

CO-OPETITION

A Revolutionary Mindset That Combines
Competition and Cooperation

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MAIN IDEA

Co-opetition combines the advantages of both competition and cooperation into a new dynamic which can be used to not only generate more profits but also to change the nature of the business environment in your own favor.

Real long-term business success comes not solely from competing successfully within your current industry, but also from being an active participant in shaping the industry's future. That way, you can create opportunities for future success the way you want them to be, rather than simply making do with the way things currently are.

To actively change the game of business, you need a strategic framework within which to work, and co-opetition theory provides just such a framework. That way, you can change not only the way you play, but which game you play as well for maximum benefit.

Part 1 - Co-opetition and the Game of Business Page 2

In its purest form, business can be considered as a game in which money represents points won or lost. The person or company which gathers the greatest numbers of points wins. The biggest opportunities in business don't come from playing the game better than everyone else - they come from changing the fundamental nature of the game itself to your advantage.

Business strategy, and the concept of co-opetition, is designed to provide a framework by which companies can gain a sustainable competitive advantage by changing the game to their own advantage.

Part 2 - Changing the Game of Business Pages 3 - 7

ELEMENT #1: Players

Any time the players in a value net change, the overall market value of the entire net is either worth more or less. Therefore, before you enter any new value net, stop and ask "Which of the current participants in this value net has the most to gain by my participation?" Then find a way to get that player to pay for your participation.

ELEMENT #2: Added Values

Every value net has a total commercial value, which is made up of the sum of the added values of each participant in the value net. Therefore, if a new participant joins the value net, the amount by which the value of the whole net increased is that participant's added value. The objective, in business, is to maximize your own company's added value.

ELEMENT #3: Rules

Many people simply assume the rules of business - both formal and informal - are set in stone and are not subject to negotiation. That's incorrect. There's no reason why you should blindly follow the rules - you can change them at any time. But, keep in mind that works both ways. At any time, your competitors, customers, suppliers or complementors can change the rules as well. They don't necessarily have to follow the same rules you do. In the marketplace, whichever party has the most power gets to make the rules.

ELEMENT #4: Tactics

Tactics are actions players take to shape the perceptions of other participants in the value net. The game can be changed, inadvertently or deliberately, by changing people's perceptions. Everything you do and everything you don't do sends signals, from which others form perceptions. The collective sum of those perceptions is the game. Most business is conducted in a fog of uncertainty, snippets of information, deliberate misinformation and partial facts. Tactics can be used to:

- 1. Clear up the fog
- 2. Preserve the existing fog
- 3. Stir up new fog

ELEMENT #5: Scope

In the real world, no value net exists in isolation. Each value net is linked to other value nets through common players, a common location and so on. And each value net can exert influence on other value nets by virtue of those links. In the final analysis, the boundaries of any particular value net are not physical, only mental. There are no real boundaries, only those a person chooses to create. Every value net operates in the context of the bigger picture, and boundaries can be moved, expanded or altered at any time. Understanding those common links that exist between value nets and using them to your benefit is the fifth and final element of business strategy.

Part 3 - Applying Co-opetition Theory in Practice Page 8

The real payoff in learning about co-opetition theory comes when it is applied. Therefore, you need to develop some practical systems for applying co-opetition theory to everyday business. One way to do that is by using a set of self-diagnostic questions built around the PARTS elements of co-opetition theory.

PART 1
CO-OPETITION AND THE GAME OF BUSINESS

Main Idea

In its purest form, business can be considered as a game in which money represents points won or lost. The person or company which gathers the greatest numbers of points wins.

The biggest opportunities in business don't come from playing the game better than everyone else - they come from changing the fundamental nature of the game itself to your advantage.

Business strategy, and the concept of co-opetition, is designed to provide a framework by which companies can gain a sustainable competitive advantage by changing the game to their own advantage.

