



## Organisational innovation and coopetition between SMEs: a tertius strategies approach

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## **Organisational Innovation and Coopetition between SMEs:**

### **A Tertius Strategies Approach**

by Julien Granata; Mickaël Géraudel; Katherine Gundolf; Johanna Gast; Pierre Marquès

#### **Abstract:**

Being vulnerable to environmental forces, small- and medium-sized enterprises (SMEs) seek to supplement their insufficient resources by adopting coopetition strategies in order to reduce uncertainty. This longitudinal study of the union of wine producers in Pic Saint-Loup relies on 45 interviews conducted during multiple data collection moments and provides an understanding of how competing SMEs can develop cooperative strategies. In doing so, we present the development stages of coopetition strategies as well as the role of stakeholders in this development. Next, we accentuate the *tertius* strategies SME managers prefer to implement.

**Keywords:** coopetition strategies, small- and medium-sized enterprises (SMEs), longitudinal study, stakeholders, *tertius*.

## **1 Introduction**

Small organizations are extremely vulnerable to environmental forces and search for innovative ways to supplement their insufficient resources and therefore reduce their environmental uncertainty (Astley and Fombrun, 1983). This research on how to acquire resources is in line with the theoretical foundations of Dyer and Singh (1998). Extending the traditional resource-based view that focuses exclusively on the firm level, the authors here propose a relational approach of how to gain access to resources. In fact, small- and medium-sized enterprises (SMEs) may seek to overcome their lack of internal resources through their capacity to capture those externally via their stakeholders. In this perspective, Garriga (2009) shows how a company may build relations with its network of stakeholders who can be seen as facilitators of accessible resources for SMEs on several levels: political, economic, environmental, etc. (Freeman, 1984).

Traditionally, firms tend to engage either in competition or cooperation separately (Padula and Dagnino, 2007) but recent observations show that firms increasingly combine these concepts strategically in one and the same relationship in order to deal with uncertain market conditions (Gast et al., forthcoming). This innovative approach of combining competitive and cooperative forces in the same inter-organisational relationship is also called cooptation (Brandenburger and Nalebuff, 1996) and receives growing attention in research and practice (Gast et al., forthcoming).

This paper focuses on cooptation relationships by analysing formal horizontal relationships between more than two firms resulting in the creation of a coordinating organization, which have been little researched so far but can present an innovative way for SMEs to cope with their lack of resources and environmental uncertainty. From an innovation perspective, these cooptation strategies can be described as a form of organisational innovation, generally understood as an improvement to the involved firms' organisational

structure or a change in its relationships with other firms and public institutions (Hipp et al., 2000; OECD, 2005).

Although there are only a few studies, some research concentrating on SMEs showed that such behaviour fosters successful change management (Dollinger, 1990; Dollinger and Golden, 1992; Dana et al., 2013) as well as the seizing of opportunities (Bengtsson and Johansson, 2014). Further exploration is needed on the fact that traditionally competing SMEs may initiate coopetition strategies as a form of organisational innovation by developing various forms of cooperation (Bresser and Harl, 1986) on different levels.

Being a major actor within SMEs, the manager is able to initiate inter-organisational relationships through his intermediation capacity to implement coopetition strategies. Prior work on the roles of *tertius gaudens* and *tertius iungens* (Obstfeld, 2005; Garriga, 2009; Salvetat and Géraudel, 2012) shows how actors initiate inter-organisational relationships and in our case cooperative strategies among competing SMEs and their stakeholders. The research question therefore reads: How do SME managers develop coopetition strategies with their stakeholders when facing a situation of environmental uncertainty? We thus seek to understand the structuration phases of coopetition strategies as well as the *tertius* strategies of the managers who shape their implementation.

As coopetition strategies are complex and dynamic in nature, the case study method in a longitudinal approach seems appropriate (Eisenhardt, 1989; Yin, 1994). The wine sector, which was chosen for this study, undergoes a structural crisis of overproduction and competition from new producing countries since the 1990s (Anderson, 2004). The increase in competition in this atomized sector led to, on the one hand, the development of coopetition strategies among SMEs and, on the other hand, to the concentration of the big players, resulting in a wine sector which is characterized by an oligopoly with a competitive fringe.

In the following theoretical section, we first present the theoretical foundations of coopetition strategies and their link to the theory of stakeholders to show how they are realized through the coordination with the actors of the environment. Next, we highlight the *tertius* roles of the managers when implementing the strategies. In a further section, we explain the qualitative methodology and in particular the specificities of this field of study. Finally, we present our results on the development phases of coopetition strategies, the proactive behaviour of the SME managers as well as the role of the *tertius* strategies for the effects of embeddedness of the actors. These results are then discussed in the lights of existing findings in section five while the last section presents the concluding remarks.

