Title: A Paradox of Competition and Cooperation

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When firms run their businesses, they have to necessarily interact with other external organizations in their business environment and this interaction is recognized as inter-organizational relationships. While all firms have inter-organizational relationships, balancing between competition and cooperation become a common challenging problem for these firms in achieving their long-term organizational goals.

The purpose of this essay is to discuss the paradox of competition and cooperation at a network level strategy. It concludes that a firm needs both competition and cooperation at the same time to expand the business and be more competitive with maintaining its own interests and strengths, while the level of applying both of them depends on the interests and purposes of the firm.

Inter-organizational relationships are interactions of firms with other organizations or individuals in their business environment or industry (De Wit and Meyer, 2004). Firms need to interact with suppliers, buyers, industry insiders (particularly competitors), and industry outsiders (particularly substitutes and industry entrants), as well as contact with socio-cultural, economic, political or legal, and technological sectors. The main purpose of interacting with these industry parties is to add value on firms' resources, activities and products offerings. Firms can be engaged with others in networks through bilateral or multilateral arrangements and the degrees of their relation and involvement with each other depend on their own requirements and shared interests.

As firms must have inter-organizational relationships, strategic mangers face problems of balancing competition and cooperation in order to improve competitive position as well as maintain their own interests at the same time. For example, Merck, the fourth pharmaceutical company in the world, independently runs the business in the pharmaceutical industry. The company faces problems of deciding to choose its existing habit of independence from the industry or cooperate with others while there are two mergers of its competitors Pfizer with Pharmacia to be number one and Glaxo Wellcome with SmithKline Beecham to be number two in the industry (De Wit and Meyer, 2004).

Competition is referred to as the action of individuals or organization working against each other with their different own interests and goals, and as a result there are winners and losers (De Wit and Meyer, 2004). In order to maintain their own interests with sustainable competitiveness, firms have to be independent, develop effective power, have competitive price and quality of products, prevent competitive threats, limit government and public demands, be aware of industry changes, and avoid reliance on suppliers and buyers. Competition is emphasized in the discrete organization perspective.

Cooperation can be referred to as the action of two or more organizations working together in order to be mutually beneficial and achieve long-term shared objectives (De Wit and Meyer, 2004). Firms need cooperation to develop more opportunities to reap advantages of joint efforts. Firms can cooperate with suppliers, buyers, governments and other firms in the industry in order to develop new products with better service offerings through new technical standards and better knowledge infrastructure. Firms can cooperate with others to form as alliances, mergers or partnership. In order to maintain good cooperation, partners have to trust each other and there must be coordination and conflict-solution mechanisms for solving relating issues. Cooperation is emphasized in the embedded organization perspective.

Should strategic managers choose to run businesses individually or cooperate with others? To answer this question, strategic managers should be aware of advantages and consequences of both competition and cooperation and it is here there is a debate between the discrete organization perspective and the embedded organization perspective.

The discrete organization perspective argues that firms should be independent and interact with other companies as much as possible in order to achieve effective power. Firms should keep and control all business activities in the business boundary and they can outsource some activities to other companies with lower costs in order promote their own interests and strengths. For example, McCain has spread its French fries over the world with its highly competitive behaviour of the firm. The company outsorces most production to suppliers with specific contracts that these contracts contained strict times and standards of supplies (De Wit and Meyer, 2004).

Furthermore, with competition, firms can ensure that their vital information, resources, and knowledge are kept within the business boundary. A highly competitive environment allows firms to continually improve and innovate as they need to succeed over competitors in the highly competitive landscape. Independent firms are highly flexible to cope with industry and competition environment changes. For example, ?????????????????

The discrete organization perspective also argues some consequences of alliances such as alliance partners can be potential rivals for each other, there are some conflicting interests and loss of each other's interests, and cheating between partners. In other words, alliance partners compete with each other in a different form.

However, the embedded organization perspective argues that organizations should work together to create a network level strategy and shared valued in purpose of achieving the common goal. Competition is not enough for a firm to compete in a network or macro level. Two or more organizations should work together in order to reap synergies. Firms should collaborate with suppliers, buyers, other manufacturers, and organizations outside the industry in order to establish a network and develop new competitive products to compete with other networks.

In addition, a firm can cooperate with a competitor to form an alliance. An alliance with a competitor produces joint knowledge through collective learning when working together (Inkpen, 2000). Partners can combine their technology and resources to develop an advanced product which allow the alliance to be more competitive over competitors who individually run their business. An alliance allows firms to achieve economies of scale in marketing, research and development.

The company should choose a potential competitor to cooperate with in order to benefit from the competitor's existing customers, strong distribution networks and resources. Collaborating with a competitor allows the firm opportunities to learn and acquire technology and skills from partners (Hamel, Doz, and Prahalad, 1989). The cooperation of competitors can be a strong barrier for new rivalries. For example, Associated newspaper cooperated with London Underground newspaper in order to limit Metro's business capacity in London market. This cooperation of these two local firms was a major threat for Metro in British newspaper industry. **(Hazard, 2002).**

Furthermore, cooperation with local partner is a primary option for a firm to enter a new market or a new country with avoiding investment as well as reducing costs and risks. In other words, cooperating with an existing partner enables a firm to enter a new market more quickly and at low cost by borrowing existing infrastructure and using information and resources of the partner (**Inkpen and Beamish, 1997; and Ohmae, 1989)**.

While inter-organizational relationships are fluid, a firm need cooperation and competition at the same time in order to expand markets, improve competitive position, and maintain own strengths. The firm should cooperate with other organizations such as suppliers and buyers enjoy the benefits of lower fixed costs, supplier expertise, and suppliers and buyers' infrastructures. In other words, the firm should cooperate with suppliers, buyers, and other related organizations to form a network with synergies in order to improve the competitive position. The firm can also cooperate or make alliances with potential competitors in order to combine knowledge and resources to develop new competitive products and build stronger business infrastructure in order to win over competitors who individually run business. When the firm wants to easily access to new markets with low risks and investment, it should cooperate or make joint ventures with local partners, particularly local buyers or competitors in order to benefit from their existing knowledge and infrastructures.

While the firm cooperate with these buyers, suppliers, competitors and other organizations, it needs to apply/posses the competitive behaviours at the same time. The firm needs to build up its boundaries to protect its own unique knowledge and resources from being copied by its partners. As partnerships or cooperation are fluid, the firm can not heavily rely on partners; it needs to develop its own innovation and resources for its own future competition.

Sometimes, particularly multi-business firms, they just cooperate with others in some businesses or firm's activities and resources, so they need to apply discrete organization perspective to compete with and win over their competitors in some other businesses that they do not have cooperation with others.

In conclusion, the discrete organization perspective enables firms to protect their own unique resources from being copied by others and create effective power to win over competitors with degree of innovation and flexibility co cope with industry changes. On the other hand, embedded organization perspective allows firms to improve competitive position and expand markets through new product development, shared knowledge, and lower fixed costs and investment. In order to improve competitive position, expand markets and maintain own strengths for the future, firms need to apply both perspectives at the same time and the degree of each perspective required to apply depend on types, situations, and individual interests or objectives of firms.

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