Supporting Ideas

Concept of Co-opetition

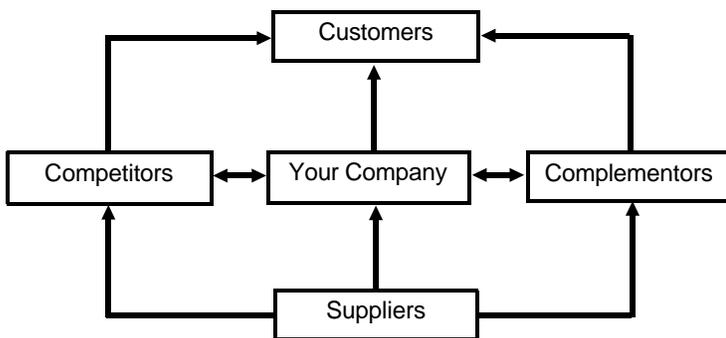
Co-opetition is part competition and part cooperation. It describes the fact that in today's business environment, most companies can achieve more success in a dynamic industry than they ever could working alone.

Specifically, when companies work together, they can create a much larger and more valuable market than they ever could by working individually. Companies then compete with each other to determine who gets the largest share of that market.

Co-opetition allows for the real-world business situation that there can be multiple winners in the marketplace. Business, unlike war, is not a winner takes all proposition. The objective is to maximize your return on investment - regardless of how well or how poorly other people or other companies perform.

The Value-Net

To visualize the business environment, consider the following value net:



Suppliers provide resources to all companies within your industry.

Competitors, from the customer's perspective, are all those companies whose products or services make whatever your company offers seem less valuable.

Complementors, again from the customer's perspective, provide products or services that add value to whatever your company offers. Example: computer hardware and software companies are complementors - their individual products are worth more when combined.

The biggest commercial opportunities and greatest profits don't come simply from playing the game better than everyone else. They actually come from expanding the game from whatever it is at present to a new game that is bigger, better and more valuable for everyone involved.

To change the game of business, you have to alter one or more of its five basic elements:

1. **Players**
You can alter the mix of competitors or complementors for your company.
2. **Added Values**
Whichever company adds the most value to the value net holds the power. Change the added value of the various players and you change who holds the power, and the game itself.
3. **Rules**
If you can change the rules by which the game is played you can influence who will be most successful. In business, the rules are negotiable.
4. **Tactics**
By altering the players' perceptions, you can change the outcome of the game. Perceptions are shaped by tactics.
5. **Scope**
By understanding how other commercial games influence this game, you can take advantage of any implicit boundaries other parties are using to improve your own competitive position, and change the game.

Key Thoughts

"You have to be able to compete and cooperate at the same time."

- Ray Noorda, founder, Novell

"On any given day, AT&T may find Motorola to be a supplier, a buyer, competitor or partner."

- Gary Hamel and C.K. Prahalad

"When I am getting ready to reason with a man, I spend one-third of my time thinking about myself and what I am going to say, and two-thirds thinking about him and what he is going to say."

- Abraham Lincoln

"The ability to see the other side of the situation as the other side sees it, as difficult as it may be, is one of the most important skills a negotiator can possess. It is not enough to know they see things differently. If you want to influence them, you also need to understand emphatically the power of their point of view and to feel the emotional force with which they believe it."

- Roger Fisher and William Ury

"Philosophers have only interpreted the world. The point, however, is to change it."

- Karl Marx

"It is not enough to succeed. Others must fail."

- Gore Vidal

"You don't have to blow out the other fellow's light to let your own shine."

- Bernard Baruch

PART 2
CHANGING THE GAME OF BUSINESS

ELEMENT #1: Players

Main Idea

Any time the players in a value net change, the overall market value of the entire net is either worth more or less.

Therefore, before you enter any new value net, stop and ask "Which of the current participants in this value net has the most to gain by my participation?"

Then find a way to get that player to pay for your participation.

Supporting Ideas

The objective is to create as big a value net as possible. The more customers, competitors, complementors and suppliers there are, the more the entire value net will be worth, and the more your percentage of the overall value net will be worth.

To encourage more competition, customers can:

1. Offer to subsidize any capital investment that would be required for a new company to enter that industry.
2. Provide a guaranteed sales contract if a new company will commit the resources required to enter that market.
3. Offer a last-look provision - in which a new company can match whatever is the best price offered by competitors.
4. Provide better access to information to a potential newcomer.
5. Link initial market entry business with additional future business opportunities.
7. Supply a potential newcomer with a price at which he is prepared to give them the business.

