

## Collaborate to Compete in the Streaming Wars:

### Strategic Alliances Between Streaming Platforms - A Study of the Drivers, Processes and Outcomes Behind Coopetitive Relationships in a Disruptive Industry

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#### Abstract

This article explores strategic alliances between competitors that collaborate (i.e. coopetition) by validating the Driver, Process, Outcome (DPO) framework developed by Bengtsson and Raza-Ullah (2016) at the network and dyadic levels. This qualitative study is conducted in the streaming platforms industry, which represents a highly competitive and disruptive environment. Using the Resource-Based View, each dimension, categories and subcategories of the model are validated. Findings show that firms are motivated by industry challenges and vulnerabilities such as globalization. In terms of the process, organizations are part of a highly intertwined network and in need of a robust alliance portfolio to succeed. In terms of the outcomes, coopetition allows firms to gain higher performance and an increased sustainable competitive advantage. Finally, the DPO framework is validated and adjusted to reflect the findings within the video-on-demand industry. This research provides a greater understanding of the coopetitive concept, at both network and dyadic levels, specific to marketing outcomes in an international context.

**Key words:** coopetition, collaboration, competition, strategic alliances, joint ventures

#### Introduction and Objectives

Strategic alliances are critical to the survival of some organizations, particularly in hypercompetitive markets such as high-technology industries (Das and Teng, 1998, 2003). They are especially important for organizations that want to compete internationally (Brouthers et al., 1995). Alliances are used when organizations are in a vulnerable position and, consequently, in need of resources (Lei, 2003). The opposite is also true. When they are in a superior position and hold valuable resources, other players seek to collaborate with them (Eisenhardt and Schoonhoven, 1996). Globalization and fast-changing markets have made it increasingly difficult for organizations to obtain and maintain a sustainable competitive advantage. The current markets, characterized by fierce competition, have become increasingly difficult for firms to manage (Aragon-Sanchez and Sanchez-Marin, 2005).

In response to the increasing uncertainty, complexity and competitiveness of current environments, coopetition (i.e. collaboration between competitors) has become an interesting strategy (Bouncken et al., 2015). Coopetition allows organizations to achieve their goals more quickly (Devece et al., 2019) and to access additional resources that could potentially increase its competitiveness (Lei, 2003). Firms are also motivated by coopetition for the risk and cost sharing especially for technological products with short life cycles (Gnyawali and Park, 2009).

In recent years, research on coopetition has increased significantly. Despite its interest in the literature, coopetition remains a concept that is underdeveloped and fragmented (Bengtsson and Raza-Ullah, 2016; Bouncken et al., 2015). Coopetition takes place at various levels, namely looking at the one-to-one relationships (i.e. dyadic level) as well as looking at the networks of partners and the linkages between them (i.e. network level) (Bengtsson and

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Raza-Ullah, 2016). Researchers have mostly studied the concept at one level and have limited their scope of study (Rai, 2013). Several researchers have identified the need to have a global vision of the concept (Bengtsson and Raza-Ullah, 2016; Bouncken et al., 2015). To address this need, Bengtsson and Raza-Ullah (2016) developed a multilevel framework that explains cooptation and its processes. Also, cooptation usually occurs in activities that are not visible to the audiences and organizations compete in activities that are closer to the consumer (Bengtsson et Kock, 2000).

This research focuses on cooptation that is visible to the audiences. Since the field of cooptation still contains fragmented concepts, the purpose of the research is to (1) validate the Driver, Process, Outcome (DPO) framework proposed by Bengtsson and Raza-Ullah; (2) validate its categories and subcategories, and; (3) identify any gaps in the framework. It is therefore essential to validate the model to overcome the lack of clarity and to contribute to the development of the field in the literature with an approach that combines the various conceptualizations. More specifically, this research contributes to the understanding of the drivers behind cooptative alliances, its process, and the marketing outcomes of such alliances in cooptation that is visible to its audiences.

### **Literature Review and Conceptual Framework**

The president of Novell Corporation, Ray Noorda, coined the term cooptation, in 1992 (Brandenburger and Nalebuff, 1996). Although the study of cooperative relationships dates from well before the introduction of the concept, it was after Brandenburger and Nalebuff's best-selling book, *Co-Opetition*, published in 1996 that researchers began to use the term (Bengtsson and Kock, 1999; Bouncken et al., 2015; Harbison et al., 1998).