## **2 Theoretical framework**

### *2.1 Coopetition and organisational innovation*

Bengtsson and Kock (2000) suggested that coopetition exists when two direct competitors decide to cooperate while remaining in competition. Adopting this view, pure horizontal relationships are rarely approached in strategic management at the expense of dyadic or network relationships. This is surprising as the majority of the cooperative relationships are taking place between competitors (Gnyawali and Park, 2009) and coopetition receives growing attention (Gast et al., 2014).

Considering that firms traditionally either engage in competition, based on divergent interests to earn above-normal profits at the expense of rivals, or in cooperation, based on convergent interests to achieve a common goal (Padula and Dagnino, 2007), coopetition strategies are an innovative approach to cope with environmental uncertainty and resource insufficiency. Taking a closer look at the definition of innovation and in particular at the definition of organisational innovation reveals the innovative character of coopetition

strategies. Following Knight (1967, p. 478), “an innovation is the adoption of a change which is new to an organization and the relevant environment”. Following the OECD, organisational innovation is a change of the firm’s relationships with other firms or public institutions through e.g. alliances, partnerships, outsourcing or sub-contracting (OECD, 2005). As the adoption of coopetition strategies is new to most firms and their environment, and it implies a significant change in the involved firms’ inter-organisational relationships, coopetition strategies appear as a form of organisational innovation, which has generally received little attention so far, especially in the case of SMEs.

## 2.2 *Coopetition strategies and stakeholders*

Little research on collective strategies has focused on small enterprises. Dollinger (1990) first analyses fragmented industries and outlines that the actors of small firms search for forms of interdependence in order to survive. His work together with Golden (Dollinger and Golden, 1992) indicates that strategies most frequently implemented by small businesses are those initiated among many competitors: the coopetition strategies. Thereby, cooperative strategies including several competitors are developing in many fragmented industries (Quintana-Garcia and Benavides-Velasco, 2004; Czakon, 2009; Dana et al., 2013).

Trust is the foundation for cooperation between competitors (Ritala and Hurmelinna-Laukkanen, 2009). Beyond the choice of coopetition strategies, the question comes up which partners to choose to achieve those strategies. The stakeholder approach (Freeman, 1984) allows opening up the perspective of coopetition strategies. Neville and Menguc (2006) speak of “stakeholder multiplicity” to reveal the different types of interactions an enterprise may face: competition, complementarity and cooperation. In this multiplicity of stakeholders, the authors identify three essential elements to ensure a potential collaboration among them. First, the stakeholders must check whether their strategic orientations match (fit as matching). Next, they need to consider the influence power of the present stakeholder (fit as moderating).

Third, they need to know the potential synergy effects among the stakeholders when cooperating strategically (fit as *gestalts*). In case of cooptation strategies among SMEs, the analysis is similar *a priori*. Our case study allows us to explore this issue and to highlight how SMEs get structured collectively. However, these inter-organisational relationships develop through concrete interpersonal relationships. Thus, the embeddedness of actors (Granovetter, 1985) opens a range of power games that will influence strategic decision-making. The following section will explain these situations through the *tertius* roles of SME managers.

### 2.3 *The tertius roles of SME managers and the implementation of a cooptative strategy*

The search for external resources in a relational perspective (Dyer and Singh, 1998) is closely related to the use of the manager's social capital (Chollet et al., 2014). It therefore seems relevant to understand how managers of SMEs mobilize their social capital to implement cooptation strategies within their industry. As a consequence, the question arises concerning the performance of dense or loose networks in which resources are exchanged and relationships between players are forged. Obstfeld (2005) first identifies the benefits of structural holes (Burt, 1992) indicating a limitation of this vision, namely the inability to generate innovation outside densely connected networks.

Furthermore, Obstfeld (2005) emphasizes the role of the *tertius iungens* (the third who joins) as an actor who is capable to join disconnected actors. Garriga (2009) explains that the role of the *tertius iungens* is realized by a firm within the network of stakeholders. Salvétat and Géraudel (2011; 2012) show how some actors can play an intermediary role fostering cooptation strategies among competitors in the same industry. Based on these works, we propose that the SME manager plays the role of an intermediary to instigate a cooptation strategy among the players of a certain industry.