To increase the number of customers in the value net, companies can work together or individually to:

1. Educate the market about product benefits.
2. Be prepared to lose money on early customers in order to build market momentum.
3. Subsidize customers who buy complementary products - they more of those they buy, the more they also buy of your own product.
4. Become their own customers - by setting up new companies to buy and use their own products.

To increase the number of suppliers in the value net, companies (again working by themselves or with others) can:

1. Pay companies to establish operations in that supply industry, thus offsetting their capital costs.
2. Form a buying coalition in which companies pool their orders to create a viable market penetration level for a new supplier.
3. Become their own suppliers, by setting up new companies to guarantee supply and to stimulate competition.

To increase the number of complementors, companies can:

1. Form a buying coalition with customers to steer them towards the lowest priced complementors, or towards new complementors.
2. Pay companies to develop complementary products.
3. Become your own complementor by establishing manufacturing capacity and business operations for a suitable product.

Large companies frequently become their own competitors by launching a number of brands for similar products. The competition keeps everyone performing well. Similarly, the other way to expand the value net is to introduce new competitors, by:

1. Aggressively licensing your technology to other companies - generating license fees and forcing your company to continue to develop newer and better versions.
2. Creating second sources of your products - so buyers won't be concerned about being dependent on just one source of supply.
3. Creating your competition in-house - by creating stand alone brands which compete aggressively for market share.

All of these strategies are designed to increase the total market value of the value net by adding more players in form of more customers, more suppliers, more complementors or more direct competitors.

From the perspective of a company which has not yet entered any specific value net, they should ask that critical question:

"Which of the current participants in this value net has the most to gain by my participation?"

The answer to that question will be the group who will offer the best financial incentives for your company to enter that value net. You should then approach them, and structure some way they can pay you to enter.

On the other hand, if your company doesn't add overall value by entering any specific value net, and can't find any rationale for the current participants to pay them to participate, it will make more sense to sit on the sidelines.

Key Thoughts

"If you don't have a really tough competitor, you ought to invent one. Competition is a way of life."

– Bill Smithburg, CEO, Quaker Oats

"Looking back, it was not our original intention to do our own title development. We wanted to be a licensing company. But after we launched the system, it became clear that the one company that had 3DO at stake was 3DO. It quickly made sense for us to do software development. By putting some leading-edge titles out in the marketplace, we benefit everyone. We benefit customers, we benefit software licensees, we benefit hardware licensees. For now, we really have to control our own destiny."

– Amy Guggenheim, Product Manager, 3DO

"Business is war. The traditional language of business certainly makes it sound that way: outsmarting the competition, capturing market share, making a killing, fighting brands, beating up suppliers, locking up customers. But the way people talk about business today, you wouldn't think so. You have to listen to customers, work with suppliers, create teams, establish strategic partnerships - even with competitors. That doesn't sound like war. In fact, most businesses succeed only if others also succeed. The demand for Intel chips increases when Microsoft creates more powerful software. Microsoft software becomes more valuable when Intel produces faster chips. It's mutual success rather than mutual destruction. It's win-win. It's simultaneously war and peace."

– Adam Brandenburger and Barry Nalebuff

ELEMENT #2: Added Values

Main Idea

Every value net has a total commercial value, which is made up of the sum of the added values of each participant in the value net.

Therefore, if a new participant joins the value net, the amount by which the value of the whole net increased is that participant's added value.

The objective, in business, is to maximize your own company's added value.

Supporting Ideas

Suppliers would prefer the value net to always be kept in a state of under supply - that is, that your company, your competitors and your complementors will not be able to get as much product as they'd like because production is at full capacity already.

The advantages of this are:

1. Suppliers get a bigger piece of the total value net business than they would in an equilibrium situation.
2. Customers may buy slower moving products instead of waiting to be supplied with products in short supply.
3. Suppliers get a lot of publicity and place their companies in strong commercial positions.

The disadvantages of under supplying are:

1. You create ideal market conditions for a new supplier to enter the value net.
2. The total size of the value net is reduced by each missed customer sale.
3. It may cause future friction with other value net participants.

