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CO-OPETITION BETWEEN LOCAL COMPANIES AND SUBSIDIARIES OF MNES IN VIETNAM.

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1. INTRODUCTION

1.1. Background to the study

Prior theories and studies examining relationships between competitors often concentrate either on competitive sides or on cooperative sides between them, where the one is supposed to damage the other (Bengtsson & Kock 2000, 411). The competition literature usually considers competition as a market imperfection, causing negative effects on competitive dynamics and resulting benefits. Similarly, the collaboration research often neglects competitive impacts on a relation, or views them as detrimental impacts (Bengtsson, Eriksson & Wincent 2010, 195). An organization is usually believed to collaborate with a rival and compete with another, resulting in being involved in totally distinct connections with various competitors (Bengtsson & Kock 2000, 412). However, the unstable business environment requires organizations to be highly adaptable in order to survive and thrive. Having to face with challenging external business factors, it is essential for them to look for different methods of doing business, with the purpose of improving their competitiveness and innovativeness (Kossyva, Sarri & Georgopoulos 2014, 89 – 90). Co-opetition among independent organizations to achieve common purpose might be one method. It has been becoming the prerequisite in today's global business world.

Until recently, research and business practice has recognized that it is possible for two entities to engage in both cooperation and competition at the same time. There has been an increasing concentration on co-opetition as an approach to seek dynamic development and competitive advantage (Dagnino & Padula 2002, 3 – 4). According to Luo (2004, 431), since early 2000s, MNCs – host governments' relations can be considered as co-opetition. From a government's perspective, cooperation reflects the elements of stronger needs for improving economic structure or increasing foreign direct investment (FDI), whereas competition reflects the elements of negotiating and controlling for resources and market entry. From an MNC's perspective, cooperative elements can be the fact that they need to seek for education, technology, industry, and finance infrastructures constructed and supported by local authorities. On the other hand, competitive elements are determined by whether a host government is possible to provide constant regulations for business participants to follow (Luo 2004, 433 – 435).

Nalebuff & Brandenburger (1996, 1 – 290) considers co-opetition as the blue ocean strategy, an innovative mindset combing both competition and cooperation approach. Through engaging in co-opetition, all parties involved are possible to take advantages, resulting in a mutual win – win situation. Some organizations may be rivals, competing in a business field but are partners in another simultaneously. For example, Apple and Samsung compete intensively in the global smartphone segment, but at the same time collaborating in technological contracts and chip use (Chin, Chan & Lam 2008, 437 – 438).

Co-opetition is also becoming a prominent aspect of international rivalry (Luo 2007, 129). MNEs often involve in co-opetitive relationships with global rivals. Through cooperative side, they share resources and capabilities and engage in shared objectives with the purpose of cumulatively improving performance. In contrast, MNEs enhance their own efficiency through competing in the different areas.

Regarding to emerging or small firms, despite more vulnerable to external environment compared to medium and large size counterparts, co-opetition appears to be a relevant strategy for small firms. According to Morris, Kocak, and Ozer (2007, 38), due to their liability of smallness and newness, small and emerging firms have strong incentive to engage in co-opetitive relationships. Furthermore, because of their limited fixed commitments, small firms can find collaboration with competitors relatively easy.

More specifically, Gnyawali & Park (2011, 650) stated that small firms often have to overcome overwhelming challenges while pursuing technological innovations. Co-opetition is believed to grow technological variety and integrate interdependent resources of competing companies. Co-opetition also plays an important role for SME's innovation in business areas requiring high intensity of knowledge, dynamisms, and complexity (Gnyawali & Park 2011, 650).

However, those above research have concentrated primarily on co-opetitive relationships between MNE and MNE or between SME and SME. In other words, current literatures focused only on entities sharing the similarity in company ages, power positions, or customer base. However, from a dyadic perspective, dissimilarities in those aspects should not be neglected and should be taken into consideration (Morris et al. 2007, 52). It means that co-opetition between two different entities with two distinctive characteristics, such as MNE and local companies, need to be analyzed. Having distinct characteristics and competitive advantages, what are reasons why they are engaged in this complex relationship? This research uses two explorative case studies of two Vietnamese companies where co-opetition is to be found, in order to develop a theoretical framework delineating motives of local companies and MNEs when involving in co-opetitive relationships with each other.

1.2. Vietnamese economy

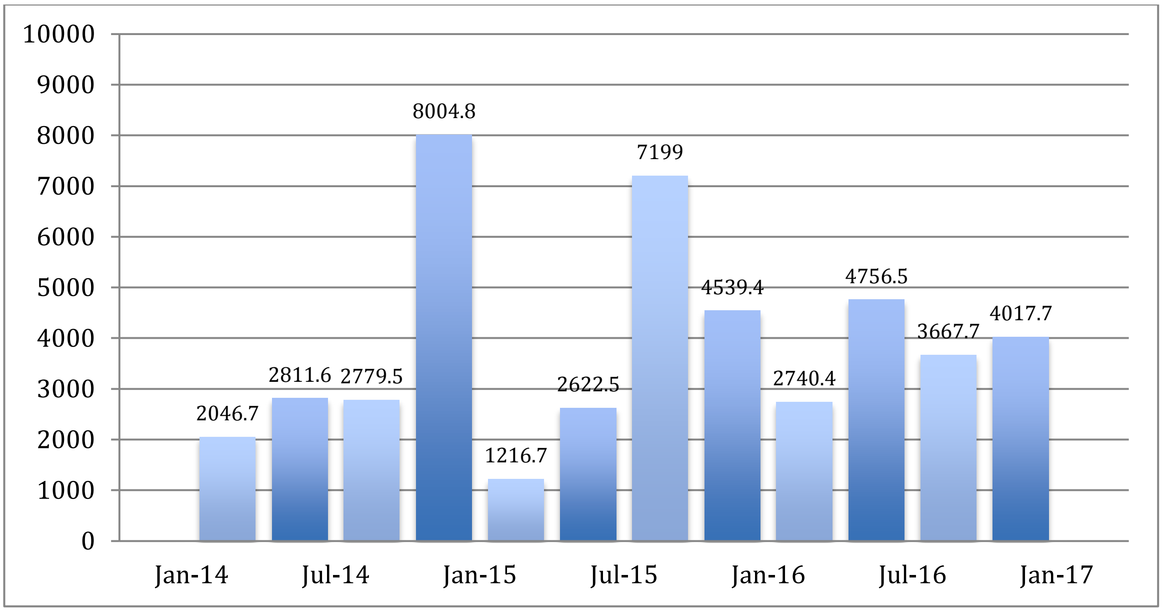
Vietnam is considered as a developing country in the Southeast Asia. Regarding to nominal gross domestic product, Vietnam has seen a steady increase in the last 5 years. Since 1986 when economic renovation (Doi Moi) policy was introduced, the Vietnamese economy has been witnessing dynamic economic growth, which is supported by international trade and foreign investment.

Table 1: Vietnamese economy overview (IMF – World Economic Outlook Database 2016. Note: (p) Projected Numbers)

Major indicators	2013	2014	2015	2016	2017 (p)
GDP (billions USD)	170.57	185.90	191.45	200.49	215.92
GDP (Constant Prices, Annual % Change)	5.4	6.0	6.7	6.1	6.2
GDP per Capital (USD)	1,902	2,049	2,088	2,164	2,307
General Government Gross Debt (in % of GDP)	51.8	55.1e	58.3	62.0	64.6
Inflation Rate (%)	6.6	4.1	0.6	2.0	3.7
Unemployment Rate (% of the Labor Force)	2.8	2.1	2.4	2.4	2.4
Current Account (billions USD)	7.74	9.51	0.91	0.77	0.23
Current Account (in % of GDP)	4.5	5.1	0.5	0.4	0.1

From the table 1 above, it is recorded that Vietnam's GDP has been consistently around 6% from 2013 to 2017. In spite of accelerating global economics uncertainties recently, Vietnam has still enjoyed a healthy development rate in GDP (World Bank 2017). Besides, it is reported that Vietnam has maintained fast growth rate, about 7% per year since 2010.

Being accelerating the shift to the open market economy and being broader integrated into worldwide businesses, foreign commerce has played a crucial role in Vietnam's present economy. Since then, the country has successfully attracted a significant number of international investors and companies. Consequently, it has overtaken Philippines and Indonesia to be the third biggest country in Southeast Asia in terms of receiving foreign direct investment. There are several factors explaining why Vietnam is possible to attract a considerable amount of FDI, namely critical location in ASEAN, strong economy, reliable regulations, diverse natural resources, skilled workforce, growing domestic market, increasing government's commitment to economic reforms (Ngoc Anh Nguyen & Thang Nguyen 2007, 4). The figure 1 below shows the total amount of foreign direct investment in Vietnam from 2014 to 2017.



(USD$ million)

Figure 1: Vietnam FDI (Viet Nam General Statistics Office)

Alongside with the boost in FDI inflows, the number of foreign MNE's subsidiaries operating in Vietnam is increasing dramatically. Those companies continue to play a vital role in the economy. According to US Department of State (2015), in 2014, those MNE's subsidiaries contributed around 60% of total exports, increasing from 47% in 2000. However, significant challenges still remain for international companies doing business in Vietnam. Some main problems can be dishonesty of local authorities, an uncertain legal foundation, a shortage of highly experienced workers, and the requirement of improved basic facilities (US Department of State 2015).

With the uptrend in the number of foreign MNE's subsidiaries in Vietnam, extant literatures have increasingly paid attention to analyze how FDI contribute to the development of Vietnam economy. Nevertheless, scientific researches on how foreign subsidiaries in Vietnam are possible to overcome the external threats and improve their competencies are still under-researched (Hoang, Toppinen & Lahtinen 2015, 428). Besides, the question "how can subsidiaries of MNEs handle the relationship with local companies?" needs to be examined.

Furthermore, it is widely believed that the appearance of those subsidiaries has brought many opportunities as well as challenges to local companies. However, there is a lack of research on how local companies deal with the rise in the number of MNE's subsidiaries. How can local companies react and benefit from the uptrend in the number of foreign MNE's subsidiaries? Co-opetition might be the answer for both above questions.

1.3. Objective of the study

As stated above, there is an increase in the number of literatures examining co-opetitive relationships between two or more entities. However, many studies of co-opetition concentrated on the relationship between MNC and MNC or between SME and SME. There seems to be no studies focusing on co-opetitive relationships between MNC or MNC's subsidiaries and SME or small local companies. It leads to the research gap identified in the literature studying the co-opetition between two different entities, MNC's subsidiaries and small local companies. Specifically, the purpose of this study is to suggest a theoretical framework examining motives of MNE's subsidiaries and local companies in engaging in the complex co-opetitive relationships. Consequently, the main research question can be formulated as follow:

- *What factors drive co-opetition between local companies and subsidiaries of MNEs?*

To help answering the main research question, following sub-questions are introduced:

1. *What are the roles of resources and capabilities in deciding to engage in co-opetition?*
2. *How could innovation affect the decision of involving in co-opetition?*

3. *How could co-opetition help subsidiaries of MNEs to improve local linkages and to improve strategic flexibility on Vietnamese market?*
4. *How could co-opetition help local companies to overcome challenges related to internationalization process and liability of smallness and newness and to improve social legitimacy and reputation?*

The first sub-question will focus on the importance of resources affecting the decision of engaging in co-opetitive relationship. Both the resource-dependence theory and resource-based view theory will be utilized. The next sub-question will concentrate on the benefits of co-opetition on innovation of both subsidiaries of MNEs and local companies. The third and forth questions will deal with particular challenges of subsidiaries of MNEs and local companies and how co-opetition can help to overcome those challenges. The results for all four questions are proposed using primary data. Those data was complied through semi-structured interviews, utilizing open-ended questions.

Regarding local companies, this study focus only on small local companies, not large local companies. Adopted the view from European Commission (2017), this study defines an SME as a firm, having fewer than 250 staff members and a gross revenue of less than 50 million euros per year. The reason for focusing only on small local companies is that the author wants to know the reasons behind the decision of engaging in co-opetition of two distinct entities with different sizes and characteristics. Large local companies may share common characteristics with subsidiaries of MNEs, hence the author decided to leave large local companies outside the scope of the study.

Both academic researchers and practitioners can benefit from this study by understanding the motives behind the decision of engaging in co-opetitive relationships from both the perspective of subsidiaries of MNEs as well as the view of small local companies. The study is possible to contribute to literature in several ways. Firstly, it is believed to fulfill the research gap identified above. In previous literature, it seems that there has not been any research focusing on co-opetition between subsidiaries of MNEs and small local companies. Depending on the results of this research, the author will build a theoretical framework delineating motives behind the decision of engaging in co-opetition. Secondly, the research is possible to contribute to the resource-dependence theory, which supports the view that firm success is dependent on the capability to acquire crucial resources from the outside surroundings. Through co-opetition, it is likely for organizations to obtain valuable, rare, non-substitutable, and imitable resources from the external environment. As agreed by many researchers, there are some actions or strategies for firms to manage or reduce environmental dependencies. They are decreasing the need for particular materials, finding other sources of substituting, participating in association, or mergers and acquisitions. Co-opetition might be another useful strategy. Equally important, the results of this study could have practical implications for employees from managerial levels. Understanding the motives behind co-opetition and benefits of co-opetition, owners or managers are more likely to be confident in pursuing co-opetition strategy in order to overcome challenges in the business world.

The thesis is split into six main chapters. After the introduction, the second chapter is literature review introducing co-opetition as well as motives for co-opetition. This chapter defines co-opetition and states which definition and type of co-opetition is used in the research. Besides, this chapter also tries to figure out motives of engaging in co-opetitive relationships, based on perspective of local companies as well as perspective of subsidiaries of MNEs. The next chapter will be dedicated to present the research design and techniques for gathering the data. Accordingly, descriptions of selected case companies will be introduced in this chapter. Chapter 4 “findings” will analyze the collected data and synthesize finding results. Research questions will be answered in this chapter. After that, findings summarizing, study implications and limitations, as well as further implications for future academic research will be proposed in chapter 5. Finally, a summary of the thesis is presented in the last chapter.

2. LITERATURE REVIEW

2.1. Introduction to co-opetition

2.1.1. Definition of co-opetition

The origin of the term "co-opetition" is not clear. Dagnino & Padula (2002, 4) and Ganguli (2007, 6) propose that the term was used for the first time by the founder and executive of Novell, Ray Noorda (Kossyva et al. 2014, 91). Even before the term co-opetition was coined, there were various collaborative efforts, which had been made by the global companies in the form of partnerships, joint ventures, co-branding, or alliances (Ganguli 2007, 7).

What is co-opetition is still ambiguous. Most articles about co-opetition are being based on several shared acceptances expressing the description of the concept (Bengtsson et al. 2010, 196). In accordance with Bengtsson, Hinttu & Kock (2003, 3 – 4), co-opetition happens when firms compete and collaborate with each other at the same time. Previous literatures often view rivalry and partnership as the conflicting business forms. Combining contradictory concepts, competition and cooperation, co-opetition has been seen as an innovative business model (Walley 2007, 12). Later years, Bengtsson, together with Eriksson and Wincent (2010, 200), defines co-opetition as "a process based upon simultaneous and mutual cooperative and competitive interactions between two or more actors at any level of analysis (whether individual, organizational, or other entities)" (Tidstrom & Rajala 2015, 3).

Moving to inter-firm relationships, according to Lacoste (2011, 649), the term co-opetition indicates to inter-firm relations including concurrently "both cooperation and competition". In his study, he explores the concept of vertical co-opetition and differentiates vertical co-opetition and horizontal co-opetition. It is claimed that the co-opetition study is usually limited to horizontal relationships, such as between opponents. It leads to the fact that vertical relationships are often ignored in current literatures. However, in his study, Lacoste (2011) established the applicability of characterizing important account–supplier relationships as co-opetition and introduced a framework in order to describe those connections (Lacoste 2011, 650 – 651).

Zineldin (2004, 780) moves further when stating that co-opetition is the future foundation in the business world. Co-opetition means *"a business situation where* *independent parties co-operate with one another and co-ordinate their activities, thereby collaborating to accomplish mutual goals, but at the same time compete with each other"* (Zineldin 2004, 780). In his study, Zineldin list several certain criteria that any co-opetitive relationships must meet to be successful, comprising of personal enthusiasm, ambition, strategic appropriateness, interdependence, cultural matching, organizational agreements, and sincerity. Personal enthusiasm, ambition, and strategic appropriateness mean that the parties should possess a considerable desire for engaging in this kind of relationship and they need to have a common long-term goal. Interdependence describes that partners need each other to access complementary assets and skills. Cultural matching can be understood as trusting attitude. Trust and trusting behavior must be earned to secure the successful co-opetitive relationship. As Sherman (1992, 78) said, the largest hindrance when participating in co-opetition is the inadequacy of trust. Next, organizational agreements mean that both parties should clearly define responsibilities as well as build an efficient mechanism for solving any dispute if happens. Finally, both parties must show that they have mutual sincerity and act in an honorable way in order to improve and maintain shared trust and engagement (Zineldin 2004, 783 – 785).

Different from other authors, Dagnino & Padula (2002, 5) view co-opetition as a theoretical bridge stretching to join the two contrasting perspectives, namely competition perspective and cooperation perspective. In defining co-opetition, their study focuses on the investigation of interest structures. In essence, according to them, the theoretical framework underlying the co-opetitive approach can be outlined as detailed below. Firstly, companies' interdependence is not only an origin of "economic value creation", but also a point for "economic value sharing". Secondly, companies' interdependence can result in a win – win situation, which might produce shared advantages for the involved participants. Finally, in a "variable-sum game" structure or a win – win situation, companies' interdependence should be dependent on a partly converging inter-firm interest function (Dagnino & Padula 2002, 13). Moreover, depending on the different explanatory variables of the fragmentary interest congruence, Dagnino & Padula (2002, 13) categorize co-opetition into two main co-opetition kinds, namely dyadic co-opetition and network co-opetition. Dyadic co-opetition can be divided to simple dyadic co-opetition and complex dyadic co-opetition. Similarly, network co-opetition can be categorized into simple network co-opetition, and complex network co-opetition (Dagnino & Padula 2002, 14 – 17).

In conclusion, there are two approaches in defining co-opetition, including the broad approach and the narrow approach. In the view of the wider approach, co-opetition happens when there is collaboration between indirect business rivals for value creation. On contrary, the more narrow approach defines co-opetition as cooperation between two or more direct business opponents in several market segments but simultaneously competition in other market segments. Consequently, it depicts co-opetition as a mechanism where collaboration and competition exist together in a dyadic or network co-opetition. As reported by Kossyva et al. (2014, 93 – 94), co-opetition includes two dimensions, which are value creation and value appropriation. Value creation emerges from cooperation perspective while the second one comes from competition perspective. The first dimension originates from joint endeavors with direct business rivals possessing crucial resources and capabilities. By forming alliances with competitors who have common purposes, firms can achieve the motives of increasing the market size or creating a different one. In contrast, the second dimension originates from differing motives where organizations try to seize the created value for their own intentions. Besides, those business rivals will manage to take advantage of newly gained resources, relying upon their abilities, and then utilize them for future competitive advantages. Consequently, despite of which approach is used, co-opetition happens only when the motive of each organization is not the destruction of its business opponents, but the search and utilization of expected competitive advantages by modifying the process to their own way (Kossyva et al. 2014, 92 – 94).

