



# Co-opetition, distributor's entrepreneurial orientation and manufacturer's knowledge acquisition: Evidence from China

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## ABSTRACT

By viewing cooperation and different types of conflicts as “co-opetition” factors in a manufacturer–distributor supply chain, this paper provides a conceptual model for examining the effects of cooperation and conflicts on a manufacturer's knowledge acquisition process and for exploring the moderating effects of a distributor's entrepreneurial orientation on the relationships between co-opetition factors and the manufacturer's knowledge acquisition. This conceptual model is tested with 225 dyad samples from manufacturer–distributor supply chains in China. The results show that cooperation and the type of conflict have both individual and interactive effects on the manufacturer's knowledge acquisition, thus highlighting the importance of the co-opetition perspective on supply chain knowledge management. More importantly, the results show that the entrepreneurial orientation of a distributor positively moderates the relationships between co-opetition factors and a manufacturer's knowledge acquisition, implying that strengthening the distributor's entrepreneurial orientation can improve the efficiency of co-opetition and thereby affect the knowledge acquisition of the manufacturer, and highlighting the importance of blended analysis across the domains of supply chain management and entrepreneurship.

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## 1. Introduction

Knowledge has become recognized as a key issue that defines competitive advantage (Nonaka et al., 1996; Grant, 1996). Therefore, firms have increasingly paid attention to enhancing knowledge acquisition by improving the efficiency of supply chain cooperation (Skinner et al., 1992; Burkink, 2002). One approach to advancing knowledge acquisition, from organizational learning theory, focuses on the properties of dyadic relationships between social organizations, such as cooperation and conflict (Song et al., 2005; McEvily et al., 2003).

Previous literature relating to this approach has often highlighted the impact of either cooperation or conflict on knowledge acquisition (Muthusamy and White, 2005; Paulraj et al., 2008; Lyles and Salk, 1996; Yin and Bao, 2006). Researchers from the cooperation perspective have tended to focus on knowledge acquisition associated with a higher level of integration of physical and human capital resources across the supply chain (Argyle, 1991; Paulraj et al., 2008). Scholars from the conflict management perspective have noted that conflict includes both constructive and destructive conflict. Constructive conflict is defined as an evaluative appraisal of the results of recent efforts to manage disagreements (Rawwas et

al., 1997; Anderson and Narus, 1990; Song et al., 2006; Tjosvold and Su, 2007; Eckert and Rinehart, 2005). Destructive conflict is viewed as the result of the influence of strong forces that push the parties toward increasingly hostile behavior (Thomas, 1976). These two kinds of conflict either contribute to or impede knowledge acquisition (Rawwas et al., 1997; Song et al., 2006).

New advances in this domain indicate that the properties of a supply chain partnership can be best described as co-opetition (Bengtsson and Kock, 2000; Kotzab and Teller, 2003; Luo, 2007), defined as cooperation and competition simultaneously functioning between increasingly interdependent parties (Brandenburger and Nalebuff, 1996; Lado et al., 1997), and the balance between cooperation and competition can evolve into an important relational capability (Gnyawali et al., 2006). Therefore, the two different facets of the co-opetition relationship (cooperation and conflict) might have individual as well as interactive impacts on the inter-organizational knowledge acquisition process. However, the interaction between cooperative behavior and conflictive behavior that affects a manufacturer's knowledge acquisition has received little attention in prior literature.

More importantly, there has been increasing interest in the intersection between supply chain management and entrepreneurship (Arend and Wisner, 2005; Giunipero et al., 2005). The approach that focuses on the properties of dyadic relationships in supply chain management can be extended by also exploring the effects of entrepreneurship in this supply chain (Walter et al., 2006).

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In particular, since the entrepreneurial orientation (EO) of partners impacts the potential benefits from the co-opetition relations, it should interact with the co-opetitive behavior of the firms to change the efficiency of their knowledge acquisition. In fact, distributors with a high level of EO are usually more innovative and proactive in product market domains and prefer to take more risks in a co-opetitive relationship with a manufacturer in order to improve their competitive advantage, and this preference in turn changes the potential benefits that manufacturers can realize from the supply chain co-opetition (Zahra et al., 1999). Co-opetiting with such a distributor can probably offer the manufacturer a better chance to access wider areas of market information. Therefore, it is possible that the partner's EO not only impacts the potential benefits from the co-opetition relations (Mione, 2009) but also determines the efficiency of the recipient's knowledge acquisition process in response to different co-opetition relations. Thus, it is important to study how a partner's EO moderates the relationship between co-opetition relations and a manufacturer's knowledge acquisition. Unfortunately, existing literature provides little knowledge about this important issue.

