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Essential title page information

Title

The dynamics of coopetition: A stakeholder view of the German automotive industry

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Research highlights

- The concepts of power difference and common stakes from stakeholder literature explain the dynamics of competition.
- Strong power difference is likely to increase the level of competition by triggering opportunistic behaviors.
- Strong common stakes are likely to increase the level of cooperation by developing mutual trust.
- Power and common stakes can be misperceived, and the balance of power can shift due to changes in the environment.
- Despite strong common stakes, competition can end with an acquisition if the powerful firm perceives an opportunity.

Abstract

In response to calls for better understanding the dynamics of coopetition, this study aims to develop a framework that explains why the levels of competition and cooperation change over time. The framework adopts the two-continua approach to coopetition and the theoretical concepts of power and stake from the stakeholder literature. Integrating concepts from the coopetition and stakeholder literatures is a promising attempt, which is justified by the fact that stakeholders are in coopetition with the firm. According to our framework the power difference affects the level of competition, and vice versa, whereas common stakes affect the level of cooperation, and vice versa. This was subject to a test with insights from the in-depth analysis of the changing coopetition between the Volkswagen Group and Porsche AG during the period 2001-2012. Our findings explain why an environmental threat on one of the firms shifted the power difference and changed the coopetition first from cooperation-dominant to balanced-strong and then ended it through a full acquisition.

Keywords: Coopetition, stakeholder, power, stake, Volkswagen Group, Porsche AG

1. Introduction

Coopetition means simultaneous competition and cooperation among two or more firms in horizontal and/or vertical relationships (Bengtsson & Kock, 2014). It challenges the existing competition and cooperation paradigms with the potential to explain complex relationships with blurring boundaries (Bengtsson & Johansson, 2011; Bengtsson & Kock, 2014; Bengtsson, Eriksson, & Wincent, 2010). Coopetition can change over time by triggers such as changes in the industry or the institutional environment (Bengtsson & Kock, 2000; Dahl, 2014; Mariani, 2007). Outcomes of past inter-organizational interactions and changes in inter-organizational learning motives can also affect the future levels of competition and cooperation (Dahl, 2014). Product lifecycles may predict changes in coopetition in technology-intensive industries: the level of cooperation intensifies during the product-development stage whereas competition is at its height when the lifecycle reaches the maturity stage (Ritala, Hurmelinna-Laukkanen, & Blomqvist, 2009). The order is reversed in industries in which complex project-based services are subject to tender: firms compete at the beginning to secure the deal and cooperate afterwards in delivering the service (Herzog, 2010). The need for explaining the dynamics of coopetition is widely recognized (see Bengtsson & Johansson, 2011; Bengtsson & Kock, 2014; Bengtsson et al., 2010; Bouncken & Kraus, 2013; Chen, 2008; Dahl, 2014; Ketchen, Jr., Snow, & Hoover, 2004; Tidström & Hagberg-Andersson, 2012). In the literature the types of coopetition are described according to the observed levels of competition and cooperation (see Luo, 2007; Park, Srivastava, & Gnyawali, 2014; Rusko, 2011). However, explanations on why coopetition changes from one type to another is missing. Explanatory frameworks which incorporate variables with clear theoretical underpinnings (Collier, LaPorte, & Seawright, 2012) are required to deepen our theoretical understanding and strengthen the academic credibility of the field. This is the first gap addressed by this study. In order to capture the dynamics of coopetition, the two-continua approach to coopetition acknowledges that the levels of competition and cooperation can vary independently (Bengtsson et al., 2010; Padula & Dagnino, 2007). This study utilizes this approach and aims to develop a framework in order to explain changes in the type of coopetition using the concepts of power and stake from the stakeholder literature (see Freeman, 1984; Mitchell, Agle, & Wood, 1997).

Although stakeholder involvement in coopetition is acknowledged (see Brandenburger & Nalebuff, 1996; Luo, 2007; Rusko, 2011), similarities between the coopetition and stakeholder literatures have not been yet exploited: most of the existing studies on coopetition rely on the game theory, the resource-based view, and the network approach (Bengtsson & Kock, 2014). This is the second gap which this study addresses. We believe in the potentials of the coopetition and stakeholder literatures to complement each other since stakeholder relationships are coopetition relationships. This is because stakeholders, actors who can affect or are affected by the achievement of the firm's goals (Freeman, 1984), simultaneously compete and cooperate with the firm. They cooperate in contributing to the firm's existence and compete in realizing their own goals through compensation from the firm (Rhenman, 1964). This is similar to the underlying assumption in coopetition that firms jointly create value through cooperative interaction and simultaneously compete to capture part of that value (Brandenburger & Nalebuff, 1996; Ritala, Golnam, & Wegmann, 2014). Cooperation with stakeholders is beneficial because it increases organizational flexibility (Harrison & St. John, 1994) and enriches learning and legitimacy (Heugens, Van Den Bosch, & Van Riel, 2002). These benefits from cooperation are mentioned in the coopetition literature as well (see Castaldo & Dagnino, 2009; Dahl, 2014; Gnyawali & Park, 2011; Tidström, 2014). Stakeholders can also be competitive threats. They can constitute a barrier to the firm's

accomplishments (Rhenman, 1964) or mobilize to protect their stakes (Rowley & Moldoveanu, 2003). They can withdraw access to important resources, demand the fulfillment of certain conditions for their continuing, or ally with powerful third parties (Frooman, 1999). The cooptation literature acknowledges similar behaviors (see Baumard, 2009; Bengtsson & Johansson, 2014; Bouncken & Kraus, 2013).

The reason for adopting power and stake as explanatory variables is that they are the key relational attributes of stakeholders which can change by external and/or internal triggers (Freeman, 1984; Mitchell et al., 1997). These changes can affect competition and cooperation behaviors. Power is an endemic part of relationships (Fleming & Spicer, 2014). Arguably, the functioning of power in inter-organizational relationships is little understood and even neglected by organizational scholars (Guillén, 2007; Perrow, 1986). The cooptation literature, though, recognizes that the power difference can trigger opportunistic behaviors (Bengtsson & Johansson, 2014; Tidström, 2014). Being a dynamic concept (Akpınar & Zettinig, 2008; Das & Teng, 2000) power can explain changes in the type of cooptation, but this remains to be exploited (Bengtsson & Johansson, 2014; Tidström, 2014). We argue in the framework that the power difference affects the level of competition and vice versa. Stake refers to interests and risks of a stakeholder in the relationship (Freeman, 1984; Mitchell et al., 1997). Stakeholders can assess and decide to change their stakes over time (Akpınar, 2009). Therefore, stake is also a dynamic concept, and changes in stakes can explain changes in the type of cooptation. We argue in the framework that common stakes affect the level of cooperation, and vice versa.

