The Dynamic Capabilities View of Coopetition: The Case of Intel, Apple and Microsoft

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Summary

- Research overview
- Research questions
- Lenses for investigation
- Conceptual Framework
- Narrative case study
- Conclusions
- Contribution and limitations
Research overview

The paradoxical relationship between cooperation and competition

- What we already know:
  - Competitors can cooperate and become both more competitive
  - Coopetitive firms have the capability to manage cooperation and competition better than peers or competitors.

- What we don’t know well:
  - How such a capability develops within a firm?
  - Would it be possible for very good partners to become competitors?
Research overview (cont’d)

Overarching research question

Cooperation → Competition

?
Research overview (cont’d)

Motivations

- Increasing importance of coopetition as a strategic device:
  - Coopetition have a positive effect on firms’ performance
  - Coopetition as a way to renew organizations and prevent competency traps
  - Coopetition as a strategy to cope with turbulent environments
Research questions:

☐ How do firms develop coopetitive strategies?
  ■ Partially convergent interest structure [Dagnino and Padula, 2006]

☐ What drives a firm’s decision to compete against a partner?
  ■ Alliance competence or capability [Kale and Singh, 1999; Anand and Khanna, 2000; Kale et al., 2002; Lambe et al., 2002]
Lenses for investigation

- **Alliances literature**
  - Alliance competence (or capability) [Kogut, 1992; Lambe et al., 2002] as a set of functional competences (alliance experience, management knowledge of alliances, partner identification skills) [Lambe et al., 2002]

- **Dynamic Capabilities literature**
  - Dynamic capability as integration, reconfiguration, and transformation of existing resources and functional competences to match environmental needs [Teece and Pisano, 1994; Helfat and Peteraf, 2003]
Conceptual Framework

- Firms accumulate relevant organizational knowledge about alliances

- Dynamic capabilities allow firms to address necessary changes in the existing stock of alliance competences

- New partnership activity is the result of the process of synthesizing and transforming alliance competences
Firms seek for new partner in related markets and start to cooperate with competitors of their partners, thus entering a coopetitive strategy.

Dynamic capabilities as mediator in the alliance competences-coopetition relationship (Coopetitive dynamic capability)
Conceptual Framework (cont’d)

A two-stage approach: The dynamic capabilities view of coopetition
Pc’s Industry
Competition and cooperation

1986

IBM PC
MS/DOS
X86 Microprocessors

56% of market share

12% of market share

Macintosh Computer

Microsoft

Intel

IBM

Pc's Industry Competition and cooperation
Pc’s Industry

Competition and cooperation

1991

Wintel PCs

1994-5

PowerPC Microp.
PowerMacintosh
iMac (1998)

91% of market share

9% of market share
IBM win contracts to supply microprocessors for all three next-generation game consoles (Xbox 360, Playstation 3 and Nintendo’s Revolution)
Pc’s Industry
Competition and cooperation

Now
Apple/Intel agreement

- The “story” of Intel, Apple and Microsoft:
  - The cooperation strategy (Intel allied with Microsoft: WINTEL)...
  - ...the accumulation of alliance competences...
  - ...the dynamic capabilities that push a firm to exploit new cooperative opportunities in related markets by synthesizing and transforming the alliance competences (Intel alliance with Apple: MACTEL)

- Data sources: publics source
Apple/Intel agreement

- **INTEL**
  - Start to compete against Microsoft and Sony, who each want their upcoming IBM-powered game boxes to be the main media device for the home.

- **Apple**
  - Try to sell its operating system (Mac OSX) to owners of other Intel-powered computers (PC’s Clones), thus attacking the huge installed base of machines running Microsoft Windows and aiming to transform the *Wintel* coalition in a *Mactel* coalition.
Case study’s summary

- Positive effect of increased Intel’s competences related to alliance activities
- Intel’s alliance competences affect new alliances formation in the same markets
- Former Intel’s partner competitor become an Intel’s allied.
Conclusions

- The proposed **dynamic capabilities view of coopetition**:  
  - emphasizes the process by which firms leverage alliance competences to build a coopetition strategy;  
  - could help to predict a firm’s **propensity to coopete**, by predicting new form of competition between firms characterized by previous (and successful) cooperative relationship.
Contributions

Theory:
☐ Long-term cooperation effects.
☐ Alliance competence as endogenous driver of coopetition.
☐ Relationship between the coopetition strategy process and the existence of a set of dynamic capabilities.
Contributions (cont’d)

Practice:

- Successful firms have to focus on both alliance competences and dynamic capabilities.

- Managers, which exclusively focus on the efficiency of today’s alliance competences, risk twice:
  - (a) to waste further partnership opportunities and strategic options, and
  - (b) to cope with partners that, building on (coopetitive) dynamic capabilities, generate competitive pressure, through the engagement in partnerships with competitors.
Limitations

- Conceptual
- Based on a narrative case study and anecdotal empirical evidence
- Difficult to generalize
- We’re still working on it (WIP)!
Thanks a lot for your time and...

... comments are really appreciated!