Which one collective strategy is appropriate for the business ecosystem?
The role of political environment

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Abstract

This paper explores the role of the political environment on the choice of the collective strategy in dealing with restrictions from an operational perspective in the business ecosystem. To demonstrate this important issue, we have studied the performance of the PSA (Peugeot Société Anonyme in the French language) for about 6 years from 2013 to 2018 to find out how the PSA applies the collective strategy in dealing with restrictions. In addition, how it can create value for its members in different situations. To respond to this question, we have chosen a quantitative approach that the research data has been analyzed by the PCA (principal components analysis) model. Results show what brings success to the business ecosystem in uncertain conditions and turn the threat into opportunities is deeply depends on how to choose the collective strategy according to ecosystem circumstance. The result also pointed out to obtain competitive advantages via evaluation of the collective strategy, according to the political environment of business ecosystem.

Keywords

Collective strategy- Business ecosystem- Political environment

Introduction and Objectives:

Research on collective strategy has increasingly concentrated on the performance of business ecosystems (Barnett et al., 2000; Dussauge et al., 2000; Stuart, 2000; Barnett, 2006; Le Roy, 2008; Cauchois et al. 2017; Glaa et al., 2014; Taghipour et al., 2020). The work (Barnett et al., 2000; Barnett, 2006) followed by more recent studies (Endres and Weibler; 2019; Mahfod et al. 2019 & 2020) emphasizes that the collective strategy is able to create new opportunities for the firms. Also is able to accumulate capability, experience, and network resource (Gueguen et al., 2006). This view generally expands into the business ecosystem (BE) where international markets are proactive. Resent studies stated to examine the connection between collective strategy and business ecosystem with main concentration on descriptive arguments and industry studies (planko et al., 2016; Taghipour and Frayret, 2012 & 2013), while the impact of the political environment on the choosing of collective strategy has been ignored in the business ecosystem. The point of highlighting this study is to emerge the role of foreign policy on the collective strategy, which makes it possible to manage the volatility of foreign markets in order to collaborate. What it never shows up in recent research. To address this important issue, we have chosen the PSA ecosystem in France. The reason for choosing the PSA ecosystem is relevant to the volatility of the foreign policy of Iran. Although, Iran is a principal member of the PSA ecosystem, the sudden political changes in Iran trouble the PSA ecosystem. This business ecosystem is a very adequate sample for the investigation of the research question. The purpose of this study lies in illustrating the advantages of the collective strategy to manage the business ecosystem in different situations. In addition, this study demonstrates the ability of the collective strategy to create competitive advantages in international circumstances in order to turn constraints into opportunities and to create value with consideration of the political environment. It also proposes a proactive strategy that considers a wider range of collective strategy.

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Research Question:

This study attempts to answer a research question - which collective strategy to deal with crisis and non-crisis will be selected by business ecosystem?

Conceptual Framework

1- business ecosystem as a platform

According to Moore, a business ecosystem includes customers, primary producers, competitors and other stakeholders. The business ecosystem is defined as a phenomenon that represents the death of competition in the global market (Moore, 1993.1996). This vision generally extends to the Business Ecosystem (BE) where international markets are proactive. In other words, the business ecosystem can be seen as a set of relationships (vertical, horizontal and transversal; direct or indirect; formalized or not) between heterogeneous key players guided by the promotion of a common resource (standard, know-how, etc.) on) and an ideology that leads to the development of shared skills (ecosystem skills) (Gueguen et al., 2006). Therefore, the emergence of some concepts such as the business ecosystem that shows the new definition of competition in the global market generally derives the benefits of collective strategy. Creating more favorable conditions for the use of collective strategy is remarkable due to the complexity of the foreign market. Collective strategy can be designed and facilitated by the business ecosystem (Iansiti and Levien, 2004; Rong et al., 2015, Moore, 1993). Research on collective strategy has increasingly focused on performance of business ecosystems (Barnett, 2006; Barnett et al., 2000; Bresser and Harl, 1986; Dollinger, 1990; Dollinger and Golden, 1992; Dussauge et al., 2000; Kogut, 1988; Pennings, 1981; Stuart , 2000; Le Roy, 2008). The work of Astley and Fombrum, 1983; Bresser and Harl, 1986; Dollinger, 1990; Dollinger and Golden, 1992; Pennings, 1981, Barnett et al., 2000; Barnett, 2006 followed by more recent studies (Endres and Weibler; 2019) emphasize that collective strategy is capable of creating new opportunities for companies. It is also able to accumulate capacities, experience and network resources (Gueguen et al., 2006). It seems that the collective strategy is becoming the preferred model of collaboration for companies, as noted by Astley and Fombrum, 1983; Barnett, 2006; Barnett et al., 2000; Bresser and Harl, 1986; Dollinger, 1990; Dollinger and Golden, 1992; Dussauge et al., 2000; Kogut, 1988; Pennings, 1981; Stuart, 2000; Le Roy, 2008. According to Bressr and Harl (1986), firms wish to use collective strategy in the business ecosystem because this approach allows them to reduce any environmental uncertainty. Collective strategies are applied by suppliers or distributors or similar companies. From this perspective, companies can reduce the instability of the business environment. (Le Roy, 2008). The business ecosystem provides a platform of skills (a standard, a know-how, a standard, etc.) to develop collective strategies and establish a common strategic destiny (Gueguen et al., 2006). In this way, all companies will come together on the basis of formal or informal cooperation in order to discover a specific standard, for example. Lengnick-Hall and Wolff (1999) or Gueguen and Torrès (2004) consider this concept to be important in strategic management (Gueguen et al., 2006). Business ecosystem contexts can arise provided that the market has potential and a specific coordination mechanism to limit competitiveness in the international market (Rong et al., 2015).