In this thesis, the view of the narrow approach is adopted. The thesis is concentrating on the particular co-opetition between local companies and subsidiaries of MNCs; hence the chosen view for the approach in this study should be justified. The definition *"co-opetition means a business situation where independent parties co-operate with one another and co-ordinate their activities, thereby collaborating to accomplish mutual goals, but at the same time compete with each other"* (Zineldin 2004, 780) and other similar definitions by other authors will be used.

2.1.2. Types of co-opetition

In accordance with Bengtsson & Kock (2000, 415 – 416), based on the intensity of cooperative relationships and competitive relationships, three kinds of co-opetition can be *“cooperation-dominated relationship, equal relationship, and competition-dominated relationship”*. The first kind consists of more collaboration than rivalry. Next, the second one means both characteristics are evenly allocated. On the other hand, the last one is co-opetition composed of more rivalry than collaboration (Bengtsson & Kock 2000, 415 – 416).

Companies are more and more involved in several relationships with other firms. For example, a supplier, a partner, or a customer might also be a competitor. This is named as a multifaceted relationship by Carlin, Dowling, Roering, Wyman, Kalinoglou, and Clyburn (1994, 9). They also identified several reasons why multifaceted relationships do occur, including regulation, technology, globalization, prestige/image, size and structure, product, outsourcing, and culture and leadership. There are various rationales explaining the existence of multifaceted relationships, but there is limitation regarding the types of those complex relations. Three types, which are listed in their study, are buyer – supplier in immediate rivalry, partners in rivalry, and buyer – supplier in indirect rivalry. The first one is the most common type, where one company supplies raw materials or resources to the other company but both are in competition in the same market, for instance Apple and Samsung connection in the smartphone market. The next one is increasingly becoming common, where business opponents turn into collaborators in different forms of partnerships. The last one is the subtler one, in which firms are competitors both in the market and in the politics and regulations. The last type can be usually seen in the smartphone market. For instance, HTC supplies Samsung with microprocessors for Samsung’s smartphones. However, simultaneously, Samsung competes with HTC in the regulatory battle regarding the operating mobile system used in HTC’s smartphone and others (Carlin et al. 1994, 9 – 12).

The term “multifaceted relationships” is also used in other studies. For example, it is said that multifaceted relationships combine both competition characteristics and cooperation characteristics (Dowling, Roering, Carlin & Wisnieski 1996, 155). In this study, similar with Carlin et al. (1994, 11), Dowling et al. (1996, 157 – 158) also categorizes multifaceted relationships (co-opetition) into three common types, namely buyers – suppliers in immediate rivalry, buyers – suppliers in indirect rivalry, and collaborators in rivalry.

Concentrating on both cooperation and competition at the same time when analyzing the basis of co-opetitive relationships, Bengtsson et al. (2010, 206 – 209) categorize four kinds of co-opetitive relationships. They are situations with weak collaboration – weak rivalry, strong collaboration – strong rivalry, weak collaboration – strong rivalry, and strong collaboration – weak rivalry. However, all the above kinds of co-opetitive interactions become problematic in terms of being dynamics. In summary, it is suggested that there will be a possible field for co-opetition dynamics, where various ways of combining collaboration and rivalry can exist (Bengtsson et al. 2010, 206 – 209).

Using evidences and examples from Indian telecommunication industry (especially cellular or mobile service), Ganguli (2007, 12 – 14) has tried to derive different models of co-opetition. The first one is “complementor”. This is the case if telecommunication service providers purchase the value added contents from the mobile content providers, but at the same time, they are competing in the marketplace. The second one is “family of firms”, in which, several competitors have come together for jointly fighting in the market against other competitors. Another model of co-opetition is the concept of “sharing of resources”. There are several examples of this model, such as ATM sharing by banks or infrastructure sharing by competitors. The next model is “outsourcing of customers” that are not very profitable or are costly to serve. Another listed model of co-opetition is “tacit collusion” model. By using this type of co-opetitive relationships, firms are possible to study shared self-control and weaken their opponents, but at the same time generally disciplining other competitors who do not follow their regulations. However, at the same time, they are still competing with each other in the product marketplace. The most common model of co-opetition lies in the interaction between buyers and sellers. In order to achieve a sale, both sellers and buyers must reach a point of mutual satisfaction. This model identifies co-opetition from the view of mutual cooperation of buyers and sellers rather than from the view of competition with each other with the purpose of getting more value (Ganguli 2007, 12 – 14).

Broadly, Luo (2007, 134 – 142), in his paper, describes and classifies types of co-opetition reflecting different cases of competition and cooperation. However, this paper focuses on a co-opetition perspective of MNEs in global competition. Based on the degree of simultaneous rivalry and collaboration occurring with a multinational competitor, an MNE might be involved in the following cases: *“contending situation, isolating situation, partnering situation, and adapting situation”*.

A contending situation arises when there is a competition between major global players in order to achieve market power and large market share in crucial and important global marketplaces. This situation maintains strong rivalry and weak collaboration. There are several strategies for an MNE to behave to a strong rivalry – weak collaboration relation with its huge business opponents, namely intelligence gathering, niche filling, as well as position jockeying. Intelligence gathering can be understood as gathering and investigating information with the purpose of better understanding and predicting the other participant's purposes, motives, goals, and plans of actions. Niche filling can be defined as an MNE's attempt to recognize and understand markets in terms of geographical area, business domain, and technology. In contrast to nice filling, position jockeying might be defined as an MNE's attempt with the purpose of strategically defending, holding, and strengthening its already achieved market share against the other multinationals.

An isolating situation exists in the case the company maintains weak rivalry and weak collaboration with the other MNE, leading to the fact that they do not interact significantly with each other. Facing this situation, an MNE may consider one of the following tactics to respond to a weak rivalry – weak collaboration relationship with international business opponents: domain specialization, scale expansion, and vertical integration. Domain specialization can be defined as a tactical method emphasizing particular product or market domains where the company possesses a competitive advantage because of its exceptional know-how. Scale expansion is defined as a strategy used for capitalizing on the company's current stable situation through expanding manufacture and raising sales volumes. Finally, vertical integration can be defined as a tactical method expanding international productions for a company in an isolating position. Specialized multinationals can use this strategy in order to accentuate its international market power in marketplaces where they possess strong competitive advantages. Besides, monopolistic multinationals can utilize this strategy with the purpose of strengthening its international market power in differing local markets where they already gain monopolistic position (Hitt et al. 2007, 174).

Next, a partnering situation arises when an international firm willingly sustains strong collaboration and weak rivalry with another international firm with the purpose of searching for combined synergies, which are produced by both participants' supportive resources and capabilities. Synergy extension, value sharing, and attachment enhancement are three possible strategic responses to this situation. Firstly, synergy extension can be defined as an important strategy used for identifying and exploring supplementary advantages, including technological or operational, which arise from a current collaborative relationship. Furthermore, value sharing is a company's effort with the purpose of accommodating the distinctive cultural and philosophical characteristics of two participants. Lastly, attachment enhancement is an administrative effort with the purpose of seeking durable inter-firm connections at not only the individual degree but also the firm degree.

Last but not least, an adapting situation arises when two multinationals maintain strong collaboration as well as strong rivalry with each other with the purpose of achieving their own motives. Involved in this adapting situation, there are three possible strategies for an MNE, including boundary analysis, loose coupling, and strategic balance. Boundary analysis can be employed when MNEs need to determine which market segments they are possible to contend for and which they are possible to collaborate. Loose coupling means participating in alliances in a loose structure, for instance licensing or co-production agreements, with a business opponent (Luo 2007, 139). Finally, strategic balance can be considered as applying the applicable scopes of collaboration and rivalry in the MNE structure with the purpose of sufficiently meeting its global goals (Jorde & Teece 1989, 29 – 30).

More specifically, Garraffo (2002, 3), in his study, focuses on types of co-opetition to manage emerging technologies. This paper suggests that co-opetition happens often in businesses affected by emerging technologies as in newly developed technologies there will be a rivalry among groups of innovators, which was concentrated on developing technology and accessing to the markets. Depending on the degree of collaboration and competition among business rivals in terms of developing technologies and creating new markets, Garraffo (2002, 8) develops several following types of co-opetition. The first one is *"exchanges of existing knowledge"*, which means weak engagement in collaboratively developing technologies and creating new market opportunities. The second one is *"cooperative research & development activities"*, resulting from strong engagement in cooperatively developing technologies and weak engagement in collaboratively finding access to new markets. The next one, which equals to strong engagement in creating new business opportunities and weak engagement in cooperatively developing technologies, is alliances for setting new standards in the market. Finally, the last type of co-opetition is *"collaborative agreements to integrate existing businesses"*, meaning strong engagement in not only cooperatively developing technologies but also collaboratively accessing to new markets (Garraffo 2002, 9 – 12).

In their paper, Dyusters & Hagedoorm (2000, 640 – 641) said that the types of collaborative agreements between competitors would diversify depending on the level of linkage among participants. They listed several most common types of cooperation among rival organizations, including *"licensing, second sourcing agreement, cross licensing, mutual second sourcing agreements, joint R&D agreements, minority equity, and joint ventures."* (Dyusters & Hagedoorm 2000, 640 – 641).

In summary, each party has a distinctive view in term of co-opetition perspective, which requires particular tactical methods or strategies, to respond to both cooperation and competition forces with the purpose of securing maximum returns (Luo 2007, 142 – 143).

In conclusion, there are various types of co-opetition depending on how it is categorized. However, despite which type of co-opetition is used, the author believes that motives of co-opetition are still the same. The next section will carefully analyze motives of co-opetition between local companies and subsidiaries of MNCs.

2.2. Motives for co-opetition

It should be important to analyze the need for collaboration (one part of co-opetition) because cooperation is becoming more important than the competitive strategy in modern business. There are several theories, justifying the need for cooperation with competitors. Firstly, in terms of the economic viewpoints, market power theory recommends that greater market power with enhanced returns will be achieved through cooperation (Tallman & Shenkar 1994, 76). The transaction cost theory states that the driving force of cooperation are efficiency and minimization of cost. The resource-based view focuses on better utilization of resources through cooperation (Rumelt 1991, 168 – 169). Other theories supporting the cooperation and co-opetition are the game theory and real options theory. Apart from the economic viewpoints, organizational theories also support the need for cooperation because cooperation will assist in effective organizational learning (Ganguli 2007, 8).

This section will present and analyze motives of co-opetition between subsidiaries of MNEs and local companies based on previous literatures.

2.2.1. Common motives

2.2.1.1. Resource-dependence theory perspective

The resource dependence theory (RDT), which was created by Pfeffer & Salancik in 1978, concerns with how external resources the organization utilizes will affect organizational behavior. Resources are vital for the development of any firms, and accessing and controlling resources is a principle of power. Besides, resources can take many forms, such as raw materials, human resources, or financial resources. If one company holds the majority of a resource, then another company will become dependent on it, resulting in a symbiotic relationship. However, dependency will create uncertainty, causing organizations subject to risks of external control. RDT consists of three main ideas, namely the matter of social context, firms' strategies for strengthen their autonomy and seeking interests, and the importance of power in explaining intrinsic and extrinsic processes of firms. Concentrating on power as well as various tactics available to organization is what differentiates RDT from other theories, for instance transaction cost theory perspective (Davis & Cobb 2009, 5). Some strategies used by organizations with the purpose of reducing uncertainty regarding needed resources are the reduction of the need for particular resources, the cultivation of different supplying sources, and the participation to partnerships. Organizations can also aim at the restraining participant, such as mergers and acquisitions, with the purpose of restructuring dependencies. From this theory perspective, it can be said that subsidiaries of MNEs and local companies, often SMEs, engage in co-opetitive relationships with the purpose of reducing uncertainty related to external resource dependence.

Specifically, several crucial problems that small firms need to overcome in constantly changing economic environments are the deduction in product demand, the increase in raw materials' costs, liquidity challenges, as well as rising bankruptcies (OECD 2009). With the purpose of overcoming those mentioned problems, SMEs are advised to involve in co-opetition strategies with different sizes of competing organizations. This strategic method indicates that co-opetitors can bring crucial insights of innovation, particularly in high-tech markets, in which companies have difficulty in developing new products by themselves. Therefore, through engaging in co-opetitive relationships with competitors, SMEs have the opportunity in creating "blue oceans" together as well as gaining "first mover" advantages. It is also suggested that business rivals often have market similarity, deal with similar problems as well as have the same resources and capabilities (Gnyawali & Park 2009, 650). As a result, firms are more likely to be more successful when they employ co-opetition strategy as they can acquire fresh knowledge and skills and access needed resources and capabilities, resulting in cooperative outcomes (Kossyva et al. 2014, 96). Small local firms often face limitation in market knowledge and deficiency in market power, inhibiting their capability in creating competitive advantages. On contrary, MNEs or subsidiaries of MNEs possess strong market power, heavily focus on efficiency, and are possible to provide various types of complementary resources, leading to the fact that they are better at building competitive advantages. From the above arguments, it can be suggested that local firms engage in co-opetitive relationships with subsidiaries of MNCs in order to acquire fresh knowledge and needed skills and capabilities, resulting in the possibility of producing synergistic outcomes and reducing uncertainty related to resource dependence.

The article *"Co-opetition in business networks – to cooperate and compete simultaneously",* (Bengtsson & Kock 2000, 411 – 426), also shares the same view in explaining why organizations decide to participate in the sophisticated co-opetitive alliances. The apparent motive is that co-opetitive relationships are advantageous. Competitive perspective pushes firms to improve their products as well as to create new markets. Besides, the benefit of cooperative perspective refers to advancement and improvement. However, collaboration helps firms to access to needed resources rather than force them to improve. Involving in cooperation, an organization is possible to get time, to develop competence, to acquire market knowledge, and to improve reputation. Moreover, heterogeneity of resources might be another motive for engaging in co-opetition. The reason is that heterogeneity in resources is possible to support co-opetition, because unique resources are considered to be beneficial for collaboration and rivalry. Moreover, companies are thought of more regularly cooperating in business areas, which are performed far from customers, and competing in business areas, which are near to customers. Heterogeneity of resources is considered as the driving force of this behavior, because heterogeneous resources are possible to help firms to create a competitive advantage. However, in some cases, those resources are only best used when combining with other rivals' resources. For example, research and development areas may be performed in collaboration with a business rival. However, business opponents should compete with each other in attempt to launch products, so that they can differentiate their products in the marketplaces. Therefore, it can be concluded that heterogeneity of resources and the ability to combine resources with competitor's resources are motives for SMEs in involving in complex co-opetitive relationships with subsidiaries of MNCs. This also can be support by resource-based view theory, which will be explained in the section below.

2.2.1.2. Resource-based view theory perspective

Sharing the same view with resource-dependence theory, the resource-based view (RBV) also proposes that resources play a crucial role in improving firm performance. How resources are applied and utilized within a firm is possible to create a competitive advantage (Mata, Fuerst, & Barney 1995, 491). There are two crucial assumptions of this theory, which are the heterogeneity and the immobile of resources. Resources must be heterogeneous and immobile so that firms can create sustainable competitive advantage.

Firstly, the heterogeneity means that companies should have unique skills, capabilities, and other important resources. It would be impossible for companies to pursue various strategic tactics to outperform their competitors if every company would occupy the same collection of resources. In the case of "perfect competition" where many firms offer a homogeneous product, what one company would do, the other could simply mimic and follow, leading to the fact that no competitive advantage could be achieved. However, in reality, real global markets are clearly far from perfect competitive.

The second assumption, resource immobile, refers to the difficulty of competitors' obtaining a resource because of the fact that in order to develop, acquire, and use that resource, the cost is considerably expensive. Due to this immobility, firms cannot easily mimic business rivals' resources and employ the same strategic tactics. Some examples of immobile resources are brand equity, processes, knowledge, and intellectual property.

Resource heterogeneity and resource immobile are crucial for firms so that they can gain competitive advantage. However, in order to sustain this competitive advantage, firms need more than that. According to Barney (1991, 102 – 112), resources and capabilities must meet three requirements so that firms can achieve and sustain competitive advantage. Those requirements include high value, rarity, difficulty in imitating, and non-substitutability. The value of resources is determined by whether they can assist firms in increasing the value offered to the customers. Unable to meet this condition, these resources result in competitive disadvantage. The second requirement, rarity, means that only one or few firms can acquire those resources. If more than few firms possess those resources, it leads to competitive parity. Next, firm's resource requires costly to replicate or to replace for a competitor. Otherwise, firms can only achieve temporary competitive advantage. However, resources, which meet three conditions above, itself could not create sustained competitive advantage. The firm has to be organized to capture the value. Only the firm, which possesses the capability to take advantage of the resources, which are highly valuable, unique, and difficult to mimic, is possible to gain sustained competitive advantage (Barney 1991, 112 – 113).

In summary, resource-based view theory supports the important roles of resources in order to achieve sustained competitive advantage. Besides, as suggested above in resource-dependence theory section, firms engage in co-opetition with the purpose of accessing heterogeneous resources and combining resources, which are essential for achieving sustained competitive advantage.

Through co-opetition, firms are possible to be more effective in developing new products, because each participant provides with its own strong expertise and proficiency. Therefore, firms can concentrate on their own expertise but still can provide a much larger extent of business solutions for their consumers than if a firm acted individually and separately. Bengtsson and Kock (2000, 424) propose a hypothesis: *"The advantage of co-opetition is the combination of a pressure to develop within new areas provided by competition and access to resources provided by cooperation"*.

All in all, from the two above theories, it can be said that firms are involving in partnerships with their competitors with the purpose of accessing to heterogeneous resources and combining resources with competitor's resources, which, in turn, is possible to help firms to reduce uncertainty related to external resource dependence and to gain sustained competitive advantage.

2.2.1.3. Innovation and value creation

Business innovation can be seen as the process of creating considerable unique value for consumers and the company itself through imaginatively adjusting and modifying one or several elements of the business system. It includes developing new products, processes, as well as the expertise related to them. Innovation is considered to have three levels. For instance, there are three forms of new products, namely raw materials, intermediate products, and final goods. Likewise, the fundamental expertise related to new products and processes consists of principle foundations, technologies, and context-specific guidelines (Bhide 2009, 12 – 13). According to Greg Satell (2013), there are four kinds of innovation, resulting in four methods of innovating depending on how to define the problem and what is the domain to solve the problem.

