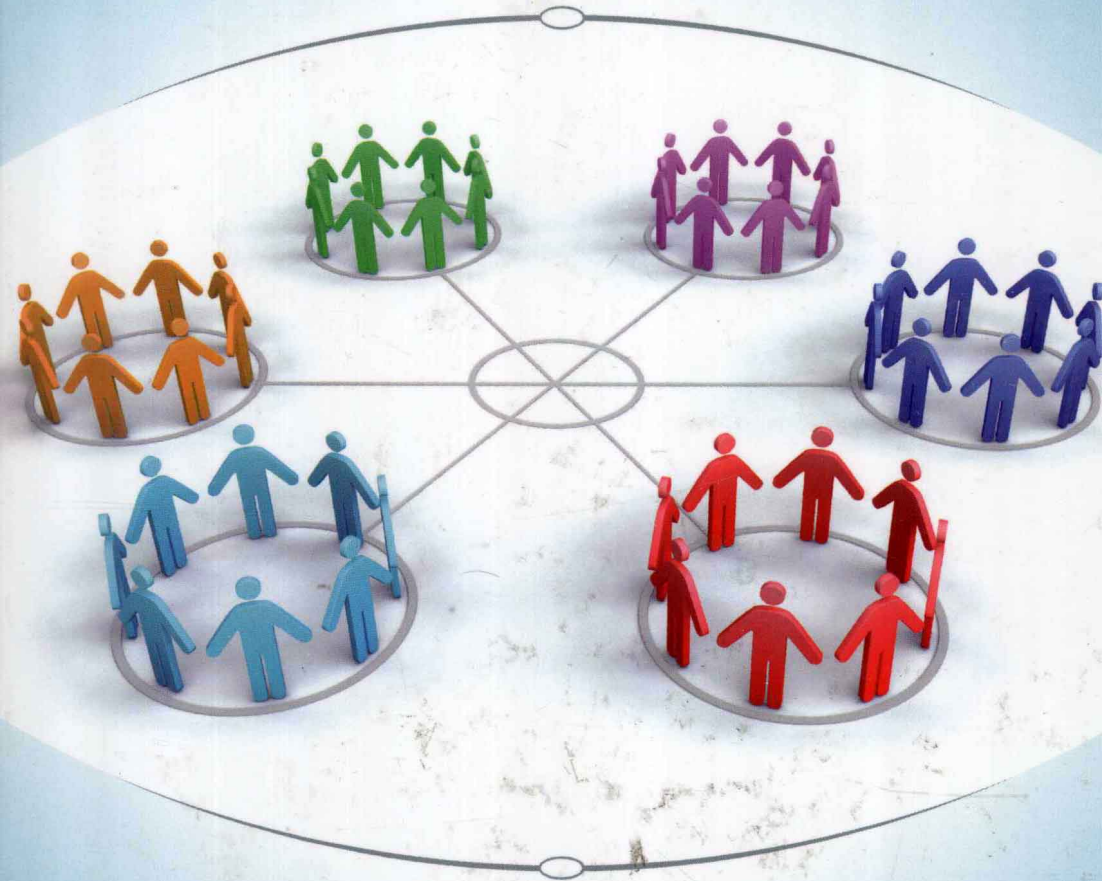


COOPETITION

Winning Strategies
for the 21st Century



EDITED BY

Saïd Yami, Sandro Castaldo,
Giovanni Battista Dagnino
and Frédéric Le Roy

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1. COOPETITION: A NEW STRATEGIC PERSPECTIVE

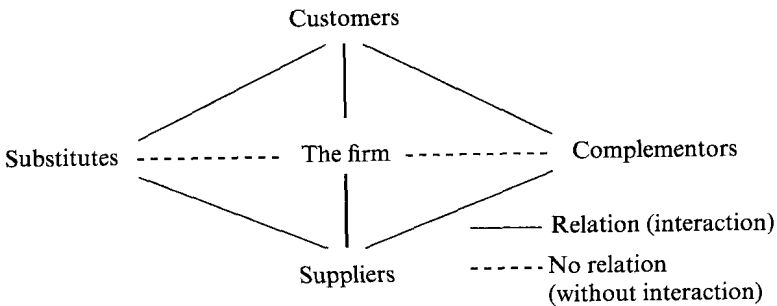
Since its inception in strategic management, the competitive paradigm has focused on interfirm rivalry (Porter, 1980). The firm's survival requires competitive strengthening, which in turn enables value-creating competitive advantages to be developed (Hill, 1990). Lately, this need has grown considerably in importance. Relatively stable markets have turned 'hypercompetitive' or 'aggressively competitive', or even into 'voracious competition' (Le Roy, 2002). Firms have no other options but to adopt an aggressive or hypercompetitive behavior if they want to strive and survive on the market (D'Aveni, 1994).