**Proposition 1: The SME manager instigates the cooperative strategy while trying to play the *tertius iungens* role between the stakeholders in the industry.**

Opposed to the *tertius iungens*, the *tertius gaudens* proposed by sociologist Simmel (1950) presents a different posture. He is the “third who enjoys” (Simmel, 1950). As explained by Burt (1992), the *tertius gaudens* holds an intermediation position and can benefit from this situation. By exploiting information asymmetries, he can get what Burt calls the “benefits of control” and privileged access to information. Garriga (2009) points out that the *tertius gaudens*’ language is competition, control and manipulation, contrary to the language of cooperation of the *tertius iungens*. In this case, the SME manager can, by increasing his presence in different networks of stakeholders, play the role of the *tertius gaudens* and benefit from the advantage of opportunistic behaviour or the advantage of his group membership (of his stakeholder category: SMEs). Based on this, we propose the following:

**Proposition 2: The SME manager will promote the strategy of the stakeholder group he belongs to by playing the role of *tertius gaudens* at the expense other stakeholders.**

### **3 Research methodology**

#### *3.1 A longitudinal case study*

The present analysis is based on a longitudinal case study of a cooperative strategy in the wine sector, a sector which was chosen due to its characteristics promoting the development of the studied phenomenon. In general, the case method allows to analyse new or under-studied phenomena (Eisenhardt, 1989; Yin, 1994). In our case, this approach seems particularly appropriate as the process of developing a cooperative strategy is dynamic, complex and highly dependent on the context.



A longitudinal perspective was chosen due to the importance of the chronology of the events when studying a collective strategy (Bresser and Harl, 1986) and the need for a dynamic analysis which is rarely addressed in traditional models in strategic management. In line with the longitudinal study by Mackay and Chia (2012), who study a dynamic strategic process, our methodology consisted of a collection of primary data over time – through non-structured and semi-structured interviews as well as comments – supplemented by archival data.

Our first phase of non-structured interviews initially conducted among experts of the wine industry allowed us to identify the coopetition strategy among SMEs of the geographical area Pic Saint-Loup as an exemplary case of success, longevity and embeddedness. We thus performed non-structured interviews with key players of the Pic Saint-Loup. Due to the need to identify strategic phases in a first exploratory step to break down the observation process into phases, we followed the method of van de Ven and Polley (1992). In doing so, the following significant sequences of the strategy have been identified: the launch of the informal coopetition strategy in the mid-1980s, the formalization of the strategy by the end of the 1980s, the increased embeddedness with the stakeholders in the 1990s, and the strengthening of this in the 2000s. These strategic phases set a time frame which structured the second step of the semi-structured interviews. In these interviews, the respondents were asked to tell us the story primarily in terms of determinants, modalities and resources for each of the identified strategic phases. The key players who were interviewed in this second phase helped us to identify managers and actors to conduct 45 semi-structured interviews. Additional sources (observations, dialogues, archives, etc.) allowed for data saturation.

The dates of the events reported by the respondents during the interviews were verified through secondary sources, primarily being minutes of board meetings or reports of professional organizations. A summary of the interview was generated as a simple document

with a series of questions to synthesize or specify certain elements of a contact in the field (Miles and Huberman, 1994).

In the first phase of the data analysis, we wrote down the case history. In a second phase, while transcribing ad hoc the semi-structured interviews, the content analysis was aimed at extracting the relevant information for this study out of the large data set. The transcribed primary data has been subject to a preliminary coding based on a thematic content analysis (Miles and Huberman, 1994). After the transcription of the initial data, categories and themes were identified through thorough reading of the paragraphs. As soon as these issues were confirmed through reading other transcripts, a provisional code was assigned and listed in a provisional list. Codes emerged, evolved and disappeared throughout the experience in the field, whereby they became empirically enrooted. Thus, all data was coded based on the emerging themes in the field and on the literature. Data was triangulated (Miles and Huberman, 1994), permitting us to compare the perceptions of different stakeholder profiles. The method of triangulation was strengthened through direct field observation, which resulted in the formulation of drafting notes. The final control phase of this longitudinal study was realized through the validation of the results with the key stakeholders of the studied strategy.

>> Insert table 1 about here <<

### 3.2 *The wine industry*

Since the 1990s, the wine sector undergoes a structural crisis which is characterized by massive overproduction and increased international competition from new producing countries, called “new world” (Anderson, 2004). What followed was a phenomenon of concentration that led to the emergence of large players (Anderson, 2004). Faced by these internationally listed firms, their structural lack of resources drives SMEs practically into

horizontal relationships. As a result, the wine sector became highly fragmented, representing an oligopoly with a competitive fringe.

