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Co-opetition: the ability to co-operate and compete together

Focus investigates why collaboration between competitors is beneficial for the profession.

In 1996, logistics professionals began to become excited about a new supply chain paradigm. Co-opetition – a combination of co-operation and competition – was the title of a best-selling business book by two American academics, Adam M Brandenburger and Barry J Nalebuff, from Harvard and Yale business schools respectively.

As the name implies, the basis of the idea is collaboration between competitors, a concept that is not as bizarre as one might expect. Why? Because those businesses with supply chain challenges and requirements that will be closest to a given business's own supply chain challenges and requirements will generally be its competitors. In the motor industry, for instance, tyre, battery and exhaust system manufacturers and distributors must deliver to the same dealerships and aftermarket retail outlets; and grocery manufacturers must deliver to the same supermarket regional distribution centres, wholesalers, and retail outlets. In such circumstances, pointed out Brandenburger and Nalebuff, co-opetition made a lot of sense.

Consequently, co-opetition has attracted considerable attention among practitioners and academics. Bengtsson and Kock¹, for instance, define co-opetition as: 'the dyadic and paradoxical relationship that emerges when two firms co-operate in some activities, such

as in a strategic alliance, and at the same time compete with each other in other activities.' In other words, co-opetition is a situation that is in between pure co-operation and pure competition, combining elements of both as and when applicable.

That said, most of the well-known examples of co-opetition come from marketing, manufacturing or product development contexts. Automotive manufacturers, for instance, have used co-opetition to develop new models: PSA Peugeot Citroën and Toyota shared components across their Peugeot 107, Toyota Aygo, and Citroën C1 models. Mobile phone manufacturers Samsung, Sony Ericsson, Motorola and Nokia collaborated to launch the Symbian early smartphone operating system in a battle against Microsoft Windows.

Logistics dimension

When it comes to logistics and transport, there have been fewer high-profile examples, at least in terms of direct co-opetition, as opposed to firms collaborating through the shared and co-ordinated use of a third-party logistics provider. That said, Swedish paper manufacturer Holmen drew attention in the 1990s for adopting co-opetition as a way of shrinking the 2,000km separating its remote northern paper mills from its urban European markets: Holmen (then trading as MoDo) made use of a

competitor's fleet of vessels in the North Sea, while its competitor had access to MoDo's fleet in the Baltic.

Within the UK, the most high-profile example of co-opetition is the decade-old agreement between Nestlé, the world's largest food manufacturer, and Pladis, the largest biscuit and snack food manufacturer in the UK. Stemming from a chance conversation between two logistics managers at a 'Speed Dating for Business' session in 2007, the two managers realised that they each faced similar problems, with empty heavy goods vehicles returning from deliveries. Moreover, both were failing to meet their sustainability targets.

It transpired that each company had looked several times at establishing co-operative arrangements with other businesses in order to address these issues, but these other businesses had always been retailers and non-competing manufacturers; working with each other had always been discounted because they were competitors.

However, with the support of a senior sponsor on each side and considerable determination and initiative, the two logistics managers broke down the barriers that have traditionally stopped rival companies working together and implemented a co-opetitive arrangement, whereby transport resources were shared on particular routes.

Still successfully operating today, the arrangement is credited with eliminating 28,000km of empty trailer journeys, saving 95,000 litres of fuel, reducing CO₂ emissions by 250t and reducing costs by £300,000 a year: a far from insignificant amount. Both firms now want to expand the co-opetition to exploit new opportunities. Their motto: *Compete on the shelf, not on the back of a truck.*

Co-opetition in action

Yet despite these undoubted successes, the Nestlé-Pladis co-opetitive arrangement has never been formally studied, despite it being one of the very few examples of co-opetition within the UK's retail logistics sector. Obvious questions stand out as unanswered, the answers to which will be of equally obvious interest to a wide range of logistics professionals.