2- International business and political environment:

The political environment has always been an essential element of international management collaboration. This environment places pressure on international companies, such as electoral rules, sanctions, geopolitical threats or wars. Policy environment refers to these changes in government policies and programs. Not only can the political environment represents a direct risk for the company, but it is also composed of other external risks such as social risk, modification of the promotion potential, or inhibition of competition in the market. Sometimes political mismanagement can turn natural or man-made events into disasters. (Ibeto and Agbodike 2015; John and Johnson; 2015).
Studies by Richard, Devinney, George and Johnson (2009), Ibeto and Agbodike (2015) in Nigeria have shown that despite the efforts of multinational business leaders to achieve their goal, it has not always been very successful. (John and Johnson, 2015). Richards et al (2009), assume that the success of a multinational enterprise depends to a large extent on the political environment. According to these researchers, the political environment emerges from the forcing and stakes of the political decision of the government, which is capable of changing the outcome and value of a given economic action. All

of them cause a change in the probability of achieving business goals (John and Johnson, 2015). Ibeto and Agbodike (2015) mention that the political environment is a factor that influences the ability of economic entities to achieve their objective.

Research methodology

To investigate the process of strategic making- decision in the ecosystem, this study adopted the grounded method of PCA (Principal Components Analysis, 1901 by Karl Pearson). We applied PCA as the main analysis tool in this research. It lets us highlight the similarities between the partners. Thus, this methodology can be employed as follows: - Finding the principal components to classify the partners in each component. Identifying the role of the partners in each situation with consider a type of collective strategy. The PSA database is composed of 84 variables that create a matrix 14*6. This panel shows up by members of the PSA and their rate of sales. The first step, we can identify the principal components and we can figure out which one member is in which category. In this research, we have two principal components that all members are related to these. These components show up the two different situations: the period of the sanction against Iran (2013-2014-2015) and cancelling the sanction (2016-2017-2018). In the second step, we specify the behavior of the PSA to choose the collective strategy in two situations. It means which one of the collective strategies (alliance, co-opetition) has been adopted by the PSA in each category (crisis and non-crisis). In the next step, we can interpret the implication of the collective strategy selected by the PSA to control this ecosystem in two situations.

Finding

In Table 1, based on the result of the relationship between the variables and each component. Component 1 includes the South Korea (.928%), France (.928%), United States (.928%), Uruguay (.928%), Italy (.520%) and Iran (.706%). This table also shows the type of collective strategy (document of PSA). We also have component 2 that consists of Czech (.018%), China (0.398%), Japan (.436%), Turkey (.982%), Russia (.981%) and Austria (.915%). We consider table 2 to identify the type of the components. Component 1 represents non-crisis condition and component 2 shows up crisis.

Partners of PSA	Component	
	1	2
Czech (alliance)	-1,000	**,018**
South Korea (co-opetition)	**,928**	-,373
France (co-opetition)	**,928**	-,373
United States (co-opetition)	**,928**	-,373
Uruguay (co-opetition)	**,928**	-,373
China (co-opetition/alliance)	-,917	**,398**
Japan (co-opetition)	-,900	**,436**
Turkey (co-opetition)	-,191	**,982**
Russia (alliance)	-,194	**,981**
Austria (co-opetition)	-,402	**,915**
Italy (alliance)	**,520**	-,854
Iran (co-opetition/alliance)	**,706**	-,708

Table 1: Classifying the partners of PSA

Year	Component 1	Component 2
Crisis	-.16217	**1.143**
Non-Crisis	**7.07117**	-.4311

