

# **The Strategy of Coopetition. Value-Creating Networks of Partnership Relations – The Case of the Sports Market**

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*Abstract.* The strategy of coopetition is one of the most demanding forms of cooperation, due to the conditions which must be fulfilled by the entities willing to adopt it. On the other hand, the potential benefits for both the coopetitors and their customers make it an increasingly frequently employed market strategy. On the sports market, in the segment of mass running events, their organisers are still rather reserved towards coopetition. However, there are areas in which they would be open for cooperation with organisers of other running events – despite being direct competitors. Coopetition is a relatively new strategy adopted by organisers of mass sports events, with a view of creating a higher value on this market. The article presents the findings of research aimed at testing the justifiability of cooperation, as well as establishing the areas of coopetition among organisers of mass running events.

*Keywords:* coopetition, partnership relations, sports market

## **1 Introduction**

The benefits from cooperation among business entities are no longer questioned. On numerous branch markets companies see cooperation as a chance for the reduction of costs and gaining access to new, unique resources, thereby strengthening their competitive position. The sports market is no different, with sports organisations simultaneously competing and cooperating with each other. Both the rivalry and the cooperation take place on two levels: strictly sports-related (e.g. confrontation of two teams, a fight for victory) and market-related (competing for customers, sponsors and interest of the media). Due to the conflict of interest, cooperation is problematic, as sports organisations are reluctant to share their resources with their direct rivals.

The objective of the article is to identify the barriers and to assess the justifiability and the extent of the cooperation among competing sports organisations within the strategy of coopetition. The article is based on:

- a. observation and analysis of the mass running events market conducted by the author over the period of 8 years
- b. 25 individual in-depth interviews,
- c. 1 focus group interview,
- d. research conducted by means of the Delphi method.

## **2 Coopetition as a means of building competitive advantage**

Competitive advantage is one of the key factors of an organisation's market success. It may result from the possession of unique resources, processes, marketing innovations, well-developed external relations, or knowledge and skills which allow for meeting customers' needs to a higher extent than their competitors are able to do it. However, competitive advantage has a temporary nature and may be lost due to changes in the market environment, e.g. rivals' new strategies, changes in customers' expectations, new legislation, or technological progress. Therefore, companies should not be content with their existing market position, but rather constantly seek new solutions and improvements.

The concentration exclusively on the internal resources and advantages will quickly lead to the exhaustion of possibilities of further development. That is why, actions aimed at building or strengthening a company's competitive advantage are increasingly frequently undertaken in its environment. This phenomenon leads us to a conclusion that organisations which try to singlehandedly compete on the market often achieve worse results than those involved in developing partnership relations. It results from the fact that the costs of activities undertaken by an organization on its own are disproportionately higher than of those which are co-financed within developed partnership relations. This method of winning competitive advantage is commonly based on relationships among companies based on cooperation (Zakrzewska-Bielawska, 2014). Well-developed relations a company builds with the selected partners from its environment open new opportunities for raising the quality of activities, cost reduction, increased flexibility and innovativeness, which lead to the achievement of the relational rent. Therefore, it is justified to conclude that the potential for obtaining the relational rent is a significant way of boosting a company's competitive advantage.

Companies no longer build relations merely with their cooperators; increasingly frequently relationships are formed between direct competitors. This phenomenon was identified in the 1990s by A.M. Brandenburg and B.J. Nalebuff, who coined the term of coopetition (Brandenburger, Nalebuff, 1995, pp. 57-71). According to these authors, coopetition denotes a simultaneous competition and cooperation between companies which actually compete for the same customers and markets. Owing to the conflict of interest and tensions between the involved entities, in activities undertaken within the strategy of coopetition are referred to in literature as paradoxes (Czaron, 2013, p. 128). Nevertheless, it is assumed that both sides involved in coopetition gain benefits, leading to the increased competitiveness of the coopetitors due to the possessed attributes or used processes (Brandenburg, Nalebuff, 1996). In the subsequent years numerous scientists all over the world undertook research into the phenomenon of coopetition (Dagnino, Padula, 2002; Luo, 2004; Baumard, 2008).