Cooptation can be studied at different levels. Depending on that level, the theories, definitions and associated concepts will differ. There are two main levels (i.e school of thoughts) – the network and the dyadic level (Bengtsson and Raza-Ullah, 2016). The network level offers a broad and holistic view. It explains how organizations are intertwined in a particular context. This is notably the school of thought of the founding authors Brandenburger and Nalebuff (Bengtsson and Raza-Ullah, 2016). The dyadic level (i.e. two elements in interaction) focuses on the one-to-one relationship between the players and seeks to understand the dynamics between them as well as the elements that result from that relationship such as the tensions. It does not seek to understand how the relationship fits into the overall network (Bengtsson and Raza-Ullah, 2016).

Despite its growing interest in literature, cooptation remains a concept that is underdeveloped (Bengtsson and Raza-Ullah, 2016; Bouncken et al., 2015). Researchers also claim a lack of clarity regarding the definition of the concept, which has an impact on future research (Bengtsson and Raza-Ullah, 2016; Bouncken et al., 2015). Therefore, Bengtsson and Raza-Ullah (2016) argue the need for a multilevel framework that integrates the two major schools of thoughts and developed the Driver, Process, Outcome (DPO) framework. It is their belief that cooptation should be looked at as a whole (i.e. including both network and dyadic levels) as it “provides a richer and more complete perspective” (Bengtsson and Raza-Ullah, 2016).

In terms of the drivers, organizations enter strategic alliances for a number of reasons such as to penetrate new markets (Lee, 2007), to acquire new capabilities (Drewniak and Karaszewski, 2019), to save costs (Inkpen, 2001), to add legitimacy (Dacin et al., 2007) and to mitigate risks (Kogut, 1988). For highly technological sectors, the primary motivation is to reduce the risks and divide costs (Dhaundiyal and Coughlan, 2019). Three dimensions characterize the cooptative process. First, the process is dynamic through interactions firms create within the network (Bengtsson and Raza-Ullah, 2016). Relationships between players evolve, transform, dissolve and recreate themselves according to their evolving needs. It also

implies that an organization collaborates in some areas of their business while others compete (Bengtsson and Kock, 2000). Secondly, the process is complex. Within the network, an actor can play different, sometimes contradictory roles (Bengtsson and Raza-Ullah, 2016). These multiple roles can lead to conflicts and create ambiguity (Tidstrom, 2014). Thirdly, the process is challenging from a managerial point of view. A governance structure must be put in place (Andersen and Drejer, 2009) and organizations must acquire capacities to manage such paradoxical relationships (Lechner and Dowling, 2003). Finally, the outcomes of coopetition can be innovation, knowledge, performance or relationship related (Bengtsson and Raza-Ullah, 2016). Research has shown that 50% of coopetitive alliances fail to produce desired outcomes (Lunnan and Haugland, 2008).

This study is anchored in the Resource-Based View (RBV) theory. It is based on the concept of resources associated with the organization. The theory is particularly important in the field of strategic alliances as organizations acquire highly valuable resources (Das and Teng, 2000). It also provides an important framework for explaining the competitive advantage and performance of an organization (Kozlenkova, Samaha and Palmatier, 2014). An organization develops a competitive advantage if it is able to generate greater economic value than its competitor (Barney and Peteraf, 2003). The RBV theory goes further than achieving a competitive advantage. The idea is to achieve a sustained competitive advantage. This is possible when an organization creates more economic value than its rivals and when other organizations are unable to duplicate the benefits of this strategy. It is an organization's resources that explain why it achieves a sustained competitive advantage and why some are more successful than others (Barney and Peteraf, 2003).

## **Methodology**

As part of this exploratory research, the qualitative method is used to support the objective of this international study. The video-on-demand (VOD) industry was selected because of its highly competitive nature, high degree of uncertainty and where resources are crucially important. Streaming platforms that were the result of a joint venture (JV) between competitors were selected as they represent the riskiest type of strategic alliance (Todeva and Knoke, 2005).

A total of 19 semi-directed interviews (45 to 60 minutes) occurred virtually with senior executives from six different organizations. Data for this research was collected between February and May 2022. The interview guide was developed based on the DPO framework to ensure the research could address its categories and subcategories. Due to the highly competitive nature of the organizations taking part in this study and sensitivity around the information shared, any elements that could potentially identify the organizations such as the brand, country of origin and respondent's titles are not disclosed.

