

# Co-opetition: A lever for the competitiveness of SMEs and their export performance

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## **Résumé**

*Cet article vise à examiner l'impact des stratégies de coopération sur la performance export des PME. Il met en évidence les dimensions coopératives et compétitives de la coopération et montre l'importance de la coopération entre concurrents comme stratégie pour atteindre les objectifs à l'export. En adoptant une approche quantitative et en introduisant la confiance comme variable médiatrice entre le comportement concurrentiel et la coopération inter-organisationnelle, l'étude menée sur un échantillon de 120 PME exportatrices marocaines montre l'existence d'un effet indirect, positif et significatif de la coopération sur le comportement concurrentiel des PME en alliance ainsi que leur performance sur les marchés étrangers. L'utilisation de l'échelle EXPERF comme instrument de mesure de la performance export nous a permis de conclure que les dirigeants des PME exportatrices sont à la recherche d'objectifs financiers mais également stratégiques.*

**Mots clés :** Co-opetition, Coopération, Compétition, Alliance, PME, Performance export.

## **Abstract**

*This article aims to examine the impact of cooperation strategies on the export performance of SMEs. It highlights the cooperative and competitive dimensions of cooperation and shows the importance of cooperation between competitors as a strategy for achieving export goals. By adopting a quantitative approach and introducing trust as a mediating variable between competitive behavior and inter-organizational cooperation, the study conducted on a sample of 120 Moroccan exporting SMEs shows the existence of an indirect, positive, and significant effect of cooperation on the competitive behavior of SMEs in alliance as well as on their performance on foreign markets. The use of the EXPERF scale as an instrument to measure export performance allowed us to conclude that the managers of exporting SMEs are looking for financial but also strategic objectives.*

**Keywords:** Co-opetition, Cooperation, Competition, Alliance, SME, Export performance

## **INTRODUCTION:**

Exporting, considered as a form of engagement in a foreign market, is a first step towards internationalization (Rutashobya & Jaensson, 2004; Ruzzier & al., 2006). Its advantages, both for the firm and for the economy of a country, are well acknowledged.

A literature review shows that SMEs face challenges due to their size. Therefore, engaging in exporting is a difficult decision for SMEs because of the obstacles they must overcome.

To face these obstacles as well as increased demands for adaptability to the globalization of trade, many firms export using "strategic alliances". These, in contrast to other forms of partnership, are formed by competitors who choose inter-organizational cooperation.

The simultaneous nature of cooperation and competition is made possible by the development of alliances between competitive firms (Bengtsson & Kock, 2000; Tsai, 2002; Luo, 2004; Luo, 2005). This behavior, described as "hybrid" by Walley (2007), was made popular by the notion of "coopetition" by Brandenburger & Nalebuff (1996). The latter argue that firms combine their strengths to achieve the greatest share of the "pie" (Brandenburger & Nalebuff, 1996). Initially, they cooperate to face the competition before developing competitive actions to capture a share of the value created (Brandenburger & Nalebuff, 1996).

Sousa & al (2008) recommend considering the relational aspect and its impact on export performance. They also propose to check the existence of direct or indirect impacts on export performance by verifying the moderating or mediating effect of certain variables (Zou and Stan, 1998).

Bensebaa (2003) also recommends considering the dynamics of competition among business networks where inter-organizational relationships are typically characterized by both cooperation and competition.

In response to these research perspectives, we have formulated the following question:

### **How do co-opetition strategies contribute to the competitiveness of Moroccan SMEs and their export performance?**

To answer this question, a literature review has made it possible to develop an analysis of approaches to the internationalization of firms and research on the difficulties of exporting by SMEs. Then, the advantages and the problematic of strategic alliances, namely the phenomenon

of cooptation and its components, are discussed. Lastly, the methodological approach, the data analysis, and the discussion of the results of the study are introduced.

## **I. Approaches to corporate company's internationalisation**

A literature review shows three frameworks for analyzing the phenomenon of corporate internationalization: the behavioral or cognitive school, which is based on a step-by-step approach to internationalization; the alliance school, which is based on the network approach; and finally, the economic school, which is based on theories of foreign direct investment.

### **1.1. The step-by-step approach:**

The behavioral school is based on the Uppsala model developed by Johanson and Weidersheim-Paul (1975) and developed by Johanson and Vahlne (1990). This model is the most used analytical framework to describe and explain the phenomenon of corporate internationalization.