The strategy of coopetition is characterised by the following attributes: the simultaneous competitive and cooperative behaviour, the expected mutual benefits for both sides of such relations, as well as the changeable intensity of particular activities throughout the period of these relations (Rudny, 2015, pp. 199-207). In practice, coopetition usually involves more than two entities (Kossyva, Sarri, Georgopoulou, 2014, pp. 89-106; Balicka, 2014, p. 14). On the one hand, the simultaneous involvement of many companies from the same branch multiplies the chances for development for each of them, but, on the other, it poses a bigger threat to the success of the cooperation as a strategy (Li, 2015; Gnyawali, Park, 2009; Nemeh, Yami, 2012). It should be kept in mind that the strategy of coopetition presents potential threats for each of the involved sides (Gnyawali, He, Madhavan, 2006; Ritala, 2012). The most common ones are: the low level of trust, the risk of using the knowledge acquired in the process of cooperation against the others, the lack of parity in dividing and obtaining resources, the unauthorized acquisition of a partner's knowledge and know-how, the coopetitors' opportunistic behaviour, interpersonal conflicts, the asymmetry of the relation, or the low effectiveness of the jointly implemented processes and objectives (Zakrzewska-Bielawska, 2013, pp. 308).

Apart from the potential benefits and threats related to coopetition, it undoubtedly changes the system of market forces in an industry and leads to a gradual development of a network of relationships, which is a subject of separate scientific interest (Dagnino, 2007, pp. 3-10).

### **3 Networks of relationships on the sports market**

The development of sports organisations is determined by: economic, technological, environmental, cultural and social factors. As for their distinguishing competencies, which may help them function effectively and continually compete on the sports market, they are not so much high budgets for the

implementation of sports events, as intangible assets, such as: reputation, tradition, know-how, as well as a developed structure of their relations with the environment (Hunt, Morgan, 1995, pp. 1-15). At present, the market structure is characterized by the bigger than ever before number of links among its participants, the decreasing spatial and time distance, as well as the obliterating spheres of influence and their interpenetration. In consequence, partnership relations are growing in significance and organisations are building relationships with the directly or indirectly interested entities (Eiriz, Wilson, 2006, pp. 275-291). It results in creating a higher value for both the network participants and the customers at whom their products and services are targeted. It is worthwhile to point out that on the sports market the structure of relationships and ties should be analysed in three areas: internal, external and network.

In the case of sports organisations, their internal relations are shaped by the relationships inside the companies and in most cases have been developing since the beginning of their existence, in the vertical, horizontal, or cross structure. As for the external relations, they include contacts with such entities from the companies' environment, as: suppliers, cooperators, sponsors, local governments, public institutions, media, etc. (Wemmer, Emrich, Koenigstorefer, 2016). If the number of these relations and their reoccurrence are high, they may gradually evolve into a network of relatively durable ties between entities which, due to their competencies, or expectations of the market, more strongly engage themselves in the sports market. These relations can be defined as relative ties, as, in order to be effective, they require the entities' common objectives and, subsequently, their temporary or permanent cooperation (Ford, Hakansson, 2006, pp. 248-258). Networks of relations are the basis of the development of the culture of cooperation between a sports organisation and its stakeholders.

On the sports market, the contacts between the entities participating in the network of relations may have a social (socialising), market (business), or cultural character, depending on the type of stakeholders and their expectations towards the network relations (Evans, Movondo, 2002, pp. 15-53). In our times, the need for building relations is no longer debatable, since it results from the assumption that each company, also a sports one, is an open system, responding to the signals from the environment, actively participating in the process of exchanging information, services and values, on the one hand constantly influenced by the environment and, on the other, shaping it (Gronroos, 2011, pp. 240-247).

At an early stage of building the structure of relationships, a sports organisation's contacts with the entities from its environment are sporadic, irregular, partial and rarely controlled. However, these contacts are gradually growing in significance, their number is rising and some of them are evolving into complex communication processes, engaging more than two entities, with different demands and expectations. In this situation, there is a need for a conscious shaping of network relations and a systematic management of this intangible asset of a sports organisation.

