

# **The Combination of Competition and Cooperation in French Local Government: Toward A Specific Public “Coopetition”**

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## **ABSTRACT**

“Coopetition” is a phenomenon, generally studied in market economy, which establishes the necessity to unify opposing forces to confront a common threat or to gain a collective competitive advantage. Thus “coopetition” is derived from strategy of a network where it is neither about attaining a critical size nor of competing to eliminate its adversaries. It is, rather, a question of collaboration with the competition to protect the common good from destructive channels of activity, whether from a profession or from a technology. In this article we present the concept of “coopetition” in the sphere of public territorial management as inspired by the theoretical works by Bengtsson and Kock. To begin from a study of an exploratory case devoted to the cooperation of 169 communes in the Rhone Alps, and completed by an investigative team of nearly 250 territorial directors, we offer the results of that research. Within the limits of our field of investigation the observations of public management validate the current theory of private management. More precisely, “coopetition” among local authorities proves advantageous for protecting the common good, the well-being, of a territory, by zeroing in on compatible objectives among the territorial strata, to respect equality of principals in governance, and to avoid conflicts of interest in management teams following the steps of cooperation and/or competition.

## **Key words:**

“Coopetition”, Rivalry, Cooperation, Local Government, Public Service

## **INTRODUCTION:**

To extend one’s hand to one’s competitor without fear that he or she will bite it is a complex situation, but not a surprising phenomenon in today’s world. To describe this situation as somewhat against human nature, Nalebuff and Bradengurger (1996) introduce the term “coopetition”, a neologism that underlines the possibility of the existence of cooperation in competition. “Coopetition” is a paradoxical strategy of cooperation among rivals allowing them to attain mutual gains. This strategy plays out, not only in an informal manner, in the form of close alliances, but may be institutionalized in consortiums of research and development in common branches, in the network of similar contractors, in the sharing of distribution routes, but

it may also be established in research and development consortiums in agreement in the network of like-minded suppliers in sharing distribution circuits, in franchise agreements, or technological management. (Luo 2007).

In addition, what can present a problem in “coopetition” lies in diverse behaviors, when the collaborative game among rivals underlines the opportunistic risk (Bengtsson, Kock, 2000). Indeed, for a company “coopetition” is always paradoxical as it serves to reinforce performance, with the help of rivals, then to try to win segments of market to their detriment. “Coopetition” thus relies on a certain partnership of abilities and resources, with the risk that the benefits of partnership may be exploited in an opportunistic way when the competition retrieves its rights.

In this article we wish to explore the management of cooperation among “competitors” in the case of public services. At first it may seem inappropriate to transpose the concept of “coopetition” into the public sector in the sense that marketing competition generally doesn’t exist. Nevertheless, as for all managerial processes and concepts, the use of these concepts in the public arena can only be envisaged at the cost of clarification, precautions, and adaptation in these analyses. In fact we are going to concentrate our attention on local government management considering that different local authorities in France (departments, cities, regions. etc.) share administration of the same territory with the games of complementarity between the strata of decisions to share economic or social costs, and with the co-existing games of socio-economic and political rivalry, because of the cover of certain abilities from one area to another. On one side there is a stake of “coopetition”, on the other there is a stake of collaboration among the local authorities to bring about a public cognition, or to increase the attraction of their territory and, on the other side, may seem a form of economic rivalry in developing the resources, and a certain political rivalry and to win fairness for the citizen in the cause of general interest.

More specifically, we wish to gain better understanding of the methods of ensuring cooperation in the heart of territorial links having certain forms of political or socio-economic rivalries, which can manifest in order to defend or promote the territory as a common good. In order to treat this question, in the first section we are going to examine the theoretical principles of the management of “coopetition”. Then, as concerns the second section, dedicated to the empirical study of the phenomenon, we will analyze the manner by which the local authorities manage situations of “coopetition” conforming, or not, with the line of theoretical readings.

## **1. Analytical framework of “coopetition” in private and public sectors**

### **1.1 “Coopetition” in the public sector**

Is the phenomenon of “coopetition” ensconced in the private sector? At first one might suppose that the logic of collaboration among competitors is not transferrable to the public sector because of the non-commercial character of the activity. In fact, management of “coopetition” can well

be a subject of equal interest for public officials in varied circumstances. We will examine two situations: the joining of competitors in both public and private sectors, and the socio-economic relations or politics among public partners.