At the other extreme, the cooperative paradigm emphasizes the need for firms, divisions and functions to cooperate (Dyer and Singh, 1998). By means of this approach, the firm establishes and strengthens its competitive advantage through strategic alliances, networks or strategic ecosystems (Astley and Fombrum, 1983; Yami and Le Roy, 2007). The ability to form and manage relationships provides access to others' valuable resources, and thus a relational advantage.

Between the competitive paradigm, which suggests rivalry and the shunning of cooperation (D'Aveni, 1994), and the cooperative paradigm, which bases the firm's relational capability on its competitive advantage (Dyer and Singh, 1998), there seems to be clear and unsolved contradiction, though a variety of scholars have suggested that firms should seek the advantages arising from competition as well as those from cooperation (Bengtsson and Kock, 1999; Hamel *et al.*, 1989; Nalebuff and Brandenburger, 1996; Dagnino and Padula, 2002). Competition advantages stimulate the search for new rent-generating combinations of resources, skills and processes. Cooperation advantages allow access to rare and complementary resources. If the firm strives for both types of advantages, it needs to adopt both competitive and cooperative behaviors.

This duality was popularized by Nalebuff and Brandenburger (Brandenburger and Nalebuff, 1995; Nalebuff and Brandenburger, 1996, 1997). From the game theory standpoint, these authors regard coopetition as providing a theoretical background based on the 'value network concept'. Seen from this perspective, coopetition encompassed complementors' interests and goals, which appear when competition and cooperation are simultaneously executed (Figure I.1).

Lado *et al.* (1997) made a second fundamental contribution to the definition of coopetition, even if, paradoxically, they did not use the term. These authors noticed that firms increasingly combined aggressive and cooperative strategies. Using game theory, the resource-based view of the firm and



Source: Brandenburger and Nalebuff, 1995

Figure I.1 The value net

Table I.1 Rent-seeking behaviors

		Coopetitive orientation	
		Weak	Strong
Cooperative orientation	Strong	Cooperative behavior	Syncretic behavior
	Weak	Monopolistic behavior	Competitive behavior

Source: Lado, Boyd and Hanlon, 1997

social network theory, they argued that cooperation and competition had long been regarded as two extremities of a continuum, which they are not. We need to understand that these are two independent dimensions.

This new approach had a fundamental impact on interorganizational relationship explanations as it introduced four types of 'rent-seeking behaviors' (Table I.1). First, the firm can choose a monopolistic behavior, which is neither aggressive nor cooperative. It implies avoiding any type of competitive or cooperative behavior. Second, choosing cooperative behavior, the firm decides to emphasize cooperation at the expense of competition. Third, choosing competitive behavior, the firm opts for aggressive behavior towards rivals, similar to that in the hypercompetition model (D'Aveni, 1994). Finally, the firm can choose syncretic behavior, thus exhibiting both aggressive and cooperative behaviors. This last option clearly refers to the coopepetition concept without actually mentioning it.

Bengtsson and Kock (1999) in their turn made a third valuable contribution to coopepetition theory. Their view is essentially grounded in the

network theory and the resource-based view of the firm. The authors argued that, depending on the firm's relative position in its industry and on its need for external resources, it can choose between four different relational models (Table I.2). These four relational models are: coexistence, competition, cooperation and coopetition. This last form combines economic and non-economic exchanges between firms. Bengtsson and Kock defined coopetition as a 'dyadic and paradoxical relationship emerging when two firms are cooperating in some activities, while competing with each other in the remaining activities'.

The three contributions by Nalebuff and Brandenburger (1996), Lado *et al.* (1997) and Bengtsson and Kock (1999) are regarded as pioneering milestones for coopetition theory as these works are cited in most publications. Nonetheless, researchers have proposed theoretical extensions that enable a better understanding of the phenomenon. Dagnino and Padula (2002), for instance, differentiate four forms of coopetition, which depend on the number of rival firms and value activities involved in coopetition relationships. They suggest distinguishing dyadic coopetition from network coopetition and, within them, simple and complex forms of network and dyadic coopetition (Table I.3).