Based on a study of four Swedish firms, Johanson and Weidersheim-Paul (1975) conclude that the process of firm internationalization is a succession of steps. First, they decide to enter foreign markets through export activities, continue their growth by creating foreign subsidiaries and finally move their production units abroad (Johanson and Weidersheim-Paul, 1975).

The authors also argue that the psychological distance between the firm and its foreign market reduces the more the manager and his organization gain international experience (Johanson and Vahlne, 1990). Consequently, to succeed in their internationalization process, companies have an interest in entering markets that are "psychologically" close to their national market (Ramadan and Levratto, 2011).

To overcome the theoretical shortcomings of this approach and to better describe the phenomenon of corporate internationalisation, a re-examination of the initial model of the Swedish school by its very founders has led to the development of a new conception of internationalisation, that of the network approach, which constitutes an extension of the stage approach (Johanson & Vahlne, 1990).

### **1.2. The network approach:**

The alliance school describes internationalization as a process of developing a firm with one or more partners in foreign markets (Johanson & Vahlne, 1990). Inter-organizational alliances allow for the pooling of strengths and facilitate access to resources necessary for an organization's growth and international development (Li & al., 2004).

With complementarity as a mechanism for involving actors, inter-organizational cooperation allows for risk sharing and an acceleration of the internationalization process (Chtourou, 2005).

### **1.3. The economic approach:**

The economic school of reasoning is founded on the theories of international trade, in particular the theory of foreign direct investment (FDI). According to this approach, the company internationalizes without having to accumulate experience in foreign markets. Acquiring an equity stake in a foreign firm is the safest mode of internationalization (Ramadan and Levratto, 2011).

Speed, minimization of the danger of failure, and the investor's willingness to bypass the obstacles to entry (Ramadan and Levratto, 2011), are the main justifications for choosing this strategy for growth and/or internationalization.

## **II. Barriers to export: Typology and definition**

In the words of Leonidou and Katsikeas (1996), a barrier to exporting is "any attitudinal, structural, operational, or other obstacle that makes it difficult or impedes the firm's willingness to start, develop, or maintain an international business."

Arteaga and Fernandez (2008) propose to group the barriers to exporting as identified in a literature review into four categories: Knowledge barriers or barriers due to lack of information as well as lack of knowledge of the fundamentals of an export activity, means barriers, process barriers and lastly, exogenous barriers.

### **1.1. Knowledge barriers:**

Several studies support the positive effect of foreign market knowledge on export commitment. The lack of knowledge of foreign markets, according to Aharoni (1966), prevents organizations from engaging in activities beyond the borders of their location.

### **1.2. Barriers related to the means:**

The lack of the necessary means to deal with the obstacles encountered blocks access to foreign markets. The work of Katsikeas & al (2000) shows that the lack of production capacity represents a barrier for the company during the implementation and development phase of an export activity.

### **1.3. Process barriers:**

These are barriers encountered during export activity (Arteaga and Fernandez, 2008). Examples include the complexity of documentation and procedures related to export operations, logistics and the high cost of transport, etc.

### **1.4. Exogenous barriers:**

Such barriers are beyond the firm's control because they arise from the actions of other actors in foreign markets. Research on exogenous barriers shows that competition in the foreign market, foreign exchange risk, and political instability in some foreign countries are the main barriers over which the export firm has no control (Arteaga and Fernandez, 2008).

## **III. Co-opetition: Definition, benefits, and risks**

Bouncken & al (2015) proposed a definition that: « *co-opetition is a strategic and dynamic process in which economic actors jointly create value through a cooperative interaction relationship, while they simultaneously compete to capture part of that value* ». It is a strategy that consists of the simultaneous presence of inter-organizational cooperative and competitive behavior.

Cooperation combines the benefits of consultation with those of competition. It intervenes to foster a win-win situation through the pooling of strengths, the sharing of risks and the overall reduction of costs (Bouncken & al, 2015).

Research on this phenomenon shows its benefits in terms of cost sharing, therefore economies of scale in favor of the actors concerned. It also helps to deal with the constant changes, instability and uncertainty that characterize economic activities, consequently reducing risks (Gnyawali, 2011).