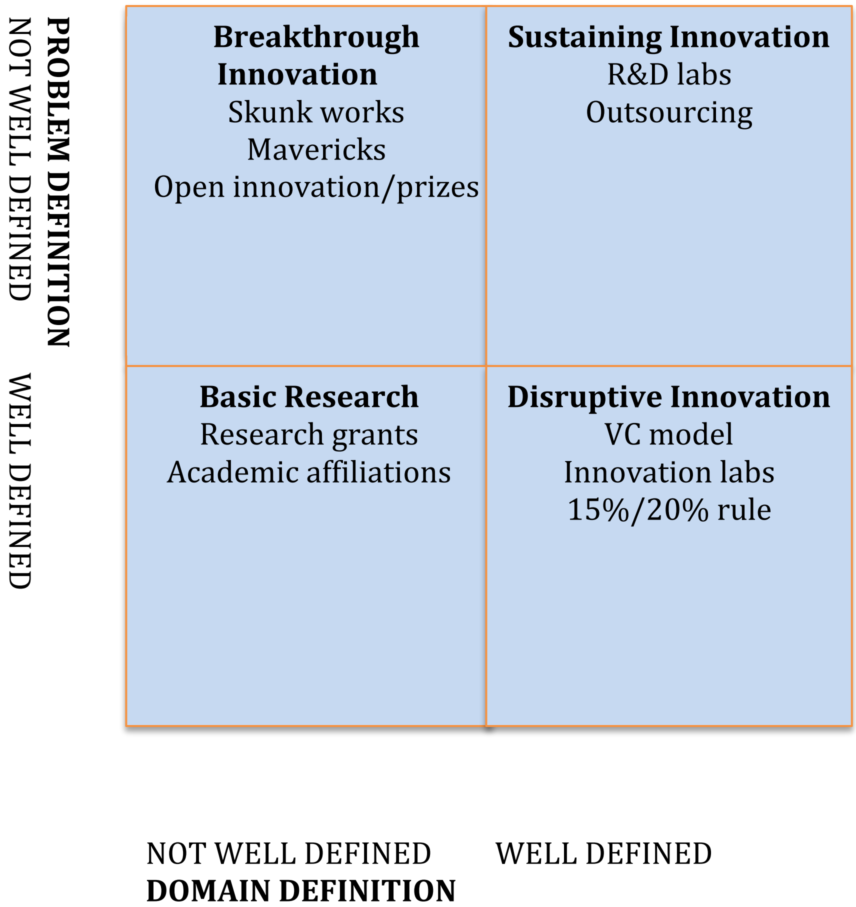


Figure 2: Innovation types (Adapted from Greg Satell 2013)

Firstly, basic research is used to identify something really new, whether neither the problem nor the domain is clearly defined. There are three approaches used by companies, including investing in large-scale research departments, research grants, or academic affiliations. Secondly, breakthrough innovation often happens when the trouble is well understood but the domain is not well understood. This type of problems can be often solved through open innovation, allowing for outsiders to solve the problems the company is experiencing. Next, sustaining innovation happens when both the domain and the problem is well defined. This type of innovation is suitable for large-scale companies, such as MNEs, by investing on conventional R&D labs and outsourcing. Finally, disruptive innovation is when the domain is well defined, but the problem is unclear. This kind of innovation usually requires a rather new business model (Satell 2013).

In reality, many companies make a mistake in innovation by narrowly viewing it. Innovation should not be seen narrowly as equivalent to new product development or conventional R&D, which may blind companies to business chances as well as make them susceptible to business rivals having wider viewpoints. In current literature, Sawhney, Wolcott, and Arroniz (2006, 77) create a 360-degree view on how one company can innovate. They call it the innovation radar, including 12 aspects of innovating categorized into four groups: What, Who, How, and Where. 12 aspects are *"offerings, platform, solutions, customers, customer experience, value capture, processes, organization, supply chain, presence, networking, and brand."*

Innovation may take place in any dimension of a business system. The careful consideration of all aspects of a business is required to achieve successful business innovation (Sawhney et al. 2006, 77).

It is widely believed that a company's competitive advantage depends on its capability to build more value than its rivals. Greater value creation, in turn, largely depends on the company's ability to innovate successfully. Many scholars and CEOs believe that a critical success driver for most companies is the ability to increase business value through innovation, which can be achieved through co-opetition strategy.

Almeida & Phene (2004, 847) explore the impact of extrinsic knowledge on innovative ability of subsidiaries of MNEs. Subsidiaries are embedded in a foreign business surrounding in host countries. The writers hypothesize that the degree of impacts of this context on subsidiary technical innovation relies upon the features of the knowledge network, comprising of technical copiousness and variety, and the subsidiary's knowledge connections with different parties. It is believed that subsidiaries having strong knowledge connections with the host country have better innovative ability. Why is that? Formal or informal connections have an impact on innovation by creating faith and responsibilities, encouraging knowledge exchanging and cooperation, generating differing views and solutions for research challenges, as well as recognizing suitable referrals for locating newly gained experiences. Furthermore, inter-organizational relationships can act as an information-gathering device, which facilitates organizations in accessing information on the research plans of various organizations, leading to further innovative activities. Moreover, the more the number of knowledge connections that a company develops with other companies, the more effectively they can have differing access to resources. As a result, it can be said that actively studying from various host country markets can facilitate subsidiaries of MNEs in developing their innovative activities and improving their value creation. Through engaging in co-opetition with local firms, MNCs' subsidiaries can improve their innovation ability, leading to improvement of their value creation.

Similarly, large firms want to involve in cooperative relationships with small firms with the purpose of accessing to contemporary technologies, modern engineering talents, and a generally innovative ability. Furthermore, through participating in partnerships with various entrepreneurial companies, huge companies are possible to moderately handle uncertainties related to technologies they have to overcome in the competitive business surroundings. Besides, huge firms are considered to have less inventive capabilities than entrepreneurial firms. There are several reasons explaining for this. First, entrepreneurial firms often can fascinate the most technically competent scientists and engineers by compensating employees at least partly through stock and stock options, which large firms are hard to provide. Having a significant ownership stake in entrepreneurial firms, employees often develop passionate stimulus to successfully create modern technologies at the low cost. Second, communication in entrepreneurial firms is often flexible and informal, facilitating technical invention (Alvarez & Barney 2001, 140 – 141). As a result, because of these inventive capabilities that entrepreneurial firms possess, large firms or MNCs are often interested in collaboration with entrepreneurial or small local firms.

Likewise, based on the empirical findings from interviews, Bouncken and Kraus (2013, 2060) indicate that co-opetition, the concurrently pursuing of collaboration and rivalry has various impacts on inventive capability of small firms. This study considers two types of innovation, namely radical and revolutionary innovation. According to Gatignon, Tushman, Smith, and Anderson (2002, 1105 – 1107), revolutionary innovations are greatly creative, distinctive, or technical development considerably modifying customer utilization and changing market structure. As a result, these innovations may result in a newly discovered market, which alters the way customers act in their surroundings and changes their ethics and standards of behavior. Another type of innovation is radical innovation, which triggers marketing and technical changes. The findings of this study *"Innovation in knowledge – intensive industries: the double – edged sword of co-opetition"* show that co-opetition positively influences radical innovation while negatively affecting revolutionary innovation. This study is considered to be in agreement with prior research emphasizing co-opetition as a method of enhancing innovative capability (Ritala & Hurmelinna 2009, 819; Quintana-García & Benavides-Velasco 2004, 927). However, with revolutionary innovations or greatly unique innovations, small firms are recommended to ignore knowledge, information and learning asymmetries among corporation parties. This may reduce negative effects of co-opetition on revolutionary innovation (Bouncken & Kraus 2013, 2068). In conclusion, co-opetition has an important influence on innovations of SMEs.

Sharing the same view, Ritala and Hurmelinna-Laukkanen (2009, 819 – 828) focus on co-opetition that is related to innovation. According to them, the rapid progress as well as the surging expense of innovating have made business rivals to start to cooperate regarding minimizing the R&D uncertainties, normalizing their current resolutions, and launching totally advanced innovations to the marketplaces (Ritala & Hurmelinna-Laukkanen 2009, 819). These firms first collaborate with each other with the purpose of creating advantages and a larger marketplace for each player, and consequently become competitors for the newly developed advantages. Various studies, which support the positive-sum perspective, show that partnerships between business rivals are more likely to create totally modern products or breakthrough products than collaboration between non-competing organizations. Moreover, research & development collaboration between business opponents is considered to facilitate the formation of progressive effectiveness (Belderbos, Carree, and Lokshin 2004, 1479). Current literatures about co-opetition and innovations also indicate that relations between business rivals may have distinctive features that could not be found in connections among non-competitors. Those features may help to create more satisfactory outcomes regarding innovation. Furthermore, innovation – related co-opetition is suggested to not only be appropriate for making steady progress in existing products and services, but also be a productive strategy of generating breakthrough innovations in various cases (Ritala & Hurmelinna-Laukkanen 2009, 820). Based on analyzing value creation as well as value appropriation, Ritala & Hurmelinna-Laukkanen (2009, 822 – 826) seek to offer some propositions regarding innovation –

related co-opetition and collaboration between non-competitors. Value creation is described as the overall amount of value generated in innovation activities. In contrast, value appropriation can be described as the distinctive proportion of the value that an organization is possible to occupy.

The first proposition is that compared to collaboration between non-competitors, co-opetition helps to raise value-creation possibility in innovations due to the bigger collective knowledge foundation, which concerns marketplaces and technologies. It is stated that having a joint knowledge domain would have an influence on the learning and adoption potential. Grant and Baden-Fuller (2004, 62 – 63) also claim that possessing sufficient industry-specific common knowledge is an essential requirement for effective knowledge integration, as well as subsequent efficient innovation. Besides, the common language of firms plays an important role in improving their capability to integrate and apply knowledge effectively in the marketplaces. As a result, there is a considerable value-creation-enabling element, which is already intrinsic in co-opetition. Therefore, competitors, who play the role as innovation partners, are possible to benefit advantages from the shared comprehension regarding substantial value-creation possibilities (Ritala & Hurmelinna-Laukkanen 2009, 822 – 823).

Moreover, cooperation between competitors may enhance value – creation possibilities both by guaranteeing that there is adequate shared knowledge foundation to base on, and through increasing the chances of influencing the existing and arising markets. It is proved that companies, which are engaged in non-competing cooperation, are usually vertically aligned. This leads to the fact that the single company might not have profound influence in their specific business areas. In contrast, the results of innovation cooperation between business rivals can have great horizontal coverage, meaning that it might spread more widely. Furthermore, by utilizing the shared knowledge foundations among firms, which are involved in co-opetition, value – creation potential might be raised thanks to the positive network externalities. In conclusion, these arguments may result in the following proposition: *"Compared to cooperation between non-competitors, in co-opetition the relationship between the common knowledge base and the value – creation potential is more likely to be enhanced by positive network externalities when they are available"* (Ritala & Hurmelinna-Laukkanen 2009, 823 – 824).

Specifically, in regards of SMEs' side, there is one particular research that is considerably helpful in examining the motives of co-opetition and advantages and challenges of co-opetition for small firms. This research is *"Co-opetition and Technological Innovation in Small and Medium-Sized Enterprises: A Multilevel Conceptual Model"* (Gnyawali & Park 2009). The main aim of this article is to draw a theoretical framework helping to comprehend elements, which affect co-opetition strategic tactics in SMEs, and implications of co-opetitive relationships, especially regarding innovation related to technologies.

This paper takes a position that co-opetition tactics – concurrently pursuing of rivalry and cooperation – is helpful in assisting SMEs in developing their capability to efficiently conduct technological innovations. Current studies consider that small firms have to deal with various obstacles in the times of constantly changing business world. In comparison to the large businesses, SMEs are weaker in facing to environmental circumstances (Morris et al. 2007, 35). Besides, because of their tight resources and capabilities, SMEs have to deal with considerable difficulties in their innovation attempts (Winch & Bianchi 2006, 74). Consequently, small ventures are not likely to create breakthrough products by themselves due to costly expense, considerable uncertainties, and excessive risks inherent in the procedure. In order to overcome these obstacles, research has stressed the importance of cooperative perspectives and partnerships. For example, according to BarNir and Smith (2002, 220 – 221), alliances can assist small firms in improving their ability to outperform a more powerful business rival, in facilitating entry to additional marketplaces, and in accessing to external resources. More strongly, Merrifield (2007, 10 – 14) considers that cooperation is crucial for the existence of small firms. Regarding to the context of technological innovation, according to Gomes-Casseres (1997, 33, 42), small ventures are required to participate in partnerships with each other with the purpose of achieving economies of scale and scope in research and development. Besides, they need to collaborate in order to build technical standards. Moreover, concentrating on the construction of institutional principles, Mione (2008, 92 – 109) considers that SMEs can collaborate to develop general technological standards and contend for promoting their individual technologies and products. Altogether, those researches mentioned above recommend small firms to be tactical in their outlook to cooperation and stress the roles of cooperating with business rivals as a critical method for improving technical innovation and for improving small firms' performance. Recently, in their empirical study, Quintana-García and Benavides-Velasco (2004, 929) illustrated that cooperation with direct business rivals is crucial both in getting modern technical understanding and expertise from the collaborator and in discovering and getting access to other abilities depending on a comprehensive exploitation of current ones (Gnyawali & Park 2009, 310 – 311).

Based upon the literature reviewed previously, Gnyawali and Park (2009, 313) develop their conceptual arguments and propositions. However, they focus specifically on why and how SMEs engage in co-opetitive relationships for innovation related to technologies. This conceptual framework and hypotheses are related mostly to the industrial circumstances and small firms, which have been undergoing fast technical changes, and the requirement to improve inventive ability and to successfully launch modern technologies to the marketplaces (Gnyawali & Park 2009, 314). These propositions are illustrated in the below figure.

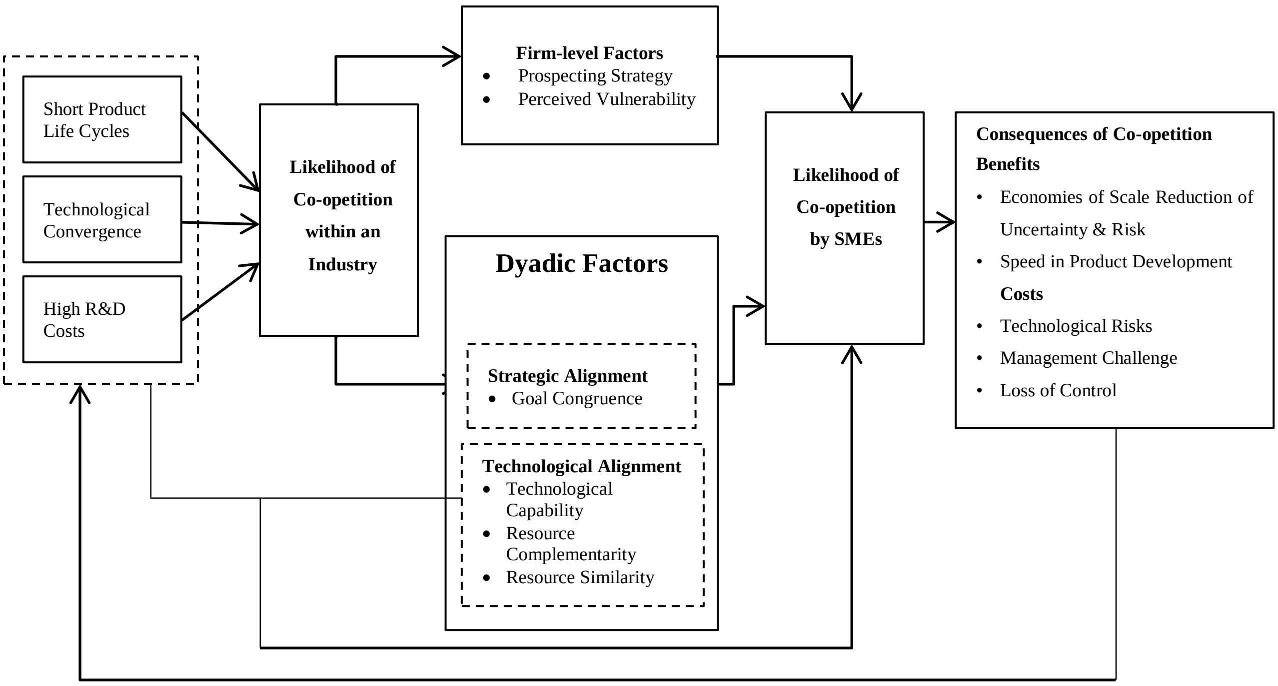


Figure 3: Co-opetition for Innovation Related to Technologies in SMEs: A Conceptual Model (Gnyawali & Park 2009)

As illustrated in this diagram, the possibility of co-opetitive relationships within an industry is affected by three factors, namely *"short product life cycles, technological convergence, and high R&D costs"*. Firstly, short product life cycles demand firms to decrease time-to-market with the purpose of launching their products on time to receive maximum profits during the most profitable period of a product. Therefore, the possibility of collaboration with business opponents having exceptional investigation abilities might increase. It is also suggested that co-opetition might deliver advantages of decreasing time-to-market because of early approach to advanced technology (Gnyawali, He & Madhavan 2006, 508). Secondly, technological convergence indicates the existence of a large number of various kinds of technologies to carry out the same duties and the tendency of technologies to integrate into breakthrough ones that produce an extremely great number of media. New chances produced by this convergence might be the reason causing former partners to become rivals, thereby escalating the likelihood of co-opetitive relationships. Finally, small firms on their own are not possible to expend a considerable amount of money and resources on innovations, particularly when the results are highly unpredictable. Therefore, they need to cooperate with other business rivals having similar resources with the purpose of pursuing comprehensive R&D plans and sharing risks related to the technologies. It is stated that extensive R&D costs might create a powerful motive for small firms to collaborate with their business opponents having a considerable resource base (Zineldin 2004, 783 – 786). Taken together, it is proposed *"SMEs operating in industries characterized by short product life cycle, technological convergence, and high R&D cost are more likely to engage in co-opetition than SMEs operating in other industries"* (Gnyawali & Park 2009, 313 – 316).

Next, Gnyawali and Park (2009, 316 – 322) seek to identify what elements push two current business rivals in a market sector towards a partnership. According to them, the solution might lay at the interaction of industry factors and partner-specific elements. In terms of dyadic factors, the first one is technological capability. This factor means that any company, facing gaps in critical capabilities, is more willingly to collaborate with a competitor that already possesses those capabilities. This collaboration is possible to provide SMEs with more appropriate chances for challenging bigger companies and for choosing more suitable potential collaborators in the future. The second factor is resource complementary. This factor is proven to be crucial for the success of any collaboration. Utilizing resource complementary, partners can together develop new products and technologies, leading to higher synergy. The third factor, resource similarity, is also another an important determinant of co-opetition. Competing firms, together, can integrate their resources and capabilities to do joint campaigns. The final factor in terms of dyadic factors is goal congruence, which indicates the degree to which organizations in a co-opetition relation think that they can seek for a competitive advantage from this partnership with competitors (Gnyawali & Park 2009, 319). It is believed that the higher the goal congruence, the higher the possibility of co-opetition by SMEs.

Regarding firm-level factors, there are two factors considered as drivers of co-opetition, which are prospecting strategy and perceived vulnerability. Prospecting strategy is the proactive driver that firm will engage in co-opetitive relationship. It is stated that firms with prospective strategy will continually search for opportunities for co-opetition with the purpose of combining their resources and capabilities with those of their partners, leading to the possibility of creating as well as maintaining their competitive advantage in the marketplaces. Besides, those companies often seek for chances to improve its knowledge, experience, bargaining power, and general competences with the purpose of successfully challenging bigger business opponents (Ahuja 2000, 319). Perceived vulnerability can be seen as the reactive driver of co-opetition. There are two kinds of vulnerability, which are external vulnerability as well as internal vulnerability. Internal vulnerability may happen because of lack of critical resources or unexpected performance. External vulnerability can occur when there are new competitors entering the market (Eisenhardt & Schoonhoven 1996, 137 – 139). Both those vulnerability are believed to push SMEs to engage in co-opetitive relationships so that they can overcome external challenges, particularly those created by giant competitors (Gnyawali & Park 2009, 316 – 322).