Since its popularization by Nalebuff and Brandenburger (1996), the

Table I.2 Relationships between firms

		<i>Relative position in the industry</i>	
		<i>Strong</i>	<i>Weak</i>
<i>Need for external resources</i>	<i>Strong</i>	Coopetition	Cooperation
	<i>Weak</i>	Competition	Coexistence

Source: Bengtsson and Kock, 1999

Table I.3 Types of coopetition

		<i>Number of Firms</i>	
		Two	More than two
<i>Number of activities in the value chain</i>	One	Simple dyadic coopetition	Simple network coopetition
	Multiple	Complex dyadic coopetition	Complex network coopetition

Source: Dagnino and Padula, 2002

coopetition concept has been deemed a new strategic perspective capable of overcoming the limits of the 'old' strategic doctrines: the best performing strategies are coopetition strategies per se. Competitive strategies are inferior, because they only enable the firm to generate competitive advantages. Cooperative strategies too are inferior, as they only generate cooperative advantages. Coopetition strategies enable the firm to reach for both competitive and collaborative advantages. Therefore, coopetition is a beneficial strategy for managers striving for performance improvements. In its normative dimension, the doctrine drives researchers to examine the concept's depth and scope.

2. COOPETITION STRATEGY CONCEPT – THE CHALLENGES

Research on coopetition focuses on a number of questions which remain, however, scantily addressed in depth. The first issue is a purely linguistic one, referring to academia's acceptance of the term 'coopetition'. It is not mentioned in dictionaries, whether English, French or any other language, even if they specialize in economics or management. Only the virtual encyclopedia Wikipedia provides a definition of the term. Are we really allowed to use a term which does not exist in the main vocabularies?

This semantic question raises more fundamental concerns regarding prior research in the field. First, the literature is relatively small, fragmented and sparse. A good part of it does not even use the term 'coopetition'. There are, for example, a number of papers focusing on a combination of competitive and cooperative manoeuvres, which is central to coopetition, without explicitly mentioning it (Teece and Jorde, 1989; Lado *et al.*, 1997). Second, existing literature on coopetition has so far been more oriented towards managers than researchers. With the notable exception of Afuah (2000), most prestigious academic management journals have published relatively little research on this topic.

Another fundamental issue is that the term 'coopetition' is new, but are the underlying phenomena new as well? Could it simply be a traditional phenomenon that is currently observed through a new theoretical lens? Alliance relationships between rivals are, after all, established objects of study. Why should we use new terms to label long-existing phenomena? There are several reasons for this. Firstly, alliances are an increasingly important phenomenon, thus justifying in-depth research, which in turn often produces new concepts. Secondly, contemporary alliances involve many partners and rivals (Dagnino and Padula, 2002; Lecocq and Yami, 2002). New concepts are therefore necessary to capture this growing

complexity of alliance relationships between rival firms. Doz and Hamel (1998) suggest the term ‘multilateral alliances’, while other authors propose ‘alliance constellations’ (Lazzarini, 2007). A last and – from our viewpoint – most important argument is inherent in the relationships between firms: the coopetition concept is the only one which really captures the core of the problem, which is the paradoxical, simultaneous combination of cooperation and competition.

Observed from this perspective, coopetition can be viewed as a phenomenon that has existed for a long time, but one still on the way to acquiring new and contemporary dimensions and significance. This terminological evolutionary path calls for dedicated research to develop a body of literature specifically focused on coopetition. The idiosyncratic specificity of competition is rooted in both the phenomenon’s significance and the nature of the concepts. Coopetition strategies are by nature non-conventional, paradoxical or heterodox. They link two concepts that are contradictory by definition and nature: competition and cooperation. Competitive behavior is defined as a priori excluding cooperation in the long-lived Aristotelian notion of ‘non-contradiction’. It essentially refers to seeking goals or aiming at resources, with the success of one rival meaning the failure of all others. Competition excludes – partially or completely – the loser, while the winner takes all by definition. Inversely, cooperative behavior is understood as a priori forestalling competition. It is about sharing resources in a joint effort to achieve a common goal. Benefits are not distributed between the winner and those who lost, but in a negotiated manner to benefit all partners.