This international logic is consistent with the development of the brands and differs from the European system which often links the brand to a designation of origin (Tinlot, 2007). Meanwhile, the success of the new producing countries is based on the cluster model. Take the NAPA Valley wine cluster in California as an example where many companies cooperate while competing at the same time (Porter and Bond, 2004). Despite all, the new forms of horizontal cooperation continue to develop in the traditional producing countries facing profound strategic changes. Recent agreements of the World Trade Organization and the European reformation of the Common Organization of the Markets in 2008 which have started a process of global market liberalization are accentuating the effects of globalization. The firms need strategic flexibility more than ever to adapt to the sudden changes in their environment. Due to their small size, they cannot survive in a sector that requires reaching a critical size. In this vein, some actors such as the Pic Saint-Loup union voluntarily engage in collective strategies with other members of a community rather than acting alone.

### *3.3 The case of the Pic Saint-Loup wine producers union*

The case of the Pic Saint-Loup union represents a co-competition strategy among several competing SMEs which are in need of coordination structure to handle collaborative aspects of the community. Under the association status, the union federates at the moment of study forty-eight SMEs in direct competition (three winemaking cooperatives and forty-five independent winemakers) in charge of transforming grapes and selling wine.

The territory of Pic Saint-Loup is situated in the region Languedoc-Roussillon and comprises thirteen communities in the north of the city Montpellier. The 1970s and the early 1980s were marked by an economic crisis in the wine industry. Being caught in their regional position of the mass production of low quality wines, some production areas which are

labelled “vins délimités de qualité supérieure” (VDQS, wines of a certain area of higher quality) like the ones of Pic Saint-Loup are sometimes sold at prices of bulk goods of simple table wines in supermarkets. The Languedoc area chose to federate these VDQS in 1985 to become an extended geographical identification community named “AOC Coteaux du Languedoc”, guaranteeing high quality products. Because of low quality, the area of Pic Saint-Loup was nearly refused to enter the regional geographical identification due to the uncertainty of its ability to meet the quality standard. This situation had a profound impact on the Pic Saint-Loup SMEs. The SMEs’ owner-managers are winemakers which decided to found a collective brand in order to follow their individual strategies.

Thus, the winemakers of Pic Saint-Loup took part in a global movement to launch a collective brand without relying *a priori* on the effort of the AOC geographical identification. The collective brand supports a coepetition strategy based on quality improvement of the products. Driven by a collective effort, the winemakers replanted individually their wine populations in their areas and their occupation evolved from winegrowing to winemaking. In retrospect, the geographical indication acted only as a brand protection system (Evans, 2010), like a tool for the consolidation of the qualitative differentiation strategy supported by a collective brand. In the context of this consolidation, the relationships between the different stakeholders in Pic Saint-Loup started.

## **4 Results**

### *4.1 The strategic phases of coepetitive strategy development*

#### *4.1.1 The launch of competition in 1985*

In 1985, at the creation of the regional geographical identification “AOC Coteaux du Languedoc”, only seven winemaking cooperatives produced and transformed wine in the Pic

Saint-Loup zone. The difficult situation led a group of winegrower cooperative members to leave the cooperative structure in order to transform their organization into an independent winemaking structure in competition. They moved from the status of grape producer leaving the wine making to the cooperative, to independent wine yard owners, now exercising both steps of wine production. All of these SMEs, winemaking cooperatives and independent winemakers, embarked on the strategy of replanting and seeking the production of superior quality wines through a better understanding of their area. Rapidly, in the late 1980s, these competing SMEs formed an informal community to exchange practices and resources. According to their managers, “individualism has no future in the wine sector” while “gathering together is necessary”.

At the launch of this strategy in the late 1980s, the winemaking cooperatives accepted, not without risk, the departure of the cooperative members and the collective use of the brand Pic Saint-Loup to benefit from a collective strategy during economic uncertainties. In this regard, the manager of an SME explains that these were “*small artisan businesses that were a priori unable to establish their product’s brand or name and to gain public attention. They were inevitably forced to federate and bring out a collective brand in order to gain market share.*” Thus, when facing economic risk, reinforced by a sectorial crisis, and important local (the launch of the geographical identification) and international (market entry of competitors) environmental evolutions, the SMEs in competition tied their fate sustainably. Following this proactive effort, the SMEs were guided by their strategic choice based on the logic of economic survival.