In a nutshell, various factors, categorizing into firm-level factors and dyadic factors, have effect in the possibility of co-opetitive relationships by SMEs. Firm-level elements are prospecting strategy and perceived vulnerability, whereas dyadic elements include the congruence of goal, the capability of technology, the complementarity of resources, as well as the resemblance of resources.

Based on above arguments, it can be proposed that firms participate in partnerships with their competitors because of benefits that those co-opetitive relationships can bring in terms of innovation, especially in high-tech industries. Co-opetitive relationship between local companies and subsidiaries of MNCs is also not an exception. As a result, it can be said that the benefit associated with innovations is an important motive of both local companies and subsidiaries of MNC or MNC itself in engaging in co-opetitive relationships.

In terms of distinctive motives, the author will categorize those motives into the perspective of subsidiaries of MNEs and the perspective of local companies.

2.2.2. Subsidiaries of MNEs

2.2.2.1. Local linkages

Using examples from Taiwanese manufacturing companies, which invest overseas, a study, which was conducted by Chen, Chen, and Ku (2004, 320), explores the structure of local connections in FDI, considering those local connections as a way of investing in local relationship. It is also stated that the investment in local linkages will assist in building the platform for foreign-based activities. FDI is considered as a long-standing effort where connections created within an international market may create a basis for periodical business transactions. There can be three types of those business transactions, including headquarters – subsidiaries transactions, subsidiaries – local companies, as well as affiliates – affiliates in distinctive marketplaces. In accordance with Dyer and Chu (2000, 13), local appearance promotes direct contact with the overseas parties with the purpose of cultivating trust as well as making it easier for accessing to the information flow, resulting in chances for cultivating new connections. As stated in the study, the degree of local linkages is in six exchange relations: supplier linkage, marketing linkage, R&D linkage, labor linkage, subcontracting linkage, and financial linkage. Supplier linkage means that local partner will supply components. Marketing linkage indicates final goods are sold to local organizations, while R&D linkage means inventive activities are originated from local companies or from local companies' partners. Labor linkage can be defined, as the workforce comprised of local persons, while subcontracting linkage means tasks are carried out by local subcontractors. Finally, financial linkage refers to resources related to finance are supplied by local establishments (Chen et al. 2004, 325 – 326). In conclusion, subsidiaries of MNCs play the role as local presence of FDI in foreign markets. They need to invest in local linkages and find local partners as an interface to local networks. Through investing in local linkages, they might involve in co-opetitive relationships with local firms. Therefore, it can be said that subsidiaries engage in co-opetition with local firms in order to improve their local linkages and local relationship.

Investing in local linkages and local relationship, in return, will increase the degree of relational embeddedness of subsidiaries of MNEs in external networks. The study

"The strategic impact of external networks: Subsidiary performance and competence development in the multinational corporation" examines the important role of relational embeddedness in external groups of connections as a tactical resource for improving performance as well as competence in MNCs. The concept of embeddedness has been using with the purpose of highlighting the connections with other business participants, including competitors, as a vital element of the existence of any companies (McEvily & Zaheer 1999, 1152 – 1153).

It is stated that a distinctive characteristic of MNEs is that their subdivisions are developed in a surrounding of differing local networks. These local networks of a subunit may have an impact on the competitive capability of a multinational organization. There are two reasons explaining for this. Firstly, it can be assumed that the subunit's ability of acquiring resources in those local networks will affect this branch's competitive ability in its own local marketplace. By participating in the social environment, the subsidiary is possible to approach to external resources and capabilities, for instance financial resources or inventive capabilities. The subsidiary capacity to fully understand knowledge from the local surroundings and relationships with local actors will have an encouraging effect on its ability of improving market performance. Secondly, by transferring those abilities from this subunit to different MNE branches, the general proficiency of the MNE will be also improved. There are two differing kinds of relational embeddedness at the subunit level of MNC, namely business embeddedness and technical embeddedness. These two embeddednesses are suggested to positively impact market performance of the subunit and competence development in MNC as a whole. For instance, it is hypothesized that a subunit's current extent of business embeddedness and relational technical embeddedness are encouragingly associated with its future performance in its local marketplace (Andersson et al. 2002, 982 – 985).

Therefore, it can be assumed that subsidiaries of MNCs be involved in co-opetitive relationships with local companies with the purpose of improving their expected market performance as well as increasing their tactical role in the progress of developing competence in other units of MNC as well as the MNC as a whole.

2.2.2.2. Strategic flexibility

Strategic flexibility is referred to the capability of the firm to react to significant, unpredictable, and fast-changing environmental uncertainties having significant effect on the firm's performance (Aaker & Mascarenhas 1984, 74). It is stated that the need for strategic flexibility is required because of worrying about future uncertainty. There are many cases that trigger the need for strategic flexibility. For example, if highly specialized assets, which had few alternative uses, were no longer needed in the future, this could become a matter for concern. Furthermore, it is even more important to have strategic flexibility when the nature of competition greatly changes and evolves away from the firms' competitive advantage (Harrigan 2017). According to Aaker & Mascarenhas (1984, 75 – 77), challenges arose from accelerating rates of technological change make it necessary for firms to be proactive in planning for strategic renewal with the purpose of coping with continuous competitive change. In other cases, strategic flexibility is needed when economic recession, regulatory constraints, or demographic changes happen.

Previous literatures already suggest various approaches available for a firm seeking strategic flexibility. Three typical methods of improving flexibility are diversification, investment in underused resources, and the reduction of specialized commitment (Aaker & Mascarenhas 1984, 75 – 77). Firstly, in terms of diversification, there are two different kinds of flexibility, namely defensive external flexibility as well as internal flexibility. External flexibility can be defensive or aggressive. Defensive flexibility refers to participating in various product markets and technologies in preparation for the collapse of one market or technology. Aggressive flexibility requires participating in various technologies and developing R&D strengths so that the firm is always ready for exploiting new developments or technologies. Secondly, investment in underused resources can be used to achieve internal flexibility by becoming liquid. Liquidity is possible to provide the ability to fully understand and react quickly to disadvantageous changes and to be ready to take advantage of advantageous trends occurring. Finally, reducing investment on specialized assets can be helpful in increasing flexibility. Heavily committing of resources to specialized properties is likely to cause difficulties in exiting from markets as well as in effectively decreasing inflexibility (Aaker &

Mascarenhas 1984, 77). Therefore, the decrease of specialized commitment is a useful method of improving strategic flexibility.

Sharing the same view, Luo (2007, 129) also states that engaging in co-opetitive relationships might be one useful way to increase strategic flexibility for firms. He focuses on co-opetition between MNC and MNC. Luo (2007, 131) explores some reasons why co-opetition has becoming a continuously more prominent characteristic of international rivalry. First, interdependence between MNCs has becoming more common in today’s business world. It is the divergence of market similarity and resource nonequivalence between international business rivals that fortify co-opetition. Second, in order to better compete globally, collaboration is an important means. Besides, the co-opetitive behavior is considered to benefit from the positive-sum, efficiency-improving impacts of both rivalry and collaboration. Through engaging in co-opetition with business opponents, an organization is possible to acquire their competitor’s capabilities. Co-opetition with competitors can both be a solution for accessing to each other’s capabilities (quasi-internalization) and be a method for successfully internalizing a competitor’s capabilities (Hamel 1991, 83 – 84). Third, it is assumed that competitive collaboration also helps to decrease the expenses, risks, and unpredictability in innovating as well as in developing new products in the international process of MNCs. Moreover, co-opetition is also encouraged by the requirement of solidifying international participants’ collective power regarding coping with external parties (for examples home and host authorities) as well as in terms of reinforcing market position for parties in a co-opetition network. The need for strategic flexibility is another motive for engaging in co-opetition by MNCs. It is hypothesized that MNCs following co-opetition are possible to gain an advance in strategic flexibility because of the broader diversity of tactical strategies than those available through isolated rivalry or collaboration. Last but not least, co-opetition is prevalent in battles over technical standards. Cooperation (even with competitors) can assist contending companies in promoting their own technological innovations as well as gaining the considerable majority of attention needed to convince more firms to apply their innovative products (Luo 2007, 131 – 132). These motives described above are for co-opetition between MNC and MNC. However, it can be assumed that some of these motives can also be applied in case of co-opetition between MNC and local companies. These motives are internalizing a partnering rival’s skills, reducing the costs, risks, and uncertainties associated with innovation, better competing locally as well as globally, which lead to increasing strategic flexibility.

2.2.3. Local companies

2.2.3.1. Facilitating internationalization process

Johanson and Vahlne (1977, 23) defined internalization as the process of increasing firms' involvements in international operations. After that, internationalization was considered as *"the process of adapting firms operations to international environments"*. However, those classical internationalization theories concentrated primarily on huge MNCs and neglected small firms. Only recently, several ideas and attempts have been recommended to describe the progress of internationalizing of small firms. There have been three main perspectives, namely the stage perspective, the network perspective, as well as the international entrepreneurship perspective.

The stage perspective considers internationalisation as an incremental process constructed by a variety of different phases. One fundamental school supporting this perspective is Uppsala model (U-Model), including two key concepts, namely the learning process and the psychic distance. Psychic distance is considered as elements making it hard to comprehend international business surroundings. It is stated that companies who want to engage in international business should progressively enter different marketplaces that were further away in regards of psychic distance.

The network perspective defines internationalization as a progress established inside the network through business linkages with different entities following three stages, namely extension, penetration, as well as integration (Johanson & Mattsson 1988, 195). Firstly, extension is the first step performed by the company with the purpose of creating the network. They can do it by themselves or through joining in a current network. Secondly, penetration is related to the effort of developing the firm's position inside the network and of increasing resource engagement to the network. Lastly, integration indicates the fact that companies might link themselves to various networks and the co-ordination between the differing networks.

International entrepreneurship perspective was developed by McDougall and Oviatt (2000, 903). They defined international entrepreneurship as *"a combination of* *innovative, proactive, and risk-seeking behavior that crosses or is compared across national borders and is intended to create value in business organizations"*. Through investigating the proactive contribution of the businessperson in the active progress of constructing resources and proficiency in order to enter successfully the international marketplaces, this perspective is possible to contribute an iterative learning perspective of internationalization (McDougall & Oviatt 2000, 903).

Those theories described above of internationalization process recommend that some specific kinds of small firms will go international by applying the stage perspective, which express a careful, progressive, and incremental characteristic; on the other hand, other different kinds of small firms are regards as born globals and go international at a very beginning period of their business cycle. Despite what approach is applied, co-opetition is believed to facilitate SME's internationalization process.

In the study "SME strategies for realizing TNCs' goals", Zettinig and Hansen (2005) identify three strategies that SMEs can apply in order to utilize the conflicting requirements of TNCs. Their purpose is that SMEs can use those strategies to plug into SMEs. Those strategies are local interface, innovation engine, and production engine. Local interface refers to the fact that SMEs can be helpful in providing the strategic function of local responsiveness, which identifies the TNC's core strategy on local level through managing relationship dynamics to customers, organizing fulfillment and support and pricing strategies. Moreover, SMEs are possible to contribute with market sensing and feedback provision to the strategic goal of worldwide learning. Innovation engine means that SMEs may utilize the need of the TNC with the purpose of constantly differentiating themselves from competition in the marketplace by plugging into the innovation engine. Lastly, production engine indicates that SMEs can concentrate on the production process and within this function to organize part of the production network of the TNC. Applying these strategies is possible to provide SMEs with global leverage of their resources and capabilities (Zettinig & Hansen 2005). In conclusion, it may be deduced from this study that SMEs can engage in cooperation with TNCs so as to globally leverage their resources and capabilities, which are helpful in their internationalization process.

Realizing that co-opetition is becoming progressively essential in an international circumstance, Kock, Nisuls, and Soderqvist (2010, 111 – 125) conduct a study to investigate what type of international benefits might be acquired through co-opetition in small firms, especially in Finnish SMEs. Using comprehensive and thorough case studies in Finnish small firms, this study indicates that the co-opetition have already created global chances for the firms, leading to the increase of the competitiveness on the global marketplaces through various mechanisms. Firstly, through co-opetition, SMEs are possible to approach existing global distributing networks and new foreign connections. This will result in a growth in the foreign operations of SMEs. Moreover, those small firms, through co-opetitive relationships, are possible to create and improve their reputation in a global environment. Secondly, cooperation, involved in co-opetition, will reduce the costs associated with the internationalisation progress and the expansion of the global network. Through collaborating with firms that currently operate in the particular marketplace, it can speed up the rate of internationalisation. It is also considered that the network counterparts can act as greatly useful sources, through which, new opportunities can open up. Thirdly, it is also witnessed in these case studies that through collaboration in distributing products, the firms have experienced an increase in their product line. It is because of getting the chance to sell differing partners' goods and solutions in the network to the global marketplace. Next, sharing of clients' enquiries between the firms is an additional international chance, which is recognized in the co-opetition relationships. It means that if a firm in the network is not possible to serve an inquiry, another firm in the same network could manage to respond to it. Finally, increased international knowledge is also achieved through co-opetition. Sharing knowledge and information is common in co-opetitive relations. This way of sharing is possible to be of a more usual type in terms of both the expansion of firms in following years and more particular subjects (Kock, Nisuls & Soderqvist 2010, 118 – 122).

Quite similar to the above study, Chetty and Wilson (2003, 61 – 81), in their study *"Collaborating with competitors to acquire resources"*, explore the importance of horizontal relationships (co-opetition) in the internationalization of SMEs. In this research, the authors determine the internationalization process of the company as the duration of time a company has to take to achieve its first foreign transaction since it was established. Using quantitative method and case studies, the findings indicate that the capability of companies to utilize resources from different organizations, particularly from those companies in the co-opetition relationships, might be a crucial factor in explaining their internationalization. It might be deducted from the study that in situations where firms are pushed into international engagement by industrial forces, they should get ready to cooperate with business rivals to access various resources. In the internationalization process and in order to achieve first-mover benefits, business opponents are considered as a critical source for acquiring resources, particularly human, organizational and prestige resources. Moreover, business rivals may serve as the optimal sources of the newest information and technologies. As a result, it might be said that horizontal networks with competitors, or co-opetitive relationships, are possible to form and improve the development in the company's foreign sales (Chetty & Wilson 2003, 65 – 78).

Based on those studies, it can be concluded that motive of SMEs in taking part in co-opetitive relationships with MNCs or subsidiaries of MNCs is gaining international opportunities and creating favorable conditions for their internationalization process. These international opportunities can be achieved by accessing current existing global distributing networks and new foreign linkages, building up and establishing reputation in a global context, sharing of customers' inquiries, and increasing international knowledge. As a result, the internationalization process of SMEs will be faster and supportive.

2.2.3.2. Overcoming liability of smallness and newness

Small local firms may have to face some major challenges because of their age and size, namely liability of newness and smallness.

Liability of smallness indicates limitation regarding resources and capabilities, leading to susceptibility to constantly changing environments. In accordance with Aldrich & Auster (1986, 165, 179), the liability of smallness refers to the deficiency of capital resources, the difficulty to attract skilled workforce, and the constraint in handling administrative costs. Perspectives on liabilities of smallness is believed to assist in understanding why SMEs are at a drawback compared to their bigger business opponents, resulting in a higher rate of failure (Lee, Kelley, Lee & Lee 2012, 1). Large organizations or MNEs are possible to be in a better position in increasing capital, to receive better tax conditions, and to have advantages in recruiting skilled labors. Moreover, small local firms' size is generally related to a considerably narrow marketplace presence as well as insignificant market power, leading to the fact that local firms often are in a disadvantageous position in negotiations, especially with MNEs (Guercini & Milanesi 2016, 4 – 5).

Liability of newness was initially taken into consideration by Stinchcombe in 1965. It indicates to the fact that young and new firms have a higher probability of dying than old and established firms due to both their inability to compete effectively with established rivals and their low levels of legitimacy. Stinchcombe listed four disadvantages caused by this “liability of newness”, including learning curve disadvantage, process disadvantage, trust disadvantage, and systems knowledge disadvantage. Firstly, new firms include new roles, which require to be learned. However, whereas established firms can draw on their members’ experience in dealing with various specific problems, new firms have to rely on their members’ generalized experiences, which is not possible to be relevant to current firm’s problems. This creates learning curve disadvantage relative to established firms. Secondly, process disadvantage refers to organizational learning side effects, which are costly for new firms. Thirdly, new firms have to rely heavily on social relations among strangers, which leads to the fact that new firms are possible to suffer a trust disadvantage relative to established firms. Finally, a system knowledge disadvantage means a new firm is more likely to suffer from knowledge of how the system of exchanges works around them and how it can fit appropriately and profitably into this system (Krackhardt 1996, 159 – 160).

The study of the liability of newness is often linked to organizational mortality and business failures (Bruderl & Schussler 1990, 530). Besides, Choi and Shepherd (2005, 575) state that many studies and literatures on organization non-success presume that young firms are more likely to disappear than huge firms. Research has investigated three factors causing new firms failure, namely environmental, individual and firm-level factors (Guercini & Milanesi 2016, 3). At the environmental level, it is stated that political and industry trends happening at new venture founding are possible to influence its long-term existence. At the individual level, according to Preisendorfer & Voss (1990, 109 – 110) and Thornhill & Amit (2003, 500), a businessperson’s prior industry experience may have effect on a new venture’s existence. Finally, at the firm level, liability of newness associated with processes that are both internal and external to the organization might impact new firms’ survival. Moreover, prior research proposes that lacking perceived reliability, accountability, and availability with stakeholders is possible to result in other liability of newness that may hinder start-up firms survival (Choi & Shepherd 2005, 575, 576, 581).

Apart from the impact on organizational survival, new firms are believed to suffer from a *"liability of newness"* in securing debt capital. It is proven when Coleman (2004, 37) discovers that young companies are considerably less possible to possess lines of credit. This may be a serious challenge for tiny and new companies as a line of credit is a considerably adjustable kind of loan utilized for various commercial objectives. Next, even though young companies are considerably more possible to apply for a loan in the three-year period, they are considerably more possible to get rejected. Eventually, because young companies often assume that they would be rejected, they are significantly reluctant to apply for a loan. From the above reasons, capital constraints are more common for newer firms than established and mature firms (Coleman 2004, 46).

The liability of smallness and newness represent key challenges for new firms, causing unpleasant circumstances for them to operate. It is believed that by cooperating with their larger counterparts, new and small local firms can overcome those challenges related to liability of smallness and newness.