Clearly, the concepts of competition and cooperation differ fundamentally and are contradictory. Integrating such concepts necessarily requires a complex approach (the so-called Neo-Platonic *coincidentia oppositorum* or ‘the coincidence of the opposites’). This requires a true cognitive change in managerial opinion, which has to date been dominated by the popular Aristotelian dichotomy. Simultaneously thinking cooperation and competition, acting in both a cooperative and competitive way, implies a cognitive revolution in research and in managerial practice. It is much easier to simplify relations with rivals than to define them as ‘enemies’ in a military metaphor, which excludes cooperation, or to label them as ‘colleagues’ or ‘partners’ in a more social metaphor, which instead excludes competition.

Coopetition research development inevitably leads to the questioning of interorganizational relationship norms and definitions, and to new ones. Competitors are no more ‘enemies’ than they are ‘friends’, nor any less ‘enemies’ than ‘friends’. This new representation of interorganizational relationships raises true managerial issues at the individual and collective levels. At the individual level, it may be challenging for a firm’s employees

to understand the new complexity vis-à-vis the more common view that competitors are rivals which are to be fought and defeated. At the collective level, it is necessary to implement managerial solutions enabling the simultaneous development of competitive and cooperative behaviors.

The new cooperative representation of interfirm relations can be studied on at least three levels of analysis. On the macro level, the issue of inter-country competition becomes a major focus in industrial policy. The European Aeronautic Defence and Space (EADS) example shows how France and Germany have successfully managed simultaneous competitive and cooperative relationships. The idea of concurrent cooperation and competition is at the crux of a regional development concept, called 'Competitiveness Poles', implemented in France.

Research has heretofore been the most fruitful on the meso level or at the level of interfirm relationships (see section 1). The micro level has received far less academic attention. The way competition is experienced inside the company has rarely been studied, although it remains a major managerial concern when the implementation phase of cooperation strategies becomes imminent (Pellegrin-Boucher, 2006). How should the firm be organized to support both cooperation and competition? How can employees integrate two opposite logics?

This problem is all the more significant in the light of the clear tendency of cooperative relationships to become unstable (Das and Teng, 2000). An adversarial partner firm can at any moment disrupt a cooperation relationship, either due to product line changes, which destroy the scope of the competition, or because the rival stops cooperating. Cooperation strategies imply that there can be no long-lasting relationship with an adversarial partner, either in terms of form or content. By its very nature, competition is unstable and evolving, but neither the direction nor the pace can be predicted. Competition processes can therefore only be conceptualized as dynamic, time-dependent phenomena. This conceptualization drives managers to abandon stability management and instead develop cooperative processes, which by definition cannot be completely controlled by purposeful managerial action.

Managerial challenges reveal academic gaps. Cooperative processes are still a paradoxical logic; in addition, their development trajectory and outcomes are unpredictable. How can we therefore conceptualize a phenomenon that is so far removed from the mainstream linear and causal logic? How can we model relational processes involving competition and cooperation that are, by nature, contradictory? The popularization of the game theory concept produces a strong temptation to draw on it (Nalebuff and Brandenburger, 1996). However, we doubt whether this theoretical approach can be truly applied as soon as we move from

abstract economics to an understanding of real-life interfirm relationships. This state of affairs leads to the emergence of a clear necessity to enhance management research in this direction.

3. COOPETITION STRATEGIES – THE RESEARCH OBJECT

The first challenge of a new theoretical approach is usually to define the boundaries of the concept under investigation. Since the seminal work by Nalebuff and Brandenburger (1996), coopetition has been the focus of a growing body of researchers. It had in effect started in Europe, developing from a number of key events. In 2002, there were 13 paper presentations at a European Academy of Management (EURAM) conference track dedicated to coopetition strategy. In 2004, a European Institute for Advanced Studies in Management (EIASM) workshop was held in Catania (34 of the 53 submitted papers were accepted). EIASM presented a second workshop in the series in Milan's SDA Bocconi in 2006 (34 of the 44 presented papers were accepted). In 2007 there was a coopetition track at the EURAM conference (12 of the 24 submitted papers were accepted), followed by a third EIASM workshop in Madrid in 2008. In 2009 a Professional Development Workshop on 'Coopetition strategy: current issues and future research directions' was held at the Academy of Management annual conference in Chicago. An invited workshop on 'Coopetition and Entrepreneurship' has been organized in June 2010 in Montpellier. Finally, in 2010, an EIASM coopetition workshop is scheduled to be held in Montpellier on June 17 and 18, under the broad-spectrum label 'Coopetition and Innovation' and a track named 'Coopetition strategy' will be organized at the IFSAM Conference in Paris.