Our framework addresses the above-mentioned gaps. Its usefulness is evaluated in the dyadic longitudinal analysis of the changing cooptation between the Volkswagen Group (VW hereafter) and Porsche AG (Porsche hereafter) (Pfeffer & Fong, 2005). This analysis provides a bridge between the empirical evidence and the theoretical framework (Eisenhardt & Graebner, 2007; Siggelkow, 2007). VW and Porsche were stakeholders in a mixed cooptation relationship in the German automotive industry. In Germany's stakeholder-oriented corporate governance system it was a surprise when Porsche, a small cooperation partner with strong historical ties to VW, attempted to acquire VW, Europe's leading car manufacturer. The automotive industry is well-known for its cooptation relationships (see Bengtsson, Eriksson et al., 2010; Lacoste, 2012; Ritala & Hurmelinna-Laukkonen, 2009), but the cooptation of VW and Porsche is unique to help us understand the change from cooperation-dominant to balanced-strong cooptation and its end with an acquisition. The longitudinal study follows the variance approach (Van de Ven & Poole, 2005) and focuses on answering why the changes occurred rather than how they occurred.

This study contributes to the cooptation literature in two ways. First, by offering an explanation for the types of cooptation and its dynamics the new framework advances the literature which has offered mostly descriptive typologies so far. Second, by using theoretical variables from the stakeholder literature to explain the types of cooptation the present work makes a pioneering attempt to cross-fertilize between the cooptation and stakeholder literatures. In that respect, the new framework also contributes to the stakeholder literature by addressing the calls to study the dynamics of firm-stakeholder relationships (Friedman & Miles, 2002; Sachs & Maurer, 2009; Verbeke & Tung, 2013). Furthermore, the application of the concepts of power and stake serves the call for efforts to continue unveiling the roles that conflict, interests and power play in organizational outcomes (Schneper & Guillén, 2004).

The new framework is also important because of its managerial implications. We suggest that managers should first identify the type of cooptation by assessing the levels of power difference and common stakes and then select from among the four stakeholder management strategies of Freeman (1984) to manage the identified type of cooptation (see section 2.3). Managers are also recommended to periodically assess changes in the levels of power difference and common stakes in order to recognize changes in the type of cooptation and adapt their strategies accordingly.

The rest of the paper is organized as follows. The second section reviews the literature and introduces the theoretical framework. The methodology is explained in the third section, and the fourth section analyzes the changing cooptation between VW and Porsche by means of the new framework. The paper ends with a discussion on the findings, contributions, limitations, managerial implications, and suggestions for future research.

2. Theoretical framework

Based on the core idea that cooptation is a stakeholder relationship we introduce in sections 2.1 and 2.2 the relational stakeholder attributes of power and stake (Freeman, 1984; Mitchell et al., 1997). They are the explanatory variables that affect the types of cooptation, the outcome variable described by the observed levels of competition and cooperation. Here we define competition as the degree of rivalry between the two firms and conceptualize it from both structural and relational dimensions (Bengtsson & Sölvell, 2004; Chen, Su, & Tsai, 2007), and cooperation as the degree of jointly-conducted activities and shared resources to derive mutual benefits (Bengtsson & Johansson, 2011; Lado, Boyd, & Hanlon, 1997). Section 2.3 is about Freeman's (1984) four strategies of stakeholder management which will be helpful to draw managerial implications in connection with the new framework. Finally section 2.4 presents the developed framework and its dynamics.

2.1 The power difference and the level of competition

There are various interpretations of power. The resource dependence theory, which has direct influence on the stakeholder theory, has been so influential that many studies actually define power simply as the control over scarce resources (Hillman, Withers, & Collins, 2009). In this definition the firm is dependent on its external environment for resources, and power is conceptualized as the ability of a firm to create an environment that better suits its interests (Pfeffer & Salancik, 1978). This is based on the assumption that organizational survival depends on an accurate assessment of the environment, the demands therein, and the degree to which various parties are capable of imposing their influence on the firm. Once the demands are noticed, power accrues to those who are best equipped to deal with them (Wry, Cobb, & Aldrich, 2013). Power is a relational attribute of stakeholders (Freeman, 1984; Mitchell, Agle, & Wood, 1997) which is determined by resource importance (the degree to which the firm requires the resource), resource control (the extent to which the stakeholder exercises control over the resource), and resource alternatives (the availability of alternatives or substitutes) (Pfeffer & Salancik, 1978). Hence, stakeholders are claimed to have strong power if they have control over important resources which are costly to replace (Coff, 1999).

There are also other conceptualizations of power. Clegg, Courpasson, & Phillips (2006) describe it in terms of control and resistance: an actor's ability to control contingencies and sources of uncertainties becomes central when organizational functionality is dependent on it and yields power. In the distributive model power is viewed as zero-sum and defined as the

use of firm-specific resources in the pursuit of self-interest (Avelino & Rotmans, 2009; Perrow, 1986). Also described as the actual or potential ability to impose will on another, power implies a conflict of interests (Lukes, 1974; Reitz, 1981). It can be exercised through direct or indirect influence mechanisms: the former apply coercion and manipulation (episodic power) whereas the latter aim at constructing ideological values and influencing self-identity (systemic power) (Fleming & Spicer, 2014; Lawrence, Malhotra, & Morris, 2012). Episodic power exists as an enacted phenomenon expressed in relationships (Clegg, 1989). Consequently, recognizing an instance of episodic power in the context of change requires some evidence of a shift in an actor's behavior or belief that stems from the actions of another (Lawrence et al., 2012). In the collective model actors enhance their joint power to achieve collective goals (Parsons, 1967). Considering together the distributive and the collective models, power could also be defined as the ability to mobilize resources in order to achieve individual or collective goals (Avelino & Rotmans, 2009).

The power difference refers to the differences in the mutual dependence among the two firms. It creates opportunities for the powerful firm to influence the weaker one (Casciaro & Piskorski, 2005). Strong power difference implies a strong competitive threat to the weaker firm. The powerful firm will tend to compete rather than cooperate in its core-competence areas (Dowling, Roering, Carlin, & Wisniewski, 1996) and may act opportunistically to extract a higher share of the exchange surplus (Casciaro & Piskorski, 2005). Coopetition bears risks of opportunism (Baumard, 2009; Bouncken & Kraus, 2013), and during the course of coopetition acts of opportunism increase the level of competition gradually (Bengtsson & Johansson, 2014; Das & Teng, 2000; Tidström, 2014; Tidström & Hagberg-Andersson, 2012). Thus, the stronger the power difference, the stronger will be the competition level, and vice versa. External and/or internal conditions can alter the power difference over time (Akpınar & Zettinig, 2008; Das & Teng, 2000). Based on the two-continua approach (Bengtsson et al., 2010; Padula & Dagnino, 2007) strong power difference does not necessarily decrease the cooperation level, however. This will be the case if the powerful firm (i) adopts an offensive strategy to exploit the cooperative potential of the weaker firm (Freeman, 1984), (ii) adopts the separation principle of coopetition (Fernandez, Le Roy, & Gnyawali, 2014) and (iii) exploits the power difference at levels that will not jeopardize the trust between the two firms (Ireland & Webb, 2007).