In addition to the interviews with the streaming platforms respondents, informal interviews were conducted with industry experts such as senior executives and journalists of various media and entertainment organizations to get acquainted with the industry. Data for this research was collected between December 2021 and March 2022. Additionally, in order to become more knowledgeable of the coopetition literature, meetings with two key researchers in the field of coopetition were organized in July 2021. Secondary data was also collected to become familiar with the industry, its alliances and to gather insights on the platforms.

## **Findings**

### *Drivers*

In terms of external drivers, globalization is the disruptive factor that motivates competitors to join forces. Consequently, the cultural affinity of specific markets represents an opportunity to collaborate in order to differentiate themselves from other global players. Internally, organizations are driven by the opportunity to increase their market position, to expand internationally, to protect their current market and to acquire new capabilities. Many of them said, “we don’t want to be another Netflix.” They are motivated by the idea of being a complementary service and to differentiate themselves from the global players. Firms were also motivated by specific challenges and vulnerabilities such as the production capacity, the anticipation of potential alliances between players and the continuous domination of the global giants. In terms of relational drivers, organizations are looking for partners that have a reputational brand and a strong content offer, including the ownership of intellectual property rights. Players are looking for partners who come from the same industry and that are able to contribute equally as well as similar resources.

### *Processes*

Streaming platforms have extensive alliance portfolios throughout the value chain and the results highlight the importance of its network. The configuration and reconfiguration of alliances between players within the network is one of the most discussed topics by the participants during the interviews. In the VOD industry, joining forces with a competitor to create a joint platform is not enough to ensure its sustainability. Some players even state that those alliances are fundamental and essential to their survival “without those alliances, were dead in the water.” This configuration allows organizations to access more resources. However, other configurations with third parties within the network are needed to enable the value behind the cooperative alliance.

The results also indicate that cooperative alliances allow players to position themselves strategically and play a central role within their network. However, the multiple roles can lead to ambiguities and tensions both at the level of the network and between the partners. As a result, some organizations are reluctant to share information between each other and therefore lack trust. The data also allowed us to conclude that there is indeed a change in the level of competition and collaboration between players. Initially oriented towards a high level of competition, after time the organization seems to be oriented towards a collaborative mindset. We observed relationships dominated by competition and balanced relationships with strong collaboration and competition.

In terms of governance, partners see value in an independent entity (joint venture with equal shares) and management team. This structure is coherent with the existent literature which suggests that conflicts are minimized when there is a separation at the level of elements that can lead to contradictions such as resources and organizational structures (Bengtsson and Kock, 2000). Consequently, at the management level, we observe a “cooperative” mindset and capabilities for managing such paradoxical relationships.

### *Outcomes*

The results shed light on the positive and negative consequences of cooperative relationships related to performance, innovation, knowledge and relational aspects. Cooperative allows platforms to increase their catalog of content, their most important resource. It also contributes to defining the platforms’ proposition and relevance, as well as increasing production capacity. A number of platforms said that partnering allowed them to create and define their competitive advantage by allowing them to own a niche market, compared to offering a wide range of content. By targeting a niche segment, their marketing

proposition was clearer and more relevant to its audiences. While cooptation allows access to new markets, it also represents an important consideration due to the lack of brand awareness. While respondents value alliances with other players in the network (mostly for content distribution) because of their reach and marketing effectiveness, they can represent significant costs to the organization. Access to quality data is also an important consideration with third-party distributors. Therefore organizations privilege their owned and operated platforms. In terms of the relationships, while admitting that those alliances are meant to serve a specific goal, they are not meant to be long-term strategies.

### **Discussion, Implications, Limitations and Future Research**

The findings allow us to validate the DPO framework developed by Bengtsson and Raza-Ullah (2016). Based on the results of this study, an updated framework is proposed (see Appendix A) that highlights the elements relevant to the VOD industry.