In comparison with larger companies, smaller businesses are often more at risk when coping with industrial forces due to several reasons. First, they usually have the tighter capital sources, leading to their constant excessive dependence on a single narrow product or service option and their inclination to depend on a niche consumer base. Second, they have to experience a considerably narrow market presence, which result in exceptional customers' inquiry unpredictability, threatening competitive campaigns, as well as inadequate suppliers/distributors assistance. Liability of smallness is another problem with small ventures. They often have challenges in increasing cash sources, insufficient tax benefits, and more considerable costs from local authorities in comparison with bigger counterparts. Lastly, particularly at the beginning stage of small ventures, businesspersons are considered not to be familiar with their responsibilities and the objectives of the company, leading to easily making various mistakes in practice. This issue can be described as liability of newness (Morris et al. 2007, 38). Morris et al. (2007, 38) said that these circumstances, described above, would suggest a strong motive for co-opetition within small firms. By engaging in co-opetitive relationships, small firms want to overcome the severely resource constraint and limited access in entering new markets. Co-opetition is considered to offer potential resources to the severely resource constrained firms. Besides, tight variety of resources and capabilities often prevents small ventures from efficiently performing R&D, which can lead to innovations. Therefore, relationship with competitors to improve and experience technological products it is not possible to create alone is also another motive of small firms. Moreover, potential scale economies that may be achieved are considered to be the other incentive explaining why small firms want to engage in co-opetition. Scale economies are possible to allow companies to reduce their costs, decrease capital spending, as well as expand to more markets. Finally, involving in co-opetition might develop organizational learning in important sectors in which the company is immature or is in need of resources (Morris et al. 2007, 38). It is also said in the same study by Morris et al. (2007) that young companies are more easily engaged in co-opetition than larger counterparts because of several reasons. Their fixed commitments are limited, operations are flexible, external networks are not well defined, and reputation and prestige are not well established in the minds of important customers. Besides, entrepreneurs are found to be more enthusiastic to experience various competitive choices than their counterparts in larger firms (Morris et al. 2007, 38 – 39). In conclusion, from this study, it can be argued that local firms, which often are small firms, take part in cooperative relations with competitors, especially subsidiaries of MNCs, due to willingness to overcome unpleasant circumstances described above. Those unpleasant circumstances are often related to liability of smallness and newness.

2.2.3.3. Social legitimacy and reputation

Social legitimacy can be described as *“a state of congruence towards laws, rules, and social values”* (Czinkota, Kaufmann & Basile 2014, 92). It is a perception that companies adjust to taken-for-granted standards. The importance of social legitimacy has been recognized by various researchers. For instance, Zucker (1977, 727, 729), in attempt to analyze the possibility of a company to maintain existence, significantly emphasized the usefulness of behaviors, which adapt to common guidelines, requirements, and rules of the reference circumstance, together with traditional elements such as organizational effectiveness (Czinkota et al. 2014, 92). Besides, Fan (2005, 347) expressed that efficiently communicating legitimacy associated with values is possible to create a distinctive competitive advantage for the firm. Regarding small companies, social legitimacy is even more important. It is stated that improving their social legitimacy is truly advantageous for organizations being on a low degree of marketplace legitimacy (related to market actors), such as small local companies (Czinkota et al. 2014, 92).

In particular, social legitimacy is considered as one of the motives by Alvarez and Barney (2001, 139) in the paper *"How entrepreneurial firms can benefit from alliances with larger partners"*. According to the paper, entrepreneurial firms engage in cooperative relationships with large firms in order to gain a social legitimacy. It is considered that huge companies often possess various organizational resources that a small venture desperately wants with the purpose of commercializing its technologies. Besides, huge companies might possess larger capital sources, which is vital for launching an inventive product to the marketplace. Therefore, an alliance with large firms can improve the economic prospects of entrepreneurial firms. However, it is noteworthy that there are often important differences between the extent to which large and entrepreneurial firms gain from an alliance. For example, whereas it is often uncomplicated for a huge company to study about a small venture's technology, it is usually extremely demanding for the small venture to study and grasp the huge company's organizational resources and capabilities. This difference between the rate at which large and small firms study about each other's resources, such as technology or management capability, might lead to serious problems for small firms (Alvarez & Barney 2001, 139). The research conducted by Alvarez and Barney (2001) also provides some suggestions for managers in small firms to overcome these problems. There are five alternatives that entrepreneurial firms can incorporate in their practices, namely performing innovation in isolation, decreasing the huge company's studying pace, utilizing an alliance contract, building trust, and taking various different resources to the partnership apart from an exclusive technology (Alvarez & Barney 2001, 140). Each option has its own advantage and disadvantage. Therefore, managers in small and entrepreneurial firms need to be careful in selecting which one is suitable for their firms. In general, it can be assumed from these above arguments that small and local firms might want to be in co-opetitive relationships with large firms or MNCs with the purpose of getting a social legitimacy, which in turn, helps utilizing large firms' resources needed to develop a technology or a product.

In contrast to social legitimacy, reputation is an impression that companies are unique in a positive way within their networks. Companies are seen as having good reputation when they are considered to be positively connected with the ultimate pattern of a specific social identity. There are different types of reputation. For example, the reputation built with customers regarding the quality of product that is supplied will be viewed as considerably distinct from the reputation built with communities around the firm, where people are likely to see the company as a good corporate citizen (Kuruppu & Milne 2012, 5). However, despite which kind of reputation is used, it is noteworthy that reputation is viewed as especially crucial for firms. In accordance with the resource-based view of the organization, reputation may be seen as resources, which are difficult to replicate, leading to competitive advantages over competing firms (Hillman & Keim 2001, 127). As a small company, positive reputation is one of the most important assets. It is considered that a favorable reputation will attract business better than any kinds of advertising. Nevertheless, gaining that positive standing is a process, which may last a lifetime. Co-opetition with MNEs or subsidiaries of MNEs is likely to facilitate small firms in the process of building good reputation.

According to Carlin et al. (1994, 10), there is an important motive addressing why small local firms want to do business with large competitors or subsidiaries of MNCs. This motive is related to reputation. According to the author, the enthusiasm for improving the company’s reputation or prestigious image might be a driving element in formulating of those multi-faceted linkages, particularly co-opetitive relationships. For instance, a modest mobile phone equipment supplier is keen on becoming a main supplier for a huge dominant firm although they are competing in particular marketplaces. The bigger firm, which is characterized as an international pioneer, will enhance the reputation of the small company (Carlin et al. 1994, 10).

2.3. Preliminary theoretical framework

A framework of motives of co-opetition between local companies and subsidiaries of MNEs is presented in Figure 5. According to the framework, motives of co-opetition consist of common motives and distinctive motives. Common motives can be related to resources and capabilities and innovation. In terms of distinctive motives, improving local linkages and improving strategic flexibility are believed to be reasons why subsidiaries of MNEs engage in co-opetitive relationships. Regarding local companies, three main motives are linked with internationalization process, liability of smallness and newness, and social legitimacy and reputation.

2.3.1. Common motives

With given literatures, resources and capabilities play an important role for firms in deciding whether or not to cooperate with their competitors. This is supported by both the resource-dependence perspective as well as the resource-based view perspective. In accordance with the resource-dependence perspective, firms are involved in the complex co-opetitive relationships in order to reduce uncertainty related to external resource dependence. Similarly, Quintana-Garcia & Benavides-Velasco (2004, 929) stressed the importance of gaining fresh knowledge and skills and getting access to complementary capabilities when firms decide to collaborate with their competitors. Sharing the same view, Bengtsson & Kock (2000, 424) stated that heterogeneity of resources and the ability to combine resources with competitor's resources are motives for firms in participating in co-opetition. Resource-based view theory also stressed the importance of the heterogeneity and the immobile of resources, which can be achieved by engaging in co-opetition.

Innovation and value creation are another motives of involving in co-opetitive relationships. Various researchers and authors consider innovation is the main reason why firms decide to simultaneously both collaborate and compete with competitors. According to Almeida & Phene (2004, 847) and Alvarez & Barney (2001, 140 – 141), MNCs are often interested in collaboration with entrepreneurial or local firms due to inventive capabilities that entrepreneurial firms possess. Similarly, Bouncken & Kraus (2013, 2060) and Ritala & Hurmelinna-Laukkanen (2009, 819 – 828) conclude that co-opetition has an important influence on innovations of SMEs. According to them, benefits associated with innovation are reasons why small firms are involving in co-opetitive relationships.

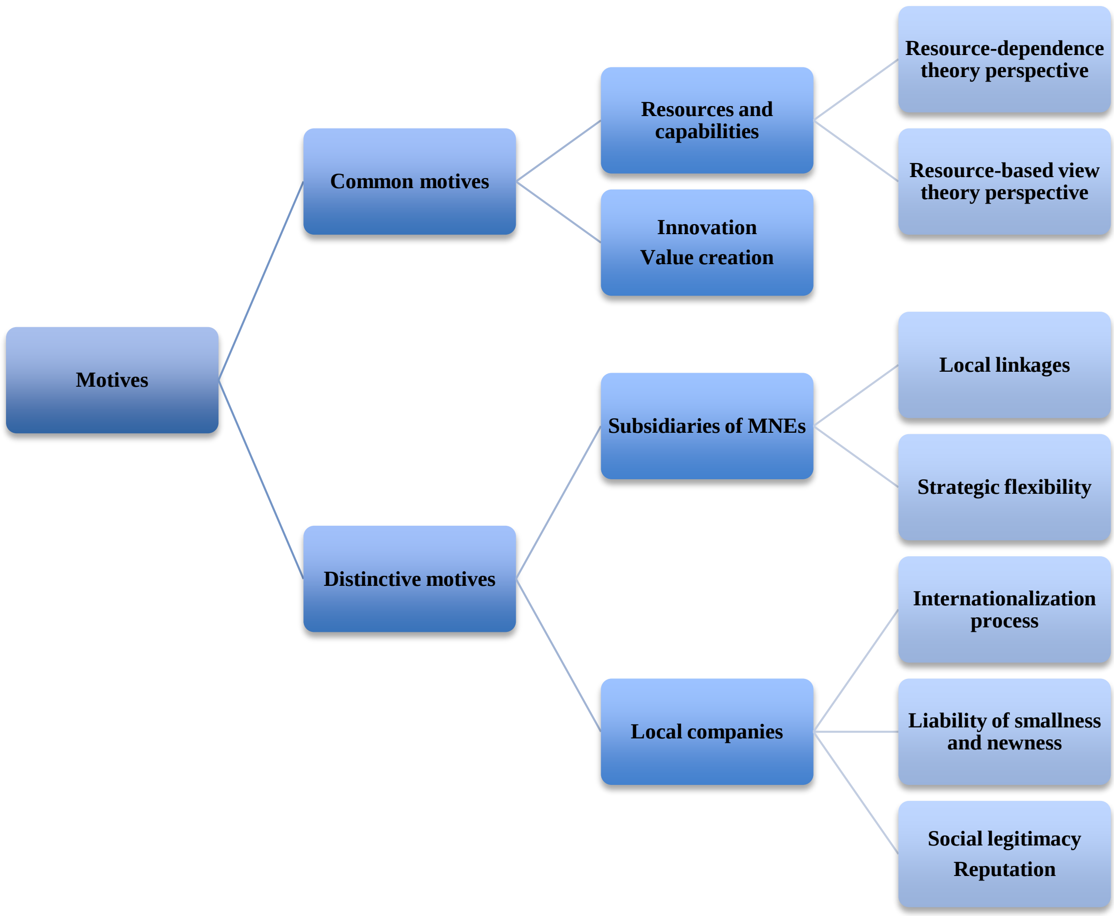


Figure 4: Motives of co-opetition between subsidiaries of MNEs and local companies based on previous literatures

2.3.2. Distinctive motives

Distinctive motives are presented according to subsidiaries of MNEs perspective and local companies perspective.

Regarding to subsidiaries of MNEs, Chen et al. (2004, 320) stated that subsidiaries involve in co-opetition with the purpose of investing in local linkages and local relationships. Consequently, they can improve their expected market performance as well as increase their tactical contribution in the progress of developing proficiency in other units of MNE as well as the whole MNE. Improving strategic flexibility is another motive for subsidiaries of MNCs in deciding to engage in co-opetitive relationships. Focusing on MNC – MNC co-opetitive relationships, Luo (2007, 129) concluded that co-opetition can bring some benefits, which are internalizing a partnering rival's skills, reducing the costs, risks, as well as unpredictability related to technological innovations, better competing locally as well as globally. Those benefits are believed to help firms to increase strategic flexibility.

In terms of local companies, previous literatures pointed out three main motives for involving in co-opetitive relationships, which are facilitating internationalization process, overcoming liability of smallness and newness, and improving social legitimacy and reputation. Both Kock et al. (2010, 118) and Chetty & Wilson (2003, 61) stressed the importance of co-opetition on the internationalization of small and medium-sized firms. According to them, co-opetition can help firms to gain international opportunities and create favorable conditions for their internationalization process. Furthermore, co-opetition is believed to help small firms to overcome liability of smallness and newness. Morris et al. (2007, 38) said that small firms often take part in cooperative relations with competitors, especially subsidiaries of MNCs, because of willingness to overcome unpleasant circumstances related to liability of smallness and newness. Finally, the ability to improve social legitimacy and reputation is the crucial motive explaining why small firms want to engage in co-opetitive relationships with their competitors. This is in-line with the work of Alvarez & Barney (2001) and Carlin et al. (1994).

It should be noted that those motives above are just preliminary motives based on previous literatures. All the above literatures are not primarily focusing on the co-opetitive relationships between subsidiaries of MNCs and local companies. They concentrated on co-opetition between MNCs and MNCs or SMEs and SMEs. That is why those motives presented in the initial framework need to be further investigated. This research will use the Vietnamese context and focus on MNE/SME relationships in order to bring more insights into motives of co-opetition between subsidiaries of MNEs and local companies.

3. RESEARCH DESIGN

After building the theoretical model of this research in prior sections, this chapter describes methods used for information gathering and analysis of which this thesis is based upon. The focus now is on the research design of the empirical study conducted among Vietnamese local companies in terms of their co-opetition behavior with subsidiaries of MNCs. In this section, research approach, data collection, and data analysis will be introduced. After that, the trustworthiness and limitations will be evaluated.

3.1. Research approach

Traditionally, there have been two approaches utilized in scientific research, including quantitative and qualitative research. These approaches are different both in their approach to measurement and their ontological assumptions and their basic epistemological stance. Quantitative research considers the reality as a solid formation. Reality is believed to happen in the concrete behavior and relationships. Theoretically, reality can be something, which is extraneous and actually existent. The social world may be considered as solid and actually existent as the natural world. Quantitative research is commonly used in creating and generating results that can be generalizable in all contexts. Besides, the main purpose of this kind of research method is testing theories and inferences with empirical data. In contrast, qualitative research is the case of subjective approaches, considering the reality as the projection of individual consciousness. The kind of research considers that nothing exists, except oneself, meaning that one’s mind can be equal to one’s world. Besides, in extreme qualitative research, the basic epistemological stance is to get phenomenological insight or revelation (Morgan & Smircich 1980, 492, 497). Although it is known that the precise nature of techniques are mostly dependent on the standpoint of the scientist and how the scientist decides to apply them, the perspective of this qualitative study is still that of the participants. According to Bryman and Bell (2007, 28, 425–426), the qualitative analysis is largely based on text rather than number, leading to the fact that the empirical data is often a source for an emerging theory rather than a mean for testing theory.

There has been some arguments that quantitative research strategies and qualitative research strategies should not be seen as mutually exclusive, instead of complementing approaches to research. Nevertheless, in practice, the division is still common in academic publication (Bryman & Bell 2007, 28). It is showed that the position of qualitative organizational research remains secondary compared to quantitative research. Traditionally, philosophical studies have strongly underlined the utilization of quantitative studies over qualitative. The responsibility of qualitative research has been considered as only an initial step when conducting a quantitative research project, rather than a reasonable research method per se.

However, it is clear that this research, because of the nature of its objectives and its research questions, is qualitative in nature. There are several reasons why qualitative research is chosen for this study. Firstly, qualitative research is useful when the study concentrating on discovering either a human’s understanding or behaviors, or it tries to reveal and comprehend an occurrence of which little is understood in advance (Ghauri, Gronhaug & Kristianslund 1995, 85). Both those purposes are suitable in the research where the second purpose is quite similar to the overall objective of the study.

The second reason refers to the number of samples required. This research needs to deal with strategy of local companies – co-opetition with subsidiaries of MNCs. It means that it needs to analyze opinions of managerial-level people in local companies and their counterparts in subsidiaries of MNCs. However, in practice, it is difficult to get large amounts of observations from managerial-level persons. Qualitative research requires only a confined small quantity of observations, when huge number of observations is required by quantitative method. It is proven that small quantity of observations facilitates the analyst in focusing more carefully on those particular observations and having more thorough research on them, which should be the core of this research. As a result, a qualitative research may be seen as the most appropriate one because the objective of the research demands comprehensively understanding of co-opetition.

Thirdly, it is difficult for quantitative research to take into account of complexity. Questionnaires methods, which are common in quantitative research, usually enable participants to reply in regards of basic “yes” or “no”, which are comfortably editable for statistical calculating. However, in this research, initially, the author did not have strong knowledge and inclination to specific subjects, utilizing quantitative option seems to be difficult in revealing pertinent obstacles through the very simple reply progress.

Last but not least, the qualitative research is specifically appropriate in a global circumstance where dissimilarities related to cultures are crucial factors. Quantitative studies usually view the social reality as something that exists apart from the actors. On the other hand, qualitative studies consider social reality as a conceptual idea constructed by the actors. In global commercial environments, the reciprocal action between parties often is in a circumstance where cultural dissimilarities prevail. These differences refer to a biased and transactional universe in which reality is constructed steadily as a consequence of social interacting. The nature of this research can be in an international setting where local companies need to consider co-opetition strategy with subsidiaries of MNCs.

Nonetheless, in spite of its benefits, it is noteworthy that qualitative research has its own troubles. For example, the relationship between theory and the empirical data might be one problem. It is reported that some analysts perceive that presenting the theoretical features is possible to make some of the uniqueness of the case disappear. Moreover, the researcher may be averted away from the inductive approach if they too strictly adhere to theory (Bryman 1988, 85-87).

Table 2: Distinctive features between quantitative and qualitative research (Modified from Bryman 1988, 94)

	Quantitative	**Qualitative**
Role of qualitative research	Preliminary	Ways of exploring of actors' understandings
Relationship between theory/concepts and research	Verification	Emerging
Research strategy	Organized	Unorganized
Image of social reality	Constant and external to actor	Progressive and socially created by actor
Nature of data	Concrete, trustworthy	Comprehensive, thorough

In summary, there are apparent distinctive features between those two approaches, which can be seen in table 2. However, based on some reasons analyzed above, qualitative approach is still suitable for this study.

Because the author of this study aims to investigate and comprehend a business question happened in real-life circumstances, case study research is being adopted. In accordance with Yin (1984, 13), a case study can be defined as an experiential enquiry investigating a current occurrence within its real-life surroundings, particularly when there are no clear differences between phenomenon and surroundings. Case study method is famous for providing essential means for analysts to investigate complicated occurrence within their surroundings. Besides, it is also well known as a useful method to produce or improve theory, evaluate projects, as well as create interventions if it is accurately suitable. That is why case studies are widely used in various subjects, such as business or sociology. Besides, case studies can also be applied in economics, with the purpose of investigating the economy of a city or an area (Yin 1984, 2 – 3). In this research, the Vietnamese context and SME-MNE relationship are being investigated. However, in International Business (IB) research, how to account for context has not been solved by IB scholars (Brannen & Doz 2010, 242; Redding 2005, 123). The dominant view of using case study in IB research is as a tool mainly for inductive theory-building. Nevertheless, it is stated that this view has restrained its theorizing potential, not only in regards of generating casual explanation but also of contextualizing theory (Welch, Piekkari, Plakoyiannaki & Paavilainen-Mantymaki 2010, 2).