Special issues of publications also reflect the growing body of literature in the coopetition field. For instance, in *International Studies of Management and Organization* (Vol.37, no.2, 2007), and *Management Research* (Vol.6, no.3), while the *International Journal of Entrepreneurship and Small Business* links coopetition to entrepreneurship (Vol.8, no. 2009). Some books are under way; the first one is for Routledge on *Coopetition Strategy: Theory Experiments and Cases* (Dagnino and Rocco, 2009). This Edward Elgar book is a collection of some of the best contributions extracted from the Paris EURAM track in 2007 and the Milan EIASM workshop on coopetition in 2006.

The emerging coopetition community is founded on the idea that coopetition requires a dedicated theoretical approach. It is noteworthy that different authors, however, capture the concept differently. In its broadest

sense, cooptition extends to all actors in the value-creation network (Nalebuff and Brandenburger, 1996). In its most narrow nuance, cooptition addresses key relationships between direct competitors with comparable market offers (Bengtsson and Kock, 1999).

We propose defining cooptition as a system of actors whose interaction is based on partial goal and interest congruence (Dagnino and Padula, 2002). This is the basic concept that clearly differentiates between cooptition, cooperation and competition. Three points of this definition need to be emphasized:

1. Firms' interdependence is both a source of value creation and the location of value appropriation processes.
2. Firms' interdependence is grounded in a positive and variable-sum game that produces benefits which are not necessarily shared equally among the partners.
3. In a positive-sum game, firms' interdependence stems from partially convergent interests.

The idea of a 'cooptitive value creation system' allows reflections on inter-firm relationships in strategic management and, more specifically, allows the resource-based view and emerging network theories to be questioned and enriched. This idea can be extended to different levels of analysis, to include relationships between markets and non-profit organizations, as well as intergovernmental, interest group, trade union, and even state and multi-state relationships.

4. BACKGROUND TO THE BOOK

Fourteen years after its conventional birth in 1996, the cooptition concept has crossed the threshold of adolescence. Accordingly, while cooptition is experiencing a phase of accelerated growth in terms of a publication stream, it simultaneously seems to have accumulated sufficient vigour to confront and intermingle with other relevant management concepts. In our view, this kind of intersection should be very fertile by not only enriching the actual cooptition theorization body but also by supplementing other, more conventional perspectives in strategic management, technology and organization management, marketing and business history.

The novelty of the cooptition concept lies in its introduction of the simultaneity of cooperation and cooptition relations. Conversely, in past research, two independent literatures have always tackled the question

of competition (Ferrier, 2001; Smith *et al.*, 1992) and that of cooperation (Dyer and Singh, 1998; Dussauge *et al.*, 2000).

Today's challenge in the coopetition stream is to go beyond the received dichotomy and to include both relations in a unique theoretical background, which is the main goal of this book. Consequently, we believe that this book represents the initiation of the process.

Indeed, as a new framework, coopetition is underutilized in grasping contemporary strategic strategies and, more generally, managerial practices and processes. We feel that we are on the verge of a coopetition era. Accordingly, we believe that this book is one of the first contributions in terms of academic research and managerial practice which truly works towards building and systematizing the coopetition framework in strategy literature.

The aim of this book is twofold. First, since the coopetition concept is a boundary-spanning term concerning different functions in the business organization (marketing, human resources, finance and so on) and a multidimensional construct when observed at the individual, organizational, dyadic and interorganizational levels of analysis, the main question is to theoretically define a unified conceptual framework. Second, discussing coopetition raises the question of its empirical utility and validity in and across multiple contexts and industries.

This book is an opportunity to provide scholars and practitioners with a research contribution that brings together an active academic community mobilizing this new coopetition concept.

5. STRUCTURE OF THE BOOK

The book is divided into three main parts. The first part deals with the emergence and relevance of coopetition strategy. The second presents coopetition strategy in multiple contexts. The third tackles coopetition strategies at the aggregate level.

In the first part of the book, Chapter 1, 'Coopetition: New Ideas for a New Paradigm', by Bengtsson, Eriksson and Wincent aims to contribute to the development of a comprehensive framework based on a review of prior research; this chapter thus supports the development of a cooperative paradigm for the future. The multidisciplinary nature of research on coopetition has sparked ongoing research on different analytical levels: individual, organizational, dyadic and interorganizational, and network. On each of these levels, the authors scrutinize prior research according to three different themes: the drivers, processes, and outcomes of coopetition. Thereafter, they suggest directions for further research, including the

launch of a multidisciplinary agenda to break new grounds, and provide important building blocks for an integrative multi-level model of cooperative dynamics.