#### 4.1.2 *The start of the collaborative relationship in 1988*

Seeking to formalize their relationships, all SMEs in the area decided to join a trade union in 1988. Proactively, they initiated a strategy of quality differentiation which was based on the initially collective but informal brand Pic Saint-Loup. One involved manager

mentioned the proactive character: *“there has been a proactive economic effort. (...). I am convinced that such a development cannot be imposed by outside people, it has to be brought forward by the people at the bottom”*. Another emphasized the state of mind of the members: *“Nobody is under influence in Pic Saint-Loup”*. The brand was previously that of one winemaking cooperative which accepted its widespread use for the benefit of the community. The relationships between the members, the rules of production and the union were formalized.

The formalization of the collaboration was thus guided by a proactive economic effort: the positioning in a niche for “premium” wines which developed since the internationalization of the new producing countries. This type of wine, which was sold for six to ten dollars per bottle, was positioned at a higher level of quality. One respondent affirmed: *“They wanted to distinguish themselves from the regional “AOC Coteaux du Languedoc” and become a real independent label.”* Another confirmed: *“They have come together to establish a prioritization process, to distinguish themselves from the “AOC Coteaux du Languedoc”, as a vintage and future area label.”*

#### 4.1.3 *The increased embeddedness phase*

In 1994, by decree, the brand “Pic Saint-Loup” leaned on the regional “AOC Coteaux du Languedoc” to provide collective access to a new notoriety. This decree ensured the individual involvement of every SME by adopting collective and legal rules for the production. Despite their proactive effort, given their limited resources and the necessary skills to sustainably carry out this strategy, the SME members of the union relied on a set of stakeholders such as associations of municipalities or professional organizations. In the mid-1990s, after a phase of formalization and the need for external resources to successfully complete the regulation phase in 1994, the union members became aware of the benefit of mobilizing certain stakeholders. These turned out to be more easily mobilized when the SMEs

participate in their governance. Thus, the managers of the union's SME members decided to join and participate in the management of a diverse set of institutions and professional organizations. Based on a first institutional networking process, they mobilized the professional organizations' employees which are professional experts with operational knowledge. For instance, the "AOC Coteaux du Languedoc" employees were mobilized in developing the decree in 1994. The link between the cooptation strategy and the stakeholders was strengthened through an active participation and the engagement in important roles.

#### 4.2 *The proactive effort of the tertius iungens*

The case of Pic Saint-Loup reveals the proactive effort of actors which was not generated by the professional bodies or peripheral stakeholders. His exemplarity results in recommendations for professional organizations and institutions to adopt proactive mind rather than trying to generate projects reactively. Despite this, the general turbulent environment acts as an important trigger for the SMEs' engagement in cooptation strategies.

In fact, based on the logic of survival, the perception of a high risk of failure has led the managers of the Pic Saint-Loup SMEs to adopt the strategy of the *tertius iungens*, supporting proposition 1. In the context of an economic crisis, the development of a competitive strategy seemed irretrievable or even irreversible. The respondent's argue "*We were in a context of a strong economic crisis.*" and precise "*It was that or one would burst.*"

Not able to elaborate a contract stating the duration and the strict terms of their commitment *a priori*, the SMEs linked each other proactively through the cooptation strategy. We thus observe that in a competitive economic environment which results in a high risk of failure for the individual SMEs, they prefer to engage in cooperative relationships with competing SMEs, within a community which guarantees collective survival.

Despite the undeniable proactive nature of the process, which we might characterize as “bottom up” strategy, this case reveals that the SMEs of Pic Saint-Loup have significantly relied on the stakeholders at different levels:

- On the political level, by integrating professional organizations to sometimes perform duties of responsibility;
- On the operational level, by building close relationships with the operators of these organizations which they use for their key competences.

One member explained that *“it was difficult to cut the umbilical cord with the “Coteaux du Languedoc”. They helped us with the process, with the paper-work for the constitution and they have influential contacts”*. Thus, limited resources and competences of the coopeition strategy have led its members to connect and integrate other stakeholders to benefit from a range of external resources and competences: *“when we need the budget, we ask local and regional institutions”*.

#### 4.3 *The multiplex network among stakeholders*

Over the years, despite the small size of the area, the actors of Pic Saint-Loup have integrated peripheral national and/or regional professional bodies to carry out duties. Table 3 presents the functions of responsibility which were occupied by the managers within the diverse organizations at the moment of the study. It does not mention those exercised under union of Pic Saint-Loup.