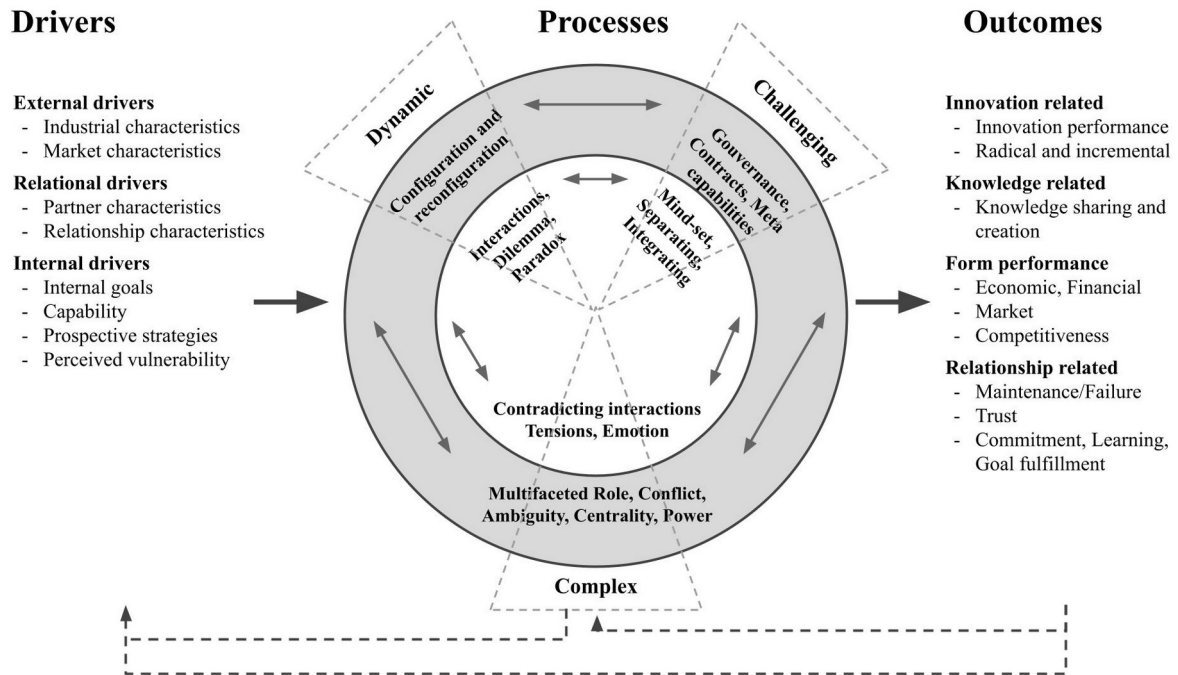
The results show the importance of the ecosystem in the VOD industry and its dependencies, in particular with distribution content providers. Consequently, it allowed us to confirm the relevance and the importance to study competition at both network and dyadic levels, as they are intrinsically connected. Content is the most important resource for platforms. Organizations are looking for resources that will enhance their current offer. The value of the content catalog resides in resource similarity as it allows for a robust and distinct offering compared to other platforms. It, therefore, generates value to the consumer.

Given the sensibility and confidentiality around the industry and topic, recruitment of respondents was extremely difficult. For a future study, it would be valuable to do a case study approach using both organizations involved in an alliance and to do a comparative analysis from their view of the partnership. While this study offered a broad and overarching view of the VOD industry, it would be insightful to focus on specific aspects of the framework to get a deeper understanding (e.g. performance expectations from partners, cooperative branding). Given the importance of the distribution of content, it would also be interesting to focus on that specific area to get a broader sense of the benefits and challenges with third party players. In order to get a deeper understanding of change over time, a longitudinal study would help gain a better understanding of the cooperative process.

### **Conclusion**

This study helps get a better understanding of the elements that are critical to cooperative alliances in the VOD industry. In order to ensure a complete understanding of cooptation, it must be studied at both network and dyadic levels. The streaming platforms are intertwined and are connected within a series of networks. More specifically, platforms are dependent on distribution players. Collaborating with rivals can help define the proposition and differentiation of a platform because of its similar resources. Cooptation therefore results in various marketing benefits such as higher performance, innovation, knowledge and relational bonds with industry players.

**Appendix 1: Drivers, Processes and Outcomes framework  
(adapted from the original version, Bengtsson and Raza-Ullah, 2016)**



Source : Bengtsson, M., & Raza-Ullah, T. (2016). A systematic review of research on coopetition: toward a multilevel understanding. *Industrial Marketing Management*, 57, 23–39.

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