2.2 Common stakes and the level of cooperation

The coopetition literature recognizes resource complementarity, the intention to strengthen collective bargaining power, cost- and risk-sharing considerations, pressures for integration in global value chains, increasing environmental hazards that endanger common stakes, creating a new market, and turbulent environments as potential triggers of cooperation (Bengtsson & Kock, 2000; Bengtsson et al., 2010; Contractor & Lorange, 1988; Luo, 2007). These triggers all share in common the concept of common stakes which is introduced next.

Stake refers to stakeholders' interest in or their claim on a firm, implying what is at risk when the firm does not achieve its goals or deliver its promises (Freeman, 1984). It may be an 'ownership stake' for shareholders and investors, meaning that when the firm cannot achieve profits, shareholders and investors will not receive dividends. Alternatively, it could be a 'contract stake' for suppliers, employees, buyers and financial organizations, or an 'investment stake' for suppliers and competitors who have made relationship-specific investments in joint projects with the firm. It could as well be the 'right stake' for stakeholders based on legal frameworks such that for example the government will lose tax

revenues if the firm cannot achieve profits, and local communities may suffer if environmental responsibilities are not fulfilled.

Common stakes refer to the sum of the joint stakes of the two firms in each other in the form of equity ownership, a contract, shared risk through joint investments, goal commonality, shared economic interests, a common threat or enemy, a shared vision, common legal concerns, or a common culture (Laplume, Sonpar, & Litz, 2008). Common stakes build cumulatively over time and contribute to the gradual development of trust, which raises the potential for cooperation (Castaldo & Dagnino, 2009; Freeman, 1984; Gnyawali & Park, 2011; Tidström, 2014). Trust may further help to avoid opportunistic behaviors (Dyer & Singh, 1998; Lado et al., 1997). Thus, the stronger the common stakes, the stronger will be the level of cooperation, and vice versa. Stake and common stakes are dynamic concepts given that the interests and claims of stakeholders may change over time triggered by changes in external and/or internal conditions (Fassin, 2010). Again based on the two-continua approach (Bengtsson et al., 2010; Padula & Dagnino, 2007), it can be argued that common stakes do not necessarily impact on the competition level.

2.3 Freeman's (1984) four strategies of stakeholder management

The stakeholder theory emerged as a managerial approach in response to the shareholder approach (Donaldson & Preston, 1995). It deals with issues related to the management of firm-stakeholder relationships (the descriptive stream), economic performance (the instrumental stream), and ethics (the normative stream) (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). The underlying premise of the stakeholder theory is that given the conflicting interests, stakeholder management aims to maximize the economic and social welfare of all stakeholders without any trade-offs (Freeman et al., 2010; Post, Preston, & Sachs, 2002). This study adopts the relational stakeholder attributes of power and stake from the descriptive stream to explain changes in the type of cooperation.

Cooperation exists in horizontal, vertical or mixed relationships in which firms simultaneously compete and cooperate by maintaining a certain degree of interdependence without losing organizational separateness (Dowling et al., 1996; Luo, 2007). Freeman (1984) recognizes the simultaneous competitive threats and cooperative potentials of stakeholders and recommends four types of strategies to manage them: *swing*, *defensive*, *offensive*, and *hold*. Stakeholders which pose a strong competitive threat and have strong cooperative potential may be very harmful or very helpful to the firm. In dealing with them the firm should adopt a *swing strategy* to influence the rules of the interactions, the decision forum, the kinds of decisions, and the transaction process (ibid.). The aim of such a high-interaction strategy is to bridge the interests of the firm and its stakeholders (Harrison & St. John, 1994). Stakeholders which pose a strong competitive threat and have weak cooperative potential may be of relatively little help but can prevent the firm from achieving its objectives. The firm should therefore implement a *defensive strategy* to maintain existing programs, reinforce current beliefs, and guard against changes in the transaction process (Freeman, 1984). The aim of this low-interaction strategy is to buffer the threats as far as possible (Harrison & St. John, 1994). Stakeholders which pose a weak competitive threat and have strong cooperative potential may help the firm a great deal in achieving its objectives, thus the firm should pursue an *offensive strategy* to realize the cooperative potential (Freeman, 1984). This is also a high-interaction bridging strategy (Harrison & St. John, 1994). Finally, stakeholders which pose a weak competitive threat and have weak cooperative potential may be of relatively little help or cause relatively little damage, and the firm should

adopt a *hold strategy* that sustains and monitors the existing low level of interaction (Freeman, 1984). These strategies are recommended for managing the four types of cooperation in the new framework (see section 2.4).

2.4 The explanatory framework and its dynamics

Reflecting the two-continua approach (Bengtsson et al., 2010; Padula & Dagnino, 2007), Park et al. (2014) suggest a typology comprising weak, competition-dominant, cooperation-dominant, and balanced-strong cooperation (see Figure 1). Similar terms are used in the typologies of Bengtsson et al. (2010) and Luo (2007). These frameworks are built on the observed levels of competition and cooperation which may change by various triggers. However, they are descriptive, i.e. they do not explain the reasons behind the four types of cooperation. Variables in explanatory typologies are extracted from a theory, and each cell in the typology is predicted by the outcomes of the theory's variables and their dimensions (Elman, 2005). This study steps forward to explain the outcome variable, which is the type of cooperation adopted from Park et al. (2014), with the aid of the explanatory variables of power difference and common stakes from the stakeholder literature (Freeman, 1984; Mitchell et al., 1997) and their argued effects on the levels of competition and cooperation respectively (see Figure 1 as well as sections 2.2 and 2.3). The framework enables us to draw suggestions about which stakeholder management strategy (Freeman, 1984) managers should use in each type of cooperation.

Place Figure 1 Here

Weak cooperation implies low levels of both competition and cooperation, which occurs when weak power difference limits the level of competition and weak common stakes limit the level of cooperation (see Figure 1). In this type of cooperation both firms will apply *hold strategies*, continuing their current strategic programs, maintaining their current positions, and remaining distant from each other.

The competition level is strong and the cooperation level is weak in the case of *competition-dominant cooperation*, which occurs when strong power difference increases the level of competition whereas weak common stakes limit the level of cooperation (see Figure 1). In this type of cooperation the powerful firm will try to get a higher share of the exchange surplus by applying a *hold strategy* whereas the weaker firm will apply a *defensive strategy* to buffer against the competitive threat.