The central challenge of business is to find ways to create additional added value, by making a better product or by using resources more efficiently. Most of the time, creating added value creates both trade-offs and trade-ons.

Trade-offs most frequently occur along a quality-cost axis: improving the product increases the costs. In this case:

1. Your objective is to spend another \$1 in such a way that customers will pay an extra \$2 for your product. If you then raise prices by only \$1.50, both you and the customer win.
2. The alternative is to cut \$2 from your costs in such a way that customers are still prepared to buy your product for \$1 less. Again, you can cut prices by \$1.50, again creating a win-win situation.

In an ideal situation, however, quality improvements can be made at the same time as costs are lowered. These can be called "trade-ons". The computer industry exemplifies the trade-on concept, with year-by-year performance increasing while costs are reducing simultaneously.

Trade-ons:

1. Lower costs in ways that help companies deliver better generations of products.
2. The alternative is to deliver a better product in a way that helps lower costs.

Of course, in a competitive value-net, everyone is working towards creating more added value for themselves by developing trade-offs and trade-ons. Sometimes the best way to maximize your own added value is to create solid relationships with your customers. This objective frequently involves creating loyalty programs, which say "Thank-you for your business" to your customers in tangible and effective ways.

The most effective customer loyalty programs:

1. Reward loyal customers with products or services they value highly rather than in cash.
2. Offer better deals to loyal long-term customers than are offered to new customers.
3. Say thank you with products that build business - perhaps by offering discounted complementary products or services, or by giving loyal customers a complimentary pass so they can bring a friend along with them.
4. Are well timed. They say thanks once a solid customer relationship is built, without waiting too long.
5. Tell you right from the start what you can expect once you become a long-term customer.
6. Recognize that not only does your company have to compete for loyal customers but that other companies will be doing the same. Therefore, you avoid offering deep new business discounts, because that will simply reshuffle existing customers between the two competing loyalty programs.
7. Are actively pursued, even in monopoly situations, to exclude the possibility of new value net entrants.
8. Are symmetrical - they reward loyal customers and loyal suppliers, because both are essential to your company's operations.

Of course, keep in mind that any successful customer loyalty program is likely to be copied by your competitors. That's fine, as long as your program is a long term win-win situation in which both you and your customers gain benefits.

If, however, your program is imitated by someone for short-term gains, fight back by:

1. Use customer feedback to produce a product which is highly specific to your customer group, and customized.
2. Create a brand identity.
3. Increase your production volume as rapidly as possible to move further along the learning curve.
4. Compete aggressively for high volume in your market, so you'll have economies of scale available that competitors will not.

Key Thoughts

"If everyone can do it, you can't make money at it."

– Sharon Oster, professor, Yale School of Management

"No two species can coexist that make their living in the identical way, no more in business than in nature."

– Bruce Henderson, founder, Boston Consulting Group

ELEMENT #3: Rules

Main Idea

Many people simply assume the rules of business - both formal and informal - are set in stone and are not subject to negotiation. That's incorrect. There's no reason why you should blindly follow the rules - you can change them at any time.

But, keep in mind that works both ways. At any time, your competitors, customers, suppliers or complementors can change the rules as well. They don't necessarily have to follow the same rules you do.

In the marketplace, whichever party has the most power gets to make the rules.

Supporting Ideas

The general rules of business are intended to ensure all trading practices are fair, that open competitive markets are available and that contracts are honored. Broadly speaking, the more specific rules that may exist within any particular value net will be developed by a framework of contracts between the various parties.

Contracts with customers generally take a variation of two different forms:

1. Most-Favored-Customer Contracts

These contracts guarantee the customer the best price the company gives to anyone else.

From a seller's perspective, these contracts provide some strategic inflexibility - you can't lower your prices, because then you would be forced to lower prices to everyone with a similar contractual arrangement. Therefore, prices will remain a little higher than they would in a free-for-all.

The disadvantage of most-favored-customer contracts is that a seller can't offer introductory discounts to attract new business in the same way that a new seller, unburdened by this type of contract, can.

Similarly, from the buyer's perspective, a most-favored-customer contract ensures they will never be at a competitive disadvantage to any rivals, and eliminates the possibility they will get a worse deal than anyone else is offered. The disadvantage is they can't ever expect any one-off special deals and the supplier will not have any incentive to lower prices.

