PARTS

Idea In Short

Since Coopetition flows from Game Theory, Adam Brandenburger and Barry Nalebuff suggest to view your company's strategy formulation process as a game. To shape your strategy, Brandenburger and Nalebuff suggest using the Value Net Model alongside their PARTS approach.

To architect a the Value Net strategy, identify all the five essential components, abbreviated as PARTS:

- Players
- Added value
- Rules
- Tactics, and
- Scope

PARTS

The PARTS approach helps describe the basic questions you need to ask yourself:

Players

The obvious first task in the PARTS approach is to categorize who the relevant players are and what roles they play. The company should determine the players in the game or relevant industry that it operates in. The players encompass customers, suppliers, competitors, and complementors. The company must assess each player and determine the potential for a future strategic alliance. The company should also identify external players who are not part of the industry, especially if they bring value to the table. In terms of shaping strategy, a company should think about whether bringing in additional players can work to its advantage. For example, additional suppliers thelp decrease costs. Likewise, additional

complementors increase the value of your products to customers. Questions to ask in this context are:

- Who the players are in the game? Divide them into customers, suppliers, competitors and complementors
- What are the opportunities for cooperation and competition with each of the various players?
- Are there any parties you could potentially form a strategic alliance with?
- Who else could or should join the industry? And who stands to gain or lose if they do join?

Added value

Added value measures what each player, in each role, brings to the table towards a potential alliance. You should consider Added value in the context of two players joining forces to create value for customers or suppliers. In addition, think about your own company's sources of value i.e. competitive advantage. The VRIO Framework or a Value Chain Analysis could help with this. Try to raise your added value or lower the added values of other players can make yourself a more valuable player. Some ways to raise your added value are tailoring your product to customers' needs, build a brand, use resources more efficiently, etc. One the other hand, creating competition among your suppliers, controlling production to generate shortage of your products, using commodity parts in your products, etc, are some possible ways to lower the values of others. Questions to ask in the context of PARTS approach are:

- Are there any ways to combine forces to add value for suppliers or customers?
- What is your company's added value?
- How can you increase your company's added value?
- In particular, can you create loyal customers and suppliers?
- What are the added values of the other players in the game?
- Is it in your interest to limit their added values?

Rules

Each industry and market has rules and regulations. Some are written and enforced by law, some unwritten, but are generally accepted practices. Regardless, a business should

identify the players in their industry. Other players can remove some of these obstacles through partnerships and collaboration. An example of that could be a "most favored nation" clause where a customer insists in a contract with a supplier to get the best price that any other customer might also get. Questions to guide the PARTS approach are:

- Which rules are helping your company?
- Which are hurting your company?
- What new rules would your company like to have?
- In particular, what contracts do you want to write with your company's customers and suppliers?
- Does your company have the power to make these rules?
- Does someone else have the power to create, enforce and overturn rules?

Perhaps there are certain rules of the game that can be changed in your favor by collaborating with the right parties. Explore them!

Tactics

Tactics are defined as:

> actions that players take to shape the perceptions of other players

Competitive business is a complicated, dynamic, and uncertain game. Businesses themselves often use tactics to influence the way other players in the game perceive them – primarily in an attempt to modify their behavior. Each of the players has an idea i.e. a perception of the situation and strategies of the other players. Ultimately, each player is uncertain about the reality others' situations and strategies.

> When Netscape tried to compete against Microsoft with their new browser, they entered into a price war which they would ultimately lose. However, if Netscape had informed Microsoft of its tactics to occupy a very small and niche segment of the browser market, there is a possibility that both browsers could have co-existed harmoniously. Scope

Questions to ask in this context are:

- What actions can one player take to shape the strategies, actions and perceptions of other players in the market?
- How can you deliberately send signals that influence other players' perceptions?
- Which perceptions would you like to preserve?
- How do your moves, in turn, influence their actions?
- Which perceptions would you like to change?
- How do other players perceive the game?
- How do these perceptions affect the play of the game?
- Do you want the game to be transparent or opaque?

For example, spending more on advertising might signal that you have more confidence in your product or service and that your business is going well. There is an element here of figuring out to what extent it is in your company's best interest to have the market rules be very transparent or rather opaque.

Scope

Scope describes the boundaries of the game. Managers should constantly evaluate the possibility of expanding or shrinking those boundaries. By their very nature, games are not static entities. Since they are constantly evolving over time, it is important to set clear boundaries from the outset. Business managers should always be prepared for the possibility that the scope expands or shrinks according to fluctuating market conditions. Similarly, industries are often not isolated, but linked to other industries instead. Particularly, recent examples show that the software, hardware, media, e-commerce, advertising and telecommunications industries are interlinked. Or, players in some industries have taken deliberate strategic moves to pro-actively link them. Regardless, they key is to ask what industries could potentially be linked, how your company could create added value from linking your products and services to that industry, and how that may affect the perceptions and actions of other players.

Summary

Coopetition offers a completely new way of looking at the industry. Instead of fierce competition between other players in the industry (e.g. suppliers and competitors), it is perfectly possible to collaborate and come up with solutions that would benefit all players in the game. It allows a shift from a zero-sum game to a win-win situation. The Value Net and the PARTS approach may help to identify possible industry players to cooperate with. Moreover, the Value Net is a nice extension to Porter's Five Forces since it includes the Complementors component. Especially since it is getting more and more important to remain flexible and innovative as a company, strategic partnerships with other companies (including competitors) sound like a great way to sustain competitive advantage.