Weak competition and strong cooperation typify *cooperation-dominant cooperation*, which occurs when weak power difference limits the level of competition and strong common stakes increase the level of cooperation (see Figure 1). In this type of cooperation both firms will apply *offensive strategies* to exploit each other's cooperative potential.

Finally, both competition and cooperation levels are strong in the case of *balanced-strong cooperation*, which occurs when strong power difference increases the level of competition and strong common stakes increase the level of cooperation (see Figure 1). In this type of cooperation the powerful firm will apply an *offensive strategy* to exploit the cooperative potential of the weaker firm, which will apply a *swing strategy* to simultaneously benefit from the cooperative potential of the powerful firm and defend against its competitive threat.

The framework is dynamic in that it also explains changes in the type of coopetition over time by changes in the underlying explanatory variables of power difference and common stakes. Let's see next how that happens when (i) only the power difference changes, (ii) only common stakes change, and (iii) both the power difference and common stakes change simultaneously.

i. Only the power difference changes. A change in the power difference will trigger a change in the level of competition. If common stakes are weak and the power difference changes from weak to strong, coopetition will change from weak to competition-dominant. In this case the powerful firm should maintain its hold strategy while the weaker firm should change from a hold to a defensive strategy. If common stakes are strong and the power difference changes from weak to strong, coopetition will change from cooperation-dominant to balanced-strong, in which case the powerful firm should preserve its offensive strategy whereas the weaker firm should change from an offensive to a swing strategy. Vice versa, in both cases, the types of coopetition and the strategies will change in reverse order when the power difference changes from strong to weak.

ii. Only common stakes change. A change in common stakes will trigger a change in the level of cooperation. If the power difference is weak and common stakes change from weak to strong, coopetition will change from weak to cooperation-dominant, in which case both firms should change from hold to offensive strategies. If the power difference is strong and common stakes change from weak to strong, coopetition will change from competition-dominant to balanced-strong, in which case the powerful firm should change from a hold to an offensive strategy, and the weaker firm should change from a defensive to a swing strategy. Vice versa, in both cases, the types of coopetition and the strategies will change in reverse order when common stakes change from strong to weak.

iii. Both the power difference and common stakes change simultaneously. This will trigger simultaneous changes in the levels of competition and cooperation. If the power difference and common stakes both change from weak to strong, coopetition will change from weak to balanced-strong. In that case, the powerful firm should change from a hold to an offensive strategy, and the weaker firm from a hold to a swing strategy. Vice versa, coopetition will change from balanced-strong to weak, and the strategies should change in reverse order when the power difference and common stakes both change from strong to weak. If the power difference changes from weak to strong and common stakes change from strong to weak, coopetition will change from cooperation-dominant to competition-dominant, in which case the powerful firm should change from an offensive to a hold strategy, and the weaker firm should change from an offensive to a defensive strategy. Vice versa, coopetition will change from competition-dominant to cooperation-dominant, and the strategies should change in reverse order when the power difference changes from strong to weak and common stakes change from weak to strong.

3. Methodology

3.1 Research design and case selection

The research was designed as an in-depth longitudinal case study based on the historical analysis of the coopetition between VW and Porsche during 2001-2012, the aim being to explain the change in the type of coopetition. By describing the facts accurately and drawing

credible explanations from them, case studies can be used to test or develop theories (Harder, 2010). In this study the longitudinal case study was instrumental in evaluating the capacity of the new framework to explain the change in the type of coopetition (Jahnukainen, 2010). This suits well to study change (Golder, 2000; Welch, 2000) and coopetition dynamics (Tidström & Hagberg-Andersson, 2012) because it allows to incorporate heterogeneous data from a variety of sources (Langley & Royer, 2006) and analyze phenomena at several levels over time (Eisenhardt, 1989; Langley, 1999). As a minimum requirement, longitudinal research should facilitate the measurement of changes in variables from one period to another (Menard, 2002). Temporal and contextual factors also play an essential role in drawing conclusions from longitudinal research (Hassett & Paavilainen-Mäntymäki, 2013; Pettigrew, 1992). Scholars like Mohr (1982) and Van de Ven & Poole (2005) distinguish between the variance approach and the process approach to change and development in longitudinal research. In the variance approach, which is applied here, relationships between variables constitute the main theoretical focus, and the conceptualization is usually outcome-driven (Mohr, 1982; Langley, 1999).

The case of VW and Porsche was selected based on the principle of theoretical sampling, the aim being to find a theoretically useful case that would fit into a conceptual category (Eisenhardt, 1989). According to our framework, this case represents a change from cooperation-dominant to balanced-strong coopetition. The case is also interesting in that it reveals why coopetition can end with an acquisition. In response to the suggestion by Menard (2002), the data and contextual factors analyzed here cover two time periods: before and after March 4, 2005, when the court action started at the Court of Justice of the European Communities to abolish the VW law¹ (see Court of Justice of the European Communities, 2007). This was the critical event that triggered the change in the type of coopetition.

3.2 Data collection

The case study relied mainly on the secondary data from 2001, when a written complaint was submitted to the European Commission to abolish the VW law (Handelsblatt, 2001a) until 2012, when VW fully acquired Porsche (Volkswagen Group, 2013). Secondary data is suitable for studying causal relationships when researchers have little control over events (Yin, 2003). The extensive secondary data from reliable internal and external sources allowed us to benefit from data-triangulation and evaluate archival records from various multiple perspectives rigorously and critically to address potential discrepancies (see McGinn, 2010). The internal sources comprised all the annual reports and press releases of VW and Porsche, and the external sources included all news items related to VW and Porsche appearing in *Automotive News*, *Business Week*, *Business Europe*, *EU Business*, *Handelsblatt*, and *The Economist* from 2001 to 2012. Additional secondary sources included other published

¹ In the stakeholder-oriented corporate governance system of Germany, companies have two Boards: the Management Board and the Supervisory Board. Employees and shareholders are represented in equal numbers at the Supervisory Boards of firms with more than 2000 employees (Thimm, 1976). This reflects the philosophy of codetermination in that key decisions, such as the appointment of the Management Board, are not taken without the consent of employee representatives. An example to codetermination among stakeholders is the VW law, established in 1960. According to this law no single shareholder could exercise more than 20 percent of voting rights at VW; the adoption of resolutions at the General Shareholders' Meeting would require agreement covering more than 80 percent of the shares; and decisions on the fate of production locations would need the approval of two thirds of the Supervisory Board (Bundesgesetzblatt, 1960). As the Land of Lower Saxony, the German state where VW headquarters is situated, owned 20 percent of VW shares, the VW law deterred potential investors from a hostile takeover of VW (Widuckel, 2004).

materials about VW and Porsche, and the official documents of the Court of Justice of the European Communities related to the VW law. Although the empirical study focuses on the cooperation between VW and Porsche from 2001 until 2012, it was also necessary to study archived reports related to the establishment of the VW law in 1960. Relevant internal reports were therefore scrutinized during two visits at the VW archives in Wolfsburg, Germany.