Why were the Nestlé-Pladis co-opetition discussions able to move successfully to fruition, when so many other potential co-opetitive agreements failed to get off the starting blocks? What are the secrets

behind its considerable longevity? What levels of investment have been required to operate and sustain it? How do the two parties communicate? How do the two parties measure and monitor its success? What were the barriers to co-opetition and what were the drivers that impelled the two companies to overcome them?

Accordingly, the present authors, led by Vahid Mirzabeiki, successfully sought seedcorn research funding from Cranfield University School of Management in order to remedy this lack of academic insight, and were doubly fortunate in obtaining the full support of the management teams of both Nestlé and Pladis.

The starting point was a 38-question online survey based on the extant academic literature, with each question structured around a five-point agree-disagree Likert scale, which was completed by 12 respondents. This was followed by an interview programme completed by two acknowledged experts on the co-opetition agreement from each company, involving semi-structured questions focused around the survey results.

Finally, a workshop was held and attended by the heads of logistics and distribution from each company, with the intention of validating the quantitative and qualitative survey and interview results, and probing in more depth the nature of the barriers to co-opetition that had been experienced, and the drivers that impelled management to overcome them.

At the conclusion of the research programme, it was clear that a series of compelling insights had been gained into what had underpinned the success of the Nestlé-Pladis co-opetition agreement, and what lessons emerged for others wishing to emulate that success.

Drivers of success

To begin with, it was clear that both partners had recognised early on that a successful co-opetitive relationship had to be pursued with greater intensity than a normal collaboration. Quite deliberately, a strong business case had been put together, targeting the elimination of a significant amount of empty running.



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→ In addition, strong and continuous senior-level sponsorship supported the founder managers, while keeping them focused on the business case. It was recognised, for instance, that there needed to be clear boundaries between the co-opetitive process in question, and the usual – and competitive – retail-focused activities of each company.

In particular, emphasis was placed on information sharing, regarding transport movements and the availability of transport resources, including vehicles operated by third-party logistics providers. Moreover, senior management of each business had prescribed rules for how that information-sharing was to take place, making clear where the boundaries were. It was decided to limit communication to conversations and information-sharing taking place solely between each business's factories and distribution centres.

Finally, significant effort was put into relationship building, with a conscious attempt to get together on joint objectives and new initiatives in an open, trusting, respectful and active way. In addition, there was a deliberate attempt to minimise risk by starting small and building from there – for example, at first the co-opetitive arrangement covered just two vehicle runs a week.

Barriers overcome

Working collaboratively with a competitor can be fraught with difficulties, more so than in a more conventional situation. Some significant barriers were overcome by both companies to ensure the success and longevity of their joint enterprise.

Initially, for instance, there was suspicion, both institutionally and among individuals, when it came to working with competitors.

The presence of a competitor's truck in the yard of a factory or distribution centre, for example, was seen as odd and mildly disturbing. More seriously, it was necessary to overcome or at least accommodate elements of operational misalignment, due to different approaches taken to engaging with third-party hauliers, and incompatible operating and commercial specifications.

Finally, there were doubts to be overcome within both organisations as to the validity of the business case. This was apparent at higher levels within the organisation, but required communicating to make it pervasive.

Wider lessons

What is to be made of this now decade-old exploration of the benefits of co-opetition, an exploration that is still ongoing, and which continues to develop? Logically, it must be that the negative perceptions of co-opetition shared by many logistics and supply chain professionals are misplaced. True, as we have seen, there are barriers to overcome, but the fact remains that external pressures faced by co-opetiting partners are likely to be similar, as are the characteristics of their supply chains and distribution operations.

Simply put, the most logical partners for a business to align with are those that carry the same loads to the same customers, with the same equipment that face the same external pressures in terms of market forces, environmental requirements and operating environments.

The conclusion is inescapable. The fact that companies often refuse to countenance co-opetition arrangements is understandable and almost certainly cultural in nature, but is definitely not a rational response to these similarities.

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REFERENCES

1. Bengtsson and Kock (2000) *Coopetition in Business Networks—To Cooperate and Compete Simultaneously*



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Above: Within the UK, the most high-profile example of co-opetition is between Nestlé and Pladis