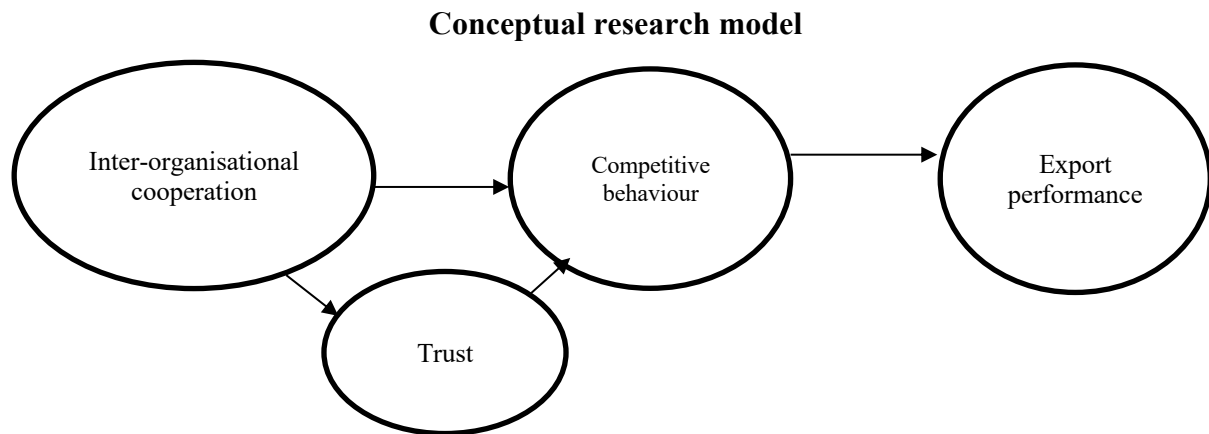
In terms of innovation, studies show that co-opetition has the potential to surmount knowledge asymmetries since some competitors hold knowledge that is worth sharing to introduce new products (Ritala, 2012).

However, due to the paradoxical nature of the alliance formed by two or more firms that are legally independent, co-opetition is a high-risk strategy (Fernandez and Le Roy, 2010).

Indeed, when a company decides to cooperate with its competitor, it is more likely that its resources will be identified and imitated. Tensions can therefore arise when firms seek to accumulate the know-how of another competitor while ensuring the protection of their core competence (Fernandez and Le Roy, 2010).

These risks will have to lead to the choice of an organisational mode likely to reduce the transaction costs that a firm is called upon to bear when a cooperation with its competitors.

To conclude, the conceptual research model is established as follows:



## **I. Methodological approach, results, and discussion:**

As already mentioned, the purpose of this research work is to study the impact of cooperation strategies on the export performance of SMEs. The choice of the field of investigation and the methodological approach to implement the research are of crucial importance.

Due to the simultaneity of cooperation and competition behaviours in a co-opetition relationship, the latter is observed according to its two dimensions: Cooperation and Competition.

The methodological approach is strictly quantitative. It places a heavy emphasis on the concepts and/or variables that allow the research object to be both schematized and synthesized to give a simplified picture of the phenomenon being studied. The objective is to guarantee the independence of the researcher and the objectiveness of his results.

Data collection consisted of administering a questionnaire to SMEs that form a cluster. The latter usually takes the legal form of an economic interest grouping (EIG). The final sample includes 120 Moroccan exporting SMEs that are part of an alliance.

### **1.1. Validation of the measurement instruments:**

First, an exploratory factor analysis is applied to the collected data to validate the measurement instruments. To be valid, a measurement instrument must have a satisfactory level of reliability and validity.

Vernette (1991) described the reliability as "the degree of reproducibility of the results when the instrument is reapplied under identical conditions", while validity of a measurement instrument allows to "ensure that what is being measured is the concept being studied" (Vernette, 1991).

### **1.2. Confirmatory analysis:**

Once the measurement instruments were validated, a confirmatory analysis was conducted using structural equations (PLS approach) in four steps: First, a test of convergent validity, then a test of discriminant validity, then the test of research hypotheses, and finally, a test of the conceptual model's predictive ability.

## **IV. Results and discussion:**

The results of the study show the existence of a positive and significant effect of inter-organizational cooperation on the level of trust alliance members develop. Inter-organizational cooperation is an antecedent of trust. The sharing and/or exchange of information on foreign markets, knowledge, and know-how on international business practices, helps to build trust among the SME exporters in the alliance.

The results also show the existence of a positive and significant effect of trust on competitive behavior. Indeed, trust acts as a "lubricant" in the sense of Arrow (1968) so that inter-organizational cooperation can meet its objectives.

For the Impact of Competitive Behavior on the Export Performance of SMEs, the findings show the existence of a direct positive effect (Bensebaa, 2000). Thus, the competitive actions of the exporting SMEs members of alliances allow them to reach their financial and strategic objectives, and to satisfy their export project.