The secondary data was complemented with an expert interview with Gerd Hoff, the Managing Director of the Berlin office of the German Association of the Automotive Industry. The inter-subjective communication with the knowledgeable informant facilitated the interpretation of the data (Halinen, Medlin, & Törnroos, 2012). It was not possible to collect primary data from the involved parties for similar reasons as in the case study of Sony and Samsung (Gnyawali & Park, 2011). Our requests for interviews were turned down because the case was sensitive due to the continuing judicial process.

3.3 Data analysis

The analysis was based on the new framework, and it aimed to identify causes and consequences in the dyadic cooperation between VW and Porsche and provide a narrative with explanations. Given Germany's stakeholder-oriented corporate governance system, involvements of VW's two key stakeholders, namely the Land of Lower Saxony, which has been the major shareholder of VW, and employee representatives at VW's Supervisory Board, were also taken into consideration. All of the documents were reviewed first, and the data was reduced based on the relevance of the information to the objectives of the study. The reduced data was then categorized according to the key chronological incidents in the case, and contradictory information was carefully handled via triangulation (Yin, 2003).

In analyzing the reduced data codes were used for the type of cooperation, competition, cooperation, power difference, and common stakes, which are the variables in the explanatory framework. Competition consists of structural and relational dimensions (Bengtsson & Sölvell, 2004; Chen et al., 2007). Following this we analyzed changes in the competition level through changes in the degree of symmetry, the intensity of the competition, and the hostility of inter-firm relationships. Similarly, we analyzed changes in the cooperation level through changes in the activities of cooperative interaction and shared resources between VW and Porsche (e.g., joint R&D, product development and manufacturing activities) (Bengtsson & Johansson, 2011; Lado et al., 1997). During 2001-2012 there were many competitive and cooperative actions between VW and Porsche (see section 4). Since power is not always directly visible in a relationship, scholars cannot agree whether it can be studied directly (Fleming & Spicer, 2014). Understanding power as the ability to act (or not act) based on the control of important scarce resources (Pfeffer & Salancik, 1978), we argue that power can be observed through the firms' actions and the managers' and stakeholders' perceptions (or misperceptions) of the rival's power. In line with these arguments we assessed changes in the power difference over time by analyzing acts and perceptions available in the secondary data. Common stakes, which can be in the form of equity ownership, a contract, shared risk through joint investments, goal commonality, shared economic interests, a common threat or enemy, a shared vision, common legal concerns, or a common culture (Laplume et al., 2008) were relatively easy to observe in the data (see section 4). The blending of the conceptual arguments from the theoretical framework and the findings from the analysis facilitated the understanding of why the type of cooperation changed.

4. Results

4.1 Cooperation-dominant coopetition before March 4, 2005

Before March 4, 2005 the coopetition between VW and Porsche was cooperation-dominant. Strong cooperation resulted from strong common stakes coming from historical ties, and weak competition was due to weak power difference (see Figure 1). As such, in accordance with the new framework, both firms applied high-interaction, offensive strategies to exploit each other's cooperative potential.

Strong common stakes and strong cooperation. VW and Porsche shared historical connections: it was Ferdinand Porsche, the founder of Porsche, who designed the first Volkswagen car, the historical "Beetle", in 1937 (Volkswagen Group, 2003). The agreement between the two firms signed in 1948 fostered cooperation in R&D while earning Porsche a license fee for each VW sold and rights to use VW's dealer and repair-service networks (Stiens, 2001). Furthermore, Porsche owned five percent of VW shares, and Ferdinand Piëch, a family shareholder of Porsche, was the Chief Executive Officer of VW as of Jan 1, 1993 and then the Chairman of the Supervisory Board as of April 16, 2002 (Volkswagen Group, 2003). As a result of the strong common stakes, there was strong cooperation. In 2002 they signed an agreement to develop Porsche Cayenne, Volkswagen Touareg and Audi Q7 on the same platform at VW's plant in Bratislava, Slovakia, and by 2004 Porsche was sourcing around 25 percent of its parts from VW (Porsche AG, 2004). The two firms signed a strategic partnership agreement in 2005 to jointly develop hybrid powertrains, and VW would manufacture body shells for the Porsche Panamera at its most modern plant in Hanover (Porsche AG, 2006; Volkswagen Group, 2006). Cooperation in the areas of R&D and production would enable VW to make sustainable cost savings and cover more segments of the market (Volkswagen Group, 2002).

Weak power difference and weak competition. Despite the size difference in favor of VW power difference was weak because Porsche Engineering Group controlled vital resources for product development which made Porsche a powerful R&D partner with strong technological capabilities (Automotive News, 2001). VW entered Porsche's sports-car market segment through the acquisitions of Bentley, Bugatti and Lamborghini in 1998 (Volkswagen Group, 1999). However, the combined production figures and market shares of these three brands were far too low to challenge Porsche as of 2005 (see International Organization of Motor Vehicle Manufacturers, 2016). Thus, the level of competition was weak.

4.2 The trigger for change: The abolishment of the VW law

In 2001 a British investment group submitted a written complaint to the European Commission about the VW law, claiming that it was a barrier to the free flow of capital in the European Union (Handelsblatt, 2001a). The European Commission and a group of high-level company-law experts shared the same concern (Handelsblatt, 2001b; Handelsblatt, 2002a). VW's management and stakeholders were worried about this development because the abolishment of the VW law could make VW a target for hostile takeover attempts by hedge funds (The Economist, 2005). Gerhard Schröder, the former Minister President of the Land of Lower Saxony, and a member of the Supervisory Board of VW, expressed his concern as follows: "VW contributes 25 percent of the industrial production in the Land of Lower Saxony. Therefore, if VW has a running nose, then the Land of Lower Saxony is sick. Changing the VW law is illogical because the law protects VW from hostile takeover attempts

and safeguards workplaces” (Handelsblatt, 1997). Gerd Hoff voiced a similar concern during the interview: *“How far can we open our capital market to hedge funds from China or Russia which are under state influence? It isn’t an issue if Gazprom, the Russian energy firm, acquires a German football club, but when key industries are under threat, that needs to be discussed”* (Hoff, 2007).