The market of mass running events is a significant sector of the earlier defined sports market. Running events, especially the international ones, are increasingly frequently commercial events, therefore their organisers try to build lasting relations with a number of entities which are indirectly or directly interested in the success of these events. It results in building a multi-layer value-creating network of connections of a social or business character, with the running event organiser as its main integrator. The one- or two-direction flows of: information, finance and in-kind which take place between partners play a key role in obtaining mutual benefits and strengthening further relations (Ritter, Walter, 2012, pp. 136-144). These ties may be of a long-lasting nature, but, due to the specifics of the organised sports events (regular events), the intensity of contacts varies in time.

A relatively new element in the landscape of relations on the sports market is coopetition, which consists in the cooperation of direct rivals. Nevertheless, according to B. Mullin, who is regarded as the creator of sports marketing, one of the characteristics of the sports market is the simultaneous

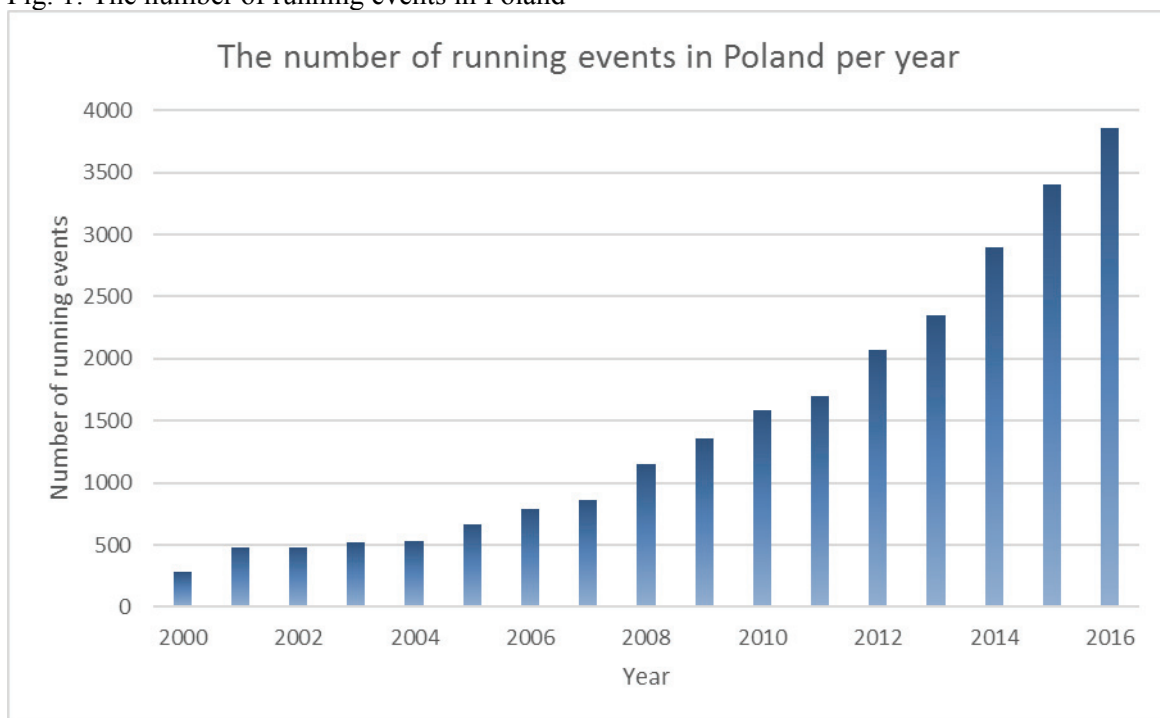
competition and cooperation of entities operating on this market (Mullin, Hardy, Sutton, 2000, p. 57). It is true especially of professional sports, where the competition between clubs takes place within an organised league. However, not only the organisers of league sports events see the need for cooperation. Another example of a possibility of simultaneous cooperation and competition is the market of the mass running events. It has to be pointed out that the structure of relations on the running events market is different from that of other segments of the sports market, so understanding it requires separate research and analysis (Watt, 2003, pp. 133-136).