First of all the question of “coopetition” comes up in the hybrid economy when public establishments and private enterprise are brought together, especially when they are engaged in similar activities.

For example, the phenomenon of “coopetition” extends to the non-profit arena via the PPP (public and private partnerships) mentioned by Marty et al., (2006), namely when public participants need collaboration with other competitor participants from the private sector in order to improve productivity in services of general interest. In this case, “coopetition” can impose itself as a more legal way to be simultaneously competitive for public and private sectors without necessarily coalescing, to nationalize or to proceed to financial acquisition. This is the case of territorial regrouping in the health sector to fight against medical desertions, in mutualizing investments in public and private medical poles.

The question of “coopetition” is of equal concern to public establishments in the non-commercial area when they are urged to better protect the general interest, particularly in the management of cost of public expenditure even while being political rivals. Many factors, and certain public interests, incline toward these procedures. Thus, as Bartoli and Blatrix (2015) stress: *“Emblematic of a public action which establishes a competition between participant and territory the instrument of appeal to the projects, which developed long before the end of the 90s, establishes itself in this bent. One could equally evoke the development of “benchmarking” (“parangonnage” in French), “good practices”, and other showcased projects, all equally characterized by an ambivalence between the logic of emulation and the logic of competition.”*

The procedures of appeal to projects mentioned in this quotation can be particularly favorable to “coopetition” in the case of collective candidacy. In other situations they seem to revert further to competitive logic while ‘benchmarking’ seems the reverse, leaning toward favoring cooperation. Nevertheless, these practices often reveal themselves to be two-sided.

One of the areas which well illustrates these situations concerns local government management. For more than a century the French State has been trying to determine public spending in territorial organization, especially in the areas, more or less, of decentralization. In France major institutional reform, created by decentralization starting in 1982, has depended on two major modifications:

-The suppression of preliminary approval by the Representative of the State (the Prefect) concerning mayoral actions: this measure has often been summed up by the expression of, “suppression of guardianship” which is exercised *a priori* in administrative, financial, and technical domains.

-A transference of the sphere of certain missions, notably concerning the administration of the following activities: “solidarity”, rural development, local development, professional training, land development, urbanism...

The policy of decentralization in operational land organization relies on the principle of subsidy: it's a question, on one side, of conferring operational decisions to the local units nearest to the citizens in order to retain social cohesion, and also to mutualize all the local activities despite political differences, each time that economic efficacy exacts a level of aggregate responsibility.

In France the principle of subsidy between the State and local governments has, for a number of years, supported a “ bureaucratic yarrow ” made up of multiple links of increased competence susceptible to being somewhat redundant: agglomerative communities of townships, capitals, regions, departments, etc. Altogether there are more than 39,000 local government structures in France which represent 1,8 million people, about a third of public agents.

As a result these different territorial strata may be inclined to become rivals in a competition risking, each time, to disrupt public view in relation to ties with the citizens. To recapture the sense of general interest, it works well that the various levels of the decision collaborate with the local scale, both departmental and regional, even though those elected to head the levels may differ in public influence because of a relative overlap of talents. This is even more of a present actuality in France that public politics encourage sharing and coordination of activities toward the ends of strategic performance and budgetary economics.

What offers the theory on this subject?

## **1.2. Management of public “coopetition”**

For local government, undergoing permanent tension in governance between the technocratic power of the territorial directors and the political power of those elected, “coopetition” is always paradoxical, as it aspires to reinforce the attractiveness and well-functioning aspect of the territory, with the help of elected officials who are in potential disagreement, considering the possible stakes of future elections. “Coopetition” relies, therefore, on the reciprocity of technical abilities and financial resources, with the risk that the economic and social benefits of the partnership may be then used in the most opportunistic manner when political rivalry reclaims its rights.