>> Insert table 2 about here <<

The members of the Pic Saint-Loup union were involved in numerous professional organizations in order to carry out key duties with no less than three chairs out of five in major national bodies such as the ANTAV (“association nationale technique pour



l'amélioration de l'agriculture", national technical association for the improvement of agriculture), the ITV ("institut technique du vin", technical wine institute) or the national group "Recherche et Développement" (research and development) within the ministry's plan to modernize the French sector. In addition, one of the founders of a wine area acceding to the union, originating from the production zone, was the president of the trade union "Vins de Pays d'Oc". Associated with the presidency of the "AOC Coteaux du Languedoc", the members of Pic Saint-Loup were related to two major professional organizations in their regions in terms of production volume and political influence. One of the operators of the "AOC Coteaux du Languedoc" witnessed: *"I started to work with them when I was setting up trainings (...) the coordination of the prioritization dossier, the relationships with the INAO, the responses to the inquiries of the commission, the follow-up monitoring of the reports. Marie-Pierre and Hélène coordinate the establishment of the website"*.

The members of the union were playing the card of multiplicity in governance bodies of the most important professional organizations. The intermediating partner is the "AOC Coteaux du Languedoc" union *"who manages the accreditation of the wines and have a person who is responsible for our record label."* According to the respondents, they outsourced part of the operational management of the cooperation strategy to the stakeholders: *"For the operation, we need to work with the inter-branch organizations such as the county, the INAO, the ONIVIN, the Coteaux du Languedoc, the CIVL."*

#### 4.4 *The role of tertius gaudens and the opportunistic temptation*

The presence of the union members in these organizations did not go without any consequences. Within these organizations, they have influenced decisions to their benefit. According to one member, they have gathered strategic information which was then spread among the union members and used to guide their individual strategies in line with the cooperation strategy. The facilitator of the union described his activity in this direction: *"I also*

*serve as a platform for collecting information and spreading the word among the members. I serve as an intermediary between the wineries and the institutions*". For example, the anticipation of a growing demand for white wines, which was not possible to be produced based on the decree of 1994, has led the members to commercialize these early through the formation of a new geographical identification. The constitution in 2005 of this geographical identification called "Val de Montferrand" was achieved with the support of professional organizations in which the union members were acting.

They benefitted from information asymmetry compared to their direct competitors and other regional competition strategies. In this sense, proposition 2 concerning the *tertius gaudens* strategy is also supported. This asymmetry mainly concerned anticipating market needs, environmental changes and actions of regional, national and international competitors. According to the former director of one of the professional organizations "*it is not a coincidence that the county of Hérault has chosen the castle "Château de Restinclières" at the foot of the Pic, as a county residence for the environmental department and that the ecologists of Euzière, a group active in training, facilitating and protecting the nature, are located there*". One of the remarkable strategic elements facilitated by the social embeddedness of the managers was the implementation of the important promotion actions such as the culinary wine tastings called "Les vignes buissonnières" which contributed strongly to the fame of Pic Saint-Loup since 2001. This action was made possible through the hiring of a union facilitator, financed through the several municipalities, and the provision of an office by the township "Valflaunés". The active participation of the wine yard owners in many communities, local councils and associations has facilitated this support. Moreover, according to the respondents, the SMEs achieved excellent results from export. According to one respondent, the president of a regional professional organization, his function enabled him to praise Pic Saint-Loup at each institutional visit he makes abroad, "*wherever I go in the*

*whole world, I emphasize that I am from the Pic-Saint Loup region and I present our wines”*. Hence, the social embeddedness had a positive impact on the collective strategy, which, in turn, benefitted the individual strategies: *“The promotion tools which were jointly developed are consistent with the valorisation of each company.”*

In fact, over time and according to their needs, the union members were able to develop special relationships with these institutions because according to an employee *“they maintain the relations with special prudence”*, in order to take advantage of the diverse competences, resources and funding. These services and competences concerned different means such as the provision of an office by the township “Valflaunès”, the realization of the area soil maps with a database developed by the climatological association of Hérault, the Hérault chamber of agriculture analytical work regarding the Syrah grape on certain soil types, and the assistance in recruiting and supporting the formation of a group of employers conducted by the county association for employment and vocational training in agriculture. The professional trade union “Coteaux du Languedoc hosts the Pic Saint-Loup union’s website, realizes the engineering education for the Pic Saint-Loup members, and supplies their expertise concerning the constitution and management of the decree.

The union members have developed simultaneously *tertius gaudens* and *tertius iungens* strategies by mobilizing their stakeholders through the implementation of joint projects. According to one respondent *“there were collective synergies, especially at the operational level and in terms of communication, promotion and events”*. A certain number of collective promotion actions, such as “Les vignes buissonnières” which consisted of a culinary tour with wine tastings, benefitted from the support of diverse actors. The cooperation strategy implementation consisted thus of opportunity seizing, while avoiding an environmental threat, to be proactive while playing the card of multiplicity in order to influence the policy makers in favour of the union.