2. Meet-the-Competition Contracts

These contracts stipulate that in the event another party comes in with a lower bid than yours, you can retain the business by matching that lower bid. In other words, you have a last right of refusal.

The advantage of these types of contracts is they reduce incentives for competitors to bid, they definitively establish the price at which you can keep the business and they leave the supplier in a position where they decide whether or not they want the business badly enough to go that low.

The disadvantage is that an unsuccessful competitor doesn't ever need to actually deliver on the bid they've submitted. He can use the situation to lower your profits.

Keep in mind, however, there are hidden costs to submitting an unsuccessful bid, including:

1. Time could be more productively applied elsewhere.
2. He may end up losing money if his bid is accepted.
3. You can always retaliate against his customers.
4. He sets a bad precedent with his bid for his customers.

5. His interests aren't served by helping customers of a competitor get a lower supply price.

Contracts with suppliers are similar, with possible variations including:

1. Most-Favored-Supplier Contracts

A contract in which you guarantee one supplier as much as you pay any other supplier.

2. Meet-the-Competition Contracts

A contractual arrangement in which the supplier guarantees to sell to you at the best price any other supplier offers.

3. Take-or-Pay Contracts

The buyer agrees to take a minimum quantity of product at a specified price, or else to pay for any volume not taken at an agreed penalty rate. Frequently used in industries with large fixed costs where it is impractical for the supplier to store the output for later sale.

An entirely different set of rules come into effect in mass market situations - where the seller sets the price and the customer either pays the specified price or buys something else. In mass markets, sellers can establish rules for what they do, but not for what any individual customer does.

In a mass market, the seller doesn't want to set prices too low - it will undermine profits and may start a price war with competitors. What the seller ideally wants to achieve is to charge a low price to loyal customers without threatening a competitor's customer base. The most frequently used device to achieve these objectives is a targeted rebate program.

Well designed rebate programs:

1. Allow a company to treat its own customers better than it treats a rival's customers.
2. Develops loyalty with customers.
3. Provides an opportunity to work in with partners who will add further value to the program.
4. Tend to be more effective on big-ticket items rather than small items.

Due to the fact rebate programs almost always involve payment in kind rather than in cash, they won't create more added value from the value-net perspective.

And finally, when considering the rules of business, never forget the government frequently specifies the broad rules under which specific markets operate. The government regulates through direct measures such as anti-trust law, trade commissions which examine how specific markets are operated and regulated and providing a legal framework within which companies can go to enforce contractual arrangements. As for all the participants in any value net, the government is able to, and frequently does, change the rules by which everyone operates.

Key Thoughts

"A Smith & Wesson beats a straight flush."

– American old west saying

"When the rules of the game prove unsuitable for victory, the gentlemen of England change the rules."

– Harold Laski

ELEMENT #4: Tactics

Main Idea

Tactics are actions players take to shape the perceptions of other participants in the value net.

The game can be changed, inadvertently or deliberately, by changing people's perceptions. Everything you do and everything you don't do sends signals, from which others form perceptions. The collective sum of those perceptions is the game.

Most business is conducted in a fog of uncertainty, snippets of information, deliberate misinformation and partial facts. Tactics can be used to:

1. Clear up the fog
2. Preserve the existing fog
3. Stir up new fog

Supporting Ideas

1. Tactics for Clearing a Fog

To clear up any fog that surrounds you, establish credibility for yourself. Some ways of effectively doing that are:

- Accept a pay-for-performance style contract
- Offer a meaningful guarantee
- Give free trials of your product or service
- Commit significant resources to advertising

A particularly critical time to establish credibility is when launching a new product. Keep in mind that in these types of situations, as in business in general, what you don't offer sends out just as strong a signal as what you do.

If you want to clear up fog surrounding another party, you're asking them to demonstrate they are the genuine article.

Again, you can do that by:

- Proposing they accept a pay-for-performance contract
- Asking them to guarantee their work
- Requesting a free trial period

2. Tactics for Preserving the Existing Fog

Once you're established in a market, it will generally be in your best interests to maintain current perceptions by limiting the amount of new and potentially damaging information that reaches the marketplace.