“Coopetition” thus allows for obtaining an advantage in terms of public image with regard to the citizen, much better than each entity could obtain alone, on condition that contradictory tensions can be managed in spite of connivance and rivalry, without submitting to opportunism and without marked imbalance between contribution and retribution. For that reason, it's necessary to anticipate absolute care of managerial practices capable of preserving the autonomy of each

and to value the mutual dependence of all. Through inspiration by the works of Bengtsson and Kock (1999), it is possible to show several principal styles of management of “coopetition”:

-To reduce conflict of interest, it seems preferable to separate the logics of action, cooperation, and competition, in the scheme of the nature of public competence in local management. This concerns local government, which manages multiple areas of public competence in the sphere of a portfolio of activities: transportation, health, education, commission of streets and highways, security, civil matters, property, urbanism, etc. Collectivism can thus cooperate with rival groups within the areas of competence, and give one’s self over to political battle in other areas of competence.

-It can also be a question of separating cooperative actions and agreement among local government units functioning as a strategy for the creation of value in public service. It is thus recommended to a local government to cooperate with rival public units for activities having the least electoral impact for citizens belonging to the same territorial jurisdiction. In reverse, it works to exercise a public policy that is little dependent on other neighboring local governments in the heart of the profession, that is to say, for activities that determine the electoral battle.

-To avoid conflicts of interest in “coopetition” between local groups, it is important to divide responsibilities of different teams according to the nature of the relationship, with a team of territorial frameworks involved in rival projects. This dichotomy must avoid conflicts of loyalty for different territories in regard to those elected from the local collective.

On the other side the origins of good management, which each local authority can apply to itself, cooperation derives, above all, from collegial governance to manage mutual dependence among public establishments. Thus, in order to avoid differing behaviors and conflicts of power in the playing out of “coopetition”, it is important to introduce a form of democratic government based on equality for each partner in the power of collective decision, transparency of information of each partner with regard to the others, and collegiality in decision making.

These different mechanisms can help in overcoming the absence if either hierarchy or mutual supervision of deviant+ behavior and conflicts of power by pressure toward conformism among the joint territorial directors.

## **2. The view of territorial directors on their practices of “coopetition”**

Our empirical research relies on two complimentary sources: one exploratory case study on a region, and an inquiry via questionnaires<sup>1</sup>. The examination of the exploratory case study comes

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<sup>1</sup> These two work routines were brought about between September 2012 and February 2013 in the form of a partnership Laboratory of Larequoi Research Management and The Association of Territorial Directors ADT-INET

from a presentation by a territorial director<sup>2</sup> on the process of elaboration of an urban poll in Rhone-Alps, completed by validation and realization by him almost two years later. The inquiry was brought about through questionnaires to several hundred members of the Association of Regional Directors with a return of 252 workable responses<sup>3</sup>.

## **2.1 Study of an exploratory case: a metropolitan *pole* in Rhone Alps**

The metropolitan pole studied constitutes the cooperation of 139 municipalities consisting of almost two million inhabitants.

We are, hereafter, presenting the testimony of a territorial director<sup>4</sup> on the creation of this vast pole. The creation of this metropolitan pole results in the regrouping of four neighboring EPCI (Public Establishments of Intercommunity Cooperation), which could be considered as rivals in public planning. These four public establishments worked as a network to create a metropolitan pole in Rhone-Alps, bringing together a group of almost 140 municipalities with 2 million inhabitants of a discontinuous territory without common borders. This cooperation, broken off in 2008 by ruling broken off by mutual consent among three presidents of the EPCI, two left-wing from the Socialist party (Grand Lyon, Saint Etienne Metropole) by an elected UMP of the right, (a Viennese community), and by another elected president of the CAPI (Community of Agglomeration of the port of Isere).

The creation of the metropolitan pole took place in May of 2012 with the official objective of shining a light on the territory formed by the union of four EPCI, on the scale of European, even worldwide, cities, in such way that none of the isolated partners could attain on their own due lack of resources, abilities, and political support.