To address these gaps, this study operationalizes a conceptual model which links cooperation, constructive vs. destructive conflict, distributor's EO and manufacturer's knowledge acquisition (MKA) holistically to provide the following contributions. From a theoretical viewpoint, drawing upon the co-opetition perspective, this study argues that the properties of a supply chain partnership can be described as co-opetition, and the cooperation behavior and two types of conflict behaviors (constructive and destructive conflict) may have individual and interactive effects on the manufacturer's knowledge acquisition. Furthermore, by leveraging the EO lens into the operations management study, we explain how a distributor partner's EO provides an exogenous moderating effect on the relationship between co-opetition and the manufacturer's knowledge acquisition, thereby showing that, by leveraging the moderating effect of the distributor's EO, the manufacturer can improve the efficiency of the co-opetition which in turn affects knowledge acquisition. Therefore, we incorporate the distributor's entrepreneurship as an external resource to create complementary assets with internal co-opetition capability to improve the manufacturing firm's knowledge acquisition, thereby extending the supply chain co-opetition perspective by incorporating the entrepreneurship lens.

Meanwhile, some recent strategic supply chain management research has emphasized the importance of simultaneously considering strategic and operational issues when coping with supply chain issues (Hult et al., 2004; Upson et al., 2007; Li et al., 2008a,b). However, few empirical studies of this subject have been undertaken. By jointly considering the operational issues (maintaining the co-opetition balance) and the strategic issues (finding a distributor partner with high entrepreneurial orientation) in the manufacturer–distributor supply chain, this study has the potential to enrich the literature in this stream.

Moreover, in contrast with previous entrepreneurship literature which has mainly paid attention to the impact of a firm's EO and the ways in which the supply chain can be leveraged to support the requirements of EO (e.g., Handfield et al., 2009; Walter et al., 2006), this study analyzes how the firm's partner's EO influences the efficiency of co-opetitive relations. This emphasis thus extends research in entrepreneurship from intra-organization to inter-organization analysis. We especially argue that the EO of a distributor partner can differently moderate the effects of a manufacturer's co-opetitive behaviors on its knowledge acquisition, and we examine the potential fit between co-opetitive strategies and the partner's characteristics (EO) in the inter-organizational learning process. Furthermore, viewing a partner's strategic orientation as an important external resource, we argue that the distributor's

EO and the co-opetition of the manufacturer can exploit complementary assets to improve the knowledge acquisition process. By combining the EO perspective, the co-opetition perspective and the complementary asset perspective (Teece, 1986; Song et al., 2005), this study explains important complementary relationships between the distributor's EO as an external resource and the manufacturer's co-opetition as an internal behavior, an explanation which extends the complementary asset perspective into the inter-organizational cooperation analysis such as supply chain cooperation.

From an empirical viewpoint, we investigate the above questions in the context of a Chinese manufacturer–distributor supply chain. China is the largest emerging economy and the world's manufacturing center for consumer products (Jiang et al., 2007; Liu et al., 2009; Zhao et al., 2007; Flynn et al., 2007), and the great competitive pressures and escalating customer expectations in China are forcing manufacturers to rely heavily on distributors' knowledge in order to develop attractive products and take advantage of market opportunities (Ambler et al., 1999; Zhao et al., 2008; Boyer and Lewis, 2002; Xu et al., 2006). Thus, the question of how to enhance the manufacturer's market responsiveness has become an important issue in China (Langerak, 2001; Zhu and Sarkis, 2004; Ianchovichina and Martin, 2004). Meanwhile, consistent with the co-opetition perspective, the cultural tradition of 'yin-yang philosophy' (Strutton and Pelton, 1997; Chen, 2002) may have additional implications for current Western operations management theory to apply in this new setting. The Chinese 'middle ground' philosophy, with its emphasis on balance and the integration of opposites, offers promise for enriching conventional Western conceptions of supply chain relationship management (Chen, 2008). At the same time the Chinese are known for their entrepreneurial skills (Hofstede and Bond, 1988; Chen, 2008), and entrepreneurs by nature tend to use appropriate co-opetitive relationships to find new ways of doing business. Our empirical findings, based on 225 dyadic Chinese firm samples, provide support for our conceptual model.

## 2. Theoretical background and conceptual model

### 2.1. Co-opetition perspective in supply chain knowledge management

Research on knowledge management, both within and among firms, has been widely diverse, but the theoretical explanations can be generally organized according to the properties of the three contexts within which knowledge management occurs: properties of units (e.g., an individual, or an organization), properties of knowledge, and properties of the relationships between units (Argote et al., 2003). Compared to research on how properties of firms and properties of knowledge affect acquisition outcomes, research on how properties of relationships between organizations affect learning and knowledge management outcomes is a newer approach (Argote et al., 2003). The positive aspects of relational properties, such as strength of connection, trust, and cooperation, as well as the negative aspects such as conflict and opportunism, and their effects on the outcomes of knowledge acquisition in inter-organizational relations have been analyzed extensively in the literature on knowledge management, strategic management and operations management (e.g., Muthusamy and White, 2005; Paulraj et al., 2008; Lyles and Salk, 1996; Yin and Bao, 2006; Song et al., 2006).

The co-opetition perspective, which emphasizes that cooperation and competition function simultaneously (Brandenburger and Nalebuff, 1996; Lado et al., 1997), is the most recent advance in supply chain knowledge management. Strategic interdependence between manufacturers and distributors contains both cooperating

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