Bearing in mind the potential for creating value for stakeholders in the partnership relations and competition between organisers of running events, who compete for runners and therefore are direct competitors to each other, research has been conducted with the aim of defining the barriers, opportunities and conditions of cooperation.

#### 4 Own research

Observations carried out by the author, as well as the analysis of the collected statistical data indicate that the market of running events in Poland is presently at the phase of growth and maturity and, as such, is a highly competitive market. It is manifested by the number of organised running events (fig. 1) and the number of their participants.

Fig. 1: The number of running events in Poland



Adapted from [www.maratonypolskie.pl](http://www.maratonypolskie.pl)

In 2016 over 3800 running events were organised in Poland. The biggest ones (marathons and half-marathons taking place in Warszawa, Poznań, Wrocław, Kraków, Białystok and Gdańsk) attract as many as 5,000 – 12,000 runners, which places them among the best attended European events.

Research conducted in 2014 by an independent research agency shows that around 30% adult Poles practice this sport on a regular basis, spending on it 450m euro a year<sup>1</sup>.

The 25 individual in-depth interviews the author conducted with managers of running events allowed for compiling a list of the most serious problems faced by the organisers of such events. The most frequently mentioned issues were:

- a. huge market fragmentation (for over ten years the number of events has been growing year after year)
- b. the decreasing area from which the majority of runners come (ca. 90% participants do not live farther from the event venue than 100 km),
- c. a small number of participants from abroad (not more than 1-2%),
- d. high and still growing expectations of the runners (the expectations of Polish runners are often higher than those of the participants of running events in other countries),
- e. quickly progressing diffusion of marketing innovations (organisers immediately implement solutions seen during other running events),
- f. the inexperienced participants' low awareness of the rules and standards of the participation in a competition (the runners' knowledge of e.g. taking a position on the start line, the time of arrival before the start, reception of the participation package, etc. is often relatively low, which negatively affects the event's atmosphere).

Organisers intensify their struggle to attract runners to the subsequent editions of their events, but these efforts are more opportunistic than relational. Network relations, typical of other, more mature branch markets, are not a common phenomenon among organisers of running events. A vast majority of them approach a possible cooperation with distrust, whereas their marketing activities are often copycat. So far, the initiatives of the managers of the biggest running events in Poland aimed at establishing a set of common general rules, e.g. the rates of participation fees, the contents of participation packages, the classification of runners, or the amount of the rewards, have not brought the expected results. The conducted interviews show that the competing organisers of running events operate individually, each of them trying to attract runners for their own events, disregarding the potential of building partnership relations.

On the basis of the empirical material collected for a few years, a focus group interview was organised in autumn 2016, with the participation of 7 managers of the biggest marathons and half-marathons in Poland. The objective of the interview was to establish the justifiability of cooperation and to work out the areas of cooperation among organisers of huge running events in Poland. The discussion took place at Poznań University of Economics and Business, where national conferences devoted to the management of running events are organised annually, with over 100 participants every year.

In the course of the discussion, the interview participants were in agreement on the value of cooperation, but differed in their opinions about its possible extent. Discrepancies concerned such issues as: joint purchases of needed products (e.g. t-shirts, medals, isotonic drinks), relations with the local government, or joint policy on the participation fees rates. In the end, a common position has been reached in the view of which an area of cooperation could be the collection and exchange of information about the organised running events.

The findings of the focus group interviews led to undertaking another piece of research, conducted by means of the Delphic method. The subject of this research was the concept of an information platform with the data, primarily of statistical nature, on running events. The data would be provided by the event managers engaged in the project. These data were supposed to help organisers of events monitor and analyse the changes taking place on the running market, to enable them to anticipate trends and,

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<sup>1</sup> The European market potential is estimated as 50 million runners, spending on running annually ca. € 9.6b.

consequently, to help them take strategic decisions. 11 managers of the biggest running events in Poland were invited to the research.