The playing out of cooperation is, first of all, brought about by informal meetings (presidents, general directors), and then by establishing structures of like areas with mixed groups of technicians chosen and brought about by a pair of two different local government units. Each of the four partners in the agglomeration will designate a vice- president of the new plan of urbanization. On the level of the executive, representation in these instances of governance is established on an equal foundation (one EPCI-1 = 1 voice). This principle of strict equality of treatment is respected whatever the size of the agglomeration. The composition of the metropolitan counsel obeys the rules of proportional representation required by the texts. In addition, a revolving chairmanship is established among the four partners with an equal sharing of responsibilities in different commissions. The structure of the metropolitan pole is very

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<sup>2</sup> Presentation at the ADT / INET LAREQUOI-ISM conference: “What is the role of managers in territorial “coopetition”?” February 5, 2013 at the University of Versailles St-Quentin in Yvelines, France.

<sup>3</sup> Annie Bartoli, Blendine Remiot, Fatima Yatim: “The Role of Managers in Territorial “coopetition”, The Results of the Inquiry”. LAREQUOI-UVSQ / ADT-INET February, 2013

<sup>4</sup> Testimony from Mr. Frederic Pin, Director General of CAPI Services during two periods: February, 2013 and January, 2015, which have allowed an analysis of evolutions during that period.

informal with four positions attached to it along with the establishment of five posts of equal terms by the partners. Any change of government must represent unanimous decision as stated by the General Director of the CAPI, one of the concerned intercommunal establishments. *“An agreement of governance exists among the four presidents: all decisions concerning the extension of the pole to a new member or on the directing of the pole by a new course of action, must be made unanimously. It is an essential matter of function.”*

In the Rhone-Alps region, the local authorities can consider the metropolitan pole as the emergence of a new power by which it is possible to have political influence in all decisions concerning the extension of the orientations of local development, or on the choices of implementation. In return, the pole influences the decisions of the other partners. In order to avoid the risk of political instrumentation the metropolitan pole takes on a very loose legal structure by which there is no transfer of rights. The EPCIs retain their prerogatives of responsibility within their perimeter; the metropolitan pole develops new prerogatives on the scale of a broader perimeter. Several actions are inscribed in the roadmap: culture, public transportation, economy ... For example, the pole is associated with the Region in order to have a joint management for collective transportation. Nevertheless, relations between the metropolitan pole and the region remain complex. For example, rivalry remains exacerbated with the departments and the Regions which have not joined the pole, and who wish to embody political leadership into the territorial ladder. Thus the metropolitan pole may appear both as an outside threat and as an opportunity for the partners on the inside. The metropolitan pole responds, above all, to a real need for collaboration between local authorities in the long term, beyond political rivalries, as underlined by Frederic Pin, *“The political changes following the municipal elections of March, 2014, have not questioned the functioning of the pole and its principles. However, three new presidents and two changes of the political board have been instituted (...). However, after several months of discussions and meetings, the 4 EPCI are reengaged on the same foundations. A new agreement on the presidency was passed (...). The common benefit prevailed.”*

This description of an innovation process clearly shows the complexity among local authorities, which offer various types of cooperation and rivalry. While being emblematic of a particular case is, this experience is not unique in France, where other comparable situations arise quite clearly in the research.

## **2.2. Inquiry into conceptions and practices of territorial “coopetition”**

The inquiry took place between September and December of 2012 and welcomed the receipt of 338 responses of which 252 were complete and usable. Half of the respondents are general directors of local authorities, most of the others being chiefs of service or commissioners in public administration of France. 75% of the responders considered the recent evolutions of the context of French local government to be numerous: multiplication of the cases of local public

action, tightening of procedures, development of systems of and communication, augmentation of the logic of work networks... These different factors contribute, according to the majority of the leaders, to encouragement of joint procedures of cooperation and competition, therefore forms of “coopetition”.

So, if three quarters of the respondents were not familiar with the term..”coopetition” before responding to the questionnaire, 39% considered that the concept corresponds to their experience of like combinations of cooperation, and competition. For a quarter of the respondents these two dimensions are not necessarily antagonistic when they are practiced under certain constructive conditions. The examples cited concern three very different domains of competence of the territorial managers.

The inquiry thus confirms that territorial “coopetition” is a reality even if it is not always easy to render it concrete or permanent. Actually, diverse difficulties of putting it into practice may grow all at once in organizational and financial areas for the mountain of papers given the complexity of certain procedures most often cited constraints are the mechanics of egos or difficulties of governing which evoke overvaluing.