Generally speaking, companies work towards preserving fog levels by:

- Hiding information about projects they turned down which were very successful for other parties
- Following the general consensus so if things turn out to be wrong, at least everyone was in the same boat
- Creating reasons to fail which can be pointed at rather than focusing on why they ever arose.

Most negotiations tend to take place in a fog, which can lead to three common mistakes and potential remedies:

Mistake #1

You make extreme opening bids, thereby inadvertently revealing what your minimum bottom line is. Invariably, you'll end up with something at your bottom line and nothing more.

Potential Remedy#1

Bring in an independent third party to whom each party's opening negotiating bids are made in private. That third party will then either work out a mid-point price which is equally fair to both negotiating parties, or announce that the bids do not cross. That way, your opening bid has not created expectations in the other party to the negotiation.

Mistake #2

The tone of any negotiation changes forever if either party makes any implicit threats explicit.

Potential Remedy #2

Bring in an independent third party who can meet each party in private and point out the consequences of non agreement.

Mistake #3

Trying to resolve differences of opinion between the negotiating parties.

Potential Remedy #3

Agree to disagree, and use those differences of opinion constructively to structure a win-win situation for both parties.

3. Tactics for Stirring Up a New Fog

In business, you stir up the fog in any value net by creating complexity, specifically by introducing complex pricing schemes which:

- Hide high prices
- Disguise situations where pricing is opportunistic
- Preserve an image of quality by hiding low prices
- Frustrate comparison shoppers

Creating complexity does, however, add to your costs by:

- Increasing administrative costs
- Increasing the amount of support required for frustrated customers to sift through the options
- Allowing competitors to exploit niche pricing opportunities

Therefore, stirring up a new fog can be a double edged tactic in a highly competitive value net. Not only can competitors benefit directly from the fog, they can publicize the fact you're creating a fog, and encourage the public to ask why.

Many business games are ultimately decided on the basis of public opinion and mass market consumer perceptions. In that situation, the perception becomes the entire game. If a company is seen as being self-serving in whipping up a new fog, it can have decidedly serious implications to future sales levels.

Key Thoughts

"If you can't convince 'em, confuse 'em."

– Harry S. Truman

"Perception is reality."

– Bishop Berkeley

"One price war in industrial electric products started when an industry trade journal mistakenly inflated the total market volume by 15%. The four major players all thought they had lost market share and dropped prices to recover what was really never lost."

– Mike Marn, management consultant, McKinsey & Co.

"Even when they are proved wrong, forecasters see it as important to maintain the consensus in retrospect. For example, banks maintain as an article of faith that the depth of the recent U.K. recession and the magnitude of the property collapse could not have been predicted. If it could have been, those responsible for the lending excesses of the 1980s would be guilty of gross negligence rather than the hapless victims of events. It is often more important to be wrong for the right reasons than to be correct."

– John Kay, professor, London Business School

ELEMENT #5: Scope

Main Idea

In the real world, no value net exists in isolation. Each value net is linked to other value nets through common players, a common location and so on. And each value net can exert influence on other value nets by virtue of those links.

In the final analysis, the boundaries of any particular value net are not physical, only mental. There are no real boundaries, only those a person chooses to create. Every value net operates in the context of the bigger picture, and boundaries can be moved, expanded or altered at any time.

Understanding those common links that exist between value nets and using them to your benefit is the fifth and final element of business strategy.

Supporting Ideas

The scope of any particular value net can be altered by a change in the players - by introducing a new player, for example.

Most people are familiar with the concept of judo - which focuses on using an opponents weight against him, thereby turning his strength into weakness. In many ways, that's an ideal analogy for how a new company can break into an existing value net. Specifically:

1. A new market entrant bringing a new and superior product into a value net should price it high enough that it doesn't eat into the sales of the incumbent company's existing products. That creates a dilemma for existing companies. They won't want to compete head-to-head with the newcomer's technology, since that will eat into sales of their existing market leading product, and reduce their added value. They'll hold back - giving the newcomer the chance to get a head start on the next generation product.
2. Alternatively, a new value net entrant could introduce a product which has some chance of failing. Existing companies may copy the product, but they won't want to use their existing brand names to do so just in case it does end up failing. That uncertainty offsets their market strengths, and gives the new entrant a window of opportunity to make it all work.