VW’s management responded in advance to the threat by buying back 13 percent of its shares in 2000 (Volkswagen Group, 2001). A further plan was to find a trustworthy strategic partner to acquire 20 percent of the shares (Handelsblatt, 2001a; Handelsblatt, 2001c), which would improve the stability of VW’s shareholder structure and keep hedge funds away. In 2004 VW’s management negotiated with the Mubadala Development Company from Abu Dhabi to sell 6.5 percent of its shares, but the attempt failed when the market price of VW’s shares dropped and the buyer asked for 9.8 percent of them for the same payment amount (Handelsblatt, 2004; Volkswagen Group, 2004). In the meantime, the German government opposed the abolishment of the VW law, as expressed by Gerhard Schröder, the then German Chancellor: *“Under my leadership there will not be any changes to the VW law in Germany, and we will fight everyone who wants to bring such changes via Europe”* (Handelsblatt, 2002b). Lobbying efforts by German politicians and Christian Wulff, the Minister President of the Land of Lower Saxony, successfully delayed the initiation of the process at the European Commission (Handelsblatt, 2003a; Handelsblatt, 2003b). Finally, since the German government was not eager for a dialogue on the VW law, a court action against the VW law started on March 4, 2005 (Court of Justice of the European Communities, 2007).

4.3 The changing competition and its end

Rising concerns on the abolishment of the VW law made VW’s management to consider selling of shares to Porsche, a trustworthy partner with strong common stakes (Volkswagen Group, 2005). From Porsche’s perspective, a possible takeover of VW by hedge funds would also endanger Porsche’s stake in VW (Porsche AG, 2005). Porsche’s management decided on September 25, 2005 to increase its shareholding in VW to 20 percent, a move that VW’s management warmly welcomed (Volkswagen Group, 2006). In addition, Wendelin Wiedeking, the Chief Executive Officer of Porsche, and Holger Härter, the Chief Financial Officer, became members of the Supervisory Board of VW on January 28, 2006 (Volkswagen Group, 2007a). Mr. Wiedeking explained the rationale behind their investment in VW: *“Our planned investment is the strategic answer to risk. We wish to ensure the independence of VW in our own interest and make a significant contribution to our own future plans on a lasting, long-term basis”* (Porsche AG, 2005).

Later it became clear that Porsche’s intentions were not limited to protecting its stakes in VW. The invitation from VW gave Porsche an opportunity to gain control over Europe’s market leader (Handelsblatt, 2006). Although hedge funds were no longer a threat, Porsche continued to acquire VW’s shares. The main reason for this move was to obtain more power to influence decision-making at VW (Handelsblatt, 2007; Hoff, 2007). Jürgen Pieper, an automotive industry analyst, expressed this as follows: *“The possibility of a complete takeover by Porsche is no longer excluded. Porsche is ready to use any means to fight for power at VW”* (Handelsblatt, 2006). When Porsche owned about 31 percent of VW shares as of May 31, 2007 (Porsche AG, 2007), it gained the power to block all Board decisions at VW that required a 75 percent majority under German law. Porsche’s progression to dominance continued through further share purchases on September 16, 2008 and January 7, 2009, increasing the shareholding to 51 percent (Porsche AG, 2009). This indicated a possible

takeover by Porsche and caused anxiety at VW's Management and Supervisory Boards. Addressing this anxiety, Mr. Wiedeking put it: *"Our strategy at VW can be compared to a chess game. Other players who did not expect our planned moves are now nervous"* (Handelsblatt, 2006). In their official statements, neither the Management Board (see Volkswagen Group, 2007b) nor the Supervisory Board (see Volkswagen Group, 2007c) of VW recommended the acceptance of Porsche's mandatory offer to acquire VW. Porsche's intended takeover can be viewed as an opportunistic attempt to end cooperation through an offensive strategy. VW and Porsche had a long tradition of cooperation based on strong common stakes. When the threat to VW emerged and Porsche seized the opportunity, the existing common stakes did not change, neither did the strong level of cooperation. This observation supports the two-continua approach (see Bengtsson et al., 2010; Padula & Dagnino, 2007). This was possible because competition and cooperation existed at two different levels and concerned different managers, in line with the separation principle of competition (Fernandez et al., 2014).

The strong competition continued after 2009 when unanticipated developments altered the balance of power. Soon afterwards the price of VW's shares increased significantly from about 39 Euro per share on January 16, 2009 to about 138 Euro on August 5, 2011 (Volkswagen Group, 2016). This increase produced huge profits for Porsche on paper, which did not deliver any cash inflow but were taxable. Furthermore, Porsche had funded its purchase of VW's shares with loans, and the global financial crisis that started in 2008 did not favor Porsche. Consequently, Porsche ran into trouble fulfilling its financial obligations. Indeed, the takeover attempt was a big risk for Porsche, the consequences of which even Mr. Wiedeking did not anticipate. Porsche's cash troubles weakened its power, and both Mr. Wiedeking and Mr. Härter had to leave (Porsche AG, 2010). This shift in the balance of power created an opportunity for VW to eliminate the takeover threat from Porsche, and VW's management used this opportunity and fully acquired Porsche on August 1, 2012 with an offensive strategy (Volkswagen Group, 2013). This ended the cooperation because Porsche lost its organizational separateness (Dowling et al., 1996; Luo, 2007).

To summarize, in the beginning VW's desperate need to sell its shares to a trustworthy partner shifted power difference from weak to strong in favor of Porsche. Porsche's ambitions to exploit this opportunity would increase the competition from weak to strong without diminishing the existing strong common stakes and strong cooperation. As a result, the relationship changed from cooperation-dominant to balanced-strong cooperation (see Table 1).

Place Table 1 Here

Porsche's revealed ambitions to end the cooperation via the acquisition of VW were unrealized as the balance of power shifted in favor of VW when Porsche ran into financial troubles. This dramatic change suggests that power is vulnerable to be misperceived and to change with unanticipated changes in the environment. Furthermore, Porsche's aggressive attempt to acquire VW was not welcome at VW because it was a threat to VW's existence (Volkswagen Group, 2007b). Thus, VW's response to fully acquire Porsche should be interpreted as a continuation of the strong competition to eliminate the threat (see Table 1). It seems that perceptions of an opportunity (such as the acquisition of VW was perceived by

Porsche) or a threat (such as Porsche's intentions were perceived by VW) can motivate to end cooperation via an acquisition.

The case gives insights into perceptions of power and trust. It seems that VW's management did not envisage a takeover attempt by Porsche for two reasons. First, Porsche was a small player by comparison, and not thought capable of swallowing VW. Second, given their strong common stakes VW's management trusted Porsche. Porsche's management, on the other hand, was not prepared for the unanticipated developments after 2009 that would affect their power, which perhaps they overestimated. Hence, it seems that power is a dynamic concept that is open to misperception and also vulnerable to change in response to changes in the environment (Akpınar & Zettinig, 2008; Das & Teng, 2000).

The case also exemplifies a situation, in a specific time and context, in which a threat to one of the firms from the institutional environment changed the type of cooperation through changes in the power difference (see Bengtsson & Johansson, 2014; Dahl, 2014; Luo, 2007; Mariani, 2007; Tidström, 2014). If the European Commission had not started the court action against the VW law, the cooperation of VW and Porsche would probably not have changed.