Despite these difficulties, 71% of the correspondents confirm that the local authorities can, at the same time, cooperate and also be in competition, particularly if certain positive conditions are present, such as clarification of the sharing of powers and work practices within the network. Diverse examples are offered, of which many concern the allure of the territories: *“Two territories can receive an industrial implantation to compete for trade but can still ally with each other so that it does not go elsewhere but still, “The agreement among local authorities will be able to be, more or less, in agreement assuming that one takes on a strategy of regional or national concurrence, whether interregional or purely local.”*

Nearly a quarter of the respondents offer examples of procedures combining both cooperation and rivalry in which they have, themselves, had the opportunity to engage. These concrete examples particularly concern: a charter on Habitat, a network of towns, in a State-Region Plan, a decree of terms of management under the auspices of agglomeration, etc.

The research likewise reveals that many see a promising synergy between the logic of “coopetition” and the values of public service, such as general interest, solidarity, mutability, or adaptability. According to a director, *“ These two approaches can be complimentary in uniting innovation with competition and solidarity in accord with cooperation.”* In addition, the fact of promoting a principle of “coopetition” seems viable for continuation, in a more or less ethical manner, according to the abeyance, *which* governs it. It is, in any case, the conclusion at which certain respondents of the inquiry arrived, which expressed the following forceful idea. *“ In the ranks of public service one must approach this question with lucidity and arrive at respect for*

*the ethic of public service when it concerns these projects which are brought about by coopetition.”*

## **CONCLUSION**

Collaboration in competition is a generalized practice, not only in the sphere of market economy, but equally in the management of local government. Our exploratory research relies on a study of the realization of a survey by questionnaires, which demonstrates that the theory of “coopetition” can be applied under adaptive conditions in the field of public management. The empirical observations, which we have realized, underline that collaboration of rival local authorities on the political level makes sense from this moment where one takes into consideration two scales of analysis: the global scale which encourages the local units to collaborate to allow, “for the common good”, territory to shine on a national and international level; and the local scale where it is normal for democratic debate by which elected officials meet face to face for neighboring political competition. So it is that competition among local authorities can be imagined in the interest of public need of shared costs in citizen interest to retain the proximity of elected officials in the interest of the area to attract appropriate investors and players in order to preserve employment. To continue along these lines it is, however, wise to avoid certain stumbling blocks in the management of “coopetition”, in leaning on certain rocky principles extricated by literature and confirmed by our empirical research.

Within the perimeter of “coopetition” it is expedient to align local collaboration, which brings added value in the bureaucratic yarrow in connection with the stratum of neighboring territories, with the nearby territorial strata of a more local plane, without redundancy or a superfluity of words. That requires acting in concert by the ensemble of public involvement on the scale of public participation in their ensemble. In addition it is advisable to assemble a strategy of collaboration, which plays out in the peripheral domains distant from the heart of the preoccupation of nearby elected officials, in order to avoid situations of excessive rivalry among the partners. Finally, it’s a question of reflection on the matter of once more insinuating the initiation of safeguards in order to avoid situations of excessive rivalry among the partners.

So it is a question of reflection on the governance of “coopetition”. This governance must respect democratic principles in equal distribution of power, whatever the *size* and stakes of the partners, in guaranteeing transparency of information, in offering collegiality in decision making, in creating a charter of rights and duties to guarantee confidence in bringing in an outside mediator should arbitration become necessary.

Finally, in the preparation, working up, of “coopetition” it may seem expedient to separate the teams in charge, whether it be of technical collaboration, or political rivalry, in periods of elections, in order to avoid conflicts of interest with regard to each local collective. These results

must be shaded because of the singularity of our case study and the limited capacity of our quantitative investigation requiring more definitive depths. It would be highly useful to pursue the analysis of concepts and practices of cooperation / rivalry of participants with regard to territorial yarrow, to understand better the margins of the maneuvers of the layout of said collective territories. It would be equally necessary to specify the values of public service in the proceedings and to understand the role that they can play in the specificity of “coopetition” in territorial overview.

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