to any previous study on tensions in **coopetitive business relationships**. These tensions concern the terms and modes of cooperation and are typical of **coopetitive business relationships**, where one of the key tasks is to find the **right balance between sharing and protecting** and also between **cooperating and competing** (e.g., **Gnyawali, He, & Madhavan, 2007**). These tensions were **managed in our cases by avoidance**. However, in comparison with previous research (e.g., **Rahim, 1983**) the findings of the study indicate that an avoidance strategy does not necessarily mean that the tension is related to little concern for oneself and low levels of cooperation, but instead may involve **strong self-concern and low levels of cooperation**. This resembles the examples of competition in the original model (**Thomas & Kilmann, 1974**), but **differs** when it comes to the “**high concern for self**” that does not imply any concrete competitive action as it does in competition. According to **Oliver (1991, p. 165)**, avoidance will be most common when “there is only moderate consistency between organizational goals and institutional pressures.” This is in

line with the findings of this study. In both cases, the goals of the organizations were only partly consistent with institutional pressures.

Based on a general reflection on the findings it is possible to say that **compromise and accommodation**, do not seem to be used as a way of **managing** tensions in **coopetitive business relationships**. There is a logic behind the **lack of accommodation**, as companies cooperating with a competitor must also continuously **focus on preserving the competitive advantage and core capabilities** of their own company. One potential reason for **shunning compromise** is that it can perhaps sometimes be **related to illegal inter-competitor cooperation**. Compromise has also attracted some criticism (**Pruitt, 1983**), and therefore it may be arguable that it is a good thing that it is not employed. From an institutional perspective, **Oliver (1991, p. 171)** places **compromise and avoidance** on the same level and asserts that both strategies are likely to occur when **environmental uncertainty is high and in highly interconnected environments**. This is not in line with the findings of this study where **avoidance**, and not **compromise**, was used as a **strategy for managing tensions**. In contrast, the findings of this study show that **cooperation and avoidance** was applied in **highly interconnected environments** (Case 1).

The findings show that **competition and avoidance** are the most common ways of **managing tensions** in **coopetitive business relationships**. This contrasts with **Rahim's (1983)** research that refers to studies showing that **avoidance is used less frequently than the other styles**. Moreover the findings indicate that **sometimes competition and avoidance appear in somewhat different forms than in the original model of Thomas and Kilmann (1974)**. **Competition is not always as fierce** as in the original model and **avoidance seems sometimes to carry the seeds of competition**, and more particularly self-preservation. Both of these seem to lead to a **mixed outcome** and a **continued tension**, which in a way can be considered **natural in inter-competitor cooperation**. It is noticeable that most outcomes are mixed, or **partly negative**, apart from situations of tensions managed by collaboration. Previous research by **Bradford et al. (2004)** has also shown the benefits of employing collaboration. The findings of this study reveal a **competitive style of managing tensions** in both **coopetition relationships** marked by **high cooperation and low competition** and in those with **low cooperation and high competition**. In both types of **coopetition** this competitive management style result in **mixed outcomes**, which implies that one party is dissatisfied with the outcome. This is not totally in line with **Chen et al. (2007)** who argue that **strong cooperation is coupled with weak tensions**.

To sum up it is possible to say that although the cases are of very different nature as far as levels of cooperation and competition, degree of trust, and reasons for cooperation are concerned, there are still several similarities between the cases when it comes to topics, management and outcomes of tensions.

5. Conclusions

Existing research on **coopetition** has investigated tensions on a superficial level, mostly by only recognizing types of tensions. This study contributes to **coopetition research** by focusing on **SMEs engaged in different kinds of coopetitive relationships** from a **two-continuum perspective**. Concerning tensions in **coopetition**, the study contributes by **recognizing both underlying issues and the styles applied to manage the tensions**. Moreover the findings indicate how the various forms of tension management produce **different kinds of outcomes**.

In relation to existing research on tensions in **coopetitive business relationships** this study presents **new types of tensions**, examples being those involving **domain and cooperation**. As several types of tension are evident in different types of **coopetition**, it **might** be possible to **predict these tensions**. Tensions related to **domain and cooperation** appear both in **coopetition relationships** marked by **high cooperation and low competition** and **vice versa**, and the tensions most often produce a **mixed outcome**. The findings of the study indicate that the same type of tension may produce different outcomes depending on how it is

managed. It may well be that it would be beneficial to shift our focus from the types of tensions to their management.