Table 2: Identified components

Discussion

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The result reveals that for controlling the ecosystem in a critical situation, the alliance strategy has been applied. As shown in Fig. 1, the alliance strategy has a significant and sizable role and is more contribution than the co-opetition strategy. Thus, to reduce the complexity of Iran's foreign policy (sanction against Iran) the PSA concentrated on alliance strategy. Fig. 2 presents all results of the non-critical situation of the PSA ecosystem. We observed strong evidence of a largely positive role of co-opetition strategy. We detect a significant role of co-opetition strategy to expand the PSA ecosystem. PSA focuses on developing the ecosystem via co-opetition strategy. Whereas, the PSA intends to expand the sell or giving license of the technology by the co-opetition strategy. In this way, the PSA tries to identify a new market and find the emerging markets, which concentrate on the co-petition strategy.
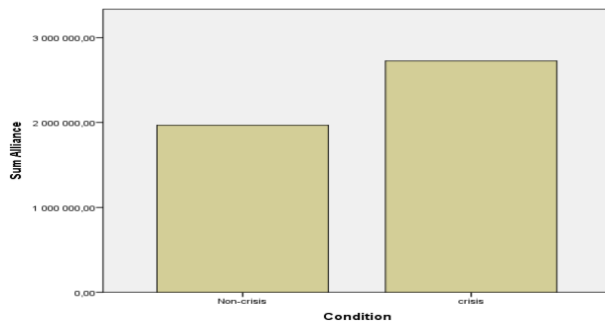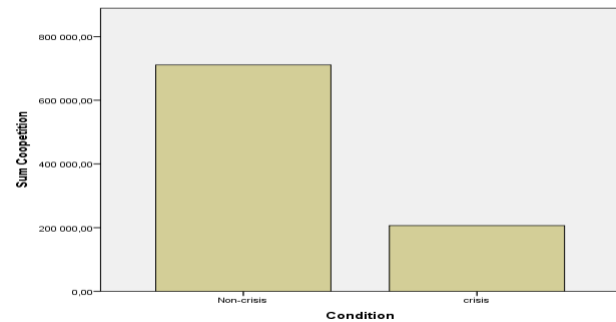

Fig 1, Comparative analysis of alliance

Fig 2, Comparative analysis of co-opetition

Conclusion

The result of this research provides practical guidance to the business ecosystems that faces unpredictable changes in the business. Our finding reveals some of the complexity of strategic decision - making, such as the impact of the political environment on collective strategy in the business ecosystem. The PSA faces an unfamiliar environment because of the changing Iran's foreign policy, where due to the sanctions against Iran, there is not enough support from either technology or production's infrastructure, it is forbidden to sell the product or license the technology in the Iranian market. In these terms, the PSA could not continue the collaboration in Iran, as was mentioned that Iran was one of the best partners in the PSA ecosystem. Therefore, in this condition, the PSA loses the Iranian market and to miss the grand benefit. Hence, the PSA has concentrated on the alliance strategy to resolve this problem. The PSA encourages the partners to improve the alliance strategy. In addition, the PSA share new technology and product to guarantee key partners. In this way, partners are able to assist Iran. According to the rules and regulations the sanctions, some partners in the PSA ecosystem could have collaboration with Iran and there is not any forbidden. Therefore, the PSA focuses to enhance key partners that can assist Iran in the form of alliance strategy. In addition, the PSA ecosystem had successfully created a supportive environment for partners to secure the potential market even during critical situations. In sum, during the critical stage, the PSA works in a supportive environment for enhancing its ecosystem by sharing its vision with many partners that has an alliance strategy with them. We have also discovered a co-opetition strategy. It can be mentioned that the PSA has chosen this strategy with similar organizations to cooperate and compete with each other to create maximum profitability. From this viewpoint, similar organizations intend to combine cooperation and competition at the same time. Thus, the PSA ecosystem has this strategy in order to identify new market opportunities and to implement effective development strategies. The purpose of the PSA ecosystem to choose this strategy is often related to sharing R&D (research and development) and costs.

Limitation

While the study makes an important contribution to the literature on collective strategy, it is not without limitation. The limitation is that we considered only Iran's foreign policy in the PSA ecosystem. In addition, we did not include the foreign policy other partners within the analysis. To address this limitation would require a more complex multi-level analysis. By considering more than one partner in this research, the result would be misleading.

Future Research

Future research can and should incorporate other firm-level information (Vosooghidizaji et al., 2020) on the benefit of each partner based on the leader's decision making and financial analysis of each partner, which were beyond the scope of this study. As this paper explores the foreign policy effect on a sample of the PSA ecosystem, it would be beneficial to investigate whether the results reported here are similar to other ecosystems.

Managerial Implications

According to the result of this research, the leader of the ecosystem should consider that the alliance strategy is more than the collaboration; in the critical situation, alliance strategy was able to overcome the crisis. In addition, in situation non-crisis the co-opetition strategy was highlighted to develop the ecosystem. As a result, the business ecosystem should choose the collective strategy based on the political environment the ecosystem. With this knowledge, business ecosystem will be able to create the value in each situation. We suggest that the model be applied in an emerging international collaboration even though the foreign market has an uncertain situation. With the help of the results of this research, the business ecosystems will able to turn the threat into an opportunity. In addition, this ability brings up a sustainable competitive advantage.

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