5. Discussion and conclusions

5.1 *The dynamics of cooperation*

This study developed a framework which provides an explanation on the dynamics of cooperation and its possible end via an acquisition (see Figure 2). Based on this framework we propose that if by trigger the relational attributes of power difference and common stakes change, attitudes to compete and cooperate and as a result the type of cooperation will change. The explanatory variables of this framework are the power difference and common stakes, and the outcome variable is the type of cooperation, or alternatively an exit from the cooperation. The case of VW and Porsche is a specific example of how this framework works (see Figure 2).

Place Figure 2 Here

The power difference predicts the level of competition. Firms will be inclined to avoid competition against others which are more powerful or of similar power level. Powerful firms, on the other hand, will tend to compete against weaker ones. As a result, changes in power difference triggered by changes in the environment could change the level of competition and the type of cooperation (see Figure 2). In the case of VW and Porsche, the power difference increased from weak to strong in favor of Porsche when the abolition of the VW law created the threat of VW's hostile takeover by hedge funds. Porsche's management, in turn, saw this as an opportunity to gain control over VW, and the unveiling of such intentions further increased the level of competition and altered the cooperation from cooperation-dominant to balanced-strong (see Figure 2). In the types of cooperation with strong power difference, i.e. competition-dominant and balanced-strong cooperation, the powerful firm can act opportunistically and pursue private interests at the expense of the weaker firm (Tidström, 2014). The powerful firm can then end cooperation via an acquisition if it perceives an opportunity or senses a threat from the weaker firm. Dowling et al. (1996) call the latter avoidance strategy. This is what happened when VW acquired Porsche (see

Figure 2). Such behavior makes us wonder whether the types of cooperation that bear strong competition are vulnerable. The case shows that strong competition could turn into a destructive power game and end the cooperation. As suggested by Bengtsson et al. (2010), perhaps moderate levels of competition and cooperation could offer optimal benefits. This is an interesting area to research further.

Common stakes predict the level of cooperation. Firms with common stakes will tend to cooperate, and over time cooperation will develop trust between the firms which can further enhance common stakes. Vice versa, when the interests of the firms change, common stakes and the level of cooperation can diminish. As a result, over time the type of cooperation changes when common stakes and the level of cooperation change (see Figure 2).

Changes in the type of cooperation are observed in the automotive industry which bears, horizontal, vertical and mixed cooperation. Power differences exist in vertical cooperation between original equipment manufacturers (OEMs) and suppliers, therefore OEM-supplier relationships have been traditionally competition-dominant (Akpınar, 2009). Lately there has been a shift towards balanced-strong cooperation in the relationships between OEMs and their first-tier suppliers as they have started to cooperate more in joint R&D, product development and manufacturing activities (Akpınar & Zettinig, 2008). There are also similar changes in horizontal cooperation. Following the lifting of regional trade barriers (e.g., in the European Union), competition among OEMs has intensified resulting in a significant consolidation of the industry (Akpınar, 2009). There has also been growth in common stakes among the OEMs (e.g., goal convergence on matters such as the development of new technologies to meet environmental challenges), leading to stronger cooperation especially in manufacturing and R&D operations. As a result, horizontal cooperation has also evolved towards balanced-strong.

5.2 Contributions

The main contribution of this study is the framework that was developed in response to calls for better understanding the dynamics of cooperation (Bengtsson & Kock, 2014; Chen, 2008; Dahl, 2014; Ketchen, Jr. et al., 2004; Tidström & Hagberg-Andersson, 2012). The framework adopts the variables of power and stake from the stakeholder literature (Freeman, 1984; Mitchell et al., 1997) and integrates them into an explanatory typology based on the two-continua approach (Bengtsson et al., 2010; Padula & Dagnino, 2007) and the typology from Park et al. (2014) (see Figure 1). The framework differs from earlier descriptive frameworks (see Bengtsson & Kock, 2000; Dowling et al., 1996; Luo, 2007; Rusko, 2011) in that it provides explanations for the types of cooperation and changes between them. It also helps to explain the possible exit from cooperation via an acquisition (see Figure 2).

The second contribution relates to the integration of concepts from the cooperation and stakeholder literatures. This 'cross-fertilization' possibility has been largely overlooked even though involvements of stakeholders in cooperation have been acknowledged (see Brandenburger & Nalebuff, 1996; Luo, 2007; Rusko, 2011). Hence, this study could be considered the first serious attempt. The concepts of power and stake from the descriptive stream (Donaldson & Preston, 1995) were utilized in this study to develop the explanatory framework, and the stakeholder management strategies of Freeman (1984) were adopted to manage the types of cooperation (see section 2.4 and Figure 2). In the cooperation literature the power difference was mentioned as a possible driver of competition resulting from opportunistic moves by powerful firms (Bengtsson & Johansson, 2014; Das & Teng, 2000;

Tidström, 2014). This study not only strengthens this argument but also takes a step further in demonstrating why the balance of power can shift between firms over time in response to changes in external and/or internal conditions. The case also exemplifies that power can be misperceived and overestimated. Earlier coopetition literature identified trust as a key factor driving closer cooperation (Castaldo & Dagnino, 2009; Gnyawali & Park, 2011; Tidström, 2014). This study contributes to this discussion by showing that trust can be built through common stakes and the accompanying cooperation, but like power, it may be misperceived.

5.3 Limitations and directions for future research

Aiming to build the initial bridges between the coopetition and stakeholder literatures and develop a new framework to explain changes in coopetition, our research was subject to a number of limitations which allow us to make suggestions for future research in order to extend our understanding of coopetition dynamics.

First, the study is based on a single case study from the automotive industry of Germany, a country known for its stakeholder-oriented corporate governance system. We recommend to study longitudinal cases from different industrial and geographical contexts to further assess the usefulness of the new framework and understand why and how the power difference and common stakes change over time.

Second, the case represents changes from cooperation-dominant to balanced-strong coopetition and then to the end of coopetition. The coopetition between VW and Porsche was mixed in that while they were competitors, VW was also a supplier to Porsche. There is a need in future research to find cases exemplifying changes between other types of coopetition. For example, it would be interesting to investigate how the relationships between OEMs and their first-tier suppliers in the automotive industry have shifted from competition-dominant to balanced-strong coopetition.

Third, VW and Porsche are large multinationals. The results from this case should not be generalized to other organizational contexts, such as small and medium enterprises, which may use different competitive tactics (Bengtsson & Johansson, 2014).

Fourth, with the exception of an interview, the data was collected from rich secondary sources in German and English languages. Although secondary data has been used in earlier coopetition literature (see Gnyawali & Park, 2011; Rusko, 2011), interviews with representatives of the two firms could have provided further insights if we had been allowed.

