Industrial Marketing Management 69 (2018) 116–124

Contents lists available at ScienceDirect

Industrial Marketing Management

journal homepage: www.elsevier.com/locate/indmarman

Coopetition in regional clusters: Keep calm and expect unexpected changes

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ARTICLE INFO

Keywords:
Regional clusters
Inter-firm cooperation
Coopetition
Marketing strategy
Chile

ABSTRACT

This study focuses on changes over time in inter-firm cooperation of an export-oriented regional cluster within a Latin American emerging economy. The study was conducted in the Chilean salmon industry. A longitudinal study, collecting primary data from managers, was conducted over ten years. Unexpectedly, findings revealed that as the cluster matured, firm's members tended towards more individual behaviour than strategic inter-firm cooperation though, they continued to cooperate in more basic cost-reducing strategies. This result extends the industry cluster literature and provides insights into the cooperative and competitive changes that take place over time.

1. Introduction

The world is changing and industry clusters are changing too in terms of competition, cooperation and co-opetition, so perhaps we should expect the unexpected. The issue was first highlighted in the 2014 IMM Special Issue, which focused on "Co-opetition, Cooperation and Competition". Those papers sought to highlight the shift from individual firms pursuing a linear and sequential process of innovative R&D to market entry to one of integrated networks as the facilitators and enablers of NPD to market presence (LaPlaca, 2014). Such networks consist of firms previously considered to be in competition but now considered to be cooperators. An understanding of these changing dynamics and the consequent emerging business issues is vital for most if not all B2B organizations. For this to happen, firms need to view commercial information, market data and knowledge differently. For example, Cantù (2017) examined knowledge spillover (KSs) positing that 'spatial filters' may influence knowledge transfer. Her paper reports on the Italian start-up firm 'Geppetto' and its relationship with an incubator, reporting that KSs are activated by the "generating relationship" between the incubator and its business partners. Mudambi, Mudambi, Mukherjee, and Scalera (2017) noted that clusters are never static, rather they "evolve in response to technology and competition". They highlight the focus on "local linkages and networks", the foundations of industrial clusters. Their key contribution is the importance of "anchor" international firms and research institutions to ensure continuity of innovation over time through the management and use of knowledge networks for startup activity. Acknowledging Resource Based Theory (RBT), temporal changes and market dynamics the focus of our study advances this stream of research. Specifically we report on a longitudinal study of how marketing resource cooperation in a cluster changes and as firms seek to increase their competitive advantage by leveraging the cluster. Research on coopetition has been conducted since the early 1990s (Bengtsson & Kock, 2014). More recently Tatbeeq, Bengtsson, and Kock (2014) report on the paradox inherent in coopetition at the individual, firms and intra-firm levels as each pursues goals under competitive and cooperative agendas. Our research extends their 'unifying external forces' and examines internal dynamics. Dahl (2014) states that a set of rules for interaction exist, and that these change in either a predefined or a discontinuous manner, that is dependent on the balance and strength of both competitive and cooperative interactions. We compliment this by examining market activity dimensions. Byung-Jin, Srivastava, and Gnyawali (2014) examined coopetition and cooperation from the perspective of innovation performance. Other perspectives have been reported: drivers and the management of tension in coopetition by Fernandez, Le Roy, and Gnyawali (2014) and Tidström (2014); the "Coopetition-based business models of Amazon.com" (Ritala, Golnam, & Wegmann, 2014).

LaPlaca and Lindgreen (2016) acknowledge, in the introduction to the IMM special issue 'Managing Coopetition: Transcending a Paradox', that "determining the impact of coopetition on performance has become more difficult". They comment that historically coopetition was seen as an enabler of better performance, whereas now that "normative view may require some reconsideration". Coopetition exists in an environment of rivalry and so tensions are inevitable. The management of these tensions is "critical to the success of coopetition". Our research adds to this by examining how firms engage in behavioural changes

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https://doi.org/10.1016/j.indmarman.2018.01.013

over time to ensure their individual strategic success.

Interesting 'network' research continues to be published and the "Change and transformation of networks and relationships — Fundamental aspects of business reality" signaled by Fonfaraa, Ratajczak-Mrozeka, and Leszczyński (2016) captured the continued importance of this topic and the need to research and understand the changes and transformation of networks and relationships. Velu (2016) examined the role of 'dominance' in network markets and how this affects a firm's propensity to engage in coopetition. Thornton, Henneberg, and Naudé (2015) investigated "network-oriented behaviours" effect on a firm's position within a network as a driver of firm performance. Contributing a tangential perspective of competitive rivalry within a networked business market, Medlin and Törnroos (2015) note an absence of clarity and understanding of how competition shapes a business network. Their case based approach concludes that "change in the business network is provoked by competitive processes". What remain unclear are the specific dimensions. Our research goes some way to addressing that gap.

Specifically, our own research picks up on both Fonfaraa et al.'s (2016) signal and Bengtsson and Kock's (2014) five "directions for future research" and focuses on the cluster's intentions and preferences for marketing cooperation in joint ventures, market research, distribution, co-branding and new product development. We also examined firm's motivations for intra-cluster collaboration, thus drawing on the two streams of 'business networks' and 'coopetition in a cluster'. Thus we add to the literature by extending our understanding of "the dynamics of coopetitive interaction" and "the understanding how coopetition impacts business models and strategy".