The EXPERF scale was used as a measure of export performance, and it was concluded that Moroccan SME exporters have financial as well as strategic objectives. This is consistent with the findings of Zou et al (1998) that exporting SMEs set strategic objectives, such as improving their competitiveness, increasing their market share, and strengthening their competitive position, in addition to their financial objectives in international trade.

This result can be seen as being contradictory to the nature of the SME since several studies have shown the absence of strategic vision in small and medium-sized structures, which is synonymous with the denaturation of the SME in the sense of Torrès (2004).

Our study of the co-operation among exporting SMEs within the framework of a strategic alliance shows that such behaviour is based on the sharing and/or exchange of information

concerning foreign markets and international business opportunities, the definition and planning of export activities, in addition to the know-how in the area derived from training or experience.

Inter-organizational cooperation is a strategic behavior for the exporting SME through which and under the facilitating effect of trust, the allies are enabled to develop competitive actions that allows them to access foreign markets and achieve their international objectives. The cooperation finds its legitimate basis in their need for "strategic" resources (Barney, 1991) and is reflected in a sense of trust that develops within the alliance.

Finally, this study shows that the greater the size of the firm, the greater the probability that an export activity will be developed is not a valid hypothesis.

## **CONCLUSION:**

Instead, it turns out that inter-organizational cooperation constitutes an antecedent of trust. Indeed, there is a positive and significant effect of inter-organizational cooperation on the level of trust developed between the members of a group.

The results also highlight the existence of a positive and significant effect of trust on competitive behavior. This shows that the alliance constitutes an effective means for the internationalization of SMEs. Cooperation with competitors therefore makes it possible to face obstacles to exporting by developing competitive actions through inter-organizational learning.

The use of the EXPERF as an instrument for measuring export performance has made it possible to conclude that the leaders of Moroccan exporting SMEs are looking for financial but also strategic objectives. This ties in with the conclusions of Zou et al. (1998) according to which exporting SMEs set themselves strategic objectives, more particularly the improvement of their competitiveness, the increase of their market share and the strengthening of their competitive position, in addition to their financial objectives pursued through trade international.

Alliance practices must therefore be further developed in the Moroccan context in order to overcome obstacles to exports. However, we invite researchers to take more interest in the management of co-competition. The latter constitutes a significant variable for the success of alliances between competitors.



**List of tables and figures:**

**Table 1: Results of the exploratory factor analysis**

<b>Construct (or dimension of the construct)</b>	<b>Test of KMO</b>	<b>Bartlett Sphericity Test</b>	<b>Cronbach's alpha coefficient</b>	<b>RESULT</b>
<b>Financial dimension</b>	0.749	0.000	0.731	VALID INSTRUMENT
<b>Strategic dimension</b>	0.755	0.000	0.910	VALID INSTRUMENT
<b>Satisfaction with the export project</b>	0.821	0.000	0.893	VALID INSTRUMENT
<b>Irreversibility of actions</b>	0.637	0.000	0.843	VALID INSTRUMENT
<b>Trust</b>	0.690	0.000	0.795	VALID INSTRUMENT
<b>Cooperation through physical resources</b>	0.743	0.000	0.913	VALID INSTRUMENT
<b>Cooperation through information resources</b>	0.593	0.000	0.919	VALID INSTRUMENT
<b>Cooperation through knowledge</b>	0.588	0.000	0.885	VALID INSTRUMENT

**Table 2: Results of the Convergent Validity Tests**

<b>Constructed</b>	<b>Dimensions</b>	<b>Items</b>	<b>External expenses</b>	<b>Cronbach's Alpha</b>	<b>Composite reliability</b>	<b>Average Variance Extracted (AVE)</b>
<b>Competitive behaviour</b>	Competitive behaviour	Innovative character	0.947	0.812	0.888	0.726
		Intensity of actions	0.826			
		Irrevers actions	0.774			
<b>Trust</b>	Trust	Trust 1	0.887	0.843	0.906	0.762
		Trust2	0.912			
		Trust 3	0.818			
<b>Cooperative behaviour</b>	Cooperation through knowledge	Coop Ress knowledge1	0.973	0.890	0.933	0.824
		Coop Ress knowledge2	0.802			
		Coop Ress knowledge3	0.939			
		Coop Ress Informational3	0.891	0.924	0.952	0.869
		Coop Ress Informational5	0.979			