Emphasis on contextualization		
Strong	**Interpretive sense making**	**Contextualized explanation**
Weak	**Inductive theory-building**	**Natural experiment**
	Weak	**Strong**
	Concentration on casual explanation	

Figure 5: Possible ways of theorizing from case studies (Adapted from Welch et al. 2010, 11)

By qualitatively analyzing contents of case studies issued in three journals, namely *"Journal of International Business Studies (JIBS), Academy of Management Journal (AMJ), and Journal of Management Studies (JMS)"*, Welch et al. (2010, 2, 11) constructs a typology offering three alternative methods for inductive theory-building, which is illustrated in the figure 5 above.

Depending on the proposition stating case studies are possible to provide causal explanations that maintain rather than eliminate the copiousness of surroundings, this research will try to use contextualized explanation method for theorizing from case studies.

Yin (1984, 47 – 50) classified case study research into single case studies and multiple case studies. Single case studies will be helpful when the case produces an important and crucial evaluation of well-constructed theory or if it is a distinctive incident or if it tries to reveal something unknown. On the other hand, multiple case studies are useful in helping the author to build a model applicable across organization sizes and types and to find out dissimilarities within or between the cases. Regarding this study, multiple case studies have been chosen. However, only two cases are selected because of several reasons. Firstly, the subject analyzed in this study is the complex one involving two contradicts, competition and cooperation. Therefore, the researcher has to comprehensively analyze in order to have a more thorough understanding of the business occurrence from theoretical viewpoint, consisting of challenging current ones as well as discovering new structures in theoretical connections (Dyer & Wilkins 1991, 614). Using more cases will result in the less effectively the author can analyze. Secondly, those two cases chosen include rich within-case evidence. As a result, those two cases are believed to bring adequate data, which should be sufficient to be an important and crucial evaluation for the objective of the research. Finally, time and resource constraint matters. As Ghauri & Grønhaug (2005, 204) stated, in qualitative studies, the possibility of being overload by considerable amount of data is higher providing that the research problem is not properly comprehended resulting in inaccurate data collection and irrelevant data. This has been even more challenging for the writer because of the complexity and vast nature of the subject. Therefore, choosing only two cases having rich within-case evidence would help the writer not to become overwhelmed by overload quantity of information in following stages of the research. Consequently, the utilization of two case studies in this study appears to be the most appropriate approach to help the author in seeking comprehension as well as theorising by introducing carefully experimental data to its readers.

3.2. Case selection

It is fairly sure that selection of cases is one of important factors in determining the outcome of the research. Whereas quantitative studies require random sampling, qualitative studies strive for purposeful sampling, which means, a sample that possess the features suitable for the research questions (Krippendorff 2004). That is why, in this study, the sample was not chosen randomly, but demonstrated the choice of particular cases with the purpose of extending the specific theory to a wide variety of firms (Eisenhardt 1989, 537). As a result, the case companies was selected depending on purposeful sampling as well as three following requirements:

- The firm operates in the Vietnamese economy
- The firm has Vietnamese ownership, and
- The firm has not only competitive but also cooperative relationships with one or several subsidiaries of MNCs

Initially, the researcher started with a list of 12 local companies that has relationships with subsidiaries of MNEs. This list was created with the help of the researcher's old boss. After that, the author sought to conduct some interviews and sent questionnaires to managerial level employees of those companies in order to find out whether or not they are engaged in co-opetitive relationships with subsidiaries of MNEs. After this stage, there are only 2 case companies suitable with the set criteria. Other companies only have either competitive relationship or cooperative relationship with subsidiaries of MNEs. Hence, two companies in two different industries were chosen. The selected case companies are the following: Company A and Company B. The two companies are different in some extents. They are located in two different cities, Hanoi and Ho Chi Minh City. They also have differences in organization scale. Company A is a small local company having a limited number of employees. On the other hand, Company B is a large-scale organization with various independent projects. Besides, they operate in two different industries with distinctive characteristics, real estate industry and gas industry.

Because of privacy matters, the companies' names were not shown on this research. Interviewees want their company's names to be kept anonymous. Several ways for keeping case companies unidentified include eliminating identities from the data analysis part, as well as covering the identity by substituting names with letters (Oliver 2003, 78). The second method was chosen. That's why we have two different case companies, Company A and Company B. The subsidiary of MNC, which is engaging in co-opetitive relationship with Company A, is named as Company AA. Then, the subsidiary of MNC, which is in the co-opetition relationship with Company B, is named as Company BB. The detailed description of those two companies will be presented in the next section.

3.3. Description of case companies

3.3.1. Company A

Company A is a small Vietnamese real estate and hospitality company. It is an association of local and international experts having profound experience and professional expertise in Vietnam real estate and hospitality market. The company has been providing various consultancy services to many large-scale projects to both local and foreign clients. They are considered to be having strong competitive advantages in Hanoi market because of uniquely strong in hospitality, pioneer in market knowledge, highly intensive experience, across all sectors and boundaries, and strict quality assurance procedure. Some of impressive track records of the company are listed as successfully delivering the professional study of Vietnamese real estate market to KB Assets Management (KBAM), delivering the valuation of the Imoso Factory and Workshop, or being the Vietnamese real estate consulting pioneer attending the world's largest yearly real estate commerce fair – MIPIM International. The overall information of Company A is shown in the table below.

Table 3: Company A information

Number of employees		10
Number of locations		1
Business areas	Virtual office & serviced office	Property development consultancy
	Property valuation	Hotels & resorts management
	Property market research	Investment sales & acquisitions
	Property sale & lease	Feasibility studies

The interviewee representing Company A, Mr. T.B, has been the director of the company since 2012. He has been in charge of every business field in the company from property valuation to property sale & lease, from virtual office & serviced office to hotels & resorts management.

The Company A is being engaged in co-opetitive relationship with a subsidiary of Company AA, which is a global real estate services group providing various solutions for customers at global, national, and local extents. The corporation is among the biggest and prestigious property services firms around the globe, serving corporate and occupier customers with an international, integrated end-to-end services and top-rated solutions for investing companies regarding investment, leasing, property and facilities managing, project and building consulting, valuating, and investment and asset managing. The multinational now operates across 225 offices in 45 countries.

Both Company A and Company AA are competing in the same real estate market. However, they have been cooperating in the property valuation market in northern Vietnam for around 5 years.

3.3.2. Company B

The overall information of Company B is presented in the table below.

Table 4: Company B information

Number of employees		10000
Number of branches		7
	Liquefied Petroleum Gas	Design consultancy
	Compressed natural gas	Supply of material & equipment
Business areas	LPG Cylinders	Installation and technology transfer of delivery systems of LPG, CNG, and LNG

Company B is a large Vietnamese gas company specializing in southern market of Vietnam. With more than 15 years of operation, the company has become one of the leading Liquefied Petroleum Gas (LPG) companies in Vietnam. It is stated that the LPG sales network of the company covers all provinces in the southern region of Vietnam. Moreover, in 2009, Company B was the pioneer company in Vietnam in getting the compressed natural gas (CNG) to market in order to serve the needs of use as fuel for industrial zones and transportations.

The interviewee, representing Company B, was Mr. H.T, one of the board members of the company. He has been working for the company for almost 10 years, having Bachelor of Finance & Accounting and Master of Business Administration. Because he is in the board of Company B, he is suitable for discussing about strategies of the company.

The company was competing and cooperating simultaneously with Company BB, a Vietnamese subsidiary of a Thailand gas company. Company BB is a well-known company in supplying residential and industrial LPG. During 5 years in Vietnam, BB has become popular to many Vietnamese customers and enterprises having a great brand reputation of safety and quality. Since operating in Vietnam, the company has been concentrating on only supplying LPG products, which is also the main product of the Company B. It can be witnessed that both companies are competing severely in LPG market. However, they are having a good cooperative relationship in exploiting gas activities from the sea. It can be said that both companies are competing on the end-user markets, but having cooperative relationship in Research & Development (R&D) area.

3.4. Data collection

The proof in case studies is possible to be qualitative, quantitative and a combination of both. Besides, the evidence in case studies is stated to include archives, interviews, questionnaires, and observations (Eisenhardt 1989, 534). Moreover, similar to Eisenhardt (1989), Yin (1984, 84, 88) also suggested that the evidence consists of *"documentation, archival records, interviews, direct observations, participant observation, and physical artifacts"*.

In this study, data was primarily collected from interviewing. It is proven that data from interviews is obviously among the most important sources of knowledge when using case studies. The reasons why interviewing was chosen in this research is that firstly they offer the possibility for the thesis writer to have thoroughly understanding about co-opetitive relationship of local companies. Secondly, because of the flexibility of an interview, this allows the thesis writer to find the objectives beyond the replies more distinctly and precisely, which is crucial in this research. Next, through interviewing, it is possible for the interviewer to involve in deeply discussing with the interviewee on a particular area of interest, and thus allow for deepening available information.

The interviews in this research are semi-structured, organized with the utilization of open-ended questions. In contrast to close-ended questions having available replies for the interviewees to choose from, open-ended questions make it feasible for interviewees to express their ideas independently. With this type of interviewing, the researcher prepares main subjects for the interview (Eriksson & Kovalainen 2008, 82). Then, themes were discussed in the interviews and categorized in the table below.

Table 5: Operationalization table

Research Motive	**Sub Motives**	**Themes**	**Interview Questions**
What factors drive co-opetition between local companies and subsidiaries of MNEs?	What are the roles of resources and capabilities in deciding to engage in co-opetition?	Resource-dependence theory perspective	1, 2, 3, 4, 5, 6, 7
		Resource-based view theory perspective	
	How could innovation affect the decision of involving in co-opetition?	Innovation	8, 9, 10
	How could co-opetition help subsidiaries of MNEs to improve local linkages and to improve strategic flexibility in Vietnamese market?	Local linkages	11, 12, 13, 14, 15
		Strategic flexibility	
	How could co-opetition help local companies to overcome challenges related to internationalization process and liability of smallness and newness and to improve social legitimacy and reputation?	Internationalization process	16, 17, 18, 19, 20, 21, 22
		Liability of smallness and newness	
		Social legitimacy Reputation	

Due to the characteristics of this research, all interviews need to be conducted with employees from the managerial level of all companies involved. The research is related to strategies of both local companies and subsidiaries of MNCs, and thus employees from managerial levels are definitely crucial for the interviews. Three directors, two from two local companies, one from the subsidiary of MNC, and one account manager from the other subsidiary of MNC were interviewed.

Table 6: Overview of the interviews

Company	**Interviewee**	**Time**	**Duration**	**Location**
Company A	Mr. T.B, Director	20.01.2017	2 hours	Company A office
Company AA	Mr. T.L, Director	27.01.2017	1 hour 40 minutes	Company AA office
Company B	Mr. H.T, Director of Sales	28.01.2017	1 hour	Company B office
Company BB	Mr. S.A, Account Manager	30.01.2017	40 minutes	Skype

In order to conduct those interviews, the thesis writer had to spend almost one month in Vietnam. Because it is difficult to get the confirmation from managerial level interviewees, it took so much time and effort of the writer. After the interviewees agreed to take part in interviews, the time was schedule, then each interviewee were informed about the themes he or she was going to discuss.

Three interviews were conducted in Vietnamese, one in English. Interview questions are presented in Appendix 1. All interviews were conducted in a friendly and encouraging manner. When interviewing, the researcher tried to keep the casual and flexible nature for the interview, so that all interviewees were possible to openly answer the questions. By doing that, it was possible for the researcher to gather adequate and correct information. Three interviews were conducted face-to-face while the researcher was in Vietnam at that time. One interview was conducted utilizing the online communication tools, through Skype, because the researcher could not arrange face-to-face interview with Mr. S.A, as he was very busy at that time. All interviews were taken note and then translated into English for later analysis. Unfortunately, records could not be done in interviews, as all interviewees did not allow for recording. Then the notes were reviewed by the researcher before sending back to the interviewees for their affirmation and edit of the given responses. Again, it took almost one month to finish this stage as the researcher had to wait for interviewees' responds. In overall, notes are pretty detailed and are helpful for thesis writer for later analysis.

However, it is no doubt that there were some problems and difficulties during the interviews stemming from the nature of questions and the communication method. In terms of open-ended questions, some interviewees understand the problems according to their individual approach, which can be somewhat dissimilar from the intention of the researcher. It could be account for the differences in background information, such as gender, age, as well as business experience. Regarding the online communication method, one interview was interrupted because of technical breakdown. It could be easier if this interview was conducted through face-to-face meeting. Nevertheless, despite all of those difficulties, the interviewees' openness and willingness for further discussion did allow the researcher to gather enough information as intended.

3.5. Data analysis

Once receiving feedbacks for interviews' transcripts from the interviewees, the data analysis began. Because of lacking recording, the analysis was definitely based on the notes, which was made during the interviews. Note taking gave the writer a substantial amount of raw information, leading to the fact that the writer had to double-check the notes. The first checking removed all unnecessary and irrelevant information, reducing the size of the note two-third. This is known as the data reduction, referring to the progress of picking, concentrating, simplifying, summarizing, and modifying the received data of the transcriptions from the interviews (Ghauri & Grønhaug 2005, 206). The second checking categorized information into the operationalization table (see table 5) according to the sub-questions of the research objective. This is useful for not only within-case analyzing but also cross-case analyzing. This method is known as thematisation in which the research data is organized to themes providing relevant information about the research topic. It is believed that thematisation needs to be aligned with the theoretical model of the research in order to be successful.

After all those interviews' notes had been organized into themes, the analysis was continued by using both within-case evidence and cross-case evidence. While within-case method mentions the separately analyzing of transcriptions of each interview, cross-case analysis refers to the evaluation of similarities and dissimilarities in the steps and processes of analyzing each case study. According to Eisenhardt (1989, 540 – 541), cross-case analysis is possible to help the writer to develop an overall comprehension about real-life phenomenon from several viewpoints.

The final stage of the analysis was interpreting the data by linking the data gathered with the objectives of the research, making juxtaposition, as well as concluding, with the purpose of finding answers to the research questions. This process is also known as pattern matching, taking a substantial amount of time. The result of this analysis was presented in Chapter 4.

3.6. Trustworthiness of the study

In this paper, the trustworthiness of the study is analyzed on the basis of four criteria, including *"credibility, transferability, dependability, and confirmability"* (Lincoln & Guba 1985, 301). It is considered that qualitative research cannot be evaluated on the same measures as quantitative research, but that new criteria need to be developed to measure its trustworthiness (Shenton 2004, 63).

Firstly, credibility is in preference to internal validity, a criterion that is usually applied in current quantitative studies. It is related to the familiarity of the researcher with the research topic and the adequacy of the data in order to justify the presented claims. According to Guba (1981, 80), establishing credibility is among the most essential elements in building trustworthiness. There are various ways a researcher can do to improve the trust that he has appropriately documented the occurrence under critical examination (Shenton 2004, 64). Some provisions can be utilizing well-known research methods, building a prior acquaintance with the culture of involved companies, adopting triangulation, using iterative questioning and frequent debriefing sessions, scrutinizing the research study, or carefully describing the occurrence with critical observation. This study was conducted in more than one year, which are long enough to guarantee that the author has developed the familiarity with the topic of the research. Besides, those academic articles and papers being utilized in the research may be considered as reputable and applicable in the subject of co-opetition. In terms of triangulation, which is believed as a suitable method to develop the credibility of a research, this research utilizes triangulation in two approaches. Firstly, the fact that interviewee represented different companies working in different sectors provides the study with various perspectives to the researched occurrence. Besides, these interviews' notes were subjected to member checks, which is the most crucial method for establishing credibility (Lincoln & Guba 1985, 314). Another factor increasing credibility is the use of operationalization table, which is well formulated and presented in the table 5.

Secondly, transferability in qualitative studies indicates to the degree to which the results of a study can be supposed to meticulously explain an occurrence or a set of occurrences in a population. Similarly, it is related to the probabilities of readers for applying the results of a study outside the specific surrounding. Cole and Gardner (1979, 167) highlight the important role of the analyst's communicating the boundaries of the research to its readers. According to them, the information on following issues must be considered before any attempts at transference are made (Shenton 2004, 70):

- The number of companies, which participate in the research and the place they are from
- Any limitations in the kind of persons contributing data
- The number of contributors participated in the practical work
- The methods utilized to collect data
- The number and duration of the sessions to collect data
- The duration over which the data was gathered

Transferability necessitates that the resemblances between the study and the prior studies be illustrated (Eriksson & Kovalainen 2008, 294). In this study, utilizing related articles in the literature as well as effectively explaining the gathered data and the progress of the study could assure transferability. However, the number of academic references was expected to be more considerable with the purpose of offering more thorough comprehension to current literature. Moreover, the empirical data would be more significant if various interviewees had been chosen from each case company. In spite of those weaknesses, it has been displayed that there are some resemblances in the findings of this research and in the prior studies. Therefore, it could be expected that the results of this research can be transferrable in some extent to other contexts as well, because the motives and benefits of co-opetition between SMEs and subsidiaries of MNCs are to certain extent common in separate industries.

Thirdly, dependability refers to whether the results of a research are unrelated with the biases and perspectives of the analyst. According to Eriksson and Kovalainen (2008, 294), it is the liability of the author to supply information about the research progress, which is required to be rational, traceable as well as documented. The data collection process in this research was carefully described in previous sections. The inspiration and background of this research is introduced in the beginning with the purpose of providing a comprehension about the objectives of this research. Next, the methodological section of this research was used in order to create the research approach, to clarify the methodological pattern affecting this study and to select suitable qualitative research methods. After that, subchapters about case selection and data collection are served to describe how the case was selected and the data was collected. Last but not least, discussing about data analysis informs how the information was analyzed, which can give a necessary understanding about how the findings of the research were reached. Moreover, all the interviews were noted and translated into English. In all of the interviews, there were no significant interruptions. There was only one minor technical interruption in one interview, but it lasted only few minutes. Besides, all the interviewees were also notified in advance about the topics, forming the main themes of the interviews. Therefore, all the interviewees had an initial idea of the subject of the interviews beforehand. Moreover, the author attempted to create an open atmosphere for discussing.

However, there might be a factor negatively influencing the dependability of the study. This is the researcher’s lack of experience. Previously, the thesis writer had not conducted any scientifically meticulous interviews and it might lead to inappropriate questions and the incapacity to examine deeply some issues. In contrast, earlier interviews were conducted while the process of literature review was not finished. This benefited the author in retaining a natural mind as well as discussing subjects freely from the perspectives of the participants. However, in following phases, the thesis writer expected to discover some certain issues and topics after finishing the academic literature review. This might result in some bias towards certain results.

Last but not least, confirmability requires no bias is accepted when the author is assessing data and the results could not be influenced by individual appeals or incentives (Lincoln & Guba 1985, 301). In another expression, confirmability is associated with connecting the results with explanations of the data in order that the reader will not face any troubles in finding the connections (Erikkson & Kovalainen

2008, 294). In this study, the interviews are carefully connected with the sub-objectives and the themes considered in the interviews are constructed depending on the sub-objectives, demonstrated in the operationalization table. Besides, the initial theoretical framework depends on the sub-objectives, discussing co-opetition motives, which are also the concentration during those interviews. Therefore, it could be expected that there is a well-built connection between the findings and the data. Theoretically, the study can be repeated. Nevertheless, in practice, if the interviews were conducted again, the findings would not be the same as the interviews were the consequence of the distinctive circumstance and the reciprocal actions between the participants engaged in the interviews. However, the analysis can be repeatable because case companies' co-opetition was analyzed dependent on the interviews and this was evaluated by comparing with the current literature. Furthermore, all the phases of the research are described carefully and rigorously, ensuring that there is no bias in evaluating and interpreting data.