To achieve this we adopted the RBT view of the firm as it provides a useful framework for explaining and predicting the basis of a firm's competitive advantage and performance (Barney, Ketchen, & Wright, 2011). According to RBT, organizations gain a competitive advantage from valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). In their review of RBT, Kozlenkova et al. (2014, p. 2) concluded that RBT "can provide theoretical and empirical insights into the relative effects of multiple market-based resources on performance". We adopted the notion of "market-based assets" to link demand with RBT and the issues of interaction and innovation in networks for improving firms' performance (Freytag & Young, 2014).

As an engine for economic growth, regional clusters have been the subject of much academic research and specifically inter-organizational networking, regarded as a vital source of competitiveness in most industries (Hendry & Brown, 2006; Delgado, Porter, & Stern, 2016). Since the 1990s we have debated the nature, structure and functioning of business clusters, though studies of their life-cycles have been limited (De Propris & Lazzeretti, 2009; Mudambi, Mudambi, Mukherjee, & Scalera, 2016). Our longitudinal study addresses this gap and contributes to a fuller understanding of the temporal nature of regional clusters.

Our study also complements the recent call for papers and special issues on 'Economic Geography and Business Networks for creating a dialogue between disciplines' (Nicholson, Gimmon, & Felzensztein, 2017). Studies concluded that the geographic influence of regional clusters has a positive impact on the development of local wealth and internationalization of local firms (Meyer, Mudambi, & Narula, 2011; Valdaliso, Elola, Aranguren, & Lopez, 2011). This includes attracting foreign investors, spawning global networks and assisting in the export and internationalization of 'regional cluster' companies. Morgan and Hunt (1994) and Geldes, Felzensztein, and Palacios-Fenech (2017) showed that to be an effective global competitor requires cooperation and networking between firms, which leads to an international marketing competitive advantage and that innovation in a firm may be non-technological, such as organizational and marketing.

Clusters have been defined as "geographic concentrations of industries related by knowledge, skills, inputs, demand, and/or other linkages" (Delgado et al., 2016, p. 38). Following Porter (1998), we define a regional cluster as the geographic proximity of firms in the same industry linked by complimentary commonalities. There has been little research on natural resource-based clusters (Giuliani, 2013; Perez-Aleman, 2005). Additionally, none of the existing studies are longitudinal in nature or explicitly consider inter-firm marketing cooperation. Lastly, there has been little prior research that explored the temporal changes within a regional export-oriented cluster in an emerging Latin American market (Okazaki & Mueller, 2007; Samiee & Athanassiou, 1998). Porter (1990) defined a leading-edge cluster in terms of its international sales; where the clusters' total exports are more than double the average export contribution of the country. In 2008, Chilean salmon exports accounted for 36% of the world salmon production, while Chile's total share of world exports was around 0.3%.

The Chilean salmon cluster strategy is a mix of entrepreneurial SMEs and large firms. Given the management importance of cooperation/coopetition (Tsai, 2002), this firm-centric approach led to our two key research questions;

1. Would inter-firm marketing cooperation increase as the cluster matured?
2. Would interpersonal networking between firms increase over time?

2. Theory and hypotheses

2.1. Co-location facilitating inter-firm cooperation

Porter's work stimulated much discussion beyond traditional explanations of agglomeration found in economic geography (Gordon & McCann, 2000). Enright (1996) and Van den Berg, Braun, and Van Winden (2001) studies focused on two dimensions; '*geographical co-location*' and '*social networks*' that considered the personal and casual interactions from competing and non-competing organizations (Felzensztein, Brodt, & Gimmon, 2014). Co-location enables collective problem solving, allowing firms to develop a common understanding of their business activities and how each relates to the cluster (Tong & Reuer, 2010), while social networks provide the fabric of the cluster. Clusters act as conduits of knowledge diffusion (Corsaro, Cantù, & Tunisini, 2012; Geldes et al., 2017), and offer firms and regions the potential to better compete in the modern, globally connected knowledge economy (Tallman & Phene, 2007).

Industrial marketing relationships lead to better interactions than simple cooperation (Matthyssens, Kirca, & Pace, 2008; Nicholson et al., 2017). Interaction requires a proactive attitude towards cooperation, building of trust and commitment (Freytag & Young, 2014), and the construction of social capital among the participants of the cooperative network (Gulati, Nohria, & Zaheer, 2000a, Gulati, Nohria, & Zaheer, 2000b; Gulati, 2007; Felzensztein et al., 2014).

Geographical proximity facilitates repeated interactions that promote the development of both informal and professional networks (Beugelsdijk, McCann, & Mudambi, 2010; Mudambi et al., 2016; Valdaliso et al., 2011). The literature identifies three broad types of networks (Mackinnon, Chapman, & Cumbers, 2004); exchange, communication and social. *Exchange networks* are commercial relationships between customers and suppliers. *Communication Networks* are groups or individuals who provide cluster firms with contacts and knowledge about business activities, e.g. industry bodies. *Social networks* are friendships and other business connections that provide support and have a broader scope of development through socially embedded norms and expectations. Repeated interactions and social connections facilitate trust and the rapid and effective diffusion of ideas and inter-firm collaborations (Kogut, 2000). The subsequent attraction of additional firms depends on the economies of scale and positive 'support' (Elola, Valdaliso, López, & Aranguren, 2012). However, this may not apply in natural resource-based or export-oriented industries, as the location of the natural resource(s) is the main reason companies co-locate (Brown, McNaughton, & Bell, 2010). Gulati (2007, p. 15) called this '*positional*