Both strategies mentioned above use the judo concept quite effectively. The judo concept can also be varied - for example, a new market entrant may be afraid the incumbent will try to use predatory pricing to freeze them out of the market. To offset that possibility, a new entrant might use a "sumo" strategy and build a new plant with much greater capacity at the outset. The incumbent now has less incentive to respond aggressively, because you clearly have the capacity to respond with large amounts of product if you choose to.

The scope of a value net can also be altered dramatically by whichever set of rules are enforced. For example, most companies like to negotiate long-term contracts with their suppliers and their customers. Whoever has the most power in any specific value net gets to specify how long those contracts should be.

If two suppliers are bidding for your business, you have the power to decide how long the contract should be. By making it a long term contract, suppliers will be encouraged to compete more aggressively and offer better prices. You can then lock in an advantageous supply price for yourself while you have the power.

The disadvantage is that in practice, long-term contracts must take into account more contingencies that you can see at present. Invariably, they fail to address some situations that will arise, allowing some re negotiation room as the contract term proceeds.

The scope of two separate value nets can also be linked by package discounts - where purchasers of one product are given an incentive (usually in the form of a discount) to buy a completely separate product. Package discounts have the potential to increase sales for both products markedly, irrespective of whether there is any logical link between the two products offered or not.

The concept of links between various value nets is actually fairly nebulous and open to simple changes in perception. For example, is a participant in one value net can convince the other participants that he is going to treat his value net and some other value net as being linked, then everyone else is forced to deal with the consequences of that arbitrary linkage as well. If the other players can be convinced that is a genuine intention, they will be forced to factor that into their own perceptions as well.

Similarly, companies often set precedents of linking value nets. Due to the fact you linked the value nets previously, everyone else in the value net will be ready for you to act that way again in the future.

In short, these tactics are all designed to change the scope of the value net in which you participate, and in so doing, to create more added value for your company.

Whenever things seem to be going against you, always remember whichever value net you're currently in, there's always a larger game going on at the same time. Always give whatever you're doing a little bit of perspective, and you'll probably realize things aren't as bad as they seem.

Key Thoughts

"No man is an island, entire of itself; every man is a piece of the Continent, a part of the main."

— John Donne

"The goal is to do well for yourself. Sometimes that comes at the expense of others, sometimes not. In business, your success doesn't require others to fail - there can be multiple winners. Putting co-opetition into practice requires hardheaded thinking. It's not enough to be sensitized to the possibilities of cooperation and win-win strategies. You need a framework to think through the dollars-and-cents consequences of cooperation and of competition."

— Adam Brandenburger and Barry Nalebuff

"Life is the game that must be played."

— Edwin Robinson

"Julius Caesar: Let me have men about me that are fat."

— William Shakespeare

"Michael Corleone: Keep your friends close, but your enemies closer."

— The Godfather, Part III

PART 3
APPLYING CO-OPETITION THEORY IN PRACTICE

Main Idea

The real payoff in learning about co-opetition theory comes when it is applied. Therefore, you need to develop some practical systems for applying co-opetition theory to everyday business.

One way to do that is by using a set of self-diagnostic questions built around the PARTS elements of co-opetition theory.

Supporting Ideas

To become more effective at applying co-opetition theory, ask yourself:

P: Players

1. Have you written out a value net for your company, listing all of the suppliers, competitors, complementors and customers in as much detail as possible?
2. Develop a written list of what opportunities exist for cooperation and competition with:
 - Customers
 - Suppliers
 - Competitors
 - Complementors
3. How would you like to change the current participants in your value net? Would you like to introduce new parties? Which companies would you like to bring into the value net?
4. Who would stand to gain if your company chose to enter a new value net? Who stand to lose by your entry into that same value net? What possibilities does this suggest?

A: Added Value

5. What is your added value at the present time?
6. What can you do to create more added value? In particular, what could you currently be doing to create customers and suppliers who are loyal?
7. What are the added values of the other value net participants? Is there any case in which you can increase your own added value by expanding or limiting the added value of other value net participants?
8. Who has the power in your value net?