4. FINDINGS

The objective of this chapter is to introduce the empirical results from the process of collecting and analyzing data. The first four sections summarize the findings reported in four sub-questions respectively. The first section addresses the roles of resources and capabilities in the decision of engaging in co-opetitive relationships: *What are the roles of resources and capabilities in deciding to engage in co-opetition?* The second section focuses on the importance of innovation: *How could innovation affect the decision of involving in co-opetition?* The third section concerns the third sub-question (in the perspective of subsidiaries of MNEs): *How could co-opetition help subsidiaries of MNEs to improve local linkages and to improve strategic flexibility on Vietnamese market?* The next section refers to the fourth sub-question (in the perspective of local companies): *How could co-opetition help local companies to overcome challenges related to internationalization process and liability of smallness and newness and to improve social legitimacy and reputation?*

Finally, the synthesis of empirical findings will be introduced. This section addresses the overall research question focused on this study: *What factors drive co-opetition between local companies and subsidiaries of MNEs?*

4.1. Resources and capabilities

In this theme, participants were asked questions regarding obstacles and difficulties associated with resources and capabilities and the role of co-opetition in helping firms to overcome those challenges and difficulties.

In the case of Company A, difficulties are mainly financial, human resources, and market knowledge constraints. The total number of employees in the company is only around 10 people. This leads to the fact that Company A could not handle many projects at the same time. For example, in conducting valuation reports, the company can manage around 5 cases everyday. If the total cases sent exceed 5 per day, it will become problems for the company to deliver valuation reports on time, leading to detrimental effects for Company A.

> *"There were some days, we received more than 10 valuation requests, which was very difficult to process those reports on time. Because for each report, we has to*

make an appointment with subject property's owners and inspect this property. After that, we need to come back office to search, evaluate, and calculate the estimated price. Then the report is checked before sending to international banks, which send those valuation requests. It already happened sometimes that we missed the deadline." (Mr. T.B – Company A)

The next problem is financial constraints. This challenge is common for newly founded companies. Company A is not an exception.

"For each valuation report successfully delivered, we receive an amount of money. However, sometimes, for those reports having subject properties in far places, transportation and accommodation costs for employees to inspect those places are too high. In some cases, money received could not cover for those costs. This leads to the fact that we have to refuse some valuation requests, which is harmful for our newly opened company." (Mr. T.B – Company A)

Limited market knowledge appears to be another challenge for Company A. As said by Mr. T.B, *"doing valuation reports require extensive real estate market knowledge"*. However, because of the company has been operating in this market for not so long time, it is difficult for Company A to deliver exceptional valuation and market research reports.

Engaging in co-opetitive relationships with Company AA is useful in helping Company A to overcome those human resource and financial constraints and limited market knowledge.

"When we receive too many requests at the same time, instead of refusing those requests, we outsource those requests to Company AA. This helps our company to not be overload in handling reports. Besides, for some remote and far subjected properties but near the Company AA, we send those requests to our partner. This will bring benefits to both companies. Moreover, for some reports requiring extensive market knowledge, we will cooperate with Company AA. By doing this, we are possible to deliver high quality market research and valuation reports." (Mr. T.B – Company A)

Being involved in co-opetition also helps Company A in gaining access to critical resources and capabilities belonged to Company AA. Those resources and capabilities are network resources and the method of conducting a report.

"Being small, it is difficult for our company to have various customers. Our customers are mainly from local banks or local companies. However, after participating in co-opetitive relationships with Company AA, we have received connections from international banks and companies, resulting in improving the diversity of our customers. Moreover, we can learn how to present and conduct a valuation report according to international standard and regulation." (Mr. T.B – Company A)

The importance of getting access to those vital resources and capabilities is highly valued by the director of Company A – Mr. T.B.

"When evaluating whether or not we should cooperate with Company AA, accessing to network and knowledge resources belonged to Company AA strengthened our decision to be involved in this relationship." (Mr. T.B – Company A)

Similar to Company A, Company AA decided to collaborate with Company A in order to overcome some difficulties related to resources and capabilities. Those difficulties are mainly time constraints. Having various customers from many provinces in Vietnam, it is difficult for Company AA to deliver valuation reports on time if some subject properties are too far.

"Having main office in Ho Chi Minh City, it is difficult for us to conduct valuation reports in Hanoi and northern Vietnam. By outsourcing some reports to Company A, it helps us to concentrate on our core business but still can offer various solutions to various customers. Besides, time constraints will not be our problems any more." (Mr. T.L – Company AA)

According to Mr. T.L, getting contacts from local customers and how to adapt to local customers are benefits they expect when deciding to cooperate with Company A.

"Company A is developing quite fast in valuation report market with increasing number of local customers. Through co-opetition with Company A, our company can improve our local network, resulting in increasing number of local customers. More importantly, we can learn from Company A how to adapt to local customers. Consequently, we can deliver valuation reports, which are well suited to local customers." (Mr. T.L – Company AA)

When talking about competitive advantage in Company AA, Mr. T.L said that they have greater human resources and economy of scale. While greater human resources allow them to accomplish more work at the same time, economy of scale enables them to set their product prices cheaper than small local firms to get better profit margins. Co-opetition with Company A brings them more work from local companies and local banks, resulting in strengthening their economy of scale.

"We know that we have greater human resources and economy of scale compared to other local companies. This makes us possible to serve more customers from different sectors." (Mr. T.L – Company AA)

On the other hand, the competitive advantage of Company A is their flexibility. This helps them to change rapidly with the purpose of adapting to highly unpredictable working surroundings. As said by Mr. T.B, giving the staff flexibility is the key competitive advantage of Company A.

"In our company, on some days, if having too many valuation requests, the workers do not need to go to the office. It will save time for them to handle as many reports as possible during the day. We judge our workers based on their performance, not their presence at the office." (Mr. T.B – Company A)

In summary, in the case of Company A and Company AA, resources and capabilities play an important role in their decision of engaging in this complex co-opetitive relationship. Co-opetition helps both companies to overcome their challenges related to resources and capabilities and to maintain their distinctive competitive advantage.

It is noteworthy that findings in the case of Company B – Company BB are quite similar to the findings in the case of Company A – Company AA. Both Company B and Company BB decided to engage in co-opetition due to the roles of resources and capabilities. For both companies, they need to invest on R&D so that they can maintain their competitive advantage in the local marketplace and to export their products, which need to be improved according to international standard. That is why they cooperate in R&D areas. As suggested by Mr. H.T:

> *"Gas industry requires extensive investment of R&D. Through engaging in co-opetitive relationships with Company BB, we have a variety of opportunities to access to new technology and knowledge. As a result, we can develop new and efficient products serving both local markets and international markets, resulting in sustained competitive advantage over other local companies." (Mr. H.T – Company B)*

Mr. S.A also confirmed the importance of accessing to resources and capabilities that his company does not possess, especially in R&D area.

> *"By collaborating with Company B in R&D, we can share the costs and risks related to R&D. Besides, they have some critical resources in R&D that will facilitate R&D process." (Mr. S.A – Company BB)*

In conclusion, from the 2 cases Company A – Company AA and Company B – Company BB, it can be seen that co-opetition happens because of the crucial roles of resources and capabilities. Those resources and capabilities, in turn, are possible to help those companies to overcome challenges related to resources and to sustain their competitive advantage.

4.2. Innovation

In four cases, three interviewees agreed that innovation plays an important role in encouraging them to decide to cooperate with their competitors because of benefits co-opetition can bring. As supported by Mr. T.L:

"We decide to cooperate with Company A as we believe that external learning from Company A can be a useful source of our innovative activities. For example, through collaborating with Company A, we know that their employees are given enough freedom for doing valuation reports, leading to higher productivity. Consequently, although we are a big company with many hierarchical levels, we still started to implement this approach step by step. We have already seen some improvements in employees' productivity." (Mr. T.L – Company AA)

For Company B and Company BB, as stated above, they are cooperating in R&D area. It leads to the fact that innovation plays an important role in deciding whether or not they engage in co-opetitive relationships. Their purpose is to improve their companies' innovative ability through co-opetition.

"Investing on R&D in this industry requires immense financial and human resources. Besides, the risks associated with innovation are high. Through co-opetition, we are possible to not only reduce the costs and risks associated, but also boost our innovative capability. We share the common knowledge base with Company BB, leading to the higher chance of innovation." (Mr. H.T – Company B)

This view was also supported by Mr. S.A:

"Our benefits we expect through co-opetition are to develop new products and to improve R&D activity in the lab." (Mr. S.A – Company BB)

As can be seen from above, benefits associated with innovation contribute a significant role in explaining why those companies engage in co-opetitive relationship. However, this might not be true in the case of Company A.

In terms of innovation, Mr. T.B said that innovation was not his reason why he decided to cooperate with Company AA, even though, co-opetition with Company AA has improved Company A's innovative capability.

"Actually, I did not think of innovation when I considered whether or not to collaborate with Company AA. We are a small local company; we have not placed considerable concentration on innovation. Through cooperating with foreign

company AA, we have learned how to conduct valuation requests and market research requests adapting to international standards and requirements. Although we can learn those knowledge from other sources, learning from Company AA is actually more efficient and effective.” (Mr. T.B – Company A)

As can be seen from Mr. T.B replied, co-opetition has improved Company A’s innovation ability. However, with Company A, innovation was not the reason for engaging in co-opetitive relationship. It just happened by coincidence that innovative ability has been improved through co-opetition.

4.3. Local linkages and strategic flexibility

In the case of Company AA, the importance of investing in local linkages in the decision of cooperating with Company A was confirmed:

“Investing in local relationships in Vietnam is the main reason why we decided to engage in co-opetition with Company A. Through co-opetition, we can access to local resources and knowledge, leading to improving our local networks. Improving local networks will help us to increase the number of our local customers. Besides, as I said before, cooperating with Company A enables us to well adapt to local market, which will increase our competitive ability in Vietnamese market.” (Mr. T.L – Company AA)

Furthermore, the effect of investing in Vietnam market to the development of the whole MNC also was supported by Mr. T.L:

“Every year, the headquarter in Germany organize the meeting for CEOs from subsidiaries around the world. In this meeting, we share what we learn from local companies. Those knowledge will be evaluated and applied to headquarter and other subsidiaries where possible. It may boost the development of other subsidiaries and the headquarter.” (Mr. T.L – Company AA)

Similarly, in the case of Company BB, the importance of investing in local linkages was also stressed.

"We decided to cooperate with Company BB as we want to improve our local network. Co-opetition will help us to improve local linkages in Vietnamese market." (Mr. S.A – Company BB)

Besides, the question of how investing in local linkages has positive impact on the development of the subsidiary as well as the whole MNC was also addressed:

"When co-opetiting with Company B in R&D, we are able to get access to some resources and capabilities that we are lack of in R&D. The collaboration is expected to improve out innovative ability, which might increase our competitive ability in Vietnamese market. Besides, we might share some improvements and innovations to headquarter and other subsidiaries as well. As a result, the whole development of MNC might be improved. More importantly, the success of co-opetition in R&D might lead to other areas we may cooperate with Company B also." (Mr. S.A – Company BB)

From those evidences from two case companies, it can be witnessed that improving local linkages is the important motive explaining why those two subsidiaries engage in co-opetitive relationships with local companies. It is also interesting to see that the improvement of local linkages has benefited the development of the whole MNCs and other subsidiaries and increased the subsidiaries' competitive ability in Vietnamese market. It happens because of the ability to get access to crucial resources and capabilities as well as the ability to innovate.

The evidences from those 2 companies also stress the importance of improving strategic flexibility in the decision of engaging in co-opetitive relationship.

"We are a big company with various hierarchical levels. Our decision-making process often is quite slow and complicated, leading to missing opportunities. Sometimes, we miss the deadline in delivering valuation reports and market research reports to our customers, because those reports need to be checked through so many people in charge. We decided to cooperate with Company A to expect that we can solve this problem. Through cooperating with Company A, we can learn and adapt best solutions from them, making our process quite fast now.

For example, some employees in valuation department now do not need to go to the office everyday, which speeds our process of making valuation reports." (Mr. T.L – Company AA)

The same view also can be seen from the Company BB case:

"We are a subsidiary of a MNC. We know our limitation in strategic flexibility. It is common in every MNC. As I said above, by cooperating with Company B, we can share the risks and costs related to R&D. I believe this will speed up our innovation process. Therefore, with technological improvement, I believe our strategic flexibility will be improved." (Mr. S.A – Company BB)

As can be observed from those two case companies, improving strategic flexibility is the important motive explaining why they decided to cooperate with their competitors. Through getting access to critical resources and capabilities and improving innovative ability, co-opetition will facilitate those firms in improving their strategic flexibility.

4.4. Internationalization process, liability of smallness and newness, and social legitimacy and reputation

Both local companies, Company A and Company B, stressed the importance of co-opetition in their internationalization process. According to them, the important reason why they decided to cooperate with foreign subsidiaries of MNEs is related to internationalization process.

"After 4 years focusing on local market, we wanted to go international. At that time, we did not have any experience finding and dealing with foreign customers. In order to go abroad, we decided to cooperate with Company AA, which is a prestigious company having profound knowledge and experience in real estate market." (Mr. T.B – Company A)

"We have been successful in Vietnamese market for several years. We used to export products to foreign markets; however, the revenue was not good. We realized

that our products need to be improved in order to be successful in international markets. Innovation needs to be considered. That is why we decided to cooperate with Company BB in R&D." (Mr. H.T – Company B)

Besides, both interviewees emphasized the roles of resources and capabilities as well as innovation in facilitating their firms' internationalization process.

"Cooperating with Company AA, our company can access to new international contacts, which leads to new international customers. Besides, through this relationship, many international companies know our name, which is good for our development. One more benefit is that we have increased our international knowledge, which is helpful for us to serve foreign customers. As I said above, sharing customers' enquiries is another benefit we get through this complex relationship. For example, we has been receiving valuation requests from Company AA, many of them are from international customers." (Mr. T.B – Company A)

Innovation, or learning new things, also has a positive influence on facilitating the internationalization process.

"Through this relationship, we are possible learn how to serve international customers, which is crucially helpful for us in our internationalization process." (Mr. T.B – Company A)

Similarly, although focusing only on R&D context, getting access to resources and capabilities in R&D is facilitating Company B's internationalization process.

"With effective investment on R&D, we have been producing products, which are better served international customers. Moreover, through collaborating with Company BB, we can build up and improve our identity in a global context, which are bringing international opportunities for us. Besides, Company BB is giving us the best source of recent information as well as resources related in R&D." (Mr. H.T – Company B)

To summarize, from two case companies, to facilitate internationalization process is the crucial motive why local companies are engaging in co-opetitive relationships with subsidiaries of MNEs. The ability to get access to important resources and capabilities and to effectively innovate through co-opetition is possible to help local firms on their ways of going international.

Liability of smallness and newness often causes key challenges for new firms, resulting in unpleasant circumstances for them to operate. It is considered that, in comparison with larger companies, small businesses are often weaker in dealing with environmental forces (Morris et al. 2007, 38). Both companies being investigated are not the exception.

In the case of Company A, it is a small local company with unfavorable conditions, such as little market presence or limited cash reserves.

> *"When the company was founded, I remembered we had to deal with many difficulties. We did not have enough money, leading to many constraints. Our business was relied on only the valuation market, with a niche customer base. Even on some months with not enough customers, we had to postpone in paying salary to our employees. Besides, compared to other companies, we had problems in raising capital and fewer tax advantages from local authorities." (Mr. T.B – Company A)*

Not a small company in Vietnamese market, Company B has not had similar problems as Company A. However, in international markets, Company B is still small and new, compared to other huge multinationals.

> *"Being successful in Vietnamese market, we have been trying to go international. However, we have various challenges in international markets. Our products are only exported and accepted in few foreign markets due to technological limitation. Therefore, we do not receive sufficient support from suppliers and distributors. Our revenues from foreign markets are also greatly fluctuated. Besides, in order to enter those markets, the costs from regulation are quite high for us." (Mr. H.T – Company B)*

Having dealt with various challenges related to liabilities of smallness and newness, local companies must find ways to overcome those challenges. Co-opetition is one option, which is believed to help local companies to solve those problems. Evidences from those 2 case companies confirm the importance of co-opetition.

> *"As I mentioned already, co-opetition with Company AA has brought us potential resources and capabilities. Having access to those crucial resources and capabilities, we can increase our customer base and market base, leading to more revenues. Besides, cooperating with Company AA has facilitated us in gaining new knowledge, so that we can better serve our customers. Now, our business is being expanded to other business areas, including serviced offices, hotel management, etc." (Mr. T.B – Company A)*

Although only focusing on R&D area, co-opetition still has greatly helped Company B in overcoming challenges related to liabilities of smallness and newness, especially in foreign markets.

> *"Collaborating with Company BB in R&D facilitates us in developing and using technologies that we may not develop by ourselves or may develop at a higher cost. With new technologies, we have learned how to serve foreign customers in international markets. Besides, out products have meet strict requirements from those foreign markets. It helps us to successfully enter more foreign markets. With increasing market base, we can receive much support from suppliers and distributors." (Mr. H.T – Company B)*

In summary, it can be concluded that one of the main reasons of local companies in cooperating with their competitors is to overcome challenges related to liabilities of smallness and newness. Through accessing to critical resources and capabilities and improving innovative ability, co-opetition has supported local companies in overcoming unpleasant circumstances caused by liability of smallness and newness, such as narrow customer base or limited cash reserves.

Regarding social legitimacy and reputation, evidences from two case companies stressed the importance of increasing social legitimacy and reputation in the decision of engaging in co-opetition. According to the interviewee from Company AA, positive reputation and social legitimacy are what Company A wants to seek from co-opetition with Company AA:

> *"We were a small company in the market. Not many customers knew our name and our business. Since engaging in co-opetitive relationships with Company AA, we have gained much attraction. Having our company's name attached with Company AA, we have been increasing our customer base and market presence, which are vital for our development. Company AA, which is recognized as a prestigious company, has greatly improved our image in the market. The better reputation we have in the market, the more opportunities and resources we can access." (Mr. T.B – Company A)*

Likewise, in the case of Company B, they have a quite favorable reputation and social legitimacy in Vietnamese market. However, in the international context, their reputation is minimal. The following citation exemplify what the interviewee said about it:

> *"We have had various customers from Vietnamese market, however, the situation in the international markets does not seem good. Through cooperating with Company BB in R&D, not only we can improve our innovative ability, but also we can increase our image. Our company's name is being shown in international conferences. We also start to have more customers from foreign markets, thanks to the participation in those conferences. Besides, with improved image and reputation, we can access to important resources and capabilities that we could not have access before, which greatly improve our business." (Mr. H.T – Company B)*

To conclude, from two case companies, local companies decided to engage in co-opetitive relationships with subsidiaries of MNEs with the purpose of improving their social legitimacy and reputation, which, in turn, will facilitate the development of those firms.