In the first stage of the research, the participants were asked by email to express their opinion about 16, indicated by the author, indexes related to running events. Here is a list of these indexes:

- a. the number of registered participants of a running event,
- b. the number of paid fees,
- c. the number of collected participation packages,
- d. the number of runners crossing the start line,
- e. the number of participants crossing the finish line,
- f. the number of participants from outside the voivodeship,
- g. the number of participants from abroad,
- h. the number of female participants,
- i. the percentage of filling the established limit of participants,
- j. the percentage of participants registered in the last month before the event,
- k. the number of exhibitors of sports equipment at Expo Fair,
- l. the number of volunteers engaged in the event,
- m. the number of first-time participants,
- n. the number of running events organized by the organiser in a year,
- o. the number of fringe running events,
- p. the applied classification of participants.

The managers of running events participating in the research were not only asked to express their opinion about these indexes, but they could also formulate their own proposals of the types of information they would like to receive. Some of the respondents suggested adding the following indexes to the list: the increase/decrease in attendance, the number of persons engaged in the medical service, the number of engaged police officers and the number of participants from the municipality where the event takes place.

In the second stage of the research the emailed remarks of the participants were analysed from the point of view of their convergence. In this process, the 16 primary proposals were shortlisted to 9 which, in the respondents' opinion, have the highest informative value. The following indexes remained on the list:

- a. the number of paid participation fees,
- b. the number of collected participation packages,
- c. the number of runners crossing the Start line,
- d. the number of runners crossing the Finish line,
- e. the number of participants from outside the voivodeship,
- f. the number of female participants,
- g. the number of volunteers engaged in the event.

The third stage of the research consisted in sending the new list of indexes to the managers for reassessment. Since they did not make any comments which would require taking them into account, it was decided that the list of indexes prepared in this way can be the basis for the creation of the information platform. At this point, the research was finished and the implementation of the next project, i.e. developing a tool for collecting and exchanging information about running events was started. The adopted rule was that a manager of a running event will have access to the information platform on the condition of submitting their own data to the administrator. Thus, an organiser will have a possibility of assessing their own event against the background of other events of the same type in Poland. Furthermore, the statistical data stored on the information platform will allow for the



analysis of the dynamics of changes and, as a result, the identification of trends and adapting the running events organisers' marketing activities to them.

The agreements reached by the managers of the major running events in Poland were an example of coopetition, unprecedented on this market. The least risky area of the cooperation of direct competitors turned out to be the collection and the exchange of information about the participants of the organised events, information which can be useful for taking strategic managerial decisions.

## **5 Limitations of the research findings**

The value of the conducted research is undoubtedly limited because of the small number of respondents participating in it. Moreover, it is hard to accept the exchange of information about running events as the only possible area of coopetition. More extensive research would certainly allow for the identification of other areas of cooperation. The qualitative research carried out for the needs of identifying the possibilities of applying the strategy of coopetition on the running events market should be complemented with quantitative research, aimed at verifying the opinions of the managers of the biggest running events in Poland. Possibly, such research would also allow for the discovery of new, yet unidentified problems on the mass sports market.

## **6 Conclusion**

The cooperation of organisers of mass running events, whose marketing activities are at the same time aimed to attract the same customers, is a relatively new phenomenon, although with a huge potential. Building relations fosters creation of a higher value, if only in the form of exchanging information, sharing knowledge, or obtaining it more quickly, thus creating the conditions for mutual trust and support.

Such behaviour makes it easier for running events managers to perform their functions, as in this way they have the grounds for taking better decisions related to the direction of the development of running events. Coopetition among running events organisers provides them with tools for the earlier perception of changes taking place on this market and, consequently, better and quicker adaptation to these changes. In this way, they can strengthen their competitive advantage in relation to entities operating individually.

The created information platform is a signal of the appreciation of coopetition by organisations normally competing with each other on the same market. It can be expected that in the maturity phase, which the market of running events in Poland is presently entering, the organisers' awareness will change and they will more often seek possibilities of cooperation. In spite of the conflict of interest, they will see more opportunities than threats in the strategy of coopetition, as it is the case in many other mature branch markets.

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