In Chapter 2, 'The Promise of Coopetition as a New Theoretical Perspective in Strategic Management', Marco Galvagno and Francesco Garraffo mainly address the following questions: what does coopetition mean and what are its distinctive elements? How does coopetition shape firms' behavior? Does firms' resource similarity have an effect on cooperative behaviors? First, the authors review the literature and note important contradictions and ambiguities, suggesting remedies that can direct future studies. Second, they stress that a systematic comparison of the quality and traits of firms' behavior in respect of cooperative relationships provides new insights into empirical phenomena that have not yet been explained. Third, they advance a set of propositions (largely based on an interfirm relationship approach) regarding the nature of firms' cooperative or competitive behaviors in respect of competitors and the relationships between resource similarity and competitors' behavior.

In Chapter 3, 'Emerging Coopetition: An Empirical Investigation of Coopetition as Inter-organizational Relationship Instability', Wojciech Czakon highlights that while there is a growing understanding of the deliberate side of coopetition strategies, there are very few studies of this phenomenon as an emerging process. His research aims at filling this gap within a theoretical framework based on interorganizational relationship dynamics. The franchising case study findings suggest that coopetition may emerge within cooperative settings.

The objective of Chapter 4, 'Learning in Cooperative Environments', by Philippe Baumard is to explore the learning strategies that firms can deploy in cooperative configurations that offer no other choice than to deploy an 'adverse learning' mechanism to reach their customers, namely through cooperation with their competitors. After exploring the mechanisms of asymmetric learning in the first section, the chapter adopts an ecological perspective (Hawley, 1950) by drawing parallels between animal organization and groups of firms that gain a strategic advantage through asymmetric learning.

In the second part of the book, in Chapter 5, 'Coopetitive Value Creation in Entrepreneurial Contexts: The Case of Almacube', Giovanni Battista Dagnino and Marcello Mariani elaborate on a comprehensive framework in which the emergence of coopetition is linked to the process of configuration of entrepreneurial strategies. In more detail, the chapter focuses on the entrepreneurial firm's strategic role in bridging the gap between the capability space and the opportunity space by characterizing entrepreneurial cooperative strategies according to the required execution

versus innovation objectives. Consequently, the authors show that coopetition can be the appropriate spark that initiates value creation in entrepreneurial contexts. On the basis of a field inquiry performed on 50 business ideas that had been incubated in AlmaCube, the technological incubator of the University of Bologna in Italy, they show that entrepreneurial firms need to select their strategic courses of action by capturing correct and well-timed opportunities, frequently making use of a limited capability baseline.

In Chapter 6, ‘The Role of Architectural Players in Coopetition: The Case of the US Defense Industry’, Colette Depeyre and Hervé Dumez note that research programs dealing with coopetition focus almost exclusively on firms that compete and cooperate on a horizontal level: the role played by other actors – customers, regulators – has not been investigated. Nevertheless, these latter actors can play an architectural role in respect of cooperative behaviors and structures. The authors have therefore completed a longitudinal case study within a specific industry in which they analyze three sequences of coopetition and provide a theoretical discussion.

In Chapter 7, ‘Exploring How Third-Party Organizations Facilitate Coopetition Management in Buyer–Seller Relationships’, Sandro Castaldo, Guido Möllering, Monica Grosso and Fabrizio Zerbini look beyond the cooperative dyad and explore the managerial option of involving a third party in order to deal with the challenge of developing a dyadic relationship that is both cooperative and competitive. Drawing on evidence from three successful category management projects, they show the general plausibility of using third-party mediation for coopetition management in channel relationships. The authors also shed light on the conditions for successful mediation as well as the mechanisms (such as trust) that mediators use to promote cooperation within distribution channel relationships that are also competitive.

In Chapter 8, ‘Coopetition among Nature-Based Tourism Firms: Competition at Local Level and Cooperation at Destination Level’, Ossi Pesämaa and Per-Erik Eriksson claim that coopetition is a phenomenon in which firms capitalize on the energy from local competition to outperform other destinations which balance the competition less successfully, through cooperation at a destination level. In this chapter, a game-theoretic simulation is used to investigate cooperating or competing as two different strategies and to discuss their consequences. These consequences are examined by elaboration on different behavior strategies and different perspectives of risk. Specifically, the authors ask what rationale could justify cooperation in nature-based tourism destinations. Do the actors prefer a decision to cooperate in favor of competition based on their perspective of risk?