In relation to underlying issues or antecedents of management style, the findings of this study show that the goals of the cooperation between competitors may also influence the choice of management style. The findings also confirm that parties are more likely to support each other's actions in cooperative business relationships that are based on voluntariness, trust, and commitment than in relationships that are to some extent forced and involve low cooperation and high competition.

This study indicates that the management of tensions in cooperation may be different from the management of tensions in purely cooperative business relationships. The ideas by Lui and Ngo (2005) seem to fit better in cases with high cooperation and low competition than in situations with high competition and low cooperation. In contrast to the findings of Thomas and Kilmann (1974) and Oliver (1991), this study did not find that compromise was adopted as a strategy for managing tensions and that avoidance and competition may sometimes be quite similar. This study shows that competition and avoidance are the most common strategies for managing tensions in cooperation. The use of competition can be explained by the inbuilt tension between individualism and sharing in cooperation. Avoidance was applied to tensions related to cooperation and can be understood on the basis that there was only moderate consistency between organizational goals and institutional pressures (Oliver, 1991). A cooperative style of managing tensions was applied when one of the aims of the cooperation was to reduce competition between the companies. This style can be related to acquiescence, as defined by Lui and Ngo (2005).

Literature on the outcomes of tensions in cooperation is seemingly nonexistent and therefore the findings of this study make an important contribution to this field. It is interesting to note that no matter the type of cooperative relationship, type of tension and style of management, mixed outcomes seem to be the most common. In contrast to the findings of prior research, the cases in this study reveal no tensions producing a wholly negative outcome for all parties. In other words, all outcomes were positive for at least one of the parties. Tensions in cooperation can consequently be viewed as more positive than we might have expected. Simultaneously it is possible to argue that it is hard to manage tensions to the satisfaction of all parties involved. In relation to outcomes it is possible to say that mixed outcomes are found on a company and external level, while mutually positive outcomes are also found on a relationship level and seem to be more widespread and something to strive for.

Bengtsson et al. (2010) argue that it is relevant to analyze cooperative business relationships from a two-continuum perspective. Despite the different nature of the cases in this study, similar tensions are evident. The findings of the study also indicate that although trust and good personal relationships exist (compare with e.g. Bengtsson et al., 2003), tensions very seldom have mutually positive outcomes. The desire for preserving firm level strategies seems to be stronger than joint cooperation strategies. Opportunism is not a tension in a similar way as in previous cooperation research (Khanna et al., 1998; Lado et al., 1997; Osarenkhoe, 2010), but it tends to be an issue related with types of tensions and how they are managed. The findings indicate that it is too simple to say that a single element such as trust and strong cooperation lead to weak tensions in cooperation. Each tension, its parts and development should be thoroughly analyzed.

From a managerial perspective, the findings of this study addressing tensions related to issues of domain suggest it would be beneficial to build the cooperation on heterogeneous resources and activities, which may demand an operational change of focus in the individual firms. Tensions related to cooperation seem to be continuous, and if avoided, seem to cause no further damage to the cooperative relationship. Moreover, the findings of this study show that, in comparison with other managing methods, collaboration produces a positive outcome for all parties. Whenever possible, in cooperative business

relationships, one should first try collaboration to manage tensions. However, collaboration seems to be used in relationships that are characterized by trust and commitment, and therefore its adoption might be more challenging in relationships that are to some degree forced and highly competitive.

To improve our understanding of cooperation, future research should develop and adapt the various conflict management styles, because they do not always seem to fit cooperative business relationships as presented in the original models. As several tensions are managed by competition it would also be relevant to focus on whether and under what circumstances competition might lead to mutually positive outcomes. Moreover future research on cooperation should investigate different mixed outcomes of tensions, as the findings of this study show that most outcomes seem to be mixed. A central question here would be whether it is possible to turn these mixed outcomes into mutually positive ones, and if so, what would be required to do so. Other possibilities for future research are to study tensions and their development over time and to investigate how tensions possibly are related to different actors outside the focal cooperative business relationship.

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