## 5 Discussion of the results

### 5.1 *The combined strategy of the tertius roles*

From a theoretical and empirical point of view, the combination of the two strategies *tertius gaudens* and *tertius iungens* represents a contribution to research. Often opposed in the literature, in which the *tertius gaudens* is described as the dark side of the *tertius iungens*, we propose here to combine them and we show empirically the perimeters of action of each of these strategies.

Here, the *tertius gaudens* (Simmel, 1950; Burt, 1992) is the incarnation of competition while the *tertius iungens* is the incarnation of cooperation. Combined, these two strategies show the combinatorial behaviours of competition and cooperation between the managers and the stakeholders. Therefore, the *tertius gaudens* strategy is implemented by the managers of Pic Saint-Loup with their stakeholders to gain a competitive advantage over their competitors. The strategic information obtained individually by the manager is distributed across the community. The scope of the action is the one of the community reacting to external actors. At the same time, the strategy of *tertius iungens* aims to unify SMEs in one single entity. Sustainable competitive advantage can only be achieved collectively for these SMEs. The scope of action is this time within the community or project itself.

In short, the combination of the *tertius gaudens* and *tertius iungens* strategies shows in our case that the SME manager uses his institutional embeddedness to play various roles at various levels and with various actors. This dual strategy on several levels is rather original and differs, for example, from the work by Salvetat and Geraudel (2012) in which these strategies are seen as alternatives at the same level of action. Thus, players in the aerospace industry use *tertius* strategies depending on the types of actors involved but they do not combine the two strategies at the same time like it is the case for Pic Saint-Loup.

## 5.2 *The collective management of strategic change in SMEs*

The case reveals a number of characteristics of a cooptation strategy among SMEs:

- The increased vulnerability to the environment, resulting in a greater risk of failure which leads to a more sustainable commitment.
- The structural lack of resources that promotes the mobilization of stakeholders.
- The proactiveness of SME managers who build up relationships with various stakeholders.
- The innovative character of cooptation strategies and its relation to organisational innovation as competing SMEs engage in strategic cooperative actions.

Thus, the case study shows that cooptation strategies among SMEs seek to sustainably supplement their lack of resources through the social capital of their managers. The case also confirms that the study of the chronology timing is crucial when studying collective strategy (Bresser and Harl, 1986). The case of Pic Saint-Loup identifies four distinct levels of actions to drive strategic change over time.

>> Insert figure 1 about here <<

Although literature refers to the establishment of a formal coordination structure for situations with many actors (Astley and Fombrun, 1983) or a possible combination of collective and competitive strategies (Bresser, 1988), it does not specifically address the phases of a collective strategy in time. Driving strategic change by SMEs in Pic Saint-Loup under the pressure of major environmental threats takes place in three distinct phases. The longitudinal analysis enables the identification of these phases thanks to the formally identified strategic change action levels.

In the first phase, which we called the launch phase, the various environmental pressures caused a risk of failure for the SMEs which were forced to make a strategic change in order to survive. In a second phase, the SMEs engaged in a more collaborative relationship which created a protection zone reducing the environmental threats. This shielding effect strengthened the survival of the SMEs which engage in community interdependence as much as it places the community in the environment. In a third phase, which we called the phase of increased embeddedness, the SMEs, which structurally lacked certain resources, made connections with their stakeholders to benefit from resources and skills necessary for the ability to evolve. As the scope extended to stakeholders, the effect of shielding reduced environmental forces through the anticipation of turbulences and opportunities. It also provided individual strategic flexibility by increasing the action scope of the community. The risk inherent to this third phase was a risk of returning to the initial situation, following the upheaval of radical changes in the environment.

Last but not least, the case of the union in Pic Saint-Loup illustrates the link between coopetition strategies and the understudied concept of organisational innovation. In particular, it shows how coopetition strategies are build, developed, structured and implemented in an innovative way through changed inter-organisational relationships among the involved firms and stakeholders, hence organisational innovation (OECD, 2005). Contradicting traditional theories on competition and cooperation, both concepts and the associated strategic behaviour are thus no longer by definition mutually exclusive but can be pursued at the same time among the same actors (Bengtsson and Kock, 2000).

## **6 Conclusion**

The acceptance of a high degree of competition between allied firms is far from certain. This research is rooted in the fact that in dynamic and turbulent environments, SMEs

develop a particular form of organisational innovation, coopetition strategies, and build up innovative cooperative relationships combining competition and cooperation in order to survive.