R: Rules

9. Which rules by which you now operate help you?
10. Which of your present rules hinder you?
11. What new rules would you ideally like to have in effect. Specifically, what contracts would you like to write with your suppliers and customers?
12. Do you have the power to make these new rules at present?
13. Does any other party have the power to overturn your rules if you try to apply them?

T: Tactics

14. How do all the other participants in your value net perceive the game? How do their perceptions influence the value net as a whole?
15. Which perceptions would you most like to strengthen and enhance?
16. Which perceptions would you most like to change?
17. Is it to your advantage to make your value net transparent or opaque?

S: Scope

18. What is the current scope of your value net?
19. Do you want to change it, and if so, how will that be beneficial to you?
20. Would it create added value to link your value net to another completely separate value net?
21. Would it be better to delink your value net from another value net to which it is currently linked?

The more often you ask yourself these questions, the more you'll think methodically about the value net as a whole, and the more you'll put yourself in a position to change the value net to your own advantage. It won't even occur to you to make changes which you aren't aware of, so the more structured and consistently you approach these questions, the better.

Key Thoughts

"Co-opetition recognizes that business relationships have more than one aspect. As a result, it can occasionally sound paradoxical. But this is part of what makes co-opetition such a powerful mindset. It's optimistic, without being naive. It encourages bold action, while helping you to escape the pitfalls. It encourages you to adopt a benevolent attitude towards other players, while at the same time keeping you tough-minded and logical. By showing the way to new opportunities, co-opetition stimulates creativity. By focusing on changing the game, it keeps business forward looking. By finding ways to make the pie bigger, it makes business both more profitable and more personally satisfying. By challenging the status quo, co-opetition says things can be done differently - and better."

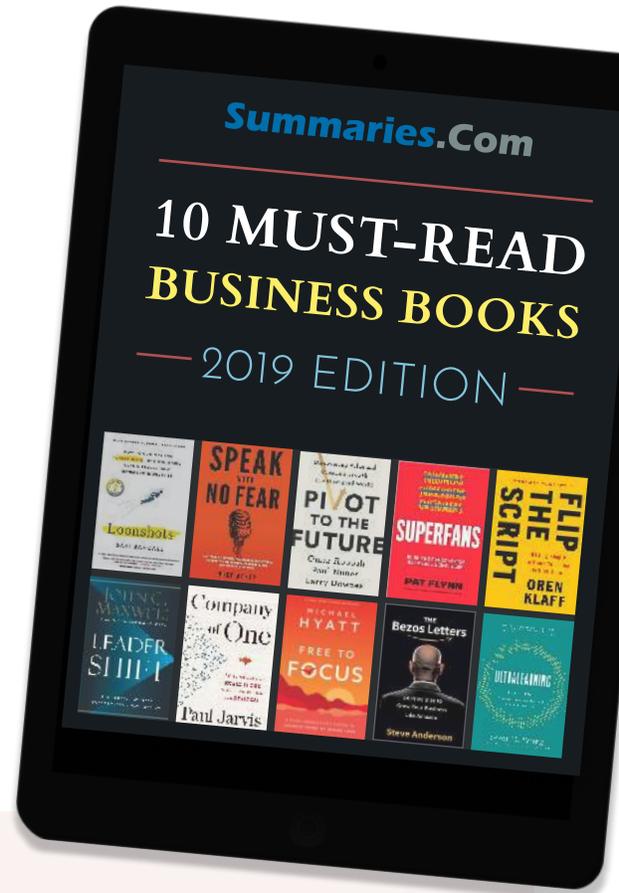
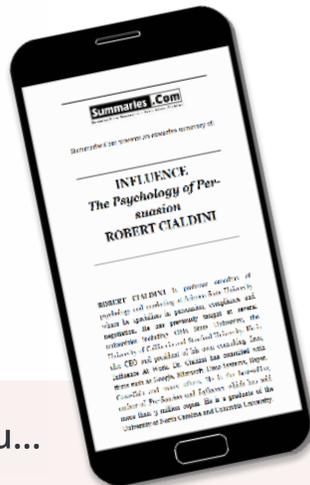
– Adam Brandenburger and Barry Nalebuff

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