4.5. Synthesis of the empirical findings

This part tries to answer the main research question of the study: *What factors drive co-opetition between local companies and subsidiaries of MNEs?*

As mentioned above from the empirical data, the importance of resources and capabilities as well as innovation was stressed by all interviewees. It was in line with the current literature. Gaining access to heterogeneous resources and capabilities and having the capacity to combine those resources and capabilities with those of competitors are considered as driving forces for co-opetition (Bengtsson and Kock 2000, 411). It is also fostered by the resource-dependence theory perspective as well as the resource-based view theory perspective. In terms of the resource-dependency theory perspective, having access to invaluable resources and capabilities may help firms to reduce uncertainty related to resource dependence. In contrast, according to the resource-based view theory, having heterogeneous and immobile resources and capabilities is crucial for firms in order to gain competitive advantage.

In terms of innovation, innovation, especially innovation – related co-opetition is believed to be appropriate for incrementally improving existence products as well as services, and be an essential strategy of developing breakthrough innovations in specific conditions (Ritala & Hurmelinna-Laukkanen 2009, 820). Furthermore, large firms or MNCs are often interested in collaboration with entrepreneurial or small local firms due to their inventive capabilities (Barney 2001, 140).

However, current literature identified that improving resources and capabilities as well as improving innovation are motives of both firms in engaging in co-opetitive relationships. It was not confirmed by the data collected from the four cases. From the empirical data, resources and capabilities and innovation are not likely to be motives of firms, but are considered as means for firms to achieve other motives.

In regards of local linkages and strategic flexibility, evidences from the cases mentioned that improving local linkages and improving strategic flexibility are the important motives explaining why those two subsidiaries engage in co-opetitive relationships with local companies. It supported and confirmed the current literature. The importance of investing in local relationships for the development of the whole MNCs has been stressed in the literatures. For instance, Chen et al. (2004, 320) expressed that the investment in local linkages will facilitate in creating the platform for foreign-based activities, which help to develop the subsidiaries as well as the whole MNCs. Moreover, accessing to local resources and capabilities is believed to have positive impact on subsidiary’s market performance. Besides, if those resources and capabilities are being transferred to other subsidiaries, the overall competence of the MNE will be also improved.

In terms of strategic flexibility, Luo (2007, 129) expressed that MNCs following co-opetition are more likely to gain better tactical flexibility because of the larger number of tactical choices than those available through isolated rivalry or separated collaboration. Through co-opetition, they are possible to absorb competitor's skills, and decrease the costs, risks, and uncertainties related to innovation, which lead to improving strategic flexibility (Luo 2007, 131 – 132).

Regarding local companies, from empirical data, facilitating internationalization process, overcoming challenges related to liability of smallness and newness, and improving social legitimacy and reputation are motives explaining why they cooperate with their larger competitors. Those motives were also expressed in the extant literatures. There are several approaches for a company in their internationalization process, such as stage approach or network approach. In spite of which approach is used, co-opetition is believed to facilitate the internationalization process of the firm. In the internationalization process, competitors can be served as a crucial source from which to get critical resources, such as human, organizational as well as reputation resources. Moreover, competitors may possess the outstanding sources of newest information and resources (Chetty & Wilson 2003, 65 – 78). Similarly, Kock et al. (2010, 111) states that engaging in co-opetition is possible to bring foreign chances for the firms and therefore improve the competitiveness on the global marketplaces in various perspectives.

Increasing social legitimacy as well as reputation is highly important in the development of the firms. It is stated that improved social legitimacy is more likely to give a company a differential and competitive advantage (Fan 2005, 347). Similarly, in accordance with the resource-based view of the firm, reputation may be seen as resources, which are hard to replicate, resulting in competitive advantages over competing firms (Hillman & Keim 2001, 127). A positive reputation is considered to attract business better than any kinds of advertising.

Dependent on the empirical data gathered from case studies, the revised framework is to be recommended (see figure 6). In the perspective of subsidiaries of MNEs, two main motives are to improve local linkages and to improve strategic flexibility. Accessing to resources and capabilities and improving innovative ability are believed to help firms to achieve those motives. In the perspective of local companies, three important motives can be to facilitate the internationalization process, to overcome obstacles associated with liability of smallness and newness, as well as to improve social legitimacy and reputation. In those motives, resources and capabilities and innovation are supposed to help firms in their process of going international and their process of overcoming problems associated with liability of smallness and newness.

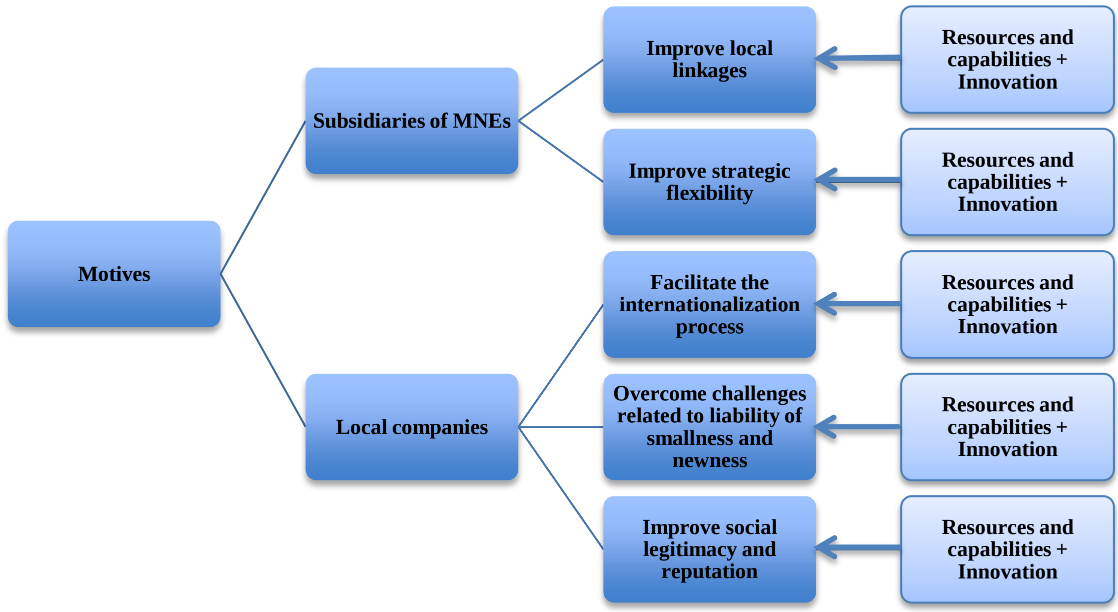


Figure 6: The modified framework

As discussed above, in the case of subsidiaries of MNEs, improve local linkages and improve strategic flexibility are important reasons explaining why subsidiaries of MNEs decided to engage in co-opetitive relationships with local companies. To achieve those motives, the importance of resources and capabilities and innovation should not be neglected. For example, in the case of Company AA, the interviewee stressed that accessing to local resources and knowledge will lead to improving their local networks. Besides, in the case of Company BB, improved innovative ability is believed to increase their strategic flexibility. It therefore seems that resources and capabilities and innovation are necessary for firms in order to accomplish those mentioned motives.

In the view of local companies, three crucial motives are facilitating the internationalization process, overcoming unpleasant circumstances caused by liability of smallness and newness, and increasing social legitimacy and reputation. The findings from case companies confirmed those motives. For instance, in the case of Company A, the interviewee stated that his company decided to cooperate with Company AA with the purpose of helping his firms to go international. Moreover, from two case companies, the importance of resources and capabilities and innovation should be taken into consideration. For example, because of having access to crucial resources and capabilities, Company A can increase their customer base and market sectors, helping them to overcome challenges associated with liability of smallness and newness. As a result, it is likely that resources and capabilities and innovation are essential for local companies so that they can get what they expect from co-opetition.

5. CONCLUSION

This chapter discusses and presents theoretical implications of this study. Besides, there are suggestions for managers of local companies and subsidiaries of MNEs. Limitations as well as implications for future studies are also considered. Those implications will be formed according to the theoretical review and empirical findings.

5.1. Theoretical implications

This dissertation was motivated by the question: *What factors drive co-opetition between local companies and subsidiaries of* MNEs*?* Qualitative data collected from case studies provides insights into important motives explaining why local companies and subsidiaries of MNEs engage in co-opetitive relationship. Based on the empirical findings, the researcher presents the model illustrating those motives. From the empirical findings, several theoretical implications can be suggested.

Co-opetition studies highlight motives of co-opetition between MNEs and MNEs or between SMEs and SMEs. Those motives can be accessing to crucial resources and capabilities, improving innovation, facilitating internationalization process, etc. My objective in this part is to introduce the theoretical contributions confirming and extending the insights analyzed in previous literatures, but specify in the relationship between local companies and subsidiaries of MNEs.

Firstly, my study confirms that facilitating internationalization process, overcoming challenges related to liability of smallness and newness, improving social legitimacy and reputation, increasing local linkages, and improving strategic flexibility are important motives of co-opetition between subsidiaries of MNEs and local companies. In other words, this study might be the first paper, systematically discussing co-opetition between local companies and subsidiaries of MNEs, identifies key motives of co-opetition specifying in the subsidiaries of MNEs – local companies context. The theoretical model facilitates readers in understanding important reasons that are possible to drive co-opetition in a specific context.

Secondly, my work adds new insights into existing literature. Earlier literature suggests that accessing to crucial resources and capabilities and improving innovative ability are reasons why firms engage in co-opetitive relationships (Quintana-Garcia & Benavides-Velasco 2004; Bengtsson & Kock 2000; Almeida & Phene 2004; Alvarez &

Barney 2001). Nevertheless, the research does not favor this result thoroughly as through empirical analysis, I realized that accessing to crucial resources and capabilities and improving innovation are actually not important motives of firms engaging in co-opetitive relationships. They are the processes firms need to do in order to achieve those mentioned motives. In other words, my study went beyond identifying motives of co-opetition, but provided a significant contribution in regards of understanding how co-opetition helps firms to achieve mentioned motives. The answer lies in the roles of resources and capabilities and innovation. For example, firms need to improve their innovative ability in order to facilitate their internationalization process. Similarly, having access to crucial resources and capabilities helps firms to increase their customer base and market sectors, leading to overcoming unpleasant situations associated with liability of smallness and newness.

Thirdly, this study contributes to conceptualize a hybrid strategy, accommodating in principle both competition and cooperation behaviors. This is an approach where competitors can exist together and intentionally follow co-opetition with the purpose of enhancing their position, resources, and capabilities. It is suggested that the more companies and managerial employees develop their comprehension of co-opetition, the more likely they will choose to pursue co-opetitive strategy (Dagnino 2002, 23).

5.2. Practical implications

Apart from above theoretical contributions, my dissertation is possible to provide some practical implications for companies who want to succeed in today’s business world.

Today, most firms consider themselves as business opponents in limited marketplaces, trying to surpass their competitors generally by decreasing prices (Chin et al. 2008, 437). It leads to the fact that most companies are facing intense competition. However, in my study, I put forward the view that company’s strategy may not always be intense competition. The findings from this research argue that co-opetition is possible to be a crucial strategy for successfully developing the firms in the future. Managers should consider co-opetition as a crucial tactical plan and try to assess co-opetition in their business sectors as well as improve their strategy for participating with competitors. As noted, it helps firms to achieve mentioned motives, which, in turn, dramatically increases the success of the firms. Besides, this research is possible to help Vietnamese industries to have better understanding of the nature and motives of co-opetition strategy management. Gaining awareness of benefits and motives of co-opetition can help firms in investigating and improving their co-opetition strategies.

Because the future of local companies, especially small local companies, may be filled with unpleasant circumstances and high uncertainty, they need to cooperate with larger competitors in order to facilitate their internationalization process, overcome obstacles associated with liability of smallness and newness, as well as improve their reputation and social legitimacy. Specifically in Vietnamese context, where receiving the considerable amount of FDI flows annually, the number of foreign subsidiaries of MNEs operating in Vietnam has been constantly increasing. It is possible to propose various opportunities for local companies to pursue co-opetition strategy with those subsidiaries.

Similarly, co-opetition strategy should be considered by managers of subsidiaries of MNEs as well. Deduced from the empirical findings, co-opetition is believed to help subsidiaries of MNEs to improve their local linkages and to improve their strategic flexibility by accessing to crucial resources and capabilities and improving innovation. Co-opetition, as implied in my findings, could be one viable strategy for managers of MNEs when entering foreign markets.

In overall, both local companies and subsidiaries of MNEs are required to be proactive, flexible, as well as broad-minded if they strive to be successful in a highly unpredictable and demanding international business surroundings. Companies are required to find new ways of doing business, with the purpose of surviving and increasing their competitiveness (Kossyva et al. 2014, 89). Co-opetition can be an appropriate option for practitioners as it tries to benefit competitive advantage deriving from both cooperation and competition.

5.3. Limitations and implications for future research

Before addressing future implications in regards of co-opetition strategy research, I will begin with the limitations of the overall study. Firstly, our research focused on only two cases from two industries. Consequently, the results should be understood with extreme attentiveness and are required to be evaluated through comprehensive empirical research in order to enhance its credibility and transferability.

Secondly, our empirical findings are mainly dependent on interviews. Although I have attempted to search for other sources of data to supplement for interviewing, it has to be admitted that it is challenging to gather official secondary data in Vietnamese industry, except for those on companies' websites. It leads to the fact that the author might be induced to several individual prejudices and mistakes in recall of managerial-level employees of local companies and subsidiaries of MNEs.

Thirdly, I focused only on motives of co-opetition between local companies and subsidiaries of MNEs. At this phase of the study, I could not effectively describe how co-opetition help firms to achieve those mentioned motives, especially in the case of improving social legitimacy and reputation. The roles of resources and capabilities and innovation were mentioned here, but it needs to be systematically conducted in future research.

Regarding suggestions for future research, those above limitations offer several opportunities. First, as stated, future studies, based on larger sample assessing the motives of co-opetition between local companies and subsidiaries of MNEs, are required in order to draw additional conclusions. Moreover, this research was conducted only in Vietnamese economy, which can be considered as a relatively small economy. Therefore, further research should be conducted in other economies as well.

Next, further research is recommended to employ various sources of information and methods to overcome those problems related to author personal biases.

Furthermore, in this study, I concentrated only on positive sides of co-opetition. However, co-opetition could have negative effects as well, which could be an essential topic for further research.

Finally, based on the conceptual framework and results in this thesis, further research could progress and organize more empirical research in order to further develop our understanding about co-opetition, especially in local companies – subsidiaries of MNEs context. For example, what are sources and methods for local companies in finding and developing global chances through co-opetition? What are factors affecting success of co-opetition strategy? How do local companies choose competitors to collaborate?

6. SUMMARY

In spite of various studies on co-opetition strategy, there is no research concentrating on motives of co-opetition between local companies and subsidiaries of MNEs. Therefore, this dissertation was motivated by the main question: "*What factors drive co-opetition between local companies and subsidiaries of MNEs?*" With the purpose of getting a thorough understanding of the subject, the below sub-questions are proposed:

1. *What are the roles of resources and capabilities in deciding to engage in co-opetition?*
2. *How could innovation affect the decision of involving in co-opetition?*
3. *How could co-opetition help subsidiaries of MNEs to improve local linkages and to improve strategic flexibility on Vietnamese market?*
4. *How could co-opetition help local companies to overcome challenges related to internationalization process and liability of smallness and newness and to improve social legitimacy and reputation?*

To answer the research question, the literature review was processed first in terms of co-opetition. This chapter presented in detail about definition and types of co-opetition and stated which definition and type of co-opetition may be suitable for this study. After that, the main part of the research, motives of co-opetition, was conducted. Utilizing current literature on co-opetition, the author presented the preliminary theoretical framework investigating motives of co-opetition in the local companies – subsidiaries of MNEs context. Those motives were divided into common motives and distinctive motives.

Chapter 3 interpreted how the empirical study was carried out. As stated, the research approach was a qualitative case study research investigating two case studies. Case studies were selected based on a number of requirements with the help of author's friends. Those requirements are:

- The company operates in the Vietnamese economy
- The company has Vietnamese ownership, and
- The company has both competitive and cooperative relationships with one or several subsidiaries of MNCs

The two local companies with two subsidiaries of MNEs were selected and introduced. They are Company A – Company AA and Company B – Company BB. The identity is kept anonymous because of the will of interviewees. Data was mainly collected through semi-structured interviews. Interviewees for the interviews were the actual employees at managerial levels of those case companies. They all have experience and expertise in this field, which are suitable for this thesis. Finally, the trustworthiness of the research was examined.

Based on the empirical findings, chapter 4 presented the conceptual framework introducing motives of co-opetition between local companies and subsidiaries of MNEs. In terms of subsidiaries of MNEs, those motives are to improve local linkages and to improve strategic flexibility. On the other hand, in regards of local companies, the crucial drivers are to facilitate internationalization process, to overcome obstacles associated with liability of smallness and newness, as well as to improve social legitimacy and reputation. Those motives were also compared with the preliminary theoretical framework in order to get new insights.

Last but not least, the theoretical and practical implications were introduced. The study indicated that co-opetition could be a crucial and feasible strategy for firms in the rapidly changing global business environment. Consequently, co-opetition should not be neglected by managers of local companies and subsidiaries of MNEs. The limitations of the research were also discussed. Because the study is mainly dependent on the cognizance of the participants in interviews and it examined only two case firms, the generalization might be limited. Future research should be conducted utilizing larger sample from different industries and different economies. Moreover, how does co-opetition help firms to achieve mentioned motives could be a suggestion for future research.

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APPENDICES

Appendix 1: Interview questions

SUB-OBJECTIVE 1

Resources and capabilities

1. I know that your company is cooperating with the competitor. Could you tell me more about the situation?
2. What are difficulties related to resources your firm has to overcome? For examples, is your firm in need of any critical resources that are belonged to other companies? Or is the cost of acquiring the specific resource too high?
3. How can cooperating with the competitor help your firm to overcome those difficulties or challenges?
4. In this type of relationship, how possible is that your firm can access to resources belonged to the competitor?
5. How do you think about the importance of getting access to crucial resources in the decision to co-operate with the competitor?
6. What is your firm's competitive advantage?
7. How could accessing to the competitor's resources help your firm to maintain and improve those competitive advantages?

SUB-OBJECTIVE 2

Innovation

8. Could you evaluate your firm's ability to innovate?
9. What are challenges your firm has to overcome in terms of innovation?
10. How could co-opetition help your firm to overcome those challenges and improve the innovative ability?

SUB-OBJECTIVE 3

Local linkages and strategic flexibility

11. How could collaborating with the competitor help your firm to increase the competitive ability?
12. Could you evaluate the importance of investing in local relationships for the development of the whole MNC?

13. How important is investing in local linkage in the decision of co-operating with the competitor?
14. Could you evaluate your firm's strategic flexibility?
15. How could co-opetition with competitors facilitate your firm in improving strategic flexibility?

SUB-OBJECTIVE 4

Internationalization process, liability of smallness and newness, and social legitimacy and reputation

16. Could you evaluate your firm's internationalization process?
17. How could co-operating with the competitor facilitate your firm's internationalization process?
18. Being small and new in the market, what are challenges your firm has to overcome?
19. How is collaborating with the competitor supportive in overcoming those challenges?
20. Could you evaluate your firm's social image and reputation?
21. How do you think about the importance of your firm's image and reputation on the development of your firm?
22. How could co-operating with subsidiaries of MNEs facilitate your firm in improving social image and reputation?