	Cooperation through information	Coop_Ress_Informational6	0.925			
<b>Export Performance</b>	Financial performance	PF1	0.800	0.930	0.935	0.674
		PF2	0.903			
	Strategic performance	PS2	0.740			
		PS6	0.862			
		PS7	0.931			
	Satisfaction regarding the project	Sat1	0.720			
Sat5		0.765				

**Table 3: Results of the discriminant validity test**

	Competitive behaviour	Cooperative behaviour	Trust	Export performance
Competitive behaviour	0.852			
Cooperative behaviour	-0.057	0.906		
Trust	0.234	0.781	0.873	
Export performance	0.403	0.600	0.837	0.821

**Table 4: Results of hypothesis testing**

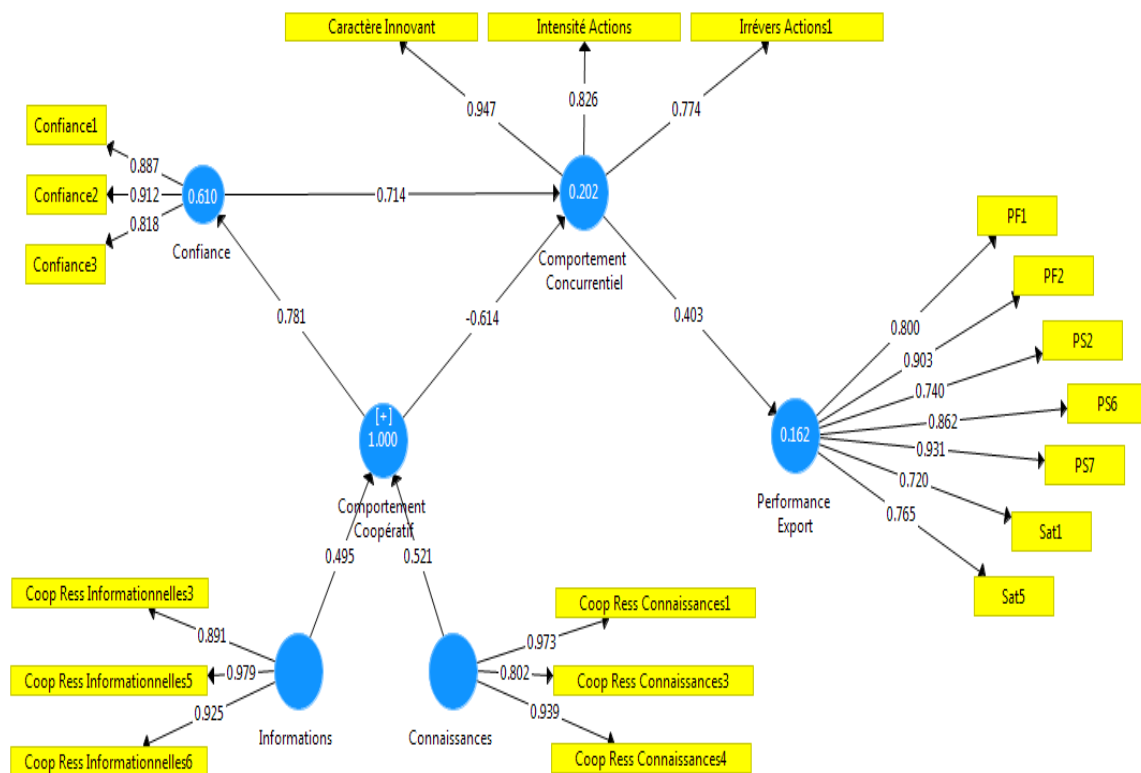
	Initial sample (O)	Sample average (M)	Standard deviation (STDEV)	t-value ( O/STDEV )	P-values
Competitive behaviour >>>> Export performance	<b>0.403</b>	0.429	0.045	8.968	<b>0.000</b>
Cooperative behaviour >>>> Competitive behaviour	<b>-0.614</b>	-0.615	0.170	3.609	<b>0.000</b>
Cooperative Behaviour >>>> Trust	<b>0.781</b>	0.780	0.034	22.830	<b>0.000</b>

Trust >>>> Competitive Behaviour	<b>0.714</b>	0.718	0.134	5.329	<b>0.000</b>
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**Table 5: Results of the model predictive capacity test**

Variables to be explained	R <sup>2</sup>
Competitive behaviour	0.202
Trust	0.610
Export performance	0.162

**Figure 1: The structural model**



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