Fifth, the new framework was assessed qualitatively, but it has the potential for large-scale testing. One issue worth investigating further is how to measure the power difference and common stakes as well as competition and cooperation levels (Bengtsson and Kock, 2014). The attempts concerning the latter by Park et al. (2014) and Wu (2014) may offer useful insights.

Sixth, the new framework was applied in this study for a dyadic relationship. Future research could attempt to apply it for the network of stakeholders.

Seventh, we recommend to enquire further about integration possibilities between the coopetition and stakeholder literatures. The instrumental stream of the stakeholder theory could be useful in future research on the performance implications of the different types of

coopetition, and the normative stream could offer insights regarding ethics, fairness, and justice in managing coopetition.

Finally, we adopted a rigorous and robust conceptualization of how power functions, but we agree that by following only the stakeholder theory or the resource dependence theory one can overlook the wide range of other sources of power (see Fleming & Spicer, 2014). Future research could study social systems for a more holistic understanding of power. Future research could also aim to specify the impacts of the different types of power (see Fleming & Spicer, 2014; Nyaga, Lynch, Marshall, & Ambrose, 2013) and the different types of common stakes (see Laplume et al., 2008) on the levels of competition and cooperation respectively.

5.4 Managerial and policy implications

The new framework offers a tool that can be applied in the management of dynamic coopetition. Based on the assessments of power difference and common stakes managers can identify for their firms the most suitable stakeholder management strategy from among the hold, defensive, offensive, and swing strategies (see Figure 2 and section 2.4). Managers of both firms should apply hold strategies in weak coopetition and offensive strategies in cooperation-dominant coopetition. Managers of the powerful firm should use an offensive strategy in both competition-dominant and balanced-strong coopetition, whereas managers of the weak firm should use a defensive strategy in competition-dominant coopetition and a swing strategy in balanced-strong coopetition.

Making objective assessments is not easy, however, as the case demonstrates. This is because the two variables can change over time, triggered by changes in external and/or internal conditions. It is clear from Porsche's big move to acquire VW, and the outcome, that pursuing an opportunity without fully assessing the implications may have fatal consequences. A full understanding of the competitive threats, which arise from power difference, and the cooperative potential, which arises from common stakes, could improve the proactive management of coopetition in changing environments. Achieving that would require the periodic assessment of the power difference and common stakes. Managers observing changes in the explanatory variables could select the most suitable strategies.

The European Commission argued that the VW law hindered the free flow of capital in the European Union. Given the consequences observed in this case, it is open to discussion whether the free flow of capital through hostile mergers & acquisitions is a healthy outcome of the European Commission's competition policy.

In conclusion, our explanatory framework provides new insights into coopetition and its management, and the case of VW and Porsche provides examples of important management issues that enrich the research on coopetition.

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Table 1. The changing coopetition between VW and Porsche.

Variable	Before March 4, 2005	After March 4, 2005	Change
Power difference	Weak	Strong	From weak to strong
Competition level	Weak	Strong	From weak to strong
Common stakes	Strong	Strong	No change
Cooperation level	Strong	Strong	No change
Type of coopetition	Cooperation-dominant	First balanced-strong and then the end of coopetition	From cooperation-dominant to balanced-strong and then to the end of coopetition

Explanatory variables	COMMON STAKES		
POWER DIFFERENCE	Dimensions of the explanatory variables	Weak	Strong
	Weak	Weak cooperation	Cooperation-dominant cooperation
	Strong	Competition-dominant cooperation	Balanced-strong cooperation

Figure 1. An explanatory typology of cooperation.

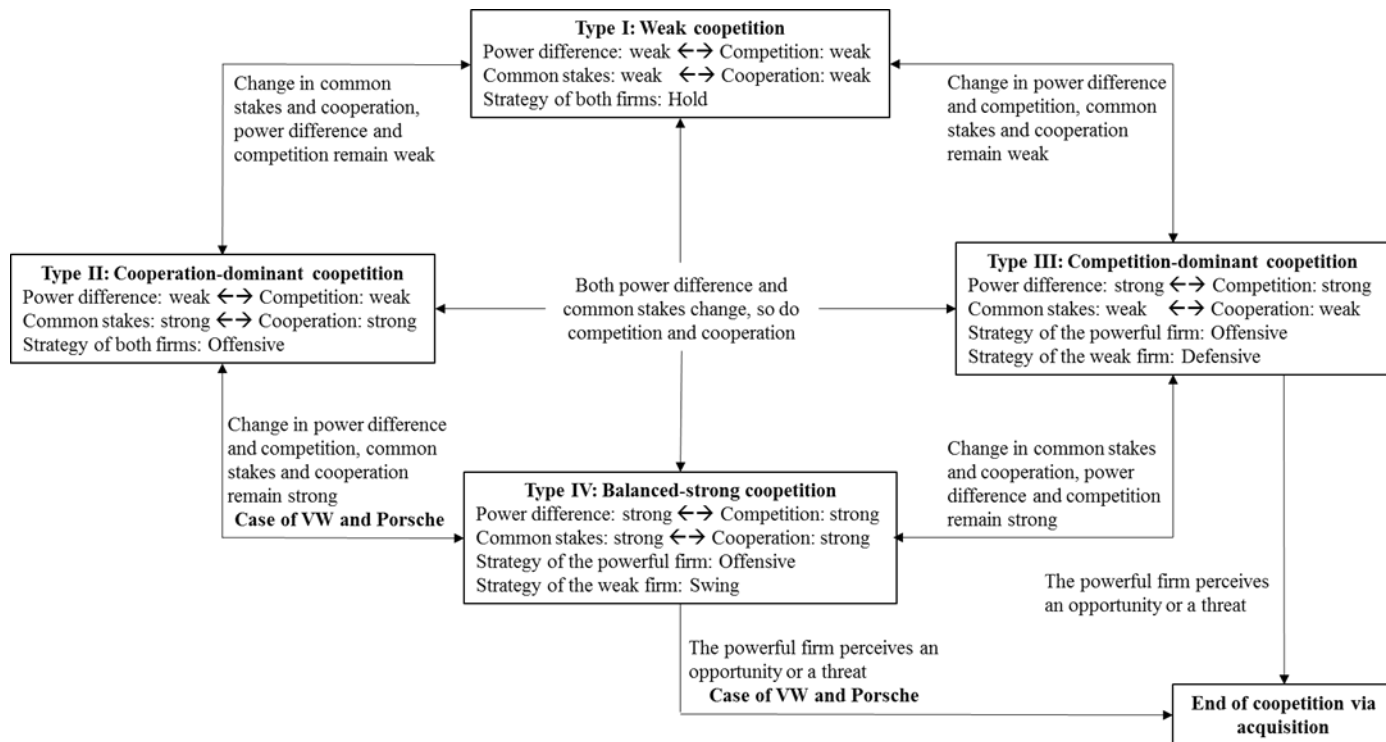


Figure 2. The dynamics of competition and its possible end.