Literature tends to characterize coopetition strategies as either being more “reactive” or more “proactive”. The analysed case reveals a much more complex reality by showing that the defensive and offensive strategies can be combined. The case thus presents evidence for the fact that the coopetition strategy of SMEs suffers structurally from a lack of resources and competences, just like the individual SMEs, requiring the mobilization of stakeholders. We might describe this coopetition strategy as being proactive and embedded.

Furthermore, the case pictures a certain number of characteristics of a coopetition strategy among SMEs: coopetition strategies among SMEs are more vulnerable to environmental forces and thus are seeking to fill their lack of resources sustainably through the social capital of their managers; coopetition strategies are innovative in nature and are closely linked to the concept of organisational innovation as the involved parties change their inter-organisational relationships significantly.

From a practical point of view, this study contributes to call into question the dominant model of cooperation in the French wine industry. Stakeholders are recommended to support proactive measures initiated by the actors in the field and to integrate SMEs managers within their governance structures. The support of these strategies requires great attention paid to the needs of the field, while anticipating their evolution, and the ability to open up.

From a theoretical point of view, this work enriches the corpus of coopetition strategies as well as organisational innovation as research foci in the field of SMEs, helping to refine their definition: by linking sustainably the firm’s fate in survival logic, the coopetition strategies among traditionally competing SMEs are characterized by their ability to evolve

and the institutional embeddedness of their managers. Therefore, we advocate that the study of coopetition strategies among SMEs, which often have no other choice than create a community to survive sustainably, leads us to consider the effects of time and the cognition of their managers. In addition, our theoretical framework on the *tertius* strategies allowed us to present the importance of the relational roles of the SME managers in order to enrich their resources through the stakeholders.

To sum up, this study shows that formal cooperation among competing SMEs is not necessarily temporary but can actually be permanent within a continuous process, like the process of competition. The expression of the firms' competitive advantage through rivalry can coexist with the continuous and dynamic process of cooperation. Understanding this process is a major issue when coopetition strategies among SMEs are becoming a real way of economic coordination, and even survival within the context of market globalization.



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## Tables and figures

**Table 1. Data collection and analysis**

| Primary data  | Secondary data   |
|---|--|
| <b>Data collection</b>  |  |
| <ul style="list-style-type: none"> <li>• 16 non-structured interviews (experts, professionals, union members)</li> <li>• 45 semi-structured interviews (23 managers of SME union members, 2 SME competitors, 1 employee of the union, 5 politicians and 9 employees of professional organizations, and 5 industry professionals)</li> <li>• Average duration of the interviews was 1.5 hour</li> <li>• Summarizing factsheet</li> <li>• Observations of the terrain and informal discussions</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Archives of the union</li> <li>• Archives of the professional organizations</li> <li>• Decree of production</li> <li>• Status of the association</li> <li>• Press articles</li> </ul> |
| <b>Data analysis</b>  |  |
| <ul style="list-style-type: none"> <li>• Retranscription of all semi-structured interviews</li> <li>• Coding of interview extracts and thematic content analysis</li> <li>• Verification of secondary data</li> <li>• Themes: determinants and modalities of the, strategic phases, proactive or reactive character of the strategy, factors for the ability to evolve</li> <li>• Phases: the launch of competition in 1985, the start of the collaborative relationship in 1988, the increased embeddedness phase in the 1990s.</li> </ul> |  |

**Table 2. Functions in professional organisations occupied by the managers**

|                            |          | Functions of responsibility   |   |
|----------------------------|----------|---|---|
|                            |          | Manager   | Administrator   |
| Professional organisations | National | <ul style="list-style-type: none"> <li>• President of the “ANTAV”</li> <li>• President of the national group “Recherche et Développement” for the modernization plan of the ministry</li> <li>• President of the “ITV”</li> </ul> | <ul style="list-style-type: none"> <li>• Administrator of the “INAO”</li> <li>• Administrator of the French federation of cooperative caves</li> <li>• Administrator of the federation of table wines and countries</li> </ul>  |
|                            | Regional | <ul style="list-style-type: none"> <li>• President of the “AOC Coteaux du Languedoc”</li> <li>• President of the union of “Vins de Pays du Val de Montferrand”</li> </ul>   | <ul style="list-style-type: none"> <li>• Administrator of the “AOC Coteaux du Languedoc”</li> <li>• Administrator of the union of “Vins de Pays du Val de Montferrand”</li> <li>• Administrator of the French federation of cooperative caves in Hérault</li> <li>• Administrator of the federation of table wines and countries</li> </ul> |

**Figure 1. The triggers of action of strategic change**

